

capital goods to employment in production of households' and related goods.

They see productive capital and infrastructure as among the first expenditures to be cut for the sake of increased profit. They admire the wealth of the United States, to the degree they can acquire it; but they have not the slightest notion of how that wealth was built up through capital-intensive, energy-intensive investment in technological progress of farming and industry, and capital improvements in basic econom-

ic infrastructure. Their economics of production are those of the meanest, most technologically illiterate sort of "sweat-shop" operator.

Brazil is a vast country, with vast natural potentials waiting to be developed. So far, the development of this area is delimited to those regions in which infrastructure has been developed up to the level of kilowatts per square kilometer and per capita consistent with that in the industrialized nations of Japan, Western Europe, and North America. The

U.S.-Brazil trade war on the way?

by Mark Sonnenblick

President Ronald Reagan announced Nov. 13 that the United States would apply \$105 million worth of tariff surcharges and bans on Brazilian goods in retaliation for Brazilian measures to protect its nascent computer industry. Reagan justified his action in the name of "a free and open trade system."

Brazilian President José Sarney immediately protested "this uncalled-for and discriminatory threat" and announced, "I have ordered the ministry of foreign relations and the finance ministry to immediately study measures which could be taken against imports of U.S. products, if the threats made public today are implemented."

During the next month, this issue will provoke the most intensive lobbying, in Washington and in Brazil, in the history of North-South relations. In the formal realm, the U.S. Federal Register will soon publish a list of Brazilian exports to be banned or subject to up to 100% duty surcharges. That will be followed by several weeks of public hearings and possible modifications by the administration.

The U.S. sanctions list is expected to include shoes, textiles, and airplanes, which are now being exported by Brazil, and computers, which it does not yet export. A U.S. government source told the daily *O Estado de São Paulo* Nov. 11, "Our decision is to impose a 100% surcharge on the products chosen, eliminating them from the market."

"He who sanctions may also be sanctioned," Brazilian Science and Technology Minister Luiz Henrique remarked Nov. 14. He commented, "Like any good cow-

boy, President Reagan is going to count to 10 before pulling the trigger." His predecessor, Renato Archer, pointed out that Brazil could pre-purchase the \$1 billion in electronic components it imports every year from the United States from Southeast Asia instead. Another potential target is the \$274 million in steelmaking coal Brazil buys from the United States, but could buy cheaper from Australia or Poland.

One fact, conveniently overlooked by all those who argue that Brazil's computer industry is responsible for \$105 million of the record U.S. trade deficit, is that in 1985 the United States exported to Brazil \$85.9 million in automatic data processing machinery, plus \$198.8 million in parts for such machines. U.S. computer product exports to Brazil have gone up every year, and are now several times larger than when Brazil started protecting its computer market a decade ago. Some of that goes into the big mainframe and medium-sized systems IBM makes in Brazil for the local market.

There are clearly other motives for Brazil-bashing.

Bashing Brazilian mercantilism

The Reagan administration and Brazilian Finance Minister Luiz Carlos Bresser Pereira are blaming U.S. protectionist Democrats, labor unions, and industrialists for the assault on Brazilian protectionism. On the afternoon of Nov. 6, Sen. Ted Kennedy and five other Democratic Party senators introduced a resolution recommending that the President retaliate against Brazil for protecting the micro end of its computer market from being swamped by IBM. Their action was closely coordinated with Treasury Secretary James Baker III, who had been wielding threats of retaliation to get Brazil to break its debt moratorium. Hours after Bresser capitulated on that front, Kennedy moved.

A high-level State Department official told Brazil's *Gazeta Mercantil* on Nov. 13, "The President's decision shows the enormous frustration in the U.S. today over Brazil, a country which has become an economic power but insists on behaving like Paraguay, with a mercantilist policy which does not allow for reciprocity." The State

location of industries depends upon the energy-density of the locale, and the logistics of transportation and related factors affecting the movements of goods and population.

There is no escape from this. Although the energy-density per capita in Japan, is lower than that in West Germany or the United States, the energy-density per-square kilometer is several times greater. Combining the two factors, as energy-density per per-capita unit of population-density, we see that the latter energy-density function correlates with levels

of technology and productivity which might be achieved. If Brazil were not to invest in large-scale infrastructural development, geographically, it would be required to invest at least as much in capital improvements in presently industrialized zones.

It is to the economic and strategic advantage of the United States, that Brazil be able to increase its per capita output to the highest possible levels at the highest rate. The United States should desire to export to Brazil, not the lower unit-

Department remains loyal to the treasonous tradition encapsulated in its slogan: "We don't want any Japans south of the border." It is with this idea in mind that the bipartisan Project Democracy mafia in Washington promotes the destabilization of those Third World governments who know that the only way any country has industrialized is when its government has aided new industries and protected them from foreign competition.

Through the National Endowment for Democracy, the U.S. taxpayers are financing politicians in the Third World who are trying to destroy mercantilist and dirigist structures there. The daily *Correio Brasiliense* reported July 24 that former Finance Minister Delfim Netto had been meeting with powerful businessmen, Gen. Octávio Medeiros, and ex-President João Baptista Figueiredo to plot against President Sarney. The daily said that they were acting on behalf of international financial groups, which wanted to force Sarney to abandon national sovereignty in foreign debt negotiations, as well as in defense of the computer industry. *Correio* claimed that Gen. Vernon Walters, who coordinated the 1964 military coup in Brasilia with the Figueiredo faction, was involved in the conspiracy.

Sen. Roberto Campos is also back on center stage. As the central bank president imposed by the 1964 coup, Campos placed Brazil under International Monetary Fund control, brought on a deep recession, and facilitated the takeover of Brazilian industry by multinational corporations. Campos lamented in a July 5 newspaper commentary that Sarney did not fully open the Brazilian economy to foreign investment in computers, "the nerve center of modern industry, putting himself in a more reactionary position than that of Gorbachov, whose *perestroika* is precisely intended to attract the multinationals of information and electronic technology."

A similar line was taken by Deputy Afif Domingos, who on Aug. 27 denounced a new article being written for the Constitution in Brazil, which mandates that the state give preference to "the nation's scientific, technological, and cultural progress as a criterion for granting incentives, for purchasing, or for granting access to the Brazilian

market." Calling it "an attack of hysterical xenophobia," Afif said it was being done, "exactly at the moment in which the most isolated country in the world—the Soviet Union—has begun to open its regime." "We must send the authors of that draft to Russia, so that they learn a little from Gorbachov," said Afif, according to *Jornal do Brasil*.

Constituents and military

Delfim, Afif, and Campos are among the leaders of a Constituent Assembly coterie that is moving heaven and earth to overthrow all or part of the nationalist draft Constitution which came out of committee Nov. 15. According to *Veja* newsweekly, which supports their efforts, one of their scenarios is to procure Brazilian military intervention against the Constituent Assembly.

The Constituent Assembly is being closely monitored by U.S. Ambassador Harry Schlaudeman, an experienced coup-maker. Treasury Secretary James Baker III is trying to fine tune the U.S. trade sanctions to help the Project Democracy faction triumph over Brazilian nationalists. The threat of sanctions against Brazilian shoes, for instance, could provoke whole states to demand their representatives take computer protection out of the Constitution when it comes up in the plenary.

The bulwark of the policy of defending the Brazilian computer industry is in the army. Military nationalists decided a dozen years ago that the country needed its own computer industry as a matter of national security. Army engineers nurtured it from nothing. Some whiz kids in Washington think that by banning imports of Brazilian aircraft, the pride of Air Force nationalists, they could focus vengeance on high-tech factions of the military.

Such imperial tactics are likely to backfire, just as Jimmy Carter and Walter Mondale's 1977 attempt to bludgeon Brazil on "human rights" wrecked the Brazil-U.S. military agreement. A new U.S. offense would poison the waters for Brazilian cooperation against Soviet incursions. It might also provoke Brazilian leaders to stop pandering to the maniacs in Washington, and turn production toward their internal market and that of their continent.