The threat was so great that Brazil was forced to administratively slash imports, from $23 billion in 1980 to almost $22 billion in 1981. Meanwhile, the government raised real interest rates to the 40-50 percent level—150 percent compared to 100 percent inflation—to crush domestic demand for goods. Exports, heavily subsidized, jumped from $20.1 billion in 1980 to $23.5 billion in 1981. Brazil's trade swung from a $3 billion deficit in 1980, to a $1 billion surplus in 1981—a $4 billion reduction in Brazil's foreign borrowing requirements.

Import-cut pressure intensifies

This year, Brazil is being asked to repeat this contraction, in order to reach a net reduction in its 1982 borrowing requirement. Brazil has been asked to get its bank borrowing down from $15 billion in 1981, back to the $12 billion level of 1980. All the while, Brazil is paying out $17 billion per year in debt principal and interest to the banks.

"Brazil still has problems with its debt servicing," Jul said, "and they must manage a trade surplus of $3 billion." The IMF economist stressed that if Brazilian exports do not rise this year, as is highly unlikely given the current collapse of world trade, Brazil will simply have to cut its imports more.

The result has already been a drop in Brazil's manufacturing production by 10.2 percent in 1981, a drop which will continue this year if imports are cut. The capital-goods industry announced in mid-April that machinery production declined by 17.7 percent during 1981 because of lack of credit for new investments. In January 1982, truck production fell 71.2 percent, tractor production 61.5 percent, and crude steel 17.8 percent, compared to January 1981.

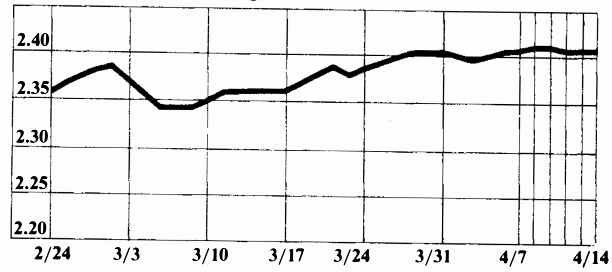
Brazil's industrialization will be crippled by the import cuts. "Projects will not be able to import any new machinery," Jul stated. "And there will be no new projects begun." Eleven major hydroelectric dam projects and 6 out of 8 nuclear power plants on order have been postponed.

A parallel situation is occuring in Mexico after the recent devaluation, IMF officials told reporters recently. As *EIR* has reported; the Federal Reserve has told the banks to "put some pressure on Mexico to reduce their borrowing needs," as Fed officials put it, and bankers say although Mexico needs at least $20 billion this year to get by, it will be lucky to get $14-$15 billion, meaning zero growth in external financing from 1981.

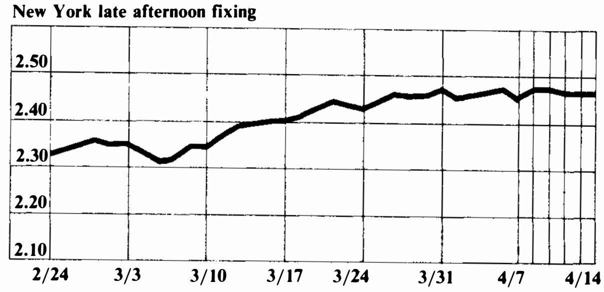
To cut borrowing, the IMF and international bankers are advising Mexico to cut its imports by as much as $8 billion this year, that is, by almost 25 percent from 1981. Mexican imports for January and February were in fact down by 20 percent compared to 1981.

Currency Rates

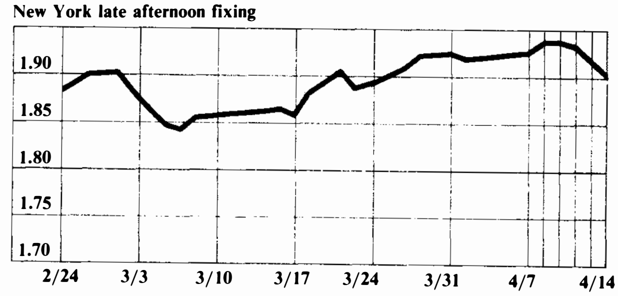
The dollar in deutschemarks
New York late afternoon fixing



The dollar in yen
New York late afternoon fixing



The dollar in Swiss francs
New York late afternoon fixing



The British pound in dollars
New York late afternoon fixing