

Brazil's President Itamar Franco: a small man in a big crisis

by Lorenzo Carrasco and Silvia Palacios

The picture which has emerged after six months of the government of Itamar Franco is that of a President who believes he can avoid making the tough decisions required to reassert Brazil's development in the face of International Monetary Fund (IMF) and banker pressure for austerity, and who thinks he can survive by playing "balance of power" politics with all factions inside the country.

Franco was inaugurated President of Brazil on Oct. 5, 1992, in the wake of the collapse and subsequent impeachment on corruption charges of the Fernando Collor de Mello government. Collor is a darling of the Anglo-American financial establishment and the first corrupt Ibero-American "democratic" President to fall to an impeachment vote.

President Franco emerges as a man lacking the character to make the crucial decisions required for a time of crisis, and thus he appears to be a type of Brazilian "Kerensky" who tries to escape from reality. And like Russia's Kerensky before him, who paved the way for Lenin's Bolshevik takeover, Franco has laid down the red carpet for a dangerous government-in-the-wings run by the Marxist Workers' Party (PT). The PT is closely allied with the Socialist International and the U.S. State Department, which views it as an option to keep Brazil within the orbit of today's established international monetary order.

The clearly Leninist strategy of PT President Luis Ignacio "Lula" da Silva is to control the machinery of the state's social programs, and at the same time, as the opposition, to capitalize on the state's destruction as a result of neo-liberal economic policies. The PT already has its hands on social policy through the so-called anti-poverty program run by the Brazilian Institute for Socio-Economic Analysis (Ibase), an intelligence center for the PT; non-governmental organizations; and groups linked to the Theology of Liberation.

The impeachment of former President Fernando Collor de Mello provided Brazil with a tremendous opportunity to change policy, especially in the area of economics, and create a new impetus for national development. But in the weak hands of a President lost in the minutiae of daily existence, that chance vanished into thin air. The failure to act allowed banking and financial forces, the real beneficiaries of Collor de Mello's neo-liberal policies, to regroup to strangle any

initiative which might jeopardize their interests. The recent decision to speed up the sale of the National Steel Company (CSN), Ibero-America's largest state-run steel company, is a clear signal that President Franco has decided not to break with the policies demanded by Brazil's creditors—which is also the path of his own destruction.

It is useful to remember that what finally led to Collor de Mello's downfall was not only his government's scandalous corruption, but also the rejection of him by the country's representative civil-military forces, who saw in his neo-liberal policies the systematic destruction of national values and public patrimony. This same patriotic ferment was reflected most clearly in the civil-military events of Feb. 4, 1992 in Venezuela, when rebel Venezuelan troops led by elite commando units attempted to overthrow the hated regime of President Carlos Andrés Pérez. The ferment didn't manifest itself as a crisis or institutional rupture in Brazil at the time, due primarily to the repercussions of the revelations of Collor's corruption by his brother Pedro, which channeled the national emergency instead into mass street demonstrations demanding the President's impeachment.

Toward a new institutional crisis

Collor's downfall, and the hopefulness regarding a new government, gave Itamar Franco a limited timeframe in which to act, which he absurdly threw away. Now that that time has elapsed, the true causes of the postponed institutional crisis are reemerging with even greater violence, and jeopardizing the government's own stability. The diverse political forces which initially backed Franco are now moving away from him in open opposition. The situation has become so extreme that some congressmen have called for immediate general elections to avoid—or perhaps to accelerate—that institutional breakdown.

The most serious symptoms, however, are reflected in the growing displays of military unrest, first seen in the Military Club's General Assembly held in Rio de Janeiro on March 10. A decision was made at that time to make the assembly a permanent one and await a favorable response to the demands which the presidents of the three military clubs, representing retired officers, had presented to President Franco one day

earlier. Beyond the issue of wages, the military leaders are demanding that Franco reject the policies which the new world order would impose on Brazil.

In the document they prepared for the President, they stated that “the confirmation of our lack of preparedness in the face of the majority of the world’s powers and their ‘new world order’ policy, leads us to conclude that sovereignty, territorial integrity and national unity may be seriously threatened. Domestically, our people’s sensibilities are wounded by ever growing misery.” The document concluded with a warning of the danger of indiscipline in the barracks. “All this, Mr. President, leads to feelings of indignation and discontent which can take on dangerous dimensions for discipline and hierarchy.”

Even more serious was the statement of the military cabinet ministers on March 31, the 29th anniversary of the 1964 military coup. For the first time, although in diplomatic terms, they compared Brazil’s current situation to the years prior to 1964, particularly regarding the danger of social upheaval whose beneficiaries would be the PT, allied to Marxist Theology of Liberation forces.

“The years which preceded the democratic revolution of 1964,” the military ministers emphasized, “were characterized by changing positions of several sectors of our society, which caused the instability of Brazilian institutions. The post-revolutionary period brought Brazil the harmony and tranquillity required for its industrial, technological and cultural development, together with significant economic growth, underscoring the correctness of the measures adopted at that time. The current moment demands greater reflection by all Brazilians to seek those solutions which can lead the nation to the level we all desire—progress, security, social justice and peace.”

Against the ‘financial dictatorship’

Although the military ministers didn’t directly address the economic roots of the imminent danger of social convulsion, other retired military groups have been expressing nationalist opposition to the liberal policies dictated by the international banks. Unlike 1964, when there was no opposition to bankers’ usury, today a movement against the financial system has emerged, implying a break with what has always been the Armed Forces’ Achilles’ heel—economic liberalism.

An example of this is the article which appeared in the February edition of the military newspaper *Ombro a Ombro*, entitled “Financial Dictatorship” and written by retired Col. Francima de Luna Maximo, who denounced the fact that two-thirds of the national budget is allocated for payment of financial usury. “We can verify,” he wrote, “that the greatest use of funds goes disproportionately to the ‘refinancing’ of foreign and internal debt, with an astounding and incredible 64.69% of the entire budget. This leaves only 35% of all public federal funds to cover expenditures and investment.

In 1991, 27% went for refinancing of foreign and internal debt; in 1992 it jumped to 46.7% and in 1993, to be precise, it is 64.6%.”

“We see before us,” the article emphasizes, “a stinking financial dictatorship, orchestrated from abroad, which gained strength in the 1970s thanks to the docility and suspicious manner in which the economic czars—protected by the good faith of the nation’s leaders—gave in to international pressures.” This is a direct reference to ministers such as Roberto Campos, Antonio Delfim Neto, and Mario Henrique Simonsen, among others.

The editorial in *Ombro a Ombro*’s March edition expresses the same concern with the disastrous financial situation. Under the suggestive headline “Your Interests or Your Life,” the editorial warns that “if, in order to build projects which we could pay in cruzeiros, we now need a ‘strong currency,’ this means that our credit system is entirely in the hands of our foreign creditors; that is, we borrow money, the government issues cruzeiros and, presto, we send that ‘strong currency’ abroad as interest payments. Worse yet is the fact that often those ‘loans’ are nothing more than accounting tricks on our creditors’ books. And that is, effectively, what our foreign debt is, today totalling more than \$100 billion. Today over 60% of the federal budget for 1993 will go to ‘honoring’ our obligations to domestic and foreign bankers.”

The editorial concludes demanding that the debt be audited, and that the national Congress give priority to productive investment. “Consequences? There certainly will be, in the form of retaliation which the creditors will surely take in response to our boldness in seeking economic justice. . . . But what we know, compared to the risks of such a decision, is that the consequences of the current foreign-dominated economic policies, translated into millions of Brazilians dying of hunger, preventable diseases, and the threat of national disintegration, are far worse than any eventual short-term retaliation.”

In an article in the December 1992 edition of the Military Club’s magazine, Adm. Sergio Tasso Vasquez de Aquino, deputy chief of the Armed Forces’ General Staff, described the enemy Brazil faces today. “At the economic level, we see the power of the large banks and multinational financial-economic conglomerates [which operate] above the nation-state, with no country, cold and dominating, like a new ICM, now the ‘international capitalist movement.’ ” The pun is that ICM is the acronym which refers to the International Communist Movement.

Admiral Tasso concludes with a call to resist this international offensive. “In my most profound Christian convictions of a practicing Catholic, I firmly believe that just as the forces of the devil cannot win against the Church of our Lord God, as long as the Armed Forces exist, nothing and no one will limit Brazil’s sovereignty or stand in the way of its fight for peace, freedom and justice.”