

Lula stated that the expansion of trade with China would also strengthen the integration of South America, in that it will stimulate construction of the Atlantic-Pacific bi-oceanic corridors.

To get some idea of BNDES's capacity as a bank for industrial development, one need only look at the amount of credit it issued last year—\$12.5 billion, more than double the \$5.5 billion of the Inter-American Development Bank, which finances operations all across Ibero-America. Now, BNDES will serve as the foundation for the unification of South America. According to reports published by the newspaper *Folha de São Paulo*, BNDES would have a 20% holding in the CAF. Until now, CAF has been the leading credit agency for infrastructure in the region. To accomplish this, BNDES will inject some \$400 million into CAF. There is also a plan in the works to merge the CAF with the Rio de la Plata Investment Fund (Fonplata).

The objective is to plant the seed of what could grow into a South American Development Fund, whose goal would be the financing of IIRSA's 123 projects, with a budget of more than \$40 billion.

The unification of regional credit agencies is being proposed, in parallel to negotiations between Brazil and Argentina for the creation of a common currency in the context of the consolidation of Mercosur. The matter was raised anew by authorities from both countries, during an early May visit to Brasilia of Argentine Deputy Foreign Minister Martín Redrado. What has already been decided concretely is the creation of a Monetary Institute within Mercosur, which would be charged with studying the various means of achieving monetary unity.

The problem here is clearly that both Brazil and Argentina are conceiving of this monetary unity within the context of the brutal austerity policies enforced by the IMF; this is the Achilles' heel of the entire economic integration effort. Specifically, if that monetary unity is conceived of as a simple combination of the international reserves of the two countries, to try jointly to defend themselves from international speculative attacks against their currencies, the proposal will be a smashing failure. It will only work if that unity is designed to strengthen them in order to impose the necessary monetary inconvertibility.

South American Defense and Security

In parallel to the efforts for the physical economic integration of South America, Brazil is also diplomatically pursuing a security and defense agreement for South America, while keeping TIAR (the 1947 Rio Treaty) alive and functioning. For the first time ever, South America's defense ministers met on April 23, during the Latin American Defense Fair. One of the most important proposals they discussed, would standardize military and security equipment: according to Brazilian Defense Minister José Viegas Filho, a kind of "joint venture among the industries of the

region, to enjoy an economy of scale."

Minister Viegas wrote an article in the May 2 *O Globo*, which stressed that this unprecedented meeting "reflected the fact that our region has already reached sufficient maturity to achieve its own political and strategic identity. Today, we have the clear perspective that the problems we face do not separate us, but unite us. The peoples of this region, from the common citizen to the leading figures, can work peacefully, knowing that wars among our countries are a thing of the past. Common problems, against which we are united, are the fight for economic and social development, and for the protection of our territories and our institutions against the activities of multinational organized crime."

"This new perspective of unity," Viegas continued, "allows us to think of our Armed Forces as sister organizations in solidarity. It allows us to think of common tasks, of common goals, and of a progressive broadening of our common efforts and shared activities. Today there exists, among the ministers of defense and among the armed forces of South America, an atmosphere of flourishing friendship and growing confidence."

FDR Sought Brazil's Industrialization

by Cynthia R. Rush

In his accompanying article, *EIR's* Lorenzo Carrasco reports that Brazilian President Luiz Inácio Lula da Silva's efforts to make the National Economic and Social Development Bank (BNDES) function as a real development bank, has a precedent in Brazilian history. In 1952, during his second term in office, nationalist President Getulio Vargas set up the precursor to BNDES, the National Economic Development Bank (BNDE), for the purpose of financing Brazil's industrial and agricultural development.

Until the Presidency of Fernando Henrique Cardoso in the 1990s, who forced BNDES to oversee the International Monetary Fund (IMF)-dictated privatization of state-owned companies, BNDES largely played the role that Vargas envisioned.

It is notable that in September 1942, during Vargas' first term in office, a proposal for national banking also came out of the technical mission sent to Brazil as part of Franklin Delano Roosevelt's Good Neighbor Policy, and charged with surveying every aspect of that country's economy, labor force, and natural resources, to determine how its rapid industrialization could be most efficiently achieved. The 12-person commission, led by FDR's close friend and collaborator Morris Llewellyn Cooke, former head of the Rural Electrification



Under Franklin D. Roosevelt's Good Neighbor Policy, a commission sent to Brazil in 1942, headed by Morris Llewellyn Cooke, proposed a national banking policy to foster Brazil's industrial development.

Administration, was one of several such missions sent to a number of Ibero-American countries, reflecting the Good Neighbor Policy's intention of reviving the foreign policy thrust of the giants of the American System—John Quincy Adams, Henry Carey, and James Blaine—which had been trampled on by previous administrations.

The cornerstone of that policy was respect for the sovereignty of each nation in the hemisphere, and recognition that it was in the interest, and to the benefit of the United States, to have economically prosperous and constantly developing neighbors.

The chief of staff of Cooke's team was Corwin Edwards, former chairman of the Policy Board at the Justice Department's Anti-Trust Division, and former Assistant Chief Economist and Economic Advisor at the Federal Trade Commission. *EIR's* Rio de Janeiro bureau reports that it was Edwards who proposed that Brazil's public sector participate in investment through the creation of a state bank, to be jointly owned by the Federal government and the states. Edwards' proposal was favorably discussed by State Department officials close to Undersecretary of State Sumner Welles, and his key politi-

cal advisor Laurence Duggan.

At the end of World War II, Edwards would go on to work in Japan, as head of the economics team under Gen. Douglas MacArthur, directed to rebuild the Japanese economy.

Always Allies

Getulio Vargas' first meeting with FDR in 1936 launched several years of close cooperation and friendship between the two. They discussed Brazil's hopes for industrial development and its contribution to Western Hemisphere defense. It was during the Roosevelt Administration that the U.S. Export-Import Bank provided funding for construction of Brazil's vast Volta Redonda steel complex, the jewel of Vargas' national industrialization plan. FDR envisioned a key postwar role for Brazil, and told Vargas that, at war's end, he wanted the Brazilian President to sit "at the peace table" with him.

Cooke, who was also an expert in the workings of the Tennessee Valley Authority (TVA), produced a lengthy two-volume report, later abridged for publication in the United States, entitled *Brazil on the March: a Study in International Cooperation*. That work, also admired inside Brazil by such American System advocates as Roberto Simonsen, stands in stunning contrast to the IMF's insane policy focus today, to ensure that "no Japans" develop "south of the border." Emphatically, that means Brazil.

Simonsen's political faction endorsed the Cooke mission's finding, that a dirigist approach to Brazilian development was needed.

With great optimism, Cooke dedicated *Brazil on the March* to "the friendly people of Brazil. May the policies and plans here discussed bear plentiful fruit to satisfy human wants. In the forthcoming industrialization, may every lovely facet of Brazilian life be protected." It was Cooke's desire that *Brazil on the March* would help the "non-technical American reader," to understand "those portions of the mission's findings which throw light on the development of present-day Brazil, a nation girding itself for a far-flung industrialization in which our people's understanding of the problem may play an important role."

The jacket of *Brazil on the March* underscored that the Good Neighbor Policy shows that "cooperation does pay off in hemispheric solidarity, rather than rivalry for empire. For Brazil is on the march to greatness, and the United States is helping to make her dream of industrialization come true."

There's no question that Cooke saw his work in Brazil as something to be replicated hemisphere-wide. Upon completion of the mission's work, he wrote a 50-page memorandum, entitled "Promotion of the Development of the Brazilian Economy as a Pattern for Hemispheric Economic Relations—the Long View." In an upcoming article, *EIR* will present an in-depth picture of FDR's Good Neighbor Policy for Ibero-America, including its ramifications internationally.