
World Debt Crisis

Brazil tries to break the siege

by Silvia Palacios and Lorenzo Carrasco

Before flying to Paris to attend the recent commemoration of the French Revolution, Brazilian President José Sarney sent a letter to his French colleague, François Mitterrand, asking him to intercede on behalf of the Third World before the rest of the industrialized nations, to find a solution to the choking foreign debt problem. "It would be no exaggeration to state that the French Revolution remains to be made on the international plane," wrote Sarney. "Revolt doesn't come from a doctrine. . . . It is a revolt of desperation, of the absence of hope for the great masses of the poor and disenchanting." He concluded, "There is today—it is true—a new *Ancien Régime* to overthrow: the *Ancien Régime* of the privileged, of the monopolies of knowledge, of insensitivity and of open and camouflaged oppression."

Sarney's intervention was not an isolated act by an outgoing president, but part of a coordinated diplomatic offensive based on the premise that the "multilateral economic [system] is in ruins . . . not only in respect to the so-called United Nations system—Ecosoc, Unctad, FAO—but also regarding the Bretton Woods institutions—the IMF, the World Bank and GATT," as Brazilian ambassador to the U.N. Paulo Nogueira Batista characterized it in a July 7 speech in Geneva. Nogueira also denounced the economic liberalism imposed on the Third World, the intervention in population matters, the use of ecology as a weapon of pressure, and technological prohibitions. In sum, a comprehensive critique of the entire perverse postwar world system.

Only days later, interim Foreign Minister Paulo Tarso Flecha de Lima responded to a question from *EIR* at a news briefing for the foreign press corps by endorsing Nogueira's speech. "The speech of Ambassador Nogueira is a consolidation of various pronouncements by the Brazilian government. It was a brilliantly organized presentation." In recent weeks, Paulo Tarso has been the center of diplomatic attention both in the United States and in the U.S.S.R., for having denounced the condominium deal struck between the two superpowers, to the detriment of the Third World.

The great projects elite

Nogueira Batista, founder and former president of the company Nuclebrás, represents a civil-military grouping

identified with the great infrastructural projects that were the hallmark of the 1974-79 Geisel government. These projects, upon which Brazil depends for its future as a world power, are on the verge of collapse, thanks to the looting policies imposed by the International Monetary Fund (IMF).

Nogueira's charges in Geneva sparked violent reactions on the part of the ultra-liberals—associated with Henry Kissinger—who have historically dedicated themselves to the sabotage of any movements in defense of the sovereign nation state. Ultra-liberal mouthpiece *O Estado de São Paulo* answered Nogueira with a torrent of articles and editorials warning against "a change of direction" in foreign, military, and financial policy. *O Estado* compared that "change of direction" to "the nationalism of the 1950s," the period of President Getulio Vargas. "It is an action destined to create *faits accomplis*. Its intent was to distance Brazil from the agencies in which it expresses itself juridically," commented a July 11 editorial.

This group feels that Nogueira's speech is the start of a wave of confrontation with the United States like that begun in the 1970s by President Geisel when he broke bilateral military treaties, when the insane pressures of then President Jimmy Carter to undermine the Brazil-German nuclear accord led to a break with Brazil, the most important U.S. hemispheric ally—thereby burying a history of military alliance dating back to World War II and the victories of the Allied Army at Montecassino. Today, similar pressures, now focused on the Amazon, have awakened a nationalist ferment within the Armed Forces not seen in decades.

The trigger was not simply the prohibitions against Brazilian access to advanced technology, but deliberate and systematic U.S. action to boycott any possibility of Brazil's obtaining such technology from any other of the seven major industrialized nations: in particular, the war declared by the U.S. State Department against Brazil's aerospace program, which has now reached the extreme of pressuring the French government to embargo any transfer of technology that would give Brazil the independent ability to produce a satellite launcher.

At the same time, the enormous sum of money that Brazil has sent abroad—50 billion liquid dollars in the last six

years—has been commented upon in high military circles as the equivalent of “two Marshall Plans.” Say these circles, “The United States is not treating Brazil as an ally, but worse than if we had lost World War II.” A veritable nationalist manifesto appeared in the newspaper *Ombro a Ombro*, edited by a group of retired military officers, warning that it is the IMF and the creditor banks which have closed Brazil off both financially and technologically. The manifesto calls for breaking the siege, or living forever in subjugation.

Such a density of events occurred within days of Brazil’s decision to partially suspend debt interest payments. But none of these developments are desperate actions: They reflect careful decisions made by the elite which has run the state over the past several decades, and not by a “lame duck” government. Until now, that elite has coexisted with the liberal technocracy at the service of the banks. But reality—in particular, the crisis of such strategic companies as Petrobrás and the National Steel Company—has shown them the absolute limit of suicidal pragmatism.

Documentation

‘The IMF is the new ancien régime’

Brazilian President José Sarney sent the letter excerpted below to his French counterpart, François Mitterrand, on June 26 in order to encourage him to defend the interests of the Third World at the July 14 economic summit of the Group of Seven nations:

The ideals of the revolutionaries of 1789 continue valid at the end of this century, characterized by deep divisions among states and by flagrant injustice. The French Revolution remains to be made on the international plane; that is no exaggeration. . . .

Inequalities between nations are becoming more accentuated. . . . New and more dangerous imbalances threaten peace and security.

Like the remaining underdeveloped regions, Latin America is the victim of problems of a global nature, whose solution is very distant from its capacity to solve them. I am talking precisely about foreign debt, trade protectionism, and access to science and technology. The debt has been responsible for state bankruptcy in almost all the debtor countries, whose governments—forced to make massive resource

transfers abroad—are left unable to take care of the growing investment needs of either the productive or the social sectors.

A crisis cycle with unpredictable consequences has begun in Latin America. . . . Guerrilla movements have multiplied in several countries, such as Peru and Colombia, frequently in connection with narcotics trafficking. Spontaneous revolts erupt, like those recently in Caracas and some Argentine cities. There is a buildup of violence, a sublimated rebellion ready to break out at any moment and sweep uncontrollably.

The revolt does not seem to be gestating in function of any doctrine, nor fed by clear revolutionary designs. It is a revolt of desperation, of the absence of hope for the [solution to the] frustrations of the great masses of poor and disenchant-ed people.

There is today—it is true—a new *ancien régime* to overthrow: the *ancien régime* of the privileged, of knowledge monopolies, of insensitivity and open and camouflaged oppression.

Bretton Woods ‘is in pieces’

Brazilian United Nations ambassador Paulo Nogueira Batista gave the policy address excerpted below on July 7 to the U.N. Economic and Social Council in Geneva, Switzerland:

The 1980s were, in fact, a very turbulent period. The world economy was confronted with large and persistent imbalances between the major trading partners, with extreme volatility in exchange rates, with extremely high real interest rates, with drastic reductions in commodity prices.

The developing countries are also subjected to prejudice in the transfer of know-how, especially in high-technology areas. In the name of security, they are frequently denied access to technology vital to their development. . . .

The truth is that the multilateral economic system is in pieces. That is true not only in relation to the so-called United Nations system—ECOSOC, UNCTAD, UNIDO, FAO—but also in respect to the Bretton Woods institutions—the IMF and the World Bank—as well as GATT. We are seeing a net tendency toward the formation of regional blocs and even bilateral arrangements, such as the recent Free Trade Agreement between Canada and the United States. . . .

Institutions such as the IMF and the World Bank somehow manage to survive and maintain the appearance of prestige, thanks to the role given them by the creditor countries in administering their so-called “debt strategy”. . . . GATT seems to be following a similar path to that of the IMF and World Bank. . . .

The growing vulnerability of the indebted developing countries is being used to force them into unilateral adoption—without any reciprocity—of free trade policies which no developed country really practices.

Under the combined action of the IMF, the World Bank, and GATT, the developing countries are forced to follow a

very orthodox road, as the only one able to bring them to modernization and development. They are being impelled to balance their budgets at any price, with little concern for the political, social, or economic costs; to open their economies to imports, regardless of their balance of payments limitations; to control their demographic growth and, most recently, to place environmental conservation above all other considerations. . . .

There remains not the slightest doubt that the developing countries will have to count on themselves to develop on a continuous, open and non-inflationary basis. . . . The industrialized market economies certainly were not guided in past or present by the *laissez-faire* philosophy which they and international economic institutions insist must be strictly observed by developing countries, if they want to become "examples of success." The industrialized countries have a tradition of state intervention, either as a regulatory agent or, in many cases, as an entrepreneur. . . .

A complete evaluation of the main political, economic, and technological changes during the past 50 years is fully justified. We would be in a position to determine whether or not the world could live and prosper, . . . if it would be a question of merely trying to reconstruct institutions planned for industrialized market-oriented economies on which the post-war system was built; or whether a new system, with completely new institutions, would be necessary.

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Let us be nationalists!

The Brazilian military magazine Ombro a Ombro published the following declaration in its June 1989 issue:

In a recent interview, Ambassador Paulo Tarso Flecha de Lima affirmed that Brazil is afflicted by a financial, ecological, and trade siege by the developed countries of the Western world. He is not talking about the continuous ideological siege which ravages our internal harmony. He is not talking about the "fifth column," which always acts inside the walls of a place under siege.

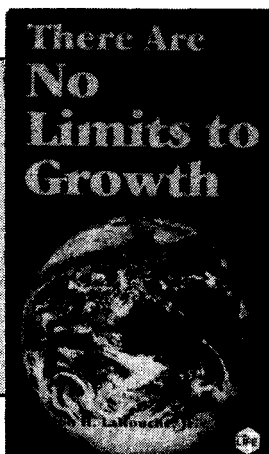
On March 15, 1983, an article in the *Executive Intelligence Review* signed by Dennis Small and Mark Sonnenblick, entitled "Pressures for Payment Will Follow IMF Deals," reveals international capitalism's actions to hamstring Brazilian development and to [enforce] economic vassalage over the country. The article speaks of the goals of destroying Brazil's labor force through changes in the wage indexation system and completely fraudulent indices, reducing population growth, closing down large-scale industrial projects, eliminating credit to agriculture and industry, and encouraging foreign capital to buy out soon-to-be capital-starved public and private entrepreneurs on the verge of bankruptcy. The reader should judge for himself these predictions, made six years ago, against today's reality.

National development is disturbing to the "owners of the

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market" when such development escapes their control and begins to compete with (but not even threaten) their traditional domination and their expectation of unlimited profits. While keeping the appearance of political sovereignty, the emerging countries should be subjected to economic and financial colonialism's dictates. They should be kept as well-behaved clients, open to international capitalism, obedient to its blueprints for guaranteed return on investments. They should be places where the sweat of the natives produces marvelous multiplication of profits so that, in other latitudes—or in the same ones—aliens enjoy the benefits and the native survives merely as labor power.

The ecological siege is one detail of the orchestration. Can you believe that someone is really concerned about the fate of the alligators while millions of babies die at birth?

The "fifth column" (does anybody remember that expression?) in the service of this infamous capitalism which wants to repeat here the black epochs their countries of origin once went through, is represented amongst us by incompetent and corrupt bureaucrats who, in return for official or unofficial privileges or the notorious "commissions," have nothing Brazilian about them except their ID cards. They do not have national consciousness. They are morally stateless. Whom ever they are serving, it is certainly not their nation, since they surely betray it. They are traitors to Brazil. It is a wasteland where bureaucrats, technocrats, petty politicians and others, all follow the words of the popular saying: "There's not much to eat, so, I'll eat first."

This chaos serves the interest of the "fellow travelers" of exotic ideologies. The worse, the better! They are "fellow travelers," partners in the siege. They put off to later the final battle between "predatory capitalism" and "Marxism." Thus, the confrontation seen throughout the world is repeated in Brazil.

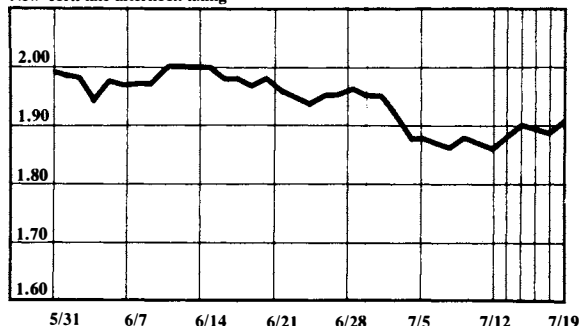
And we, the authentic Brazilians? Those who love our land and our people? Patriots, a word so forgotten? What should we do? Where is our civic capacity to react, to fulfill our responsibilities toward the generations which preceded us for almost four centuries (Enough of affirmations that we are a young nation!) in order to give our children and grandchildren a truly independent Brazil? Let us be nationalists!

Nationalism has suffered from the bashing campaign by capitalism and Marxism, since these, in recent years, have been eminently international. Nationalism is the union of blood, of language and of traditions. We are Brazilians and we are besieged. It is necessary to react. There is no reaction without unity. Unity is the people. Workers, functionaries, soldiers, men, women, professionals from all sectors, light nationalism's flame and resist the siege on Brazil! Either we break the siege and smash the adversaries, or we will soon wake up under a foreign flag. A flag with a dollar sign or a flag with a hammer and sickle. Under one or the other, we will wake up slaves! And let us not forget what Simón Bolívar said, "It is more difficult to pull a people out of slavery than to subjugate a free people."

Currency Rates

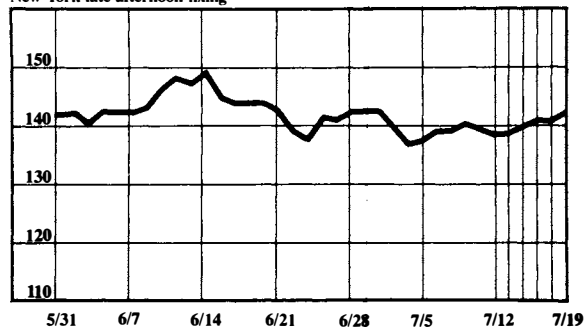
The dollar in deutschemarks

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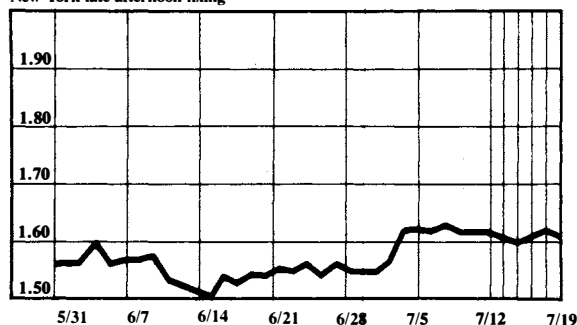
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

