

gress." A judge in the northern Brazilian region of Pernambuco has set a legal precedent with his ruling that workers have the right to strike against IMF wage-gouging policies.

Operation Juárez

Not only is Ibero-America's opposition to the International Monetary Fund widening, but it is finding programmatic content in the proposals of Lyndon LaRouche. The *EIR* founder's well-known Operation Juárez, a plan to reorganize the international monetary system along lines conducive to rapid industrial growth in both the advanced and developing sector, plus additional *EIR* exposés, are providing ammunition in virtually every debtor country against those factions whose loyalties lie with the international financial community.

Indicative of this environment is the response by Brazilian senator Saturnino Braga to the news that LaRouche had just announced he will seek the Democratic Party's presidential nomination in the 1984 elections. Told by correspondents of LaRouche's proposals for the formation of a debtors' cartel and the creation of an Ibero-American common market, Braga responded "this is perfect. This is in our interests. It is in the interests of Brazil and Latin America. It is even more important and significant that a candidate for the Presidency of the United States is making such a proposal. I am pleased with this news."

In Argentina, *EIR* press releases detailing creditor strategy for transforming debt into equity, to pave the way for asset and resource grabs, have had wide circulation. Later this month, *EIR* will release a Spanish-language book in Buenos Aires, "An Industrialized Argentina, Axis of Ibero-American Integration." With a prologue written by Lyndon LaRouche, the book is a detailed presentation of Argentina's development potential in the context of an Ibero-American common market arrangement. It can be expected to have reverberations throughout the continent.

In Brazil, there is a fierce battle raging within the military as the friends of Vernon Walters threaten to stage a coup if more nationalist-oriented factions insist on opposing agreements with the IMF. In the absence of an orderly reorganization of the international monetary system along the lines of LaRouche's Operation Juárez, the continent faces military coups and vast social and economic chaos. The end of October looms as a crisis period. A 30-day moratorium granted by foreign creditors to Venezuela will expire; Argentine elections are scheduled for Oct. 30; and Brazil is supposed to receive "new" money from the IMF.

For the moment, rescheduling talks in Argentina remain at a standstill, along with the disbursements of \$800 million in foreign credit. In response to this situation, the central bank has decreed emergency measures, including a 60-day freeze on dollar accounts and on regulations authorizing sale of foreign exchange. Unable to obtain dollars for imports, manufacturers are estimating that industry will run out of imported raw materials within 20 to 30 days.

Brazilians challenge legitimacy of debt

by Christian Curtis in Rio de Janeiro

The municipal government of Rio de Janeiro announced Oct. 4 that it will not meet interest payments due Oct. 21 on a \$150 million loan syndicated by the Bank of Montreal in 1979. There are two reasons: the first, as Mayor Jamil Haddad explained, "There is no other choice, since the money does not exist." Second, there is evidence that the debt is illegal under Brazilian constitutional law.

Section 4320 of the Federal Regulations on Public Budgets, an adjunct to the constitution, states that city and state governments can only borrow abroad, with congressional approval, "for productive investments and projects." According to charges made by the Haddad administration, former mayor Israel Klabin contracted the loan solely for the purpose of covering the 1979 budget deficit. "There is no evidence anywhere in this city that this money was used for productive purposes," Undersecretary for Planning Armando Aoad told *EIR*. "Since the debt was illegal, we see no reason we should pay. Furthermore, we can't."

EIR has independently documented Klabin's preference for speculative over productive financial activities (see *EIR*, Dec. 15, 1981). As mayor and then as head of the Rio state bank, Klabin made no secret of his ambitions to join the Trilateral Commission and to make Rio into "another Hong Kong," with an offshore money market which could facilitate the takeover of Brazil by the underground economy. Klabin hosted the Rio meetings of Henry Kissinger's Georgetown Center for International and Strategic Studies and the Club of Rome.

Theoretically, once the municipality of Rio defaults, responsibility for the Oct. 21 payment falls upon the federal government, which guaranteed the loan. However, "guarantees" from Brasilia, which is already in arrears by over \$3 billion to international banks, are far from solid these days. There may well be challenges to the debt's legality at the federal level; where opposition to Brazil's creditors is growing—even inside the government's own PDS party. And, finally, the municipality is not alone in questioning the constitutionality of refinancings. The state of Rio de Janeiro has an equally suspect \$150 million debt syndicated by the Bank

of Montreal. Sources here report that the state government, led by the populist nationalist Leonel Brizola, will follow Haddad's precedent.

The key question is who—or what—else might also follow the lead of the Haddad administration. In an interview with *EIR*, Armando Aoad and Rio Planning Secretary Samir Haddad (the mayor's brother) indicated they were aware of parallels between their own demands that debt meet socially useful goals, and the ruling in Argentina that threw central bank president González del Solar in jail only two days before. "It's too bad we don't have a law like 4230 regulating the federal government," Haddad chuckled.

According to official budget records provided to *EIR* by Aoad, the growth of the city's foreign debt has outstripped local revenues by a ratio of 50 to 3, since the Bank of Montreal loan was signed in 1979. City income for the current month of October will be 17 billion cruzeiros. Of that, Aoad explained, 15 billion will pay the city's wage bill, 1.5 billion goes for school and hospital food programs, and the remaining 0.5 billion will barely provide gasoline for the city's fleet of garbage trucks.

"As you can see," he said, "we can't pay."

October 21 will thus mark the first default by a municipal government in the city's 418 years' history.

The municipality's declaration of nonrecognition of the loan intersects what is already an extremely tense situation in Brasilia over the issue of the country's \$90 billion foreign debt. A special congressional inquiry panel has been holding closed hearings on the debt, and reliable sources indicate that recent signs of tension within senior military ranks are due to questions being raised by the commission. Gen. Newton Couz, the recently appointed commander of the military region that includes the capital, called an officers' staff meeting at his headquarters last week to denounce all military personnel who provide testimony to the commission as "misfits" and "incompetents." The declaration provoked a young captain to stand up and defend the honor of his father, General Leo Etchegoyen, who had earlier testified relating to charges of personal corruption against Delfim Netto, Brazil's planning minister and the country's strongest defender of IMF policies. General Cruz responded by jailing both Etchegoyens, father and son.

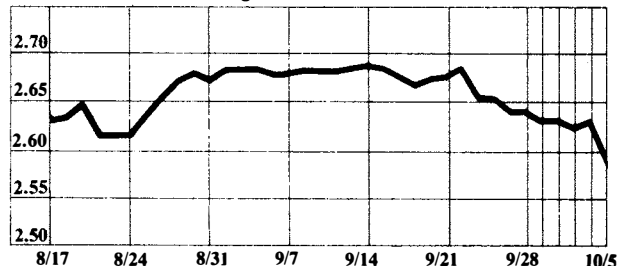
It will not be that simple to contain Brazilian nationalism. At the same congressional hearings, the central bank's foreign area director, José Madeira Serrano, reportedly shocked listeners by calmly suggesting Brazil might join a debtors' cartel. According to the Oct. 6 *Jornal do Brasil*, Madeira Serrano said, "There is already a mobilization for negotiations in common and we are obliged to move towards the formation of a debtors' club for more harmony in debt negotiations, stronger bargaining power, and more reciprocal knowledge."

"We have no aversion to a debtors' club, only practical difficulties," he is said to have concluded.

Currency Rates

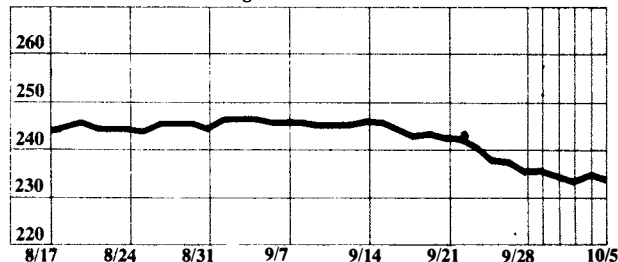
The dollar in deutschemarks

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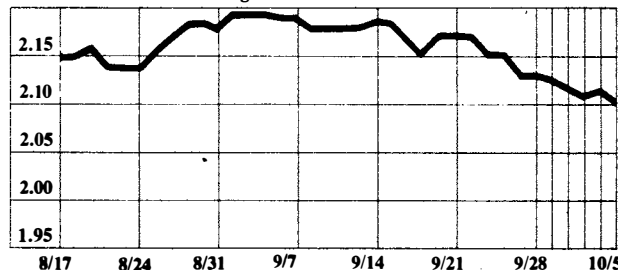
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing

