Ibero-American labor revolt hastens showdown with IMF

by Mark Sonnenblick

It is one thing for a bankrupt country's finance minister and central bank president to sign on the dotted line for bone-crushing austerity in return for a bailout from the International Monetary Fund; it is something else for them to make it stick. As June drew to a close, massive labor demonstrations in every major country in Latin America that has fallen victim to the IMF undermined the political positions of those who had signed the IMF deals. The labor upsurge reinforced the diplomats and political leaders who are moving toward joint Ibero-American action to alleviate the debt service burden.

Per capita incomes in Brazil will fall by about 10 percent this year and next year as a result of the present agreement between Brazilian authorities and the IMF, Prof. Adroaldo Moura told São Paulo executives June 16. Moura is the academic most identified with Brazil's economic chief, Planning Minister Antonio Delfim Netto.

The industrialists with whom Moura debated the crisis were surprised to find their April production levels down 3.5 percent from last year's and unused capacity up to 26 percent, despite Delfim's intimations of a "recovery." Most industrialists agree with the comment by Foreign Minister Ramiro Saraiva Guerreiro in an exclusive interview published in the June 28 issue of *EIR* that the IMF's "medicine" is "killing the patient."

Brazil sends the IMF home

While industrialists have complained about the intensifying depression, it was the muscle of Brazil's long-dormant labor unions and military nationalists which caused the IMF to beat a retreat from its original aims.

On June 22, the top members of the IMF delegation to Brazil flew back to Washington. Top-level Washington sources informed *EIR* June 24 that there has been a total breakdown in the IMF's negotiations with Brazil because the IMF refuses to accept anything short of Brazil wiping off the books all laws protecting acquired wages and fringe benefits. Brazilian leaders, unwilling to provoke a social revolution for the sake of the IMF, sent the negotiators home. The sources say the Brazil-IMF confrontation threatens to go past the June 30 deadline set by the Bank for International Settlements.

Is Brazil going to impose a "shock treatment"? Unlikely. Each day the IMF mission scurried from office to office in Brazil from its June 5 arrival, Delfim's minions promised a new "package" cutting state sector investment budgets and public employees wages by 25 percent and "de-indexing" the Brazilian economy. (Beyond the technicalities, "de-indexing" is a mechanism for reallocating income from wage-earners and producers to debt service. While allegedly a way of "fighting inflation," the real impact is to destroy a country's productive potential.)

Delfim's crew filled the press with stories that the measures had presidential approval and were about to be announced. The tactic backfired.

Thirty-thousand state sector employees marched peacefully through downtown Rio June 17 with hundreds of banners attacking the IMF and Planning Minister Delfim Netto, *Jornal do Commercio* reported. The 120,000 employees of

Banco do Brasil across the country are on "war footing" against the expected announcement of what would amount to a 25 percent annual cut in their real wages. If they were to go out on strike, it would stop checks from clearing in Brazil. Over 20,000 Banco do Brasil employees submitted their resignations en masse—a sign that the government will face millions of cases of labor litigation if it were to wipe out by decree benefits guaranteed by contract and by law.

The petroleum and electricity workers joined the movement. Their leaders announced that "the workers are mobilized to go out on strike on July 6 if the 'package' is announced before then." This would shut down not only refineries, but wells and petrochemical complexes.

The programatic line among the 30,000 marchers could be summed up by the leaflets distributed there by the oil refinery workers: "State Sector: Scapegoat for Incompetence, on Road to Denationalization." According to reports in the anti-labor Rio daily *O Globo* and communications received by *EIR*, hundreds of copies of a March 15 *EIR* article quoting IMF plans for denationalization of Brazil's resources and the reduction of its population have been xeroxed and circulated to Brazil's political and military leaders by state employees.

Big state sector budget cuts were supposed to be announced on June 8, but they were stopped by state sector managers such as Eliezar Batista of the iron company which runs the Carajás project and his backers in the nationalist military layers; they stymied Delfim and ensured that President Figueiredo would makes the decision.

Continent-wide actions

The immense and rapid mobilization of labor sectors which have been practically dormant for a generation is causing Brazil's leaders to think twice before taking what might otherwise appear to be the "pragmatic" route of yielding to the IMF. The government party leader in the Chamber of Deputies, Nelson Marchezan, declared June 18 that his party would not tolerate the decreeing of real wage reductions which it had not helped formulate. Marchazan's rebellion signaled that the political and military advisers to the president, such as Leitão de Abreu and General Ruben Ludwig, were fighting tooth and nail against Delfim Netto and the IMF.

Trade and Industry Minister Camilo Penna brought into the open June 18 the fight within the cabinet over breaking with the IMF. Penna, whose state steel sector is being rusted out by investment cuts, proclaimed, "The President has the command of the economic process in his hands as a constitutional duty." Penna argued that the only solution to the debt problem was government-to-government negotiations with the United States for a new growth-oriented economic system under the terms outlined by President Figueiredo in his Sept. 27 United Nations speech and in the message he sent to the recent Williamsburg summit.

In Argentina, for instance, the CGT-A trade-union federation, the second largest in that highly unionized country, has announced that it will go out on a national strike if wages continue to be savaged by IMF measures.

In early June, Bank for International Settlements head Fritz Leutwiler had assured anxious creditors that "Argentina no longer has any problems," since the IMF program is being fully implemented there. Not so, argues the Buenos Aires daily *Clarin*, in its June 19 edition. "It would be naive to pay attention to the president of the BIS. . . . [Argentina] may be able to pay [its debt] for some time through popular sacrifice, but this cannot go on forever. And the proliferation of trade union conflicts . . . signals that time is running out. . . . The pact [with the IMF] will thus be shattered, because there is no other way out."

In Mexico, over 100,000 teachers marched noisily through the streets of downtown Mexico City and a half dozen other urban centers on June 17, chanting: "We're warning you, government officials—don't use our salaries to pay the debt."

The marchers of the SNTE trade union, the single largest union in all Ibero-America with nearly 750,000 members, were telling the government: we will not stand for the IMF deal, and if you have to choose between the population's living standard and paying the debt, to hell with the debt.

The head of the Venezuelan trade-union movement, José Vargas, had called a week earlier for "the formation of a vigorous and coherent trade-union movement in the Third World nations" to resist the IMF's destructive policies. A few days later, that country's finance minister, Arturo Sosa, felt compelled to tell a local press conference that "I don't give a damn what the IMF's preferences are."

Is the U.S. prepared to replace the IMF?

The IMF is now discredited as the crisis mediator between the nations of the North and those of the South. What Brazil's pro-austerity daily *O Globo* reported as "the political victory of the demonstrations of state sector employees" over the IMF in Brazil is likely to embolden further resistance to the Fund throughout the continent. In each case, the IMF will be pressed to soften its conditionalities or go by the wayside.

The presidents of the five Andean Pact states meeting in Caracas July 24 are likely to agree on joint action against the IMF; and the Ibero-Americans may seek to negotiate a new deal on debt with the United States in early September. Unless the IMF's anti-development approach—today fully supported by U.S. officials like Federal Reserve Chairman Volcker, Treasury Secretary Regan, and Secretary of State Shultz—is promptly abandoned, the nations of the South may see little choice but to launch a fight with the United States as well.

"It was simply not possible to go any further," lamented an IMF official before leaving Brazil. Will the United States recognize that reality?