What's Canada Doing in Brazil?

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What's Canada Doing in Brazil?

Tim DRAININ and Jamie SWIFT

Foreign trade has played a crucial role in the economic development of Canada and Brazil. In addition, the Brazilian economy has been significantly influenced by the multinational corporations and foreign investments, particularly in the automotive and oil sectors. This has led to a surge in economic growth and increased foreign exchange reserves. The Brazilian government has implemented several policies to attract foreign investment, including tax incentives and regulatory reforms. As a result, Brazil has become a major destination for foreign investment, particularly from companies such as Ford, General Motors, and Fiat. These investments have contributed to the growth of the Brazilian economy and have helped to reduce the country's reliance on oil exports. As a result, Brazil is now a major player in the global economy, and its economic prospects are bright. In short, the Brazilian economy is on the rise, and foreign investment is playing a key role in this growth.
loans and credit ($75 million of this by Brazil's banks) entered the Brazilian economy.

It is increasingly widely known outside Brazil that this "development" also involved the elimination of civil liberties, the outlawing of trade unions and student associations, and the growing use of imprisonment, political murder and torture as methods of social control (see accompanying box on Manuel da Camorinco). Equally important, though perhaps more surprising to some, is the fact that the ten years of the Brazilian economic "miracle" have also been years of increasing destituation for the Brazilians, despite the spectacular growth designed by Brazilian technocrats, few benefits have flowed "down" to the bulk of the population. For Brazilian "growth" is not predicated on opening new markets by an increase in the size of the economically active sector of the population. Rather it is based on the growth of wealth of the Brazilian rich and has sprung from premises which ignore the plight of the poor. Thus in Brazil between 1960 and 1970, the top 10 per cent of the population saw their percentage of the national income increase from 37.4% to 63.6% and their annual per capita income rise from $1,645 to $2,040. Meanwhile the poorest 40% of the population saw their share of the national income fall from 11.2% to 9%.

The rationale behind this becomes clear once you realize what development means for the military. For them, development is the creation of a particular type of capitalist consumer economy which, by its own definition, can only benefit a few. In Brazil, the dynamic economic sector is the production of consumer durable goods such as colour TVs, blenders, air conditioners and the like. Between 1970 and 1971, the production of cars rose by 37% of air conditioners by 18%, of domestic electrical appliances by 27%. At the same time, non-durable consumer items (that is, those products cheap enough to be available to the working class, such as clothing) decreased slightly in production. And if the dynamic sector of the economy is so dependent on consumption of expensive consumer durables, it would be bad policy to redistribute income for the betterment of the lower classes. Their income, in any case, would have to increase ten or twenty times for them to be able to purchase such products and thus help to sustain that particular type of economic growth!

This is one dimension, but there is a second even more crucial characteristic of this impoverished man of the Brazilian population: they are the source of a marketable elastic and cheap labour force.

Brazil has maintained one of the lowest wage scales of any partially industrialized Third World nation. Labour costs in production account for between 8 and 30% of total costs, while in North America the equivalent figure is between 30 and 40%.

Over the past ten years the real wages of the Brazilian worker and peasant have declined by almost 50%. The officially recognized minimum wage is only half the officially recognized minimum income required to buy enough food for subsistence. If rent, clothing and transportation are added in a worker needs four times the minimum wage. Yet some 18 million Brazilians earn no more than the minimum wage. Here too is a major reason why Brazil has been able to attract massive amounts of foreign capital: the country, with its labour and distribution policies, provides a Lucrative base for runaway shops. These policies also help account for the competitively low cost of Brazilian commodities on the world market.

To be sure, there are weaknesses in this miracle - even from the point of view of the ruling groups in Brazil. These weaknesses have begun to surface in the form of a severe balance of payments crisis involving a possible default for 1974 of $2.7 billion. While Brazil does maintain its huge foreign currency reserves ($2.7 billion, which is equal to Canada's reserves), it also has one of the highest levels of capital outflows of foreign debts ($18 billion by the end of 1974). Moreover, its entire economic strategy is now being threatened by the current economic crisis which faces all the world's capitalist countries. The hardest blow for Brazil has been the recent increase in the price of oil. Thus Brazil, still vitally dependent on such exports as coffee, soy beans, sugar and meat finds that export earnings are not keeping pace with import costs, while simultaneously less capital is available internationally for loans and new investments.

The major deficit which is involved promises to have profound effects on the Brazilian economic model. The Brazilian boom is in some ways similar to a confidence game. Only as long as new investors place their capital in Brazil at an ever increasing rate does capital remain available for earlier investors to repatriate their profits. The successful experience of these corporations in turn feeds the capitalists' euphoria about the economic "miracle", in turn encouraging new investment and the continuation of the cycle. If this cycle is broken anywhere, such as in the payments' deficit, the capital available for repatriation dries up, and the boom will turn to bust. A bust is not uncommon to Brazil; the country has experienced two major ones in the last twenty years. Now, again, there are strains in the wind. In August, Nissan Motors of Japan announced that it was cancelling its plans to open up a large automobile factory near Sao Paulo, citing Brazil's economic instability and the growing balance of payments problem. . . Small wonder Brazilians are beating the hedges in Canada for more investors!

We have seen that most Brazilians got few enough benefits from the boom; the beginnings of a bust merely exacerbates what is, in any case, an appalling situation. In the first five months of this year, food prices in Rio de Janeiro have risen by 50% and it is the lower classes who bear the brunt, their basic food staples having seen the greatest overall increases. A basic food, black beans, increased 30% in price in January alone. Total with the workers are revealed quite clearly to be absorbing the costs of the country's economic woe, once again shouldering the burden of the "miracle".

This is not surprising. The total lack of concern for the workers in Brazil has been revealed in practically all of the junta's policies over the years. Even the Health Minister has recently noted that his department has an "obsolescent, anti-functional structure", lacking any sense of purpose or planning; in fact, the junta has allocated only 1% of its budget to health this year, compared to 4% allocated in 1964. Needless to say, the cutbacks in expenditure have not extended to the expensive apparatus, military expenditures requiring 14% of the national budget. Yet the rate of infant mortality has risen steadily since 1960 and is now in excess of 80 per thousand live births. Brazilians face a life expectancy of 35 years, over half the population over twenty are affected by tuberculosis, and a meningitis epidemic now grips the country. The government's response to forlorn non-assistance of health problems in the newspapers.

Brazil also suffers from a high rate of industrial accidents. Just as pollution controls are negligible, so are industrial safety standards. According to official figures, in Sao Paulo alone 5000 workers have been killed and 120,000 injured in the past two years. Real figures are possibly much higher; during construction work on the Sao Paulo motorway offshoot the entrance to the city, the authorities admitted that 18 workers have been killed, but an independent investigation suggested that the real figure was closer to 250. When confronted with this figure, a company official did not deny it but told a reporter, "You must realize that when building tunnels (there are many tunnels on the road), four fatalities per kilometre is ideal, six deaths indicate average risks, eight is high, and ten deaths per kilometre is unacceptable." Health hazards are even worse for those working in the Amazon valley. They are subject to attacks of malaria, dysentery, hepatitis and beriberi. Nearly 40% of them died, and
at least 10% are too sick to work at any one time. And of course there are those who do not work at all. During the period January to November 1969, the potential work force, which grew by an estimated 2,053,499 persons, but only 26,000 new jobs were created. 2 Official figures place unemployment at 18%. But talks by the BPI with the wide-open situation of unemployment skirted the question, shoe repairers, etc. This figure is actually closer to 25%. A veritable "reserve army" with a further depressive effect upon wage levels.

Clearly it is the existence of Brazil as an integral part of the international capitalist system which has enabled the Brazilian state to pursue its total repression of the Brazilian regime. All the standard mechanisms of imperialism—economic, political and military—have buttressed the Brazilian regime. Unfortunately, as was suggested at the outset, the battle is not won and as we shall now see more clearly, Brazil has been in the forefront of nations contributing to Brazil's position.

Brazil's economic and social structure is built on repression and exploitation and a growing gap between the rich and the poor characterize a system of institutionalized violence. Brazil's economic and social structure is built on repression and exploiting a growing gap between the rich and the poor. The aim of the policy is to maintain Brazil's position.

Moreover, in 1973, after having been deprived of the right to strike for nearly ten years, some elements of the working class began to find themselves in a new position vis-à-vis the repressive apparatus. In São Paulo, workers were able to engage in a series of strikes, manifesto attacks, shutdowns and mass strikes against the law. The Metal Workers Union: Sao Paulo launched what the Los Angeles Times termed as being "the first real strike in Brazil" since 1968 when workers walked off their jobs. Similar work stoppages were reported in all of Brazil's major auto factories, including Volkswagen. But this was the beginning of the end. The time to explore at length the revolu-

2. Even the multinational corporations which have long taken advantage of Brazil's low wages and lack of labor laws have not always, even today, employed a great number of people—because of the relative stability and intensity which has tended to characterize their sophisticated technology.

Agent Provocateur

In Toronto, a committee organized itself to protest the trade tour. After showing the movie, Brazil: A Report On Torture, the committee announced that it would be holding a meeting on what tactics to use in mounting a public protest to the Brazilian's tour. At that meeting, an unknown Brazilian, named Fernando, showed up. Fernando said that he was a member of the clandestine National Union of Students, which has been the object of great police repression since the "second coup" of 1968. Fernando had many ideas about the possible strategy the committee could use and even suggested that the committee approach some Brazilian students who he believed must have come to Toronto as refugees from Chile, to speak at a public meeting.

Lo and behold, when members of the committee attempted to enter the press conference of the trade tour being held at the Park Plaza Hotel, there was a tall man, dressed in a white suit and wearing dark glasses, standing by the door. Under closer scrutiny he turned out to be "Fernando". Needless to say, when the committee members, all of whom had legitimate press credentials, came to the door they were refused entry. "Fernando" had instructed the three Toronto cops (two of whom were in plain clothes) to prevent their entry!
able to boost smaller capacity to an amount which now represents 40% of the country's total. In the past ten years, sales of their aluminium products in Brazil have increased by almost 250% with sales revenue rising from $24.0 million to $88.5 million. Alcan is also involved in an international consortium which is developing the large Trombetas bauxite deposits in the Amazon region. Alcan will retain 20% interest in the project (which it initiated); among its partners stands Rio Tinto Zinc, which like Alcan, is also known for its support of white supremacist regimes in Southern Africa. It is also worth noting that Alcan is among those corporations which receives the multinational benefits from the government which were referred to earlier. In the case of the Trombetas deal these include: an exemption from taxation for the next fifteen years, an accelerated depreciation allowance on capital goods and permission to import all machinery tax-free.

It can come as no surprise then, to find Alcan in its 1973 Annual Report, boasting at length about its involvement in Brazil, "a large country with a growing population, an abundance of resources and the will to succeed (which) must certainly become one of the countries of the world."

In the wake of this Horatio Alger among nations, Alcan fails to mention the effect of its social activities in the local communities. Oil development and the "special relationship" between Canada and Brazil and Alcan's key role in consolidating it. "As a result of Alcan's participation in this new development the flow of benefits from the Trombetas project will be for the first time in Canada, the links already established between Canada and Brazil will be further strengthened."

The Canadian state plays an important role in helping these multinational-grown both inside and outside Canada. Through the Export Development Corporation (EDC), a crown corporation designed to stimulate Canadian exports by granting foreign nations loans which can only be used towards the purchase of Canadian products, our tax dollars serve to perpetuate the growth of such large Canadian firms. Last year, for example, the EDC loaned Brazil $40 million, 52.6% of which went to the Brazilian government for the largest export development loan ever made to Brazil, a total of a billion dollars, essential to our corporations and to the junta.

Canada also maintains an aid program for Brazil which amounts to $10 million for the period 1971-75. Much of this "aid," disbursed through the Canadian International Development Agency (CIDA) merely goes for feasibility studies (done by Canadian engineering firms) which outline future possible foreign investment projects. A neat form of socializing the expenses of the multinationalization. Through the EDC, and international lending agencies Canada also lends its voice to others in support of Brazil. As a full voting member of the International Development Bank (IDB) which supports loans to Brazil, loans which to date total over $21 billion. Sometimes, too, Canada, even shape such agencies to its own narrow interest. Thus, the Northern Miner recently reported that Canada has just given the IDB $4.5 million to be allocated for mineral feasibility studies in the Amazon valley on an experimental basis that the work be done by a Canadian organization, using Brazilian workers.

Thus, Canada in Brazil. It will be clear by now that there are some ambiguities in this argument. Most clearly, one must ask: in what sense are the various Canadian-based multinationals which operate in Brazil to be considered Canadian? Unfortunately, this is a very grey area indeed. While many such companies boast that over 50% of their shares are held in Canada, it is widely recognized that effective control may be exercised through the ownership of as little as 10% of the stock. In Canada, much more difficult by the practice of U.S. corporations holding their stock in a Canadian corporation or one of their Canadian subsidiaries. Thus Brazil was able to recently sell to some claimant in 50% Canadian ownership when it instructed one of its subsidiaries to buy some of the shares. As for Alcan, Kae Alperg has recently described the process whereby Alcan retained control of its northern bauxite plant and allowed transference to United States until 1955 merely by shutting down a new holding company, Aluminum Limited (later Alcan Aluminum Limited) in that area. However, a U.S. federal court ordered certain large shareholders of Alcan to dispose of their shares in one company. By 1976, disposal was in the process; failing that, Alcan's claim to control the company would be limited to 20% of its shares. An interesting case.

In Canada, aluminium is in large part an admirable "Canadian" company. Yet even then Alcan would allow only that 45% of its common shares be held by "other Canadians", with 44.76% held in the U.S. and 9.5% elsewhere (1975 figures). In fact, minority (American) control remains a striking feature of Alcan. Equally important, the company is locked so firmly into the international aluminium cartel (run by three or four American giants, including Alcan) that any further dilution of autonomy can be very quickly dispelled.

Canadian companies then, but it remains difficult to ignore the fact of the American presence within them. Of course, not all are so frank as Falconbridge-Nichel Mines, another Canadian multinational active in Latin America and Southern Africa. There the U.S. parent (in this case the international conglomerate Ford) holds 33% of the Canadian-based McIntyre Mines which in turn holds one-third of Falconbridge. Thus Falconbridge's Annual Report can state that 89% of Falconbridge shares are held in Canada while the company is actually controlled out of a boardroom in Houston, Texas, by one Howard Keck, Frankneke! As Falconbridge's president, Marg Hooper has so succinctly put it: "Howard Keck and I, in that order, run Falconbridge." Unfortunately, a similar logic applies to most of the other Canadian multinationals, and the Canadian state yields easily to precisely that logic in its support for such companies. Benefits accrue to Canadian capitalists from these activities, but it has yet to be shown that "Canadian" multinational corporations display anything but an
almost absolute identity of interest with the imperial centre, that is with the United States. What kind of theoretical interpretation should be given to the fact that Canada is not only a key base of wood for the United States, but also has this growing role in a middle-sized intermediary state which acts to expand and protect U.S. interests beyond our national boundaries? How should one characterize the role (so well exemplified in Brazil) of the Canadian state? What kind of Canadian national identity? How is it a classified country which plays the roles of both imperialist and intermediary state, and which acts as an agent of imperialism in a particular region. Such a categorization has also been applied to Brazil, Israel and South Africa. It is clear that the U.S. must turn to Canada. In so doing, we can begin to understand more clearly the roles of both Brazil and Canada, with their predominately resource-based economies, relate primarily to the main imperial center. The Canadian从未 imperialis has the United States as their major trading partner, Canada, as the world's third-largest country, the fifth largest, is richly endowed with such natural resources. Both are cited as examples of the already existing strength of the relationship with the United States, Cana with the third highest standard of living in the world is conventionally regarded as a developed nation. Brazil with its recent economic "miracle" and its huge growth rate of 10% per annum, is heralded as the Japan of the seventies, an underdeveloped nation well on its way to industrialization. In fact, similarly to the "developed" or "underdeveloped". The most important effect of their relationship to the United States and world capitalism has been the fragmentation of their internal economies. This is a blurred, deformed development, the distortion of the economy of Brazil is in a relatively small area, at the expense of the rest of the country which acts as a supplier of natural resources and cheap labour. In Brazil this duality is characterized by the concentration of a highly developed industrial manufacturing core around Sao Paulo, Rio de Janeiro and Belo Horizonte, and a backward poverty-stricken north and northeast where it can only be seen in the concentration of conflict in southern Ontario. Much of the rest of the country is hinterland to Ontario's metropolis, the current exploration for this situation being "regional disparities". This configuration represents the national internalization of the dynamics of imperialist relations. It is a system in which the financial and economic centres exercise their control over other areas, by draining wealth and human resources. A further aspect of both countries' relationship to the United States is the arms trade, with which we have already argued. Within the "international division of labour" both Brazil and Canada with the U.S.: Canada's sub-imperialism, strength on different levels. Usually a nation's sub-imperial role is made possible through its own military strength. This is undoubtedly the case of Brazil, Israel and South Africa. Brazil, as an imperial center, controls the military and economic development of both the United States and Brazil in order to perpetuate for itself the integral economic aspects of sub-imperialism. This peculiarity of the Canadian situation does not lessen the fact that Canada is very successfully able to utilize the most original mechanisms of imperialism (aid, trade and investment) to drain resources from Latin America and the Caribbean for the United States. The United States, Brazil, as America's sub-imperial agent on the South American continent, now acts the heavy-handed role of "stabilizer" and "partner" (e.g. Brazil's support of the military dictatorships of Chile, Bolivia, Paraguay and Uruguay, Brazil also carries out its own economic exploitation of its neighbours; for example it controls important sectors of the Bolivian economy (gas and iron ore being sent to Brazil and Banco do Brasil operating as by far the most important financial institution in that country). Indeed, many of the weaker dictatorial regimes rely on Brazil to remain in power. They are recipients of both Brazilian military hardware and economic assistance. Canadian sub-imperialism, lacking the military strength of America and Brazil, has much more subtle approach. It acts through its extensive investments in both Latin America and the Caribbean, channeling American capital through Canadian-based multinational corporations, in turn which has a long-standing anti-Yankee tradition, the "Canadian" (faintly) (Breznev, &) and has more power than Canada ever had before in Latin America. This helps to support Latin American sentiment about the actual benefits of dependency, and even the control which continues to exist. Nations, conscious of their own financial dependency upon the U.S., are the centrifuge towards foreign investment from other countries in a way of altering that deleterious primary relationship. For the Canadian capitalist, Canadian capital is not necessarily different from American capital, they become victims of covert mechanisms which channelize U.S. control of the major Canadian multinationals. Certainly, our governments are unlikely to tell Latin Americans anything different. It is up to Canadians who refuse to accept the role of junior partners in imperialism to set the record straight.

Canada to Buy Arms from Brazil

Despite all the current restrictions on the part of Canadian Armed Forces generals about the planned freeze on military purchases, it is perhaps not surprising that Canada is now negotiating the purchase of $200 million worth of armoured cars from Brazil. According to the British weekly, Latin America, last July a Canadian mission, under Col. Basil Collett, was in Brazil to check out the suitability of the Brazilian product. Canada is choosing between five different vehicles produced by Engenhos Especializados in Centro. In particular, interested in two vehicles: the EE-9 Cevade, a wheeled reconnaissance vehicle, and the EE-11 Urtula, which comes in two forms: either an amphibious troop carrier for 13 men (plus driver), or an armoured car, which according to the company, is "made to combat guerrillas and subversion in the streets and (which) is equipped with a 90mm cannon and 7.62mm MAC machine gun."

Evidently this purchase is only the first in a large scale effort by Canada to buy defence products from Brazil. It is in this with this in mind that Canada wants to get permission from its NATO allies to transfer sophisticated defence technology to Brazil. This would enable Brazil to produce products which would be as advanced as any other made in developed countries. The possibility that Brazil will gain access to NATO military technology and then use the most sophisticated equipment as well as largest army on the continent, would only serve to exacerbate existing tensions between Brazil and her neighbours.

Canada may also want to question why the Canadian Armed Forces have thought prudent to contemplate spending $200 million for nearly 1,000 riot control vehicles.
The Auto Pact and Canadian Jobs
Jim Laxer

Thousands of Canadian auto workers are now experiencing temporary and indefinite layoffs as a result of the crisis in auto sales in the United States.

All of the big three American auto producers have announced significant layoffs in their Canadian plants in November. Ford shut down its Tballsville plant, idling 2200 workers for two weeks and laying off 400 indefinitely. Chrysler began trimming its Windsor operations, cutting several hundred people from its payroll. And General Motors laid off 3300 workers in Windsor on rotating layoff with 900 off at a time and announced that it would idle 2000 workers in Oshawa later this winter.

Auto parts workers in Canada have also been feeling the pinch. Dozens of parts plants around Ontario have been laying off workers and many plants have been closing their doors temporarily or permanently.

But while significant layoffs of Canadian auto workers have been announced, servers agree that the real storm is just ahead for Canadian auto workers and that the crunch in layoffs and shutdowns will come during the winter months. These layoffs in Canada's auto industry are the leading edge of a deepening recession that is spreading over into Canada from the United States. Literally, what the layoffs in Canada's auto industry amount to is the exportation of the U.S. recession to Canada.

A Billion Dollar Deficit

The layoffs in the Canadian auto industry are just the downturn in American not Canadian auto sales. The reason that the Canadian auto industry suffers under these circumstances is that it's completely integrated into a continental system of auto production under the United States.

Under the auto pact Canada produces autos and auto parts for segments of the North American market, and 70 per cent of Canada's production (a figure determined by the U.S. auto companies, heavily influenced by their government) is exported to the United States. Because the auto market has collapsed, the 3000 factories in Canada and the hundreds of thousands of workers who staff them will continue to lose their jobs.

In August 1974, Canada's auto plants shipped 50,000 fewer cars and 30,000 fewer trucks to the United States than they did during the same month in 1973. During the same period, 15,000 more U.S. made cars and 31,000 more U.S. made trucks were shipped to Canada.

The trade turnaround shows up in auto parts as well as in auto assembly. This is immediately evident from the huge increase in Canada's auto trade deficit with the United States. In 1973 Canada had a trade deficit with the United States amounting to $565 million. In 1974 the deficit will skyrocket to a billion dollars, the worst annual auto trade deficit ever for Canada.

Ironic the Canada-U.S. auto pact was justified in 1965 as a way of overcoming Canada's auto trade deficits with the United States. In 1965 Canada's auto trade deficit with the United States stood at $768 million, a figure that was seen as unacceptable. The auto pact was justified by Canadian politicians and the United Auto Workers leadership in Canada as a way of preventing this from occurring.

A decade after the pact was initiated Canada has a worse deficit than it did at the outset of the pact.

This is no small matter. If Canada has no auto trade deficit with the United States, there would be over 10,000 more auto workers' jobs in Canada than there are now. 10,000 jobs produce a billion dollars worth of cars. These jobs could be supplying the domestic market in Canada, instead of being in the U.S.

Moreover, the U.S. recession is deepening rapidly with ominous implications for Canada. The American auto industry is experiencing its worst sales slump since the depression of the thirties.

Sales of 1975 model cars are down sharply in the U.S. — by over 4 per cent compared with the same period last year. And last year's sales performance was already poor. In 1973 the American auto makers sold 11.5 million cars in the United States; 1974 models sold 9.7 million; at the present rate of sales 1975 models will retail only about 6 million autos.

Out of a total workforce of about 750,000, over 250,000 American workers have experienced layoffs during the current slump. Midwest American cities like Detroit are suffering depression level unemployment.

The current woes of the auto industry do not flow from a single identifiable problem, such as the energy crisis of last winter. Instead they are the result of a general downturn in consumer spending on durable goods. This is a key indicator of the deepening recession in the American economy.

Other economic indicators highlight the developing U.S. recession. The U.S. economy's actual output level is down 5 per cent compared with 87 per cent for the same month in 1973.

American unemployment is now running at over six per cent. Orders for manufacturers' products continue to decline. In September 1974, U.S. industry was operating at only 81 per cent capacity as compared with 87 per cent for the same month in 1973.

The slump in the entire American economy was reflected in the clearing of commodity hedges in a number of fields. Significantly, a study carried out by McGraw-Hill in the United States