Report from Rio by Lorenzo Carrasco and Silvia Palacios

Brazil's export-led recession

Social democrats and monetarists steer Brazil towards a brutal recession, under IMF control.

During January, a weak President José Sarney handed Brazil's economic management to new finance and planning ministers, both bureaucratic mediocrities expected to, once again, prove obedient to the International Monetary Fund (IMF): Finance Minister Maílson da Nóbrega and Planning Minister João Batista de Abreu.

From 1982 to 1985, the pair helped then-Planning Minister Delfim Netto impose disastrous IMF-dictated policies. Delfim and Citibank director Mario Simonsen manipulated Sarney's chief adviser, Jorge Murad, to get their stooges appointed. The two heavies who ran up more than two-thirds of Brazil's $112 billion debt have come back to run Brazil's bankruptcy liquidation by its creditors.

The creditors, however, are stalling renegotiating Brazil's debt until they are sure Brazil's capitulation is irreversible. They are pressuring the Constituent Assembly to ensure the new constitution does not protect the country from looting. In mid-January, the banks ordered Brazil to make on time payments of the $12 billion in interest due this year. The money would come from cutting imports and raising exports to earn a $13-17 billion trade surplus. Brazil eked out a $11.2 billion surplus in 1987 with lots of austerity and a record harvest.

The powerful private sector lobbies, such as the São Paulo State Federation of Industries, are committing suicide by pushing the IMF's prescription for an internal recession. Brazil's 30 biggest export producers met in Rio Jan. 21 to demand a 20% devaluation and conciliation with the free-trade mafia in the Reagan administration, in order to keep the doors of the U.S. import market open. Brazil is phasing out protection of nascent industries like computers. Tariff cuts like those which wiped out whole industrial sectors in Chile and Argentina are planned.

Why have Brazil's "pragmatic" industrialists snapped into an "export and die" mode? Part of the answer lies in the crisis itself. Brazil's capital goods industry, for example, was built, behind protectionist walls, in the late 1970s, when Brazil was growing 7% a year and reinvesting an average of 22% of its product. When Delfim Netto put Brazil under IMF control in January 1983, all new great projects were banned. Since 1982, not a single big generator has been ordered. The investment rate fell to 16%. A recovery organized in 1986 by Finance Minister Dilson Funaro raised that rate to 17.7%, but it has dived since he was fired last April and is far below 16%. Thus, the capital goods sector is working at under half of capacity, with increasing portions of its output sold at bargain prices on depressed world markets.

A group of Funaro co-thinkers at the National Confederation of Industries reviewed the tragedy of the major Ibero-American debtors after they fell under IMF control: "Starting with the 1982 financial crisis, interest and profit remittances became larger than capital inflows, which meant an average outflow of $27 billion per year, 25% of their exports."

Maílson da Nóbrega claims the only solution is to follow IMF austerity dictates. "Without an agreement with the Fund which makes viable an adequate inflow of funds at compatible rates, Brazil would go into a recession," he asserted Jan. 24. He means Brazil must bring in capital by selling its industry and real estate to foreign speculators, while it decapitalizes itself by cheap exports and cheats on its future by starving its people and its productive sectors.

The monetarists would not have been able to regain executive power without the help of social democratic agents in the majority Brazilian Democratic Movement Party (PMDB). This clique is led by Club of Rome member Hélio Jaguaribe and includes former finance minister Carlos Bresser Pereira, ambassador Rúbens "Rasputin" Ricupero, presidential hopeful Andrés Franco Montoro and sociologist Fernando Henrique Cardoso. They insured that there was no popular mobilization in support of Funaro's Feb. 20, 1987 debt moratorium. Six weeks later, they did the State Department's bidding in encouraging three powerful governors to call for axing Funaro.

Shortly after the moratorium, Cardoso, the PMDB's official liaison with the Socialist International, met IMF president Michael Camdessus and swore "the IMF has changed." That is exactly the excuse Finance Minister da Nóbrega is now using for surrender to the IMF.

After having weakened and split the PMDB by their sabotage of the moratorium, the social democrats are trying to remake, in their own image, the vestige of the party which won 80% of the votes during Funaro's period. As in Portugal and Spain, such genocidal "democrats" are just what the bankers ordered.