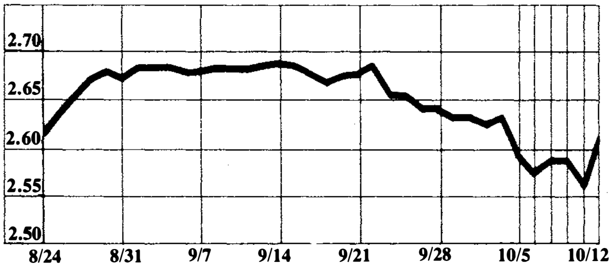
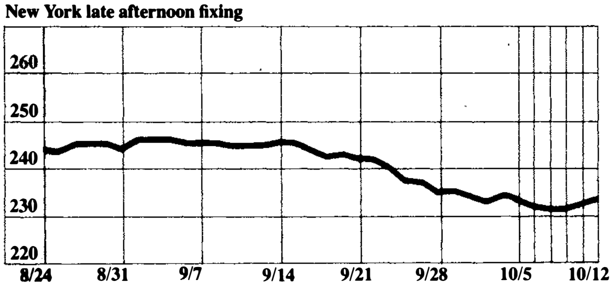
Currency Rates

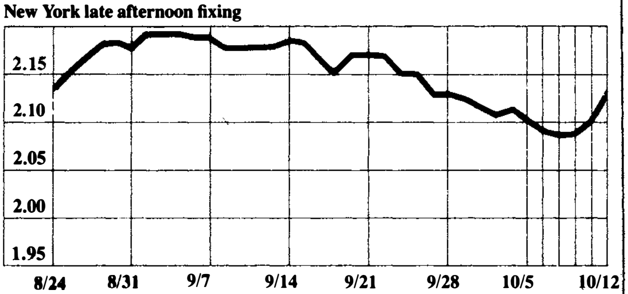
The dollar in deutschemarks
New York late afternoon fixing



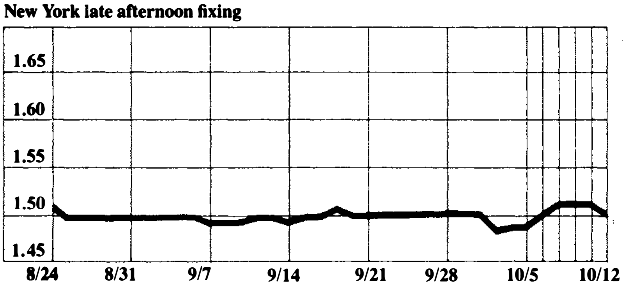
The dollar in yen
New York late afternoon fixing



The dollar in Swiss francs
New York late afternoon fixing



The British pound in dollars
New York late afternoon fixing



Argentina and Brazil— playing debt game by the

by Valerie Rush

In the wake of the arrest of Argentina's central bank chief Julio González del Solar, developments in Brazil suggest that the precedent of holding government officials legally responsible for signing debt renegotiation agreements that violate national sovereignty has been well noted elsewhere in Ibero-America.

Brazilian Planning Minister Antonio Delfim Netto, the finance-policy czar of that immense country, is currently the subject of a congressional investigation being conducted into the country's $90 billion foreign debt. The investigation has begun to focus in on a military dossier reportedly documenting kickbacks that Delfim received on loans he negotiated while ambassador to Paris. Even before the investigation, Delfim had acquired the nickname of "Mr. Five Percent" in diplomatic circles for his skimming practices. Now, both Delfim's future and the entire house of cards known as the Brazilian debt could fall under scrutiny.

In addition, *EIR* has learned that the legal staff of the Brazilian finance ministry is currently reviewing any and all foreign loans contracted by the government in search of potential violations of the constitution. In particular, "Project 2" (new money) of the International Monetary Fund's 1982 four-level rescue scheme for Brazil, has come up for special attention in light of a "newly discovered" clause which puts arbitration in the event of a default under New York state law. High-level military sources in Buenos Aires had informed *EIR* in the aftermath of the González del Solar case that "Every country is now poring over their loan books to see just what in hell they signed . . . and if it's legal."

As Argentine federal judge Pinto Kramer, the judge whose detention of González del Solar for violation of national sovereignty nearly brought down the international debt mountain, told *EIR* (see interview, page 12): "Yes, I think I have lit the fuse of an atomic bomb in Latin America. . . . I sincerely believe that it's time for Latin America to stand up; to establish its importance in the eyes of the international community. You cannot strangle the debtor and [force him] to pay at any price. . . ."

The dossier allegedly implicating the Brazilian planning minister in corrupt practices related to the nation's foreign debt had been placed under tight security classification by

will they stop old rules?

Delfim Netto's allies in the Brazilian intelligence service (SNI), but it began to come to light when retired general Leo Etchegoyen threatened to "tell all." Etchegoyen's action was reportedly sponsored by elements in the military determined to dump Delfim from his long-held position of power.

Delfim quickly retaliated. An ally of his, the head of the Brasilia Army region, Gen. Newton Cruz, declared before 200 officers from his command that any military personnel cooperating with the congressional hearings were to be considered "incompetents and misfits."

One of the officers, Etchegoyen's son, rose to defend his father's honor and was promptly jailed by Cruz for "indiscipline." The senior Etchegoyen was also put under arrest, but Delfim's crude repression backfired when manifestos in defense of the Etchegoyens began to circulate in the barracks of junior officers, and Army commander Walter Pires personally called General Cruz on the carpet for his "loss of temper."

The investigation is far from ended, and how it will be resolved remains to be seen, but Delfim Netto could well find himself following in González del Solar's footsteps.

'The banks' package won't go through'

Meanwhile, Fabio Monteiro de Barros, one of São Paulo's most prominent international business lawyers, reported to a conference of the National Foreign Trade Council in New York on Oct. 11 that Brazil is not only in a fencing match with the IMF, but under pressure from U.S. government circles to roll back Brazil's measures of continental solidarity, taken during the Malvinas crisis last year.

De Barros charged that a U.S. mission headed for Brazil is attempting to get Brazil to re-subscribe to the bilateral military agreements with the U.S. which were suspended during the Malvinas war. This demand is linked to U.S. military preparations for Central America, he said, and "nobody in Brazil is very happy about this."

De Barros also noted strong U.S. pressure for Brazil to sign the Non-Proliferation Treaty affecting civilian nuclear technologies, and to give up any aspirations to produce micro-elements and other advanced computer electronics.

The lawyer demonstrated that, taking 1972-1982 as a whole, the outflow of capital and other payments from Brazil had been $246 billion, compared to a total inflow of new loans of just $109 billion during the same period. That is, Brazil has been subsidizing the international financial system, not the reverse, for the past decade.

He also demonstrated that the current IMF letter of intent, by demanding the elimination of government subsidies at the same time it insisted on a drastic lowering of inflation rates, was absurdly inconsistent and "shows that the IMF is not knowledgeable about realities inside the country."

At the conference luncheon, a senior official of a major New York bank for the first time indicated publicly that pulling together the vaunted $6.5 billion commercial bank component of the new Brazil "package" was a hopeless task.

The vice-president of the economic research department of Irving Trust, John Treanor, stated that Brazil "had better be realistic" and acknowledge that the banks were not going to come up with the sum they are promising.

De Barros, one of six speakers from prestigious law firms in Ibero-America, cited the major impact recent *EIR* articles on Brazil have had on the country. When an *EIR* representative present summarized why IMF policy is based more on geopolitical considerations than sound debt recovery approaches, de Barros simply nodded and said, "Some in Brazil feel as you do."

Argentina paves the way

In Argentina, the crisis provoked by Judge Pinto Kramer's courageous ruling is far from ended. The nationalist forces behind him achieved an important victory the second week in October when Argentina's commercial creditors agreed to suspend further negotiations on refinancing the foreign debt until after the Oct. 30 presidential elections are held.

This means that the Aerolineas Argentina refinancing deal which Pinto Kramer had suspended for violating the national interest will *not* serve as the pilot agreement for the rest of Argentina's state sector—and all Ibero-America—as the banks had intended.

Pinto Kramer himself was adamant on the question of timing, aware that Argentine creditors hoped to present the new government with a newly signed, sealed and delivered debt agreement—a fait accompli.

"[My ruling] will serve as a warning to any future authorities of the country, who should know that nothing can be signed that should not be signed and that the country cannot be mortgaged or offered as guarantee for the foreign debt of the entire Argentine nation."

The extensive coverage of *EIR*'s analysis in, especially, the Brazilian and Argentine press in recent weeks suggests that forces in those countries are ready to consider new options in resolving, as one Brazilian publication described it, "the tragic dilemma" of choosing between national sovereignty and starvation.

LaRouche and *EIR* at the center of the Ibero-American debate

The choice between economic catastrophe under the IMF or defense of national sovereignty has become most acute in Brazil, Argentina, Venezuela, and Peru. It is there that *EIR*'s exposés and analyses of the debt crisis have received widespread coverage and commentary, reaching into congressional debates.

Provoking commentary was *EIR*'s report on a semi-secret meeting held in late August by Henry Kissinger, Morgan Guaranty's Alan Greenspan, and others in Vail, Colorado, at which a plan to convert creditors' uncollectable loans into asset holdings within debtor countries was discussed.

Also drawing attention was *EIR*'s report on the statements of an intimate friend of Henry Kissinger who serves as a prominent member of David Rockefeller's Latin American Debt Commission, who said: "Latin America's laws on foreign investment must change, and that is a problem of national sovereignty. . . . We must use austerity and social chaos to break the institutions of those countries and change their laws."

Exemplifying the coverage that has appeared in Brazil is the commentary entitled "A Tragic Dilemma" by the well-known syndicated columnist Barbosa Lima Sobrinho. The commentary appeared in the Rio daily *Jornal do Brasil* on Oct. 9, 1983.

> . . . The hypothesis [that some banks planned to take advantage of a debt crisis for their own benefit, and to undermine Brazilian growth deemed "too fast"] is far from gratuitous, and could even constitute the other horn of the dilemma. An American magazine was the first to take up the issue. . . . It is called *EIR*, initials which translates *Executive and Intelligence Review* [sic]. It is certainly true that it doesn't mince words, opting for the fearlessness of its information. For it was this magazine which said that "for decades, military and civilian planners" (why not civilian and military?) "have taken great pains to build up and protect the kind of industrial base which would make Brazil one of the most prosperous and powerful nations on earth during the 21st century. It is precisely Brazil's capacity to become a world leader, to become 'the United States of the Southern hemisphere,' which the forces behind the IMF want to eliminate."
>
> The commentary is found in the March 15 issue of this magazine. And, in a certain sense, it is repeated in [the issue] of last Sept. 13, which reveals that the IMF programs are being put forward as a means of forcing Brazil to choose between an affirmation of national sovereignty or dying of hunger or of misery. Look at the text in English: "The choice facing Brazil: National Sovereignty or Starvation." This is the tragic dilemma confronting our country, in the view of a publication designed for American executives.

Articles have also appeared in the Brazilian press on the debt crisis in neighboring Argentina, and on *EIR*'s analysis of that country's problems. The following commentary appeared in the Rio daily *O Globo* on Sunday, Oct. 10, 1983, entitled "Charges and Plots Unsettle Argentina On the Eve of the Election," by Paulo Torre in Buenos Aires.

> In this context [of efforts to reassert Argentine sovereignty over debt contracts], symptomatically, several newpapers and magazines published a study attributed to the magazine *Executive Intelligence* [sic], according to which the refinancing of Argentina's foreign debt is part of an international bankers' plan to take control of natural resources of debtor nations. According to the magazine, the ruin of the debtors would be convenient for the banks, because this would allow them to make agreements mortgaging the natural resources and the assets of the state sector companies of these countries.

In Argentina itself, a new Perónist daily, *La Epoca*, printed in full on Oct. 10 a press release containing *EIR* founding editor Lyndon LaRouche's recent declaration, "Argentina, Strategic Flank of the U.S." *Tiempo Argentino* of Oct. 9 published an article by columnist Sergio Cerón detailing at length LaRouche's "Operation Juárez" proposals for collective debt renegotiation and the formation of an Ibero-American Common Market. That article was later presented on two different radio talk shows, including that of Bernardo Neustadt, whose show is the most popular in Argentina.

The widely read Argentinian weekly magazine *La Semana* has repeatedly devoted space to coverage of *EIR*'s assessments. Its Sept. 29 issue carries an article entitled "The Secrets of the Swiss Connection":

> The refinancing of the debt of Aerolineas Argentina could form part of a plan by certain sectors of the international banking community to seize the natural resources of the debtor nations. In a report released the 15th of this month, a magazine specializing in economic affairs—*Executive Intelligence Review*—reveals details of a meeting on economic strategies carried out in Geneva last May. At it, the leading

Ibero-American newspapers are publishing EIR*'s exposés in order to oust IMF agents like Brazil's Planning Minister Delfim Netto.*

Swiss banks agreed that the eventual ruin of the finances of the developing sector and Third World debtor nations would allow them to pick up the pieces through agreements that would permit the mortgaging of the natural resources of those countries, along with those of its important state enterprises suffering severe deficits. . . .

One point to note: when Venezuela in the year 1903 could not meet its obligations with the foreign banks, ships of war of the lending nations established a virtual blockage around that country. That act led to the Drago Doctrine formulated by our foreign minister of the same name. It was the beginning of the century, and Teddy Roosevelt held power in the White House.

Again, in its Oct. 6 issue, *La Semana* interviews, among others, *Wall Street Journal* columnist George Malone on Argentina's debt problems. He replies:

> I agree with what you published from *Executive Intelligence Review* about the strategy of the banks regarding the underdeveloped or developing, sector debtor countries. That the creditors want to appropriate the natural resources of the debtors is possible—this is not a far-fetched idea. . . . The bankers must answer to their stockholders, and it is in this sense that they advance such operations as those published by the *Intelligence Review*.

In Venezuela, the Caracas daily *El Mundo* has devoted extensive coverage to *EIR*'s exposé of the "resource grab" plans elaborated at the Vail, Colorado meeting. On Sept. 19, 26, and 28, columns appeared in that newspaper citing the *EIR* story at length.

In Peru, the national congress was the scene of a heated debate last month based on *EIR*'s revelations that the World Bank and Wells Fargo Bank, three of whose former employees now run economic and financial policy in Peru, were exerting pressure for the dismantling of Peru's state sector. Reported Peru's *El Observador* of Sept. 16:

> [Senator] Carlos Malpica read aloud the special report of *Executive Intelligence Review* on the restructuring of the Third World Debt during the debate on article seven of the law on public companies. According to this report, the World Bank, on the one hand, objects to the Third World's use of export earnings to subsidize public companies instead of paying the debt to the foreign banks. On the other hand, the public companies serve as a convergence point of the nationalist political forces for the purpose of using them as vehicles for their own development in spite of the conditionalities of international credit.

The debate provoked by Senator Malpica in the Peruvian Congress received extensive publicity in all major dailies and magazines, including *Observador, Ojo, La Prensa,* and *Gente*.