Development projects scrapped under IMF

by Mark Sonnenblick

A million Americans have lost their jobs thanks to the IMF austerity programs imposed on Ibero-America. U.S. exports to the region have been almost halved from their 1981 level of $39 billion. Each billion dollars of exports means 25,000 U.S. jobs, according to congressional testimony by the National Foreign Trade Council.

For the countries of Ibero-America themselves, the IMF program has had the following consequences:

- They have been forced to halve their imports in real terms since the first half of 1981, to only $10.9 billion in the first half of this year.
- They have been forced to export to the United States, at prices far below the cost of production, goods they produce which should have been used internally.
- They have had to abandon the very development projects which would have raised the revenues to pay the debt in the future. In Brazil, Mexico, Venezuela, and Argentina, over $400 billion worth of well-planned investments has been abandoned, put on ice, or implemented under conditions in which the projects are no longer viable. Ambitious plans for energy, infrastructure, mining, steel, and petrochemical development have been killed. Populations are dying of malnutrition on land which could, with high-technology investments, become breadbaskets for the world.

If allowed to complete even some of these projects, these nations would be able to service their debts. Chase Manhattan bank observed in 1979 that the $15 billion annual iron ore exports forthcoming from Brazil's Carajás project would be enough to pay the entire interest and principal due from Brazil. Bundesbank officials told *EIR* that if Belgium's energy system can service the $100 billion used to build it, than Brazil's Itaipu Dam could easily cover its $14 billion cost. Carajás has been postponed and Itaipu, the world's most powerful dam, stands completed, but without power lines to its market 500 miles away.

Ibero-America would become an economic superpower if the whole gamut of projects were completed. Wonderful? Not in the minds of anti-growth Malthusians in Washington, London, and Switzerland. "The United States cannot tolerate any more Japans south of the border," Carter-Mondale Latin American policy chief Robert Pastor told *Business International*'s Leslie Bourne in 1977. The State, Treasury, and Commerce Departments are still operating under that dogma, subverting President Reagan's desire for expanding trade with neighbors like Mexico and Brazil.

Brazil

When the crisis hit, Brazil was embarked on 16 projects costing over $1 billion each, with a total scheduled outlay of $202 billion. Brazil's leaders saw that its vast natural and human resources demanded that industry keep growing at the 12 percent annual rate of the 1970s. The new infrastructure, industry, and agriculture would have created, directly and indirectly, 5.5 million new jobs.

EIR calculated that these capital-intensive investments would pay for themselves many times over. They would raise the average productivity of every worker in the country by 10 percent, giving Brazil the genuine surplus which would repay the high-technology equipment imported from the United States and elsewhere for the project, would permit non-inflationary raising of living standards, and would generate capital for further investment. Indirectly, these largely state-run projects would serve as the prime market and supplier to catalyze creation of thousands of smaller private-sector industries with faster paybacks.

These projects have now all been slashed or canceled. The IMF's first move in Brazil was to force a halving of the state-sector investment budget for 1983 and to reduce it further in 1984. What is left is inadequate even to service the debts held in the name of state-sector companies.

The Greater Carajás project: This $69.2 billion undertaking involved building a modern agricultural and metal-working facility and placing 1.7 million families in an almost unpopulated Amazon province twice the size of Italy. The state's CVRD mining company planned for the whole enterprise to be financed from export revenue from the $333 billion worth of super-pure iron ore in Carajás mountain starting in 1985. But the banks provided not a penny of the $160 million they were committed to lend in the first half, and therefore the 550-mile railroad link from the completed mine to the completed port cannot be ready until May 1986 at the earliest. The IMF insists that nothing but the mine, railroad, and port will ever be built, and that Brazil must open its state sector to foreign ownership.

Nuclear energy program: The $30 billion "deal of the century" for eight power reactors, enrichment and reprocessing plants from West Germany has not been formally abrogated, but work has practically ground to a halt. Components for the first reactor fill warehouses in Germany and Rio. The $250 million nuclear engineering facility, the best in the Third World, has almost nothing to do.

The first turbine of the 12,600-megawatt Itaipu Dam, the world's largest, will soon be turned on. But, except for a

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dribble of power needed by neighboring Paraguay, its output will go to waste. The World Bank decided not to "waste money" building transmission lines to the cities, when over 2,000 megawatts of hydropower from older dams are already going to waste as a result of the industrial depression. Itaipu's cost per kilowatt is the world's lowest, but, deprived of a market, it is now a $14 billion white elephant.

Steel production: Fourteen million tons will be produced this year, against the 30 million once planned. The nearly completed $3 billion Açominas plant has been abandoned; CSN and Cosipa expansions face the same fate. The Tubarão plant, inaugurated Nov. 30, has to pay for itself by dumping steel in Pittsburgh at prices reportedly as low as $125 per ton for steel slabs which sell for $180 per ton on the world market. To do this, Brazilian wages have been lowered to the point that a worker earns in a day less than the man doing the same job in Pittsburgh gets in an hour.

Railroad development: Subway expansion has been canceled. São Paulo's 30-year-old commuter trains break down weekly, resulting in savage riots. The almost complete modern "steel railroad" has been abandoned.

Other infrastructure projects for $14 billion in housing, water, and sewage, $7 million in port modernization and shipbuilding, and $4 million in communications improvements have been cut back drastically.

Venezuela

The 1976-80 development plan (V Plan) provided for $53.3 billion worth of capital investment which was to continue into the 1980s, multiplying production tenfold by 1990. Investments were to be concentrated in the new industrial complexes in Guayana and Zulia provinces. The Zulia plan was for a greenfields coal pit and mine producing 5 million tons per year, much of which would be used in a greenfield steel plant, eventually yielding 10 million tons per year as part of Venezuela's V Plan objective of producing 15 times as much steel in 2000 as in 1976.

In the 1981-85 VI Plan, Zulia was drastically cut down and then eliminated. Ciudad Guayana, once the country's boomtown with $11.6 billion worth of steel and aluminum complexes under way, is now filled with hundreds of thousands of unemployed as almost all new construction has ground to a halt.

Mexico

Mexico's plans for becoming an industrial producer not dependent upon oil revenues focused on breaking transport bottlenecks with new port cities, building 20 nuclear plants and full electricity grids to supply efficient steel, petrochemical, and fertilizer industries, and feeding an expanding population by channeling irrigation water from the humid south to the dry plains of the North.

To accomplish these tasks, Mexico would require some $150 billion in imported capital goods, $100 million of them from the United States, *EIR* reported in 1981. The deal would be "oil for technology," with Mexico pumping oil on the Saudi Arabian scale of 10 billion barrels per day by 1990 to provide secure supplies to its technology suppliers.

Mexico was barreling down this track in 1981, until the IMF and the banks pulled the plug.

As soon as Mexico began to encounter financial difficulties, the IMF demanded that it stop importing. Dr. Júlio González, IMF division chief for Mexico and the Caribbean, said in March 1982: "We are telling the banks to hold the line on lending to Mexico and clamp down now, to try to get the import levels down. If imports are not cut, and wages, then there will be an absolute state of chaos in Mexico in the middle of the year. . . . So they must begin the austerity program now."

Work stopped on every development project, and suppliers in the United States laid off their workers. Secretary of the Treasury Donald Regan told Congress last year that the United States had lost 250,000 jobs due exclusively to Mexico's inability to import. Mexico's capital goods imports (mostly from the United States) fell by 50 percent in 1982 and by an additional 71 percent so far this year. The terms of debt renegotiation contracts signed with the banks rule out resumption of such imports for the foreseeable future.

Four new ports were planned to break the bottlenecks blocking Mexican integration into the world economy. Each of them was intended to be an intermodal center capable of handling containers and solid and liquid bulk cargos to and from supercarriers. Two were greenfields projects involving the construction of entirely new cities. Each was to serve as the center for a heavy-industry complex. All are paralyzed.

Nuclear energy program: Plans were for 20 nuclear plants by 2000. In June 1982, Mexico canceled bidding on $3 billion worth of contracts on which U.S. firms were the leading bidders. Work on the 75 percent complete Laguna Verde I will be dragged out until at least 1987, while the 40 percent completed Laguna II has a padlock on the construction site. The state uranium mining company has just been dismantled, and a new nuclear research center was canceled.

Steel production: Las Truchas stage 3 and two private and one state plant at the new Altamira port have all been canceled.

Petrochemicals: Plans to spend $3.6 billion to build 50 plants from 1981 to 1985 were announced in 1981. The huge La Cangrejera complex is 90 percent complete, but key components needed for efficient integrated operation are not being built.

Irrigation: Mexico could raise its grain harvest from 20 million tons to 68 by 1990 with irrigation, fertilization, and other improvement of existing acreage. Huge canal projects moving water up from the rainy and rugged South to the dry plains of the North are vital to this. But inability to import has caused the government to deny machinery to proposed water management systems.

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