Bankers panic over Venezuela 'effect'

Fear of Brazil's infection by the Venezuela syndrome has prompted a desperate public relations campaign.

The unpredictable repercussions inside Brazil of the recent civil-military upsurges in Venezuela have panicked bankers and prominent spokesmen of the Anglo-American establishment, who are determined to keep a tight rein on this South American giant and who have launched a public relations effort to sell Brazil as "an isle of stability."

Notwithstanding these efforts, prominent Brazilian political figures and media spokesmen are insisting that the austerity conditions imposed by the international financial centers are the root cause of the Venezuelan protests, and that similar protests could surface in Brazil as well. For example, former President Jose Sarney warned in a March 20 article in *Folha de São Paulo* that Venezuela "is but the tip of the iceberg," and that the continent's "condition as exporter of capital has worsened, investments have stopped, and a constant resource hemorrhage is increasingly weakening economies submerged in endemic inflation. . . . The political process has weakened, the institutions are weakened, and democratic principles are refuted, not in themselves but in the imperfect realization of their goals."

Typical of the sentiment of a growing nationalist civil-military grouping inside Brazil, was the *Jornal do Commercio* editorial of March 26 entitled "The Fragile Democracies of Latin America." It explained: "The European and U.S. press saw in the transformation toward democracy a hopeful development. The same applause was not extended to the economic plane. Consider the corrosive action of the high cost of the foreign debt, which has channeled billions of dollars a year to our creditors. And it is the Brazilian people who pay for this annual bloodletting. Either this situation is altered, or the democracies will fall."

Even more symptomatic was the March 19 column in *Jornal do Brasil* by Heraclio Salles, who was press spokesman for the government of Gen. Costa e Silva. Referring to Venezuela, Salles commented, "The neo-stooges of the new world order are the Latin American presidents who have been put in power by the monied vote, to soften the ride of the rich countries. . . . The economic ministers rule in silence, while the stooges . . . make fierce faces."

The growing incidence of such bold criticisms has provoked even the Inter-American Dialogue, a mini-Trilateral Commission of the Western Hemisphere, to sound the alarm about Brazilian "instability." The IAD's Richard Feinberg, in an interview with *O Estado de São Paulo* published March 29, declared, "There are doubts in Washington about the role that Brazil seeks to play in the world on a variety of fronts. One of these doubts regards GATT [General Agreement on Tariffs and Trade]. The Brazilian position vis-à-vis hemispheric trade is also not exactly known . . . nor that regarding the Organization of American States in the Haiti crisis, where Brazil and the United States are not working with the same line."

The panic of the Anglo-American establishment regarding Venezuela is also shown in the unexpected 12-hour visit to Brazil in early March by U.S. Treasury undersecretary David Mulford. Mulford's visit was announced by a government spokesman as a "visit of political support" for the economic policies of Brazilian Economics Minister Marcilio Marques Moreira. The result of Mulford's visit was to expedite the renegotiation package for $40 billion of Brazil's foreign debt with the committee of creditor banks. An agreement is expected in April.

Brasilia and Washington are coordinating efforts to demonstrate calm in the midst of a storm. During a meeting in Rio de Janeiro on March 21 organized by Bank of America's Joel Korn, Marques assured the largely banker invitees that Brazil was ahead of the other countries of the continent "in building a stable political democracy."

At the same time, President Fernando Collor de Mello sent his political ally, Bahía governor Antonio Carlos Magalhaes, to the United States to offer the Bush government guarantees that Brazil would not become another Venezuela.

The creditor banks' seeming benevolence toward Brazil in the debt negotiations has everything to do with fear of Brazil's becoming infected by the "Venezuela syndrome." Thus is explained the International Monetary Fund's apparent willingness to look the other way in the face of what, in other times, would be considered scandalous non-compliance with the Fund's dictates. For example, the 1992 maximum inflation rate, according to Brazil's letter of intent with the IMF, should be an annualized 279%. Nonetheless, the government has scarcely managed to "stabilize" the economy at monthly rates of 25%. The first-quarter inflation rate has already reached 200%, promising a tripling of the annualized goal by year's end.