 by Silvia Palacios

Which government negotiates?

While Finance Minister Bresser offers the bankers "promises, promises," his own party has forbidden any sell-out deals.

Despite the obsequious bowing and scraping of Finance Minister Luiz Carlos Bresser Pereira during his first visit with the committee of creditor banks and authorities of the Reagan administration, no one believes that the minister has won any real concessions from the bankers.

In truth, the crafty bankers were mounting a public relations scenario to both hide the state of ruin in which they find themselves, and take advantage of the proffered services of Bresser, to demoralize the rest of the debtor countries by giving the appearance of having whipped into submission the proud country which has suspended its financial commitments.

The bankers never let up on their demand that Brazil sign a deal with the International Monetary Fund, while also making a symbolic payment of 20% of the overdue interest on the foreign debt--interest frozen since the moratorium decreed last February. Bankers hope that this will occur before Oct. 20, to avoid having to declare more bad loans, in particular, those from Brazil, which would mean admitting serious new losses for the quarter.

Meanwhile, Paul Volcker, outgoing chairman of the U.S. Federal Reserve, "suggested" that the World Bank be put in charge of monitoring the Brazilian economy ("a rose, by any other name . . ."), Baker warned Bresser not to even bother considering any other options; it's much easier to just pay, he said.

With the bankers busily mounting their own public relations shows around the Brazil talks, the behavior of Finance Minister Bresser was all the more pathetic. The minister spent most of his time trying to convince the bankers of the nonexistent political power he wielded, while pledging that Brazil would submit to a model of savage looting through the export-oriented model Bresser himself presented in his disguised letter of intent, entitled the "Macro-Economic Plan." ser's plan has satisfied neither the World Bank nor the IMF, however. They complain that it doesn't slash public spending enough.

The reality is otherwise. While Bresser was submerged in his "pre-negotiations negotiations" in New York July 24, the national president of the ruling PMDB party, Ulysses Guimarães, publicly disavowed any effort to reach a deal with the International Monetary Fund: "The IMF has only harmed Brazil and the underdeveloped countries. Every time that entity has monitored our economy, it was a disaster," he declared upon leaving a meeting with the President.

Trying to recoup his losses, Bresser told the bankers July 27, "My party is against it, my President is also against it, but I will convince them [to go to the IMF]. . . . In making an agreement with the banks first, without going to the Fund, I [will] dilute the 'pari passu' [monitoring] clause which gives so much power to the IMF. And afterwards, I am going to need money from the Japanese banks . . . but they will only grant it if we make a deal with the Fund. Now, the members of my party are intelligent and reasonable persons, and I am convinced they will understand that necessity. If I manage to get through the first phase now, I will be able to convince them afterwards."

All Guimarães was doing was ratifying the conclusions of the ruling party convention that ended in mid-July. By rising above the political manipulations to which it was subjected, the PMDB party by a huge majority approved a document on the economic situation which managed to reconcile--at least temporarily--the various party factions. The essential points of the document reiterated the commitment to support economic growth, reject the IMF, and defend national sovereignty.

On the debt itself, the PMDB conclusions were very specific, proposing to limit payment of interest to 2.5% of the Gross National Product, and vindicating the policy of former Finance Minister Dilson Funaro as ". . . the historic decision made in the last week of February to unilaterally suspend payment of interest due the private banks."

Vindicating Funaro also meant action on the part of several party leaders to defuse the corruption scandal being thrown at Funaro, the follow-up to the campaign to politically discredit him run by the U.S. State Department while he was still in office. According to the Brazilian press, President Sarney assured Ulysses at the same July 24 meeting that government investigations into 1986 imports fraud charges were not directed at Funaro.

Given that the majority party in power has rejected all negotiation with the IMF, it is only fair to ask which Brazilian government the banks and U.S. officials are negotiating with? Perhaps National Security Adviser Frank Carlucci, who met privately with Bresser at the White House July 2, has the answer.