

to swallow the IMF's medicine, also stated, "The IMF is drowning us; even after we pass the wage decree, they will keep us in water up to our nose and not give us any room to breathe." A hardline military officer reacted to the overt threats from Donald Regan and George Shultz on the wage bill by complaining, "All I can conclude from U.S. policies towards Brazil is that they want us to have a social explosion, to go communist. Could it be that Washington's foreign policy is being formulated by the Russians?"

The entire Congress rebelled Oct. 21 at the new Decree Law 2065, which "would exterminate the middle class" by cutting the real incomes of those earning over \$16,000 per year by more than half. Delfim refused all negotiations.

The stage was set for Brazil's third big political-military crisis since early July when Delfim first tried to impose IMF measures by direct emergency rule, according to *Relatorio Reservado* newsletter. Following a radical sit-in in the Congress, on Oct. 19, Figueiredo gave Brasilia regional army commander Gen. Newton Cruz authority to wield "emergency measures." Each morning, Cruz would issue a note banning more civic activities. Finally, on Oct. 24, he had the military police invade, close down, and investigate Brasilia's bar association.

Cruz's crude acts of intimidation failed to spark a hardline coup against Figueiredo's "democratic opening." That night, Cruz appeared on television to offer a quasi-apology. The daily *Jornal do Brasil* reported that Figueiredo had ordered Gen. Otavio Medeiros, his powerful intelligence chief and until recently Cruz's boss, to throttle his protégé.

Most interesting is the fact that Army Minister Walter Pires had his ministry issue a stinging press statement Oct. 25 stating that Figueiredo, *not* the Army Ministry, was responsible for Cruz's conduct with the emergency measures. The Army publicly reminded Cruz that he "for example, could not deploy army troops on internal security missions without authorization from the minister," and that his army function is "entirely focused on troop and cadre professionalization." The navy and air force ministers joined Pires in asking Figueiredo to stop Cruz's repressive ploy, according to the semi-official daily *O Globo*.

"I would rather work as a stevedore carrying rocks than negotiate with Delfim," protested a leader of the government's Democratic Social Party (PDS). But, finally, Figueiredo ordered Delfim to sit down with PDS leaders to negotiate a politically viable wage law in an eight-hour session on Oct. 26. Thomas Dawson of the U.S. Treasury and a committee of bankers went to Brasilia to advise Delfim during the process.

The portly Delfim is skating on thin ice. He failed to block former army minister Gen. Sylvio Frota from testifying in closed congressional hearings on alleged kickbacks Delfim received on foreign debts he arranged in Europe. The hearings could ultimately challenge not only Delfim, but the legality of Brazil's debts.

INTERVIEW: Jamil Haddad

Rio's mayor: 'We won't pay debt'

The prefect, or mayor, of Rio de Janeiro, Jamil Haddad, gave this interview to EIR's Dennis Small on Oct. 17. Jamal was appointed prefect by Leonel Brizola, Rio State's governor, whom polls say would win the presidency if there were direct elections now.

EIR: You have said that the \$150 million loan made to the municipality of Rio de Janeiro in 1979 from the Bank of Montreal is illegal because it was not utilized properly. Is that correct?

Haddad: By law, these foreign loans must be tied to specific investment problems. In fact . . . the loan was not used for any program, any investment, and in fact that money remained in the state bank unused until 1980, when it was used for balancing the budget. . . .

In April of this year, we paid 4.6 billion cruzeiros on this loan, and we are supposed to pay 6.6 billion this month, which means more than 10 billion in interest alone this year and every year until 1985, when we are supposed to begin paying back the principal.

We have no way of paying this. Our income for October is 17 billion cruzeiros. We would have to use almost half of this month's city income to meet this interest payment, when this loan was not used for any investment or project that could bring any social benefit. . . .

EIR: Then a large part of the Brazilian foreign debt could be found to have been contracted illegally?

Haddad: The problem is that not even government officials have full knowledge of the facts, since we have been living under a period of exception [1968-74]. . . . We still do not have this information; not even the Brazilian congress has access to information on the types of external financing being done by the country. That is why I say that everything *leads*

us to believe that other loans of this type have been contracted.

EIR: This could be similar to the case in Argentina, where they are investigating the foreign debt, and to this day, the judge who is leading the investigation has not been able to account for \$15 billion of the \$40 billion of foreign debt.

Haddad: I look at it this way: The international financial powers have dominated the Third World not by military arms but by financial weapons.

The Third World was trapped; it became dependent through the types of loans that can never be paid. Brazil this year has already paid \$10 billion in interest, and still is asking for new credits to pay more interest, without paying off the principal. Brazil, Mexico, Venezuela, and dozens of other Third World countries are insolvent. If the international creditors want a solution, they are going to have to accept the idea of moratoria so there can be internal investments, improvements in the social situation, increases in the population's buying power, generation of jobs—in other words, to create the internal conditions that will enable us tomorrow to pay those debts which are real debts from investments which benefited the population.

Many of these debts must have already been paid back in interest payments, exchange correction, and royalties.

EIR: The founder of our magazine, Lyndon LaRouche, who is also a candidate for the Democratic Party's presidential nomination, proposed a year ago that the countries of Latin America form a debtors' club and create a common market to defend themselves against a possible economic confrontation with the creditors. What do you think of such a proposal?

Haddad: I have defended this idea. A few days ago there were ambassadors here from several Latin American countries, and I said that this is the only way out: the union of debtor countries that can jointly create, along with international organizations, conditions under which the debt will be paid. I argued that the single greatest factor against a moratorium in Brazil's case, for example, is the petroleum problem. Therefore, since Venezuela and Mexico are large oil producers, if they were to enter into accord with countries such as Brazil and Argentina, and if there were an exchange for agricultural goods from Brazil and Argentina—true, Argentina is self-sufficient in oil, but in the specific case of Brazil, we would trade food for oil with those countries that are in the same situation as ours. Plus, we could demonstrate that in reality our problems with a moratorium can be solved. If all the debtor countries united and refused to accept the conditionalities of the IMF, the international financial community would face the danger of a very serious crisis.

EIR: In a series of secret and semi-secret meetings, such as the recent one in Vail, Colorado, the creditors and their political representatives discussed the need to change the

laws of the debtor countries to permit more investment and greater direct control over the state sector and other strategic sectors of the economy; they proposed swapping debt for equity. Or, in other words, to reduce Brazil's debt in exchange for ownership in companies such as Petrobrás, Electrobrás, Vale do Rio Doce. They proposed reducing the sovereignty of those countries to achieve this. How would a country like Brazil respond to these intentions?

Haddad: Today, we have a democratic opening. It has not reached the stage of a totally democratic regime, but today these problems are being debated by the entire Brazilian population, and there is a consensus in Brazil against any sort of IMF conditionalities whatsoever that would mean a lowering of the income of the working class or any other anti-national measure. This today is the consensus of almost the entire Brazilian population.

I believe that things could reach the point at which someone might try once again to shut down the democratic liberties of the underdeveloped countries, simply because in totalitarian regimes truths are not brought to light and issues are not discussed. If the democratic opening is maintained, I am sure that Brazil will not accept this type of interference against sectors such as Petrobrás, Vale, or Electrobrás. This is a very serious matter internationally, and all Third World nations should be aware of this in order to confront impositions from the IMF and the international financial community.

EIR: Do you think the policies imposed by the IMF on the Third World are totally negative and destructive?

Haddad: We observe that they impose certain conditions that cause a cooling off of the economy. They lead to the impoverishment of the Brazilian population, a recession. Therefore, none of us can agree to something that is going to create more and more social crises.

EIR: Returning to the start of our discussion, the \$150 million which you intend not to pay. . . .

Haddad: We have already told Banco do Brasil that we have no means to pay. We have already been granted a delay of nine months on the payment we were supposed to pay this month, and another nine-month extension on the payment due next April.

EIR: Banco do Brasil granted this, not the Bank of Montreal; in other words, Banco do Brasil is going to pay the central bank, which. . . .

Haddad: The impression we have is that this loan to the municipality of Rio de Janeiro and to the state of Rio de Janeiro, is going to be included in the overall foreign debt of Brazil.

EIR: And this also won't get paid?

Haddad: That's another question altogether, isn't it?