

Brazil Finds Best Message To the United States: LaRouche

by Gretchen Small

Fast on the heels of their trip to the United Arab Emirates, U.S. Presidential pre-candidate Lyndon LaRouche and his wife, Helga Zepp-LaRouche, visited Brazil in the second week of June, invited by the São Paulo City Council, so LaRouche could be awarded an honorary citizenship of their city. Other Brazilian institutions also jumped at the opportunity to hold first-hand discussions with the American statesman respected worldwide as a true American patriot, who dares stand up for all mankind.

Their trip proved timely. As they arrived, Brazil's financial house of cards began collapsing upon itself, repeating like a horror movie re-run, the essential features of the implosion of the financial system of its neighbor, Argentina, just a year ago.

Brazil, with over 40% of all the population of Ibero-America and half of its territory, is one of the few countries of Ibero-America which maintains some sovereignty, after 20 years of International Monetary Fund (IMF) destruction. Although severely weakened, too, thus far Brazil has managed to hold onto a significant independent scientific and technological capability. Its recent announcement that it will begin commercial-scale production of enriched uranium in July, only the seventh country which has this capability, reminded the world of Brazilians' skills. The advanced centrifuge technology it will employ for enrichment was developed as a spin-off of the Brazilian Navy's ongoing work in building a nuclear submarine with national technology.

For years, Brazilian leaders had, by and large, bought into the lie, that there could be a seat for Brazil at globalization's table. Other nations might go down, but they would survive. That assumption has crumbled under the onslaught of the global breakdown crisis. In the recent period, horrified Brazilian leaders realized that the United States and the IMF *intend* to let Argentina disintegrate and die. That shock, combined

with anger over the Bush administration's imperial "unilateralism" globally, has shredded the traditional pro-American allegiance of the Brazilian elite.

Accordingly, members of Brazil's elite decided to send the most pointed message possible to the United States, of what they consider acceptable behavior from a global power of U.S. history and tradition: they invited LaRouche as the representative of the true America.

Honorary São Paulo Citizen

Being awarded honorary citizenship of São Paulo is no small thing. The city is a major power center within Brazil, and, with 18 million inhabitants, the third largest city in the world. The decision to name LaRouche an honorary citizen was motivated by Dr. Havanir Nimtz, the principal representative on the City Council of the PRONA party, founded by Dr. Eneas Carneiro, one of Brazil's preeminent cardiologists. Dr. Eneas has run several times for President, distinguishing himself as an outspoken opponent of globalization. While PRONA does not hold a majority on the City Council, Dr. Havanir (herself a dermatologist) wields the authority of having won her Council seat with the second largest number of votes of any candidate in São Paulo's last elections.

LaRouche and his wife, accompanied by Dr. Eneas, visited the City Council while it was sitting in plenary session on June 12. Councilwoman Havanir requested a motion of order interrupting the plenary session, so she could introduce the distinguished guests. Public television began filming, and cameras clicked, as Dr. Eneas presented LaRouche.

Then a special Council session to award LaRouche his citizenship was convoked. It was held with great pomp and circumstance in an auditorium in the City Council building. Those introduced on the podium included Dr. Eneas, the LaRouches, Dr. Havanir, and *EIR* correspondent Lorenzo



In the City Council chambers of São Paulo, Lyndon LaRouche is presented honorary citizenship of the city by Councilwoman Dr. Havanir Nimtz, just before the second of the major events of his Brazilian visit. In the background with Helga Zepp-LaRouche, is Dr. Eneas Carneiro, leader of the PRONA political movement in the country.

Carrasco. Before the proceedings began, a military band played the national anthem of Brazil, and the American national anthem was sung. Present was an overflow crowd of over 250, including many PRONA members who came from around the country to meet LaRouche.

We are living in a very perilous period of history, LaRouche told those present, in a brief address. He laid out for them the history of the United States, as a battle between those—like himself—who are in the tradition of its founder, Benjamin Franklin; and the Tories, allied to this day with the British Empire. The U.S. has a crucial role to play globally, LaRouche said, with Russia, the Eurasian countries, with other nations. But its relations with the Americas will be decisive. There is no way that the U.S. will come out of this crisis today, without the founding of a community of principle between the nations of the Americas; and my hope is, is that my trip to Brazil will set that in motion. Brazil has a particular role to play, as one of the few countries which still has some sovereignty. I hope, by my coming to Brazil, that we can open such a dialogue with all the nations of the Americas.

Dr. Eneas told those attending that they need to understand who *is* this Mr. LaRouche. I recently read an article by LaRouche on the catenary, he said. Now, how many Presidential candidates even know what a catenary is? Dr. Eneas described a catenary, explaining that it proves the way in which nature searches for order with the least action possible. Which Presidential candidate would have the slightest idea, he added, of what a hyperbolic function is? LaRouche also talks about ancient Greece as if he had been there himself, sitting by Socrates' side in the *Symposium*. What happens when you read LaRouche, is you receive a refreshing bath of science

and art.

Most important, is LaRouche's concern for humanity. These are the ideas which PRONA defends, also, Dr. Eneas said. Compare LaRouche's attack on empires, to what President George Bush is saying! The system is destroying itself, and it will be no different for Brazil. There is only one solution: Rupture! Break with the system! Brazil is an important country in the world. It must say, "Enough"! If this system is not stopped, as LaRouche says, there will be a New Dark Age, he concluded.

By this action here, Helga Zepp-LaRouche told those present, you have sent the most powerful possible message to the world, about which of the two Americas the world wants. If there is to be hope for the world, the United States has to be brought back to its senses.

A Replay of Argentina, Doubled

LaRouche emphasized in each of his presentations while in Brazil, that there is *no* solution within the existing system: not one. Not for the United States. Not for Brazil. You must help replace the system, he told people, because both our nations are heading straight towards a blow-out no different than what collapsed Argentina. Perhaps next week, perhaps in some months, but it will occur soon.

Brazil is already unravelling financially. The week before LaRouche arrived, Brazil's country risk—the amount over the interest rate of U.S. Treasury bills which “the market” (read: J.P. Morgan Chase) requires a country offer on its government bonds—rose to over 1,000. At the same time, J.P. Morgan issued a recommendation to its clients to sell any Brazilian debt they hold. On June 5, Moody's downgraded

Brazil's foreign currency bond rating, declaring (correctly, for once) that Brazil will have difficulty paying its debts, no matter who wins the October 2002 Presidential election, because of the great amount of debt, foreign and domestic, coming due in 2002 and 2003.

By June 13, its country risk had risen to 1,300, behind only Argentina and Nigeria. That means, that Brazil would have to offer more than 18% interest, to sell any paper. At that level, neither the government nor private companies can afford to refinance their debt.

The world financial markets, Argentine daily *Clarín* wrote, are "recreating the mechanisms which ended up crushing Argentina." The difference is, that Brazil's foreign obligations, at \$500 billion according to *EIR*'s estimates, are more than double Argentina's. Because of the nature of Brazil's debt bubble, should capital flee Brazil and creditors refuse to roll over debt on any reasonable terms when it comes due—*as is now occurring*—Brazil's debt pyramid will implode even faster than Argentina's did.

At the end of April, Brazil's total "domestic" public debt was reported to be 633 billion reals (more than \$243 billion, at 2.6 to the dollar), about \$60 billion of which comes due over the next 12 months. This is domestic public debt, and does not include the public foreign debt, nor corporate foreign debts, nor foreign stock market ownership, for which investors could demand dollars at a moment's notice.

Some 80% of public "domestic" debt is indexed either to dollars, or to the going interest rate. Since much of Brazil's debt is dollarized, but its currency floats, every devaluation raises the debt by the same proportion. Thus, for example, *O Estado de São Paulo* reported on June 10, that Brazil's government debt increased by R\$14 billion—around \$5.3 billion in U.S. dollars—in the first week of June alone, because of the 4.6% devaluation in Brazil's currency, the real, that week.

Yet, to get investors to buy government paper, the Central Bank has been selling more dollar-linked bonds, at shorter maturities, at higher interest rates. Once again, international creditors and the government are attempting to resolve the fact that Brazil's debts have far outstripped its ability to pay, by adding to the debt. Another \$10 billion loan from the IMF was nervously announced as LaRouche was in Brazil.

Sovereignty Is Changing the Rules

LaRouche's first forum in Brazil was held in the auditorium of the Latin American Parliament in São Paulo on June 11, sponsored jointly by *EIR* and the Alumni Association of the Superior War College (ADESG). Although his subject was titled "The Global Systemic Crisis and the End of 'Free Trade,'" LaRouche covered the broadest range of subjects in his three and a half hours of discussion with the 120 people who attended.

Those present were primarily very high level representatives of the São Paulo elite. Leaders of business and agricultural associations, and state-sector companies, lawyers, pro-

fessors, retired military officers from Army, Navy, and Air Force, and some students were among those in the audience.

The ADESG invited two people to comment upon LaRouche's presentation, each a recognized intellectual leader of national stature, representing different political outlooks. As such, they spoke not only for themselves, but as representatives of the two power groupings debating what Brazil must do in this conjunctural crisis. One was General Oliva, a former director of the Superior War College, and a respected intellectual within and outside the military, who is known as an opponent of globalization. The other was Cong. Marcos Cintra, a prominent ideologue for the followers of British liberal economics in the country. He currently heads the Congressional committee which deals with the negotiations for the Free Trade Agreement of the Americas (FTAA).

LaRouche laid out the crisis facing the world, and addressed the issue of how, in the current era, to extend the nation of a military defense to the broader concept of a strategic defense of the nation-state as a whole. Those who fear the power of the IMF and the United States, seek solutions within the rules. I tell you: There is no solution within the rules, he said. There is no solution within a system whose axioms have proven to be wrong. We have to change the rules. Can we not change the rules? Are we not human?

Sovereignty, he said, is the power to deliberate to change the rules. The problem is one of leadership. People are technically competent, but they are not good leaders. It is a moral problem. They are not acting in correspondence with what it is to be human. The world is being destroyed by the rules. We must inspire people to change them.

In response to LaRouche's presentation, General Oliva reviewed how Brazil brought about economic growth during the 1965-83 military government, by emphasizing infrastructural investments. But that was in a world in which there still was stability in the global economy, and the United States wanted to help Brazil, he said. Now, because we believed in the IMF rules, we have no national patrimony left. He said that he, too, admires Alexander Hamilton and Franklin Delano Roosevelt, and he did not disagree with anything LaRouche had said.

That could not be said by Congressman Cintra, who defended economic liberalism as a system still functioning. Cintra, however, said that he likes to debate people with intelligence, prefers to debate the forest rather than the trees, and sees that LaRouche has a strategic vision, which encompasses everything. Cintra called the forum one of the most provocative conferences he had ever attended, and said LaRouche's ideas enrich our reflections.

When the much-longer discussion which ensued concluded, the head of the ADESG in São Paulo, Adauto Rochetto, thanked LaRouche warmly for speaking to them so directly, especially recognizing the fact that what he is saying, as an American citizen and an American politician, goes against what his government stands for and is doing around the world.

In another presentation to a private luncheon organized by one of São Paulo's leading business associations, LaRouche again returned to the question of leadership. Unless leadership is provided in this time of crisis, he told them, this country could face a July 14, 1789, its own Jacobin revolution. This is what oligarchs such as the Anglo-French agent Teddy Goldsmith are organizing, using tools like the World Social Forum founded in Pôrto Alegre, Brazil, in 2001. The French Revolution resulted from a *lack of leadership* of those who opposed it, he emphasized.

The only way the World Social Forum and the new Jacobins get away with calling themselves "anti-globalization," is because of the destruction that we have allowed to occur under globalization.

They are not against globalization, LaRouche insisted. *I* am the leadership against globalization. *I* am for the nation-

state. LaRouche urged the group to join him in organizing more discussions, more dialogue, more conspiracy. Conspiracies, he told them, are people getting together to discuss what they agree on, what they disagree on, and what to do about it.

In his many meetings, LaRouche made clear he was addressing the entire hemisphere through his dialogue with Brazilians. As *EIR* went to press June 14, LaRouche was addressing the fifth in a series of seminars, "Brazil-Argentina: Hour of Truth," organized jointly by his associates in the Ibero-American Solidarity Movement (MSIA) and the Ibero-American Integration and Identity Movement (MINEII) founded by friends of Argentine Col. Mohammed Alí Seineldín. The seminar, held in São Paulo, opened with an exchange of ideas between LaRouche and Colonel Seineldin, hooked up by telephone from his military prison in Argentina, before a full house.

Financial, Political Turmoil Spreads

Just as Lyndon LaRouche warned, the generalized collapse of Ibero-America's economies is accelerating at an extraordinary rate. While attention is focussed on Argentina and Brazil, there are other foci of the crisis:

- Uruguay: The economy of this tiny country is shattered, such that the IMF recently felt compelled to grant it an emergency \$1.5 billion loan. GDP dropped by a whopping 10.1% in the first quarter, with a 14% drop in construction and an 18% decline in manufacturing, compared to the same period of 2001. Capital continues to flee the banking system: So far this year, reserves have dropped by \$1.3 million. On June 12, the PIT-CNT labor federation led a 24-hour general strike against the austerity program dictated by the International Monetary Fund and imposed by President Jorge Batlle. In a nation of 3 million people, unemployment now stands at 15%, or 200,000 jobless, while another 560,000 people hold jobs categorized as "precarious." PIT-CNT leader Luis Puig told Reuters "we're trying to change the direction of economic policy, because here we're heading down the same path as Argentina."

- Ecuador: Growing public protest, as in Peru, has forced the government to suspend plans to privatize power companies, which the IMF is demanding as a conditionality for a \$240 million standby loan. Ecuador's government is also resisting an IMF demand that it reallocate 10% of the funds from its oil stabilization fund, to buy back debt bonds, rather than for urgently needed social programs.

- Paraguay: Political and financial instability is widespread, and coup rumors are rampant. There are attempts

in the Congress to impeach President Luis Angel González Macchi on corruption charges, while mass mobilizations of farmers and trade unionists succeeded on June 6 in forcing the Senate to suspend the law authorizing privatization of state sector companies. This is a blow to the government, which needed the privatizations to qualify for an IMF loan.

- Venezuela: Against the backdrop of a highly volatile political situation, the currency, the bolivar, continues to plummet, by 36.6% in the year to June 13. The second quarter's shrinkage of the economy is expected to be more dramatic than the 4.2% of the first. Inflation is also expected to double this year, to 26%, up from last year's 12%. Because tax revenues are falling below the government's target—in the first four months of this year, revenues were only 88% of what the government had expected to collect—the Chávez government announced it will have to increase its foreign borrowing.

The Chávez government is attempting to impose the austerity program crafted by University of Chicago-trained Planning Minister, Felipe Pérez. The key elements include increasing the value-added tax (VAT), eliminating some tax exemptions, and eliminating the fuel subsidy, a provocative measure guaranteed to unleash social dissent. In protest, business sectors are already threatening not to pay taxes.

- Chile: Supposedly the most "stable" of Ibero-America's economies isn't stable any more. Foreign Minister Soledad Alvear admitted recently that capital has been fleeing the country. There has been a dramatic drop in the investment rate to 21% of GDP, compared to a high of 26% in 1996-97. In the first quarter of this year, the rate of investment dropped by 2.3%. Traditional exports, such as salmon and trout, dropped by 26% in April, with enormous reductions by regular customers such as Japan (42%) and the European Union (25%).