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Brazil: Negotiations With I.m.f. Temporarily Suspended Result Of Statements By Mission Chief

Barbara Khol

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On July 23, Economy Ministry spokesperson Pedro Rodrigues told reporters that President Fernando Collor de Mello decided late Monday to suspend negotiations with the International Monetary Fund on debt payment arrears. The move was in response to the IMF's failure to respond to a request for replacement of Fund mission chief, Argentine Jose Fajgenbaum. Collor accused Fajgenbaum, who heads the IMF South Atlantic Division, of interfering in Brazil's domestic affairs via comments he reportedly made to the daily newspaper Jornal do Brasil. In its July 18 issue, the daily quoted Fajgenbaum as saying changes should be made in the Brazilian constitution to facilitate economic restructuring, and achieving a long-term agreement for an extended fund facility with the IMF. Fajgenbaum denied making the comments as reported by the Jornal, but by that time Collor de Mello had requested he be replaced as head of the Fund negotiating team. On July 23, two scheduled technical meetings were cancelled because of the controversy. Brazil's representative to the IMF, Alexandre Kafka, was recalled to Brasilia by Economy Minister Marcilio Marques Moreira. On July 24, the IMF replaced Fajgenbaum with US national Sterie Beza, head of the Fund's Western Hemisphere Department and adviser to Fund managing director Michel Camdessus. Spanish news service EFE cited unidentified politicians as saying that the personnel change is likely more prejudicial than beneficial since Beza has a reputation for more hard-line, orthodox views than Fajgenbaum. Fajgenbaum's arrival last week in Brazil marked his first time in that country as mission chief. For the previous eight years, Chilean Thomas Reichmann headed IMF missions in Brazil. Reichmann is a member of the IMF team charged with negotiating terms on debt arrears. Economy Ministry sources say the Brazilian government wants to conclude a $2 billion 18-month stand-by loan agreement with the IMF "as soon as possible." Negotiations with the IMF constitute the first step in achieving debt restructuring agreements with foreign commercial bank creditors and the Paris Club (government creditors). According to the Central Bank, Brazil's foreign debt totals $123 billion. (Basic data from Xinhua, 07/23/91; AFP, 07/23/91, 07/24/91; EFE, 07/24/91)

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