

Crisis and uncertainty: insights on Brazilian redemocratization
by Ambassador Anthony Motley.

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The present essay has as its main goal to analyze the testimony given by the diplomat Anthony Longhorn Motley to the Senate Foreign Relations Committee. His testimony is registered at the documental series organized by the State Department named as American Foreign Policy in 1983, and in its section on Latin America. The early eighties was a time of uncertainties, not just in Brazil, but in international politics as a whole. The Cold War was escalating everywhere and the Reagan White House was already thinking about reelection and how they would outfox the democratic critics of his foreign policy.

1983 is also known in Cold War literature as “the year of the bomb”, because of the nuclear tension between the USSR and the United States. The reason for disagreement at that moment was mainly because of the medium-range missiles that were put at the fringe of the Iron Curtain. The Soviets distributed their SS 20 and SS 80 missiles along the border of Poland and East Germany; in response, the Americans put their Pershing II and Cruise missiles in West Germany.

The chess game that was the nuclear strategy at that moment was followed by a sequence of patriotic manifests from both governments. The apex of this exchange of accusations and bombastic rhetoric happened when, in a speech for evangelical groups in Orlando, Reagan portrayed the Soviet Union as the “Evil Empire”, a clear allusion to the movie *The Empire Strikes Back* (1982). The Soviets were outraged and called Reagan a “Tyrant, presenting him as the reincarnation of Adolf Hitler.”²

The mounting tension almost caused World War III when NATO was conducting a Joint Training Operation, called Able Arch, in Germany. It was such a

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² Wilentz, Sean. *The Age of Reagan*. New York: Harper Books. 2008.

massive gathering of equipment and soldiers that the KGB thought it was the beginning of an offensive against the Warsaw Pact forces. Frantic diplomatic activity in Washington and Moscow was necessary to solve the misunderstanding, but the problems were far from over. The Russian negotiators abandoned the talks in Geneva for a reduction of the nuclear arsenals of both countries. In fact, both sides were not much in a mood to negotiate, but Reagan made it even more difficult given his adamant motto of “negotiating from a position of strength”.

Meanwhile, in Latin America, the scenario wasn't much favorable to the American interests in the region. There were all sorts of challenges: political, military and economical in almost every country of the continent. The first assessments of the region by the Reagan administration pointed to the idea that the Soviet Union would really dispute American leadership there, using Cuba to foster several insurrections in the Caribbean. Everything that was happening in Nicaragua and El Salvador at that moment seemed to corroborate the main ideas that existed at the administration. Therefore, swift and decisive action was necessary.

Following that principle, the United States invaded the tiny island of Granada. Which the State Department and the Commonwealth considered to be under severe communist influence, after the fall of the government lead by Maurice Bishop. The military operation that happened there was executed with minimal American casualties and restored Western control over the area, also sending a strong message to the Soviets and Cubans. The repercussion at the international press was astonishing, however, in Latin America the invasion was seen as a usual attempt by an insecure administration to keep a grip on the continent.

If the historiography tends to emphasize the holy trinity of Nicaragua, El Salvador and Granada, the Debt Crisis was much more of a serious issue at that time. Brazil, Mexico and Argentina were in an endless economic funk, which threatened them with social chaos and the risk of a total repudiation of the capitalist model. Moreover, Brazil and Argentina were in a fragile process of transition from military to democratic rule, where all the gains could be jeopardized by social unrest.

The United States government desperately needed to maintain control of the situation, given the fact that these were the largest economies in Latin America. To solve the problem, Reagan gave the power and the resources to the International Monetary Fund to do the task; instead of pulling the plug on the institution, as Carter wanted, Reagan enhanced its powers.³ Furthermore, this presented a golden opportunity for the United States to foster on the continent the “wonders” of the Supply Side Economics, and at the same time, eliminate the ideals of self-development from the 60’s and the 70’s.

At the beginning of the eighties, the Volcker Shock caused the debts of the third world countries to skyrocket, because of the steep rise of the interest rate in the United States to promote inflation control. The debts of Brazil, Argentina and Mexico doubled in one year and tripled in two years, making the possibility of a general default something feasible. This would have been catastrophic for the international financial system, making the effects of the recession that was in course all over the capitalist world even worse.

In order to avoid chaos, the G7 meetings in Toronto (1982) and Williamsburg (1983) put the Latin-American problem at the top of the agenda. A strategy was devised to bring back the output indexes back to pre-1973 levels and find a consensus on what to do with the massive debts from the developing world. As an emergency measures, all G7 seven countries enhanced the amount of funds available to the IMF, so the institution could provide immediate relief to the countries in most need. Brazil got a chunk of the money, in all US\$ 4.6 billion⁴, that were mainly used to pay the debt services of 1982 and 1983.

The country’s debts reached the staggering number of 80% of GDP and would reach more than 100% by 1985; if Brazil defaulted, it was thought that all Latin American countries would follow suit. As compensation for the money he got from the fund, Brazil’s dictator, general Joao Figueiredo, agreed to implement a privatization program and to promote a draconian cut of the Budget. In order to give explanations on how the

³ BOUGHTON, James. *Silent Revolution, the history of IMF 1979-1989*. Washington: IMF, 2001.

⁴ Idem

program would proceed and its chances of success, Ambassador Anthony Motley was summoned to offer his impressions on the matter. At first, the ambassador tried to dismiss the rumors of a default, saying that “the worst was already over”.⁵

He also seized that initial moment to criticize Brazil for its protectionism, that according to him “created an unnatural industry not suited for international competition.”⁶ But this was expected coming from the Reagan administration, which was very sensitive about free trade, especially when it was against American interests. Motley turned his fire against self development, which he considered to be mainly responsible for the sluggish economic performance in the Americas at that period.

The core of his proposition brings back an old dilemma, the validity of the development model brought by ECLAC⁷ that was implemented partially by some countries in Latin America. The ambassador said that the model, based on the substitution of importations, was a huge mistake as well, and repeated that it was responsible for the crisis and had no value. He pointed out that this model was “artificial” and disrupted the surge of “real private enterprises” in Latin America.

At the same time, he praised Brazilian creativity, especially regarding the alternatives that the country found to fight the oil shortages, mainly by the use of sugarcane alcohol. Anthony Motley emphasized that in the energy arena, Brazil was a positive exception. Moreover, he believed that the country could become, in the long-term, a sophisticated exporter of industrialized products, given its abundance in natural resources.

The Ambassador also blamed the climate phenomenon called El Nino to have made things even harder for Brazil, because of the inclement storms and flooding that it brought to the whole Chaco region. Relief was under way through a credit of US\$ 100 million to be released by USAID later in that year, according to Motley’s words.⁸

⁵ *American Foreign Policy in 1983, PAG 1251*

⁶ *Idem.*

⁷ United Nations Economic Commission for Latin America and Caribbean.

⁸ *American Foreign Policy in 1983, PAG 1252*

In spite of the fact that he spent so much time on the effects of El Nino, he later turned to what he considered to be the two main factors of the Brazilian crisis; the first was the sharp rise of the price of oil during the seventies, followed by the plummeting value of the commodities that Brazil exported. To cover the hole generated by the subsidies to import oil, the government started to print money inside and borrow from the outside, generating debt and inflation. So far, this was textbook explanation about what happened, and there was not much new in his statement. The new element arose when he started again to question the efficacy of the Brazilian economic model.

Primarily, he said that as long as Brazil continued to bet on a model based on a ubiquitous government machine, the country wouldn't go anywhere. Furthermore, the belief that State companies were good was considered by Motley to be a fallacy, given the fact that its low performance generated deficits and more money had to be created to keep the machine working, pushing inflation levels. Paradoxically, the Ambassador complimented General Figueiredo's government (1979-1985) for trying during 1981 to privatize some federally owned companies. However, he forgot that Figueiredo was one of the greatest creators of this kind of company in Brazil.⁹ According to him, the privatizations didn't succeed because the government offered to the market only companies that were bankrupt and had no market value.¹⁰ In the nineties, the lesson was learned and the companies were sold after being sanitized by the federal government

Later into his statement, Anthony Motley got back to the issue of Brazilian protectionism in industry and agriculture. He strongly scolded the military junta for trying to create an "artificial industry" and an agriculture that was very competitive, but relied heavily on dumping to keep its own profits. Despite all this, Motley believed that the country was ready to compete in the international market, and as much as the country opened itself, more would benefit from it. He even quoted the case of the Brazilian weapons industry, which at that time was the 5th largest in the world, as proof of the competitiveness of the country.

⁹ CERVO, Amado. *Historia da Política Exterior do Brasil*. Brasília: editora UnB. 2008.

¹⁰ *American Foreign Policy in 1983*, PAG 1252

According to Motley, Brazil only needed a “small push” from the Reagan administration towards a free market, where all the economic maladies would be solved. After such a strong affirmation, the Senator Charles Mathias (R-MD) felt compelled to intervene and give a few words. The senator said that he considered Brazil to be a “great friend,” and it was the duty of the United States to “guide his neighbor to the blessings of the free market.”¹¹ In a more balanced tone, Motley said that he agreed with the views of the senator and the president on the theme, but the transformation of a State run economy to neo-liberalism could not happen from day to night. It is important to underscore that his view on this is unusual in the Administration, the American government was willing a much faster transition from one economic model to another.

When senator Mathias questioned Motley on the prospect of a fast recovery for Brazil, the Ambassador provided a gloomy perspective. He said that any recovery was subordinated to the performance of the developed countries, which by 1981 and 1982 were facing the worst recession since 1929. At least, in 1983 the developed world economy started to show signs of life, providing the way for the boom in 1984. Also, it is interesting to see how things changed in thirty years; the emergent countries nowadays do not have their economic fate so attached to the center of the system, as was true in 1983.

The ambassador also believed that the resources from the IMF package should come with much more speed, so the Brazilian government could use them right away. The US\$ 4.6 billion was important not only for Brazil, but for the United States as well, because the Brazilian imports from the American market had plummeted the IMF money would help to bring stability in Brazil and create jobs in America. For these reasons, Anthony Motley asked the Senate to approve the extra funding by the IMF, as was accorded by the G7 at Williamsburg.¹² Moreover, the package was vital for the American banks which lent the money to Brazil; institutions like Citibank and Chase Morgan needed this money urgently, and were great supporters of the Reagan campaign in 1980.

¹¹ Idem.

¹² BOUGHTON, James. *Silent Revolution, the history of IMF 1979-1989*. Washington: IMF, 2001.

According to Motley, unemployment and inflation would set the tone of Brazilian life in 1984. In addition, he said that it would be almost impossible for the country to follow the conditions imposed by the IMF. His assumption was correct, only if the government started a complete shutdown of its most basic functions would be possible to achieve the goals set by the Fund. This shutdown would not happen because the junta did not have the same power it had in the 1960's to impose unpopular measures. A compromise between the Junta, the Fund and the American government had to be achieved in order to avoid social unrest. However, the Ambassador was quite confident that this agreement would be achieved because Delfim Netto, the Finance minister, was a gifted Brazilian economist and trusted by all involved parties.

Ultimately, at this point of his statement, Motley reassured the Committee that Brazil would sooner or later pay all its debts. He also stated that Brazil was ready to endure sacrifices that no other country in the region would be willing to suffer to keep its image as a reliable stakeholder.¹³ Because of this, Motley believed that a default was very unlikely over the next few years, even with the transition of power to civilian rule scheduled for 1985. This was something that really concerned him, because it was unclear who would be the new president after 1985 and if the new government would consider an alliance with the United States to be so important. His reasons to be afraid proved him right, in the late 80's the democratic government defaulted.

The Reagan administration praised itself for having great experts on Latin America. In general, the administration believed that the return to democracy was a good idea which could be a good demonstration to the Democrats that Reagan supported democratic governments in Latin America. Proving this point of view was important because of the elections in 1984; at that time, the weakest spot of the Republicans at the campaign was the President's bellicose foreign policy, which was under severe fire in 1983.¹⁴

Taking this into consideration, the Ambassador highly praised the administration's policy and the process of return to democracy as whole. In 1982 the

¹³ *American Foreign Policy in 1983*, PAG 1260.

¹⁴ MCMAHAN, Jeff. *Reagan and the World, Imperial Policy in the Cold War*. London: Pluto press, 1984

country had free elections for the Congress and State levels; more than 54 million people voted peacefully, which was considered to be a great achievement by Anthony Motley. He said this was the model that the State Department was willing to implement on the continent, transitions that would happen in a “safe and gradual manner”.¹⁵ After this, he expressed his mistrust of the opposition party (MDB), which was the greatest winner at the elections of 1982 and was poised to seize the presidency in 1985.

Motley argued that if the MDB followed populist policies, which had happened in the past under the presidency of Juscelino Kubistcheck, the economic situation would get worse. Kubistcheck, according to him, industrialized but left a burden of debts to the following presidents. In 1958, he decided that he would not cede to the adjustment program proposed by the IMF because it would hurt his political intentions, mainly the construction of the new capital city, Brasilia. In his opinion, the Kubistcheck’s policies were responsible for the economic funk of the early sixties and the consequent coup in 1964. What he calls “the fiscal adjustment of 64”¹⁶, where the technocrats under military rule brought order and growth to the country.

His historical interpretation of the facts are quite peculiar. First, his belief that the technocrats and the military were like water and oil. The Ambassador, the Generals were responsible for keeping the internal order and offering a positive environment for business. Meanwhile, the technocrats had the duty to design plans that promoted stability and economic prosperity for the country, following Western concepts. However, the Brazilian historiography¹⁷ on this subject tends to affirm the opposite, because the Junta tended to muddle the technocrats’ work, by adding pork and corruption in large scales.

The other important factor is more a matter of semantics; it is interesting that in his statement he never uses the word “junta” to refer to the Brazilian government. At the same documental series, in any reference to the Argentinean or Chilean governments the “J” word was widely used, and the dictator is called by the State

¹⁵ *American Foreign Policy in 1983*, PAG 1261.

¹⁶ *Ibidem*, pag. 1262.

¹⁷ To further Details see the seminal works of Carlos Fico and Alfred Stephan on the Brazilian dictatorship.

Department as “Chief of the Military Junta.” Brazil constitutes as the only exception to this, and the ruler of the country is called president, but for all intents and purposes he was a dictator like all others in Latin America.

This is a testimony to the efficacy of the Brazilian Junta to convince the Americans of their point of view. The generals believed that their government did not resemble what they called the “Banana Republics;” they saw themselves as the paragons of what considered to be a “disciplined democracy” and insisted they keep a phony Congress opened and make indirect elections for “the presidency.”¹⁸ Motley and the Reagan administration espoused that view of the facts. For them, the Brazilian dictatorship was a rational and legitimate government, it was a hybrid model that mixed Western and Latin American characteristics. It wasn’t a State in an exceptional situation, but was an unusually reliable ally with a model that seemed to be working.

Because of his flagrant sympathy for the regime and his long friendship with “president” Figueiredo, the last lines of his statement showed a pessimistic perspective about Brazil’s future after 1985. He stated that without the discipline of the Military that provided freedom of action to the technocrats, the economic downturn would not be over soon. On the other hand, Anthony Motley said that there were two reasons to believe that the situation would improve even after the military were gone. First, the politicians were supposed to have learned the lesson that social unrest caused by economic chaos generates terrible results, such as military coups.¹⁹ In the second, he argued from his own experience that the “Portuguese race” was not like the “Spanish race”.²⁰ Motley had the perception that the Portuguese people, from whom most of Brazilians were descended, had colder blood than the Spanish. Therefore, they were less subjected to instability than the rest of Latin America, and more capable of enduring a harsh adjustment program from the IMF. In this sense, the diplomat reassured the people that, even if there were problems ahead, the country would remain stable, and that was what the senators were willing to hear.

¹⁸ Boris Fausto. *Concise history of Brazil*. Cambridge: Cambridge University Press. 1999.

¹⁹ *American Foreign Policy in 1983*, PAG 1272.

²⁰ *Ibidem*, pag. 1280.

The Anthony Motley's statement is at the same time important and thoughtful: important for those who work on Contemporary Diplomatic History, because it allows scholars to assess some of the impressions that the Reagan administration had on Brazil, thoughtful, in the sense that the ambassador, a connoisseur of all things related to Brazil, was a privileged mediator between two distinct worlds. Even in spite of his omissions on the human rights issues and the corruption of the Brazilian Junta, he was able to portray a clear picture of the mood in the country. It is possible to speculate that he was already concerned with the creation of a strong conservative party in Brazil, one that was able to carry the legacy of the Junta. His statement and others sources are a vast and open field for research, the formation of the conservative political thought in Brazil after 1985 and the role of Reagan in fostering this. A democratic, conservative and pro-free-market Brazil was the best advertisement that the United States could desire for the troubled Latin America.

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