No consensus for the IMF

The Inter-American Dialogue offers Brazil a "more democratic" IMF, but most Brazilians aren't buying.

Only days after the dismissal of Brazilian finance minister Dilson Funaro, buzzards from the so-called Inter-American Dialogue, an organization headed by Sol Linowitz, descended on Brazil to offer their services in mediating a deal with the International Monetary Fund (IMF). Not accidentally, a delegation from the Fund itself arrived at the same time. The Dialogue tried to sell the idea that the IMF was now a "more democratic" institution, and also pushed the Henry Kissinger policy of debt-for-equity.

However, things are not all that simple for the Dialogue. Despite Funaro's departure, the battle for control over Brazil's economic policy is by no means resolved. Bankers' man Bresser Pereira, the replacement for Funaro, triggered a furor of opposition when he announced his plans to reduce economic growth from the 7% pledged in the ruling PMDB party's platform, to a mere 3%. Powerful forces within the party, and pro-growth industrialists, stand as an obstacle to the bankers' drive to recapture Ibero-America's largest nation.

The executive committee of the Inter-American Dialogue began its two days of deliberations in Brasilia on May 4, with the stated intention of formulating a series of policy recommendations for solving the "debt problem." One of its first pronouncements, through Dialogue vice president Peter Bell, was that the IMF now accepted the concept of adjustment programs "compatible with growth."

Claiming to give support to President Sarney for his moratorium decision, the Dialogue committee met with both Sarney and his new finance minister. Apparently buoyed by their offers of support, Bresser took the risk of publicly announcing—for the first time—that the government would accept the IMF were it to come bearing "more reasonable proposals." Observers were quick to point out that it would then not be the IMF.

But Bresser's willingness to return to Fund servitude is far from the Brazilian consensus. A May 11-12 meeting of David Rockefeller's Council of the Americas in Washington, D.C. focused on Brazil. Undersecretary of State for Inter-American Affairs Elliott Abrams took the opportunity to praise the newly-appointed Bresser, but also noted that in the context of the rather volatile political situation in Brazil, the government of José Sarney would not find it easy to impose the required "adjustments" on the economy.

Even more explicit was an executive from the firm Anderson Clayton, who declared during the Council of the Americas meeting that, despite the largely conservative make-up of Brazil's constituent assembly, "I don't think there will ever again be an IMF office in the presidential palace."

The Dialogue envoys were received delightedly not only by Bresser, but also by the ministry of foreign relations (Itamaraty). Secretary general Paulo Tarso Flecha de Lima offered a gala luncheon for the Inter-American crew, behavior consistent with the ministry's determination to rapidly turn Funaro's debt moratorium into a fading memory.

That homage, however, was in stark contrast to the reception offered the Inter-American Dialogue by Brazil's political elite of congressmen, senators, and industrialists, who scorned the Dialogue's "altruism." Nowadays in Brazil, anyone who dares to speak favorably of the IMF is unwelcome, no matter what their origin.

And this appears to be the prevalent sentiment in Brazilian political circles everywhere. When the IMF's South Atlantic division chief Thomas Reichmann arrived in Brazil with his five-man team, he was greeted by one of the PMDB's most powerful senators, Mario Covas: "The Brazilian economy will not be supervised by the IMF. At the swearing-in of minister Luis Carlos Bresser Pereira, President Sarney made this very clear. . . . Brazil cannot negotiate its sovereignty with the IMF; the Fund will not dictate what economic policies the country should adopt."

After a May 12 meeting between Bresser Pereira and industrial leaders, an industrialist remarked, "It seems the minister is indirectly asking us to raise prices, invest in the financial market, to stop investing in production, to fire personnel. It's like him telling the CUT [radical labor unions] that they should loot, because their wages are going to lose their value."

Senator Albano Franco, president of the National Confederation of Industries, said May 12, "There is no business in the world that can be profitable paying real interest rates of 30% or 35% a year. . . . We are really exchanging piles of goods for piles of financial capital to the detriment of productive activity."

Bresser Pereira countered, "Finance ministers should never be popular."