Citibank saves its finance minister

Brazil has secretly pledged even its "point of view" to its foreign creditors.

Citibank Vice President John Reed hopped on the first plane to Brazil on Aug. 10. He knew Finance Minister Maílson da Nóbrega was on the ropes. And he came to Brazil to save him. In so doing, he made a rather embarrassing revelation of the degree of colonial control which is asserted through secret agreements behind the debt renegotiation packages which Reed specializes in working out with various Ibero-American countries.

"The minister's departure could mean to the creditors that the point of view agreed in the negotiations is no longer in the government," Reed declared in a São Paulo press conference on Aug. 11. He added, "Also, Maílson is doing a fabulous job and has a very good reputation in the international market." Reed's verdict boils down to a threat to rip up the still-incomplete contract to refinance the $62 billion Brazil owes international commercial banks.

Reed and Da Nóbrega triumphantly announced the renegotiation package deal last February; but the creditors have delayed committing themselves to it. They are waiting to make sure the new Brazilian Constitution commits all governments elected in the future to a "point of view" hospitable to usury.

Reed then flew to Brasilia to meet with President José Sarney. After the meeting, he said he had instructed him that "the realization of the accords is not impossible without the minister, but it would face greater difficulties." Reed was clearly speaking for the international financial "community." Bank of California Vice President Luiz Gastal lectured Brazilians, "It is not the right time to change finance ministers; it is not the right time to *even think of* that possibility."

Christian Baumann of the Union Bank of Switzerland stated Da Nóbrega must stay in office "to guarantee the stability of the government's economic policy."

Although Brazilians are less sensitive to such contemptuous meddling in their internal affairs than other Ibero-Americans, it is rare, even here, for foreign intervention to be so gross. The bankers felt they had to show off their muscle to save Da Nóbrega because of the widespread rumors that he was on the verge of resigning.

The economy running out of control, as manifested in the 1,000% annual inflation rate made him vulnerable to Brazilian elites who believe that development and rapid growth—not intentional recession—is the best way to solve Brazil's great economic problems.

Citibank's Reed was particularly concerned that the 1989 budget remain tied to the draconian austerity conditions imposed on Brazil by the International Monetary Fund and the banks. With municipal elections this November and presidential elections next, the bankers are nervous that the regime will discard austerity and the recession it has brought in order not to lose political power at the polls.

The monetarist mind works in strange ways. A 16% increase in cement production in June, reflecting a lot of mayors suddenly meeting their street-paving promises, caused them to wet their pants.

Planning Minister João Batista de Abreu described the cuts he has planned for the 1989 budget and lamented, "Up to now not even the government itself has become convinced that these measures, although tough, are inevitable." Abreu calls his budget "Operation Dismantle," since he plans to strip down three ministries and auction off dozens of state-owned industries, including the railroad freight system, internal navigation companies, and the National Cooperative Credit Bank.

In doing this, he is implementing ex-Finance Minister Delfim Netto's demand that the government fire 300,000 employees.

Abreu has run into trouble getting full cabinet backing for his "Dismantle" budget, which should be sent to Congress at the end of August. His plan is to cut 2% of the Brazilian Gross National Product out of the budget by dismantling enterprises, eliminating production subsidies, and cutting investment. The biggest cuts, as always in Brazil, are scheduled to come out of health and child nutrition programs.

Perhaps the most forboding aspect of the situation is that the finance and planning ministers' plans for economic recession have the public backing of Army Minister Gen. Leonidas Pires Gonçalves and National Intelligence Service Minister Gen. Ivan de Souza. Pires pronounced after listening to Da Nóbrega Aug. 9, "It is undeniable that Maílson is a very capable expert, of the highest stature," according to the daily *O Estado de São Paulo*. It seems that Minister Pires forgot the message he sent Henry Kissinger in 1987 in which he told him that Brazil was not "some banana republic."

Pires, in helping to win the latest round for the finance minister, clearly placed himself on the side of yuppie John Reed.