Report from Rio by Silvia Palacios

Brazil humiliates itself

The crowd which ousted Finance Minister Dilson Funaro a year ago is now accepting humiliating conditions on the foreign debt.

Dilson Funaro, the former finance minister who organized the Feb. 20, 1987 debt moratorium, testified April 18 before the Brazilian senate committee investigating corruption in government. Funaro revealed that the worst corruption committed against the national interest was the dirty tricks members of the government performed to sabotage the moratorium. After Funaro was forced out in April 1987, the government did an about-face from Funaro's principled stand on the debt. That brought on the humiliation and economic looting which Brazil suffers today.

Funaro testified that in April of 1987, Brazilian ambassador to the United States Marcilio Marques Moreira—a sycophant of the Trilateral Commission—set up a team to negotiate a surrender to the banks. The team was a group of businessmen led by Michal Gartenkraut, now officially negotiating with the International Monetary Fund (IMF) as number two in the finance ministry. It is no coincidence that Gartenkraut was already up to his neck in the more traditional corruption cases being investigated by the committee, which has also subpoenaed banker-ambassador Marques Moreira.

Funaro found out about the parallel negotiations from then-Federal Reserve chief Paul Volcker, when Volcker gloated, "For a year and a half you have made my life hell; but you opened paths nobody could have expected. We were visited by a delegation of Brazilian businessmen with a proposed solution for the debt." Back in Brazil, the governors of Rio, São Paulo, and Minas Gerais rejected the moratorium and called for Funaro's ouster. Funaro returned to Brazil and resigned.

The bankers are now enjoying the humiliation of the liberal economic team headed by Finance Minister Maílson da Nóbrega. When the minister went to the United States in early April, he expected to be patted on the back for having eliminated cost-of-living increases for public employees. Instead, Treasury Secretary James Baker and the bankers told him the debt would not be refinanced until Brazil accepts IMF surveillance and imposes a more brutal austerity program. "The minister must be a bit disillusioned because the American government is taking a hard line toward Brazil," commented a Wall Street banker April 15. "The banks don't want just a telex from the IMF. They want . . . a prior accord on the public deficit. They want a real guarantee."

When da Nóbrega crawled back to Brazil, he dispatched Gartenkraut to the IMF—an institution which for three years was considered incompatible with democratic government in Brazil. Brazil accepted what President Sarney had repeatedly stated Brazil would never accept: that the commercial banks only disburse the new money they are loaning to help pay interest on old debts when and if Brazil obtains continuing approval from the IMF for its austerity program. A government source explained April 20, "it will be an innovative conditionality."

Resistance to IMF austerity and to the ongoing privatization of state companies continues strong in Brazil. The military is ever more divided on economic policy. A week after the wage freeze was put into effect, armed forces general staff minister Paulo Roberto Camarinha protested, "How are we going to continue with the wage freeze if prices are taking off; look at the prices of medicine, of fuels. . . . The wage problem is extremely serious."

Mines and Energy Minister Aureliano Chaves, backed by the nationalist faction of the armed forces in his defense of the large state companies, not only protested the wage freeze, Chaves even said he would not conform to the regime's policy of firing anti-austerity strikers. This policy was reportedly imposed by the head of Brazil's National Information Service, Minister Gen. Ivan de Souza.

Chavez also made such a stink about the possible denationalization of Petrobrás that President Sarney ripped out of the privatization law proposal he had sent Congress an ambiguous clause which endangered the state monopoly on petroleum.

Only time will tell whether the senate investigating committee will keep the headlines fixated on the petty cash side of government corruption or whether it will bring to justice the bankers' mafia complicit in draining billions of dollars from Brazil.

The National Conference of Catholic Bishops has demanded an audit to determine "the legitimacy of the present debt." Only what is legitimate should be paid. It branded Brazil's $121 billion foreign debt "a new form of colonialism and intolerable tribute." The bishops observed that, "The foreign debt is being paid by . . . exporting fantastic volumes of raw materials at extremely low prices. It should be subordinated to the preservation of sovereignty and to decent living conditions in the debtor nations."