The Death Of The Brazilian "Miracle"

June 25, 1976 (NSIPS) — The putrid stench coming from Brazil can no longer be disguised by the international financier circles presided over by the Rockefeller brothers. "The economic miracle is dead" has now become the official prescribed epithet of domestic and international economists alike. But Messrs. Rockefeller, in the tradition of those who governed the Nazi deathcamps in Eastern Europe, believe there is still some short-term profit to be extracted, even out of a corpse.

Over the last ten years Brazil has been injected periodically with large doses of debt capital, which have accumulated to a staggering $25 billion today. The amount of servicing required on this debt could be maintained only over the space of a few short years, through the 1969-1973 period, and then only because of intensified cannibalization of the actual productive base of the economy — the working class and peasantry. With that base exhausted by the early months of 1974, Brazil found the servicing demands of its foreign creditors physically impossible to meet. From that year onward, the world financial structures, wary that their own demise would shortly ensue if measures were not taken to "solve the Brazil problem," began to refinance greater and greater amounts of the unpayable amortization portion of the service payments. This type of "solution" was utilized through 1975 until the early months of 1976, when Wall Street's bookkeepers started to notice that a larger and larger amount of Brazil's servicing payment was becoming interest payment alone. If the process were allowed to continue, Wall Street would soon find itself in the distasteful position of having to refinance not only amortization payments but interest payments as well; meaning in effect that Brazil had entered a state of default, annulling one-fifth of the Third World debt, and delivering a mortal blow to the New York banks.

On June 17, Finance Minister Mário Simonsen was forced to publicly deny statements by an important opposition leader who said "Brazil is rapidly advancing towards a debt moratorium."

To ameliorate such a collapse of the Rockefeller banking structures, Brazilian Finance Minister Mário Henrique Simonsen, swore early this year he would keep 1976 domestic credit flows down to a 25 per cent a year trickle restrict purchases abroad by an initial 25 per cent, and maintain the steady decline in the working class income. By the first quarter of this year, it became obvious to Rockefeller financial circles that the Simonsen measures had only aggravated the crisis. For the first quarter, export earnings were down 4.7 per cent compared to last year — when total export earnings only reached 8.5 billion — and bankruptcies and defaults on loans had increased 25 per cent over last year.

The item of the balance ofpayments which is being singled out by the nation's economic analysts is the enormous growth in the service account deficit. This is the area which includes interest payments on the foreign debt. Last year, interest payments represented 42 per cent of the service deficit; this year the exact figure for even higher interest payments has not been divulged. Nevertheless a close approximation can be arrived at. According to the influential O Estado de Sao Paulo, "Professor Mário Henrique Simonsen forsees a deficit of nearly $3.8 billion for services...(this year) we have higher interest to pay on a higher foreign debt and due to the reduction in imports less expenses with freight." A few minor calculations based on Brazil's 1975 balance of payments show that Brazil's 1976 interest payments on its foreign debt are at least $2 billion, or approximately equal to amortization payments on the principal of that debt.

Two weeks ago, Simonsen, after closely studying this problem in the service deficit, decided to slap severe restrictions on travel, causing an uproar within the business community. It is now required that all citizens planning to make trips outside the country place $1,000 on deposit for six months without benefit of interest payments or monetary correction against inflation. A member of the Rockefeller-dominated Libra Bank group, holding a conference during the same time in Sao Paulo, summed up the consensus of the bank members on Simonsen's measures: "they were really hard, but they will do nothing to change the opinion of international bankers."

Rockefeller Gives Two Alternatives

There are only two measures which can temporarily save international financial structures from collapse due to a Brazilian default: First, if whole sectors of the nationally owned raw materials of the country can be sold outright to raise ready cash to meet immediate debt payments; second intensive looting projects employing slave labor can be created at an immediate profit margin above that of the required debt payment. Neither one of these measures works in the long run however since the profit margins thus generated are based on rapidly exhausting the acutal basis for the continued ability to extract further profits from these same ventures.

Both are being implemented anyway. The first measure was leaked by certain nationalist forces in the country in Opinao, who said that U,S. Secretary of the Treasury, William Simon, on his recent visit to Brazil in early May, proposed that Brazil immediately sell its nationalized petroleum and mineral exploitation enterprises (Vale do Rio Do-- and Petrobras) in order to meet payments on the foreign debt. If Brazil agreed to this and these companies were sold at their net book value, only $1.3 billion could be raised. With a conservatively estimated balance of payments deficit of $3.5 billion due at year's end it still remains doubtful whether selling the companies would cover this year's payments. By the next year, the country would be in a worse debt position since it would no longer possess the physical plant and equipment or raw materials to sell off to meet the next payments schedule.

The second "solution" comes directly on instructions from David Rockefeller himself. From his ranch in southern Brazil, the Chase Manhattan Chairman of the board; alarmed by an impending Brazilian default on debt service, blurted out, "American commercial banks are becoming more cautious with their foreign loans in face of the growing deficits in the debt servicing of some less developed countries which is increasing the borrowers' vulnerability (to default)." He demanded that "the Brazilian government present interesting projects for investment to which foreign capital will give preference." Rockefeller noted that he would cut off loans to Brazil only "if there were a stagnation in the country's economy." He stressed his demand that Brazil institute special slave labor "interesting projects for the foreign investor which guarantee a margin for infor indebtedness." "Brazil has vast territory," Rockefeller