Report from Rio by Silvia Palacios

You lend, we pay!

Less than enthusiastic about the much-touted benefits of the Brady Plan, Brazil still toys with debt moratorium option.

On July 25, a euphoric President Carlos Salinas de Gortari of Mexico telephoned his Brazilian counterpart to explain to him the terms of the celebrated Mexican debt deal, fruit of the so-called Brady Plan, and to offer his advice in garnering the same "benefits." However, despite Brazil's diplomatic "deference," Salinas's offer caused little enthusiasm. The suggestion that a comparable debt reduction scheme could somehow prevent the Brazilian debt crisis set to explode in September was met with a good deal of pessimism.

At the beginning of this year, when everyone began babbling about U.S. Treasury Secretary Nicolas Brady's debt plan, Brazil was on the verge of declaring a moratorium. Brazil decided instead to bide its time and wait for its slice of the Brady pie.

It proved to be pie-in-the-sky. When the Mexican debt accord was announced, Brazil's Finance Minister Maílson da Nóbrega said dryly, "It is not yet defined." He added, "Brazil is not carrying out the kind of deep adjustment program that would give us, in the short term, the principal benefit of the Brady Plan. Mexico began its adjustment back with President Miguel de la Madrid."

Former minister Bresser Pereira, a monetarist who brought the 1987 Brazilian moratorium to its end, was blunter. "The result [of the Mexico deal] will be a miserable 10% discount [of the debt]. Poor Mexico," he said. And the influential daily *Gazeta Mercantil* observed in its July 26 editorial that the Mexico accord was "political. Mexico has a special relationship with the United States, a strong political relationship."

Prof. Luiz Belluzzo, co-author of the 1987 moratorium, commented that the problem was not that Mexico had negotiated with one hand tied behind its back, as debt "expert" Jeffrey Sachs told the *Wall Street Journal,* but rather that the hand "which was free was the one accustomed to signing capitulations."

On the day the Mexico deal was announced, Brazil revealed that it had sent a telex to its creditor bank steering committee, formalizing its "passive" moratorium. If new resources from the banks, the IMF, and the World Bank are not received, as stipulated in the negotiated agreement of last year, Brazil will not pay the $2.3 billion in interest on the debt that comes due in September, said the telex. This decision will be adhered to "independent of the trade balance of the coming months," reported businessman Roberto Ramos, who along with a group of businessmen had met with da Nóbrega. Ramos added, "The government's objective is to defend reserves to prevent happening here what happened in Argentina."

The banks have already begun to react to the eventuality of a Brazilian moratorium. Lloyds Bank raised tenfold its loan-loss provisions against damages from the economic deterioration of the debtor nations, especially Brazil, Argentina, and Poland. Citibank no longer includes Brazil's payments in its accounts; in August, its president, John Reed, will be making his first trip to Brazil in a long time.

This attempt to financially isolate Brazil or, as President José Sarney put it, to place it "in quarantine," has left the most faithful collaborators of the Eastern Establishment near panic. For example, Brazilian Ambassador to the United States Marcilio Márquez Moreira, an agent of the banks and of the Trilateral Commission, recently had to pen a response to the *Washington Post,* criticizing it for its editorial knocking Brazil's "misbehavior" on foreign debt. "From 1983 until June 30 past, Brazil paid $66 billion in interest payments, and only received $15 billion in loans. It is a clear example of a patient in need of a blood transfusion, giving blood to healthy patients," wrote the ambassador.

Even more illustrative is the evaluation of the Kissingerian circles represented by *O Estado de São Paulo,* which in its July 27 editorial, moaned over the lack of U.S. financial aid to "the second power of the hemisphere." It is these circles which have long considered themselves the repository of a so-called "special relationship" between the U.S. and Brazil which Kissinger allegedly established.

O Estado wrote that during the Nixon administration, nothing kept "Secretary of State Kissinger from signing a memo of understanding with Minister Azeredo da Silveira." But, continues the editorial, "Today's Republicans think differently, and insist on censuring Brazil." Concerned with the danger of a nationalist, anti-usury upsurge in Brazil, *O Estado* demands that the IMF grant Brazil a temporary agreement as quickly as possible, which would "provide some relief for internal politics, to be imposed as a common-sense measure. Metternich or Bismarck would advise taking such a step."