Brazil, world's biggest debtor, is not paying

The Brazilian government had already signaled its contingency plans for breaking the rules of the IMF game during the summit on April 26-29 between Brazilian President João Figueiredo and Mexican President Miguel de la Madrid in Cancún, Mexico, which resulted in a commitment to begin integrating the two economies through barter trade, which is frowned upon by the IMF. The agreement that Brazil will supply Mexico with vitally needed foodstuffs in exchange for Mexican oil sidesteps the need for dollar credits currently obtainable only with IMF approval; the level of two-way trade is expected to quickly expand by ten-fold. The summit statements described Brazil and Mexico as setting the pace for all of Latin America. (See *EIR*, May 10 and May 17.) Now Mexico and Argentina are actively considering important bilateral barter deals on the Cancún model.

Unable to meet debt payments, Brazil has simply stopped them during the past month; private banks cut back their former level of short-term financing, and Brazil fell further into arrears. California's Wells Fargo, for example, is still waiting to see the $152 million in short-term debt due it on April 11.

Planning Minister Antonio Delfim Netto has played the fox within the IMF cage, performing remarkable contortions to try to live up to the letter of the "conditionalities." Netto's subordinates continue to tell the world that Brazil is achieving a $6 billion trade surplus, and therefore no debt renegotiation is required. Delfim's statistical wizardry (upon which *EIR* has reported for many months) now prescribes, for example, counting as exports unsold coffee moved to warehouses outside Brazil's borders, while oil that has been shipped from abroad is not tallied as an import until it is consumed.

The West German business daily *Handelsblatt* chose to alert banks and businesses in a droll fashion, confining itself to pointing out that the (on paper) $1.45 billion trade surplus of Brazil in the first-quarter of 1983 was the result of cutting imports by 20.9 percent, and that a large group of skeptics charge that the $606 million surplus in April is only possible if all Brazil's unpaid oil bills are ignored.

On April 12, Langoni said "no" when asked whether Brazil was really $1 billion in arrears. On April 19, one of his subordinates told foreign bankers that Brazil's arrears totaled $999 million.

As of May 9, Brazilian and U.S. banking sources in New York estimated the arrears at no less than $1.7 to $2.5 billion.

New financing needs above and beyond the early-1983 "jumbo" packages are $3-$4 billion, according to the best estimates. The government had imposed austerity dutifully enough to cause riots. Yet it is unwilling and unable to meet all the "conditionalities" for slashing the budget and the money supply, Milton Friedman-style, which would require shutting down the economy altogether.

What seems to bother the IMF the most is Brazil's internal debt: the IMF had set a limit of about $5.5 billion growth in domestic debt for the entire year, but the rate of growth is now already four times that high—largely as a result of the 23 percent "maxi"-devaluation of the cruzeiro.

Officially opening the electoral race to choose his successor, Figueiredo declared on May 5 that the nation's next president must "have great sensitivity to the real basis of the progress of the individual, namely, education, and employment. The Brazilian population has grown a great deal . . . and rightly wants its expectations attended to during the next period of government."

The political scene is shaped by those industrialists who won a victory at the Brazil-Mexico summit with the barter arrangements. The head of the Brazilian state oil company, Shigeaki Ueki, said in an interview with *EIR* published May 17 that of course Brazil must make every exertion to live up to the IMF's demands—but after that, Brazil may have no other recourse than collective debt renegotiation. The annual conference of the Construction Industry Chamber of Commerce issued a manifesto on May 4 calling for "the immediate and nondeferrable renegotiation of the foreign debt."

The organization's president, a close friend of Figueiredo's who had been in the Brazilian delegation to the summit, affirmed that "It is unacceptable that Brazil's immense physical resource potential, which could bring the country back to economic and social growth, be ruined by recessive policies, which by idling resources—including the noblest ones, human resources—cause massive waste of wealth, of progress, of opportunity, and of the national heritage."