

Brazil's Congress finally accepts IMF wage cut

by Mark Sonnenblick

Just before dawn, after a 10-hour filibuster, the Brazilian Congress finally endorsed a wage-reduction program acceptable to the International Monetary Fund (IMF) on Nov. 9. Decree Law 2065, a slightly tempered version of the two draconian wage reductions previously defeated by the Congress, passed both houses. This measure, combined with austerity-minded adjustments in the cost of living index, means annual reductions of real wages by close to 30 percent. By such means, the IMF plans to take \$40 billion out of living standards and reallocate it to debt service over the next three years.

Despite this crucial signal, European, Japanese, and U.S. regional bankers are balking at their part of the deal cut at the September IMF meeting. By the Nov. 10 deadline set by IMF managing director Jacques de Larosière, they had committed only \$4 billion of the \$6.5 billion in new money required to keep Brazil from defaulting at the end of the year. Bank spokesmen expected enough to dribble in to satisfy the IMF directors at their Nov. 18 meeting.

Having forced Brazil's Congress to back down, the IMF is likely to press for further tax increases and spending cuts. Some banks are determined to take advantage of Brazil's continuing inability to service its \$100 billion debt to gain control over the subcontinent's choice assets. A leading British banker confided to *EIR*, "You don't have any trouble with them when they're on their knees. . . . Everyone down there is so scared that they won't really fight, not at the moment. But there is no reason to believe that blue-collar workers in Brazil, or peasants, are going to sit down and accept a 12-year austerity program."

On news of the congressional action, 60,000 auto workers walked out in São Paulo. Further labor resistance can be expected. But the really uncontrollable factor is the increasing desperation of the mass of the hungry rural and urban poor. This is reflected every day in lootings of slum supermarkets, in the smashing and burning of broken-down trains, and in the epidemic of violent crime gripping the cities.

The income reductions will result in an expected \$6.3 billion trade surplus this year and \$9 billion next year. But still, Brazil cannot keep up with its snowballing debt service, which next year will approach \$20 billion. Another arduous renegotiation early next year is inevitable. A battered Brazil may then yield more to creditors, or a sovereign Brazil could wield its considerable leverage to force better conditions.

That leverage is augmented by the challenge to the legality of the debt structure, described below in an interview with

Congressman Alencar Furtado, chairman of the Parliamentary Inquiry Commission on the origins and nature of the debt.

INTERVIEW: Alencar Furtado

'Brazil is paying what it does not owe'

This interview was conducted in the congressman's Brasilia office by EIR Ibero-American editor Dennis Small.

EIR: What is the aim of the Brazilian Congress's hearings on the debt?

Sen. Alencar Furtado: The Parliamentary Inquiry Commission on internal and external debt and the agreement with the IMF intends, first, to discover the nature of the debt; second, its causes; third, who is responsible for it; and fourth, its destination—where did so much money go? It is a real Himalaya: \$100 billion. And we know nothing about it. In 1964 Brazil's debt was around \$3.2 billion. In 19 years this debt grew to \$100 billion. We have to know what and where this money is. We are now concerned with collecting data about the IMF agreement. National sovereignty has been bent to the international interests of the bankers and the Monetary Fund in the letters of intent, which are commitments. All this—the Brazilian debt and the IMF agreement—all this has been done behind the back of the National Congress. The National Congress until now has not had knowledge of the Brazilian debt, because it was not put under its supervision. The so-called IMF-Brazil agreement was also made without knowledge of the National Congress.

Thus Congress now is taking the bull by the horns with this checking on the debt and this investigation of the effects of the IMF agreement.

EIR: How have the IMF agreements affected Brazilian sovereignty?

Sen. Alencar Furtado: For example, in the letter of intent,

Brazil for the first time in its history abdicated jurisdiction over any questions which arise on its foreign debt. The courts which today have been chosen, by imposition of the IMF, are the courts of New York, the courts of the creditors. We are thus giving up one of the important principles of national sovereignty.

In the letter of intent, we almost have a pact, almost a commitment by the Brazilian government to encourage foreign investors to buy up state enterprises, and we know that they are looking at buying up Vale do Rio Doce and Petrobrás, for which the Brazilian people fought and made great sacrifices. For us, this is a terrible thing which is being plotted, to rob these sectors which are so important to the Brazilian people. That is why they are now cutting the state company budgets so that their performance will be poor. This is a well-organized campaign to demoralize the companies.

Also on the sovereignty question: There is a clause in this letter of intent written by the Brazilian government for the IMF which expressly states that the Brazilian government abdicates sovereignty in respect to any doubt or dispute on the Brazilian debt. That is an official declaration, right there in black and white; clearly it is no longer a secret. Thus these aspects of sovereignty are, to my thinking, derived from the so-called "national development plan," which is a plan implemented by international forces inside Brazil. Today, inside the Brazilian territory, we are living through a process of economic denationalization, a process of cultural denationalization, in a territory most of whose wealth has been taken over by international forces.

EIR: In other Latin American countries, such as Argentina, the nature and possible illegitimacy of the foreign debt are being investigated. In the case of Argentina, Judge Anzoátegui is now investigating \$15 of the \$40 billion in foreign debt, which he does not know is real or false. Would you say that the question of the legitimacy of the foreign debt of Latin America in general is in doubt?

Sen. Alencar Furtado: Exactly. When I just said that up to now the National Congress could not supervise the so-called "Brazilian debt," I was saying at the same time that it was being manipulated by a half-dozen highly privileged citizens, who arrogated to themselves the powers of the republic. We understand, for example, that we are paying today more interest than the debt itself. And the news brought to us now, which we are carefully analyzing, is that we are also paying, in addition to the interest, the U.S. inflation incorporated into the Brazilian debt. Therefore the Brazilian population is paying what it owes plus what it does not owe—insult with interest.

EIR: The IMF policy in Brazil and in every other country where they apply these conditionalities is to shrink the productive apparatus in order to pay the debt. What to you think of the IMF and its proposals?

Sen. Alencar Furtado: The Monetary Fund has been a step-

father to us. The government of Juscelino Kubitschek already rejected the IMF's acting as godfather for Brazil's business because it would be the same thing as the debtor giving his creditors control over his debt. We know that numerous countries including Brazil are members of the Monetary Fund. But this is an insignificant, merely formal detail. It is run by the big international bankers who take advantage of us in every way in their deals. And I maintain that the debt problem is not only the debt in itself. The debt is only a component of a larger plan. This plan involves our national wealth, the political manipulation of our governments. It is a plan which organizes financial policy under an adopted model, a model in the interest of those foreign forces squeezing out the wealth of the developing or poor countries. For example, we have submitted ourselves to a plan which has proven itself to be a failure. It failed because, after 20 years of it, we have uncontrollable inflation. This year we are going to have 200 percent. When Mr. Delfim Netto first became minister [in 1979] inflation was 40 percent and he promised 20 percent. But we are going to 200 percent! Our cost of living is out of control.

Today we have the world's greatest army of impoverished; we have almost 50 million people in absolute misery. And the so-called plan of development turned into an externally oriented development. There is no development; that is, there is no policy with either social concern or social justice. The policy is one which benefits certain national and international groups, which have become partners. To make things worse, the Brazilian government is protecting these groups through these policies.

Therefore, the IMF plan is obviously part of a larger plan. And they even stimulated Brazil to go over its head in debt so that Brazil would have tourniquets applied to it today. And they put on the tourniquets willfully to advance their own interests. Therefore we have been turned into white slaves, ruled by a master out of tune with us, named the International Monetary Fund.

EIR: What is going to happen in Brazil if it continues implementing the IMF recommendations?

Sen. Alencar Furtado: I believe that the impositions of the Fund will bring more recession, more unemployment, more social problems. And I believe that if we don't turn to the development route to help the people, I believe there could be disorderly outbursts, spurred by the despair of those who are hungry and who are unemployed. The policies being followed are every day digging the social grave that is burying the hopes of the people deeper.

EIR: Could Brazil pay its foreign debt? If so, how?

Sen. Alencar Furtado: Brazil is not able to pay that foreign debt. This year we have to pay \$14 billion in interest alone. Now, with the current recession and zero development, it is absolutely impracticable for us to service our commitments on that debt. What we want is a suspension of those payments for a long period, the so-called unilateral moratorium, so that

we could solve our problems, so that we could make sure the social problem, if not solved, would at least be attenuated; so the people's buying power would grow; so there would not be hunger in the country, since a country which has millions of unemployed—as ours does—is a country which has too much hunger. We can't tolerate this state of things any more. Therefore we cannot pay this debt. And if we tried to get deeper into debt to pay the debt, we would sign an IOU to pay another IOU, and you end up with a snowball that won't stop. Our situation would only get worse and worse.

The answer for us is the suspension of payments for a long period, since we are already paying the debt 20 times over and we owe another 30 times thanks to the accumulated and growing interest charges.

EIR: Should Brazil ally itself with other debtors?

Sen. Alencar Furtado: I understand the rest of the Third World is living out this drama and is also suffocated by the social problems which torment Brazil today. There should be an international joint effort on this. There is good reason for the countries living and suffering the same pains to make a common front. The developed world, even if it does not consider the economic reasons, would have strategic reasons to aid this united Third World. It is important that there be solidarity between countries, especially those of the Third World, so that this state of affairs could be dealt with.



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