

# IMF “Article IV” missions to Argentina and Brazil

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Separate IMF missions completed what are known as “Article IV” missions to Argentina and Brazil on Thursday and published statements at the end of their work.

The mission to Argentina was the first to the country in a decade for what is usually an annual consultation to provide advice on government and central bank policy. The brief statement issued by the IMF (available in Spanish and English) mentions meetings with government officials, the private sector and academics but not trade unions:

<http://www.imf.org/en/News/Articles/2016/09/29/PR16438-Argentina-IMF-Staff-Completes-2016-Article-IV-Mission>

The Fund’s statement praises the Macri government elected last November for “the reversal of ... serious imbalances and distortions” through measures such as devaluation of the peso and increased utility tariffs. It also commends the government’s intentions to reduce inflation to single-digit levels and shrink the fiscal deficit.

However the IMF mission forgets to mention that the Argentine economy has entered into recession since the new government took over at the end of last year, poverty is increasing and the overall inflation rate for 2016 is projected to reach around 40 per cent.

In the case of Brazil, the IMF advises the newly-installed Temer government that the country’s recession may come to an end by 2017 but asserts that the government’s focus on cutting spending “is an imperative” and urges it to push through a statutory spending cap:

<http://www.imf.org/en/News/Articles/2016/09/29/MS092916-Brazil-Staff-Concluding-Statement-of-the-2016-Article-IV-Mission>

The Fund puts particular emphasis on overhauling the national pension system with measures that would include increasing retirement ages, and reducing replacement rates and indexation of benefits. The statement also recommends a “revision” (presumably downwards) of the minimum wage adjustment formula, because an increase in the minimum wage “affects the growth of pensions and other benefits and is therefore a major source of fiscal pressure”.

The IMF statement makes no mention of the crucial role, recognized by World Bank reports among others, that regular increases in the minimum wage have played in reducing Brazil’s income inequality since the beginning of the 2000s. Despite the progress, which may now be reversed, Brazil remains among the most economically unequal countries in the world.

The mission’s statement also recommends that monetary policy “should remain tight”, international trade and investment should be further liberalized and, without providing any explanation or description, labour reforms should be carried out. This typically means, at the IMF, reducing employment security and benefits and other labour standards, and weakening labour market institutions.

More details will appear in the full Article IV Consultation reports for Argentina and Brazil when the IMF presents them to its executive board and publishes them a few weeks from now.

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