
Interview: Brazil's Foreign Minister

'The IMF cannot use cures that kill the patient'

The following interview with the foreign minister of Brazil, Ramiro Saraiva Guerreiro, was conducted June 9 at the UNCTAD VI conference in Belgrade, Yugoslavia by EIR correspondents Edith Vitali and Hartmut Cramer.

EIR: Since the IMF stepped up its pressure on your country recently, there has been a great deal of discussion about the possibility that Brazil may repudiate its debt or declare a moratorium. Can you comment on whether your government is considering such a possibility? In addition, what is your view on establishing a "common front" of all the debtors in Latin America to deal with their creditors?

Saraiva Guerreiro: As for the first issue, I am sure that Brazil will not repudiate its debts; it is doing whatever it can to meet its obligations.

As for debt moratorium, that is also something that has not been decided at all by my government. We certainly are doing whatever is possible to meet our commitments.

However, if a different situation develops, forced by circumstances, one cannot close the door to the possibility that it might become physically impossible to meet commitments on their due dates. I am sure that my government will never do anything unilaterally or by surprise. It will try to negotiate some understanding that is suited to the material circumstances, but which would still be, by and by, a policy of trying to meet the obligations as much as circumstances permit.

EIR: Concerning the IMF and the conditionalities, a study was recently made by the Catholic University of Rio de Janeiro, which said that if the IMF conditions were to be fully implemented, the Brazilian GNP would be reduced by about 15 percent. What is your stand concerning the IMF conditions and policies; and, in the ongoing negotiations, will your government submit to or repudiate those harsh conditions?

Saraiva Guerreiro: I do not know that study of the Catholic University of Rio. The Brazilian government has been negotiating with the IMF for some time; I don't know exactly how those conditionalities will be defined or adapted for the next period.

Obviously, it is a question of common sense that in a period like the one we are going through, austerity and belt-tightening are in order. However, of course, there is a ques-

tion of making very fine-tuned determinations. One cannot know all the possible political and social repercussions of a policy of austerity. Certainly there is a limit to austerity, which is that austerity measures cannot be allowed to create social and political instability or to dismantle the productive apparatus of a country. That is to say, it cannot be the object of the IMF to impose policies which are self-destructive, therapies which will kill the patient. That would not be good for the patient, and certainly not good for its creditors. It is a very delicate matter to assess just what should be done, and to carry out the right policies.

EIR: At the recent [late April] Cancún summit between the president of your country and the president of Mexico, a substantial increase in trade on the basis of barter deals was established, and right now there are concrete negotiations going on to further this. Does this indicate the establishment of a "common market" in Latin America to facilitate trade and enhance development?

Saraiva Guerreiro: It is not exactly a common market, nor exactly, technically speaking, barter. In this period of crisis, of course, among themselves, and they have ensured that this trade is carried on because of the difficulties which each country is experiencing. They feel that they should not be paralyzed by the restrictive measures that they have been forced to take. They should negotiate, use their imagination, to try to find ways and means to at least prevent a downward trend of their overall foreign trade.

That is what the Mexicans and Brazilians have been doing, trying to find ways that would at least maintain the level of overall trade that they have achieved. [The level of trade] was significant for both of them and has grown in a very auspicious way in the last few years.

This has led to different techniques, to reciprocal credits, and to a more detailed examination of possible exchange of merchandise and commodities in such a way as to keep a relative balance, and not depend so much on payment in hard currencies. This is not technically barter, although the practical effects would be similar in a certain sense. But this is seen, of course, as a transitional arrangement. In the course of time, when circumstances are better, we think that trade will be resumed again on higher levels under the normal system of payments.

EIR: At the Non-Aligned movement's summit in New Delhi and the Group of 77 meeting in Buenos Aires, there was a call for an international conference on money and finances with universal participation, to facilitate the creation of a new world economic order. What chances do you see for the convening of such a conference?

Saraiva Guerreiro: I have the impression that the very depth of the present crisis has created an awareness that there needs to be reflection on the whole system established by Bretton Woods. I would not say that an overhaul or a complete change

or anything of that sort would be possible today. But I have the impression that there is an overwhelming trend not only among developing countries, but also among some of the industrialized countries, to come to this kind of joint reflection on the financial system.

“Necessarily, some would think that a few changes would be enough. Others think that there should be a very profound or a new approach. Several are between those extreme positions. But this concept should be faced. The question of reviewing the institutions and how they are working should be raised and this idea, at least, is gaining ground every day. “This and the contacts I have made during these few days here in Belgrade at the UNCTAD, have led me to believe that this is a real tendency. It is not to be done overnight, but there is an awareness of the need for a serious study, consultations, and negotiations on various parts of the system, or a complete renewal. Probably, as always happens, when there are necessarily quite divergent positions on the merits [of a system], there will be perhaps some less dramatic evolution than many expect. But certainly the endeavor will be made and the very crisis we are going through indicates that something should be done.”

Interview: Ecuador's Industry Minister

'Response to joint action proposal magnificent'

The following interview with José Augusto Bermeo, Minister of Industry, Trade, and Integration of Ecuador, was conducted by EIR, in Belgrade June 13.

EIR: Mr. Bermeo, in the speech you have just given to the UNCTAD VI conference, you quoted your President Osvaldo Hurtado, who has called for joint action by all Latin American countries. What precisely do you mean by this?

Bermeo: We are trying to find a solution to the present crisis, which involves all Latin American countries. President Hurtado has sent a letter to CEPAL [The United Nations Economic Commission for Latin America] and SELA [Latin American Economic System], and the answer has already been delivered to President Hurtado and the personal representatives of all presidents in Latin America [see *EIR*, June 21]. This will be carefully studied and analyzed in a meeting taking place in the Dominican Republic in August. At that meeting, we will know what exactly the positions are in this respect.

There will also be a meeting of the presidents in Caracas. One of the points mentioned in the letter will be dealt with in

that meeting. At this moment, one cannot say what the Andean Pact states will do. We just have to wait for the meeting in Santo Domingo.

EIR: You mentioned that your president received an enthusiastic response to his proposal. Was it from all over Latin America?

Bermeo: Yes, definitely. There was a magnificent response. Everyone was very enthusiastic.

EIR: You further said in your speech that in Latin America decisive steps have to be taken and that a re-definition of the entire world economic order has to be made. Can you explain what these decisive steps should be?

Bermeo: We don't really know now the exact way; but in these meetings we have already talked about, it will be decided what the best ways are to reach solutions.

EIR: At this conference, there is a lot of support for the proposals made at the summits in New Delhi and Buenos Aires for the convening of a conference on money and finance with universal participation. Does your government support this idea?

Bermeo: One of the ideas which will be discussed in Santo Domingo will be to hold a Latin American conference about monetary, economic, and financial issues. But this is still an idea. If this is accepted, then I think that the next step would be a worldwide conference on this. And, of course, we support the idea of the Non-Aligned movement.

EIR: President Mubarak of Egypt gave a moving speech in which he called for a new world bank for development, and said that huge development projects in the Third World would overcome the economic crisis. Do you agree with that; and if so, which projects in Latin America would be appropriate?

Bermeo: I think it is a very good idea, precisely because it can promote the integration of the Andean Pact states. The members of the Andean group think about *big* projects, and these will be coherent with Mr. Mubarak's proposals.

EIR: Can you give some examples—for instance the Second Panama Canal?

Bermeo: Yes, we think about big development projects concerning irrigation and the creation of hydroelectricity, for example.

EIR: Do you think that Japan and other big industrialized countries will respond positively to a call like this?

Bermeo: I think that Japan had been doing this before and this new proposal would be also in line with current Japanese thinking. We expect that the United States will overcome its present nervousness concerning Central America and will participate in these great projects. We can also get agreements with the European countries. We expect that they will get together to cooperate with us.