Brazil's President upsets the bankers

by Silvia Palacios

The financial community was awaiting with bated breath the speech of the President of Brazil, José Sarney, on July 22. They thought he would finally define a drastic economic program reeking of austerity and industrial recession, very similar to the shock treatment which Argentina has just imposed. Sarney disappointed them and instead made a strong defense of the growth of the economy, at the same time that he answered "no" to the debt reorganization proposals made by Fidel Castro of Cuba.

In his speech, broadcast throughout Brazil, Sarney asked for a new international economic order and demanded that the bankers sit down to negotiate and not merely dictate conditions: "We cannot accept the dogmatic intransigence of the international financial institutions which are imposing an unnecessary policy of recession on the country." He added, "The misery can only be solved with the full development of our economy. We have the moral obligation of preventing Brazilian citizens from continuing to die of starvation and disease"; and insisted on an aspect which now seems to be the theme of his government: Brazil can—and must—grow by 5-6% annually.

Responding to Fidel Castro's "debt proposal," published in the major Brazilian newspaper *Folha de São Paulo* on June 2 (see the *Feature*, p. 22), Sarney chimed in with the answer also given to the Cuban leader by Peruvian President-elect Alan García: "The debt cannot be an instrument of ideological conflict and must never be part of a confrontation between East and West."

The possibility that Brazil might join with the other major debtor, Mexico, for a common strategy to confront the debt problem, along with the growing rejection of the IMF inside Brazil, heated things up to the point that two days before the presidential speech, fraudulent polls were conducted in which something totally incredible came out: 45% of Brazilians supposedly support the IMF!

"The specter of the debt is once again being unleashed" in Ibero-America, reported the main financial newspaper of Brazil, *Gazeta Mercantil* on July 17. "Mexico is suffering a rapid deterioration in its foreign accounts," the Mexican and Brazilian governments have started to work together, very quietly, to seek a new way of dealing with the foreign debt crisis, it reported, in commenting on the secret meeting held near Mexico City, where officials of ten of the continent's countries analyzed new forms of dealing with the debt crisis.

Since the new government some two months ago had its first fights with the IMF and the committee of foreign bankers, the political pressure from Henry Kissinger and his friends like William D. Rogers—contracted to give legal advice for the debt renegotiation—to force Brazil to turn over its economy to the usurers, has taken on the most varied forms.

Anglo-Swiss financial warfare

But it was the British magazine *The Economist,* mouthpiece of the Anglo-Swiss banking community—which became the mouthpiece of a specific change in the pressures. It called for leaving behind the rhetorical fight and taking practical actions. In an article of July 13 sounding the alarm on the crisis, it discussed the case-by-case renegotiations of the debt of the countries of the continent, and said: "Defaults can be avoided if Latin America forswears economic autarky. . . . The danger of a reversion to economic autarky looms largest in Brazil." President Sarney "is turning a deaf ear" to the ministers who want Brazil to surrender to the IMF. The message is clear, Brazil runs the risk of isolating its economy from the international scene, therefore take your capital out as fast as possible. Up to now, Brazil has $8 billion in monetary reserves, the highest amount of any Ibero-American country.

Domestically, important industrial sectors have come out giving the President the support he asked at the beginning of his administration, to not capitulate to the IMF. On July 22, the president of Metal Leve, José Mindlin, said, "We must show the IMF that we are facing an explosive social situation which cannot be ignored. To earmark the entire trade surplus to pay service on the debt is a very, very great sacrifice for the nation." At the same time, the Ministry of Public Planning published a rundown of the brutal budget cutbacks effected over the past five years: Social investments fell by 30% in real terms; health spending by 46%; and education 19%; the study indicates that no one can tolerate new reductions.

And the Sarney government, albeit still cautious, is seeking a way to go abroad to coordinate actions with the rest of the continent. On July 24 the President of the Dominican Republic, Jorge Blanco, announced that he had talked with José Sarney and that the latter agreed on an informal summit of the Ibero-American heads of state at the next United Nations General Assembly sessions in September. José Sarney will give the inaugural speech at the opening of the General Assembly.