

Brazil wins West European support for debt moratorium

by Robyn Quijano

Brazilian Finance Minister Dilson Funaro left Rome on March 6, having received support and new credit lines from his counterparts in France and Italy. Brazil's declaration of a unilateral debt moratorium on Feb. 20, for reasons of national security and its obligation to its population, was "understood" by both governments, which took the ethical principles put forward by the Vatican in a recent document on the debt as the basis for the talks.

Funaro had previously been in Washington and London, where he was told that he should submit to the monitoring of the International Monetary Fund (IMF), before he could expect any cooperation from those quarters.

He responded: "History shows that no country among those considered to be insolvent has exploded. We are going to find a solution. We will pay part of the interest and they [the banks] will finance the rest. If not, we are not going to pay at all."

While Funaro was in London, the Vatican daily *Osservatore Romano* in its Sunday, March 1 editorial, "Acta Diurna," stated, "The European Community should endorse Latin America on the debt issue." *Osservatore Romano* reminds the European Community that March marks both the 20th anniversary of Pope Paul VI's encyclical *Populorum Progressio* and the birth of the EC, and states that the best way to celebrate is to endorse the struggle for survival of those countries "such as Brazil" which cannot pay its debt. The Vatican recommends the launching of a "Marshall Plan" for the developing sector, and calls for a "higher law" to prevail in debt negotiations, inspired by *Populorum Progressio* and the idea that "development is the key to peace." "Alarming signals of underdevelopment come every day: countries ripped by violence, hunger, and epidemics, hot spots of that economic financial imbalance which has become explosive," warns the editorial.

In Brazil, one of the richer of the debtor nations, epidemics have taken off for lack of budgets for sanitation and medical care. Over the last years, IMF demands for massive exporting of anything that could bring in foreign exchange, and restrictions on imports of crucial medical supplies, have left the population in the poorest regions defenseless. In the state of Paraiba, the infant mortality rate is 15%. There, life expectancy is 48 years, a calculation based only on the population that lives past four years of age. Forty-eight percent of all deaths are of children under four.

Brazil's economic crisis has left 36 million hungry children, 7 million of whom are abandoned. Pope John Paul II was interviewed on Brazilian radio on March 4, to inaugurate a program called "Whoever Takes In a Child, Takes Me In,"

What Funaro said in Paris

Excerpts of the transcript of the press conference by Brazil's Finance Minister Dilson Funaro following his meeting with his French counterpart Balladur in Paris:

Q: What are the results of your discussion with Minister Balladur?

A: He is one of the men who represents the Group of Five industrialized nations, which has always defended and will continue to defend, he told me today at the meeting, a position seeking to find new ways to resolve the problems of the legitimate crisis existing in the debtor nations. He knows the effort which Brazil has made . . . and he is favorable to growth and dialogue among the nations that need to develop, as is Brazil's case.

EIR: Minister Balladur just stated in an interview to *Paris-Match* that one must study the document of the Vatican's "Justitia et Pax" [Commission].

A: Yes, he also told me he was in the process of studying the Vatican document by Justitia et Pax, on the question of the debt. That was one of the high points of the discussion between ourselves and Balladur. . . . It is also a coincidence that President Sarney also is studying this document and that we find in fact, that aside from debt, there is also social justice.

Q: Was there concrete discussion of how a country like France could aid in negotiating the Brazilian debt?

A: By supporting development. It is a question there of a point that is different from previous years. In the preced-

a program of the bishops' council to find homes and food for the children.

In London, Funaro emphasized the fact that it was the U.S.-led high interest rates from 1979 to 1985 "that swelled Latin America's debt to unmanageable proportions . . . for Brazil, every 1% rise in U.S. interest rates meant an extra \$600 million per year to pay, or an increase of 30% over the period." It is thus that the Brazilian finance ministry has determined that over \$27 billion of Brazil's \$108 billion foreign debt is "illegitimate." This is without calculating \$70 billion that Brazil lost since 1977, due to the collapse in the prices paid for its exports.

On his way to the airport in London, Funaro examined a small computer carried by a reporter. He commented that, had it not been for Brazil's subjugation to IMF conditions

from 1982 until 1985, Brazil would now be able to manufacture such advanced technology itself. "Until 1981, Brazilian technology kept up with international progress." But the IMF cut in half Brazil's imports of modern machinery (largely from the United States—which now desperately needs such markets). As a result, "Brazil grew old," and fell behind. Funaro insisted that Brazil must obtain the world's most advanced machine tools to have a future as the world's eighth-largest economy.

On departing from London, Funaro said that "no specific proposals on refinancing" had been discussed with the British finance minister, while the press reported that he had been told to go to the IMF. "I explained that we need efforts on both sides to solve the crisis," said Funaro at Heathrow Airport. "This means that we should seek financing mechanisms

ing years, recession was preached to the debtor countries as the means to earn surplus and pay the debts. Now that takes place through growth.

Q: Starting from the accord of the Club of Paris there has been talk of reopening credit lines for industrial plant and for exports. . . .

A: Minister Balladur told me that he has already freed up two credit lines from the official French agency and that he will free up others.

Q: Do you think that this was a gesture?

A: Yes, it was a good gesture. France has always made good gestures of friendship for Brazil.

Q: Brazil only has one representative in the Bank Committee.

A: That's the problem with committees, there are committees where the American banks represent 50%, while the United States only represents 30% of the debt. Hence, even the Japanese and the Europeans are not represented as they ought to be on the Bank Committee.

Q: So you find that the American banks are more inflexible than the European and Japanese banks?

A: No, no, at the moment there is no inflexibility. For right now, no question has yet been posed with the banks. We are in the process of posing the question of a linkage between Brazil and the representatives of each country.

Q: More specifically, in France, for example, it is easier for the government to act upon the banks, because the banks are state banks, but in countries like the United States, what are the mechanisms which the government can use on the banks?

A: Normally the Federal Reserve, which is like Brazil's

Central Bank, is a link between the government and the financial system.

EIR: Speaking of the intransigent position of the U.S., do you think that a presidency of Lyndon LaRouche, who supports the Brazilian position in that country, would help all of Ibero-America to resolve its economic problems?

A: I find that the question of the debt has been posed. LaRouche posed the question of the debt in his campaign. It is a problem which is more and more discussed and debated. That has been a motive of concern in the meeting of the Group of Five and Group of Seven two weeks ago. . . . The question of the debtor countries will be more and more debated. Today the approach is different. Previously, the solution was seen as a big recession. Today it is for the bias toward growth. I hope that this change will augur a somewhat better world.

Q: Does Balladur accept the thesis of debt moratorium?

A: Moratorium is not something that nations appreciate. It is a unilateral position of the Brazilian government. Everyone would have preferred it not to have taken place, all nations, and Brazil too, if we had had the financing to allow us not to go to a moratorium. That does not mean that they don't understand that Brazil did it at the moment when the reserves started to drop; this understanding I have found with all the governments I have spoken to so far. But the question I always pose, is how a country like Brazil, which always had an excellent surplus, has reached such a situation that it has to interrupt its payments. It is because there is something in the international refinancing mechanisms that . . . pushes a big country like Brazil, which has made an excellent effort abroad, reach the point of interrupting payments. Once interrupted, we have to discuss the debt politically. And now we are going to discuss politically.

that would enable Brazil to have a trade surplus . . . to meet its debt-service payments. Four years ago Brazil had a deal with the IMF, and we aren't going to return to this, because the plan only involved exporting more and importing less. It put Brazil in a huge recession and we don't want this program ever again."

When asked if he was not afraid of the retaliations the banks are capable of, Funaro said: "I did not fear death; I have no reason to be afraid of life." Funaro, who is known as an austere and incorruptible family man, survived lymph cancer several years ago. He is feared by his enemies for his sense of mission, his determination to save his nation.

Reception in France and Italy

In France, Economics Minister Edouard Balladur defended Brazil's right to grow, did not make any demand for an agreement with the IMF, and said he was studying the Vatican's document on the debt (see the transcript of the press conference).

Jornal do Brazil reported March 4: "When the minister [Funaro] arrived at the Rue de Rivoli, he could see a banner of support reading, 'Brazil 1, IMF 0.' The banner was put up by an American group with links in Europe, led by Lyndon LaRouche. . . ."

After meeting with Funaro, Italian Treasury Minister Giovanni Goria said that Italy not only understands Brazil's situation but holds a special place for Brazil, "always a friend. The world is small and problems of one are the problems of all," he said. "If we don't work together, it will be hard to think of the future." Italy will propose to the Venice economic summit that the industrialized nations try to seek solutions to the debt crisis that take the common interests of debtors and creditors into account. Funaro said that Brazil "believes new paths to solve the crisis must be sought. Until now paths have been proposed for living with the crisis, but we want to find a path that will enable us to get out of the crisis."

Back in Brasilia, where internal opposition among the bankers' boys is fierce, President José Sarney told the Congress that he was impressed by the good will shown by France and Italy. "Nobody expected the bankers to applaud us," he said. Italy offered \$57 million in new loans during Funaro's visit, and France promised several new credit lines. Brazil's new policy was defined by the head of the Central Bank, Gros: "We are changing focus. Before, it was what Brazil had to do to pay the debt. Now, it is growth which determines how to pay the debt."

Debtor payoffs

While support for Brazil's moratorium has been strong and growing among the continent's trade unions, the church, and a few governments, most of the major debtors have used the crisis to try to get a better deal. And the bankers' strategy, to buy off other governments still renegotiating, has cooled things off, but only superficially.

Funaro said he expected other countries to be given quick debt deals. "We all know that we rushed the debt renegotiating processes of the others. The banks feared these debtor countries would do what Brazil did. This is good for us, because we are, in the end, to negotiate alone, the way we want. Thus the possibilities for reprisals are reduced." Funaro added, "The fundamental problem is the international financial system, and not just my country's."

The president of SELA, the Latin American Economic Community, Sebastián Allegrett, backed Brazil: "The countries of Latin America and the Caribbean should maintain full and unreserved solidarity with the position assumed by Brazil; the Brazilian determination is a sovereign decision that should be able to count on the support of the region. With its decision, the panorama radically changes, improving the conditions of other nations, especially the small ones, regarding their needs in payment of the foreign debt. It is not a question of seeking a crisis of the world financial system, but of ratifying that growth is non-negotiable, and that Latin America should balance the payment of its foreign debt with the necessity of development of its internal economy."

"It is certain that no one is morally obliged to commit suicide by being subject to economic and social burdens that exceed his ability to meet them," said the Archbishop of Santo Domingo, López Rodríguez, in a homily discussing the debt burden. He said it was "the duty of all people to prevent demands being made against the country which damage our economic sovereignty, and that in this sense we must remember the example of the patriots 143 years ago who confronted the invader to give birth to the Dominican Republic." He was speaking on the anniversary of the independence of the Dominican Republic, in the main cathedral, with President Joaquín Balaguer in attendance. Balaguer has supported Brazil's debt moratorium, and indicated that his nation is not capable of meeting its interest payments.

"We want the formation of a new world economic order with creation of a Latin American and Caribbean common market," the acting president of Brazil's General Confederation of Workers (CGT) declared March 1. Ricardo Baldino said that, with such a common market, "We could take care of all our needs, such as petroleum and medicine," and that "we would never again see our currency so devalued."

Baldino also gave strong support for the debt moratorium: "We have to participate in the sacrifices which will come, but it must be clear that this is only possible in support of national development. . . . Now is not the time for strikes. There must not be strikes, since that would be to ally our movement to the international bankers."

The Schiller Institute Trade Union Commission, which met with Peruvian President Alan García in support of his battle against the IMF, also backed Brazil's moratorium.

The Colombian CUT trade union, which unites 80% of Colombia's organized workers, also hailed Brazil's courage and called for continental unity around the debt issue.