

Report from Rio by Silvia Palacios

Papal endorsement of the moratorium

Is a clash over debt policy building between the Brazilian government and the Church?

Just one year after Brazil decreed a moratorium on interest payments on its foreign debt, Pope John Paul II issued the seventh encyclical of his pontificate, addressing, among other matters, the sobering reality of a Third World strangling under conditions of bankers' usury. The Pope's statement is the best homage that has been paid to the Brazilian government's decision of one year ago, but also identifies the tragedy of the capitulation which has brought Brazil today to the brink of political and social chaos.

Financial circles in the City of London have told *EIR* that the papal encyclical *Sollicitudo Rei Socialis* sent shivers up their spines, given the influence it could have on debtor nations like Mexico, Brazil, and Argentina. They remember that when Brazilian President José Sarney declared the debt moratorium on Feb. 20, 1987, he specifically referred to the document of the *Justitia et Pax* papal commission to argue the rights of the debtor. One year later, when the same President reneged on that moratorium, delivering the finances of the nation over to the usurers, he created the basis for an unprecedented clash with the Catholic Church.

The Brazilian Church immediately endorsed the encyclical's precepts. On Feb. 20, the powerful Cardinal Vicente Scherer of Rio Grande do Sul declared that it was released "at an opportune moment," and "it must be taken seriously by those who lead the economy, and by the governments of all nations." Cardinal Scherer added, "It would not be bad to send that doc-

ument to Brazil's international creditors."

The Bishop of Nova Hamburgo, Msgr. Boaventura Kloppenburg, a member of the select International Theological Pontifical Commission and one of Cardinal Joseph Ratzinger's closest Ibero-American allies, asserted that "social problems continue to exist everywhere, and everyone is clamoring for serious and brave reforms." The Archbishop of Brasilia, José Falcão, echoed the encyclical's injunction: "Property should be subordinate to the principle that the goods of the earth are originally intended for all men."

Support for the new encyclical is expected to extend to numerous political and industrial circles of Brazil, which are still resisting the government's capitulation to the IMF and the creditor banks; capitulation that has politically gutted the Sarney government. By bringing the liberal group around former Finance Minister Delfim Netto—responsible for the 1983 recession—back into a position of power, President Sarney has made any support, even from the Brazilian Armed Forces, untenable.

The deterioration of living standards is already frighteningly evident. Levels of investment in the country, especially in the second half of 1987, have fallen dramatically. Labor ministry statistics indicate that, in 1987, real wages fell an average of 27%. Less than 163,000 new jobs—the lowest figure in three years—were created in all of 1987, as compared to the 1.3 million new people who enter

the job market annually.

As former Finance Minister and moratorium architect Dilson Funaro declared that this would have been worse "but for the moratorium, which enabled us to maintain imports and employment."

But the Sarney government continues to insist on "reestablishing relations with the international financial community." During the latest trip of Finance Minister Mailson da Nóbrega to the United States, the State Department, the U.S. Treasury, the Federal Reserve, and the private creditor banks all mounted a publicity show to prop up the credibility of the minister, who has little more than his own family and the Brazilian President supporting him back home.

Following the minister's presentation before Rockefeller's Americas Society, the attending world "financial experts" praised the Brazilian's empty promises as "terrific, a breath of fresh air in the Brazilian economic chaos." Da Nóbrega was flattered as "the leader that Brazil needs." Nonetheless, he went back to Brazil without the loan guarantees he had come to beg.

However, in the aftermath of the release of the new papal encyclical, it would appear that Brazil's bank creditors are experiencing the same chills as their City of London colleagues and are now hastening to bring the Brazilian debt issue to a quick resolution. Minister da Nóbrega announced following his return to Brazil that the creditor committee would hold an emergency meeting on Feb. 21, to define the amount of resources they would throw into the bottomless pit of Brazilian interest payments. In December, the Sarney government asked \$11.5 billion for the 1987-89 period. The bankers responded with an offer of \$5 billion, and at last count, Brazil had come down to \$7 billion.