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SHOES, OPIC, AND THE UNQUESTIONING PERSUASION: A LOOK AT MULTINATIONAL CORPORATIONS AND U.S.-BRAZILIAN RELATIONS

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> . . . [T]here is a naive and unquestioning persuasion abroad to the effect that, in some occult way, the material interests of the populace coincide with the pecuniary interests of those business men who live within the scope of the same set of governmental contrivances.
>
> --Thorstein Veblen, The Theory of Business Enterprise (1904)

Having arrived in Brazil without invitation, pointedly housed by the Brazilians in a hotel rather than an official residence, Jimmy Carter could hardly help noticing that in the spring of 1978 U.S.-Brazilian relations were following a new tack. To some the changes were confusing. When Brazil renounced U.S. military aid, the conservative columnists Evans and Novak began to talk somewhat hysterically about how "Brazil could end up leading an anti-American right-of-center bloc in the Western hemisphere."

Economically as well as politically there were new elements in U.S.-Brazilian relations: while the U.S. International Trade Commission was making life difficult for Brazilian exporters of manufactured goods, Interbrás, the largest of Brazil's state-owned trading companies, was busily carving out markets in the Soviet Union and Eastern Europe; and while officials of the United Auto Workers (UAW) were becoming concerned over the number of Pinto engines coming into Detroit from Brazil, Brazilian businessmen were complaining that the U.S. International Trade Commission was being overzealous in its attempts to protect U.S. domestic industries. At the same time that Interbrás was arranging to assemble refrigerators and air-conditioners in Nigeria and build hotels in Iraq, complaints were being raised in the U.S. Congress concerning the increases in Brazil's steel exports to the United States.

For U.S. multinationals operating in Brazil the situation had disquieting features. There was "some puzzlement [over] a growing strain of restrictiveness in government attitudes toward their presence in the economy."[1] Uneasiness was reinforced by the emergence of a draft proposal from a group of Brazilian machinery producers aimed at restricting the actions of multinationals, a proposal in which, according to Business Latin America, "their language and charges often echo the most vociferous attacks by left-wing critics of foreign capital."[2] For U.S. multinationals, potential worries over nationalism were combined with fears that if political disagreements between the U.S. and Brazilian governments were not resolved, "U.S. trade and investment in the region could be pushed aside to make room for new European and Japanese investors."[3]

Is there a real difference in U.S.-Brazilian relations? After all, U.S. multinationals continue to hold a commanding position within the Brazilian economy. Trade between the two countries still consists primarily of the exchange of raw materials from Brazil for manufactured goods produced in the United States. The basic structures of dependency remain, whether Jimmy Carter stays in a hotel or not. An analysis of U.S.-Brazilian relations should still begin with the models of class structure and trade relations that have been developed by theorists of imperialism and dependency. At the same time, it would be a mistake to dismiss current controversies as merely ephemeral and transitory, for they indicate long-term changes that affect class structures within--as well as class relations between--both periphery and center.

One of the key starting points for the analysis of economic growth in the periphery has always been the role of foreign capital in relation to national development. Imperialism worried even Latin Americans who favored capitalist development because it suggested a split between the interests of capital and the development of local productive forces. As long as capital had its origins and base abroad, it could choose to neglect problems of local accumulation, taking the surplus and using it to foster accumulation elsewhere. Distrust of foreign capital has gone hand in hand with the myth of the "national bourgeoisie," the entrepreneurial class with a "project." It has been felt that the "national bourgeoisie" would have an unavoidable commitment to the development of local productive forces in the home country rather than to the redistribution of the fruits of increased productivity. But, the emergence of a "national bourgeoisie" is seen as a problematic if not unattainable possibility.

In the countries of the center the existence of a "national bourgeoisie" is assumed. The national loyalties of capital are questioned only by cynics, subversives, and an occasional populist. Subsidizing the accumulation of capital abroad is justified as long as the owners of this capital are domiciled at home. The international adventures of large-scale capital are assumed to contribute to local accumulation. Markets will be opened, raw materials provided, profits shipped back--and the center nation, even its working classes, will benefit.

In the periphery, the state and large capital are in part antagonistic insofar as large capital is foreign. The absence of a "national bourgeoisie" places a heavier entrepreneurial burden on the state. Nationalists are wary of openness to the international economy. Foreign trade, like foreign capital, is double-edged, perhaps facilitating local development but perhaps facilitating only dependency and subverting local development. For the center, the international economy is an arena for national aggrandizement and an avenue for the resolution of domestic class conflict. John Hobson and Cecil Rhodes agreed that imperialism allowed accumulation to continue without distribution.

Central to the evolution of U.S.-Brazilian relations over the past decade has been the fact that, despite the continued presence of many features of dependency, Brazil is beginning to take on some "centerlike" characteristics. The Brazilian state takes seriously the possibility that capital can be harnessed to the needs of local accumulation regardless of its foreign origins, and Brazil has begun to push its goods more aggressively in international trade. At the same time, the United States, suffering from balance-of-payments deficits as chronic as those that have plagued Brazil, has begun to wonder whether openness to the international economy is still in its interest. Simultaneously, doubts have begun to arise over whether the fact that the owners of capital are American citizens is sufficient insurance that the expansion of capital will serve national interests.

These tendencies are admittedly only that, and they are still not strong enough to change the fundamental structures of imperialism dependency. The relations between General Motors and the Brazilian state will always be different from the relations between GM and the U.S. political apparatus. Nonetheless, there is still an undeniable undercurrent in the direction of both an increasing separation of multinationals from their home-country polity and a strengthening of ties between them and certain "semiperipheral" states like Brazil. Similarly, there are increasing parallels between the situation faced by local Brazilian capital and that faced by small domestically oriented capital within the United States. Both find themselves dependent on, yet at the same time disadvantaged by, the resources at the command of international capital.

Exploring these intriguing tendencies requires covering a lot of disparate and apparently disconnected territory. The nature of the current "triple alliance" that binds together multinationals, the state, and elite local capital in Brazil will be our starting point. The contradictions of this "triple alliance" and the essential role of exports in sustaining the Brazilian model must also be examined. A look at the impact of changes in the international economy on U.S. economic growth, American labor, and domestically oriented capital in the United States follows consideration of Brazil's economic problems. Finally, an examination of varieties of "nationalist"[4] reactions to international capital in both Brazil and the United States will provide a political dynamic to complement the economic analysis.

The Triple Alliance

With Cardoso's promulgation of the idea of "associated-dependent development," students of imperialism began to look more closely at the assumption that the international capital was unalterably opposed to industrialization in all parts of the periphery.[5] Looking over the statistics on foreign investment in the less developed areas since 1945, they realized that there had been a dramatic increase in direct foreign investment in manufacturing. This investment left much of the Third World untouched, but in a few of the larger and better-endowed less developed countries it became part of a substantial thrust toward industrialization.

Countries like Brazil and Mexico changed enough to be considered "semiperipheral" rather than part of the real periphery.[6] Within these countries, multinationals became involved not just in "easy" import substitution but in the production of basic and intermediary goods. The classic image of Third World development as a struggle between a nascent "national bourgeoisie" interested in industrialization and foreign capital interested in keeping the country locked into its traditional place in the international division of labor began to make less and less sense. Accumulation appeared in fact to be based on a "triple alliance" among the multinationals, a segment of the largest owners of local capital, and the entrepreneurial state.

Viewing the elite structure of countries like Brazil as characterized by such a "triple alliance" does not mean eschewing the possibility of "intraelite" conflict.[7] The notion of the triple alliance parallels Sunkel's idea of "national disintegration and transnational integration," in that it suggests an important split between the largest local capital groups and the rest of the local bourgeoisie within Brazil.[8] The largest local capital groups, which Cardoso and Faletto and others have called the "internationalized bourgeoisie," can participate in the process of accumulation propelled by the triple alliance.[9] The participation of the rest of the local bourgeoisie is partial, problematic, and highly dependent on its ability to maintain effective political access to the highest levels of the state apparatus.

In addition to conflicts created by the marginalization of a part of the local bourgeoisie, certain contradictions between the interests of international capital and the needs of local accumulation persist. There will always be a gap between the aims of the nationalist, who puts a premium on the full development of the division of labor locally, and the preferred strategies of international capital. The multinationals' estimation of how full a range of activities and industries it makes sense to implant in Brazil will always fall short of the nationalist estimation. The multinational has no reason to take risks in order to provide Brazil with "externalities" that may benefit the overall process of accumulation without providing any returns to the individual firm. The multinational has options and must exercise them in a way that preserves its flexibility and freedom of action. The nationalist and the multinational must always operate in some tension with each other, even if neither is concerned with questions of welfare or distribution.

The Brazilian state must be "nationalist" in the sense of continuing to pressure the multinationals to put a priority on local accumulation; otherwise its own economic base will be undermined. This kind of nationalism, generated by the objective requirements of local accumulation, might be called "planners' nationalism" or, in Brazil, "CDI nationalism" (after the Conselho de Desenvolvimento Industrial, which must decide which industrial projects should be provided with fiscal incentives). Complementing "CDI nationalism" is the nationalism of the local bourgeoisie--whether of those elements excluded from the triple alliance or jockeying for a better position within it. Nationalism is an ideological weapon useful in protecting its share of the industrial arena. This might be called "ABDIB nationalism" (after the Associação Brasileira pelo Desenvolvimento de Indústria de Base, which contains some of the strongest nationalists among the local bourgeoisie).

The major structural shift in terms of the ownership of industrial assets during the period of the miracle (roughly 1968-1974) was, as Newfarmer and Mueller have demonstrated nicely, not a decline in the Brazilian share but a decline in the Brazilian private share.[10] From a "CDI nationalist" point of view this is not a disaster, and may even be seen as an improvement, depending on one's estimate of the efficiency of state-owned corporations. Nor does it represent a disaster from the point of view of the large Brazilian private groups that are part of Cardoso and Faletto's "internationalized bourgeoisie" or Sunkel's "transnational kernel." As Cardoso and others have noted, the assets of the very largest Brazilian firms grew during the "miracle" at least as rapidly as--if not more rapidly than--the assets of the largest foreign groups.[11] A political problem ahs been created, nonetheless, and one whose magnitue would be substantially increased if increased democratization were to broaden the segment of the local bourgeoisie that has access to the state apparatus.

In practice the two kinds of nationalism are often difficult to separate. Together they result in a persistent tension between the Brazilian elite and the multinationals. Nonetheless, the dominant aspect of the relation is one of collaboration around a common interest in the local accumulation of capital. For U.S. multinationals in Brazil, dependent development under the aegis of the triple alliance has been extremely profitable. Most estimates of profit rates for Brazilian affiliates run at least 50 percent higher than profit rates for large manufacturing corporations within the United States.[12] In the late 1960's and early 1970's Brazil provided the multinationals with a profitable arena for expansion at a time when the developed economies were not growing rapidly. Fiscal incentives and an impressive growth in the market for both consumer durables and producer goods made Brazil attractive, as did tight controls on labor and a relatively predictable and sympatehtic state apparatus.

By the end of 1976 the value of U.S. manufacturing investments in Brazil approached four billion dollars. Only in Canada, Britain, France, and West Germany were U.S. manufacturers more deeply involved. The triple alliance has grown to such proportions that neither the Brazilian state nor the multinationals can consider dissolving it. Yet the depth of the multinationals' involvement in Brazil makes the contradictions contained in the triple alliance all the more important to them and makes it all the more likely that their attempts to deal with these contradictions will have repercussions for their behavior elsewhere.

The struggles within the triple alliance will not take the form of internecine warfare designed to crush the other participants; it will take the form of bargaining and negotiation among partners whose interests overlap and who acknowledge one another's worth. A number of bargaining issues might be lumped together under the general heading of "control." Both CDI and ABDIB nationalists would like to limit the power and maneuvering room of the multinationals by forcing them to share control in their ventures--whether by submitting to increased regulation, by allowing local partners to share equity and the decision-making prerogatives that go with it, or by requiring more transfer of technology.

On their side, multinationals must not allow the localization of manufacturing assets within Brazil to lead to what we might call the "Moran effect"--diminution of bargaining power proportionate to reliance on assets fixed within the host country.[13] They must struggle to preserve their relative monopoly on technology. Conversely, as the position of the multinationals becomes increasingly central to the dynamic sectors of the Brazilian economy, greater local control over the multinationals is essential to the Brazilian state's ability to direct the process of accumulation. Cutting back both the legal prerogatives of multinationals by persuading them to enter joint ventures and, perhaps even more important, their technological advantage by including explicit commitments to share technology is on the agenda. Within the general framework of collaboration and common interest, the struggle over control will continue to be intense.

The best recent example of a struggle that centered around the issue of control is the 1977 controversy over the "minicomputer" industry. Brazil established local equity participation and "open technology," i.e. "the effective transfer of technology to Brazilian hands with no restrictive clauses," as the main criteria for approval of incentives for local manufacture of computers.[14] IBM, which has no joint ventures in manufacturing even in the United States, was willing to build its model 32 in Brazil only if allowed to operate on a wholly-owned basis. Other large computer companies, such as Data General, shared IBM's adverse reaction to the conditions set by the Brazilians.

Had the multinationals been the only actors involved, Brazil's leverage would have been minimal, but unfortunately for them this was not the case. Digibrás, the state-owned holding company in the computer industry, set up a subsidiary, Cobra, which was also state-owned but contained some local private capital. Cobra in turn acquired know-how and parts from a U.S. company called Sycor. Once it became apparent that minicomputers might be produced locally by Cobra, CAPRE, the Brazilian agency in charge of regulating the computer industry, was in a position to credibly threaten to bar imports of minicomputer manufacture. Thus the multinational that holds out too long may find itself permanently shut out.

One of the most interesting aspects of the nationalist strategy in this instance is that it involves Brazil's use of a "domestically oriented" U.S. firm as an instrument for increasing bargaining leverage against the multinationals. Sycor is a tiny firm, one that could never seriously consider a confrontation with IBM in the U.S. market. Only a few years old in 1976, it had fewer than 2,000 employees and would have been a totally implausible competitor for the Brazilian market on its own. Yet its very "pygmy" status meant that it had much less to lose by sharing its technology with Brazil; and that technology was the vital ingredient necessary for Cobra to put itself in such a strong bargaining position vis-à-vis the computer multinationals.

A very different sort of resolution on the question of control is illustrated by the maneuvers of Dow Chemical in the mid-seventies. Dow entered Brazil late with large projects, yet surprisingly enough was able to enter on a wholly-owned basis.[15] Though it was unwilling to cut local partners in on its equity, Dow was willing to make a major commitment to the development of local technology and budgeted over five million dollars for a local research and development facility, its fourth largest research operation worldwide.[16] By making a gesture toward reducing Brazil's overall technological dependency, Dow has probably also reduced the likelihood that its exclusive control over its own operations will be challenged.

The adaptability of the multinationals will vary from company to company, and pressure on them from the Brazilian state will vary with fluctuations in the local political climate and the degree to which other economic problems appear more important. Primary among these other problems is the imbalance in Brazil's external trade relations.

Nationalism and Export Promotion

One of the most obvious weak spots in the contemporary Brazilian model is its import-intensive nature. If it is true, as the Economic Commission on Latin America claimed a few years ago, that "for every one percent in the growth of the product, the volume of imports must increase by two percent," then either the pattern of internal growth must shift or exports must continue to grow dramatically.[17] The rise in the price of petroleum exacerbated the problem, but the multinationals' needs for imports of intermediate and capital goods are fundamental to the import-intensive nature of Brazilian development. A study done for the Ministry of Planning argued that two-thirds of Brazil's non-oil trade deficit could be accounted for by the activities of just over 100 miltinationals.[18]

From the point of view of the multinationals, the import-intensive nature of their expansion in Brazil is far from disadvantageous. About 70 percent of all U.S. exports of manufactured goods to Brazil were "MNC-related" according to a 1970 U.S. Tariff Commission survey.[19] Since a substantial proportion of "MNC-related" exports goes to the multinationals' own subsidiaries (about one third according to the 1970 survey) and since the subsidiaries of other multinationals are likely to account for a sizable share of the rest, the expansion of the multinationals' assets in Brazil is directly linked to the expansion of their export-generated profits within the United States.

Although import-intensive industrialization is not disadvantageous for the multinationals, it represents a severe problem for Brazil. During the "miracle," trade imbalances together with a negative service account created a rising current account deficit that was in turn financed by foreign borrowing until debt service was equal to about 40 percent of exports. Something had to be done, and there were two possibilities. The first was to reduce imports, which consisted primarily of capital goods and intermediate products.

The creation of a local capital goods industry and the "deepening" of the process of industrialization was clearly attempted in certain areas, but success, at least during the early 1970's, was limited.[20] The proportion of capital goods supplied by imports increased rather than decreased between 1967 and 1974.[21] In addition, attempts at creating a local capital goods industry raised the question of whether "local" meant domiciled in Brazil or owned by Brazilians.

The expansion of the local capital goods industry could be as profitable for the multinationals as import substitution in the consumer durables. But Brazil's clear preference for a locally owned capital goods sector is an encumbrance for the multinationals, even though it has not yet affected their share of assets. In the spring of 1977, for example, FINAME (the industrial equipment financing section of the BNDE, Brazil's National Development Bank) closed the list of foreign subsidiaries from which Brazilian companies could purchase equipment and be eligible for support in the form of low-interest financing. This ruling would have made it extremely difficult for foreign suppliers not already approved to supply equipment to the lucrative market provided by state-owned firms, and it would have cut foreign suppliers off from the local private market. Fortunately for the multinationals, a group of German and Japanese banks got together and began negotiating a loan to the BNDE, which had responsibility for FINAME. British and American banks were brought in, and eventually a $150 million fund was loaned to FINAME specifically for the use of foreign firms.[22] Nonetheless, the point had been made: insofar as Brazilian funding was involved, preference would go to the local bourgeoisie.

Another striking example occurred when the state-owned railway system asked for bids on an order for 140 locomotives. General Electric, for years the only company producing locomotives in Brazil, naturally expected to get the bid. But GE is a wholly-owned foreign company and has in fact been accused of participating in a cartel that "decimated systemtatically" local producers of electrical equipment.[23] Instead, Equipamentos Villares, a company that had never built a locomotive but that was presided over by Carlos Villares, one of the foremost advocates of ABDIB nationalism, got the bid.[24]

From the point of view of center countries, especially those like the United States that have balance-of-payments problems of their own, one of the compensations for the transfer of increasing amounts of manufacturing capacity to the countries of the "semiperiphery" has been the corresponding increase in the market for imported machinery. For example, a study sponsored by the U.S. Department of Commerce in the early 1970's estimated that Brazilian textile exports of $145 million in 1972 were almost matched by imports of textile machinery amounting to $115 million. The connection between expansion of Brazilian assets and the expansion of export markets was made explicit, for the report admonished U.S. manufacturers to consider "the advantages of mounting subsidiary operations in Brazil for part or complete manufacture and thus provide a launching pad for increased importation." Similarly, the Polo Petroquímico do Nordeste, which was designed to provide local substitutes for imported intermediary products, was viewed by the U.S. Department of Commerce as a potential market for a quarter of a billion dollars of imported equipment.[25] Expansion of capital goods production in the "semiperiphery" removes this compensation. A locally owned capital goods sector would be a double loss.

Local production of capital goods is very attractive from a nationalist point of view, both CDI nationalists and ABDIB nationalists applauding the fuller local division of labor and the opportunities for local capital that it implies. But it is a partial and problematic solution to balance-of-trade problems--partial because it leaves untouched the deficit created by imports of intermediary goods, problematic because it creates a new arena for tension between the multinationals and ABDIB nationalists. Escaping the trade deficit through the expansion of exports is different. Multinationals, local capital, and the state can easily unite around this strategy.

For the multinationals, exporting from Brazil offers the opportunity of replacing lower-profit U.S. production with higher-profit Brazilian production. Supplying markets in other Third World countries from Brazil rather than from the United States gives the multinationals a chance to take advantage of more generous Brazilian export incentives. For example, Business International commented that for a Tenneco subsidiary trying to decide how to supply the Nigerian market for tractors and construction equipment, "Sourcing from Brazil is attractive because the Brazilian Government, through CACEX [similar to the U.S. Export-Import Bank], provides better credit terms than the U.S." Business Week spoke of Brazil as "a funnel for goods to Black Africa."[26] Massey-Ferguson found that Brazil was a useful "funnel for goods to Asia" as well. Massey discovered that it could sell $53 million dollars to exchange-poor Turkey without taking any exchange risk by manufacturing tractors in Brazil and selling them through Interbrás. Sales to Turkey had previously been made through the United Kingdom but, as a Massey-Ferguson vice-president explained, "We were having trouble getting export credits out of the United Kingdom, and Brazil was anxious to increase its exports."[27]

For the local bourgeoisie--even for those elements that are not properly speaking members of the internationalized bourgeoisie--increases in manufactured exports have been even more of a boon. Industries like textiles and shoes, which were still considered "traditional industries" in the late 1960's, were by the mid-1970's impressive contributors to Brazil's exports. In the brief three-year period between 1971 and 1973, textile exports in general expanded fivefold, and exports of finished textile goods expanded eightfold. The fruits of this expansion accrued in part to relatively small-scale members of the local bourgeoisie. The kinds of labor-intensive, technologically routine goods in which Brazil is most likely to be competitive internationally are exactly the kind of goods that locally owned firms are likely to produce.

State-owned companies are not directly involved in the manufacture of the kinds of goods that Brazil exports, but they may become involved as state enterprises begin to integrate forward, processing the primary products that they now export in raw form. The steps toward forward integration that have already been taken by the Companhia do Vale do Rio Doce are a prime example. In addition, Interbrás, Petrobrás' trading subsidiary, has become a major factor in the marketing of a wide variety of Brazilian exports. Perhaps most important from the point of view of state-owned companies, the expansion of exports, by alleviating the pressure to restrict imports of capital goods, removes an important constraint on their own investment plans.

A focus on exports alleviates tensions over the expansion of multinationals. Insofar as their output of the multinationals is clearly aimed at export, it can be more easily justified in nationalist terms and is less likely to be threatening to local capital. As long as multinationals can portray themselves as engines of export expansion, they are more likely to be allowed access to new sectors and less likely to be challenged on issues of control and sharing technology. Finally, of course, export expansion diminishes pressure on the multinationals to restrict their imports of capital and intermediary products just as it does for state-owned companies.

The best illustration of how export promotion provides a mutually acceptable solution to potential conflicts between the multinationals and the Brazilian state is provided by a program called Befiex, which ties a generous set of fiscal incentives to balance-of-payments performance. In the auto industry, Brazil was able to get commitments from all the major auto companies to export in total almost six billion dollars worth of their output over a period of several years.[28] For the auto companies the commitment to export amounts to "being thrown into the briarpatch." Given the incentives involved, they are likely to make higher profits on their production for export from Brazil than they could from another location. They will also be in an extremely strong position to demand even more incentives when the initial commitments run out in the mid-1980's, since by that time Brazil will be thoroughly integrated into their programs of "worldwide sourcing." For Brazil, on the other hand, the Befiex program represents a substantial contribution to resolution of trade imbalances. The auto industry, which was responsible in 1972-73 for a current account balance-of-payments deficit of $180 million, was on its way to producing a surplus almost that large by mid-1977.[29]

Viewed only in terms of the internal dynamics of the Brazilian alliance, export promotion generates profits, local accumulation, and harmony. Unfortunately for the Brazilian elite, securing the cooperation of the multinationals is only half the issue when export promotion is the goal; external markets are the other half, and that means confronting the internal politics of center coutnries.

The first thing that is evident in looking at Brazil's trade situation is that, with the exception of the special case of oil, Brazil's balance-of-trade problems originate in her trade relations with the center countries. As Table 1 shows, Brazil ran massive trade deficits in the early 1970's with the United States, Japan, and West Germany--the "core" economies. Very favorable balances with her less developed neighbors and the socialist countries were of insufficient magnitude to counterbalance her deficits with the core. Even in 1974, after the oil price rise, the core was still the major source of deficits. Trade deficits with all developed countries were almost double the deficit produced by trade with the Middle East.

When the problem of export expansion is looked at over time, the center countries again appear central to Brazil's trade problems. Between 1969 and 1974, exports expanded dramatically with the less developed countries and with the socialist bloc; yet the growth of exports to the core countries lagged behind the overall growth of exports. Dramatic expansion in small market is not enough. Brazilian exports must increasingly penetrate the world's major markets if export expansion is going to succeed.

The problem of penetrating the markets of the advanced industrial countries is clarified by looking at another trend that is evident in Table 2--the increasing role of manufactured goods among Brazil's exports. Primary products remain important, and in years when good harvests occur in combination with favorable market trends, as in 1977, primary exports may even grow more rapidly than manufactured exports. But overall the trend is clear: manufactured products must continue to account for a larger share of Brazil's exports if the pace of export expansion is to be kept up. The World Bank has projected an increase in the share of manufactured goods among Brazil's exports to 37 percent by 1985 and has stressed that "Brazil's growth prospects hinge quite critically on the growth of manufactured exports."[30]

The scneario for Brazil's future export expansion is clear. The huge deficits that have characterized its trade relations with the core countries must be cut back by placing a growing proportion of manufactured exports in these markets. The scenario runs, of course, squarely in the face of what is called "the new protectionism." Business Latin America summed up Brazil's predicament succinctly:

> Economically the major change can be seen in Brazil's export drive: for the first time it is beginning to step on some toes. When its exports were only primary goods Brazil did not get in anybody's way. But now, by competing in the market for such manufactured products as cars, road-building machinery, radios,

shoes and scissors, it is running into some of the troubles that beset other industrial societies. Objections are being raised to Brazil's export incentives, and protective measures have been invoked. This type of response to its exports is the principal sore spot in Brazilian-U.S. relations.[31]

TABLE 1

BEFORE AND AFTER THE OIL CRISIS, BRAZIL'S TRADE BALANCE 1972 and 1974 (Million $ U.S.)

Trading Partner	Imports	Exports	Balance	Balance as Percent of Imports
1972				
All developed countries	3,677	3,020	-657	-18%
U.S., Japan, W. Germany	2,355	1,447	-908	-39
Middle East	374	38	-334	-90
Bolivia, Uruguay Paraguay	29	89	+60	+206
Socialist countries	91	288	+197	+217
TOTAL	4,755	3,991	-784	-16
1974				
All developed countries	9,576	5,618	-3,958	-41
U.S., Japan, W. Germany	6,445	2,862	-3,583	-56
Middle East	2,404	431	-1,973	+82
Bolivia, Uruguay, Paraguay	165	251	+86	+52
Socialist countries	189	415	+226	+120
TOTAL	14,162	7,951	-6,211	-44

SOURCE: United Nations, Yearbook of International Trade Statistics, Vol. I: 1974, Trade by Country (New York: 1976).

Note: Areas are selected and therefore do not add to totals.

TABLE 2

GROWTH OF BRAZILIAN EXPORTS
(Million $ U.S.)

Type of Commodity	1969	1974	Percent Increase
Primary products	2,066	5,804	181%
Manufactured goods	245	2,147	776
TOTAL	2,311	7,951	244
Manufactured goods as a percent of total exports	11%	27%	

Destination	1969	1975	Percent Increase
United States	609	1,337	120
Western Europe	1,069	3,242	203
Bolivia, Uruguay, Paraguay	34	328	865
Africa	24	399	1563
Socialist countries	129	829	543
TOTAL	2,311	8,669	275

SOURCES: IBGE, Anuario Estatistico, 1972: 279-82; 1976: 245-47. Serra, 1978: table 10.

Small Capital and the Internationalization of Production

In Brazil, small locally owned capital has been left largely behind by the internationalization of the Brazilian economy. This might be seen as a plight peculiar to peripheral bourgeoisies, but it is in fact more general. Small pharmaceutical firms in Brazil have a great deal in common with small shoe manufacturers in New England.[32] Even if it is located in the center, small capital is not in a position to engage in direct investment and is not well set up to take advantage of export opportunities.[33] Small capital is, however, often engaged in manufacturing exactly the kind of technologically routine products that Brazil is trying to export. The devastating effect that the expansion of exports from the "semiperiphery" can have on small capital in the center is well illustrated by the plight of the U.S. shoe industry.

A quick summary of the U.S. shoe industry's decline in the face of competition from imports over an eleven-year period is provided in Table 3. Over 70,000 jobs disappeared between 1966 and 1976, along with 30 percent of the effective capacity of the industry. Nor was it the case that those who remained employed benefited from increased earnings based on more mechanized operations or the elimination of inefficient plants. The average earnings of those who were able to retain jobs in the industry remained stagnant in real terms and declined relative to earnings in other manufacturing industries. Value added per employee in footwear declined from 52 percent of the average for manufacturing industries in 1964 to 47 percent in 1974. In short, the U.S. shoe industry was not becoming a more modern and less labor-intensive industry but was simply losing out to overseas competition.

The most important structural change in the industry during the period 1966-76 was an impressive increase in the degree of concentration. At the beginning of the period, 517 small companies shared just over a quarter of domestic input, whereas 16 large companies shared just over 30 percent. By the end of the period, 21 large companies produced half the industry's output, whereas the 292 companies left in the smallest size category had only about one fifth of the market. Three hundred companies disappeared entirely.

TABLE 3

THE DECLINE OF THE U.S. SHOE INDUSTRY AND THE RISE OF IMPORTS

	1966	1976	1976 as a Percent of 1966
Total employees	241,500	169,000	70%
Number of companies	675	376	56
Effective capacity (000 pairs)	782,952	568,404	73
Census production (000 pairs)	641,696	413,087	69
Imports (000 pairs)	96,135	369,814	384
Value of shipments (millions of $)	2,473.5	3,482.0	141
Value of imports (millions of $)	158.0	1,448.0	916
Average weekly earnings[a]	$71.81	$70.22	98

SOURCE: American Footwear Industries Association, Footwear Manual, 1977, Tables 10, 11, 37, 38. AFIA Statistical Reporter, Quarterly Report, 4th Quarter, 1977.

[a]The figure for 1966 is gross average weekly earnings in current dollars. The figure for 1976 is gross earnings deflated by the change in the consumer price index from 1966 to 1976.

The structure of imports also changed over the period. Japan and Great Britain, both important center-country sources of shoe imports as of 1966, were no longer important factors by 1976. Italy and Spain remained major sources over the whole period, but Taiwan, South Korea, and Brazil, three countries that accounted for less than one percent of the dollar volume of footwear imports in 1966, accounted for over 40% by the end of the period. In short, the real gains were made by the "semiperiphery."

For the several hundred small entrepreneurs who were driven out of business and the 70,000 workers who lost their jobs, the shift of manufacturing investment to the "semiperiphery" has been a disaster. As similar examples accumulate, it becomes harder for the multinationals and their supporters to argue that overseas investment combined with free trade is the optimal economic policy from the point of view of the "national interest." As Luciano Martins has pointed out, the evolution of the international economy during the 1960's and 1970's "has made it increasingly difficult for multinational corporations to portray their private interests as being the 'general interests' of the United States."[34]

Over the last two decades multinationals have increased their overseas investments at a much more rapid rate than their domestic investments. This tendency has accelerated particularly during the 1970's. In 1960, foreign capital outlays of U.S. multinationals represented 11.5 percent of total domestic outlays in manufacturing industries; by 1974, foreign outlays were 30.9 percent of domestic outlays. Foreign outlays grew at a rate of 16.4 percent a year from 1960 to 1974, whereas domestic outlays grew at only 8.5 percent. In the period from 1969 to 1974 the discrepancy between domestic and foreign expansion was even greater: foreign capital outlays expanded at 18.3 percent a year and domestic ones at only 7.8 percent.[35] At the same time that foreign plants were being expanded, the U.S. share of world manufactured exports was declining by about a third.[36]

What would have been the effect if the U.S. government had tried to impede the internationlization of production by preventing U.S. capital from moving abroad? Disregarding the question of whether it would have been technically possible to impede such capital flows, the answer seems to be that capital (which is to say in this case the multinationals) would have been worse off, whereas U.S. labor probably would have been better off. Using Peggy Musgrave's estimates of aggregate income effects, we find that, without foreign direct investment, labor would appear to increase both its absolute level of income and its proportionate share of income. Were it possible to analyze returns to small capital independently from returns to large capital, small capital would probably show results similar to labor. As it is, it is only possible to discuss returns to labor, returns to capital, and overall national returns. Musgrave's conclusions are, first, that foreign investment has "significant distributional effects working to the detriment of labor," and, second, that "the net rate of return on investment abroad at the margin and as seen from a national point of view is negative.[37]

Most of the argument regarding the effects of foreign investment has focused on employment effects rather than on income effects. Studies which find positive effects on employment tend to do so by assuming that foreign markets will be lost without direct investment. In addition, the employment that might be generated by the domestic investment of the same funds is left out of the equation.[38] Using more moderate assumptions, Frank and Freeman, in a study sponsored by the U.S. State Department, concluded that about one million jobs had been lost as a result of foreign investment between 1966 and 1973.[39] Studies like these make life difficult for the multinationals. In 1950, when three quarters of the world's automobile production originated in the United States, and when the United States could export automobiles to Brazil, "What's good for General Motors is good for the United States" had a plausible ring to it. Now, as we watch Detroit's output stagnate while GM and Ford are rapidly expanding their production elsewhere in the world, and, even worse, as we watch engines from Brazil going into Detroit Pintos and radios from Brazil going into other Fords, the correspondence of interest is harder to see.

It is not that the multinationals are left without arguments. Professor Stobaugh put their case succinctly to the U.S. Senate's Subcommittee on Multinationals: ". . . U.S. investment, foreign direct investment, is part of a cycle for generating new products and new knowledge into the U.S. and we are exporting that knowledge and those new products and we are getting monopoly profits in this economy from it and in turn we are buying mature [technologically routine] products with the money we made from those exports and services and goods."[40] In short, we are much better off exporting computers and importing shoes than we would be protecting our domestic shoe industry at the expense of our computer exports. This is a plausible argument, and one that might be able to generate considerable legitimacy if the United States had a favorable trade balance and low unemployment. Under present circumstances, however, legitimacy is harder to come by.

A "Nationalist" Coalition in the Center?

Newfarmer and Mueller have estimated that 25 firms control over half of all U.S. manufacturing investment in Latin America.[41] These firms benefit from a number of favorable tax laws, receive certain special services like OPIC (Overseas Private Investment Corporation) insurance, and expect the general support of the U.S. government state apparatus.[41] As long as a "Hickenlooper" perception of the direct connection between their interests and the general interests of the United States predominated, these 25 firms could comfortably expect the full support of the state.[42]

A "Hickenlooper" vision of foreign investment assumed not only that the interests of the multinationals were synonymous with those of the United States but also that the enemies of the multinationals were the enemies of capitalism and therefore of the "American way of life." Hence when the multinationals become involved in disputes or conflicts with a vehemently anticommunist government such as the Brazilian one, it is hard to invoke ideological fervor. Even more seriously, it is difficult to invoke interest-based support, even from other owners of capital. Foreign investors lack even the kind of political support that defense contractors can draw on. The defense contractor can count on the support of labor, anxious to preserve its jobs, and local governments, anxious to preserve their tax base. Overseas factories generate neither kind of support.

Why should we not expect to see small owners of capital--owners of shoe companies, for example--band together around a "nationalist" program that would involve protectionism for domestic industries, the withdrawal of tax and other privileges from foreign investment, and perhaps in the most extreme case a withdrawal of U.S. military and political support from the authoritarian regimes whose repressive labor policies make export platforms possible? If we were seeking a "nationalist" element among small capitalists, the shoe industry would be an obvious place to look for it.[43] The industry has been characterized by large numbers of small firms, and has been directly and severely damaged by imports. Even the largest firms in the industry have not been able to embark successfully on a strategy of direct foreign investment. Yet for all this, the "nationalism" of the shoe industry has not gone beyond specific, self-interested protectionist measures.

One would expect that the most obviously hurt among the owners of shoe companies would be those who have been driven out of business. In reality, many of these have experienced shifts in roles that are far from disastrous. Some managed to sell their companies for large sums of money and are now living in comfortable retirement. The younger and more entrepreneurially oriented are more likely to have transformed themselves into importers. (Since the commercial aspects of the business are paramount, even for a firm involved in manufacturing, working as an importer involves a number of the same skills that are required for running a small manufacturing firm.) A few have been kept on by the firms that bought out their companies. (One is reported to be designing shoes in Italy.) There may well be personal disasters, but they do not appear to be characteristic enough to generate any political impact.

What about those still in the industry, still confronting the massive impact of shoe imports? First of all, the largest firms have to be excluded from any "nationalist" coalition. The four largest footwear companies had higher profit levels in the period 1970-73 than between 1963 and 1966.[44] Most of them are heavily involved in retailing as well as manufacturing and have been able to combine domestic production with imports. A few have made direct investments overseas. In 1977, when lobbying for curbs on shoe imports from Taiwan and South Korea was intense, the U.S. Shoe Corporation, one of the largest in the industry, "quietly started up a Far East operation in Taipei, Taiwan."[45] Others have found that trying to take over managerial control of overseas sources is more trouble than it is worth, and that they can profitably take advantage of foreign factories without owning them.

Among smaller manufacturers, those in the "volume" or "commodity" end of the business--that is, those who produce long runs of low-priced shoes--have been most hurt. Most in the industry would admit that firms in this end of the business will probably have to either change their lines or go bankrupt. There are other kinds of shoe manufacturing, however, in which domestic manufacturers have more of an advantage. In certain styles, such as heavy leather boots and casual leather shoes, American designs predominate. In higher-priced leather shoes, direct labor may account for only 15-20 percent of the value of the shoe. Once the foreign manufacturer has paid for freight, normal duties, and warehousing, it would be hard for him to have a cost advantage even if his labor cost him nothing. In the higher-priced, more fashion-dominated segments of the market, there is a strong advantage in being close to the retail market. A small domestic manufacturer can respond to a retailer in 25-35 days; a Brazilian or Taiwanese company may require six months.

In short, there are a number of niches in which the small local manufacturer has a good chance of survival, or at least a chance that is no worse than normal for small manufacturers. They may well fail, just as any small manufacturer is likely to fail, but they are not likely to see themselves as deprived of a chance to compete by the new international economic order. Furthermore, even those who see themselves as engaged in a battle for survival in which the major opponents are foreign lack an ideological framework that might lead them into "nationalist" politics.

One entrepreneur, whose company had been forced by foreign competition to drastically (albeit successfully) shift its product line, was completely unsympathetic to efforts to protect the shoe industry. He felt that U.S. companies could not compete with the Orient in the volume end of the business and "had no business trying." Tariffs, quotas, and subsidies "make footwear more expensive for the man in the street, increase taxes, and by increasing inflation make it more expensive for someone in Germany to buy an IBM computer." What is striking about his analysis is that it mirrors exactly the "internationalist" position that one might expect from the manager of a multinational. Discovering such an archetypal "internationalist" in the person of a small domestically oriented entrepreneur gives some indication of the general ideological hegemony of the internationalist position.

Even shoe manufacturers who are adamant about the need for protection are not likely to place their demands in the context of any general political program. For those in the higher-priced lines, "the decline of American craftsmanship" is the prime culprit. American workers can no longer, for some reason, match the finesse of the Italian craftsmen. Skilled and willing workers in general are getting harder to find. Seeing the source of their problems in the inadequate skills and motivation of their workers, they are led away from any analysis that might put them in opposition to the multinationals.

Trying to compete in the volume end of the business is more likely to lead to a "nationalist" analysis. One manufacturer, who had watched foreign competition transform his company's position from one of having profits of $500,000 in 1969 to one of having losses of over $100,000 in 1976 and 1977, said bluntly, "As long as the State Department actively supports governments which believe in the suppression of their people, American manufacturers won't be able to compete." Even in this case, however, stoicism rather than political activism was the result.

Shoe manufacturers see the world in individualistic terms. They have little faith in the efficacy of politics or collective action in general. The small-scale entrepreneur, even when threatened by structural changes that might appear to an outsider to call for political actions, characteristically either sees solutions in terms of increased individual initiative or is resigned. Testifying before congressional committees or working through the industry association is not viewed as efficacious. Nor is there any evidence that these small manufacturers see their plight in terms of a struggle with the multinationals. They are aware that large firms in the industry can take advantage of imports and have no interest in protectionism, but the idea of a generalized split between domestically oriented and internationally oriented capital has no place in their worldview.

A quick look at the shoe industry suggests that the idea of a "nationalist" coalition built around small, domestically oriented capitalists who have been objectively hurt by the evolution of the international economy is fanciful. Any search for the political consequences of the economic changes associated with the "new international economic order" must focus somewhere besides domestic capital. But this is not to say that the disappearance of several hundred shoe manufacturers and other similar changes have been without political effect.

Some of these effects can be seen in congressional debates. On several recent pieces of legislation, which should have been completely noncontroversial, the "internationalists" have discovered a surprisingly vehement opposition. Routine measures such as approval of funds for the IMF or a tax treaty with the United Kingdom have run into unexpected trouble. Perhaps most striking was the fight over the renewal of the Overseas Private Investment Corporation (OPIC). In the House, the OPIC bill was originally brought forward on the "suspension calendar," which is reserved for noncontroversial legislation. After two days of debate, it was so deeply in trouble that its sponsors wisked it off the floor rather than bringing it to a final vote. The debate over the bill provides a good indication of the erosion of the "internationalist" position. There were three main points of attack: first, that the ventures funded by OPIC might be connected to plant closings and the loss of jobs in the United States; second, that OPIC benefited only the largest firms and did nothing for small business; and, third, that the ventures funded by OPIC did not speak to "developmental" goals because they were sometimes frivolous, because they were generally in the larger, more advanced Third World countries (often those with poor records on human rights), and because they benefited only the elite within those countries.

Representative Leo Ryan of California led the fight, arguing that "What we really have here is assistance in highly developed countries, giving them even more help than they need to take jobs away from our own people here."[46] Others followed his lead, asking "is it not also a fact that many of the products we see flooding the American market right now and putting our domestic people out of work--TV parts, steel, leather goods, garments--are produced by foreign factories that really are insured by this program?"[47] Some were more perplexed than aggressive, like Representative Danielson of Los Angeles, who said "I have lost three tire plants. . . . The Business Round Table people told me that they would give me an answer. As of today, I have no answer. Maybe my friend the gentlemen from California [Mr. Ryan] has put his finger on it. Maybe these jobs are being sent abroad."[48]

The appeal to small business also proved a useful tool in the hands of opponents to the bill. Representative Long of Maryland introduced an amendment that would have required OPIC to provide "at least 50 percent of all its insurance to small business (as defined by the Small Business Administration)."[49] When the bill's sponsor argued that the amendment would "make the program completely unworkable," Long's retort was immediate and obvious: "I think the gentleman has just made the most damning indictment of the OPIC program that I have heard yet. The Gentleman says that there is no room in overseas business or in the overseas market for small business. What could be worse than that?"

The "aid" aspects of OPIC were also subject to attack. Ryan and others pointed to investments such as fast-food chains in Brazil, ITT Sheraton Hotels in India, Safari Lodges in Kenya, and Avis Rent-a-Car services for Malaysia as ". . . not what we had in mind when we created OPIC to help poor countries."[51] Human rights advocates pointed out that ". . . what we see OPIC doing is giving more and more of its money . . . to companies which invest in countries where there are serious and gross violations of human rights."[52] Rep. Long of Maryland capped it off. "This type of industry which we would be guaranteeing is going to benefit some people, surely. It is going to benefit the ruling class."[53]

The supporters of the OPIC bill won in the end. But the debate indicated the fragility of the traditional "liberal-internationalist" coalition that had seen Jacob Javits and Hubert Humphrey getting together behind OPIC. When supporters of the bill argued that the American investments it fostered would increase exports and American jobs, they were not as convincing to their colleagues as they had been five years earlier. The concentration of OPIC insurance on a few Fortune "500" firms appeared more galling. The skepticism over the developmental effects of a direct investment was apparent throughout. If it had not been for the concerted lobbying efforts of a large number of OPIC personnel and for the fact that OPIC was not asking for any money, the outcome might have been different.

The debate did not bring forth a "nationalist coalition." It did show that representatives from liberal, middle-class districts (like Ryan), free traders (like Long), human rights advocates (like Harkin of Iowa), representatives of districts with factories closing (like Danielson), and even representatives of conservative rural districts (like Evans of Georgia) could all find common ground in their opposition to state support of the activities of the multinationals.[54] The vehemence of the opposition to OPIC was even more surprising because of the spontaneity of its emergence. Ryan picked up on the issue almost by chance, not because there were any interests among his constituency that felt strongly about OPIC. Most of his constituents had probably never heard of it. Anti-OPIC arguments struck responsive ideological chords. One representative was reported to have said, "How can I support OPIC when farmers in my district can't get loans?" Long's small business amendment gathered support not because domestically oriented capital was lobbying behind it but because, in the words of one observer with long experience on Capitol Hill, "Congress (especially the House) reacts viscerally to anything that involves small business."

Labor became involved in the battle over OPIC only after Ryan had turned it into a fight. That labor became involved at all represents part of a gradual weakening of the AFL-CIO's traditional "internationalist" stance. The AFL-CIO has often found it much easier to get along with advocates of an "internationalist" position like Jacob Javits than with representatives of small business, whose power and profits are more directly threatened by unions. But as factory closings spread in proportion to the expansion of foreign direct investment, the arguments of the "internationalists" begin to pall.

Even if small domestically oriented capital is congenitally unsuited to mounting collective political action, its plight has political effect. Small business in the abstract has a political charisma reminiscent of that of the "national bourgeoisie" in countries like Brazil. When the plight of small business can be connected with job loss, a potent ideological combination is created. None of this is to say that close relations between the multinationals and the U.S. state apparatus have ended or are about to end. Certainly the Department of Commerce and the other parts of the executive branch that are charged with servicing the needs of the multinationals will continue to do their work. With a serious lobbying attempt, the multinationals can probably still get through almost any piece of legislation that they need. What was striking about the OPIC debate was that there was a debate at all. An unquestining persuasion is one thing, a questioned ideology is another. The fact that the "internationalist" ideology should be so strongly questioned at a time when ruling circles are rife with representatives of what is surely the epitome of the "internationalist" perspective, the Trilateral Commission, must be cause for concern among the multinationals.[55] Even worse, their political difficulties in the United States have political reverberations in countries like Brazil.

Reverberating Nationalism

The apogée of pro-U.S. sentiments among those who control the Brazilian state apparatus was passed ten years ago, when Castelo Branco was president and Roberto Campos controlled the Treasury. In those days, the United States was attractive as a bastion of anticommunism.

North American support had been critical in assuring the military's smooth ascension to power. North American aid, trade, and investment were mainstays to the model of development that the military was attempting to install.

In the late 1970's the shifting character of the international economy has made reliance on the United States appear less attractive. After watching its balance of payments pushed into the red by chronic trade deficits with the United States for 30 years, Brazil now finds itself treated as a dangerous competitor suspected of being guilty of unfair business practices. These fears might seem more fair if directed toward Germany and Japan. For Brazilians they can only seem unjustified and hostile. Brazil, after all, not only runs negative trade balances with the United States but remains a minor source of manufactured exports to the United States. A Brazilian observer listening to the OPIC debate could hardly help being disconcerted at hearing Brazil used throughout as an example of one of those "highly developed countries" that were "getting more help than they need to take jobs away from our own people here."

In defense of OPIC, Representative Bingham of New York conceded readily that "too much of OPIC activities have centered in countries like Brazil" and pointed out that "Just the other day, for example, OPIC announced that there would be no more general guaranteeing of insurance issued for Brazil and other countries where the per capita income is over $1,000."[56] Representative Long attacked OPIC vehemently for having assisted the Brazilian steel industry:

> In 1977 OPIC financed a steel project in Brazil, a country that has received over $940 million in total foreign assistance for its steel industry. . . . I have seen one of their plants. They are pathetic. They are getting a subsidy from their government in addition to ours. But once they have a steel mill, they are going to produce steel and export it abroad, no matter how uneconomic the operation is, and they are going to stop buying from the United States. The steel industry in Brazil has increased its exports of steel into the United States by over 160 times between 1959 and 1974.[57]

Such rhetoric would not be disturbing if it were only that. But when it is accompanied by concrete actions, such as the imposition of countervailing duties on scissors and yarn and pressure toward the removal of export incentives in the shoe industry, it becomes an indication of a potentially serious confrontation between domestically oriented U.S. capital and a central feature of Brazil's export expansion. The issue is particularly salient in the late 1970's since waiver privileges for Latin American exports to the United States will have to be renegotiated by the end of the decade.

At the same time that economic friction with the United States is growing, militant anticommunism (internationally at least) appears to make less economic sense. As Table 1 indicated, when solving trade imbalances is the question, the socialist countries are part of the solution and the United States is part of the problem. Not only are the Soviet Union and Eastern Europe good markets for Brazilian exports, but the former Portuguese colonies in Africa, now socialist, are a promising part of Brazil's potential economic hinterland. Internally, anticommunism remains necessary to the maintenance of class privilege; but internationally, a rigid interpretation of what it means to be a member of the "free world" no longer makes sense.

For U.S. multinationals operating in Brazil, the political advantages of American "citizenship" have become much more ambiguous than they were ten years ago. For one company, Westinghouse, American "citizenship" was an insurmountable obstacle to winning a multi-billion-dollar nuclear reactor contract for which they would otherwise have been so directly hurt, but there is the uneasy feeling that, as one multinational manager put it, the current state of U.S.-Brazilian relations represents a "negative tangible" for the U.S. multinationals trying to operate in Brazil.

Business Latin America's assessment that "U.S. trade and investment in the region could be pushed aside to make room for European and Japanese investors" should probably be taken either as paranoia or as a self-serving attempt to goad U.S. policymakers into taking a more thoroughly internationalist stance. The fact remains that protectionism, in combination with Carter's human rights and nonproliferation policies, is an embarrassment to the multinationals and enhances the likelihood of nationalist policies on the part of the Brazilian state.

It would be too crude to suggest that the Brazilian state, in a simple quid pro quo, will retaliate against the multinationals trying to operate within its territory. In the first place, Brazil remains committed to a developmental model based on the "triple alliance," and for that reason must have the support of multinationals in order to carry out its chosen project of accumulation. Any overt discrimination against the multinationals of a given center country--especially against those of the United States, which, despite everything, account for almost three times as much investment as those of either West Germany or Japan--would limit the bargaining flexibility of the state and threaten the overall success of the "triple alliance."

Policy with regard to the regulation, restriction, or control of multinationals is made on the basis of immediate and pressing needs, not on the basis of emotional or ideological responses to debates in the U.S. Congresss. If GM is asked to agree to a program of exports, it is because Brazil must find a solution to its balance-of-payments problems, not because Brazilian officials are upset over accusations of torture. If IBM is not allowed to set up a wholly-owned subsidiary, it is because the Brazilian navy may have a vested interest in Digibrás or because local investors with political connections may see a possibility for profitable participation in the computer industry if IBM is

excluded, not because the American Yarn Spinners Association succeeded in getting countervailing duties imposed on Brazilian yarn.

The connection between the fraying of the edges of "internationalist" policies in the United States and the possibility of increased nationalist pressures on U.S. multinationals is more subtle and indirect. The existence of U.S. policies that are unsympathetic to Brazil's aspirations (whether unsympathetic to the necessity of export expansion or unsympathetic to the degree of repression the model requires) legitimates equivalent Brazilian responses. Depriving GE of its rightful share of local locomotive orders seems more legitimate when U.S. congressmen are applauding the decision of OPIC not to issue further insurance in Brazil. The interests of Equipamentos Villares may be the more proximate cause, but the resurgence of defensive nationalism in the United States contributes to the legitimacy of nationalist choices in Brazil.

For any rational Brazilian policymaker, the response to rumblings of U.S. nationalism must involve more than questions of legitimation. Just as multinationals must continually assess the "stability" (for which read: continuance of regimes favorable to international capital), of Third World governments, so countries like Brazil must consider seriously the possibility that the future behavior of U.S.-based multinationals depends in part on the U.S. political climate. In 1977 Westinghouse was prevented from providing Brazil with a nuclear reactor. Is it beyond the realm of possibility that in 1984 Congress might prevent IBM from allowing Brazilians access to its computer technology? If such a possibility exists, then the decision to shut IBM out becomes more rational.

U.S. nationalism reinforces Brazilian nationalism, and Brazilian nationalism, as long as it is restricted to careful bargaining, reinforces the involvement of the multinationals in the "triple alliance." How will Westinghouse respond when it sees GE lose an important locomotive contract? How will both GE and Westinghouse respond when they see IBM cut out of the Brazilian computer industry? Brazil is not only a market that is growing much faster than the markets in most developing countries, it is also an economy in which profit rates are exceptionally high. If it is necessary to shift worldwide sourcing in such a way as to make the Brazilians happier, why not? The Brazilian state looks at the balance-of-payment impact of each large multinational individually; the United States does not. Refusal to cooperate with the Brazilian state might result in a denial of CDI incentives; the United States does not even have a precise definition of what cooperation entails.

Transnational Economics and National Politics

The argument in this paper has rambled from Brazil's trade with Bolivia through the political opinions of New England shoe manufacturers to congressional attacks on Safari Lodges in Kenya--all purporting to clarify the nature of U.S.-Brazilian relations in the 1970's. The logic that underlies this combination of disparate and somewhat incommensurable sorts of evidence needs to be reiterated.

The economic transformation of certain parts of the periphery is the starting point. None of the analysis that has been presented could be extended to Afghanistan, Niger, Zambia, or Paraguay. Only a few countries have experienced the kind of dependent development associated with both indigenous industrial capacity and the formation of a "triple alliance" among state, local, and multinational capital. In these countries, multinationals can be harnessed to projects of local accumulation, but only in the presence of continued nationalist pressure. Continued nationalism, in the sense in which the term has been used here, is a structural feature of the "triple alliance."

Expansion of manufactured exports to center countries is vital to the model of economic growth that has emerged under the aegis of the "triple alliance"--vital because of the economic necessity of resolving the external imbalances created by import-intensive industrialization, and because export expansion is a mode of resolving these imbalances in a way that is both attractive to the multinationals and not threatening to local capital.

At this point, a division appears between the interests of U.S. multinationals and the interests of U.S. capital, whose primary concern is the expansion of the U.S. domestic economy. Independently of the question of exporting back into the United States, serious questions can be raised about whether the accumulation undertaken by the multinationals in the semiperiphery is at the expense of accumulation in their home economies. Existing evidence suggests at least that U.S. labor has suffered. As smaller domestic capitalists are increasingly threatened by the influx of foreign manufactured products, the contradictions between the policy preferences of the multinationals and domestic interests become more severe.

Under these conditions, programs like OPIC test the limits of the "naive and unquestioning persuasion" that support of business must be in the national interest as long as that business is owned by U.S. citizens. OPIC represents a public subsidy, available only to companies engaged in building up the economic capacity of countries other than the United States, primarily useful in practice to a tiny number of the largest multinationals. At a time when plant closings in response to foreign competition are routine, when unemployment is a problem, and when balance-of-payments deficits are chronic, convincing politicians that such subsidies are in the national interest requires some skill. Analysis of opposition to programs like OPIC provides a measure of U.S. political reactions to the growing willingness of multinationals to shift production outside the United States.

The postulated result is an increasing disjuncture between the multinationals and the political apparatus of their home state. This point needs to be made very carefully. It has not been argued here that the capitalist class in the United States is divided into "internationalist" and "nationalist" segments, locked in struggle over control of the U.S. state. Small domestically oriented capital has all the political weaknesses that are traditionally attributed by Marxists to the petty bourgeoisie. Because some small entrepreneurs continue to find profitable niches even in the most severely affected domestic industries, there is little collective sense of shared fate. Even small domestically oriented manufacturers are imbued with the internationalist ideology of free trade.

The present disjuncture between the multinationals and their home political apparatus appears to have occurred without any significant general campaign on the part of small domestically oriented capital and, for that matter, with only a very limited amount of pressure from organized labor. The degree to which the ideologically hegemonic position of the internationalist stance has been eroded is impressive precisely because it has occurred in anticipation of pressure from affected interest groups more than as a result of such pressure. The state will, of course, continue to act in the interests of international capital. Even in Congress the internationalist position will be victorious most of the time. The argument is not that the U.S. state has turned "nationalist" but rather that the internationalist front has begun to develop some cracks.

The tentative upsurge of nationalist sentiments in the United States has the effect of increasing nationalist pressures within Brazil, both because U.S. actions make Brazilian nationalism more legitimate and because they stimulate anticipatory defensive policies. The response of the multinationals will be to seek accommodation with the Brazilian demands and thereby increase the distance between themselves and U.S. domestic interests. As long as certain background conditions prevail, the rapprochement between the multinationals and the Brazilian state that has already been achieved will be self-reinforcing.

The background conditions are important. It has been assumed here that profit levels and the expected growth rate will continue to be superior in Brazil. Were center-country protectionism or some other change in the international economy to lead to real stagnation and lower profit rates in Brazil, then the whole dynamic would change. The Brazilian working class could also upset the process. An expansion or even a chronic repetition of a strike wave such as that experienced by São Paulo in the spring of 1978 would change the scenario substantially. If the effective repression of working-class demands were to falter, neither current levels of profitability nor the current restricted defintion of nationalism could be taken for granted, and the attractiveness of Brazil to multinational managers would be put in question.

The necessary assumptions with regard to the evolution of the North American environment are more conservative. It has been assumed that current problems with the trade balance and with the maintenance of employment in basic manufacturing will continue, and that therefore relations with the international economy will remain problematic. In addition it has been assumed that attempts to cope with structural adjustment within the U.S. economy will continue at their current rudimentary levels.

The assumptions about the future of the North American environment are conservative primarily in that they include no predictions of increased militancy on the part of U.S. labor. Since 1960, U.S. labor has experienced less growth in compensation per hour than any working class in the developed world. How long this can continue without stimulating increased labor militancy or a shift in the direction of more explicitly socialist politics is impossible to tell. Should either of these occur, the process of detachment of the multinationals from their home state might accelerate.

No matter how carefully qualified or tentatively stated, the implications of the argument remain radical. "What is good for General Motors is good for the United States" has been an enduring central premise of the extant U.S. "pact of domination." Such ideological premises have been more difficult to impose in Latin America because such a large segment of capital was foreign. Instability of bourgeois rule has been the result, but the international hegemony of the United States has compensated for local instability. Once "nationalism" can be defined even in the United States in a way that is distinct from the interests of a major segment of capital, Pandora's box is open.

When Representative Long questions whether the valuable services that OPIC performs for the multinationals are in the national interest, he is questioning a fundamental ideological premise. What Veblen had in mind when he spoke of the "naive unquestioning persuasion" was, after all, the duping of one class by another. In its desire to take advantage of profitable opportunities in semiperipheral countries like Brazil, international capital may end up exposing its ideological flank more seriously than it realizes.

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[4]"Nationalism" is sometimes taken, especially in Latin America, to refer to policies or ideological positions that speak to the interests of the nation as a whole, that is to the interests of the entire population. In any class-divided society such a definition is highly problematic, and for that reason a definition more restricted to the perspective of the dominant class will be used here: "Nationalist" policies are those aimed at maximizing the rate of capital accumulation within the confines of a given nation-state. The term "nationalist" has no direct welfare or distributive implications. As long as "nationalism" is defined in this restricted way, a regime may be nationalist and at the same time repressive and inegalitarian. Yet Nationalist policies may be considered to be in the interests of the entire population insofar as the local citizenry are more likely to be able to exercise political leverage over the distribution of the benefits of accumulation that takes place within their own "set of governmental contrivances." "Internationalism" will be used with the same "capitalist" restrictions as nationalism--as referring to policies or ideologies that attempt to maximize the accumulation of capital without regard for the geographical location of that accumulation. For a somewhat different but analogous discussion of nationalism and internationalism, see Franz Schurmann, The Logic of World Power: An Inquiry into the Origins, Currents, and Contradictions of World Politics (New York: Pantheon Books, 1974).

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[14]Business Latin America, pp. 193, 307, 1977.

[15]Ibid., pp. 196, 299, 1975.

[16]Ibid., p. 159, 1978.

[17]Economic Commission on Latin America (ECLA), Economic Survey of Latin America, 1974 (New York: United Nations, 1976), p. 233.

[18]Business Latin America, p. 185, 1976.

[19]U.S. Tarriff Commission, Implications of Multinational Firms for World Trade and Investment and for U.S. Trade and Labor. Report to Committee on Finance, U.S. Senate. Washington, D.C.: USGPO, 1973.

[20]Guillermo O'Donnell, "Reflections on the Patterns of Change in the Bureaucratic-Authoritarian State," Latin American Research Review 13(1): 3-39, 1978. See also, José Serra, "Three Mistaken Theses on the Connection between Authoritarianism and Economic Development," in David Collier (ed.), The New Authoritarianism in Latin America (Princeton, N.J.: Princeton University Press, forthcoming 1979).

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[22]Business Latin America, p. 155, 1978.

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[34]Luciano Martins, Nacão e Corporação Multinacional (Cleção Estudos Brazileiros, #4), p. 99, Rio de Janeiro: Editora Paz e Terra, 1975.

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[40] Ibid., p. 65.

[41] Newfarmer and Mueller, op. cit., p. 43.

[42] By "Hickenlooper" perception, I mean the assumption that the U.S. state apparatus should serve to back up the interests of multinationals in their disputes with Third World states that was epitomized in the famous Hickenlooper amendment.

[43] The interviews with shoe industry executives on which the following discussion is partially based admittedly represent only a very small number of New England manufactureres. Since they were not systematically selected, they are not necessarily representative. None of them, for example, was active in the American Footwear Industry Association. Nonetheless, the results of these interviews seem quite consistent with the comments of outside observers regarding the relative lack of organized political activity on the part of small, domestically oriented capital.

[44] American Footwear Industry Association (AFIA), Footwear Manual 1977, Table 14.

[45] The Wall Street Journal, March 3, 1978, p. 2.

[46] Congressional Record, October 2, 1977, p. H12058.

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[52] Ibid., November 3, 1977, p. H12057.

[53] Ibid., February 23, 1978, p. H1443.

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