Bankers issue ultimatum

Inter-American Dialogue's boy in Brazil is being told to forge ahead with an east European-style "reform"—now!

Brazil's creditor banks and the International Monetary Fund (IMF) have given Finance Minister Fernando Henrique Cardoso an ultimatum to apply their free-market economic austerity dictates without delay. It was for just such a purpose that Cardoso, with the backing of the Anglo-American establishment and through his membership in the Inter-American Dialogue (the most influential lobby on Ibero-America in the Clinton administration), was put in his post.

Tough public messages have been delivered to Brazil by spokesmen for the banks. The most striking is an article by Massachusetts Institute of Technology technocrat Rudi Dornbusch, a so-called Brazilianist, published in the Sept. 13 *Business Week.* The article floated the specter of a "military coup" if drastic monetarist reform, such as that carried out by Mexico and Argentina, were not implemented. " 'Politically impossible, the essential conditions are not satisfied,' demurs Fernando Henrique Cardoso. . . . Nobody knows what Cardoso's magical 'essential conditions' are. . . . Elsewhere, when things were bad, many governments have screwed up their courage and plowed ahead with reforms," Dornbusch complained.

Dornbusch reminded Cardoso: "Before his success, President Carlos Menem of Argentina was hardly the image of a great reformer. The same can be said for Carlos Salinas de Gortari in Mexico, Patricio Aylwin . . . in Chile, or Shimon Peres in Israel. For each, reform was countercultural."

Similar pressure is being applied from Argentina. While President Menem spoke demagogically of a new age of relations between their two countries, his economics minister, Domingo Cavallo, tossed aside all protocol during his recent appearance (the only international invitee) at Brazil's independence day celebrations, and told Cardoso that Brazil must apply "strong measures" to combat inflation. He suggested that such measures include a "rigorous fiscal adjustment," the same code word the International Monetary Fund (IMF) bankers use when referring to any problem facing Brazil's public accounts.

The Clinton administration and the IMF have for the first time initiated intense political negotiations with the Brazilian economic team, promising political support in exchange for an agreement with the Fund before November.

According to the newspaper *Jornal do Brasil,* former Brazilian Ambassador to the United States Rubens Ricupero claims that U.S. Treasury Undersecretary Larry Summers maintains a "practically weekly" dialogue with Cardoso on the evolution of the agreement with the IMF and on the internal Brazilian situation. It is also well known that U.S. Ambassador Richard Melton meets frequently with Cardoso.

It is no surprise, therefore, that new central banker Pedro Malan, Brazil's former foreign debt negotiator, expresses great hopes that a "creative" tripartite solution involving the banks, the international agencies, and the U.S. Treasury is close at hand. IMF Managing Director Michel Camdessus also declared that he considers a Brazil-IMF pact a top priority.

Clearly, these pressures from abroad, coupled with Cardoso's own convictions, are having an effect. Some say that in the immediate future, possibly in October, he will impose austerity on the Brazilian economy comparable to that applied in eastern Europe by Havard economist Jeffrey Sachs, the puppet of speculator George Soros. Rumors are circulating that Cardoso's plan, prepared jointly with the IMF, will be along the lines of Sachs's disastrous "Polish model." On Sept. 14, he announced that exchange rates would be freed for the first time in decades.

Cardoso has also just put the finishing touches on his team, made up of a select group of technocrats from Harvard, Yale, and Cambridge. Current debt negotiator Andre Lara Resende has argued in his elaborate monetarist studies that liberal reform should begin by creating a new currency, tied to the dollar and managed by a Currency Board. An IMF study recommended precisely such a "reform" for Estonia.

The other "strong man" in Cardoso's team, economist Persio Arida, was put in charge of restructuring the National Bank of Economic and Social Development (BNDES). Since during the Collor de Mello government, BNDES has been in charge of the privatization process, and the new economic team has every intention of stripping the bank of its role as financier of long-term industrial projects, the better to adapt it to the "new reality" of economic liberalism. Persio Arida is so close to Cardoso that, prior to his BNDES nomination, he was frequenting Inter-American Dialogue meetings in Washington, especially the one held last June to discuss Brazil's future.