

ing the 1983 debt crisis, Garnero personally arranged the meeting between Shultz and Brazilian officials which led to Brazil's capitulation to an IMF agreement and the deepest depression in its history. Garnero then asset-stripped Brasilinvest, leading to its bankruptcy and massive losses for the Brazilian treasury. He would have gone to jail in São Paulo had he not had powerful political protection. In an interview published in *Folha de São Paulo* on Dec. 16, 1985, Garnero named only two people "from the political world" loyal to him during the "episode." One of them was Orestes Quércia, then the deputy governor of São Paulo. The title is appropriate for a vulgar politico who had mysteriously become rich overnight when Mario Garnero managed more than a billion dollars and spent money like water around IMF meetings.

Quércia's governors' clique was so out of step with the rhythm of Brazil's domestic political intrigues that President Sarney quipped that "the governor appears to have unlearned how to do politics." Inside Brazil, the blast backfired. PMDB governors of 17 other states rebuffed Quércia. Many of them and the PMDB's national leadership pointed to the treasonous nature of his attack when Funaro was defending Brazilian interests abroad. The point was made most clearly April 13, by Energy and Mines Minister Aureliano Chaves. Chaves, who had been put into the vice-presidency of the last military administration by former president General Ernesto Geisel, runs the small conservative Liberal Front Party (PFL). Chaves reportedly told PMDB president Ulysses Guimarães April 11, "Let me tell you, Ulysses, Funaro does not represent the PMDB; he represents the Republic. We have to fight for his preservation; and count on me for that."

But although there was a closing of ranks behind Funaro, neither Sarney nor Guimarães took Quércia to task for what he had done—the only kind of message the State Department and creditor banks would have understood.

Funaro's permanence in the cabinet is not guaranteed. Wave after wave of destabilization operations have not toppled him, but they have made it difficult for him to reduce Brazil's internal interest rates, the cancer which is destroying Brazil's present and future growth. Rates averaging 28-50% annually in real terms for business working capital are driving thousands of small businesses and farmers bankrupt. They are closing shops and blocking roads in protest, while companies in alliance with the usurers are putting their money into the orgy of money markets speculation, diverting capital from investment in Brazil's future.

PMDB Senator Fernando Gasparian has suggested digging out of the archives the anti-usury law passed under President Getulio Vargas in 1930, which sends to jail anyone who charges over 12%. President Sarney has already taken the first step toward acting on this sentiment. In a meeting with congressional leaders of the PMDB and PFL parties, Sarney—accompanied by Funaro—stressed that the top priority of the finance ministry would be to declare war on high interest rates.

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## Interview: Artur João Donato

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# Rio business behind government on debt

*Artur João Donato is the president of the Federation of Industries of Rio de Janeiro. He and Mr. Franco (below) were interviewed by Lorenzo Carrasco, EIR correspondent in Brazil on April 10.*

**EIR:** What is the position of the industrialists regarding the Brazilian government's decision to suspend interest payments on the foreign debt?

**Donato:** The industrialists of Rio de Janeiro share the general thinking of the business class, which is not only of the business class but practically of all Brazilian society, that it is impossible to sustain financial commitments with the sacrifice and absolute subjection of the country to recession.

The businessmen are firmly backing the manner in which the Brazilian government seeks to negotiate the country's foreign debt problem with its creditors. We judge that the manner in which IMF monitoring (of the economy) was previously done would bring recessive consequences for the Brazilian economy. So the business class, generally speaking, is against recession, because in the past recession caused unemployment, social dissatisfaction, hunger, and misery. This is a young country, with tremendous resource potential. This country only has the potential to become viable, and meet its destiny of greatness, to the extent that it affirms a permanent policy of economic growth.

**EIR:** The Church has played a very important role in terms of evaluating the IMF conditionalities from a moral standpoint. To what extent do you believe the Vatican document on the debt influenced the decision of the Brazilian government, and has influence on the industrialists?

**Donato:** What we are seeing is that the solution to economic problems must be sought in other spheres. From economics we go on to politics, to the social arena; we are in the moral sphere which also has its great heralds. Now we hear the words of the President of Portugal, who was in Brazil to fully support the Brazilian position for moral and political reasons. In France, we have President Mitterrand also supporting the Brazilian position. The Brazilian position is supported throughout the Third World, and today we also witness the express, clear, and very precise backing of the Church, which for humane reasons obviously does not wish poor nations to



*International support for Brazil: This sign outside the French Ministry of Economics and Finance, applauding the debt moratorium, greeted Brazilian Minister Funaro in Paris on March 3, 1987.*

be brought to levels of desperation just to be able to meet their financial commitments.

**EIR:** In the United States, Democratic presidential pre-candidate Lyndon H. LaRouche defends the Brazilian position as just. In his study *Operation Juárez* he proposes a reform of the monetary system. What do you think of LaRouche's proposals?

**Donato:** I believe that position is in agreement with Brazilian interests. I wish that all the candidates to the presidency of the United States held the same idea as LaRouche.

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## Interview: Sen. Albano Franco

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# Brazil industry backs debt moratorium

*Senator Albano Franco is president of the Brazilian National Confederation of Industries (CNI).*

**EIR:** Wall Street's media in New York is reporting that the decision of the Sarney government to declare a debt moratorium, has no support, except for a small group within the government. Senator Franco, could you tell us, as president of the CNI, what is the position of Brazil's industrialists regarding the decision to suspend interest payments on the

foreign debt?

**Franco:** Last week we held a meeting of the Representative Council of the National Confederation of Industries, the organization of Brazilian industrialists, with the participation of all the presidents of the industrial federations. Once again we officially defined our position, and even sent a telegram of support and solidarity to President José Sarney on the question of foreign pressures, and also in defense of our sovereignty in handling the problem of the foreign debt. It is clear that we are aware of the difficulties, but what is important to point out and to stress is that Brazil has always met its obligations until now, but we could not continue to pay at the cost of social sacrifice, that is, the return of a recession to Brazil. The commitment of the José Sarney government is to renegotiate our debt while maintaining growth.

Our social debt to our people is immense, and its fulfillment can be delayed no longer, except at the cost of failing to meet our historic mission as a free, prosperous, and sovereign nation. This is the time to produce, grow, and distribute. The country cannot under any circumstances interrupt its process of development. We need to increase the supply of jobs, increase the number of graduates and the education of our youth, improve the consumption patterns of our people.

**EIR:** In the CNI meeting you mention, the industrialists also agreed upon a fight against recession.

**Franco:** Exactly. *No to recession!* is the watchword of the Brazilian industrialists. As president of the CNI, we have insistently and constantly raised our voice against impoverishment and despair, because we are fully aware of the tragic ills caused by a prolonged period of contraction of the productive process. For the great majority of Brazilians, 1983 and 1984 were desperate years.

We believe that Brazil can survive this current period of difficulties without resorting to recessive policies. We are confident in the economic policy of the Sarney government, principally what he says about the foreign debt negotiations, which are being wisely conducted by Minister Dilson Funaro; which is that they should be carried out without damaging the internal market.

**EIR:** Are you in favor of going to the IMF?

**Franco:** I have stated that I believe, that if the IMF were *not* to suggest orthodox or monetarist measures, which would cause recession in Brazil, we as members of the club—because the IMF is a club—could truly participate and listen to the IMF. But now we cannot, because of the peculiarities of Brazil and the threat of recession, go to the IMF. Today we face here in the internal market an interest rate problem, which, as Minister Funaro himself says, will remain with us (as will other domestic problems) so long as the renegotiation of the foreign debt remains unresolved. Today thousands of small and micro-businesses are threatened with bankruptcy