 by Silvia Palacios

Sarney can't have both

Brazil's President gave up the debt moratorium for the IMF, and lost the backing of the ruling party.

An International Monetary Fund (IMF) delegation is preparing to visit Brazil to impose its economic dictates on the nation whose ruling party, not long ago, threw them out. The moratorium that then-Finance Minister Dilson Funaro persuaded President José Sarney to declare on Feb. 20, was bargained away under pressure from the U.S. banks on Nov. 5. It had been imposed in order to force bankers to renegotiate all of Brazil's $113 billion foreign debt, under terms which would permit Brazil to grow and pay "the social debt" to its people.

Sarney not only got nothing in return for giving away Brazil's "trump card"; he also promised the banks he would submit Brazil to "surveillance" by the IMF. He thus broke all his promises to the majority Brazilian Democratic Movement Party (PMDB) on which his government is based. That will speed his political demise: It's getting hard to find anyone in Brazil who doesn't want elections to replace him in 1988.

The deal that Sarney's debt negotiators closed with the banks, has been blasted by members of the government party as "treasonous."

Dilson Funaro, the man who leads polls among all possible presidential candidates, attacked the government's capitulation to the bankers. "The ones who declared the moratorium in the first place, were the creditors themselves, at the moment that they suspended any kind of new money for Brazil. My indignation is as a citizen. The government lost its vision as a state, and worse, lost an historic opportunity to contribute to the development of the country."

Funaro called into question Sarney's mandate, which is being debated by the constituent assembly. Sarney, who became President on the death of elected President Tancredo Neves, had demanded a six-year term. There is now a consensus that four years is too long, given the all-pervasive sense that the country is not being governed.

On Nov. 5, the day Finance Minister Luiz Carlos Bresser Pereira made the deal with the banks, President Sarney refused to take responsibility for the deal. "From the moment I took office, I have backed the finance ministers proposed to me by the parties that support me. . . . If their polices work or not, I don't know. I'm not an economist," he said.

The negotiations "showed this transitional government has lost its capacity to negotiate, showing weakness," said Funaro. He pointed out that the ruling PMDB has an economic program that establishes no return to the IMF, and maintaining the debt moratorium. "How can the PMDB, then, continue to support a government that is making deals that imply the premature lifting of the moratorium, and the return to IMF tutelage?" asked Funaro.

It was "an absolute capitulation" to make a "symbolic payment" of $500 million in interest on the "worst possible terms," said the former minister. One of his aides added, "More than a strategic error, it is treason to the fatherland."

Paulo Nogueira Batista, who had worked with the Funaro team, said, "Only a weak and eroded government could suspend the moratorium in exchange for a temporary agreement that only resolves the accounting problem of the banks."

"Every time I made a concession, the banks made more demands," reported negotiator Fernão Bracher. The bankers agreed to pay themselves $1 billion interest due from Brazil, chalk it up on Brazil's account, and charge interest of 0.875% above the London dollar prime plus 0.25% fees for their service. That is, in effect, twice the 5% interest Brazil's Finance Minister Bresser Pereira said he wanted as he began talks with the banks in July.

The only other thing they agreed on was to talk until at least next June about terms of refinancing Brazil's unpayable debt. That just guarantees Brazil's economic crisis will continue most of next year. The bankers now say any long-term deal must give them the right to cut all credits whenever Brazil violates the IMF's genocidal "conditionalities."

Washington made a big show of threats to downgrade Brazil's debts. To push Brazil into capitulation, the Interagency Country Risk Exposure Committee declared Brazil's debts "value-impaired." U.S. Treasury Secretary James Baker prevented the order from becoming official—it would have forced U.S. banks to charge $2-3 billion as losses on fourth-quarter balance sheets. "To negotiate is like being in hell," confessed Brazil's Bresser.

But more hell is to be paid as the nation and its institutions reject the accord and its devastating economic consequences. While Sarney continues to say that the moratorium was not suspended, it will be hard to convince the population that the IMF has arrived to help manage the moratorium.