

A STRATEGIC WARNING: BRAZIL

Dr. Constantine Menges, August 2002

In October 2002 a still preventable political event is likely to occur which would be a major setback for freedom. It could lead to 300 million people coming under the control of anti-US dictatorships and a very dramatic increase in the threat of terrorist attack in the U.S., but this time coming from a new direction. Given the important challenges of the current war on terrorism, the Middle East and preventing a nuclear war between India and Pakistan, it is unclear whether the Bush administration and other democracies will have the foresight to act in time to prevent this from happening.

The avoidable event is the election to the presidency of a country nearly as large as the US of a radical politician who for 30 years has been a close ally of communist dictator Fidel Castro. Currently, this radical politician is at 39% in the polls and rising, while his closest pro-democratic opponent is at 17%¹.

In 1990, in partnership with Fidel Castro, this presidential candidate founded the Forum of Sao Paulo, which every year since then has convened communist and other terrorist organizations from Latin America, Europe, and the Middle East, along with radical anti-US political movements. In effect, this radical presidential candidate has been a sponsor of international terrorism because these annual meetings were used by the anti-US terrorist and radical organizations to coordinate their plans for taking power in their respective countries and for planning actions against the U.S.².

The country that might be governed by this democratically elected radical has a population of about 180 million. It is vast and richly endowed, has the world's eighth largest economy (GDP \$1.2 trillion in 2001) with many advanced sectors, including in aerospace and military production³. From 1965 to 1994, this country had an active program to develop nuclear weapons. According to a congressional investigation in that country, the program continued after 1990 even though a democratically elected president had exposed the secret plans of the military to build an atomic bomb and had publicly poured concrete into a nuclear test site. That investigation also revealed that elements of the military had secretly exported 8 tons of uranium to Iraq in 1981⁴.

The radical presidential candidate has said his country should have nuclear weapons and should move closer to communist China which has been very active in courting elements of the military and has investments in the aerospace industry, resulting

¹ Larry Rohter, "Skepticism Greets Leftist's Makeover in Brazil", *The New York Times*, July 7, 2002

² The most recent meeting of this group was held in December 2001 in Havana, Cuba, and brought hundreds of terrorists, activists, and communist politicians together. Among those attending were Fidel Castro, President Hugo Chavez Frias of Venezuela, da Silva of Brazil, the former communist ruler of Nicaragua Daniel Ortega, delegations from five groups classified by the US Department of State as terrorist organizations including the FARC and ELN from Colombia, the MRTA from Peru, the MIR from Chile, as well as representatives from Libya, Iraq, and various Middle Eastern terrorist organizations. See *The Orlando Sentinel*, December 5, 2001

³ "Brazil" in the *CIA World Factbook*, available online www.cia.gov/cia/publications/factbook/geos/br.html

⁴ See "Brazil" in Rodney Jones, Mark McDonough, Toby Dalton and Gregory Koblentz, *Tracking Nuclear Proliferation 1998*, Carnegie Endowment for International Peace, 1998; and "Brazil-Nuclear Weapons Programs" at the Federation of American Scientists, www.fas.org/nuke/guide/brazil/nuke/

in, among other things, a jointly operated imagery satellite. It is also reported that Iraq helped finance its nuclear weapons program and that a leading air force general from this country has led a group of more than 20 missile scientists who went to work for Saddam Hussein after a democratic president canceled their successful ballistic missile program in 1990⁵.

Brazil at the Crossroads

The country that could come under the rule of this pro-Castro radical is Brazil, which, as a democracy, for more than twenty years has been a constructive partner with the US and other democracies. Brazil borders ten countries in South America. Under a radical president, it is highly likely that Brazil would be focal point for political and military assistance to the communist narco-guerrillas in Colombia and to anti-democratic groups seeking to overturn potentially fragile democracies in Bolivia, Ecuador, and Peru - not to mention the destabilization opportunities presented by the deep economic crisis that has gripped neighboring Argentina.

To understand what might happen through a process of indirect and hidden support for international terrorism stemming from a pro-Castro, radical regime in Brazil, it is only necessary to look at the realities of 43 years of such aggression by the Castro dictatorship in Cuba, 11 years by the Sandinista regime in Nicaragua (1979-1990), and the last three years by the radical Chavez regime in Venezuela.

In fact, the Chavez example provides the clearest contemporary warning. Chavez was democratically elected in 1998 when corruption scandals demoralized the two major long-established democratic parties. However, after taking office as president in February 1999, Chavez did three things:

- used unconstitutional actions to sideline the checks and balances of an elected congress and supreme court and pseudo-electoral means to obtain a new constitution;
- became a state sponsor of terrorism through covert but active support for the communist guerillas in Colombia and anti-democratic groups attacking the governments of Bolivia and Ecuador;
- and became a public ally of other state sponsors of terrorism such as Cuba, Iraq and Iran, as well as a proud “strategic ally” of communist China⁶.

Chavez represents, as does the Brazilian radical presidential candidate of the Worker’s Party, Luis Inacio da Silva, a new Castro method for helping anti-US movements take power in Latin America. Rather than relying solely on guerilla and terrorist tactics, Castroite forces are now promoting the democratic election of a radical who has no official ties to the communist movement and who seeks in the final stages of the election process to conceal or modify his radicalism. Da Silva is now 56 and has been active in far left labor organizations and in politics since the 1970s. He narrowly

⁵ “Brazil’s Left Leader”, The International Reports: Early Warning, May 31, 2002

⁶ C. Menges, “Venezuela: The Truth About Chavez”, The Washington Times, April 28, 2002; for documentation of these facts, see C. Menges, Venezuela: Politically Active Groups and Current Trends, Washington, DC: Analytic Report, Hudson Institute, April 2002.

lost his first presidential campaign in 1989 when he received 47% of the vote and now seems on the threshold of victory as he makes his fourth run for the presidency.

Brazil: Presidential Candidates, according to poll data as of August 11, 2002⁷

Communist and Radical Left Parties			Social Democratic Parties	Others
Ciro Gomes, People's Socialist Party (PPS, former communist party)	Anthony Garotinho, Socialist Party of Brazil (PSB)	Luiz Inacio da Silva, Worker's Party (PT)	Jose Serra, Party of Brazilian Social Democracy (PSDB)	Others
29%	9%	34%	12%	16%

Da Silva's Workers' Party has a history of extreme leftism and anti-market policies. Though da Silva has tried to moderate his image, this is clearly an electoral deception. The Workers' Party's candidate said recently, "our objectives continue to be the same, but the methods, the manner in which we reach that goal, have changed"⁸. We can believe that the Workers' Party will be consistent in its anti-market, anti-American ideology and purposes.

For decades, da Silva and Castro have blamed political democracy, market-oriented institutions, and the United States for all the social and economic problems still visible in his country and in Latin America. The Workers' Party has long opposed the involvement of Brazil with international financial institutions and international borrowing and has argued that Brazil should suspend payment on its large foreign debt (over \$250 billion⁹). Perhaps that is why Morgan Stanley recently lowered Brazil's debt rating. Now, da Silva, as part of his current attempt to wear a moderate disguise, says that he favors paying on some of Brazil's international debt¹⁰, but not long ago he said that international lenders who asked for repayment were "economic terrorists"¹¹ and that Bush's Free Trade Area of the Americas "is a USA annexation project", which he would oppose unless it were substantially changed and Cuba were included¹².

Like Castro and Chavez, da Silva also admires the Communist Chinese regime. Da Silva said: "the Chinese are one of the principal countries responsible for the reduction of poverty in the world...[they] are learning to earn money like capitalists, but are spending it like socialists". In the spring of 2001, during the US-China stand off resulting from China's harassment of a US reconnaissance aircraft in international air space, da Silva expressed "solidarity with China in relation to the incident provoked by a North American spy plane, that recently invaded that country's airspace, provoking the death of a Chinese pilot"¹³.

⁷ "da Silva has 34% and Ciro Has 29%, say VoxPopuli." *O Estado de S. Paulo*. August 11, 2002.

⁸ Ibid.

⁹ "Crisis in Brazil" in *The International Report: Early Warning*, June 28, 2002, p. 10

¹⁰ Ibid.

¹¹ Rohter, Op. Cit.

¹² "Lula Says FTAA 'is a US Annexation Project'", *Sao Paulo O Estado de Sao Paulo*, December 5, 2001. Da Silva repeated this in Jao Domingos, "Lula Favors Including Cuba in FTAA", *Sao Paulo O Estado de Sao Paulo*, June 20, 2002

¹³ Robert Villa, "Leftist Front-Runners in Brazil, Nicaragua", *Newsmax.com*, August 21, 2002

South America – the Risk of Radical Anti-US Regimes

On many occasions, da Silva has said publicly that he is a friend of Col. Chavez and has praised Chavez as “an example to emulate” if he were elected president¹⁴. We should take him at his word. This would mean first, the use of unconstitutional, pseudo-electoral processes and referenda to move toward and then consolidate his rule as a dictator; second, his regime would aid terrorist and radical organizations attacking neighboring governments such as those in Colombia, Bolivia and Ecuador¹⁵; third we should expect da Silva’s Brazil to expand ties including military relationships with Cuba, Iraq, Iran, and communist China.

A radical da Silva regime in Brazil could soon be followed by the success of the communist guerillas in Colombia and the establishment of radical, anti-US regimes in Bolivia, Ecuador, and Peru. Thus, by the end of 2003, the US might be faced with anti-US regimes in most of South America. If these regimes recruited only one tenth of one percent of the 30 million military aged males for terrorist attacks on the US this could mean 30,000 terrorists coming from the south. In addition, many Middle Eastern terrorist organizations including the PLO have long collaborated with Castro against the US and its allies; they and the Iranian backed terrorists of Hezbollah have hidden among the sizable Middle Eastern communities in Brazil and Venezuela.

South America: Countries at Risk

Country	Population, millions (2001) ^{-16*}	GDP, \$ billions (PPP) (2001)*	Oil Production (millions of barrels a day) (2000)**	Est. Oil Reserves (billions of barrels) (2000)**
Venezuela	24	146	3.3	72.6
Colombia	40	250	0.8	2.3
Bolivia	8	20		
Peru	27	123	0.1	4.1
Brazil	175	1130	1.4	8.1
Ecuador	13	37	0.4	3
Total	287	1,706	6	90.1

The Worker’s Party of Da Silva has controlled one state in Brazil, Rio Grande do Sul, since 2000¹⁷. There the school textbooks are Marxist, the institutions are politicized in a radical direction, and the local Worker’s Party bosses are reportedly financed by and

¹⁴ Aldo Rodriguez Villouta, “Brazil-Venezuela: Chavez and Cardoso to Discuss Colombia and the “Chavez Revolution”, EFE News Service, September 3, 1999.

¹⁵ where in January 2000 radicals temporarily toppled the government in a few days as a result of the success of Chavez in covertly recruiting a number of military officers to participate

¹⁶ Data from CIA, The World Factbook, 2001; ** Table G2: “World Production of Crude Oil...”, Department of Energy, <http://eia.doe.gov/emeu/iea/tableg2.html>

¹⁷ Michael Lowry and Karl Marx, “The Red Government in the South of Brazil”, *Monthly Review*, November 1, 2000

in league with illegal gambling syndicates¹⁸. Da Silva points to that state as a “showcase” and indeed it offers a preview of the tragedy awaiting all of Brazil if he and his radical party win the presidency.

Already Chavez is probably contributing millions of dollars covertly to da Silva out of the estimated \$70 billion or more in oil revenues that Venezuela has obtained since he became president. It is virtually certain that Castro is committing hundreds, perhaps thousands of his skilled political and intelligence operatives to help da Silva win, and thereby achieve one of his highest strategic priorities.

Economic Consequences

US Treasury Secretary Paul O’Neill recently drew attention to the economic risks inherent in Brazil’s more than \$250 billion dollar international debts and caused great concern in the US and Brazilian financial community when he said that “throwing the US taxpayer’s money at a political uncertainty in Brazil doesn’t seem brilliant to me ... The situation there is driven by politics ... not ... by economic conditions”¹⁹.

A da Silva presidency would likely mean a Brazilian default on most or all of its international debts. This is likely to result from the longstanding antipathy of the Worker’s Party to these international lending institutions, from the consequences of da Silva’s recent statement that he would not accept suggestions from the IMF on how to manage Brazil’s economy²⁰ and because his election is likely to cause sharply increased capital flight.

A Brazilian default, in combination with the existing crisis in Argentina, could cause large scale economic problems in those countries and in most, perhaps all of the countries of Latin America, leading to a region-wide economic downturn as occurred following the 1982 and 1994 Mexican debt crises. This is why a leading economist for emerging markets was recently quoted as saying, “Brazil will be a litmus test for Latin America, God help us all if it goes wrong”²¹. Other analysts see a Brazilian default or crisis producing a global slowdown in emerging markets similar to that caused by the Russian default in 1998²². These negative economic events could cause immense difficulties, especially for the poorest and would likely have the consequence of further radicalizing politics throughout Latin America. The result could also be a global economic slowdown that includes the US in 2003 and 2004 as its opportunities for exports are sharply reduced.

Far worse than the economic consequences would be the political effects of a radical Brazilian regime moving toward dictatorship, destabilizing neighboring countries

¹⁸ Denis Rosenfield, “World Social Forum: Reform or Revolution?”, InfoBrazil.com, February 2-10, 2002; http://www.infobrazil.com/Conteudo/Front_Page/Opinion/Conteudo.asp?ID_Noticias=638&ID_Area=2&ID_Grupo=9

¹⁹ Larry Rohter, “Brazil’s Roller Coaster Market”, *New York Times*, June 25, 2002, W1

²⁰ “Lula Favors Including Cuba in FTAA”, *O Estado de Sao Paulo*, June 20, 2002, FBIS-LAT-2002-0620

²¹ Statement by Arturo Porzecansky with ABN Amro in New York, as quoted in Richard Lapper and Raymond Colitt, “Situation Critical”, *Financial Times.com*, June 23, 2002.

²² Craig Carmin, Michael Phillips, Jonathan Karp, “Contagion is Surfacing in Latin America”, *Wall Street Journal*, June 26, 2002, C1

using a Castro-Chavez-da Silva axis, becoming an ally of Cuba, Iran, Iraq, Communist China, and opposing the United States in the region and throughout the world.

Actions in Brief

What can be done? The United States and other democracies must give immediate and serious attention to Brazil, Venezuela, and Colombia. It is important that the United States and all of its representatives speak factually and clearly about the political record and agenda of Mr. Inacio da Silva, the Worker's Party, and all of its organized supporters. This should include a clear statement by the United States government that it considers Mr. da Silva's convening of communist/radical armed and political organizations as sponsorship of terrorism and therefore that it will deny him a visa to visit the United States. It was an enormous error for the US ambassador in Brazil, Ms. Donna Hrinak, to have said in June 2002 that Mr. da Silva is "the embodiment of the American dream"²³. This is misleading to the people of Brazil and the United States since it does not reflect the facts about Mr. da Silva's political actions in support of terrorism that continued after the events of September 11, 2001.

Finally, the democratic parties of Brazil and the democracies of the hemisphere should assure that an honest, competent effective pro-democratic unity candidate has the means to compete against this radical threat.

Constantine C. Menges Ph.D., a Senior Fellow with the Hudson Institute, formerly served as Special Assistant for National Security Affairs to the President. His latest book is **2007: The Preventable War - The Strategic Challenge of China and Russia** (forthcoming).

²³ As cited in Rohter, op cit.