Report from Rio by Marcos Monteiro

Bresser forced to resign

Brazil ended its debt moratorium, but the international bankers are still nervous.

Brazilian Finance Minister Luiz Carlos Bresser Pereira resigned Dec. 18, because he failed to implement the full package deal he had worked out with creditor banks in November. One part went through Dec. 29, when Brazil paid $367 million to break the debt moratorium declared Feb. 20 by Bresser's predecessor, Dilson Funaro. But President José Sarney lacks the political muscle to impose the kind of austerity and give-away of national patrimony demanded by the International Monetary Fund (IMF). Bankrupt Brazil will soon resume its moratorium if its bankers do not "lend" it $11.5 billion more to cover 60% of their 1987-89 interest charges.

The banks are nervous. They will try to keep Brazil performing by "breathing oxygen into the corpse" of their deal with Bresser, because "the idea of having Brazil go back to moratorium, in January, and not pay interest for one or two more years is too scary for the banks," said a Citibank officer.

Bresser blamed his demise on President Sarney, whom he rightly accused of "lacking authority." "My greatest adversary in the government was weakness," he charged. Soon, Sarney sputtered back, also correctly, that Bresser had been making internal economic policies "as if we were jumping the gun on the IMF" by applying the kind of recessionary policies it imposed on Brazil at the end of 1982. Sarney, however, immediately decreed a similar package of tax increases and budget cuts.

All business forecasts are for the recession of the past two months to turn into a depression in January. Sarney told the press Dec. 21, "It were better for us to fall into a controlled recession than to take off for a high level of inflation." What Sarney means by "high" is hard to tell, since 1987 consumer price inflation was measured at 370% by one government agency and 418% by another.

Inflation has accelerated, while the minimum wage has been cut since April by 10%, to $50 a month, the lowest it has ever been. April was when Sarney fired Funaro and began propitiating foreign creditors and the IMF.

Bresser's last stand was ostensibly his attempt to dissolve a dozen small state companies and to put token taxes on capital gains and the property of millionaires. Bresser told the press Sarney had given his approval and then withdrawn it after getting an earful from politicians he counts on to prolong his presidency. Sarney is trying to be all things to all people; and Bresser's "package" alienated everybody.

But what really did it was his tampering with the most sensitive areas of the economy. Bresser tried—but failed—to end tariff protection of strategic industries. According to insiders here, the industrialists affected went to military officers and persuaded them that such free trade policies threatened national security. The military forced Sarney to retreat.

The Reagan administration is bludgeoning Brazil into a "free trade" mode and is willing to burn whatever is left of the former Brazil-U.S. alliance to do so. In November, President Reagan ordered $105 million in Brazilian exports to be blocked from the U.S. market—unless Brazil stops protecting its nascent computer industry against strangulation by IBM.

The Brazilian foreign ministry has persuaded Sarney to scrap all mercantilist industrial promotion policies which disturb Washington's free traders. Sarney tailored a new computer software law to State Department specifications. He abolished tax exemptions for exporters. "The government isn't able to make any decisions now. It's paralyzed," commented Andre Lara Resende, a Brazilian economist who designs "heterodox" austerity programs on behest of the IMF.

Sarney spent his Christmas vacation struggling to design an economic policy to satisfy creditors without arousing the population to revolt. With him were Citibank director Mario Simonsen, Helio Jaguaribe of the genocidalist Club of Rome, Socialist International leftist Fernando Gasparian, and Marcilio Marques Moreira, a monetarist banker who is ambassador to Washington and touted to become the next finance minister.

Such pragmatist strategems are doomed, Funaro warned on the day Bresser resigned. "The important thing," he stressed, "is that the country goes back to discussing substantial questions. During the past six months the government changed its line on foreign debt negotiations, harming the national interest. And, on the internal plane, it caused a large salary loss. The government came to be more concerned with questions such as the length of the presidential term than with the country's real problems. So long as the government does not have a working policy envisioned in terms of the country's distant future, we will have a crisis every 90 days."