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Creditors move in to grab Brazil's equity

by Silvia Palacios

In view of the impossibility of Brazil meeting the $13 billion in interest payments due on its foreign debt this year, as agreed to in its latest signed letter of intent, the International Monetary Fund (IMF) and Club of Paris creditors have agreed to yet another renegotiation of that country's debt—but this time only if Brazil agrees to hand over the reins of its economy, at least through 1999.

This is the first time that the IMF and the bankers have publicly acknowledged their dictatorial scheme. To ensure iron vigilance over the Brazilian economy, the U.S. State Department has placed Kissinger agent Langhorne Motley in charge of the case.

The "export miracle" that Brazil achieved in 1984, in which a trade surplus of no less than $13 billion was accumulated to help meet that year's debt service, will not be repeated this year. By ignoring the economy's considerable reinvestment needs last year, the Brazilian government has guaranteed that the country's physical plant and equipment—the foundation of the productive economy—is now exhausted. The magic act will not be repeated this year, because there are no more rabbits in the hat.

Already, as of the first quarter of 1985, the trade surplus was nearly $300 million less than the same period of the "miracle year." The government has asserted that the economy can manage $9 billion in interest payments this year. To make up for a 29% budget deficit and to provide for investment that would allow for 5% growth of the economy—as the new government under José Sarney has pledged—at least $4 billion in "fresh money" is required. Stated another way, what Brazil needs and is determined to invest is minimally $8 billion.

But the creditors have no intention of providing any "new money." This was already stated bluntly by William Rhodes, coordinator of Brazil's creditor committee, to Finance Minister Francisco Dornelles, during the latter's trip to Washington, D.C. in mid-May. In addition, just before the minister's delegation went to Washington to negotiate its eighth letter of intent, Brazilian Central Bank Director Carlos Lembruger was forced to admit that "one of the problems in the renegotiation is that the Club of Paris could demand IMF supervision for the next 16 years."

The Sarney government does not appear willing to accept such surveillance and is considering freezing negotiations with the Fund for six months.

The Kissinger plan

Brazil's financial crisis has attracted Langhorne Motley, outgoing Assistant Secretary for Inter-American Affairs at the U.S. State Department, who arrived in Brazil on May 13. In addition to making clear his intent to win Brazilian support for a U.S. military adventure in Central America, the day after his arrival, Motley invited leaders of all the various political factions in power to a dinner at the residence of U.S. Ambassador Diego Ascencio.

Motley's evaluation, following fierce arguments about the foreign debt over the dinner table, was unveiled at a later meeting of the Brazilian-American Chamber of Commerce. "The region hopes to continue its growth with $47 billion a year in new money, [which] will be refused by the financial community," he declared. "Therefore, the debtor countries will have to resort to creative solutions." Such as: Kissinger's plan of exchanging debt for equity (giving the banks a chunk of the nation's equity instead of debt payments); an unrestricted, open-door policy toward foreign investment; and the re-privatization of key sectors of the economy presently in the hands of the Brazilian state.

At a seminar organized several weeks before by hated monetarist and former cabinet minister Mario Enrique Simonsen, another *de facto* State Department agent outlined a scheme for Brazil to sustain the usury of the international bankers. Massachusetts Institute of Technology Prof. Rutger Dornbusch, an associate of Simonsen, suggested that it would be preferable for Brazil to postpone its debt payments and capitalize the interest, while applying an internal "adjustment" program involving "a salary freeze and no investment in strategic areas."

Under such an arrangement, "the banks would have to accept a postponement of interest payments and the U.S. would be free of risk in sending combat troops to Brazil in the face of a disintegrating economy and popular rebellion, or of a leftist government hostile to [the United States]."

The dictatorship that the IMF, the bankers, and Kissinger seek to impose has the support of the political faction led by Sao Paulo Governor Franco Montoro. It is no accident that one day after Motley left the country, Montoro's man inside the cabinet, Industry and Trade Minister Roberto Guzmão—one of Motley's dinner guests—announced that he would propose to the government the privatization of all state companies dependent on his ministry, the majority of them steel companies, and several listed among Brazil's 100 largest state-sector enterprises.

It was not without reason that Kissinger chose Montoro to be his mediator with the new Sarney government.

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