Third World projects: shutdowns multiply

by Mark Sonnenblick

Ibero-America's debt burden is killing its ability to import and to build for the future. In the short run, that means additional unemployment in the United States, as orders from what were America's most consistent customers disappear. In the longer run, it means the Ibero-American countries will not have the productive capacity and the productivity needed to service their debts. A glance around the continent shows the big infrastructure projects which provide the productivity boosts needed for industrial development are being put on ice.

Mexico: nuclear slowdown, crippled ports

Nuclear plant construction at Laguna Verde is being phased out; the 75 percent finished first unit was to have been on line in 1983, but is now scheduled only for 1985; the second unit was to be ready six months later, and has been put off until at least 1987. Work has practically stopped, and the workforce at the site has been cut from 17,000 to 8,000. General Electric, prime supplier of generating equipment for the plants, will experience delays in payments which could force it to lay off workers in the United States.

Drastic budget reductions this year have forced cutbacks in port expansion on Mexico's Pacific Coast. Austerity measures have prevented the construction of new container facilities at the ports of Salina Cruz, Lazardo Cardenas, and Manzanillo. These ports were intended to expand Mexico's trade with the countries of the Pacific Basin. Any rapid resumption of Mexico's growth will be stymied by immense bottlenecks in its obsolete ports.

The Council of the Americas, the organ of the multinational corporations, says in its October Washington Report, "At least one of the probable measures included in the IMF program will have an impact on the U.S. economy: reduced Mexican imports of almost $18 billion worth of U.S. goods, nearly half of U.S. exports to Latin America." That $18 billion figure was the U.S. share of Mexico's total $24 billion imports in 1981. This year, Mexico will be lucky if its total imports reach $18 billion; and for next year, all expectations are for much, much lower levels.

IMF Western Hemisphere Director Walter Robichek has spent the week haggling in Buenos Aires and is anxious to sign something with the beleaguered government in Argentina. It would be a short-term deal: Argentina would be required to repay credits in 15 months.

Argentina: strict conditionalities

Argentina will be subject to standard conditionalities. As reported by the Journal of Commerce, "Already strict import controls would probably have to be tightened even further, local economists warn. All but essential imports would have to be banned in an attempt to maximize the government's earnings from exports. . . ."

Major development projects, such as the expansion of the SOMISA steel mill and the planned Yacyretá hydro-electric dam, have been put on ice. Yacyretá is a 2.7 million kilowatt dam on the Parana River for which Allis-Chalmers of Milwaukee has practically clinched the generator contract before the United States sided with the British in the Malvinas War. For the IMF, turbines and generators are not "essential imports."

Brazil: can't pay its bills

Brazil has applied the most advanced Harvard Business School "management techniques" on handling its debt, which will reach $86 billion by the end of this year; now it may not even be able to pay its bills. The Brazilian Central Bank announced that it would, for the first time, keep secret its September foreign accounts balance, because of the widespread belief that its accounts are running dry (see *EIR*, Nov. 2).

The largest company insuring payments for U.S. exports to Brazil decided Oct. 20 not to issue any more coverage. Without such coverage, U.S. exports to Brazil will soon shrink to nearly nothing.

Delfim Netto has announced that Brazil will achieve a trade surplus of $5 to $6 billion next year, come hell or high water. He is promoting the line that the U.S. economic "upswing" from lower interest rates will bring higher prices and bigger markets for Brazil's exports. But the crunch is on the imports, which will be held at or below $18.5 billion, compared with the initial $25 billion target for 1982.

The Brazilian government has determined that the biggest import cuts will be taken against the high-technology capital goods imported by state agencies for use in development projects. Such imports were budgeted at $3.8 billion this year, but will only be $3.1 billion due to cuts already imposed. For 1983, only $1.9 billion will be permitted. Equipment for nuclear plants will be halved to a mere $50 million.

The government says it will allow some of the half-completed hydro-electricity and steel projects on which billions have already been invested to crawl ahead; but hundreds of other works will be triaged.

That means that Brazil's economic potential will be crippled in years ahead, just as the debts now being rolled over come due. The collapse, though delayed, will be bigger and more destructive.

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