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# Brazil's foreign debt policy regresses to conventional path

by Dilson Funaro

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The negotiations recently conducted in New York led to a provisional accord which is profoundly unsatisfactory for the country's fundamental interests. Since I left the finance ministry, the Sarney government has been giving ever-clearer signs of its inclination to abandon its previous positions on foreign debt and on the International Monetary Fund. The understanding announced a few weeks ago confirms—now in an abolutely clear and unmistakable way—a return to the conventional system of negotiations, with no definitive agreement to guarantee Brazil continuous economic growth.

The joint communiqué, signed by the chief of the Brazilian delegation and by the representative of the creditor banks, leaves no doubts as to the nature of the scheme negotiated:

a) Brazil accepts disbursing $1.5 billion, that is, the equivalent of about one-third of its current reserves, to pay part of the interest it retained since Feb. 20. The first $500 million will be paid before the end of the year; the rest, when a medium-term accord goes into effect;

b) Brazil declares itself willing to keep interest payments up-to-date starting January 1988; and,

c) the Brazilian government commits itself to seek an accord with the International Monetary Fund.

What did the banks give in return? Merely a short-term $3 billion loan, to allow payment of part of the interest withheld by the 1987 moratorium.

This shows that the transitional government has exhausted its negotiation capacity, and in so doing, revealed its fragility.

In order to solve the American banks' accounting problem, the government suspends the moratorium, thus surrendering its strongest bargaining card. By accepting to submit itself again to IMF tutelage, it reneges its oft-repeated promises in respect to foreign negotiations.

The PMDB and the country's other political forces cannot stand by idly as decisions are being made which seriously compromise the future of Brazil's economy. The PMDB set out two basic principles on foreign debt renegotiations in a document approved by its July 1987 National Convention:

a) "No acceptance of IMF surveillance of economic policy, regardless of the level of formalization of such agreements. It is not merely a matter of opposing formal agreements, but also, rejecting any agreement which compromises sovereignty in the conduct of national economic policy, to the detriment of established goals of economic growth";

b) "The moratorium should remain in effect until the negotiation process achieves global restructuring of several years' debts in such a way as to limit resource transfer abroad to a maximum ceiling of 2.5% of Gross National Product in each of the next five years."

How then could the PMDB continue to support a government which lets itself get involved in understandings which imply premature lifting of the moratorium and a return to IMF tutelage?

The time has come to say "enough" to provisional agreements which may solve the accounting problems of banks in some creditor countries, but which hold dozens of nations in permanent crisis. Quite the contrary. As a result of the massive transfer of resources abroad in association with renegotiation and adjustment schemes sponsored by the Fund, the debtor countries have suffered through year upon year of recession, high unemployment, and financial instability.

These nations' economic crises have worsened to the point of harming their internal political situations and making their political stabilization much more difficult, putting into check whatever democratic advances they had won.

The telex suspending interest payments owed by Brazil to the banks clearly states that the moratorium would be suspended when—and only when—the two parties find a definitive solution to the crisis basically created by the creditor countries.

The only approach which would guarantee the growth of our economy, opening prospects for all economic actors, is a definitive solution to the crisis such that Brazil could plan at least five years ahead, instead of remaining at the mercy of rules which only benefit one of the parties.



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To abandon the moratorium at this moment is to abandon the discussion of non-conventional paths to overcome the foreign debt problem. We will surrender our country's strongest bargaining card, but even more important, we will abdicate from the key discussion of the crisis which the international financial system has been in since 1980-81. Blunders in the economies of the rich countries are paid for by developing countries like Brazil, always leaving the bitter taste of recession, unemployment, economic stagnation, and resulting political instability.

The recent worsening of the international economic situation only increases the need to seek new paths of negotiation. It is lamentable, in this context, that Brazil, for lack of government, regresses in relation to positions it had taken, thus once more retarding the solution of one of our economy's worst problems, and jeopardizing any chances of a sustainable resumption of economic development.

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