

Brazil's new President stands up to Wall Street

by Silvia Palacios and Lorenzo Carrasco

Upon assuming office in March 1990, President Fernando Collor de Mello claimed that his government would shoot the "tiger"—the endemic inflation that ravages Brazil—with a single bullet. Two and a half years later, the tiger has ended up devouring the carrion of a government infested by unrestrained corruption. As an added irony, the debacle of Collor de Mello's government can serve as the *coup de grace* for the Enterprise of the Americas initiative, upon which the success of the "new world order" depends in the Western Hemisphere.

For the past four months, ever since President Collor's brother Pedro exposed the scandalous conspiracy of government corruption, the Anglo-American financial elite has attempted to somehow keep the President's neo-liberal economic policies separate from his political future, which is now in the gutter. This explains why, at the same time that the media historically linked to Anglo-American interests, such as the Civita family's magazine *Veja*, were enthusiastically exploiting the corruption scandal for all it was worth, the international financial institutions were accelerating their debt renegotiation agreements with Brazil, in order to create an irreversible situation for the next government.

In the middle of the Collor government's collapse, International Monetary Fund (IMF) Managing Director Michel Camdessus, for example, expressed confidence in Brazil with the argument that his institution does not make deals with governments, but with states. Thus, by concentrating on the corruption scandals, international bankers were hoping to exonerate the destructive economic policies of Economics Minister Marcilio Márques Moreira, while conveniently ignoring the fact that the minister-banker's great "success" was in "stabilizing" inflation throughout the year at over 20% a month, with real monthly interest rates at 5% above the infla-

tion rate! Through this "successful" policy, Márques Moreira caused the virtual bankruptcy of the national treasury by provoking a collapse in tax revenues of more than 20%.

This is the real legacy that the IMF's policies are leaving to the new government.

Two immediate tasks

Already heir to such economic devastation, the new government of President Itamar Franco is facing two essential tasks to guarantee the future existence of the country. On the one hand, it is clear that priority must be given to the reconstruction of the national economy. At the same time, the intelligence and security functions of the Brazilian state, damaged by policies of unconditional alignment with the new world order, must be rapidly restored.

President Franco's readiness to reestablish the country's national intelligence capability, which was gravely affected by the dissolution of the National Information Service (SNI), is thus very important. This commitment is clearly indicated by his naming of Gen. Fernando Cardoso, who has until now occupied the post of head of Army intelligence (CIEX) and who comes out of SNI ranks, to head the presidential military cabinet.

Franco's sympathy for the Armed Forces' program of developing the most advanced technologies possible is also manifest. The "point technology" policy had come under brutal attack during the Collor government, from such "technological apartheid" warriors as former minister José Goldemberg, who never disguised his desire to dismantle the Brazilian Armed Forces. It is significant that two of the military ministers already nominated by Franco come directly from the core group responsible for the Armed Forces' programs of autonomous development.

Newly appointed Navy Minister Adm. Ivan da Silveira Serpa is considered the kind of officer ready to fight for the resources required to develop a modern Navy, and for the continuation of the nuclear submarine program. The new Air Force minister, Gen. Lelio Viana Lobo, was head of the delegation which participated in a joint program with Italy for fabricating the AMX fighter jet.

Perhaps more significant still is the naming of the new Army minister, Gen. Zenildo Lucena. According to the daily *O Globo*, he comes out of the "ultra-nationalist" sector of the Army and has close ties to the circles around former President Gen. Ernesto Geisel, whose government favored the industrial development of the country based on major infrastructure, industrial, and agricultural projects.

Economic policy to be defined

If the situation appears well-defined in the military area, unfortunately the same cannot be said for the economic and foreign policy areas. It is known that President Franco rejects the savage privatization program, especially the efforts to privatize the oil company Petrobras and other strategic sectors, initiated by the Collor government, and that he has serious reservations about the free market "opening" of the economy which is destroying national industry and, especially, the capital goods sector. Nonetheless, the pressures are immense and will grow, to force Franco to allow the IMF and its banker partners—both domestic and foreign—to maintain their "guardianship" of the national economy.

So far, Franco has resisted the first round of pressures through the apparent influence of former Vice President Aureliano Chavez, a nationalist who opposes liberal economic programs and has openly opposed IMF policies, and by naming to the Economics Ministry Congressman Gustavo Krause, an individual essentially unknown to the international bankers and to the powerful São Paulo business grouping.

Until the last moment, the Anglo-American establishment had Congressman José Serra, of the Brazilian Social Democratic Party (PSDB), as its candidate for the economic post in Franco's government. Serra's candidacy was rather unabashedly launched by former U.S. Ambassador to Brazil Lincoln Gordon, and backed by Luiz Ignacio Lula da Silva, president of the pro-communist Workers Party (PT). Gordon's endorsement of Serra was expressed in an interview published Sept. 1 in the daily *Jornal do Brasil*: "I had a long talk with the congressman [Serra] during my last visit to Brazil in 1990, and I was very impressed with him. The congressman has a good reputation and is recognized as an objective, intelligent, and capable professional."

The Anglo-American establishment's commitment to Serra's nomination to the cabinet was also signaled by the obsessive insistence of Sen. Fernando Henrique Cardoso, a fellow PSDB member, who even offered up his nomination to the Foreign Ministry in exchange for Serra's nomination to the Economics Ministry. So blatant was the scenario that the

PSDB was being sarcastically described in certain political circles as the Party of the State Department in Brazil (PSDB).

A member of the Inter-American Dialogue, Fernando Henrique Cardoso's concern is that, without an economic policy totally aligned with George Bush's Enterprise for the Americas initiative, the one-worldist policy of Brazil's Foreign Ministry could not long survive.

In the end, Franco's nomination of Krause to the Economics Ministry provoked widespread hysteria among Anglo-American financial circles and their domestic co-thinkers. According to Reuters, many Brazilian bankers and businessmen were "astonished" and "dismayed" by the news, and the São Paulo stock exchange fell 8% that same day. Nonetheless, in the face of criticism by several bankers that Krause didn't even speak English, considered by them an imperative in dealing with Brazil's creditors, Franco responded: "That's why there are interpreters. . . . It is time to ask ourselves if they [the bankers] shouldn't be speaking Portuguese."

Franco also said, "The stock exchange is not going to give me orders as to whom I can choose for the Economics Ministry."

Franco's resurrection of the Planning Ministry, eliminated by Collor, indicates the new President's intention to strip away the super-powers that Collor had given his economics minister. The naming of Paulo Haddad, a confidant of Franco, as planning minister, suggests that the President intends to maintain personal control over economic policy, which could create the conditions for a change in direction in that area.

Pragmatic alliances

Franco's greatest weakness derives from the fact that he is obliged to rely on the support of the various parties represented in Congress, which in turn is forcing him to recreate the kind of pragmatic political arrangements that President Tancredo Neves was forced to make to forge some kind of political base for himself in 1985. That base of support was so broad—and so thin—that, after Tancredo Neves's sudden death and the inheritance of the presidency by José Sarney, it proved the greatest obstacle to firm or significant government action.

This is particularly relevant today, given that the urgent measures required to defend the Brazilian economy from the world financial hurricane will be difficult to get approved by such a heterogeneous base of political support. Thus, there is the danger that the enthusiasm that surged forth in the immense demonstrations against the corrupt Collor could dissipate in the face of a government politically immobilized and impotent to confront the economic depression.

The Franco government had best learn, and quickly, the bitter lesson of the recently liberated nations of eastern Europe, which freed themselves from communist dictatorships only to fall into the grip of economic liberalism and usury.