

Anglo-Americans maneuver to control Brazilian crisis

by Cynthia R. Rush

The Brazilian political crisis, which could soon topple President Fernando Collor de Mello, has leading figures in the Anglo-American establishment scrambling to keep the situation under control. With the results of a three-month congressional investigation made public Aug. 24, revealing corruption and influence-peddling involving Collor and his former campaign treasurer Paulo César Farias (known as "P.C."), there is a consensus that the President's tenure in office will be ended either through impeachment proceedings or resignation, probably in a matter of a few weeks.

Since mid-August, hundreds of thousands of citizens have taken to the streets in major cities around the country, building the momentum in favor of Collor's ouster. On Aug. 25, close to 800,000 Brazilians mobilized throughout the country under the slogan "Collor, out!" Most significantly, the mobilization occurred *outside* the formal political parties of Brazil, a fact which has the establishment particularly nervous.

For international bankers and Washington policymakers, developments in Brazil are a further complication in a continent which is far from stable. Brazil is now the third country after Venezuela and Colombia in which a majority of the people has repudiated a corrupt head of state and the policies associated with him.

In Colombia, citizens are appalled at the policies of President César Gaviria whose deals with the Medellín Cartel and communist guerrilla movement have undermined the nation's institutions and made a farce of any discussion of justice or rule of law. In Venezuela, President Carlos Andrés Pérez remains in power only through the good graces of the United States; he is hated and rejected by the population, both because of his government's vast corruption as well as his commitment to implementing the International Monetary

Fund's (IMF) economic austerity policies. Recent efforts in the Congress to investigate Pérez's lover Cecilia Matos, who enjoys the privileges of a government official without being one, could be an attempt to bring down the Venezuelan President through a corruption scandal similar to the one afflicting Collor de Mello.

Other countries, such as Bolivia or Argentina, are likely to follow the same route. But Brazil is a big fish. With its enormous economy and strategic importance to the continent, instability of the type generated by "Collorgate" jeopardizes the continuation of the free market economic policies which have been the cornerstone of Collor's government, and has obvious ramifications for their application in the rest of the continent as well.

A 'huge swamp'

Although information revealing government corruption had been leaked for weeks, when the congressional commission of inquiry (known as CPI) released its report Aug. 24, it shocked the nation. For five hours, Sen. Amir Lando, the report's author, read the 359-page report before Congress, while it was simultaneously covered live on national television and radio without interruption.

The report details an extraordinary web of corruption, bribery, extortion, and influence-peddling which involves payments from individuals or companies associated with Farias to the President's family and closest aides totaling \$23 million. As one example, "ghost" depositors with fake names and identification numbers deposited \$2.3 million into the account of Collor's private secretary Ana Maria Acioli Gomes to pay the President's "household expenses." Other acts included tipoffs to Collor's closest allies, including Farias, prior to the controversial March 15, 1990 freezing of all

bank accounts in “new cruzados,” allowing them to withdraw their funds. Ordinary Brazilians were not so lucky; many lost their personal savings as a result of the government decree, causing enormous hardship and, in the cases of some elderly citizens who had no access to their funds, even death.

The CPI report stated that “the illicit acts were committed by Paulo César Farias which the President must necessarily have known. . . . The connection between the P.C. scheme and the President of the republic appears clearly and remains intact.” Lando stressed that the facts described in the report “run contrary to the principles enshrined in the Constitution, being incompatible with the dignity, honor, and decorum of the rank of head of state.” Collor, the report charged, had failed in his constitutional duty to ensure high moral standards in his government.

Lando also explained that the extent of corruption “is an immense universe. . . . We have seen just one moment in this huge swamp.” In its probe, the CPI did not even delve into substantial evidence of Farias’s involvement in international drug trafficking and money laundering. This is reserved for a future investigation. At least one witness, Gilberto Pereira, was assassinated in Brasilia after he testified against Farias, and several other witnesses said they feared for their lives. Pereira was a partner in a “GM Rent-a-Car” company from which Farias rented a car for the exclusive use of Collor’s secretary Ana Acioli.

The Brazilian President is telling the media that he is unfazed by developments, insisting he will hang on to power and defeat the “syndicate” he says is out to get him. “Everything is going on as normal. There is no reason to be worried,” he told an Argentine television station Aug. 24. But Collor has thrown large sums of money at several congressmen in an effort to buy their votes against impeachment; and, according to the daily *Jornal do Brasil*, he has also consulted parapsychologists and witchdoctors to enhance his chances of staying in office. Perhaps this is why he told one reporter that the last several weeks had been “spiritually enriching.” His residence is said to be surrounded by green and yellow candles, the colors of the flag, in order to strengthen the “energy field” around him.

Energy fields notwithstanding, on Aug. 26, the CPI voted 16-5 to approve its 359-page report, thus paving the way for impeachment proceedings to begin, once any citizen requests it. Barbosa Lima Sobrinho, the venerated 95-year-old president of the Brazilian Press Association, has announced he is heading up a group of citizens who will present such a request on Sept. 2. Opposition lawmakers are already predicting that they have the two-thirds majority in the House of Deputies required to begin the impeachment process against Collor.

A political cadaver

Most of the President’s erstwhile allies such as Rio de Janeiro governor Leonel Brizola and social democratic leader Paulo Maluf have jumped ship, and there is general agree-

ment that Collor is a political corpse, no longer capable of governing. The Wall Street banking community and its local allies understand this and are maneuvering to try to ensure that the country remains governable—with *their* policies—whether Collor goes or stays. But in the highly charged and unstable environment, not even the Anglo-American crowd is certain of what it can pull off.

On Aug. 25, all cabinet ministers signed a declaration stating that they would remain in office until the crisis is resolved, but according to analysts in Brasilia, three of them—Finance Minister Marcilio Marques Moreira, Justice Minister Celio Borja, and Government Minister Jorge Bornhausen—formed a troika to carry out direct negotiations with the Congress and the judiciary.

On Aug. 27, cabinet ministers were scheduled to meet with Collor and tell him to resign. The president of the Brazilian Bishops Conference has also publicly called for his resignation. In the face of the CPI’s report, and fearful that growing social unrest could become uncontrollable, the country’s military leadership has also recognized that Collor must go. “President Collor has lost the moral authority to rule,” said Gen. Nilton Cerqueira, president of the Military Club Aug. 24. Military as well as civilian leaders are anxious to have Collor out of office before Brazil’s Independence Day Sept. 7 when the President traditionally leads a military parade in an open Rolls Royce. In the current climate of national disgust over corruption, there’s no telling what might happen if Collor were still to be around for this event.

According to Brazil’s Constitution, if Collor is removed, he will be replaced by Vice President Itamar Franco, a nationalist-leaning politician who in the past has expressed opposition to privatization of the state sector and the IMF’s strict austerity. In an attempt to preempt any problems with Franco, leading opposition governors and congressmen are reportedly working on a “minimum government program” which Franco would be expected to implement. This would include a tax reform less drastic than what Collor has proposed, but a key element in any IMF austerity program. The objective right now, the *Wall Street Journal* reported Aug. 27, is “to prevent the corruption scandal surrounding [Collor] from paralyzing the country and derailing economic reforms.”

The banking community’s other major demand is that Franco keep Marques Moreira on as his finance minister. Marques, a former banker, is the man on whom Wall Street and the IMF have pinned their hopes for continued application of their “adjustment” policies. Indicating the uncertainties of the situation, however, the Aug. 27 *Christian Science Monitor* described Marques as “the guardian of Collor’s economic plan . . . a virtual prime minister,” but went on to note that the government party, the Liberal Front Party, is split over economic policy, and that foreign as well as local investors fear that a Marques departure could spark an economic collapse.