

Brazil's president moves to halt austerity policy

by Mark Sonnenblick

Brazilian Planning Minister Delfim Netto has been losing his hold over his country's economic policy ever since the April 26-29 Mexico-Brazilian summit meeting in Cancún, Mexico. This puts in doubt his ability to fulfill promises that Brazil will further tighten its belt. Even when Delfim seemed to hold the reigns of absolute power in Brazil during the first quarter of the year, he could not enforce his austerity commitments, as the auditors from the International Monetary Fund (IMF) have discovered.

Delfim's sidekicks, Finance Minister Ernane Galvêas and Central Bank president C.G. Langoni spent a week in mid-May shuttling between Wall Street and Washington pledging tighter internal credit, lowered real wages, and another \$3.1 billion in budget cuts. But even that failed to shake loose the loans needed to pay Brazil's growing debt arrears. Brazil is alive with rumors that the economic troika will soon find themselves comfortable jobs in research institutions.

"The star player on Brazil's debt renegotiation team is President João Figueiredo," the U.S. Treasury's Tim Macnamar told a dinner honoring Galvêas May 19. Figueiredo, however, may deal with Brazil's falling ever more behind in the debt game by changing the rules. He is showing less and less willingness to see his country inflicted with spiraling unemployment, riots, and the destruction of the most advanced industrial capability in the developing world.

"People close to Figueiredo are arguing he should abandon the current focus on achieving the \$6 billion trade surplus at all cost," a Wall Street political risk analyst informed *EIR*. Those who believe Delfim's pledges that Brazil will submit itself to whatever levels of austerity are needed to restore "banker confidence," ignore that Brazil has changed as a result of Figueiredo's April 26-29 summit with Mexican president Miguel de la Madrid.

Changing the political rules

Bankers have been so fixated on watching the economic news from Brazil that most of them are totally uninformed of the way Figueiredo has been laying the domestic political base for bidding "good bye" to Brazil's would-be economic controllers. General Figueiredo is having a public "love affair" with Rio governor Leonel Brizola, the silver-tongued populist who represents the menace of a moratorium on the foreign debt and re-orientation of economic effort towards creating jobs for the unemployed. Although Figueiredo dis-

agrees with Brizola's socialist rhetoric, he has made it clear that his political opening—symbolized by Brizola's return from banishment—will be preserved, and that Figueiredo is unwilling to accept the high levels of repression needed to enforce the Delfim-IMF program.

After Brizola was elected governor of Rio November 15, savants believed sectors of the military would stage a coup to prevent him from taking office, or else would make sure he was cut off from Federal funds and destroyed.

Instead, Figueiredo has made a political deal with the most popular leader of the opposition. He invited the long-banished Socialist to the presidential palace for a long and friendly meeting May 2, and returned the visit in Rio a bit later. The exact nature of the deal is not yet clear. "It's possible I will marry Brizola," the president is reported by Brasilia gossips to have mused at a late-May cocktail party; "and, if there were no resistance from my sector [the army], I would join his party."

"This is an interesting message to the foreign banks and to sectors of the army," commented an expert Brazilian observer. Figueiredo wants nothing more than to guarantee that Brazil will remain stable and that the democratic opening he has pursued will not be frustrated even after his term expires in 1985. Brizola has proposed that Figueiredo's term be extended two years to be followed by the first direct elections for president since the generals took over in 1964. All opinion polls now show that Brizola would win such elections.

Taking back Brasilia from Delfim

The nation-building tendency inside the Brazilian government has shown a remarkable resurgence at the expense of Delfim's monetarism since Cancún:

- The summit was a resounding repudiation of Delfim's pledges to bankers that Brazil would give up its Third World oriented foreign policy in return for U.S. government debt bailouts. Delfim could only wander around Cancún insisting, "These meetings are merely political; I handle Brazil's economic policy.";

- Former foreign minister Azeredo da Silveira, whose claim to fame is the "special relationship" he formed with Henry Kissinger starting in 1976, is being demoted out of Brazil's Washington embassy; his replacement, ambassador Sergio Corrêa da Costa, arranged Brazil's 1960s' link with the U.S. Atoms for Peace policy that brought Westinghouse to build Brazil's first nuclear plant.

- Shigeaki Ueki, the president of Petrobrás, the state oil company, had been forced to submit his resignation; this would have decapitated the keystone of the state sector companies which have fought tooth and nail against anti-growth austerity policies. Petrobrás particularly has used its economic might to save many national industries from bankruptcy. Former president Ernesto Geisel moved to Ueki's defense and Figueiredo kept him as head of Petrobrás.

These signs show that, if pushed too hard, Brazil may give the banks a costly surprise.