Rio Report by Silvia Palacios

A 'free market' Constitution

Collor would break the back of Brazil's nationalist resistance by imposing a new colonial Constitution.

Following more than a month of political turbulence which culminated in a Sept. 24 demonstration in front of the Rio stock exchange against the privatization of Brazil's largest state steel company Usiminas, President Fernando Collor de Mello sent the National Congress an ambitious plan for constitutional reform, which would convert the nation's Magna Carta into an instrument of the free market. "The modernization of the country demands the liberalization of the economy, on both the internal and international plane," Collor declared in his message. Toward that end, "we need to remove certain structural obstacles."

The constitutional changes contemplated in Collor's plan are intended to shatter nationalist resistance to the neo-liberal economic policies which lie at the core of George Bush's Enterprise for the Americas initiative. It is that resistance which is battling Collor's efforts to auction the national patrimony to pay Brazil's foreign debt, and which is centered around the Usiminas fight.

The auction of Usiminas, Brazil's most profitable state company and Ibero-America's largest steel firm, was to have been the first in a string of privatizations of steel, fertilizer, petrochemicals, mining, capital goods, utilities, and infrastructure companies, representing the core of Brazil's industrial capability. With the postponement of the Usiminas auction due to a combination of legal challenges and political opposition, Collor's privatization plan is now being viewed as a "non-starter." Moaned the *New York Times* Sept. 28, "It is really one of the most discouraging situations in Latin America." More explicit was Brazilian analyst Amaury de Souza, who was quoted in the *Wall Street Journal* of Sept. 25 saying that Collor "has met the unburied corpse of Brazilian nationalism," in his failure to get his privatization program off the ground.

Collor is now regrouping to force through the Usiminas sale in late October, and is counting on the weapon of "constitutional reform" to win back the favor of Brazil's creditor banks. The changes he has proposed include: doing away with the state communications and oil monopoly; opening up the country's vast mineral wealth to foreign exploitation; eliminating preferential treatment for national companies; ending any cap on interest rates (the current Constitution has imposed a 12% limit); an end to banking secrecy; changes in tax-collection methods, to the detriment of the states; prohibiting the states and municipalities from issuing public debt instruments, leaving the federal government a free hand in paying the foreign debt; and broadening the powers of the Supreme Court so that lower court actions that "put public finances at risk" will no longer be permitted.

What perhaps best reveals the anti-national and pro-usury nature of these proposed reforms is the inclusion of an amendment that would now make state or semi-private companies subject to bankruptcy. The inclusion of such a qualification in the regulations of state companies was discussed at a famous 1983 meeting of the creditors' club in Vail, Colorado, when the plan to swap foreign debt for national assets was first presented. This plan was to become the main weapon that Kissinger and associates would wield to force payment of Third World foreign debt.

In sum, what President Collor is proposing to bring into being is a colonial Constitution, dedicated to the defeat of Brazil's industrial capitalist model, by nullifying the achievements of the 1986-88 Constituent Assembly. Back then, numerous nationalist forces joined together to confront powerful lobbies run behind the scenes by the U.S. "Project Democracy" networks, and they succeeded in defending Brazil's national interests. Those victories are embodied today in the very articles of the Constitution which Collor would see eliminated.

In addition to his other constitutional amendments, President Collor is also pressuring Congress to approve a controversial measure that would guarantee the successful launching of his privatization program, based on the models of Mexico and Argentina. The measure would permit the use of various "types of currency" in the auction bids for Usiminas, currency which, for its worthlessness, has been popularly dubbed "rotten money." Under this rubric would fall foreign debt bonds or the Agricultural Debt Bonds, recently the darling of professional speculators. It was precisely the government's attempt to allow bidding with such useless paper in the Sept. 24 Usiminas auction that led to a successful court injunction against the sale. Indeed, the measure is so clearly unconstitutional that it was even denounced by Attorney General of the Republic Aristides Junqueira, as the action of a would-be king, not a President.