

Report from Rio by Lorenzo Carrasco

Brazil 'integrates' Argentina

Ford and Volkswagen merge regional operations—for cutting costs, not for genuine development.

The Argentine government of Raúl Alfonsín and the Brazilian one of José Sarney have signed an "integration" agreement, and Uruguay's Julio María Sanguinetti has tagged along. The integration protocols, signed by the three countries and ratified Dec. 10 while Alfonsín visited Brazil, permitted the auto giants to integrate their regional operations.

The deal continues to win applause from the automotive multinationals and to arouse false hopes among genuine industrialists in the three countries, for whom the accord seems to promise relief from International Monetary Fund (IMF) austerity policies. But such economic integration in the framework of the rotten international financial system is nothing less than a cooperative effort to swim together in a swamp filled with crocodiles.

The most recent event is the merger of Volkswagen of Argentina with Ford Motor Company of Brazil and Argentina. The new company, baptized Autolatina, will be the world's eleventh largest assembler, and the largest by far in Ibero-America, with the capacity to produce 900,000 vehicles per year in its 15 plants. It could achieve annual sales of \$4 billion, through exports and its 1,500 dealers in both countries. Ford and VW now hold 60% of the Brazilian auto market and 55% of Argentine truck sales.

Without investing a cent in new physical capacity, the companies expect large profits by using the "comparative advantages" of both countries, especially the miserable wages

paid to Brazilian workers—the secret of that country's "export miracle." The Brazilian scale is used to pressure Argentine workers to reduce their wage demands.

This is how both countries expect to recover the \$164 million in losses they sustained during the past year. Ford and VW created such "losses" by manipulating their international accounts to mock tax collectors, while remitting hundreds of millions of dollars out of the region. The "integration" pact will facilitate such fraudulent practices, broadening the exclusive fiscal paradise they now hold.

Autolatina will be chaired by Wolfgang Sauer, the current president of VW Brazil, and managed by Wayne Booker, the Ford Brazil president. Sauer's credentials leave much to be desired. Last year, he was involved in financial scandals for issuing mountains of commercial paper with no backing, which led to the bankruptcy of Brasilinvest investment bank, owned by the shady Mario Garnero, an intimate of David Rockefeller. Along with Sauer on the Brasilinvest board were George Shultz, and former U.S. Treasury Secretary William Simon, and several Ford executives such as Mauro Salles and Newton Chaparini.

Before the discovery of the Brasilinvest fraud, all those involved in the Autolatina group had made illicit fortunes with Brazil's "Proalcol" program promoted by Mario Garnero. Brazil's alcohol program is profiting thanks to the relative advantages of using the slave labor of millions of

Brazilians who die of hunger in the sugar-cane fields, and the estimated \$10 billion in government subsidies to promote inefficient alcohol-powered automobiles.

But the collapse of Brasilinvest last year hardly touched them, and now they intend to bring several Brasilinvest directors into Autolatina. Autolatina's leaders do not hide that the objective of the operation is to reduce production costs by using "comparative advantages," which means reducing wage levels, especially of Argentine workers.

As Sauer put it, "I don't think we will reduce production in Brazil. . . . Autolatina will not be a negative factor on the labor force."

But the Argentine situation is different. Sauer indicated, "Certain measures will be needed there to rationalize work. This rationalization is a daily task of industry, because its number-one obligation is to cut costs. . . . In Argentina, we will coordinate and rationalize . . . to avoid the negative effects of diminishing the number of employees." In other words, a good part of VW's nearly 10,000 Argentine autoworkers will be fired.

Those responsible for this false integration are government officials, the direct heirs of the "developmentism" hoax which neutralized efforts for full-fledged integration based on protecting the development of a capital-goods industry. That's what Juan Domingo Perón sought in Argentina and Getulio Vargas in Brazil. Once they were overthrown, their successors, Juscelino Kubitschek and Arturo Frondizi built industry around "import substitution," promoting auto transport and consumer-goods industries. They fostered the auto giants which today, again, are encouraged by the "developmentist" inventors of phony integration.