

Friedmanite coup is stalled in Brazil

by Silvia Palacios

The plans to totally liberalize the Brazilian economy, sell the big state enterprises to foreign capital, and execute Henry Kissinger's scheme to trade portions of the foreign debt for equity in state and private firms, suffered a setback in the last week of August, when Finance Minister Francisco Dornelles and the chief of the Central Bank, Carlos Lembruger, up to now the two negotiators of the foreign debt, suddenly resigned.

It is speculated that the country will harden its line in negotiations with the International Monetary Fund, given that the new economic team thinks that the interest payments on the debt are excessive. Will Brazil support the President of Peru, Alan García, who has a strategy precisely to limit these murderous interest payments?

Dornelles was trying to do subject the economy to a "shock treatment," such as Argentina imposed on itself two months ago. On Aug. 17, before leaving for Washington for talks with the IMF directorate, Dornelles said he was opposed to all negotiations on the debt "within the context of the Cartagena group", the informal group of Ibero-American governments that formed a debtors' club last year in Cartagena in Colombia. He said that there should also be "no restriction on the entry of foreign capital." Previously, on Aug. 8, the minister violently attacked the state enterprises, saying that all of them, without distinction, should be re-privatized, including the strategic oil firm Petrobras, and be put up for sale to foreign capital. With these words, he declared war on the nationalist group inside and outside the army, the staunchest defenders of the state companies and projects. His attack was taken as a forewarning of the resignation which everyone was hoping he would hand in by December at the latest.

The resignation was precipitated because while Dornelles was in Paris, the acting finance minister, Marcos Vital, at a private luncheon with the Brazilian Federation of Banking Associations, urged the attendees to pressure the government to impose the shock treatment: "There is no other alternative and this must be understood. We have to make drastic cuts in public spending." Vital's behavior was taken as a challenge to President Sarney, who fired him, forcing Dornelles's resignation.

The new finance minister, Dilson Funaro, a Sao Paulo businessman, opposes the IMF's recessionary dogmas. The new president of the Central Bank is Fernão Botelho Bracher;

both belong to the team of Paulo Rosemberg, special commissioner of Economic Affairs of President José Sarney. In his first statement, Funaro indicated that he intends to maintain growth in the economy and lower the internal interest rates.

Sao Paulo rejects Argentine model

The choice of the finance minister coheres with the rejection of the "Argentine model" by the Sao Paulo business sector. On Aug. 16, in a meeting with the planning minister, a businessman of the Pão de Azucar group, Abílio Tínez, said that "I don't trust what is being done in Argentina." He said Brazil must export, but not as we have up to now by "exporting at any price down to our own reserve stocks"; to continue exports we must "renovate our industrial plant with new technologies."

The new economic team surprised Alexandre Kafka, Brazil's representative in the IMF, who on Aug. 26 telephoned Fulnaro to assure him that the "international compromises" and accords with the banks must be respected. Kafka, who doesn't even speak Portuguese, the national language of Brazil, has been since 1965 the handpicked toady of the European oligarchist families to run monetary policy in Brazil.

The new officials will have to prove that they can resist the assaults of the "Kissinger boys," the "club" to which Dornelles, Chancellor Olavo Setúbal, and others belong. This crowd has on its agenda de-nationalizing of the economy and implementing the debt-for-equity swindle. Although they lost Dornelles, in exchange they got André Lara Rezende, new director of the Central Bank's public debt division, and one of the authors of the notorious "austral program" imposed by Presidente Raul Alfonsín in Argentina.

On Aug. 15, the director of the capital market area of the Central Bank, Roberto Castello Branco, who also resigned, stated that there may be modifications "in the legislation to favor the entry of foreign capital, especially in portfolio investments."

In the second week of August, the president of the Rio de Janeiro stock market, Enio Rodríguez, was in Brasilia and left each of the economic ministries with a detailed proposal for the creation of a mechanism to facilitate conversion of foreign debt into investments through the stock market. The author of the project is Carlos Longoni, ex-president of the Central Bank.

This proposal has the backing of the director of the foreign division of the Central Bank, Carlos Eduardo de Freitas, who despite having stepped down together with Lembruger, was put back in the same post. On Aug. 15, he asserted that his office is studying how to change a circular issued in November 1984, which introduced limits on the conversion of credits into investments.

The battlefield has been well defined—either the Argentine model, or the Peruvian. The ball is now in the court of the new economic team and President Sarney.