

## London's Brazil Carry Trade: Smoke, Mirrors—and Genocide

by Dennis Small and Gretchen Small

Magicians are an old profession—perhaps the oldest. The standard dictionary definition describes a magician as someone “skilled in producing illusion by sleight of hand and deceptive devices.” Shakespeare was more to the point: For him, a magician is a deceiver, a cheat.

In politics, it is a deadly craft perfected as policy by the Venetian oligarchy, as readers of Friedrich Schiller's *The Ghost-Seer* or James Fenimore Cooper's *The Bravo* will recall, perhaps with a shudder. The Venetian magician's intention is to confound his intended victim by convincing him that what his sense perceptions tell him, no matter how outlandish, is real. As such, it is just an extreme form of the Aristotelian or Benthamite empiricism and utilitarianism which permeate modern society, and are promoted by nearly every university in the world today.

The victim of such Venetian sleight of hand is strongly pressured to deny his own better judgment about what he is “seeing.” But to succeed, the magician also requires that the victim be willing to suspend his disbelief, that, at some level, he acquiesce to being snookered.

And of course, every successful magician knows that you also have to place a shill or two in the targeted audience to boisterously make the argument for all to hear: “Look! Look! The Moon *is* made of green cheese! I can see it with my own two eyes!”

Take the case of the European Union, and its euro-

based monetary system. It is totally bankrupt, with an ongoing meltdown centered—not in Greece, as the international media are fond of lying—but in Spain and the United Kingdom, with a special role played by the London-run Santander Bank of Spain. For the credulous, the magician's illusion of financial solvency in the region has been maintained until recently by a bloated real estate bubble (most notoriously in Spain and the U.K.), and, especially, by the Brazil carry trade, an international Ponzi scheme, which, for a decade, has been bringing financial speculators a 25% rate of annual return on their capital—by looting the Brazilian population and nation to the bone.

In this case, the role of master magician is being played by the House of Rothschild—as it has for over 200 years in Brazil. And among their targeted suckers are the strategically significant nations of Russia, China, and India, precisely those countries that Lyndon LaRouche has singled out as the necessary power combination, along with a United States returned to the policies of Franklin Roosevelt, to establish a Four Power alliance to replace the bankrupt British imperial financial system with a new international credit system shaped to foster high-technology development.

In this case, the magician's sleight of hand is called the BRIC (Brazil, Russia, India, and China), an empty shell of an illusion whose only purpose is to derail



*The magician confounds his intended victim by convincing him that what his sense perceptions tell him, no matter how outlandish, is real. Shown: "The Alchemist" (1558), by Peter Bruegel the Elder.*

LaRouche's Four Power proposal, by convincing these countries that the United States and its dollar are going down to destruction, and that Britain's euro system shall prevail, with support from the Brazil carry trade. As LaRouche noted in remarks on Feb. 16:

"For example, take Russia. Now you have a faction in Russia which is centered around people like Chubais, and Gorbachov, and other Soviet traitors, who are the leaders of a group which claims to control not only the political existence of Russia, but claims to control this so-called Group of Four [the BRIC], which was established some years ago. Now that group is based largely on the assumption that the Brazil carry trade represents real money. It does not. The carry trade is based on nothing, essentially nothing. And now the carry trade is coming down. The present international financial system is a dead horse."

In looking at the Brazilian carry trade, as we shall do in some detail below, one is reminded of a much-publicized incident involving another famous Brazilian institution, soccer star Ronaldo, who, in April 2008, found himself embroiled in a sex scandal. It turns out that Ronaldo, having dropped off his girlfriend at her house in Rio de Janeiro, proceeded to pick up three prostitutes.

But when they all booked into a motel, Ronaldo discovered that the three girls were actually three guys. Ronaldo later told police that the three transvestites tried to extort money from him, led by Andreia Albertine, otherwise known as Andre Luiz Ribeiro Albertino.

So, what you see is not always what you get—a fact about both the physical and political universe that Russia, China, and India would do well to recall, lest they be snookered the way Ronaldo was. The Brazilian carry trade, like "Andreia," ain't what she appears to be.

### **'This Financial System Is a Corpse'**

On Feb. 16, LaRouche summarized the global financial situation as follows:

"You have to recognize that the international financial bubble, which is dominating the world today, is nominally a British bubble, and is typified by this group which we dealt with—actually, Lord Rothschild is the key figure in this group. And the nature of the situation is much more severe than any of the press is indicating.

"The greatest amount of nominal wealth in the world is based on different bankrupts, showing other people's assets as their own, and it's very difficult to find any real assets in the whole collection.

"A typical case, of course, is Banco Santander. It's totally bankrupt. What has happened is, people are registering as assets, other people's debts! There is no net wealth left. The whole thing is bankrupt! No one has the assets, the actual assets, which other people are claiming as their assets. So, you've got into a situation where the actual mass of transactions which are related to production, or property as such, have shrunken to a very small percentile of the total nominal wealth.

"The total nominal wealth is offsets, or people lending money they don't own, to other people, and back and forth. So that if you actually tried to reconcile these debts, and find the real assets underneath them, you'd find there's nothing there.



As the Brazil carry trade indicates, what you see is not always what you get: Take, for instance, the case of the soccer star's tryst with what he thought were three young women. They turned out to be transvestites, including the famous Andreia Albertini, shown here, who tried to extort money from him.

“Now, this has brought the whole world system to a breakdown crisis. At any moment, with just the right detonator, the whole damn system will just simply collapse. The entire international financial system is coming down. And especially that which is denominated as British, British-controlled.”

LaRouche went on to discuss the role that Brazil's carry trade plays in the fraud:

“The carry trade is based on nothing—essentially nothing. And now the carry trade is coming down. The present international financial system is now a dead horse. The minute somebody ceases to believe in the carry trade, the whole thing comes tumbling down, in a chain reaction. It is only the fool's desire to believe that the corpse is not dead, that is keeping the corpse from being carried away.”

LaRouche concluded: “Look at it physically. The world is not presently producing enough goods to maintain the existing world population and economy. The amount that is covered by actual value, productive value, is shrinking, while the debt is being increased at an inflationary rate, in order to cover for the promissory notes which are out there covering the new loans, used to cover the old debts.”

## The European House of Cards

This simple reality, described by LaRouche, is hotly denied by the international media, which are engaging

in the silly charade of pretending that there is only a “Greek” payments crisis which is affecting the Euro-zone.

Even a cursory look at the on-the-books debt of the countries that the British media like to call the PIIGS (Portugal, Ireland, Italy, Greece, and Spain), shows that Greece accounts for less than 10% of the total debt, public and private, of the PIIGS—which is a whopping \$3.4 trillion. *None* of these countries can pay the debts which the banks have foisted on them: not Greece, not Ireland (\$710 billion), and certainly not bankrupt Spain (\$944 billion). And the United Kingdom itself is probably more bankrupt than all of them, with a gigantic real estate bubble and collapsing industrial base. As the

London *Guardian* reported on Feb. 18: “Britain's own relatively high deficit, its slow growth rate and high inflation have prompted some to speculate it could be the next country to alarm global markets.”

But the official debt is the least of it. The real bubble that is blowing out, as LaRouche has repeatedly explained, is the *derivatives* bubble.

On Feb. 14, the *New York Times* ran an article which essentially reinvented the wheel—which, incidentally, they were editorially opposed to back in the Stone Age, just as they were against the introduction of electricity and aviation—by “discovering” that Goldman Sachs and other financial predators had piled up a mountain of derivatives bets on Greece, papering over their debt bankruptcy with additional obligations, at least an order of magnitude greater than the debt that was already blowing out. Much of the world press “tut-tutted,” and acted like this was some kind of new revelation.

But the exact same sham—and worse—is going on to cover up the total bankruptcy of the economies of Spain and Britain, as well. As *EIR* noted in its Feb. 19, 2010 issue (“The ‘Santander Syndrome:’ London's Sucker Game”), Banco Santander and allied Grosvenor Properties of London (run by the Queen's cousin, the 6th Duke of Westminster, Gerald Grosvenor) had urgently manufactured a new species of property derivatives in the mid-2000s to try to cover up the meltdown of the international housing market. When they intro-



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Brazil's President Lula da Silva (right) has been a plaything of the British magicians, during his seven years in office. Under their sway, Brazil has paid out a staggering \$870 billion in interest in the carry trade, and plunged Brazilians into economic misery, as seen in this photo of homeless street children.

## LaRouche: Most of Brazil's People Are Virtual Slaves

*In a discussion with colleagues on Feb. 16, 2010, Lyndon LaRouche made the following remarks.*

The problem you have today, is that people don't have a sense of the unbounded character of creativity of the human individual. You have all these poor slugs out there, wandering around, thinking they're educated, and they have no creativity.

It's like a parade of coffins in Brazil. It's called, the "carry trade." They carry you out, when it's over. You have no purpose in living. Or the typical Brazilian, the poor Brazilian, who is condemned to be nothing but a hod-carrier, who has no purpose in living, except to carry hods for the master. Most of the population of Brazil are virtual slaves. A country which maintained black slavery until 1880 or so.

And some people say, it's a great country. Yes,

it's got a great magnitude, some great assets, but the treatment of its people is not highly recommended. Look at the streets of Rio de Janeiro.

Look at the streets of other major cities. What do you see? Kids out there—little kids—with knives of all kinds, broken glass, robbing and killing. Little kids, like locusts. And they hound the streets. You don't dare go on the streets, without certain protection, in certain areas, even in the hotel district, so-called. You don't dare go out there. It's a nightmare. That's a country?

And what's it based on? It's based on a privileged group, which sits like tyrants on top of a people, with no sense of creativity, with no sense that those people are human, and their humanity lies in the potential creativity that they have, if they are developed, so they have an *unbounded* human existence, in an *unbounded* universe.

What do you say of such people, who have no such sense? They're immoral. That's what the issue is here. You're dealing with a society in which people do not have a sense of their right to live.

TABLE 1

**Actual Return on Brazil's Public Debt**

	2000	01	02	03	04	05	06	07	08	09	Avg. 03-09
<b>Public debt</b> (billions reais)	563	680	896	934	982	1,035	1,113	1,201	1,154	1,345	
<b>Interest rate</b>	18%	17%	19%	24%	16%	19%	15%	12%	12%	10%	<b>16%</b>
<b>Revaluation of real</b>	-9%	-22%	-48%	18%	8%	12%	9%	16%	-34%	27%	<b>8%</b>
<b>Total rate of return</b>	8%	-5%	-29%	42%	25%	31%	24%	28%	-21%	37%	<b>24%</b>
											<b>Total 00-09</b>
<b>Interest paid</b> (billions reais)	99	119	173	220	161	198	170	145	144	136	<b>1,564</b>
<b>Return in dollars</b> (billions \$)	24	-13	-73	135	91	136	124	191	-102	284	<b>797</b>

Source: Central Bank of Brazil.

duced these instruments into Spain in 2008, their intention was to “inspire investors to use property swaps to help offset potential losses stemming from sharp corrections in UK and Spanish commercial residential property prices.”

That is what has been going on, all across Europe, for the last five years, at least, in amounts that no one can possibly quantify, but which are certainly an order of magnitude greater than the debt bubble per se. So, if the \$3.4 trillion in PIIGS debt alone is unpayable, this derivatives bubble is beyond the pale. But London is demanding austerity and human sacrifice to keep its Ponzi scheme going.

**Brazil: Carried Away with the Carry Trade**

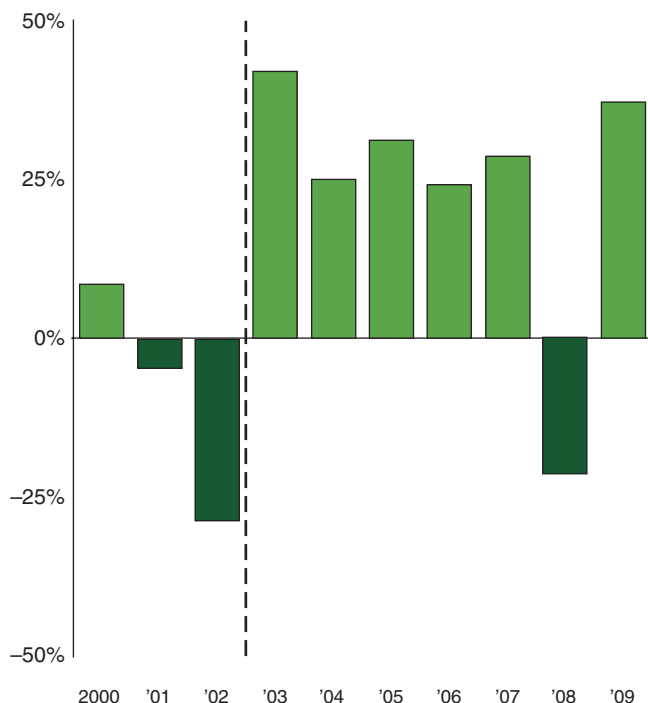
And what is the source of nominal cash flow to keep the magician’s illusion alive? The Brazilian carry trade.

In recent years, international banks, such as London-run Santander, have borrowed hundreds of billions of dollars from the European Central Bank at a 1% interest rate, or from the U.S. Federal Reserve at similarly low rates. They then “carry” these funds to places like Brazil, where they are placed in government treasury bills denominated in reais (the local currency), yielding the highest interest rates in the world: an average of 16% per year, over the seven years that Luiz Inacio Lula da Silva has been President (2003-present). As a result, the total interest paid out by Brazil during the decade since 2000, to foreign and domestic bondholders, was a staggering 1.564 trillion reais (\$870 billion at today’s exchange rate)—almost three times the original debt of 563 billion reais in 2000 (Table 1).

How in the world did Brazil keep making these payments? In large part, by bringing in more capital to

invest in more bonds, thus going further in debt—the classic Ponzi scheme. As a result, Brazil’s public debt rose from 563 billion reais in 2000, to 1.345 trillion reais in 2009—782 billion reais in new debt. In effect, these new loans covered exactly half of the 1.564 trillion in interest payments made. The other half came out of the hides of the Brazilians (population, 190 million), whose domestic consumption was drastically reduced in order to export goods to earn foreign exchange with

FIGURE 1

**Actual Return on Brazil Carry Trade**

Source: Central Bank of Brazil.

which to pay the debt.

How has Brazil continued to attract such volumes of foreign capital? In part, by offering exorbitant interest rates. But also by ensuring the appreciation, or revaluation, of the real vis-à-vis the dollar, which ensures foreign speculators an additional margin on this account. In fact, the real has appreciated in value every single year of the Lula Presidency, with the exception of 2008, when the global financial meltdown struck. As a result, the actual average return on the foreign carry trade under Lula, has been a breathtaking 24% per year (**Figure 1**). On his seven-year watch on behalf of London, the equivalent of \$859 billion (or some \$123 billion per year) has been looted from the Brazilian economy and people.

But as with all Ponzi schemes, the instant the escalating flows stop, the whole house of cards comes crashing down, and the magician's illusion is shown to be nothing but smoke and mirrors—and genocide.

### Meet the Magicians: The House of Rothschild

Squatting on top of Brazil's lucrative carry trade is a banking house that has been the principal banker of the British Empire since the time of Napoleon: the House of Rothschild. Scratch the surface of the Rothschild operations in Brazil, and you find the British Empire's "BRIC" operation, deploying Brazil as their false-flag gambit to wreck Russia, China, and India.

The Rothschilds and Brazil have such a deep relationship, that the website of the family's own Rothschild Archive features a page on Brazil, the only nation so honored. They brag that "the links between NM Rothschild & Sons and the Brazilian nation go



*The role of the "master magician" in Brazil has been played by the House of Rothschild for over 200 years. Lord Jacob (above) oversees the giant Ponzi scheme, known as the Brazil carry trade, while his son Nat (right) works with the Anglo-Venetian Brazilinvest Group, which pioneered the privatization of Brazil's economy.*



back as far as the founder of the bank," in the first decade of the 19th Century. Brazil declared independence from Portugal in 1822, but it didn't become a republic: It was ruled as an empire until 1889. Throughout, NM Rothschild was the "preeminent" banker for Brazil, an empire based on chattel slavery until 1888, only one year before the Empire finally fell.

There were advocates of Alexander Hamilton's American System of Economics within the ranks of those who led the founding of the republic, but they and their plans to industrialize Brazil were soon pushed out. As the Rothschild Archive dryly puts it: Although the Roth-

schilds were caught by surprise by the 1889 declaration of a republic, "they quickly adjusted to the situation. . . . The new republican government maintained its debt obligations to the Rothschilds," who continued on as European bankers to the Brazilian government, "helping" create the new central bank and the state's Banco do Brasil.

Fast forward to this decade. In the run-up to the 2002 Presidential election, capital began to flee the country, fed by fear that a Lula government could lead to Jacobin chaos, or even a break with the banks. Heightening London's fears, was a June 2002 visit to Brazil by Lyndon and Helga LaRouche, where Mr. LaRouche was made an honorary citizen of the city of São Paulo, and where he laid out to numerous high-level audiences the need to break with the bankrupt world financial system (see below).

London also deployed heavily on the Brazil case. Santander Bank chose to keep its credit lines open for Brazil; and Mario Garnero, the São Paulo businessman whom Lord Jacob Rothschild calls "my fourth son," organized a U.S. trip for top figures of the Lula campaign, securing them meetings on Wall Street and at the Bush, Jr. White House.

Message delivered: Lula is "ours."

## ‘Man of the Year’

Who is meant by “ours”? Garnero has operated since 1975, out of the company he founded and still heads today, Brasilinvest Group, which pioneered the privatization and globalization of Brazil’s economy.

Describing itself as Brazil’s first-ever “classic ‘banque d’affaires’ or ‘merchant bank,’” Brasilinvest unites the scum that has risen to the top of Anglo-Venetian finance, with shareholders and board members, including Jacob Rothschild’s son Nat; Banco Santander; the

## A Word from Cervantes

There is none better than Miguel Cervantes to put all of this in the proper perspective.

Recall if you would, Dear Reader, the opening passage of Chapter 42 of Book II of Miguel de Cervantes’s Classic *Don Quixote de la Mancha*, wherein the aristocratic Duke and Duchess continue to amuse themselves with their playthings, the deluded Don Quixote and his squire Sancho Panza, by pretending to allow the latter to govern one of their islands.

“The duke and duchess were so well pleased with the successful and droll result of the adventure of the Distressed One, that they resolved to carry on the joke, seeing what a fit subject they had to deal with for making it all pass for reality. So, having laid their plans and given instructions to their servants and vassals on how to behave to Sancho in his government of the promised island, the next day, that following Clavileno’s flight, the duke told Sancho to prepare and get ready to go and be governor, for his islanders were already looking out for him as for the showers of May. . . .

“‘Recollect, Sancho,’ said the duke, ‘I cannot give a bit of heaven, no, not so much as the breadth of my nail, to anyone; rewards and favors of that sort are reserved for God alone. What I can give, I give you, and that is a real, genuine island, compact, well proportioned, and uncommonly fertile and fruitful, where, if you know how to use your opportunities, you may, with the help of the world’s riches, gain those of heaven.’

“‘Well then,’ said Sancho, ‘let the island come; and I’ll try and be such a governor, that in spite of scoundrels, I’ll go to heaven; and it’s not from any craving to quit my own humble condition or better

myself, but from the desire I have to try what it tastes like to be a governor. . . . ‘Señor,’ said Sancho, ‘it is my belief that it’s a good thing to be in command, if it’s only over a drove of cattle.’”

And now, Dear Reader, permit us to transport you from La Mancha in the 17th Century, to London in the 21st, on the occasion of Nov. 5, 2009 in which a modern Duke (that of Kent) bestowed upon a reincarnated Sancho (President Lula of Brazil) the prize, not of governing the Island of Barataria, but the equally impressive Chatham House Prize 2009 for Lula’s “innovative and responsible economic policies that have maintained fiscal balance.” And listen in with us, if you would, to the comments written for the occasion by Chatham House Associate Fellow (and leading British Brazilianologist) Prof. Victor Bulmer-Thomas:

“Brazil is now at the forefront of the key international issues of the day and much of the credit must go to the winner of this year’s Chatham House Prize. The award of the 2016 Olympic Games to Rio de Janeiro is the icing on the cake. . . . [Brazil’s] global leadership pretensions were of necessity postponed by a combination of inward-looking development, military government and hyper-inflation. It was only in the mid-1990s, when Brazil had finally tamed inflation, opened its economy and consolidated its democracy, that a global role could again be considered.

“Aspiration is one thing and achievement is another. Fighting for a place at the top table is not easy. . . . [Brazil] will work to free the world of nuclear weapons, it will be constructive on climate change negotiations. . . .

“Like other aspirants, Brazil will not move to permanent status without serving a long apprenticeship in the rich country clubs.”

The sorcerer’s apprenticeship?

infamous HSBC of Opium War heritage; the world's oldest bank, Italy's Banca Monte dei Paschi di Siena; the Agnelli family's FIAT; Soros-associated Carlo De Benedetti, president of *Companie Industriali Riunite* (CIR); and Belgium's Generale Bank, with its Belgian Congo heritage of horror.

A fawning report in the May 26, 2004 issue of Brazil's *IstoE* magazine, describes the imperial trappings and discussions which took place at the lavish, three-day annual meeting of Brasilinvest's International Council that had just been held in London, under the direction of old Jacob Rothschild himself, and with lead speaker George H.W. Bush. It was there that Jacob called Garnero "my fourth son"; and there, that Britain's Prince Andrew announced that the Brazilians shall play "a strategic role in the new setting of international trade relations," with Garnero serving as an informal ambassador to the U.K. Andrew hailed Garnero as an example of "how Brazil could lead in bringing trade relations closer between the West and the new markets of the East."

Participating in that London confab, and serving still on the board of Brasilinvest, are two businessmen who are also key to the Rothschilds' BRIC operation: Russia's aluminum king and Nat Rothschild buddy, Oleg Deripaska; and Chinese real estate mogul and businessman, David Tang, of DWC Tang Development.

Rothschild agent Garnero first introduced Lula to Deripaska. And Garnero, before Lula's first trip to China as President, brought the head of the Chinese government investment fund, CITIC, to meet in Brasilia with President Lula, seven ministers, and other top government officials.

For his seven years in office, Lula's Brazil has been a plaything of the British magicians—as the carry trade looting attests, in cold numbers. Not surprisingly, Lula has been named "Man of the Year," by everyone from the Davos forum of international financial big-shots, to France's *Le Monde* newspaper, to Britain's own Royal Institute for International Affairs.

But no amount of awards, or smoke and mirrors, can perpetuate the carry trade illusion forever. Like every such Ponzi scheme throughout history, it will vanish in the magician's puff of smoke. The only issue is: Will it bring the entire planet's population down with it?