

Brazil ratifies pact with IMF, Soros

by Silvia Palacios

To prove that he still maintains political control in the country, which in turn is supposed to guarantee implementation of his agreements with the International Monetary Fund (IMF), Brazilian President Fernando Henrique Cardoso pulled every string he could to assure two political victories in late February.

On Feb. 26, the nomination of George Soros agent Arminio Fraga was approved by the economic commission of the Brazilian Senate, to hold the position of Central Bank president, along with bank directors to be named by him. In a lengthy session, eyed nervously by the entire country as well as by the international financial markets, what predominated was not the nationwide indignation expressed by insistent accusations against Fraga linking him to the speculative practices of his boss, but rather the most blatant moral corruption of the majority bloc of senators who back President Cardoso's economic policies. Senate President Antônio Carlos Magalhães, in particular, personally undertook to push through Fraga's approval, and at the end of the session was heard to say, "This was a vote of confidence in the choice of the President, and in Arminio Fraga's capability. Ethics are relative. I was convinced by his explanations."

Global speculator Soros also expressed his satisfaction in an interview in the Feb. 28 Argentine daily *El Clarín*, in which he stated that, despite the gravity of the Brazilian crisis, "the preconditions for resolving it are present in the country, and it is of utmost importance that it be successful." In the face of public charges that he had received confidential information from Fraga which enabled him to speculate with Brazilian debt paper, Soros had the nerve to respond: "The rumor is that we bought Brazilian foreign debt bonds. What the country needs is international investors to buy its bonds, so that in this case, we were helping Brazil."

Ship of fools

The second event of the day was President Cardoso's meeting with 26 of the country's 27 governors, called to Brasilia to try to patch up the serious financial crisis in which the states of the Brazilian federation find themselves. The government managed to pull in, through political manipulation, the six opposition governors who, together with Minas

Gerais Governor Itamar Franco, have opposed Cardoso's economic policy. The only one who did not attend the Brasilia summit was, in fact, Itamar Franco, who has remained steadfast in his resolve to maintain a moratorium on state debt owed to the federation, and not to negotiate until the federal government unfreezes the state's funds.

From the standpoint of reality, the result of the Brasilia meeting was practically nil: The government offered a few crumbs to alleviate the critical situation in the states, in exchange for their tacit backing for his agreement with the IMF, which over the coming months will plunge the nation into a brutal recession.

This black picture is publicly acknowledged by Finance Minister Pedro Malan, who recently admitted that there will be a 3-4% decline in the GNP during 1999. The violent contraction that Brazil's economy will suffer in the coming months will make any credibility Cardoso has won with the two Feb. 26 events, quickly evaporate in the face of public rejection of the IMF program.

The leaders of the ruling coalition parties have already advised the President that the nomination of Arminio Fraga is the last "credit line" his government will receive from them. Even Senate President Magalhães, in a combined act of realism and opportunism, found himself forced to question the government's relationship with the IMF, describing it as "a lack of respect for sovereignty." What is behind these words is growing concern over military discontent that is quietly sweeping the country.

Definition of a traitor

Despite Cardoso's success in isolating Itamar Franco from the other governors, this does not in any way mean that Franco has been defeated. This is evident in the counterblow he dealt those who would submit to the IMF, when, during a Feb. 26 address to a support rally by thousands of Minas Gerais students, Franco said: "With this expression of patriotism and nationalism, we are going to show Brasilia that we are going to change this unjust economic order. The problem is a Federation corrupted through international intervention into the Brazilian economic order by the International Monetary Fund. No to the IMF! The problem is not Minas, it is not [the state of] Alagoas. It is Brazil."

The difference between Governor (and former President of Brazil) Itamar Franco and the rest of the governors is that he maintains a strong identity with national history, and in particular with the founding fathers of his state, who produced a long line of fighters for Brazilian economic and political independence, some of whom were inspired by the American Revolution. That is why, in his ongoing public brawl with President Cardoso, whom he has dubbed a traitor to Brazilian history, Franco declared: "The traitor is one who puts himself at the service of international interests, of the speculators, who ignores the most immediate needs of the people for work, education, security, and prosperity."