 by Silvia Palacios

# National pact against usury

*Brazil's political elites are changing the priorities, to the creditor banks' disgust—and maybe even their fear.*

The leaders of all of Brazil's major parties have approved and sent to President José Sarney an emergency program for containing the economic crisis, avoiding chaos, and guaranteeing that the November presidential elections will proceed as scheduled.

The document was prepared by the presidents of the parties during the July recess, and was presented to the Executive amid great ferment inside the National Congress. A moratorium on interest payments on the foreign debt is the issue of the day, and various reports are circulating which show in figures how the creditor banks have looted the country, using the foreign debt as the ideal mechanism. "In one decade, from 1980 to the present, Brazil sent $100 billion abroad. But today, our debt is more than $120 billion," commented an influential deputy.

Thus, in proposing their emergency program to the Sarney government, the parties have in fact presented him with a faithful representation of the growing national clamor against usury and for sovereign industrial development.

Although the joint party program mostly contains measures designed to address the immediate crisis, along with a large dose of austerity in primarily government expenditures, it also encompasses long term measures which, in fact, will provide the policy backbone of the next government, no matter who takes power next March.

The new focus underlying this emergency proposal of the political elite in Brazil is a definitive change in priorities, from debt payment back to national development. According to the pact, growth rates should no longer depend on negotiations of the foreign debt; first, one must define the necessary growth rate of the Gross Domestic Product, which should start out at 7% a year—a modest enough figure, given the high growth rates Brazil has experienced over the past decades.

The political pact contains key elements for accomplishing this development goal, including limiting resources sent abroad (interest on the debt, among others); maintaining international reserves at $7-8 billion, so that the next President can take office with coffers full; and importing capital goods. On the last point, the program calls for the government to "utilize available balances to import inputs and capital goods essential for industrial development."

On the foreign debt, the emergency program stipulates: "Demand the reduction of the foreign debt to its real market value. Contain interest rates within the limits of their historic values. Maintain exchange reserves to a level compatible with the security of our international trade." The program adds, "Should a just agreement according to these conditions not be met, suspend payment on the debt." The pact also outlines measures for rescuing state companies, above all in the energy sector, which are today on the verge of collapse.

It would appear that Citibank president John Reed has not chosen the best moment to visit Brazil. But then, it is not generally his custom to show up when the winds are favorable for the banks. Reed arrived on Aug. 6, just after having announced in Chile that no other debtor country should expect the aid package just granted Mexico.

Upon touching down in Brazil, Reed began to issue threats, demanding, among other things, that Brazil use its reserves to pay the banks interest charges that come due in September, to the tune of $2.3 billion.

However, President Sarney, his ministers, and now a unanimous National Congress, have already decided that the reserves are untouchable and that the banks will only be paid if the International Monetary Fund (IMF) and the banks themselves comply with the deal signed last September, promising capital which has yet to arrive.

On Aug. 6, the newspaper *Jornal do Brasil* reported that Reed intended to convince the Sarney government that it were preferable for the next Brazilian President to take office "with fewer reserves but better relations with the international financial community." Another banker warned that Brazil had better not be in a state of debt moratorium come September, "since internal support for the next government will not be enough, if it is in crisis with the banks." The banker pointed to the example of President Carlos Menem in Argentina, "who doesn't lack domestic credibility, but hasn't managed to dialogue with the IMF."

This is not the first time that Reed has come with his blackmail threats. In January 1987, he threatened that if Brazil declared a moratorium, the international bankers "would sink it."

One month later, President Sarney declared a moratorium on foreign debt interest payments. Today, it is not impossible that Reed's tactics may backfire again.