Report from Rio by Silvia Palacios

Brazil enters into the IMF game

The new finance minister says "growth is non-negotiable," but vows to pay all foreign debt. It won't work.

In the last meeting of the foreign-debt negotiating team led by the new finance minister, Dilson Funaro, Brazil tried to loosen the strings of the International Monetary Fund's recessionary program. Mexico already tried this and got, in return, the destruction of its productive system.

"Brazil's growth is non-negotiable," asserted the finance minister after his meeting with IMF director Jacques de Larosière and U.S. government officials, among them Federal Reserve chairman Paul Volcker.

Volcker tried to make sure that Brazil won't follow the course of the "Peruvian model," imposed by President Alan García in defense of Peru's sovereignty. After a long meeting, the finance minister revealed that Volcker asked that Brazil not seek any American support "which would imply an increase in the U.S. budget," nor leave "the American banks in a vulnerable position." "I replied that Brazil would continue to honor its foreign commitments," Funaro concluded.

However, the minister himself, in statements his team made a point of spreading, detailed the social tinderbox in which Brazil finds itself: We already had a recession "which put 450,000 workers onto the streets in Sao Paulo . . . and this cannot be repeated." To illustrate, he quoted strikers he spoke with in the recent bank strike. "Minister, I know that the strike is illegal, but I already lost 45% of the buying power of my wages in the last year. We can't go on like this."

In his trip, the minister carried out a heavy "extraofficial" schedule. He spent almost all of his first day in Washington with Alexander Kafka, Brazil's representative to the IMF and one of those responsible for the Fund's overall policy on the foreign debt crisis. Funaro also went to see William D. Rogers, a Kissinger Associates director, contracted by ex-Finance Minister Francisco Dornelles to "advise" Brazil in foreign debt negotiations. Rogers pushes the plan to exchange debt for assets in state enterprises, such as the strategic Petrobras oil firm. This plan is liked by Brazil's Friedmanite business circles, who jumped for joy when the government announced on Sept. 11 that the National Economic Development Bank is studying a plan to sell a set of Petrobras stocks, representing 24% of the firm's capital.

Faced with the flop of the program the IMF imposed on Mexico (and which Mexico carried out to the letter), and the "rebellion of the Peruvian President who vowed to disown the IMF," the IMF and the Kafkians are offering to make Brazil the next "spoiled child," financial sources say. "The confidence of the international financial system will not recover unless Brazil reaches an accord with the IMF," said the City of London's bankers' daily, *Financial Times*. In Washington, rumors abound that "inside the American government itself one notes the first signs of doubt on the efficacy of the orthodox remedies applied in Brazil," wrote the daily *Gaceta Mercantil* of a Sao Paulo industrial group on Sept. 17. This line comes from Henry Kissinger, who in his proposal for a new Marshall Plan moaned that the IMF had to make its programs less orthodox.

Brazil is trying to open a breach in the situation and make a deal with the Fund which will let it grow at least 5%, as stated in the draft of the First National Development Plan. The insistence on growth reflects a business-political faction which, although pragmatist, does not want to assume more of the social burden of monetarism. For example, the Cotia Trading group will sign a big triangular trade deal with Peru. This, combined with growing labor discontent over low wages, has put pressure on the politicians in Brasilia.

The recent bank employees' strike effectively questioned the as-yet unsigned accords with the International Monetary Fund. The major demand was for the quarterly wage rise, which will also be the pivot in the coming wage talks in other sectors. The growing loss of real wages is the keystone underpinning Brazil's "export miracle," which has placed the country in a position to pay interest on its external debt on time. In the last five years, wages lost one-third of their buying power. And one-eighth of the workforce lost almost 50% of its buying power.

Although the bank employees did not win their main demand, 36 metalworking unions from the moderate CONCLAT have proposed to form a front to defend quarterly wage rises. The next strike wave may be catalyzed by Fidel Castro's friends in the Workers Party (PT); or by a labor-industry alliance which restarts growth, creates new industrial jobs, and rapidly recovers the buying power of wages. Does this mean saying goodbye to the IMF? No doubt—but above all, it means defending sovereignty.