

## Report from Rio by Lorenzo Carrasco

### Sarney rejects IMF shock treatment

*Brazil's President has decided that growth of Brazil's economy takes precedence over the IMF's recessionary recipes.*

**P**resident José Sarney inaugurated his weekly radio-broadcast addresses to the nation the week of Oct. 21 with the announcement that he would not carry out the economic shock policies proposed by the International Monetary Fund, despite the pressures it has applied.

"When I took office, they told me I should use drastic measures to bring inflation down to zero. They tried to convince me to continue the recession, end growth, reduce credit, reduce wages. This would mean unemployment, social rebellion, and more sacrifices. I refused this path because I found it unjust, because it did not meet Brazil's needs."

This kind of weekly radio message, as President Sarney himself acknowledged, is modeled on the famous "fireside chats" of the U.S. President Franklin D. Roosevelt, a figure greatly admired by the Brazilian head of state.

For a number of months, President Sarney had been postponing a public unveiling of his economic policy, clinging to the illusion that the U.S. government might end its monetarist stubbornness and contribute to a transformation of the current world monetary system. The proposals of the U.S. Treasury Secretary in Seoul shattered President Sarney's last hopes that the financial crisis might have a painless solution.

One day before his radio message, Sarney chose the inaugural ceremony for the gigantic industrial port complex constructed by the Companhia

Vale do Rio Doce in the middle of the Amazon jungle to enunciate his new position regarding the crisis and the international financial institutions: "A country that has the Amazon can have no doubt as to its future, and has no time to feel fear. Everyone knows that we are experiencing serious difficulties, but to rule is to confront and overcome difficulties."

The projects launched by Sarney—such as the immense aluminum factory Albras and the port of Villa del Conde, a part of which is being described as "the Brazilian Mississippi"—are part of the vast Carajás complex located in the eastern Amazon. Carajás alone represents one of Ibero-America's largest economic potentials, including not only huge mineral reserves of iron, manganese, nickel, copper, bauxite, and gold, but also vast hydroelectric, industrial, and agricultural potential. Finishing the work will require an estimated investment of nearly \$40 billion.

It is in this context that Sarney declared in his Amazon speech: "My government holds as its goal the promotion of the country's growth to rates that will allow people to live well and prosper. We reject recession and unemployment. To achieve this goal, we will do everything we can to determine how we can overcome our lack of [financial] resources. We understand that Brazil cannot abandon construction of projects so vital to the development of the country. Without men there can be no works, and without works, there can be no improve-

ment in the quality of life, nor in the generation of wealth," concluded the President.

This speech paved the way for the ministers of finance and planning, and head of the central bank to release a flood of statements explaining the republic's new economic policy. Finance Minister Dilson Funaro, in a presentation before over 1,000 businessmen, asserted: "We can no longer wait for a reordering of the world economy before ourselves reentering the path of economic and social development." The majority of the businessmen expressed their agreement.

Planning Minister João Sayad told the newspaper *Folha de São Paulo*, "We must continue to grow. If we did not, we would be forced to invent formulas, new international organizations, new forms of financing, so that the growth of the Brazilian economy were not compromised by the stubbornness, the financial policies, of the creditor banks."

As we have noted, the decision of the Brazilian government to make its economic policy official came only after the Brazilian delegation to Seoul—headed by Minister Funaro—heard from the mouth of James Baker III his absurd offers of "new credits." More than anything else, Baker's praise for Argentine President Alfonsín's useless "Austral plan" was viewed by the Brazilians as a rude slap in the face.

But that slap apparently had its effect. This week, the Brazilian central bank, according to press sources, informed Douglas Smeed, vice-president of the Bank of Montreal and head of the economics subcommittee of the cartel of creditor banks, that his planned mission to Brazil would be useless since Brazil had no interest in signing any agreement with the IMF, much less in permitting it to supervise the Brazilian economy.