

# Brazil is the swing factor among debtors

by Mark Sonnenblick

Whichever way Brazil leans, there leans all of Latin America.

—Richard Nixon, 1972

Nixon's famous dictum, uttered under prompting from Henry Kissinger, has never been more believed than today. People on both sides of the battle over the future of Latin America's debt consider Brazil, with its \$80 billion in foreign debt and immense industrial potential, vital to a regional common market. Henry Kissinger thinks it such an important swing factor that he sent roving State Department "ambassador" Vernon Walters to Brazil during the last week of August to organize for a coup against the Figueiredo regime.

The Anglo-American bankers gloat that as long as they have Brazil under their thumb, no joint Ibero-American initiatives on debt or trade could be made to work. "To work, they've got to get the Brazilians to go along," observed a West Coast bank vice-president. "Brazil's inner management core would never go along; they are going to get a better credit rating out of this; they won't give that up."

On the other side, top-level delegations from Mexico, Argentina, and Venezuela descended on Brazil during late August and early September to try to pull the continent's strongest power into their plans for presenting the bankers with a united "OPEC of debtors" worth over \$200 billion.

Brazil, has become polarized. On the one hand, Planning Minister Delfim Netto and his monetarist crew are running the show along a script designed to gratify the foreign bankers. Brazilian Finance Minister Ernane Galveas reportedly promised Wells Fargo's Latin American chief Augusto Blacker, "If it takes three years of no growth to keep our balance of payments in shape, that's all right; we'll do it." As hard currency runs dry, a string of self-delusions is voiced. Delfim's boys intone, "Mexico's problem is that their debt was badly managed. Our debt is well managed. We have no need to renegotiate." Paul Volcker's Brazilian counterpart and friend, central bank president Langoni says, "Renegotiation of the debt would not be a solution; it would be a tragedy."

This shortsightedness is prompted by Delfim's "clever" assumption that as long as Brazil doesn't join the rest of the continent in demanding debt renegotiation or moratoria, it will somehow be saved from the future of devastation that the IMF plans for everyone else. Such cleverness, however,

is rapidly turning Brazil into the laughingstock of the continent. Unlike Brazil's pragmatists, other Latin American leaders understand that if Brazil is getting a few crumbs of credit now for good behavior, it is in for exactly the same treatment meted out to Mexico and Argentina a few months down the road, probably after the Nov. 15 elections.

But not everyone has been manipulated by the bankers' tricks. Inside the country there is a growing chorus from all the political parties, and most vocally from the private sector, insisting that Brazil get out from under the debt burden before it is too late. This view is ably explained by industrialist José Mindlin, head of the foreign trade division of the Industrial Federation of the State of São Paulo (see box).

Brazilian businessmen also met with their Argentine counterparts at the conference of the Argentine-Brazilian Business Council in São Paulo on Aug. 31-Sept. 1 to map out strategies for expanding economic and commercial relations in the face of growing world depression and trade slowdown. The conference of 500 businessmen agreed to form a bi-national fund to finance both countries' exports to other developing sector countries. The financing will be largely for exports of capital goods, and products from the metallurgical and agro-industrial sectors.

President João Figueiredo is caught in the crossfire.

Up until now, Figueiredo has lent his good name to the "miraculous" policies of Planning Minister Delfim Netto, which have magnified the impact of the international crisis on Brazil. The growing desperation of the population is reflected in a Gallup poll which claimed 29 percent more of their sample disapproved of Figueiredo's administration in June than in April. Sectors of the regime's PDS party are calling for Delfim to be fired 20 days before the Nov. 15 elections in order to restore popular confidence in the government and improve the electoral performance of the party. Without such a shift, it is now expected that the moderate and leftist opposition parties will win control of the governorships of the urbanized states and take control of the federal Chamber of Deputies.

Despite the daily protests by Figueiredo that the long-postponed elections will be held Nov. 15 and the winners will take their seats, there is a real possibility that the elections will not take place and the political opening to which Figueiredo is committed will be aborted.

Justice Minister Ibrahim Abi-Ackel sent a shock through the Brazilian political circuit Aug. 24 by telling reporters, "There are sectors inside the government itself which are opposed to President Figueiredo's political opening." He added, in an unmistakable reference to Delfim's monetarists, "the technocrat who does not conciliate himself with opening the process not only harms our party, but harms the very construction of Brazilian democracy."

## Vernon Walters threatens (another) coup

Abi-Ackel spoke the day itinerant U.S. ambassador Vernon Walters left Brazil after a 16-hour visit to Brasilia. The

official line was that it was "a personal visit" to attend a dinner in homage to the Brazilian Expeditionary Force veterans who had served with Walters in the Italy campaign of World War II. Walters was accompanied on his latest "silent mission," not only by World War II Italy campaign commander Gen. Mark Clark, but by the current chief of the U.S. Joint Chiefs of Staff, Gen. John Vessey. In an unmistakable sign of contempt for Walters's diplomacy, General Figueiredo—himself a veteran of the FEB—boycotted the Walters dinner.

Brazilian businessmen are disseminating the "insider" line that Walters blandished the Brazilian officers with the assertion, "Reagan wants to help you," which they translated as meaning, "the U.S. taxpayer will help refinance part of your debt if you behave."

A congressional source steeped in U.S. intelligence secrets told *EIR* that Walters's mission was to pressure Brazil to twist Argentina's arm to yield to British demands that it renounce sovereignty over the Malvinas Islands. To the extent that Brazil could be suckered into taking up Alexander Haig's rule as surrogate British agent vis-à-vis Argentina, hopes for Argentine-Brazilian cooperation on the crucial questions of debt and trade would be poisoned.

The ultra-conservative *Correio do Povo* in Porto Alegre, Brazil, offers the following scuttlebutt from Walters's dinner with the generals: "The ex-director of the CIA and military attaché of the U.S. embassy in Rio during the acute phase of the 1964 disturbances did not waste time with mundane amenities. He used it to give his message in relation to possible Brazilian associations with the Soviets in Southern African projects, especially in the Portuguese-speaking countries." Walters threatened that should Brazil join with the Soviets in more joint ventures like a dam-building project in Peru, the United States would regard Brazil as a security threat to the West.

Walters apparently argued that the Brazilian foreign ministry and President Figueiredo were leading Brazil down the primrose path into an alliance with and subjugation to international communism, as shown by trade deals with the Soviets, the Brazilian foreign ministry's dramatic quashing of Brazilian Air Force attempts to permit Royal Air Force transports to refuel in Brazil en route to and from the Falklands/Malvinas, and President Figueiredo's announced plans to open the United Nations General Assembly Sept. 26 with a tough Third Worldist speech.

Walters was seeking to manipulate military hardliners who feel seriously threatened by growing possibilities of a breakdown of domestic order amidst economic chaos. He suggested to them that the Pentagon would reward hardliners for reining in or even unseating Figueiredo should he persist in following a policy independent of NATO interests.

Army Minister Gen. Walter Pires may be taking Walters's bait. The day after Walters flew off for his next mission, the Official Daily published a notice that Pires had accepted an invitation from the U.S. Army to spend Sept. 20-30 vis-

iting U.S. military bases. This is precisely the same time that President Figueiredo was going to be meeting with the foreign ministers of all the Latin American countries and making a potentially historic speech at the United Nations about how to deal with the world economic crisis.

U.S. Ambassador A. Langhorne Motley denied to the press that he personally was trying to use the Brazilian army as a "parallel government" to circumvent the official executive authorities, but he admitted to *O Estado de São Paulo* that there are circles in Washington seeking to do just that.

Army Minister Pires may think that playing the Pentagon card will give himself—or more likely his forthrightly repressive protégé, Gen. Luis Coelho Neto—the inside track on succeeding Figueiredo in the presidency. Perhaps he is forgetting that Gen. Leopoldo Galtieri catapulted himself into the presidency of Argentina in November 1981 on the basis of promises of U.S. support from the likes of Walters and George Bush. Galtieri, he might recall, found his expectations of U.S. aid against Great Britain defrauded and his career, his army and his nation shattered.

## 'A new economic order'

*Industrialist leader José Mindlin is one of many businessmen urging that Brazil switch from opposition to support for a new international economic order. In O Estado de São Paulo, Aug. 29, Mindlin explained:*

I don't want to seem apocalyptic, but Latin America is on the road to global insolvency which obliges it to seek a new economic order. . . . The conditionalities of the International Monetary Fund are unacceptable, especially in the social aspect, because they require recession instead of development-oriented policies. . . . The debt problem cannot be dealt with through individual negotiations between creditors and debtors since the risk is of such an order that it requires the union of governments. I hope that the road taken by Mexico and Argentina gives a good idea of what must not be done.

Case-by-case debt renegotiation is unacceptable, because even were the international banking community to accept renegotiating what a country already owes, it might not keep lending for the pursuit of economic growth. . . .

If the developing countries lack resources for continuing growth, they run the risk of social explosion, which the creditor countries also do if they don't get back what is owed them. But, so long as the creditors don't feel that they run that risk, there won't be negotiations.