

This, briefly, is the experience of our national economy, and thus the importance that someone in the world is thinking on behalf of everyone, and is opening doors. Let us hope, Doña Helga, that your husband can influence the government of the United States, so that the proposals which you so brilliantly have laid out to us, can, in some way, be realized, and with them, that each people can express its uniqueness in the cultural realm, and in every possible aspect. Thank you.

From the question period

After his speech, the first question asked of López Portillo was what had happened after 1982, after he had implemented LaRouche's proposed Operation Juárez.

López Portillo: It was nothing specific, but simply circumstantial. The hard-headedness of the international bodies left us without any option, and as a consequence, we were trapped. We misbehaved with the international bodies, and we were punished. They accused us of being populists, etc. Other governments behaved themselves, and the result has been the same. This is what is dramatic: We push the rock to the top of the hill, and when we reach the top, it falls down on us. It is always the system, the environment which stubbornly refuses to understand revolutionary values, as I mentioned a moment ago. And perhaps the rejection has made us used to this, and we end up forgetting them; because we became used to this, to being disdained, to being put off, and we began to behave ourselves—and then “whammo,” we get hit again. This is simply the result of the fact that the international system isn't set up for countries like ours. This is a concrete example of a specific national economy not fitting into that financial order, and hence the necessity for [that order] to be reformed. That is why I am so happy to hear that many people have begun to talk about reform, from which I was shut out. Thank you.

‘Support LaRouche For President’

José López Portillo issued this letter on Nov. 18, 1999, calling for U.S. citizens to give Presidential pre-candidate Lyndon H. LaRouche, Jr. their “timely recognition and support.”

Over the years, I have unfortunately seen confirmation that, absent the introduction of a superior principle of Justice—for which I fought during my term as President of the Republic of Mexico—which reorders the current international, monetary, and financial system, civilization, and with it tens of nations

and millions of human beings are being flung into a vortex of calamities and chaos, which are in themselves unjustified and unnecessary, which not only insistently offend and trample on human dignity, but also continuously place international peace in danger.

Only the transformation of the current world order into one which places the inalienable rights of people as individuals, and of nations, at the center of fundamental decisions, can initiate a new era of prosperity, peace, and happiness—rights, such as to enjoy not only the freedom to create the material conditions of their existence, but, based on that, to fully develop their cultural, scientific, and human potential in general. Such a change can only be based on full confidence in that which is best in man, in reason, and the virtues which only the human species is capable of developing.

In the battle for such an order, I would like to recognize the tireless and generous efforts carried out by Lyndon H. LaRouche, for whom I hope for the best as a pre-candidate for the Presidency of the United States of America. I wish that his voice be listened to and followed by those in the world who have the grave responsibility of stopping this situation from continuing on its calamitous course, and I hope that his fellow U.S. citizens, who will elect their President in the coming elections, will give him their timely recognition and support.

—José López Portillo

Brazil's Choice in 2004 Is Mexico's of 1982

by Dennis Small

Will Brazil in 2004 have a crisis like Mexico's in 1982? Over the course of 2002 and 2003, *EIR* repeatedly warned that any one of a half dozen different triggers could lead, at any moment, to a debt explosion in Brazil—the Third World's largest debtor, with over \$500 billion in real foreign debt. But 2003 came and went without a major financial incident on the Brazil front: You could almost say that it was a charmed year for the country's creditors.

In 2003, the first year in office of the new government of Luiz Inacio Lula da Silva, everything seemed to work perfectly for the banks and the International Monetary Fund (IMF):

1) *Interest rates on Brazil's public debt plummeted*, as the dissociated head of the Federal Reserve, Alan Greenspan, dropped U.S. rates in order to keep the \$400 trillion global speculative bubble afloat. That translated into unusually low interest rates that Brazil had to pay on its floating-rate public

debt, which comprises about half of the total public debt of 913 billion reais, as of the end of 2003 (about \$311 billion at the current exchange rate of 2.94 reais to the dollar).

2) *Brazil's country risk rating dropped sharply.* The country risk is an instrument of financial warfare set by the international creditors through JP Morgan, which determines how much more than the yield of U.S. Treasury bills a country has to pay to roll over its debts. Brazil's rating was reduced from a staggering 2,400 points (i.e., 24% above the T-Bill rate) in October 2002, to just under 400 in early 2004. This also helped keep Brazil's interest payments down, relatively speaking.

3) *The value of the dollar plunged internationally,* such that even the Brazilian real strengthened against the dollar by about 22% in 2003—for the first time in a decade. This meant that Brazil's dollar-indexed public debt became more manageable, and the government was able to reduce the portion so indexed, from about 40% a year ago, to 23% of the total, today.

4) *There was record foreign investment in the Brazilian stock market.* This was partially offset by a decline in so-called Foreign Direct Investment (in plant and equipment), which fell to \$10.1 billion in 2003, from \$16.6 billion the year before. As the head of the Central Bank's economic research, Altamir Lopes, explained: "We no longer have privatizations pushing up foreign investment."

5) *Once in office, the Lula government deep-sixed its anti-IMF electoral rhetoric of 2002,* and used its popularity to impose austerity policies so draconian, that even the country's creditors were pleasantly surprised. While Wall Street cheered, over the course of 2003 Lula was able to:

- Reduce real wages of Brazilian workers by 13%, and shrink wages as a percentage of total national income from 36.2% to 31.5%;
- Drive official unemployment up to 12.3% of the Economically Active Population—although reliable sources estimate that real unemployment actually stands at 25%, double the official rate;
- Produce a primary budget surplus—the amount by which government revenues exceed expenditures (excluding interest payments)—of 4.38% of Gross Domestic Product (GDP). This was *higher* than what the IMF required of Brazil under its standing agreement, which was 4.25%. This surplus was achieved with brutal cuts in expenditures on infrastructure, health, education, scientific and technological development, the space program, military and security forces, etc.;
- Ram through "structural reforms" demanded by the IMF, including of the pension and social security system;
- Generate the country's first current account surplus in 11 years, mainly by slashing imports and exporting like crazy—leaving that much less for domestic consumption. Whereas Brazil had run a current account *deficit* of \$7.7 billion in 2002, last year it ran a \$4.1 billion *surplus*. This amounts to an almost \$12 billion swing in one year.

And yet, despite almost nothing but good news—as far as Brazil's creditors were concerned—the country was still unable to keep pace with its growing debt bubble.

The Brazilian government paid out staggering amounts on its public debt in 2003. Despite the generation of a Primary Budget Surplus of over 66 billion reais, the government had to make interest payments of more than *double* that amount: 145 billion reais (nearly \$50 billion). That was 40% of the entire government budget, and a full 10% of the country's GDP!

And yet despite this bloodletting, the total public debt grew from 881 to 913 billion reais over the course of 2003. As a percentage of GDP, the public debt grew from 55.5% in 2002, to 58.2% in 2003. This is the highest level in the modern history of Brazil; it is a near doubling from the level of 30% it was at about a decade ago, in 1994.

As the staid daily newspaper *O Estado de Sao Paulo* recognized in shock, in a banner headline across its economics page on Jan. 31: "Record Surplus Is Insufficient to Pay Interest."

The Jan. 15 *Financial Times* of London reminded the Brazilian government that it has to pay \$37 billion in debt amortization in 2004, and that it had squeaked by in 2003 only because foreign capital favored it. But "how many of Brazil's gains could unravel with a shift in investor sentiment?" the *Financial Times* threatened. Last year's cuts in social security benefits and brutal budget austerity helped "the sustainability of its debt. Yet to consolidate investor confidence, Brazil must implement further structural reforms to make the public and private sectors more competitive," the *Times* demanded.

On cue, Brazil's Country Risk rating rose from under 400, to 570 points during the first half of February—a clear threat of worse to come, if the government doesn't perform as demanded by its creditors.

What, then, will happen, when any one of the above-mentioned factors goes awry in 2004, as it surely will, with the world financial system careening out of control? Under those circumstances, can the Lula government be counted on to maintain its subservience to the IMF and other creditors? Not necessarily.

The London *Economist* magazine, another mouthpiece for international financial interests, is particularly worried about Lula's international diplomacy, and especially his campaign for cooperation with nations such as India, South Africa, China, and Russia. "Lula appears to be an ardent defender of an old idea, which was in vogue in the Non-Aligned Movement in the 1970s, according to which poor countries could challenge the rich and reach development through mutual cooperation," the *Economist* sneered. Lula's reluctance to buckle under to the Bush Administration's Free Trade Agreement of the Americas is understandable, but "that doesn't make it more intelligent," they warned.