Report from Rio by Silvia Palacios

IMF conditionalities are back

The government is once again depending on military repression to enforce draconian IMF austerity.

On April 7, José Sarney's government ordered brutal austerity measures demanded by the International Monetary Fund (IMF) and creditor banks in order to achieve an agreement with them. These wage-gouging measures are part of the price to be paid for "reconciling" Brazil with the collapsed "international financial community," after President Sarney himself repudiated the debt moratorium he had decreed in February 1987.

On national television April 7, Finance Minister Mailson da Nóbrega announced that the legally required monthly cost-of-living increases for public employees would be suspended for two months. The measure affects 1.6 million employees, plus retired workers whose pensions come from the state pension fund. Given Brazil's 17% monthly inflation rate, the workers will lose 35% of their already miserable real wages.

But more is required for Brazil to get back in the good graces of the IMF and the banks in search of the fantasy called "fresh money." Even more violent measures are expected in the short term. President Sarney recognized April 8, "We have to sacrifice ourselves. This is a phase of sacrifices."

Next, he will try to extend the wage freeze to workers in the private sector. To force such a decision, the finance minister met with São Paulo business leaders, the dominant force in the country's economy. The result was a confrontation. "I don't need formal support from the businessmen; I need support from the President of the Republic," an indignant finance minister chided a group of businessmen who had formed an alliance with the General Confederation of Labor (CGT) against any wage freeze. Da Nóbrega tongue-lashed the industrialists for the fact that they cared about "maintaining buying power to sustain the internal market."

Freezing all Brazilian wages is an essential part of a full-fledged return to the savage Brazil export model. With recession now installed in the country, those industries which produce mainly for internal consumption have been severely affected. For example, the food processing industry produced 5.9% less during the first quarter of this year as compared to last year; beverages, 5.4% less. On the other hand, trade surpluses reached extraordinary levels during the first months; and it is calculated the year will bring a $15 billion surplus, against almost $11 billion last year. With this, punctual payments of interest on the foreign debt are fully assured.

According to government sources cited in the daily *Gazeta Mercantil,* the government already has prepared a four-phase program to achieve an agreement with the IMF and unfreeze current negotiations with bank creditors. The creditors insist Brazil reduce its public sector deficit from the present 7% to 4% of the gross national product. The phases are: 1) Freeze wages and all credits to states and municipalities; 2) End protectionist tariffs and restructure industry along the lines of the Bolivian liberalization model (will it also involve narco-dollars?); 3) Freeze the federal budget; 4) Privatize the state sector.

President Sarney signed a decree facilitating privatization, including denationalization through Kissinger's debt for equity scheme, something which the military government did not even dare try. The planning ministry's target list includes all the state electric utilities (with the exception of the Itaipu Dam), all the ports, more than a dozen steel complexes, and Petrobrás's 22 oil refineries.

The outcome will be unprecedented social discontent, as the Church, industrialists, and the anti-liberal military sector have warned. Hours after the April 7 wage freeze decree, 25,000 state workers demonstrated in the streets of Rio. The finance minister warned, "There will be firings; strikes will be treated with the rigor of the law." He carried out his threat, firing 19 strikers at the central bank.

Before the government decreed the wage freeze, the military ministers sent a report to President Sarney in which they warned him about "the great and grave social crisis which the freeze would cause, including to the armed forces, whose wages are also frozen." According to the daily *Jornal do Brasil* of April 6, an official of the armed forces general staff (EMFA) revealed that EMFA chief Paulo Roberto Camarinha met President Sarney and told him: "No soldier or officer would try to impede demonstrations by strikers, since they themselves want to join them." He added, "What motive does a soldier who every day hears his family complaining [against the wage freeze] have to repress a strike? And how would we . . . look to our troops?"

In order to "reincorporate" Brazil into the financial world, the liberal group running the economy is giving the military no choice but to repress the discontent the liberals engender.