

A two-pronged U.S. attack against Brazil

by Mark Sonnenblick

Washington is organizing business sectors in Brazil to believe that the U.S. trade warfare which is driving them—and Brazil itself—to bankruptcy is caused by Brazil's joining the fight to reorganize the world money system. The "business-front" offensive, combined with on-going U.S. encouragement of a hardline military coup, adds up to a two-pronged assault on the government of President João Figueiredo.

The Henry Kissinger grouping in the Reagan administration is using the same tactics which prepared the way for the 1964 coup in that country. During the early 1960s, U.S. Ambassador Lincoln Gordon and U.S. military attaché Vernon Walters developed the "islands of sanity" ploy, in which the United States acted with hostility toward the central government, while lavishly financing those state governors who were conspiring to overthrow it.

Figueiredo, ironically, fought next to Walters in Italy during World War II and played an active role in the 1964 coup. He is now trying to pave the way for a return to stable civilian rule in Brazil, but may find his plans stymied by his erstwhile American allies.

Secretary of State George Shultz sent a sharp message to Figueiredo warning that Brazil will be destroyed, should Figueiredo use his speech opening the U.N. General Assembly on Sept. 26 to join with other developing nations in demanding a new international economic order.

Shultz delivered the threat by way of Brazilian "businessman" Mario Garnero during a Sept. 10 meeting between the two in Washington. Garnero has been a partner of Shultz since they got together with Bill Simon and the European oligarchy in Salzburg, Austria, in 1975 to found an operation called "Brasilinvest," which was supposed to "attract foreign investment to Brazil." This year, however, Brasilinvest is leading an open capital-flight parade by investing Brazil's hard-won dollars in such ventures as the purchase of First Women's Bank in New York City. Garnero also rubs noses with those who hold national sovereignty in low esteem in the Aspen Institute's Western Hemisphere Governance Project.

Shultz met with Garnero after having slammed his door in the face of several Brazilian cabinet members who had wanted to discuss with him what Brazilian Industry and Trade Minister Camilo Penna calls the growing "guerrilla trade war" between the two former partners.

Trade relations are extremely tense. The United States has been clamping down quotas or tariff surcharges on one Brazilian export after another. The latest flap is over the small Bandeirante planes used by deregulated airlines and now facing exclusion hearings. Bilateral aircraft trade has been running seven to one in favor of the United States during the last three years.

The Brazilian daily *Folha de São Paulo* reports on the message Shultz sent President Figueiredo through Garnero: "The less Third Worldist Brazil acted in international forums, the faster Brazil's problems with the U.S. would be solved. . . . Third Worldism is not acceptable from Brazil, because of its weight in the world. . . . Those countries which have attempted such positions [Mexico and Argentina] are now standing hat-in-hand at the U.S.'s doorstep. Shultz told Garnero he is watching President Figueiredo's U.N. visit 'with great interest.' "

No loans plus no trade equal moratorium

The outrage of the Kissinger networks against the alleged "Third Worldism" of Brazil's military regime does not come from any danger of the staunchly anti-communist Figueiredo "abandoning the West." On the contrary, it stems from the fact that Figueiredo's cabinet members are beginning to point to the insane economic policies of the Volcker-Reagan administration which, they document, have thrown the West into a depression, and the "South" into bankruptcy and genocidal austerity. Under these conditions, those responsible for the disaster fear Brazil will use its \$80 billion debt as a weapon to force a more rational economic system.

- Finance Minister Ernane Galvêas offered the IMF meeting in Toronto a succinct analysis of this disaster. His conclusion startled U.S. representatives who had seen Galvêas as the cabinet member most willing to execute bankers' orders. According to the Brazilian press, these U.S. IMF representatives sought out Garnero to put a stop to Brazil's recognition of reality.

- Industry and Commerce Minister Camilo Penna asked 500 businessmen and officials at the Inter-American Conference on Trade and Investment in Washington, D.C., Sept. 10, "If the prices paid for our products fall due to foreign inflation and if we are impeded by protectionism in the industrialized countries from exporting, how will we obtain the foreign exchange to pay for our imports?" Penna strongly implied that debt service was also at stake. After having been treated shabbily by Shultz and special U.S. Trade Representative William Brock, Penna intimated to Brazilian journalists his message to the United States was, "Don't push us!"

- Planning Minister Delfim Netto, Brazil's economic

czar, had his aides release a study this month which shows that Brazil lost \$18.4 billion this year due to the U.S. Federal Reserve Bank's jacking up of interest rates. The study gives a conservative figure of \$3.4 billion for extra interest payments on Brazil's debt, but calculates that due to the depression factors noted by Penna, Brazil's painful export drive will yield it only \$21 billion this year, instead of the \$36 billion which would have been earned under 1979 conditions of trade. It observes that the \$18.4 billion loss is approximately what Brazil has to borrow from bankers this year just to pay debt service and make ends meet.

The Brazilians are coming to understand that they have gained nothing but trouble from throwing their economy into a politically dangerous recession in order to show bankers how "well-managed" their debt structure is.

'Without the U.S., no Brazil'

Also keeping a close eye on Figueiredo's planned United Nations activities is Brazilian Army Minister Gen. Walter Pires, who was invited to spend the duration of Figueiredo's New York trip fraternizing at the Pentagon and U.S. military bases. Pires was invited by Vernon Walters, the roving ambassador for the Harriman-Kissinger tendency in Washington, on Aug. 23 during Walters's marshaling of anti-Figueiredo military elements in Brasilia. Pires is reportedly working with the most repressive military factions in Brazil to scuttle any moves toward representative government, and is thus a visible internal threat to Figueiredo's presidency. General Richard Cavazos, commander of land forces, U.S. Army, landed in Brazil Sept. 6, to curry the favor of the army's anti-Figueiredo factions.

Cavazos surprised Brazilians by declaring that Brazil and the United States were so interdependent that "without Brazil, there will be no United States, and without the United States, there will be no Brazil." The daily *O Estado de São Paulo*, a traditional mouthpiece for U.S. geopolitical interests in Brazil, responded, "It may be asked whether these elegies and professions of closer relations between Brazil and the United States are of any use to us when other parts of the Reagan administration—those responsible for economic and trade policies of the great nation of the North, deny in practice all those good intentions."

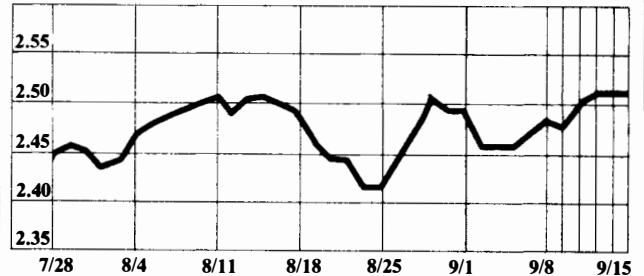
The U.S. threats and blandishments toward Brazil may have an effect contrary to those intended by their authors. An American professor just returned from extensive talks with his friends in the Brazilian military confirms that most Brazilian officers blame Paul Volcker's policy of high interest rates for their country's economic difficulties. "Pires could be dumped by younger generals if he appears to be the U.S. catspaw," he prophesied.

Figueiredo himself shows no sign of wavering. His spokesman told the press after the President had received Shultz's sharp warning that the U.N. speech would focus on two points: disarmament and the need for a more just international economic order.

Currency Rates

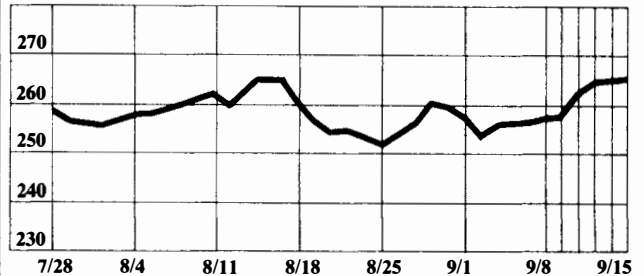
The dollar in deutschmarks

New York late afternoon fixing



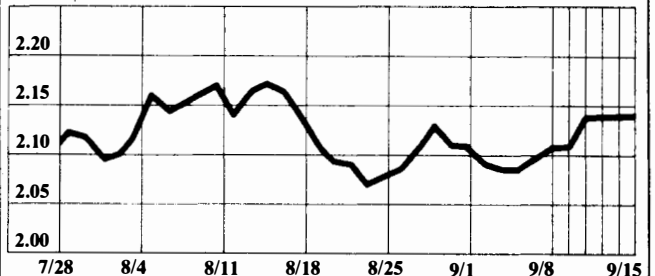
The dollar in yen

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

