

Brazil seeks to impose 'conditions' on IMF

by Lorenzo Carrasco

In Brazil, President José Sarney and a growing group of Congressmen are trying to create a "political pact" which will allow them to reject Brazil's previous agreement with the International Monetary Fund, and impose new rules of the game on their foreign creditors.

Sarney understands that democracy cannot be consolidated in Brazil in the midst of restrictive measures which lead to recession, and he is unwilling to undertake actions against the large state industries, defended by his Minister of Mines and Energy and by a majority faction of the high officialdom of the Armed Forces.

The arithmetical calculations of the foreign creditors are being thrown out of whack by President Sarney in person. In his first press conference upon assuming the presidency, on June 16, he said: "We cannot accept any accord which implies a compromise of Brazil in the sense of plunging into recession, plunging into unemployment, plunging into hunger, and through hunger, plunging into social convulsion. Therefore, we can never make a negotiation which implies a sacrifice which the nation cannot tolerate."

The possibility of nationalist actions against the IMF is getting the creditors worried. Since negotiations began again in Brasilia, the IMF sent as a supervisor the chief of its Western Department, Eduardo Wiesner, a fact which shows how much of a hurry the international banks are, in to close a deal with Brazil. But Wiesner, known as the "mercenary of the IMF," went back to Washington with empty hands.

Now, it has been announced that by the end of June, the staff of renegotiators of the Brazilian debt will arrive in Brasilia. Chief of the mission will be William Rhodes, vice-president of Citibank; he will be flanked by John Spurdle, vice-president of Morgan Guaranty Trust, and Guy Henthrodf, director of Lloyds Bank International; they will analyze the economic situation *in loco*.

The conditions Brazil demands

According to an announcement by the Planning Minister, João Sayad, the government aspires to a 6% growth rate, and wants this written into any accord signed with the IMF.

The conditions which the government wants to exchange for the previously agreed-upon letters of intent with the IMF are six:

- 1) Reduce interest payments;
- 2) Reduce amortization of the debt;
- 3) Eliminate the clauses which keep Brazil from contracting "new money," given that this year and the next, the government needs minimally \$4 to \$5 billion to attain the desired rate of growth, and it does not think that it can sacrifice all of its monetary reserves;
- 4) Change the forum of the negotiations, from New York City, where meetings are now held, to The Hague;
- 5) Put an end to *relending*, i.e., speculations in cruzeiros by the international banks; and
- 6) End the surveillance of the Brazilian economy, which under the present accords will allow the IMF to govern the country until the year 2000.

The international bankers label these demands "nationalist fantasies," and consider that in the end, Brazil will not assume such a radical position and will have to come to terms with the IMF. This implies the dismantling of the great infrastructure projects and the great state enterprises, leaving standing only those elements of the economy which directly serve economic looting for the export market.

Some congressmen also think differently from the creditor banks. The Economic Commission of the Chamber of Deputies just passed a resolution calling "fantasies" the explanations which attribute the foreign debt of Brazil to "the excesses of government spending, the army of disorganized state enterprises, and high patterns of consumption."

In calling for the "reestablishment of the truth" on Brazil's foreign debt, some congressmen are articulating a base of political support which could allow President Sarney to impose conditions on the IMF.

The position which the Brazilian Congress proposed at the meeting of the Latin American Parliament in Brasilia during the third week of June, consists of convening a continental conference, with the participation of the United States, to give an immediate, *political*, solution to the problem of the foreign debt.

'There is a limit'

Even though it is not precisely known what the final position of Sarney will be on negotiations with the creditor banks, one thing is certain, which was spelled out in the same press conference.

When the Brazilian President was asked about a statement he had made in private, that if the monetary reserves of the country go down, he would suspend interest payments on the debt, he replied: "Those who are most interested in knowing what our position might be, are our creditors. We only have to say that there is a limit on what Brazil can tolerate to pay its debt."

He added: "I have absolute certainty that this country is going to overcome its crisis."