Brazil: The IMF's negotiating terms

by Silvia Palacios

On the afternoon of April 26, like a bolt from the blue, the director of the foreign department of Brazil's central bank, Sérgio Silva de Freitas, was suddenly fired. It was the opening shot of a campaign to downgrade the prestige of a nationalist political grouping which opposes the conditions being demanded of Brazil by the International Monetary Fund, the grouping headed by former Vice-President Aureliano Chaves, who is considered at present the strong man of the government of President José Sarney.

This is the first counterattack by the International Monetary Fund to three actions which the new government of the republic of Brazil has taken as a minimal defense of its sovereignty. The measures were:

- The public denunciation by Freitas of the recessionary policy of the international financial institutions and the policy of high interest rates of U.S. Federal Reserve chairman Paul Volcker at the Assembly of Governors of the Inter-American Development Bank (IADB) in Vienna.

- The prohibition against IMF bureaucrat Ana María Jul meeting with whatever ministers she wanted on the pretext of seeking "technical information."

- Moves to put the firm Brasilinvest, where the European oligarchy has been putting the proceeds of its shady business deals, under court receivorship.

In the speech which Freitas made in Vienna, which was virtually blacked out and only made public in its entirety the day after he was fired, he said that: "A country like Brazil which still has an enormous social deficit, is sending to the developed world 4% of its GNP. . . . I doubt that economic growth can continue if this enormous transfer of resources abroad keeps going on." He added, "Why must the nations with traditional ties to the United States, grouped in the Western world, and with grave social problems, pay a part of the bill of the discrepancy between the American budget and its monetary policy?"

Silva de Freitas is a conservative who comes from the business sector. According to information made available to *EIR*, when he was named to a position in the Central Bank—only seven weeks ago—he made a study of the problem of the foreign debt and reached the conclusions that he laid out in Vienna.

He is now replaced by the hard-line technocrat Carlos Eduardo de Freitas, a career functionary in the Central Bank.

If the Committee of Creditor Banks of Brazil was alarmed at Silva de Freitas' speech, the IMF's reaction to the treatment meted out to Ana María Jul, "the iron lady" of its South American sector, was no less extreme. She showed up in Brazil at the beginning of April; the new government, however, immediately forbade her traditional pilgrimage in search of economic information, activity in which she formerly engaged in with the same casualness she might adopt in her own living room—from the presidential palace at Planalto down to any ministerial office she wished. For her work, she was told, she only needed the information available at the central bank, and to be precise, in the department directed by Silva de Freitas.

The placing of Brasilinvest in government receivorship—its president, Mario Garnero, according to *EIR*'s sources, is not unaware of the methods often used to launder money from the illegal drug trade—directly affected the business interests of former Secretary of State Henry Kissinger and George Shultz. Along with Shultz, former U.S. Treasury Secretary William Simon's name appears on the list of founders of Brazilinvest. Simon is a member of the board of directors of Kissinger Associates, the most important consulting company of the banks holding Brazil's foreign debt.

Plainly, the IMF demanded the resignation of Silva de Freitas in order to hold back the process of investigating Brasilinvest and the more general illegal operations of banking groups linked to international interests—as the precondition for re-opening negotiations on $45 billion in Brazilian debt. The agreement must be concluded at the latest in the first week of June, and this is being urged by the president of the central bank, Antonio Carlos Lembruger. According to the president of the Federal Reserve Bank of Boston, Frank Morris: "I had breakfast with Lembruger and he assured me that the accord with the IMF and the banks must be concluded at the end of May."

The new republic led by José Sarney da Costa, has gotten itself into a real mess by giving in to the IMF's pressures in the first skirmish. The IMF, in turn, now feels strengthened in its bargaining position, enough to try to impose the solution of Henry Kissinger: trading unpayable debt for assets in major state enterprises, and at the same time, holding back investment in the large Brazilian infrastructural projects.

To carry out this scheme—"You can't pay your debts? Give us your country instead"—the
tion of all nationalist political forces. That is what lies behind the campaign to oust political figures inside the government and state firms who show any sign of opposition to IMF programs. The war has only begun.