

Will Brazil ditch the IMF's austerity?

by Mark Sonnenblick

The corridors of Brasilia were alive with rumors on May 29 that President João Figueiredo was preparing an about-face on Brazil's subordination to its creditors and the International Monetary Fund (IMF). What made the rumors credible was Figueiredo's uniting with the presidents of Argentina, Mexico, and Colombia in their May 19 call for a Latin American meeting to seek common grounds against intolerably high interest rates on their international debt.

Then, visiting Tokyo May 25, Figueiredo stressed to ambassadors of all the Latin American nations they must "seek a common posture in the face of the foreign debt problem." He was also reported to have persuaded Japanese Prime Minister Nakasone to present the arguments of the incipient "debtors' club" to the London economic summit.

A country which had been radically polarized against Figueiredo for his hated IMF policies and his refusal to tolerate direct elections to the presidency suddenly rallied behind his hard line against the creditors. Planning Minister Delfim Netto, who has orchestrated what Figueiredo himself terms "the worst crisis in our history," could only gripe about the foreign ministry robbing him of control over debt policy and the widespread rumors Figueiredo had fired him.

Suddenly, Brazilian nation-builders perked up from the despair of watching the country they hoped would become a Japan go down the road towards becoming an Iran. The new mood was captured by Senator Severo Gomes, who had served as Industry Minister under President General Ernesto Geisel, Figueiredo's still-powerful predecessor, but since joined the opposition Brazilian Democratic Movement Party (PMDB).

Delfim Netto rumored dismissed

São Paulo industrialist Gomes explained to the daily *Folha de São Paulo* that Figueiredo might have dismissed Delfim Netto and Finance Minister Ernane Galvêas as the first step by Figueiredo leading to a break with the IMF before June 30. "Then, the chief of government could announce to the nation that he had broken with the Fund, proposing a supra-party alliance to face the challenge."

Gomes said the opposition would provide Figueiredo with

the required "political cover" for such a daring turn by allowing him to extend his presidency by two years in order to concretize it. He suggested that by reallocating the \$10 billion now drained in interest payments from Brazil annually to the task of rebuilding the domestic economy, Figueiredo could finish his term loved by Brazilians, instead of hated.

But the key point brought up by Gomes was that by revoking Brazil's surrender to its creditors, "the government would reunite its base of military support by incorporating the nationalist line of General Andrada Serpa into its platform." General Serpa had won for his "National Sovereignty" slate a third of the vote in the May 16 elections in the Clube Militar. The Clube Militar is the association of military officers which hatched many a coup before the one in 1964.

Military support for debt moratorium

For the first time since 1964 such significant opposition to the military regime's policies has emerged from inside the military. General Serpa's "National Sovereignty" program centered on immediate unilateral debt moratorium and immediate direct elections. His strong vote suggests majority support in the military for debt moratorium, since much of the military has joined with Figueiredo against holding direct elections now.

Although Figueiredo announced he did not want his presidency extended beyond 1985 and that he had not fired Delfim, the tide has turned. The powerful São Paulo State Industrialist Federation (FIESP) called for the immediate global renegotiation of the foreign debt and a five-year moratorium on it. Even conservative Governor Tancredo Neves, the presently leading "consensus candidate" for president, who had been soft on Delfim, jumped on the nationalist bandwagon.

He described the declaration of the four presidents as "the most important economic-financial event of these last ten years. It is the first energetic manifestation of resistance of the peoples in development to the pressures and oppressions of the capitalist creditor nations. It is an exceptional development, a position which we have been demanding, not just me, but all the opposition in Brazil. The coming meeting of planning [sic] and foreign ministers must have concrete results. This is the first posing in objective terms of a non-unilateral, negotiated, moratorium by the Third World nations."

If Delfim does not depart to get "paid his weight in gold" at the IMF, he will have to start playing for Brazil. His foreign trade director Carlos Viacava is promoting trade agreements just signed with Argentina and others still being negotiated with Mexico and Uruguay as "the embryo of a Latin American Common Market."

As Argentine President Raul Alfonsín stated in an interview published in Brazil, "I think it is indispensable for Latin America that Brazil and Argentina define an authentic position of liberation."