EDITORIAL

Why Brazil?

The second part of our series on the major mining areas of the world will focus on Brazil.

We publish a very extensive material on the state owned mining conglomerate, Companhia Vale do Rio Doce and on the "Grande Carajás Program" for industrialization of the Eastern Amazon region. These articles analyse, from a Brazilian perspective, the efforts of this "third world" country to gain control over its natural resources and the struggle to formulate a national development policy.

The following editorial introduction, looks at Brazil "from the outside", trying to asses its role in the global struggle for minerals and the contradictions of its present export oriented resource policies.

Companhia Vale do Rio Doce, better known as CVRD, has come to symbolize the rapid postwar growth of the state sector in the Brazilian economy. Two reports on the CVRD (*Soares* p 14, *Erdemli* p 36) analyse how the company developed into the world's largest iron ore exporter and later into a major natural resource conglomerate.

The perspective is enlarged in a special report (*IBASE*, p 48) on the role of CVRD in the giant Carajás Program, for the development of the Eastern Amazon.

Togehter these articles illustrate both the *possibilities* of a developing country to grow strong within the capitalist world economy and the *limits* to this growth set by transnational companies and the developed capitalist countries.

The limits of economic growth

The gestation and consolidation of CVRD described by Soares coincide with a long period (1939-1979) of general expansion in the Brazilian economy. The motor in this growth was the effort, by an important part of the bourgeoisie and the small bourgeoisie, to develop a coherent national productive system. The import of machinery and equipment necessary for this task was financed in a traditional way, i e by export of agricultural commodities and from the mid 1950s, iron ore.

Towards the middle of the 1960s, however, the possibilities for this kind of industrial development reached an upper limit. Further expansion of the internal market would have required a radical redistribution of income, favouring the poor agriculatural labourers, the industrial workers as well as jobs for the masses of unemployed in the cities. The demands for such a radical change was in fact receiving a growing support, both from trade unions and the industrial bourgeoisie. But this process was dramatically halted by the military coup of 1964.

The economic strategy of the military governments has aimed at maximizing economic growth by an opening up towards the capitalist world market. The road to economic growth has been seen as going through the development of a strong industrial base, within the framework of a global division of labour determined by the TNCs. The restrictions imposed by the "limited" Brazilian market were to be overcome by increased exports instead of by an expansion of the internal market. The need for machinery, equipment, intermediaries and credits, during the period of industrial build up, was to be covered by a rapid increase in the export of raw materials and import of capital. Legal and economic concessions to foreign capital were seen as a necessary part of this policy.

The military takeover can thus be seen as serving the interests of the section of the Brazilian bourgeosie that is directly dependent on export markets, the TNCs and the industrialized capitalist countries.

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The military coup created excellent conditions for foreign investment. But the large inflow of foreign capital to Brazil after the military takeover can not primarily be explained by concessions made by the military. It should rather be seen as a reflection of the country's economic, geographical and geopolitical endowments, the government's general economic policy (its direction and the consistency and efficency of its implementation) and the internal political consolidation, from the capitalist viewpoint.

It is also important to remember that Brazil was one of the first developing countries with an engineering industry of importance. The country is also very rich in the majority of heavy industry raw materials and because of its tropical climate it has already gained some experience in tropicalizing engineering industry products.

This has made Brazil a natural bridgehead for transnational engineering industry exports to third world developing countries (Cf Kollath G, *Brazil on the threshold of the eighties,* Institute of World Economics, Budapest, 1981.)

In the light of the political considerations behind the military coup of 1964, the new "orthodox policies" of the 1980's, aiming at reducing the deficit in external payments should be seen as a temporary adjustment to the crisis in the world capitalist markets, not as an "abandoning" of the expansionist model. As documented in the IBASE study this is quite in line with the long term strategy of transnational capital.

The strategy of the TNCs

The natural resources of Brazil are immense and of vital interest to the TNCs and the industrialized countries. But they are *not* unique and it is important to understand that the TNCs have developed a long term resource policy aiming at not putting all the eggs in one basket. The Japanese TNCs have pioneered in:

> "maximizing the volume and geographical diversity of output in natural resource industries with less concern for maximizing the share of the rents accruing from those industries to home companies."
> (Bergsten, Horst, Moran: *American Multinationals and American interest.)*

This aim for geographical diversity does not only comprise natural resources already being exploited, but also the reserves. By different means the TNCs indicate their interest in natural resources all around the world. Expectations of demand decide *when* they will be exploited, but the order of succession is, besides quality and location, strongly influenced by the terms of concession admitted by governments in individual countries.

> Rio Tinto-Zinc for example, is sitting on a vast 2,4-billion-ton bauxite deposit at Paragominas, but will not move until the world markets catch up. The massive copper deposit (in Carajás) will eventually be exploited but as one mining company cautions, there are plenty of huge deposits like this in the world, of the same quality, but with better infrastructures, which have been sitting on the shelf for years.
> (Basil Caplan, *Brasil's delicate balancing act,* The Banker dec 1981.)

The institutional framework for this policy of geographical diversity was developed during the 1960s and 70s:

> "The capital would be provided in the form of debt from final consumers or from factoring (selling collection rights to a financial intermediary at a discount). The aim would be to make all multinational companies less vulnerable to becoming the hostages of host governments after the projects are on-stream, less likely to play the role of tax collectors on behalf of host countries, and more able to expand production capacity in the face of economic nationalism among exporting states."
> (Bergsten, Horst, Moran, *American multinationals and American interests.)*

This important change in the institutional forms of financing exploitation of natural resources can also be noticed in the case of CVRD: that is from the direct investments by British and US capital financing mining in Minas Gerais to the importance of customers credits in financing the Carajás project.

The necessity of alternatives to TNC policies

TNCs control of markets, their leading position in technological development and their access to internal and external sources of capital give them decisive influence over *which* natural resources that should be exploited, *when* exploitation should start and *where processing* should be located.

Thereby they are also defining the limits of the resources individual raw material exporting countries are able to set free for industrial development. These limits become further restricted if the TNCs succeed in palying individual raw material exporting countries against each other.

In Brazil TNCs can operate under favourable conditions. The economic policy of the government is narrowly concentrated on growth, implying conformity of national development goals and the strategy of the TNCs in modelling individual projects. The country is rich enough to finance the development of the infrastructure through state or private domestic capital. Less affluent countries with less accessible or poorer natural resources or a more ambitious policy of economic and social development must accept a low priority by TNC's or soften their terms of concession in order to get access to international markets and sources or finance.

The power of the TNC's is not absolute, however. As is stressed in the study on resource wars, as well as in the the IBASE study, the question of just exploitation of resources, nationally and internationally, is eminently political and must be solved by democratic discussions involving all sectors of society. In Brazil the government has so far resisted demands from those opposing the present policies. But the debate on "the Brazilian model" of resource policy is growing. The leading position of Brazil in the world markets of a number of commodities make the outcome of this debate and solidarity with those struggling for a new resources order in Brazil a question of great international importance. ■