Report from Rio by Silvia Palacios

IMF presents ultimatum

The Collor de Mello government is getting slapped around by the banks, but it still keeps coming back for more.

The International Monetary Fund (IMF) and creditor banks, in alliance with the Bush government in Washington, have presented Brazil with an ultimatum to immediately implement an austerity program without precedent in the history of the country, and to submit itself once and for all to a Mexico-style liberal revolution.

Given that real wages have already lost 60% of their value compared to 1980, the IMF's new demands could trigger a national revolt against President Fernando Collor de Mello's would-be liberal dictatorship. His policies are inspired by the economic prescriptions of the bankers' darling from Harvard, Prof. Jeffrey Sachs, which have already collapsed the Bolivian, Polish, and Yugoslav economies.

One month ago, the bankers' coordinating committee demanded that Brazil's foreign debt negotiators, Finance Minister Marcilio Marques Moreira and special ambassador Pedro Malan, provide additional guarantees for reducing their foreign debt to the banks. Concretely, they demanded that the Brazilian government buy $4 billion worth of U.S. Treasury bonds, as a guarantee for the pending debt renegotiation deal; Brazil has said that it could only buy $2 billion worth, on pain of triggering an exchange crisis even worse than the one which led to the recent 15% devaluation of the Brazilian cruzeiro.

IMF director Michel Camdessus, in a press conference Oct. 10 during the annual meeting of the IMF and World Bank in Bangkok, cynically told Brazil that he understood "the lack of enthusiasm the government faced in adopting the program. . . . I don't know of any country which has initiated a stabilization effort in a carnival atmosphere." Playing the part of the creditor banks, Camdessus explained that the stand-by agreement being negotiated with Ibero-America's largest debtor would serve in part to satisfy these latest guarantees demanded by the banks.

The financial institutions are barely deigning to disguise this new harsh phase in their relations with Brazil. For example, World Bank chief economist Marcelo Selowsky, basing his comments on the new *Report on the World Economy* prepared by the IMF, criticized Collor's weak and inconsistent neo-liberal program. Despite the fact that that program has sunk the nation in a recession worse than that of 1983, Selowsky placed Brazil at the bottom of the continent's countries.

The financial institutions have divided the nations of Ibero-America into three groups. Those who have failed to "maintain" their brutal adjustment program and have stopped paying interest on the debt at any point, like Brazil, or which have been unable to initiate their privatization program, like Nicaragua and Peru, have been placed on the bottom rung. Argentina, considered a nation "in transition," belongs to the middle group; first place is reserved for the champions of the "liberal revolution," like Mexico and Bolivia.

Thus, economist Selowsky told Brazil that it would only get a loan to make "a more prolonged and constant adjustment."

Given the bankers' new demands and its own wasted economic performance, the Brazilian government pathetically asked the United States for the same "flexible" treatment that Mexico received, as if this could somehow resolve Brazil's economic crisis. On Oct. 14, Finance Minister Marques Moreira and special envoy Malan met with U.S. Treasury Undersecretary David Mulford, who refused to intercede for Brazil with the banks, by urging a softening of conditionalities. According to the daily *Gazeta Mercantil* of Oct. 15, Mulford's response was: Unlike Brazil and Argentina, Mexico never interrupted its foreign commitments.

Despite the mistreatment the country is receiving, the Collor government—continuing to fantasize about entering the First World—insists on yielding to these usurious demands. Thus, the government's economic team has just launched a series of measures designed to increase the country's trade surplus so as to continue to pay interest on the foreign debt. As if the 15% devaluation decreed in early October were not enough, Salomon Brothers is now pressuring for still further devaluations of the cruzeiro, which would guarantee an increase in Brazilian monetary reserves.

Asked if this new policy of devaluations would not generate more inflation, the Economic Ministry's Secretary of Economic Policy Roberto Macedo, a fierce monetarist, laconically responded: "Yes, and what else is new?"

In truth, the creditors' pressures against Brazil are all intended to force a dramatic tax reform that would allow the "fiscal adjustment" program of the IMF and the bankers to be carried out, notwithstanding that this could collapse Brazil's entire productive apparatus.