

## Report from Rio by Silvia Palacios

### Project Democracy gang under attack

*ProDem's friends in Brazil are starting to lose faith in Collor de Mello's loyalty to their free-market liberalism.*

**D**uring May Day celebrations in Brazil, President Fernando Collor de Mello's speech caused more than a few jitters among the monetarist liberal elite of the country. Paying homage to his grandfather, Lindolfo Collor, Brazil's first labor minister, the President said:

"Those who believe, as I do, in the market economy as the best path to development, would like to issue a warning. One cannot speak of market economies in a society where the majority of the workers are not integrated into the market. Only cultural backwardness can explain why many of the well-off sectors of our population promote free enterprise, but continue to cling to the vice of earning a lot but paying little."

Prominent spokesmen of those "well-off sectors" reacted with exasperation to the President's words, describing them as "populist" and protesting that with such posturing, the President is trying to single-handedly apply the teachings of his grandfather, who formulated legislation to protect the worker during the first government of nationalist Getulio Vargas.

In fact, Collor de Mello's speech was the latest of a series of skirmishes his government has been involved in with the monetarist liberal sectors of the country, especially the influential friends of Project Democracy—the secret U.S. government behind the Iran-Contra affair. For example, in the days just prior to Collor's address, the Liberal Party headed by Project Democracy deputy Afif Domingos, broke with the Collor government. That break occurred during congress-

sional deliberations on the new government's reforms. On April 12, *O Estado de São Paulo* reported that Domingos and others had lobbied to try to prevent insurance companies and other financial institutions from taking a bath due to some of the anti-speculation measures included in the government's reform proposals.

On April 28, during a meeting in Belo Horizonte of the National Council of Liberal Institutions in Brazil, a resolution was issued criticizing President Collor's behavior publicly for the first time. "Despite his liberal speech, the President adopted measures that we consider interventionist," it read. It is noteworthy that the Liberal Institutions proliferated in Brazil as of 1987, as part of Project Democracy's Latin American initiative. It was at this time that the Peruvian Institute for Liberty and Democracy (ILD), the machine behind the failing presidential campaign of Mario Vargas Llosa, emerged; its objective is to pave the way for a new Thatcherite era in South America.

The worst skirmish occurred on April 26, with the administrative jailing of a prominent Project Democracy mouthpiece, "businessman" Amaury Temporal, for tax fraud of nearly \$1 million. On April 28, the daily *O Globo* commented that Temporal's crimes were first discovered in 1988 but were covered up. Now, added *O Globo*, it was "by direction of President Collor himself" that the tax collection authorities decided to act against tax evaders, beginning with "repeat offenders."

Amaury Temporal maintains

close ties to the Project Democracy networks inside the United States. He was president of the National Federation of Brazilian Trade Associations (CACB). In 1987, through a series of conferences, the CACB solidified its ties to the business arm of the National Endowment for Democracy (NED), the Center for International Private Enterprise (CIPE), both arms of Project Democracy. It was CIPE which sponsored the activities of Peru's Vargas Llosa and the advocate of the "informal economy," Hernando de Soto. In November 1987 de Soto traveled to Brazil to promote his book *El Otro Sendero (The Other Path)*—his tour sponsored by the Liberal Institutes and by CACB. On Oct. 26-27, 1987, CIPE held a seminar on the informal economy in Washington; Temporal represented Brazil and distributed a paper at the seminar written by Afif Domingos.

During deliberations of the National Constituent Assembly, the visible network of Project Democracy to which Temporal and Domingos belong attempted to impose a liberal constitution. Key to their plan was the dismantling of the state sector of the economy, starting with the oil company Petrobras. They failed.

President Collor's provocative statements do not, however, mean that he is free of the influences of the free-enterprise project. His political orientation will only become clear when the government defines what kind of privatization it plans to carry out. Will it follow the line of Henry Kissinger and the banks, which presupposes the surrender of state companies through debt-for-equity swaps; or will it opt for a more cautious program premised on defense of the national patrimony, along the lines of the programmatic study recently issued by the Superior War College, entitled "1990-2000, the Vital Decade"?