

## Report from Rio by Lorenzo Carrasco

### Brazil yields to the hangman

*The blackmail conditions of George Bush's genocidal new world order have forced the Collor government to its knees.*

Following six months of concessions during intense negotiations with its foreign bank creditors, and under the direct pressure of the Bush administration which culminated in the vetoing of a \$350 million development loan to Brazil from the Inter-American Development Bank (IADB), the government of President Fernando Collor de Mello has ended up surrendering to its creditors' demand that conclusion of a long-term agreement on its foreign debt be entirely dependent on catching up on its \$8 billion in interest arrears.

Upon launching the negotiations six months ago, the Brazilian negotiating team under Ambassador Jorio Dauster defended the country's position of not paying arrears until a global debt agreement was reached, and that in any case, the amount of any arrears payments not exceed \$400 million, Brazil's self-declared 1991 ceiling on its "capacity to pay." The pact just reached involves payment of \$2 billion in 1991, far exceeding Brazil's pre-established limit, providing the creditor banks some hoped-for security for their endangered debt portfolio.

The rest of the \$8 billion in arrears will be transformed into dollar-denominated bonds, to be issued when a more comprehensive agreement on Brazil's medium- and long-term debt is reached. The bonds can then be used by the creditors to buy up equity inside Brazil under the Collor government's ambitious privatization program.

The pressures were particularly brutal in the final phase of the negotiations,

when the Bush administration, acting through David Mulford, undersecretary for international affairs at the Treasury Department, worked in tandem with the governments of Canada, France, Great Britain, and Japan to veto the release of the \$350 million loan from the IADB, with the explicit intention of forcing Brazil to reach a rapid agreement with the private banks. The IADB credit, which is less than one-fifth of the \$2 billion Brazil has now agreed to hand over to the banks, had already been approved by the IADB for the construction of sewage and potable water projects in the poorest slums of several Brazilian cities.

The criminal immorality of the Bush government is underscored by the fact that it took such an action at a moment when the cholera epidemic, which is ravaging Peru and fast spreading across the continent, is being cultured in precisely those horrendous conditions of lack of urban infrastructure services, such as water and sewage, that the IADB loan was intended to correct. These conditions, as World Health Organization director Hiroshi Nakajima declared during a visit to Peru March 27, are the result of the austerity conditionalities imposed by global creditor institutions, such as the World Bank and International Monetary Fund.

The veto against Brazil at the IADB, despite the fact that the Collor government has kept all payments due that institution up to date, establishes a dangerous precedent. By linking negotiations with private creditors to re-

lations with governmental financial institutions, which until now have, at least in appearance, been kept distinct, the precedent clearly demonstrates the consolidation of a creditors cartel operating within the framework of George Bush's new world order.

Brazilian Finance Minister Zelia Cardoso vehemently denounced the blackmail maneuver at the annual meeting of IADB governors held in Japan the first week in April. She declared that the politically motivated veto "would establish a new, illegitimate and unacceptable linkage between consideration of investment projects by the IADB board, and negotiations with private banks."

David Mulford's immediate response was to reiterate the Bush administration's intention to turn the IADB into an instrument of the U.S.'s colonial pretensions toward the Western Hemisphere, in fulfillment of Bush's Enterprise for the Americas Initiative. "We want Brazil to improve its economic position and we would suggest that the realization of agreements with international creditors and normalization of relations with the international financial community are an essential part of that recovery. If we do not pay attention to this, from our standpoint, there will be a threat to the health and well-being of the international financial institutions."

If the Collor government thinks it is home free with its \$2 billion payout, it had better think again. As banker William Rhodes, the chairman of Brazil's 21 member bank creditors' steering committee, said in announcing the preliminary agreement to the new pact, "This is a step back on the road for Brazil." The question remains, how many more such "steps" will Brazil be required to take before it wins acceptance into Bush's new world order—or dies trying.