

Report from Rio by Silvia Palacios

Suicidally propitiating the banks

The government dropped its opposition to debt-for-equity swaps, in a blow against Brazil's national sovereignty.

In at least one very sensitive area, the privatization of the state sector, the government of President Fernando Collor de Mello has opted to cede to heavy international pressures from the creditor banks and from the families who are the Anglo-American oligarchy's local stooges. The government's behavior is based on the pragmatic reasoning that by shedding just a little blood, one can quench the thirst of a vampire.

In a May 21 meeting of David Rockefeller's Council of the Americas, organized as a reception for Brazilian Economy Minister Zelia Cardoso de Mello, she told the group that her government had decided to adopt the mechanism of swapping foreign debt paper for state company stocks—Henry Kissinger's favorite looting plan. She said, "The program will be open to the foreign investor, including through the conversion of the foreign debt," and added the expectation that this would yield \$7 billion.

The Eastern Establishment audience was, however, far from appreciating Brazil's painful capitulation. Especially noteworthy was the aggressivity of Council of the Americas president and former U.S. Ambassador to Venezuela George Landau, who helped write the recent Trilateral Commission report *Latin America at the Crossroads: A Challenge to the Trilateral Countries*. That report is a witch's cookbook filled with "free market" recipes for dismantling the continent's armed forces. Landau demanded that the minister explain why Brazil's central bank was still blocking nearly \$2 billion worth of

foreign company profits and dividends that were to have been remitted abroad. The minister answered that this had been done as a preventive measure, since the government had detected an "absolutely atypical movement" to send capital out of the country.

While the Brazilian Congress and other organized sectors of the country had given the green light to President Collor's economic measures, especially those which punish financial speculation, the future of the proposed privatization program had been left pending. Now, it would seem that to pave the way for debt renegotiations, the government is pushing up the timetable on its privatization scheme by announcing the available number of target companies.

This strategy risks provoking a showdown with the Congress and the country's leading trade unions. For example, on May 21, the president of São Paulo's metal workers union, Luis Octavio Medeiros, declared that the government was breaking its deal with the unions with its disastrous privatization program. President Collor had promised to hear from all interested parties *before* taking any action, said Medeiros, a former government ally.

Besides a clash with the government's own allies, there is the potential for a revolt by the domestic banks, which fear the impact of shutting down the carousel of financial speculation that has so corrupted the Brazilian financial system. On May 17, Bank Federation president Leo Wallace Cochrane attacked Collor's mon-

etary reforms for the first time, denouncing them as "state interventionism." He was especially referring to \$3 billion worth of government privatization certificates, which the domestic banks are obliged to purchase.

Various monetarist economists who serve as advisers to the banks have suddenly discovered that such a measure will trigger a recession, by leaving the banks without resources to invest in production (although productive investment was hardly the common practice of Brazil's financial institutions in the past).

Two weeks earlier, the first military crisis of the Collor government—in fact, of the last five years—took place. On May 4, during a ceremony upon assuming the important southeast command, Gen. Pedro Luis de Araujo Braga revealed the military's distress over the direction the country's intelligence capability will take following the dismantling of the National Information Service (SNI), the Brazilian equivalent of the CIA. Intelligence gathering, protested the general, "is being described as undignified, amoral, abominable."

These apparently unconnected developments in the economic, political, and military arenas may have an underlying coherence. On May 20, the daily *O Estado de São Paulo* reported that the general secretary of the presidency, Marcos Coimbra, who comes from the diplomatic apparatus of the Foreign Ministry, is the man charged with stripping away military influence over the Presidential Palace of Planalto. Included in that "influence" is the SNI. He is also said to be the author of a program that would redirect Brazil's foreign policy toward the kind of subservient "special relationship" with the United States, in violation of national sovereignty, that Henry Kissinger has consistently espoused.