How not to form a Common Market

What's 'good' for General Motors will kill what remains of the economies of South America.

The Presidents of Brazil and Argentina, José Sarney and Raúl Alfonsín, are gaining many and powerful endorsers for their joint proposal to create a so-called common market, but this support is not among the industrialists of either country, who look upon this "free market" opening with distrust. The enthusiasm is coming from the multinationals, and especially the major international automobile producers. These new sympathies will also increase the popularity of the two heads of state among the international creditor banks.

The reason for such glee among international bankers is that the proposal could mean a significant increase in Brazil and Argentina's export capacities, which would mean in turn a significant increase in the economic looting of those countries, in the name of servicing their huge foreign debts.

Specifically, during the past three years the Brazilian economy has dramatically increased its exports based on exploitation of unused installed productive capacity, enabling it to pay nearly $35 billion in interest without investing a single dollar in expansion of its infrastructure or industrial capacity during that same period. But at the beginning of this year, its unused capacity ran out.

Faced with this dilemma, the Brazilian government has imposed a series of measures to cut back internal consumption, given that growth of domestic consumption was threatening to limit the country's exports. At the same time, it is seeking "union" with Argentina, so that the two can now jointly employ Argentina's unused industrial capacity destroyed by the monetarist policies and by the Austral Plan of President Alfonsín, all in order to maintain the rhythm of export and looting imposed by the international financial oligarchy.

With these measures, Argentina will be providing industrial parts which will then be re-exported by Brazil. In the view of the creditors, this could increase foreign exchange and, at the same time, the debt payment capability of both countries. The slogan "grow together" which came out of the Sarney-Alfonsín meetings, would be better expressed, "export and pay the debt together."

For the national interests of both countries, the loss with this phony integration plan is twofold. Not only are their productive capacities misused in payment of the usurious debt, but it also allows the major transnational companies, especially the automobile assemblers, to increase their regional power and their profits.

The reason is that they are enabled to integrate the operations of their factories maintained in different countries, so that under the rubric of "intra-regional" free trade, the remission of their profits abroad is made easier, while sovereignty and national tax laws are made a laughing-stock.

As the Brazilian daily *Jornal do Comercio* recently charged, such flight capital is already being practiced by these companies. For example, General Motors makes an automobile that is sold on the Brazilian internal market for more than $10,000, but that same car—unassembled and in boxes—is exported to General Motors of Venezuela for only $2,800. After assembly, it is then resold for more than $6,000 on the Venezuelan internal market.

With such an operation, General Motors wins on all sides. First, exporting below cost creates an artificial "loss" on the books of the Brazilian company, wiping out part of the profits gotten from sale on the domestic market, which in turn translates into savings, come tax time. Besides, the "loss" in exports is passed on in the prices of the automobiles sold domestically, where the multinationals can count on a captive quota of 70% of all vehicle sales, which allows them to send the prices they charge into the stratosphere. Second, by under-invoicing their exports, the assembler companies surreptitiously manage to export their profits abroad. This not only constitutes capital flight but also evasion of the 33% tax on profit remission.

And these are only the profits obtained in Brazil. The fabulous profits of General Motors in Venezuela, which shut its factory recently to become an importer and re-seller of its own models, remain to be looked at.

To get some idea of the size of this scandalous fraud, during 1985 the Brazilian automobile industry exported more than 200,000 automobiles, of which more than 85,000 were exported in the form of boxed parts. This year, the exports continued to increase. And we are only talking about the automobile industry.

These, of course, are the same companies which—without lifting a finger—would further increase their vast profits once the system of free enterprise proposed by Sarney and Alfonsín is implemented.