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Report from Rio by Silvia Palacios

Will Brazil join Peru?

The growing clamor against covert agreement with IMF demands has the Brazilian government facing a crisis.

The draconian austerity measures imposed by the Brazilian government following the Nov. 15 elections are being viewed here as covert agreement to a letter-of-intent with the International Monetary Fund. This would explain the violent and unanimous rejection and the growing clamor for debt moratorium by the population, a broad spectrum of political and trade union leaders, and the Catholic Church.

A significant percentage of leaders of the Brazilian Democratic Party (PMDB), including recently elected governors and senators, have met with President José Sarney to ask for action against the continued hemorrhaging of the economy represented by payments on a debt already paid. Also, for the first time in decades, the two major trade union organizations, CGT and CUT, have called a joint general strike for Dec. 12 to protest the government's failure to include a wage increase in the new economic package.

The Brazilian Church is similarly united in its discontent. On Nov. 28, following an apparently fruitless meeting with Finance Minister Dilson Funaro, the president of the National Bishops Conference of Brazil, Ivo Lorsheiter, declared that the "lacerating problem of the foreign debt" should receive a more just treatment. He went on to announce, in brief, what Pope John Paul II will be discussing in his soon-to-be-released document on Third World debt.

The government will be in a real fix if it does not take action, and quickly, on the demands expressed by the very constituency which gave the government party a sweeping victory at the polls Nov. 15. If its economic policy is not corrected, the radical machines of left and right will capitalize on the discontent and turn it into a political destabilization of the government itself, as can be seen by rioting in Brasilia on Nov. 27.

What is at stake is not moratorium—this could very well occur spontaneously as the result of a dramatic collapse in exports and in the country's monetary reserves. In October alone, the official trade surplus was only $200 million, well below the anticipated $1 billion. As a result, the international reserves of Brazil will close the year at $3 billion. Next year will be no better. With extreme optimism, Finance Minister Funaro has admitted that the trade surplus will not surpass $8 billion, against the more than $11 billion required in 1987 interest payments.

Given this situation, the possibility of Brazil following the path blazed by Peru has made the bankers and the Brazilian oligarchy more than a little hysterical. On December 1, Claude Cheysson, speaking unofficially in the name of the IMF and the Club of Paris, with which Brazil will begin debt negotiations on Dec. 25, threatened that either Brazil sign an agreement with the IMF, or there will be no rescheduling of the debt in Paris.

In separate statements, Brazilian banker Mario Enrique Simonsen, a partner of Citibank, and his pal Delfim Netto, former Planning Minister who handed Brazil over to the IMF in 1983, warned against even thinking of taking some kind of unilateral action, "since it would be like the invasion of the Malvinas by Argentina." In other words, measures of the sort taken by Alan García in Peru would inflame the legitimate anti-colonialist passions of Ibero-America. The daily *Journal do Brasil,* mouthpiece of the financial oligarchy, devoted its Nov. 30 editorial to demanding that President Sarney put his house in order and squelch anti-IMF debate since, insisted the editorial, Brazil cannot compare itself to "those countries of the Third World," like Mexico.

Brazil, just like those other countries of the Third World, has little choice but to change its policies or face wholesale chaos and a possible return to military dictatorship. Measures it must immediately take include:

1) Reducing debt interest payments to a percentage of its export earnings. Numerous industrialists have insisted that a ceiling of no more than 20% be imposed, and that the rest be allocated to productive investment.

2) Alter the domestic credit system, allocating resources to major infrastructure investments, above all in the debilitated energy and public health sectors.

3) Fiscal reform to penalize speculation, including the possession of non-productive lands which could serve as the beginning of a long-overdue agrarian reform.

If these measures are not taken, it will be like the individual who robs himself rather than risk being robbed. If the debt continues to be paid, it will be by inflating the banks' speculative bubble at the expense of the real economy and the population itself.

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