

The pressures are real, but the solution has been frustrated by the facts of the situation. Given its political base and the external and internal situation it inherited, the government has no choice but to try to do all of the above at once. Programs of social welfare have begun, with subsidies on basic foodstuffs for consumers and producers, low-cost public housing, and a 6 percent increase in the minimum wage (a major measure, since many workers are paid in multiples of the minimum wage). More daringly, a major program of agrarian reform has been announced. The cost of these measures is to be met — while reducing the federal deficit — by increased taxes, austerity throughout the huge federal machine, and an end to the costly megaprojects of the military regime. The political strains which will certainly arise from a serious attempt to control the deficit and limit wage increases are to be forestalled by a “social pact” among government, employers and labor which will define the broad lines of economic and social policy for the next four years. Unfortunately, it is doubtful whether such a pact can be negotiated among the government’s nominal supporters, let alone with the PDT and PT.

That foreign debt

At approximately US\$100 billion the Brazilian foreign debt is the largest in the developing world. The new government has stated that the debt will be paid, but on the basis of realistic appraisals of the country’s situation, and in a way which respects Brazilian sovereignty and allows it to resume economic growth. Such goals can be adjusted to the interests of Brazil’s creditors only by continued rescheduling of the debt, negotiations for which are now under way. The year of 1985 in itself presents few problems. The problems arise in connection with the proposed agreement for rescheduling all payments of principal falling due through 1991. Brazil’s macro-economic goals, the degree of IMF supervision of the economy, and the possible capping of interest rates all enter into these highly complex negotiations whose outcome cannot easily be foreseen.

It is clear, however, that what the Brazilian government signs in New York will be conditioned by what it believes Congress and the public in Brazil will accept. Further, its judgment may be mistaken; what it signs may not be enforceable in the real world. The bankers would do well to bear these political considerations in mind. Brazil’s balance of trade has shown remarkable improvement since 1982, making the debt burden just manageable. Now the overriding interest of all parties is a long term agreement, politically viable in Brazil and compatible with the renewed economic growth which is the only chance of a permanent solution to the debt.

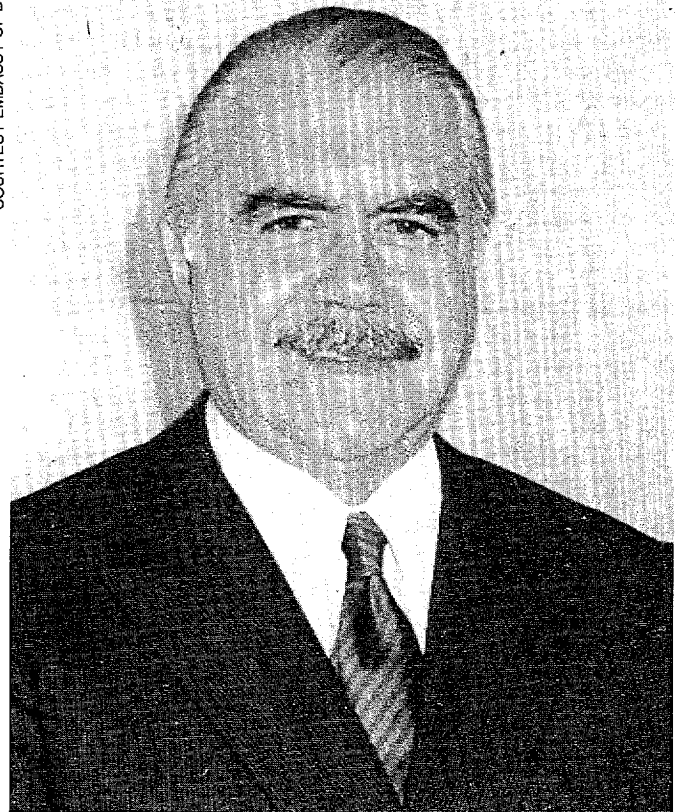
So far the debt has had relatively little effect on Brazilian foreign policy. In spite of suggestions in Brazil and abroad that the debt be settled by direct negotiations between the Brazilian government and the governments of the creditor states, it is arguably in Brazil’s best interests to keep the debt in a separate compartment and thereby retain the maximum freedom of action in other foreign policy spheres.

Foreign policy consistency

Brazilian foreign policy has a long record of coherence and predictability, based on a high degree of elite con-

sensus on its methods and goals. Conducted with skilled pragmatism by the professional foreign service (known as the Itamarati) it has consistently aimed at avoiding dependence on any single developed power or on the developed world as a whole. When the military took power in 1964, it was widely expected that Brazilian policy would become strictly aligned with that of the United States, but this phase was both brief and incomplete. Under the military regime foreign policy reflected the ruling ideology of “national security,” of achieving genuine national independence through the autonomous development of the

COURTESY EMBASSY OF BRAZIL



President José Sarney

Brazilian economy. This was a philosophy fully consistent with the Itamarati’s deepest traditions. Automatic alignments were avoided, in favor of a universalist policy which acknowledged Brazil’s status as an American and Western nation while refusing to be limited by it. Relations, and particularly economic relations, were developed with Spanish America, the Middle East, the Soviet bloc and China. By 1981 35 percent of Brazil’s trade was with the Third World, and the relative importance of United States trade and investment in Brazil had reached its lowest point since World War II.

The first oil crisis of 1973 reinforced this pattern. Heavily dependent on oil imports from the Middle East, Brazil was forced to make security of supply a major policy goal. Relations with the Afro-Arab countries assumed new importance, and successful efforts were made to increase exports to Iraq, Nigeria and Saudi Arabia. Steady demand from the Middle East helped to make Brazil a major arms