

## **EIR** Special Report

# **Brazil conquers the Americas' next frontier**

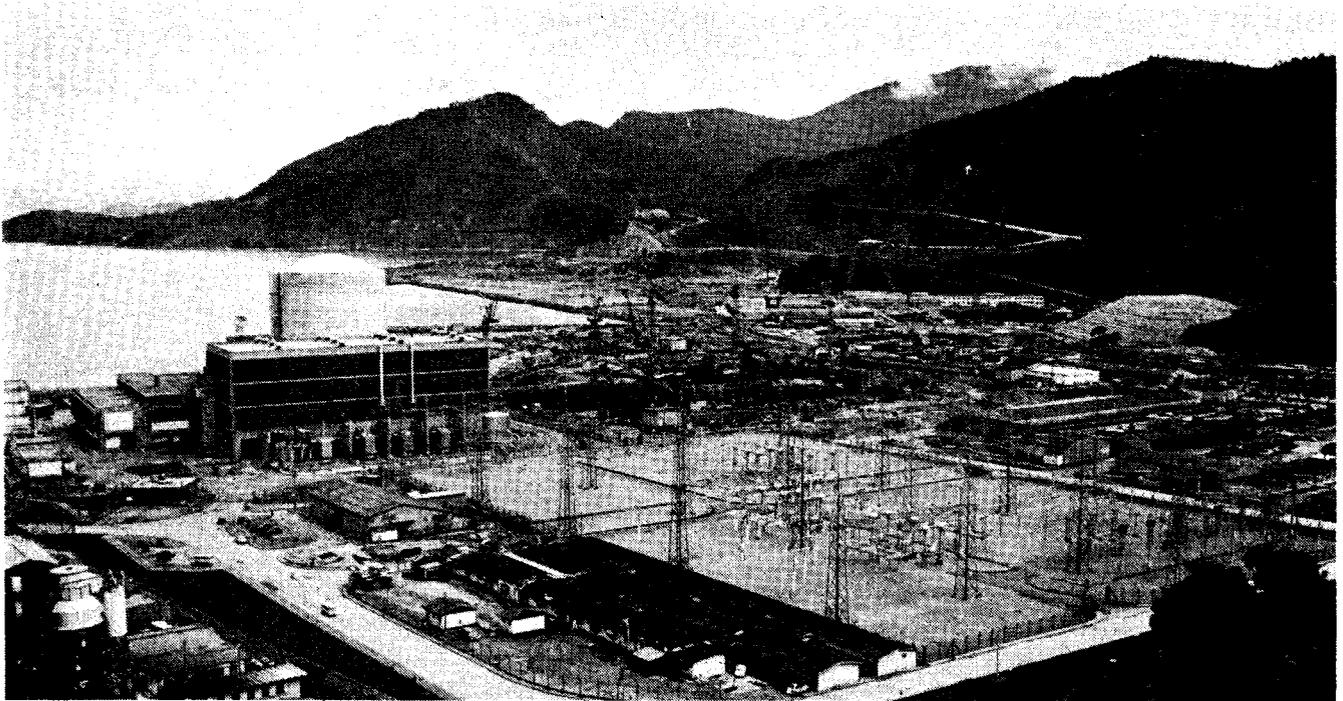
by Dennis Small, Latin America Editor

Visiting Brazil today is like taking a trip 150 years back in time to the young republic, the United States of America. It is not that Brazil is just now introducing steamships or constructing 1830s factories. On the contrary, Brazil this year entered the nuclear era by achieving synchronization at its first nuclear plant, Angra I, on March 14, 1982. And aspects of its industrial base are among the most advanced in the world: Brazil's armaments industry, for instance, currently sells airplanes even to the United States.

What reminds one of the young America is rather Brazil's pervasive commitment to the idea of progress, the unbroken optimism that the majority of its national political and economic elite display about the country's future. Brazil's development to date has been seriously flawed by a failure to invest adequately in its labor force, and here the parallel to the young United States—whose leaders understood that economic growth depends not only on the development of a nation's natural resources, but of its most precious resource, labor power—breaks down. Nonetheless, Brazil remains truly one of the United States's best potential partners in the developing sector, and an especially important pillar of stability in Latin America.

This point was repeatedly and patiently explained to this writer over the course of a recent three-week visit to Brazil, by leaders of the Brazilian government, private sector, military, scientific, and journalistic communities. Typical were the comments made by the President of the national oil monopoly, Petrobrás, Mr. Shigeaki Ueki. "We have the potential to become a developed country within a period of time much shorter than the most optimistic projections," Mr. Ueki told me bluntly. "The ideas of the Club of Rome on limits to expansion and growth, or the old theories of Malthus, are a certain form of pessimism," which have been discredited by "the development we have had in our country."

Mr. Ueki concluded with a pointed message to policymakers in Washington, especially significant on the eve of the May 12-15 state visit to the United States by Brazilian President Gen. J.B. Figueiredo: "It is important that the



NSIPS/Dennis Small

*The Angra dos Reis nuclear complex in the state of Rio de Janeiro. Shown here is the new and operating Angra 1, built by the U.S.A.'s Westinghouse. Angra 2 and 3 are under construction at this same site by West Germany's KWU and Brazilian partners.*

United States have strong allies. It is not possible to be a strong country without an intensive industrialization program.”

Brazil's optimism is well-founded. Its land mass is larger than that of the continental United States, yet it has only half the population. This *under*-population is especially striking in relation to the country's prodigious natural wealth. Brazil has the world's largest deposits of iron ore; enormous hydroelectric potential; commercial quantities of almost every known mineral including uranium; fertile soil; and extensive forests.

But far more important than this natural endowment is the fact that, over the past 20 years, Brazil has managed to significantly expand its industrial base for transforming these raw materials, and is today the leading industrial power in the developing sector. The southeast of the country has been the center of these efforts, in particular the highly industrialized state of São Paulo, which has achieved levels of production that would make it—were it a state of the United States—economically the third largest, following New York and California.

Brazil is now trying to extend this growth to still-backward areas of the country like the North and Northeast. The huge Greater Carajás Project is a good example of this. There, \$60 billion are being invested in an integrated mining, hydroelectric, and agricultural project designed to exploit the world's largest and purest deposit of iron ore (Carajás Mountain), and in this way open up the entire Amazon Basin to industrial development. A kind of “frontier mentality” prevails in Brazil, very much

like that of the early American republic, which is driving the nation into the underdeveloped West to continue growing.

From 1956 to 1960, for instance, the country constructed an entirely new capital city—Brasília—from the ground up, in the middle of the unpopulated central highlands as a symbol and a means for opening up the interior of the country. Although there are certain unfortunate aspects of Brasília's architecture and urban layout, more important is that an entire city *was* constructed out of nothing in less than four years—an impressive feat by any standards. Brasília today is a point of national pride. As one industrialist explained to me: “Brasília was our Apollo Project. It proved that we Brazilians can do anything we set our sights on.”

Yet despite this impressive growth, the majority of the Brazilian population remains enmired in oppressive poverty, especially in the North and Northeast of the country. Forty percent of the population is still without electricity. Per capita food consumption in most of the country remains under 2,000 calories per day. And in the booming industrial city of São Paulo, 2 million of its 10 million inhabitants live in slums, known as “favelas,” in cardboard shanties with open air sewers.

### **The U.S. role**

Even among the most nationalist of Brazil's nation-builders there is total openness—even eagerness—to cooperate economically with the United States. Although 60 percent of the Brazilian economy is in the

hands of the state sector, the country remains open to both domestic and foreign private investment. Brazilians view themselves as an integral part of the Western capitalist world, and seek American capital and technology in order to achieve their national goals.

The United States, however, has not risen to the challenge. It has in fact been a very poor partner over the past half decade. During the Carter years, the United States openly tried to sabotage Brazil's industrial development, as per the policy dictum of National Security Adviser Zbigniew Brzezinski: "We will not tolerate another Japan south of the border." In the case of Brazil, this meant trying to stop the landmark Brazilian-West German nuclear accord for 8 fission plants (including the full fuel-cycle), by pressuring both governments to abandon their accord. Carter failed miserably in this attempt—but he did succeed in poisoning U.S.-Brazilian relations for years afterwards.

The Brazilians were relieved to see Reagan elected president, but they remain wary of American motives and reliability in dealing with Latin America—a problem which has been compounded by the pro-British stance of the United States on the Malvinas crisis. One of the highest military authorities in Brazil told me privately: "We want to be the best of friends with the Reagan administration and the United States. But you must understand that to be a good friend we must be stable, and stability means that we must continue to have high rates of economic growth, since we have to absorb 1.5 million new workers into our work force every year."

The single biggest obstacle to achieving this Brazilian goal is named Paul Volcker—the Chairman of the U.S. Federal Reserve. Volcker's high-interest-rate policy has delivered a shock to the Brazilian economy—burdened by the world's largest foreign debt, at \$70 billion—and sent it into a tailspin since 1980. Last year, after a decade of remarkable industrial growth, Brazilian GNP *declined* by 3.5 percent. Prospects for 1982 are equally grim. The head of Brazil's House Foreign Relations Committee, Mr. Flavio Marsilio, confirmed to *EIR* that Mr. Volcker's unacceptable interest-rate policy would definitely be on the agenda for the mid-May Figueiredo-Reagan summit.

The likelihood of further economic recession in 1982 has Brazilian authorities particularly worried, since this is an election year in Brazil, where both Congressmen and the crucial electoral college for the 1985 presidential election will be chosen. If the economic crisis gets too severe, the leftist opposition parties will be greatly strengthened, and could challenge the political control of the governing PDS party and its military backers. Although most informed Brazilians consulted by *EIR* did not expect the situation to get out of hand in 1982, there is widespread concern over what will happen both

in 1982 and beyond.

There is another way in which Brazil is very much like the United States: the leaderships of both nations are infected with the dangerous ideological disease known as "pragmatism."

Having made important progress under duress in the past, Brazilian self-confidence—like that of many Americans—often translates into a foolish short-sightedness on international strategic developments. "Don't worry, we will manage somehow," was the constant refrain heard from Brazilian politicians and businessmen confronted with the hard facts of world economic reality. Time and again I was told that in 1981 world trade had collapsed by 1 percent, but Brazil's exports had increased by 17 percent, and that they fully expected to be able to continue increasing exports even as the world economy entered into a full-scale depression.

This type of pragmatism is what lies behind the toleration of the policies of Brazil's version of Paul Volcker, Planning Minister and economic czar Antonio Delfim Netto. Delfim, a man of enormous personal power inside Brazil, has overseen the policies of austerity and recession dictated to Brazil over the past few years by its creditors in the City of London. It is commonplace in Brazil to hear even the most pro-development of individuals—such as Petrobrás President Ueki—praising Delfim's adroitness at navigating within the parameters defined by the international economic disaster, and even praising the monetarist policies shared by Volcker and Delfim. "The world may be going to hell, but we Brazilians have a big country and are clever, and we will get by as we have in the past," is the unspoken argument of many Brazilians.

Yet just underneath this glib disregard for international reality, one perceives a growing, uneasy realization within the Brazilian elite that something has to be done to stop the United States' headlong flight into economic suicide, lest the entire Western capitalist world vanish.

The mid-May trip to the United States of Brazilian President Figueiredo and his top advisers will be an important measure of how far that realization has sunk in. So too will it reflect to what degree the Reagan administration has abandoned Carterite foreign policy, and is willing to invest in stabilizing Latin America by participating in the industrial development of Brazil.

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*During his recent stay in Brazil, EIR Latin American Editor Dennis Small toured the just-commissioned Angra 1 nuclear power plant at the Angra dos Reis nuclear complex in the state of Rio de Janeiro, and traveled by helicopter for a special visit to the Enchova offshore oil platform operated by the state-owned oil company Petrobrás about 100 miles north of Rio de Janeiro. An upcoming issue of EIR will feature editor Small's report on the development of Brazil's energy sector, and the debate on its future.*