

Why Otto Reich Rushed Down to Rio

by Silvia Palacios and Lorenzo Carrasco

The spectacular failure of the International Monetary Fund bailout for Brazil, to stem the collapse of Brazil's financial system, dramatically confirmed Lyndon LaRouche's assessment (*EIR*, Aug. 16) that it was no bailout of Brazil, but rather the Bush Administration's panicked bailout of Brazil's international bank creditors, only. Within two days of the Aug. 12 IMF announcement of \$30 billion in conditional credits, the Brazilian currency, the real, plunged again, the country's credit "risk penalty" soared back up to 24% where it had been before the bailout, and international banks made clear they would not resume lending to Brazil. On Aug. 13, Moody's downgraded the country's sovereign credit to BB—the level of Honduras and Nicaragua. Said HSBC Bank, it "may be the most rapid vote of no confidence in the history of IMF bailouts."

Brazil's post-bailout "options" were brutally reviewed by the Aug. 13 *Wall Street Journal*: spend its \$23 billion in reserves to pay down debts; try to beg banks to reopen credit lines and trade credits, also closed; or, use the threat of default—to which Brazil is clearly still headed. The *Journal* did not mention Lyndon LaRouche's advice—freeze the debt, to protect the economy—though it is being widely discussed within Brazil.

The spread of economic chaos from Argentina throughout the continent, some national leaders in South America are now realizing, may not be against Washington's purposes at all.

A mid-July visit to the Southern Cone nations by U.S. Undersecretary of State for Inter-American Affairs Otto Reich, was undertaken in direct response to Brazil's public complaint that the United States had abandoned the nations of the Americas to their fate. They all face the most serious crisis in their histories due to having submitted to the economic-financial dictates of the Anglo-American elite. The dramatic example of Argentina is emblematic of the intentions of certain elements within the U.S. State Department, who seem committed to promoting sheer chaos throughout the Western Hemisphere.

Specifically, Reich's visit was prompted by indications of a potential continent-wide resistance centered in Brazil itself, a resistance which can be most clearly seen in the highly successful visit of Lyndon LaRouche in June. LaRouche was given ample opportunity to describe to the nation's elite the

insane pretensions of the "utopian" group which Reich himself represents.

'Rogue States' and 'Failed States'

U.S. diplomatic initiatives toward Ibero-America have proven to be of little substance, and generally limited to slogans about democracy and free trade, spiced with talk—obsessively repeated at every opportunity—of fighting terrorism in the post-Sept. 11 world. This policy escalated to unsuspected levels of risk, with Bush's "rogue states" speech to West Point military academy on June 1. If not lining South American nations up for military attack, Washington seemed nonetheless to be "writing them off," with destructive effects in Argentina which rival the ravages of war.

The United States wants the Western Hemisphere to substitute the old policy of TIAR—which was destroyed by the 1982 Malvinas War—with a new doctrine of military hegemony based on the "Big Stick" policy of Theodore Roosevelt, 100 years earlier. This doctrine has been emerging step by step, since the 1983 creation of the Inter-American Dialogue, with its proposals to eliminate the armed forces and other crucial national institutions of Ibero-America. Nations which have been disarmed and weakened cannot confront the internal chaos caused by the imposition of IMF policies over the past decade. This opens the door for the direct intervention of the United States or multinational armed forces, in a new version of "gunboat diplomacy."

This doctrine is already in its execution phase. The utopian faction of the Anglo-American establishment is first trying to establish a Northern Command (USNORTHCOM), which would mean the imposition of a security umbrella over Canada, Mexico, and Central America—a major step toward using the undisputed military hegemony of the United States to forge a new "Roman Empire" in the Western Hemisphere. The next step would be to establish, alongside a Free Trade Agreement of the Americas, a military component erected over the ashes of national defense forces, which will have become increasingly incapable of containing the social disasters sown by neo-liberal economic policies in each nation.

This process would transform the entire region below the Río Bravo (the Rio Grande border between the United States and Mexico) into an economic looting field of raw materials and slave labor, deprived of any pretension to scientific and technological development.

The continent that Reich encountered on his visit was described in an editorial of the Rio Grande do Sul newspaper *Correio de Povo*, on July 15, as follows: "Argentina faces the worst crisis in its history, with the growing pauperization of its population. In Venezuela, democracy is oscillating between coups and counter-groups, with an unstable future. In Colombia, the citizenry is victim of conflicts between guerrilla, government and paramilitaries. In Peru, the frustration with Alejandro Toledo is damaging confidence in democracies. In Bolivia, abandonment of the *cocaleros* [coca-growers] is

leading to their unification around their own candidate. In Ecuador, the poorly resolved Indian question is overthrowing elected governments. In Chile, the wounds of a recent past divide the population. In Brazil, we blindly see that our beautiful democracy is more form than substance, with a long way to go.”

- The Moment for Ibero-American Integration

It was this reality, which could provoke a nationalist patriotic response across the continent, as well as the possibility that this response could associate itself with the project of Ibero-American integration outlined by Lyndon LaRouche, that provoked the State Department’s Reich to come running down to Brazil. He tried to wrest some kind of guarantee from the government as well as from the Presidential candidates—guarantees then demanded by the IMF in exchange for its unsuccessful \$30 billion bailout announcement of Aug. 12—that would at least ensure that Brazil will not adopt an independent path to survival.

Significantly, the final meeting of the nations of Mercosur—Argentina, Brazil, Uruguay and Paraguay—held in Argentina in early July, was for the first time attended by Mexican President Vicente Fox. All five of these nations now stand in or at the brink of bankruptcy, and could end up joining forces in common negotiations to get out of the crisis. This possibility was so evident that all the gathered heads of state had to deny before, during, and after the meeting, that they had any plans to establish a forum for joint negotiations. Before the meeting in Buenos Aires, Brazilian President Fernando Henrique Cardoso issued a denial that there was any intention of a joint negotiation among the three powers of the continent—Argentina, Brazil, and Mexico—with the IMF.

But if, on the one hand, the State Department is trying to calm this nationalist ferment, on the other, it continues to foment a scenario of chaos that would transform the continent into a no man’s land, allowing USNORTHCOM to become the utopians’ continental monster.

The most recent example was the State Department’s intervention in the recent Bolivian Presidential elections. It was evident to all that the direct attack by the U.S. ambassador against the coca-farmers’ leader, drug legalization advocate Evo Morales, had the utterly predictable effect of catapulting candidate Morales into the electorate’s favor. The State Department knew perfectly well, from its own historic experience, that under severe crisis conditions, that would be precisely the result.

Similarly, the so-called “peace dialogue” in Colombia openly protected the Colombian Revolutionary Armed Forces (FARC) narco-terrorists, who maintained a direct relationship with the financial center of Wall Street, as depicted in the infamous embrace of New York Stock Exchange Chairman Richard Grasso with FARC financial chieftain “Raúl Reyes.”

In Brazil, the Anglo-American elite pulled a similar num-

ber to the State Department’s act in Bolivia. Speaking to a June 8 seminar sponsored by the New York Council on Foreign Relations (CFR), mega-speculator George Soros declared that the United States would *impose* candidate José Serra in the Presidency, because the Workers Party candidate—Luís Inácio “Lula” da Silva, luminary of the World Social Forum—would represent “chaos.” Soros went on to compare the United States today with ancient imperial Rome: “In ancient Rome, only the Romans voted. Under modern global capitalism, only Americans vote. Brazilians don’t vote,” Soros said.

Threats and Suggestions

This, of course, had the purpose of creating an aura of power around “Lula,” who personally hasn’t the minimal qualifications for presiding over the largest nation in Ibero-America. At the same time, it creates the conditions for wresting much greater political concessions from any other Presidential candidates who eventually come to the fore. After the “Soros veto,” U.S. Treasury Undersecretary John Taylor, at a July 11 press conference at the U.S. Embassy in Paris, suggestively declared that “ ‘Lula’ has proven that his economic practices will not be so very different from current ones, as some people think.” Taylor noted that Lula, in his economic proposals, assumes a commitment to maintain a primary surplus, a fact considered “positive,” given that this is the same axiom upon which current Brazilian economic policy is based, as dictated by the IMF, and as faithfully carried out by current Central Bank president and former Soros employee Arminio Fraga. Taylor was sending forceful “suggestions” to the Workers Party candidate.

Otto Reich, in Brazil, read his letter of conditionalities to the other candidates, in the course of an interview with the *Jornal do Commercio* published on July 19: “I would like to see leaders who believe in political and economic democracy, who can be good friends to the United States, who will not interfere in the affairs of their neighbors, and who will not make wars, nor embrace nor train terrorists.”

In addition to the public objectives of Reich’s visit to Brazil, his intervention to guarantee that Lockheed company would be chosen to provide the Brazilian Air Force with supersonic airplanes, equipped with missiles and long-range radars, was evident. Reich acted as a lobbyist for Lockheed, for which he served as a high-level officer before accepting his current State Department post. His purpose was to prevent Brazil, at all cost, from signing a strategic agreement with France—which is offering its Mirage jets—or with Russia, which is offering its technologically more advanced Sukhoi.

Despite promises to free up Brazil’s access to certain technological items, the policy which Reich represented was strictly that of the utopians, denounced by President Dwight Eisenhower in the 1950s as the policy of a renegade “military-industrial complex.” That policy is “technological apartheid.”