
Ibero-America

Brazil renews moratorium impulse

by Mark Sonnenblick

Brazil won the first round with its creditors. The international bankers tried and failed to pull the rug out from under President José Sarney and Finance Minister Dilson Funaro, to bring Brazil to its knees. The plan backfired, making it clear that any Brazilian government which submits itself to the kinds of policies recommended by the International Monetary Fund (IMF) will not remain in power long.

The Sarney-Funaro team has won the total support of the country's dominant political forces and most of the industrialists. Banker attempts to create the specter of insecurity by exacerbating strikes and social conflicts have evoked only strong messages of endorsement for the civilian government from the generals who control the troops.

Political backup

In late March, it looked as if Funaro would go to Washington to face the wrath of creditors at the IMF interim meeting without the requisite political back-up. By early April, there was no doubt that his position on the debt represented that of all Brazil. The creditors' onslaughts had roused into action the majority Brazilian Democratic Movement Party (PMDB). Deputy Luis Henrique's support statement, reported in *EIR* last week, was just the beginning of a process which culminated March 31 with the National Executive Committee of the PMDB, which won 80% of the vote in November, declaring the party's total support for the government's debt policy.

The PMDB declaration (below) offers statistical proof of its assertion that the creditors are giving worse treatment to the two-year-old democracy than they did to the military regime which preceded it. It observes that Brazil's net capital outflow under democracy is 5% of Gross National Product, double that which the Weimar republic paid in reparations in the years leading up to Hitler's putsch.

The party's first secretary, Deputy Euclides Scalco, inserted into the document the PMDB's opposition to the "solution" of trading debt paper for equity ownership of Brazilian companies, first proposed by Henry Kissinger and now favored by forces inside the government, including the number-two man in the foreign ministry Rubens Ricupero, and the ambassador to Washington, Marcilio Marques Moreira. Scalco explains that foreign investors have brought in \$20 billion during the entire history of Brazil. If \$5 billion in unpaid interest were capitalized inside the country each year, Brazilian industry would be denationalized in a mere three years.

As noted in the PMDB declaration, party president Ulysses Guimarães has advocated debt moratorium since August 1983. The party's position is not new, but its reaffirmation in 1987 was vital to bolster Finance Minister Funaro.

Industrialists back Funaro

The biggest surprise for those financiers who had calculated and plotted Funaro's downfall was the total support for "the vigorous and mature position taken by the government in negotiating the foreign debt," granted by the most authoritative representative body of the industrial sector. During a March 31 meeting in Campo Grande, Mato Grosso del Sur, the 22 state presidents of the National Confederation of Industries (CNI) unanimously agreed that Brazil could not accept a recession, and that Brazil must continue to grow by 5-7% annually, as proposed by Funaro.

The industrialists were forced to come to grips with the fact that no debtor country has been allowed to renegotiate its debts without the bankers imposing reductions of production, consumption, and investment. "The IMF proposal calls for orthodox, and therefore recessionary, measures; Brazil cannot take that risk," the CNI president, Sen. Albano Franco, stated. He said the CNI's support for Funaro's debt policy was "to reaffirm the position of the industrial entrepreneur against foreign pressures and for the firm defense of national sovereignty and the real interests of the people."

He added, as a rejoinder to the "businessmen" who have provided grist for the bankers' press mills to grind out stories about industrialists wanting Brazil to retreat, "Once again we see people defending giving up control of our economy. And we know from painful recent experience that the prescriptions of those outside our internal reality usually make the illness worse, generating recession and unemployment."

Finance Minister Funaro welcomed the support from the PMDB, the industrialists' confederation, and a similar message from the governors of Brazil's southern states. Funaro said that such statements "are very important, because the renegotiation of the Brazilian foreign debt is not a government's or a president's problem, but the nation's."

Until both parties agreed to unite around Brazil's debt fight, they were locked in savage conflict and recrimination, leading banker organs such as *Jornal do Brasil* to proclaim

that the political alliance on which Sarney's government rested was dead. The very day in which all sane forces in the country united in support of Brazil's international position, a new alliance between the PMDB and PFL suddenly emerged in the Constituent Assembly, which will finally be able to get to its job of writing a new constitution for a democratic Brazil.

With Sarney appearing to lack a political base, Brazil's bankers and communist union leaders teamed up March 24 to close banks in the country for six banking days, the longest bank strike since the chaotic days of 1964. The strike evoked images of chaos and played into the coup scenarios advocated by the *New York Times* on March 20.

A joint statement by the commanders of the army, navy, and air force on the anniversary of the 1964 coup contrasted: "On the eve of March 31, 1964, the Nation was covered with shadows, dangers and threats. On March 31, 1987, we live freely in a new time of peace, hope, and reconstruction." Many regional troop commanders said strikes were just a normal part of democracy and required no military intervention. Air Force commander, Brigadier Otávio Moreira Lima, joked March 31, "If there is a coup under way, as some foreign newspapers say, I haven't heard about it yet." The bank strike suddenly dissipated.

Any illusions which Wall Street entertained, from reading its own *Journal*, that Funaro was an outcast and Sarney was about to be cast out, have now been shattered. They had planned on breaking Brazil's will to resist within weeks and imposing draconian conditions. Now, they will face Brazil's debt negotiators knowing they have a nation behind them.

Some bankers, faced with this reality, simply opted to postpone a frontal assault. Others, like Morgan Guaranty, are trying to provoke a radicalization of the situation. From what can be seen here in Brazil, that will only generate a larger wave of nationalism in the country. Long-term *EIR* readers may recall that it was Morgan vice president Tony Gebauer, a pudgy dwarf in cigar and suspenders, who served as creditor coordinator and Brazil overlord during the 1983 debt crisis. Gebauer succeeded in rolling ex-Planning Minister Delfim Netto around; but Gebauer is now in jail in New Jersey for stealing \$6 million in flight capital entrusted to Morgan by rich Brazilian friends of the IMF.

Documentation

The National Executive Committee of Brazil's majority party, the Brazilian Democratic Movement Party (PMDB), gave total support to Brazil's moratorium at their March 31 meet-

ing. Excerpts from their document follow:

. . . At the end of the military regime, in the two years of 1983 and 1984 . . . Brazil transferred abroad \$9.8 billion, while in 1985 and 1986, it had to transfer \$24.1 billion, which is a 145.9% increase. The resource drain rose to more than 5% of the Gross National Product, a level never before seen in international relations, since that is double the percentage Germany was condemned to transfer from 1925 to 1932 on account of reparations, after the First World War.

There is thus no basis for questioning the firm conduct of the negotiations on the foreign debt, and, in particular, the work of Minister Dilson Funaro, who had the courage to propose the suspension of interest payments on the debt. The current problems were to a large degree provoked by foreign maneuvers, with the objective of obliging Brazil to give in once again to the interest of the international financial community.

Those pressures were unleashed at the moment the government of democratic transition was inaugurated [in 1985], as proven by the statistics. . . .

By means of the debt, the industrialized nations came to control the development process of the debtors, by unilaterally imposing the interest rates. . . . The PMDB view was first expressed by its president Ulysses Guimarães in August 1983, in his "Travessia" speech. In it, on ruling out the path of submission to the IMF, president Ulysses Guimarães stated, in the name of the country's interest, that the government should declare a moratorium. After reminding us that the creditors increased interest rates from 6% to 21% unilaterally, the PMDB president insisted that "it is now up to the country to, also unilaterally, tell the creditors what conditions would make possible the payment of the debt without irreparable damage to the country's economic growth. . . ."

The PMDB, committed to those postulates, supported from the state the decision of president José Sarney and minister Dilson Funaro to declare a moratorium and reiterates its total political support for them to carry the process to its ultimate consequences.

This political support for President Sarney comes from all sectors of the party. From its leaders, its governors, its congressional delegations, and its members. United with the workers, businessmen, soldiers, students, churches, and the entire Brazilian nation, we reiterate that there is no turning back on the path of dignity. The price of unconditional surrender is implicit in the preaching of those who desire a return to the IMF, and, at the same time bray against recession, forgetting that the Fund's policy is recession.

We have two roads ahead. One is recession by the route of submission to maneuvers and foreign pressures, also articulated by the domestic allies of the international financial community. The other is a hard road which leads to independence. By taking it, we will be fulfilling our duty to bequeath future generations the right to use the fruits of our labor.