

Dealing Latin America into the EMS

The new monetary system offers industrialization and trade

Spain's King Juan Carlos completed a two-week visit to Mexico, Peru, and Argentina on Nov. 30. The monarch's trip represents a step forward in concretizing Spain's role as a bridge between Latin America and the European community and the soon-to-be functional European Monetary System. Spanish Foreign Minister Marcelino Ovoja recalled Spain's "bridge" vocation on the eve of the trip, while Juan Carlos stated his goal of creating an Ibero-American Common Market and, as a *Le Monde* editorial of Nov. 20 noted, a "community of Ibero-American nations."

King Juan Carlos's tour is only the latest evidence of European and Japanese efforts to integrate Latin America into the EMS-based "Grand Design" for a new world economic order. These efforts have been focused most intensively on Latin America's two major economic and political powers, Brazil and Mexico.

Hans Friderichs, president of West Germany's Dresdner Bank, visited Brazil at the beginning of November to carry out the plan of his predecessor, Jürgen Ponto: integrating Latin America into the European Monetary System's campaign for world industrialization. Ponto was assassinated by Baader-Meinhof terrorists in August 1977, on the day he was to fly to Brazil.

Friderichs led a West German delegation to a meeting of the German-Brazilian Joint Economic Commission which worked out the details for expanding the German-Brazilian economic partnership. The commission reaffirmed the multi-billion-dollar model nuclear technology transfer program West Germany is providing Brazil, and removed obstacles to increased West German industrial investments in Brazil and rising Brazilian exports to Europe.

What the Europeans and Japanese are offering Latin America looks particularly inviting in contrast to the "appropriate technology" austerity programs offered the continent by the International Monetary Fund and endorsed by the U.S. Administration. Brazil's Foreign Minister Antonio Azcredo da Silveira opened the West German-Brazilian Commission session by declaring "Our first economic partner is the European Common Market, followed by the countries of the developing world and, in third place, the United States." Da Silveira cited, in particular, the tremendous growth in the past two years, of Brazilian

relations with West Germany, France, and Italy.

The most important agreement reached by the German-Brazilian Commission was that Germany and Brazil would work together on joint ventures in third countries in South America and, especially, in Africa.

At the end of the commission meeting, the Brazilian Foreign Minister let it be known that within the next month he will tour 10 African countries, including oil-rich Nigeria. His ministry also announced that West German Chancellor Helmut Schmidt will visit Brazil in late April 1979 to further bilateral relations between the two countries.

Jürgen Ponto's original conception was to use European-Latin American relations to "build bridges" between black and white Africa on the basis of economic development, as the best guarantee of permanent peace on that continent.

The theme of joint economic cooperation in Africa was also a top agenda item in the talks between Giscard d'Estaing and Brazil's President Ernesto Geisel during the French President's visit to Brazil last October. Giscard's visit, the first by a French President since DeGaulle's 1964 trip, was heralded by French financial press as picking up where De Gaulle left off in his attempts to bring Latin America into a European strategy opposed to the IMF-controlled international economic order. Brazilian press confirmed that Giscard fully briefed Brazilian leaders on the European Monetary System which he and Helmut Schmidt have created.

The Japanese plug in dollars

The Japanese, in conjunction with their European allies, have been playing a unique role in financing the introduction of the Grand Design into Latin America. The most advanced political expression of this thrust is in the agreements reached between Mexican President Jose Lopez Portillo and Japanese Prime Minister Takeo Fukuda during Lopez's visit to Asia last month. (See our Nov. 14-20 issue, Vol. V, No. 44, for details.) Those agreements have now paved the way for extending Japanese investment throughout South America.

Kawasaki Steel of Japan, for example, is so intent on building a \$3 billion steelmill in Brazil, in partnership with Finsider of Italy and the Brazilian government, that Kawasaki has persuaded a group of

Japanese banks to finance most of the Brazilian share of the mill. The Japanese decision to press ahead with this project, which will produce 3 million tons of semi-finished steel per year primarily for export, clearly points to a Japanese view of an expanding world trade situation — not a trade collapse and recession. The arrival in Brazil last week of Toshiro Doko, head of the powerful Japanese business group Keidanren, indicates that the Kawasaki deal is only the beginning of even more ambitious projects.

The impact of the obvious opportunities offered by integration into the European Monetary System is hitting strongly in Brazil. Indicative of the potential EMS influence on internal politics is the uncharacteristic statement Oct. 16 by newly-elected Brazilian president Gen. Jose Figueredo praising the “brilliant foreign policy” of Foreign Minister da Silveira — orienting Brazil increasingly toward Arab and African markets and toward European and East bloc trading

partners — as the most important accomplishment of the Geisel period. Figueredo, who a year ago explicitly stated that Brazil did not need Japan-style intensive industrialization, recently told press that Brazil wants expanded trade relations with Japan and Japanese technology transfer.

The Japanese also played a spoiler role against the International Monetary Fund in the Nov. 2 “Paris Club” renegotiation of the debts of bankrupt Peru. The Japanese had demanded an arrangement designed to maintain a high rate of trade between the two countries, essentially on a barter basis. This proposal panicked Peru’s monetarist creditors, who were pressing Peru to slash its imports. According to the *New York Journal of Commerce*, the Japanese motion was finally beaten down by representatives of the Carter Administration at the debt renegotiating meetings late last month.

— Mark Sonnenblick

EMS foes rage: ‘U.S. should have A-bombed Germany’

The strong EMS deployment to Latin America was, predictably, met with a counterdeployment from the EMS’s bitterest foes. During French President Giscard’s early October visit to Brazil, the wing of the Brazilian Social Democracy closely associated with Willy Brandt and his World Bank commission on “appropriate technologies” for the Third World swung into action. Folha de Sao Paulo, a Brazilian paper with strong influence in nationalist industrial circles, dispatched its most cynical columnist to Europe, German-born New York columnist and Second International sympathizer Paulo Francis (also known as Franz Heilborn). Here are some samples of his columns on the subject.

“Helmut Schmidt Is Winning the Third (World) War” appeared in Folha, Oct. 11, datelined Paris:

The so-called European Monetary System, a creation of Schmidt with the aid of Giscard, is the order of the day. France, with 1.5 million unemployed . . . is a satellite of Bonn. . . . Schmidt’s monetarism

is now the dominant ideology in Western Europe. This conception implicitly excludes countries like Brazil (despite the speeches and agreements signed by Giscard in Brasilia) from any role except as providers of raw materials and recipients of exported technology, capital, and multinational companies.

“Europe: The Specter of Unemployment” followed in Folha on Oct. 24, datelined London:

What I write is the product of several “briefings” from English authorities (that is, MP’s), diplomats, and financiers. All are unanimous in observing that the structural decadence of the American economy, shown in the uncontrollable devaluation of the dollar, obligates all industrial nations to adopt protectionist systems. This is what Mr. Helmut Schmidt is propounding and everybody in Europe gradually accepting, with marginal differences. I ask, what will happen to the Third World (which, after all, depends on its export earnings to pay its debts) in the face of the barriers created in Europe and the United States? The answer is that the Third World must recognize its place in the order of things. . . . This type of protectionism produced the De-

pression of 1929 and the Second World War.

Finally, “Is Germany Necessary?” appeared in Folha, Oct. 25:

If it had been up to me, it would not have been on Japan that the Americans tried the atomic bomb. In retrospect, few things irritate me more than Stalin having silenced Ehrenburg on the radio when he incited the Soviet troops to mass murder of Germans, or Roosevelt’s having dropped the plan of his Treasury Secretary Morgenthau to pastoralize Germany. American economic life would have been better today.

. . . The ethos of German civilization is authoritarian, robotized. . . The Thyssens, the Krupps and the Farbens — the men who built and profited from Auschwitz are all here today and in power, disguised. And they were not even the killers of Rosa Luxemburg; the killers were the social democratic ancestors of Helmut Schmidt. . . . The Baader-Meinhof whose methods and objectives I do not admire, are perfectly comprehensible from the German psychological perspective.

Today, for sure, they disguise themselves. But, really, they are the most recognized assassins in history.