The bankers' dirty tricks begin to backfire in Brazil

by Mark Sonnenblick

The dirty tricks Citibank and other Brazilian creditors are using to try to destabilize Finance Minister Dilson Funaro seem to be backfiring. The more the attacks on Funaro, the more President José Sarney seems determined to keep in place the mastermind of the debt moratorium with which Brazil is trying to force a renegotiation of its $100 billion foreign debt under terms that would permit the economy to continue growing.

Sarney told 24 leading businessmen with whom he met on March 21 not to dare ask for Funaro's head. Sarney is less patient with reporters who pester him daily with the latest rumor of Funaro's resignation, hot from the illegal dollar market or the legal money markets.

Justice Minister Paulo Brossard responded on March 21 to the previous day's *New York Times* editorial which threatened, "Brazil's new civilian leaders are likely to be shoved aside by a military prepared to make hard decisions once again." Such statements prove there are "conspiracies by sectors interested in confusing national public opinion and in combatting the measures [taken] by the Brazilian government in the country's defense," he said. "I think there are people who are more friendly to the international bankers than to their own country." He then stunned the reporters by asking them, "Who is speaking of a military coup? Do you give the *New York Times* credibility on Brazilian affairs? That would be crazy."

Brazilian Sen. Jamil Haddad suggested, "The *New York Times* should dig deeper into the Irangates of life and let our country make its decisions by itself." He felt the editorial showed collusion between foreign creditors and "some internal sectors which might be interested in destabilizing the government because of their unpatriotic corrupt dealings during the undemocratic regime" which ended in 1985.

Citibank's high-profile international campaign to get rid of Funaro "could backfire and all the foreign banks could suffer," the vice president of another of Brazil's major creditor banks told *Jornal do Brasil*. He felt it would be better to leave the dirty work to the fifth column inside Brazil. "Many of us think that the position taken by Funaro has no political future in Brazil and that the days of the present finance minister are numbered. Because of this, it would be better to give time for him to fall by himself, instead of trying to arrange his overthrow from the outside."

Citibank's Brazilian agents hustled to divorce themselves from ravings by former Citibank chief Walter Wriston March 19 that creditors would seize Brazilian planes and "every bag of coffee . . . if they attempted to default." Citibank board member Mario Simonsen, who is a key internal conspirator against Funaro, was forced to declare, "The threat from Wriston, who no longer speaks for Citibank, is nonsense." Simonsen went so far to explain that the 1903 Drago Doctrine makes illegal any use of force to collect debts in Ibero-America. U.S. Ambassador Harry Shlaudeman, an old hand at destabilizations, emerged from a special meeting with Funaro to tell the press, "Wriston is just an ex-president."

Citibank President John Reed belatedly telephoned Funaro to swear Citibank was not leading an international conspiracy against Brazil. Funaro thanked him profusely, and then reportedly told an aide, "Of course they want to get rid of me, because I am trying to reduce their spreads [on interest rates] by $1 billion." Funaro and Sarney have taken the bankers' hatred of them seriously enough to beef up their physical security.

Sarney stands firm

Sarney spent most of March 21 with 24 of the most powerful businessmen in Sao Paulo, Brazil's industrial center. They were legitimately worried that last year's consumer boom, which brought 12% industrial growth, is tapering off and possibly leading to a recession. Several of them said they would blame Funaro for their perceived problems and ask and President to get rid of him. Others said that only an agreement with the IMF would end uncertainties about the future.

Sarney asked their support and proved to them that if they were really against recession, they had to be against the IMF. He let it be known that he is "the arbiter" of his cabinet and that attacks on Funaro would be seen as attacks on the President. Several came out of the meeting to report that Sarney had been so firm that they changed their minds.

If the bankers put Brazil up against the wall, the businessmen will support the President, entrepreneur Olacyr Francisco de Moraes told the daily *Folha de São Paulo*.

After Sarney briefed him on the meeting, Funaro reported, "President Sarney does not want to sign new contracts with the IMF, as was done in 1982 and have the country commit itself to produce for export. That means we have fewer products for the internal market [In 1982], Brazil set a policy of unemployment and reducing economic development. The President does not want to return to that policy."

But that is precisely what Brazil's creditors are demanding. So negotiations remain at an impasse. On the external front, Brazil's position remains solid. After much bluster about cutting $15 billion in short-term credit lines after March 31, the major banks finally agreed they would keep their lines and help keep smaller banks financing Brazil's exports. After all, Brazil has kept up interest payments on those lines, and the banks would lose their money if they did anything stupid.

Where are the masses?

The noisy assaults on Funaro woke up the government political leaders who should be supporting him. Luiz Henrique, the leader of the majority Brazilian Democratic Popular Movement (PMDB) in the Chamber of Deputies declared March 23, "The PMDB supports and will support the government and Finance Minister Dilson Funaro in their decision to sovereignly and firmly negotiate the conditions under which the country will pay the debt." He charged the banks' "campaign" against Funaro was "to make Brazil more docile toward the bankers and to surrender to their conditions." Henrique accused the bankers of trying to prevent Brazil's Senate from "discussing how much of the debt we have already paid, how the debt originated," and how much of it was stolen by the banks and their corrupt Brazilian confederates. "An agreement with the international banks executed by the IMF means: recession, unemployment, wage-gouging, and the bankruptcy of our companies," he concluded.

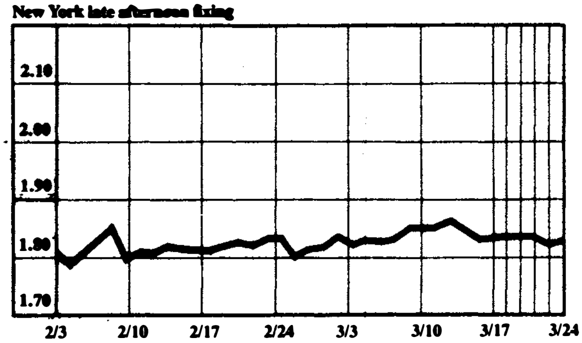
"It is strange how the PMDB, which always defended [the idea of debt] moratorium is not providing the support the government needs," Pedro Simon, the new governor of the state of Rio Grande do Sul, observed March 25. Simon, a long-time party leader, chided his fellow PMDB members for getting so impassioned by internal political intrigues that they forgot about the real world. Simon insisted that Brazil's very real internal problems could only be solved once a favorable agreement was reached with foreign creditors.

Shortly after he spoke, 2,000 mayors of cities and towns throughout the nation voted their unanimous support for the moratorium. The mayors had come to the capital, Brasilia, to look for funds. Their spokesman told President Sarney that the debt moratorium was to assure economic growth and channel "more resources to the municipalities. Therefore, I say 'no' to IMF surveillance."

Currency Rates

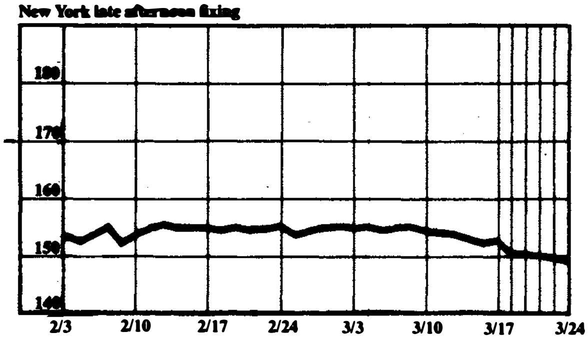
The dollar in deutschemarks

New York late afternoon fixing



The dollar in yen

New York late afternoon fixing



The British pound in dollars

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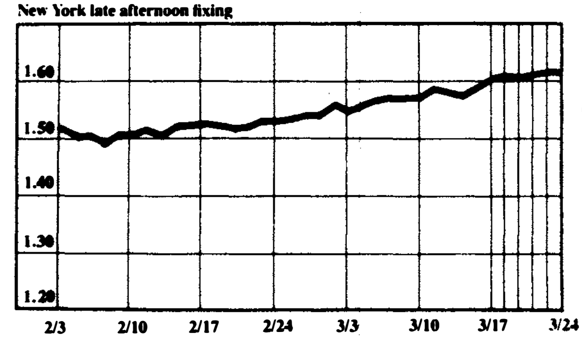

The dollar in Swiss francs

New York late afternoon fixing