Report from Rio by Silvia Palacios

A 'Marshall Plan' in reverse

President Sarney warns that revolution could sweep the continent if transfer of resources abroad is not stemmed.

'I am convinced that democracy is the path. It was the banner which commanded our peoples to sweep away authoritarianism, despots, tyrants, dictators. But not to replace them with hunger, with disease, with backwardness, with the foreign debt, with recession, with unemployment. Latin America is showing signs of involution. It is not that we have grown less than the other continents; it is that we are regressing. Suffice it to say, that, in 1988, the gross domestic product of the region was at the same level as 1978. The net transfer of resources abroad in 1988 reached $29 billion. Brazil alone, in the past five years, sent nearly $56 billion abroad. It is a Marshall Plan in reverse."

With these words, Brazilian President José Sarney opened the United Nations General Assembly on Sept. 25. His reference to a failed Marshall Plan is the same formulation being used by circles within the Brazilian Armed Forces to criticize U.S. behavior toward Brazil in regard to the foreign debt.

Sarney warned of the region's explosive situation: "Without resources and oppressed by a perverse international situation, Latin America's rulers lack the means to meet the most legitimate and elementary aspirations of their societies. The spontaneous signs of revolt are multiplying. There is an accumulation of violence, of sublimated rebellion which could surface at any moment and rage uncontrollably.

"It is no longer a matter of ideological motivations. What is at play in Latin America is not a dichotomy between the capitalist and socialist systems. In Latin America, the persistence of poverty and the exhaustion of development models lead to competing ideologies. The present dilemma is not one of militarism or populism, but recession or growth.

"It is not possible to grow when, every year, nearly a third of our internal savings is remitted abroad. No adjustment could work unless they give us a way of solving an equation which is insoluble. Now is the time to recognize that until now, the remedy for the foreign debt problem has primarily improved the financial health of the creditors."

It is this dramatic situation which has forced Sarney to declare a "white" moratorium—one agreed upon with Brazil's creditors. "The moment has arrived," he continued, "to adopt a strategy which departs from the assumption of renewed growth by the debtor countries. Such a strategy will demand a serious reduction in the amount of the debt and in the net and gross transfer of resources abroad."

Although the decision to go with a debt moratorium is absolutely correct from the viewpoint of national security, the Sarney government still maintains the illusion that it is possible to obtain some concessions from the creditor banks. This position is defended by Finance Minister Maílson da Nóbrega and by Ambassador to Washington Marcilio Marques Moreira. Serious accusations are made against the latter, in a soon-to-be-published book containing the memoirs of the late Finance Minister Dilson Funaro. According to Funaro, Marques Moreira sabotaged all of his efforts to win a dignified and just treatment of Brazil from the international banks.

The official schizophrenia reigning in Brasilia was evident during President Sarney's visit with President George Bush at the end of September. Attending on Brazil's part were both Ambassador Marques Moreira, representing the financial oligarchy, and U.N. Ambassador Paulo Nogueira Batista, who represents the civil-military grouping advocating a "great projects" approach to development and insisting on a drastic reduction of resource transfers abroad.

In a useless display of force, Bush trotted out his national security cabinet: Secretary of State James Baker, White House Chief of Staff John Sununu, National Security Adviser Brent Scowcroft, and the State Department's Bernard Aronson. A rather elaborate show, with nothing to offer.

The responses of the banks and of the International Monetary Fund (IMF) to Brazil's demands were immediate and hard line. They demanded brutal austerity and measures to privatize the Brazilian economy. "If the economic policy of the country were good, the flows [of credit] would have been good," declared IMF Managing Director Michel Camdessus Sept. 28, in his closing address to the joint assembly of the IMF and World Bank.

If this weren't enough to shatter the Brazilian government's illusions, World Bank President Barber Conable, in his opening address to that same assembly on Sept. 26, haughtily demanded that Third World nations slash their defense budgets. For Brazil, this is a definitive point of confrontation, especially in light of the creditor banks' interest in seizing control of the Amazon, for which the dismantling of Brazil's military capacities would be an indispensable condition.