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Brazil moves sideways on common market

by Mark Sonnenblick

Brazil is entering, crab-like, into what could become an Ibero-American Common Market. Planning Minister Delfim Netto is shifting Brazil's trading pattern toward one of barter to keep Ibero-America's biggest nation from being crushed under the collapse of the Bretton Woods and its associated General Agreement on Trade and Tariffs (GATT) "free trade" system.

Delfim raised eyebrows at the Brazilian Naval War College Sept. 16 when he proposed, "Take, for example, the case of Mexico and Brazil. If we could convince Mexico—as we are trying to do now—we can trade our crises. There is no way to get money anymore. For example, I have an enormous capital goods industry. I give you credit for $2 billion. You extend me credit for $2 billion. I sell you my equipment; I give jobs to my Brazilians. You sell me your oil and give jobs to your Mexicans.

"If we put our crises together, they turn into prosperity," Brazil's economic czar continued.

Scarcely a week later, Brazil deployed the head of its state oil company Petrobrás, Mr. Shigeaki Ueki, to Mexico to try to implement Delfim's proposal. Mexico's state oil company, Pemex, though not overjoyed by the idea of taking over the foreign debts of many Mexican importers, did offer to shift much of its purchase of drilling and production equipment from the now-closed U.S. market to Brazil, in exchange for future oil deliveries. Ueki is scheduled to seek oil-for-technology arrangements with Venezuela, and an airplane-and-bulldozer-for-oil deal has been hammered out by Brazil with Ecuador. An aide to the Petrobrás chief quipped, "Our president is on full-time deployment in an airplane."

The state oil companies of Brazil, Mexico, and Venezuela have also advanced in their plans to unite in a joint venture named "Petrolatin," which will provide the smaller countries of the region with an alternative to the big oil multis for exploration and development. Petrolatin will also handle a rapidly growing volume of derivatives and petrochemicals exchanged among its members.

Similar perspectives are emerging in the steel industry. At the September meeting of the Latin American Steel Institute, all producer countries agreed in principle to barter deals and other arrangements exploiting the "complementarity" of member economies. The institute's members also rejected the European Community's Davignon Plan for phased shutdown of world steel capacity. Venezuelan and Brazilian state sector steel firms agreed to exchange technology, financing, and products.

A true common market

The driving force behind this shift to various barter arrangements is, simply, that bank financing for the imports of the developing sector has dried up, while the advanced countries are restricting their markets. Trade warfare is thus replacing traditional trading patterns.

As Carlos Viacava, the number-two man at Brazil's Finance Ministry, put it Oct. 6, "Things are getting worse. We've gone back to the age of barter of merchandise, to the time before there was money. Things now have to be fought out hand-to-hand." He noted that Petrobrás was already successfully bartering steel products and frozen chickens for oil.

The problem with the Brazilian pragmatic approach is precisely the "hand-to-hand" combat for each operation described by Viacava. The growing barter phenomenon is still largely subordinated to what Delfim Netto sees as Brazil's primordial necessity—winning the respect of Wall Street and the City of London with a handsome "economic performance."

That subordination makes it difficult to work out large-scale, long-range frameworks of regional integration, such as the one proposed in August by U.S. Democratic Party leader Lyndon LaRouche. LaRouche called for an Ibero-American Common Market that would shelter the industries of the region from the dismantling demanded by the debt-collectors. If provided with a regional unit of exchange and with a regional central bank, the Ibero-American nations could not only refuse to play by the debt-collectors' rules, but could mobilize the immense unused capabilities of the region for accelerated economic development.

There is a broad political commitment to forge a genuine Common Market in the region, as signified by the unanimous support it received at the Latin American Parliamentarians and the Latin American Economic System (SELA) meetings in August. The leaders of Ibero-America saw the necessity for rapid integration to lie not merely in the need to shave scarce dollars off their imports bills, but in a larger strategic reality. Many of them realized that the Malvinas war meant that they could no longer trust the United States and the European Community as economic partners, and would have to move on the long-neglected path of inter-dependency with other developing countries.

Brazil will be the big winner if the Ibero-American Common Market comes to fruition. It has the region's only integrated capital goods capacity and would be thrust into a leadership role in the continent's development.

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EIR is now using the LaRouche-Riemann model for a study of the potential for an Ibero-American Common Market to function under adverse international conditions. For information, call Mr. Peter Ennis at (212) 247-8820.

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