

Report from Rio by Silvia Palacios

Collor signs with the IMF . . . again

Michel Camdessus went personally to collect the "letter of intent" the hapless Collor signed with the Fund.

In an unusual gesture, International Monetary Fund Managing Director Michel Camdessus personally went to Cartagena, Colombia, where the "Group of Rio" Presidents were meeting, in order to collect from President Fernando Collor de Mello the letter of intent with which the Brazilian government commits itself to meet the insatiable demands for draconian austerity of the IMF and creditor banks. In exchange, Brazil is to receive a \$2 billion loan and the illusion of remaining a "reliable" country in the eyes of the bankrupt U.S. banks.

If the austerity demands are complied with to the letter, as President Collor has promised they will be, "the first half of 1992 could unhappily be described, for some time to come, as the period of the great bankruptcies," a government official familiar with the IMF negotiations commented to the daily *Jornal do Brasil* Dec. 3.

British Ambassador John Newington expressed a similar sentiment to the *Jornal do Comercio*: "Many opportunities" for foreigners "to buy cheap, bankrupt, or nearly bankrupt companies, are going to emerge." He continued, "Many companies are going to fail. It is inevitable. It is part of life. . . . Unfortunately, there has to be a 1992 recession; it's going to be a terrible year."

The pact with the Fund demands an official prolongation of that recession, by maintaining a policy of high interest rates. On Nov. 24, President Collor responded to a question as to whether there would be economic

growth in 1992: "We hope so, but I would wager that it will be in 1993." The letter of intent also indicates that the gouging of wages will continue, especially in the public sector, which will be subject to the "availability of funds."

The government's open-market program, launched in 1990, is taking to an unprecedented extreme the decade of looting by international usury. The most recent statistics of the Economics Ministry, in one of its most optimistic estimates, suggest a mere 0.78% growth rate this year; 1991 per capita GNP fell by 1% in comparison to 1990, and by 7% in comparison to 1989. Industry has suffered the worst, with the greatest drop being in capital goods: down 9.1% this year.

Ever since the annual IMF meeting in Bangkok in September, when an ultimatum was delivered to Brazil, Collor's economic team has attempted to implement an "interest rate shock policy," driving rates to 2-3% above the inflation level. Despite the protests of the panicky business community, Economics Minister Marcilio Marques Moreira appears oblivious to the soaring rate of bankruptcies caused by his "shock" to the credit system. At the same time, the government has begun, slowly and quietly, to comply with the bankers' other demands. For example, public service rates now rise without warning.

Before going to Cartagena, Camdessus made a brief stopover in Brazil as part of a pressure campaign to force the country to comply with his "open-

market" program, without which the Southern Cone Common Market (Mercosur)—an adjunct to George Bush's Enterprise for the Americas initiative—would collapse. In a meeting with Brazilian Vice President Itamar Franco, Camdessus insisted, "Brazil has the capacity to mobilize, but to do so, it needs to exorcise the demon of inflation and to continue with its economic opening." He added slyly, "once it complies with this prescription, Brazil will rapidly recover its natural leadership role in Latin America."

Collor's difficulty in winning the consensus of Congress is well known. Thus, Camdessus included a meeting with the leaders of the majority political parties in the Brazilian Congress, sounding them out on what kind of support Collor is likely to get for the "adjustment program" he has promised to implement.

An historic explanation of the obstacles to be confronted in subjecting Brazil to a free-trade regimen was offered by Ambassador to the U.S. Rubens Ricupero, one of the most slavish proponents of Bush's free-market policies within the "universalist" establishment of the Foreign Ministry. In an interview with the Nov. 17 *O Estado de São Paulo*, Ricupero complained: "The very success of the past model makes change more difficult. Between 1970 and 1987, Brazil had the fastest-growing economy in the world. We grew an average of 4.7% a year, for 17 years. We only yielded first place to Japan when the demographic element was introduced. That success created strong interests against changes."

It is precisely because of those "strong interests" in favor of Brazil's continued economic growth that international pressure campaigns, such as the "personal touch" by Camdessus himself, are being mounted.