Report from Rio by Silvia Palacios

Financial brush-off

A foreign aid cut-off in the midst of accelerating economic crisis may throw Brazil back on its own devices.

The international banks and financial entities have decided to cut all credit aid to Brazil. The World Bank has decided to up the pressure by suspending all financing projected for this year. At the same time, the non-existence of the so-called Brady Plan has been proclaimed to the four winds, signifying that no hope of aid can be expected from that quarter.

Faced with this situation, Brazil is returning to a period worse than that prior to the 1987 debt moratorium. It was supposed that when Brazil renounced its moratorium, the banks and the International Monetary Fund (IMF) would revive the flow of funds. This proved a costly illusion—the country instead plunged into a new industrial recession, the labor force underwent new levels of wage gouging, and the political structure of the country was further weakened.

During the first week of May, the directors of the World Bank informed the Sarney government that the Bank would not approve any more sectorial loans to Brazil until it signed a deal with the IMF. A total of approximately $1 billion in credits allocated to the vital energy sector and for administrative projects was canceled.

At the same time, the IMF urged Brazil to set new economic policy goals, especially vis-à-vis the public deficit, and to further tighten its already murderous wage policy. The Fund also urged the re-indexation of the economy. In its talks with the Fund, the Sarney government stalled on putting any final touches on the agreement, in hope that some pragmatic deal could be struck with the United States which would alleviate increasingly severe social pressures.

But the stall was in vain, as a delegation of labor leaders and influential industrialists from the state of São Paulo discovered during their recent trip to Washington and New York to familiarize themselves first hand with the Bush government's plans for Brazil. In view of the responses they received, the only conclusion they could reach was that the Brady Plan—Washington's only offer—simply did not exist! The truth, is that the idea of the Plan has been kept alive merely to pressure docile governments into surrendering their sovereignty.

What the Bush government really thinks about the Brady Plan is "to include some countries that have already begun reforms, such as Mexico, Venezuela, and perhaps the Philippines and Costa Rica," said Michael Skol, a State Department specialist on Latin America, to the visiting Brazilians. Skol characterized these countries as "major debtors with the political will to make reforms." Brazil, he asserted, "could theoretically participate in the scheme, but it is difficult to carry out [reforms] in the midst of a presidential campaign."

Seeking a more positive response, the Brazilian delegation visited the office of Democratic congressional delegate Walter Fauntroy (D.C.), chairman of the House Banking Subcommittee on International Development, Finance and Trade. Fauntroy, a Brady Plan adovcate, confessed to the delegation that "the bankers were not responding positively."

At the Commerce Department, the response was equally hostile. Advisor Geza Faketekuti met the delegation with the complaint, "I have the feeling that it is very difficult to have a completely rational discussion with Brazil; the nationalist sentiment is so large that it is difficult to converse." Faketekuti was referring to the insistence of a nationalist elite, comprising military, political, and industrialist circles, on maintaining legislation that safeguards national industry, versus the neo-liberalism which the mafia at the U.S. Commerce Department has sought to impose on Brazil.

Faketekuti's free-trade diatribes reached the extreme of revealing heretofore unknown trade negotiations. For example, he said that the Commerce Department has been forced to hold "secret talks" with the general secretary of Brazil's foreign ministry on the highly sensitive computer technology law, to avoid wounding "nationalist" susceptibilities.

The delegation's marathon tour included meetings with the IMF, World Bank, U.S. government offices, Congress, and select institutions of the Eastern Establishment such as the New York Council on Foreign Relations. Also included, of course, was Kissinger Associates.

The delegation has apparently reached the conclusion that there is no sane U.S. policy for helping its most important hemispheric ally. Union leader Luiz Antonio Medeiros declared, "Some American authorities told the press that not even a total pardon of the debt would solve the problem because of the disorder of our economy." Medeiros concluded that Brazil should do things on its own, "without expecting help from abroad," including "the adoption of a unilateral scheme to alleviate the foreign debt."