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Transnational enterprises and the internationalization of capital in Brazilian industry

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In a careful analytic movement from the general to the particular, the authors seek to clarify the complex and controversial phenomenon of the internationalization of capital. In the first part, after briefly reviewing the main theories in this area, they characterize the central aspects of postwar capitalist expansion in the centres; this expansion is analysed in various stages, beginning with the hegemony of the United States immediately after the war, through the period of expansion of the subsidiaries of transnational corporations (TNCs) originating from the United States, Europe and Japan, continuing with the national responses to this 'American challenge' and the differentiation among the centres, and culminating in the crisis of recent years which is causing the breakdown of the international order.

After pointing out the differences in the processes of internationalization in the advanced and underdeveloped countries, the authors enter into the case of the second part of the article, referring to two main aspects of the process of internationalization in Brazil. On the one hand, and on the basis of data obtained from a study of the main transnational corporations in this country, they explore the internationalization of industry; on the other, they analyse the external debt, its causes and its consequences for the present and future of Brazil.

In conclusion, they examine the recent general trends in internationalization and its prospects in this country, especially with reference to the mineral resources and banking sectors, in which they feel this process might intensify.

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I

The internationalization of capital

The veritable plethora of words written in recent years on subjects such as the internationalization of capital and of TNCs certainly sheds very little light on the matter except, of course, for rare and notable exceptions. Furthermore, disagreement is often seen even within the modern schools of thought which deal with the problem. We refer especially to the marxist currents of thought, the Anglo-American school of the theory of international oligopoly and the Latin American version originating in CEPAL.

Still, some progress has been made, and at least the marxist versions now admit that the process of internationalization of capital is derived from and determined by the movement of capitalist competition, which occurs especially between blocs of capital previously monopolized. The differences do not refer, then to the origins of monopolization, which according to the various schools of thought resulted from the national frameworks of capitalist development before the war. All agree that the United States of America, Europe and Japan are the main centres of developed capitalism.

The principal divergence behind the debate —and this is true not only for marxists but for any other school which accepts historicism— is that there is a separation between the blocs of monopolized capital and their national origin, which leads to a process of transnationalization. The three versions which attempt to interpret this fact, and the way the internationalization relations are structured, develop out of the debates between marxists and neo-marxists in France.

The first version —of which Mandel's ideas may be taken as typical— continues to centre analysis of the international system on the emphasis on competition between blocs of *national* capital. The second —which may be represented by Bettelheim— proposes the idea of an oligopolistic *collusion* which goes beyond national limits and places the weaker nations, that is, those of the so-called periphery, in a subordinate position. The third seems to aim at the formation of a new *world* economy which would be relatively unified but obviously subordinate (and always according to the proper norms of the "unequal and combined development of capitalism"). This latter corresponds to the Palloix version and may lead, with some modifications by Third World attitudes, to a resurgence of the central-periphery scheme, via approaches which range from unequal exchange, according to the cruder version of Emmanuel, to accumulation on a world-wide scale, according to the more complex version of Samir Amin.

There is no need to point out the ideological attraction of the various versions of this latter idea, especially when they combine the dual attraction of the use of marxist categories and the indignation of the exploited peoples of the Third World.

In the Anglo-Saxon school, anticipating the marxist debate, the idea of transnationalization takes as its point of departure the internal criticism levelled at the theories of industrial organization in the very heart of the Harvard School of Business Administration. In reality, both the conservative vision of Vernon and that of his radical disciples, especially Hymer, restate the question of the internationalization of capital through the expansion of the large United States corporations. These points of view have already crossed the Atlantic and have found supporters such as Rowthorn and Caves in the British socialist world.

Pari passu with the French and Anglo-Saxon debate on the nature of internationalization there is the Latin American debate. Derived from Raúl Prebisch's thinking (based on the terms of the central-periphery relationship) on the unequal development of the capitalist system, this has given rise to a series of ideas on dependent development. In reality, this evolution represents at once a criticism of the perverted forms assumed by our types of industrialization in their social aspects and a recognition of the failure of the autonomous national projects of capitalistic development. The works of Celso Furtado, Osvaldo Sunkel, Aníbal Pinto and Prebisch himself bring out this dual process and offer a rich view of the debates mentioned.

In the more sociological version of Cardoso and Faletto, the lack of autonomy is the result not only of technological dependence due to the absence of a developed and autochthonous capital goods sector, but especially of the internal connexions of the national dominant classes with the interests of international capitalism. This leads to a patently concentrated model, in terms of economic and political power, which emphasizes the historical characteristics of the exclusion and marginalization of broad strata of the population.

In Aníbal Pinto's non-'dependentist'* version, the specificity derives not only from economic and political concentration —recognized as a general characteristic of capitalism— but also from certain structural characteristics of the Latin American development style. These lead to an aggravation of structural heterogeneity, resulting in non-generalization of the so-called 'fruits of technical progress' to the majority of the population.[1]

These ideas do not attribute the aggravation of inequalities to the unequal endowment with factors in the face of inadequate technologies, as in the neoclassical perspective,[2] nor to over-exploitation of the periphery by the centre, as in the neomarxist view.[3]

Instead, according to the more complex 'dependentist' ideas, the aggravation of inequalities is a result, above all, of the effects of internationalization on the development of the social relationships of domination, and is all the more powerful the more developed are the capitalist productive forces, forming the so-called 'internationalization of the internal market'.

The most recent CEPAL conception of Latin American industrialization, to be seen in the work of Fernando Fajnzylber, explicitly incorporates elements of the theory of the oligopoly,[4] resulting, however, in its later evolu-

*Neologism referring to the so-called "theory of dependence".

[1]See A. Pinto, "Heterogeneidade estrutural e modelo de desenvolvimento recente", in J. Serra (ed.), *América Latina - Ensaios de Interpretação Economica*, Rio de Janeiro, Ed. Paz e Terra, second edition, 1979.

[2]For a critique of the neoclassical view, see J. Serra, *op. cit.*

[3]For a critique of the neomarxist conception, see F.H. Cardoso and J. Serra, "As desventuras da dialética da dependencia", in *Estudos CEBRAP*, São Paulo, No. 23.

[4]CEPAL, "The expansion of international enterprises and their influence on development in Latin America",

tion, in very different points of view on the nature of the processes at work. The various points of view include positions ranging from reaffirming the need for national industrialization centered on the formation of an "endogenous nucleus of technological dynamization" (Fajnzylber), via the idea of postnational capitalism and the criticism of the myths of development (Celso Furtado), to postulating the need for a socialist society (Pedro Vusković and Raúl Prebisch himself).

In the present work we will attempt to examine the process of internationalization since the war in accordance with the evolution of a manufacturing system based on United States industrial organization and supported by an international financial and commercial system controlled initially by the hegemonistic power. The contradictory evolution of this process leads, on the one hand, to the spread of the United States manufacturing pattern to a certain number of Third World countries and, on the other, to the progressive loss of United States hegemony. Therefore, it is not enough to use structural methods of analysis to compare developed and underdeveloped structures, since they do not reproduce at the theoretical level the process of internationalization. In addition, we consider clearly inadequate the attempts of certain authors to reorder the criticisms of capitalism by simply inserting the category of transnational corporations (TNCs) as if these were responsible for all the imbalances and inequalities of the whole system. In the final analysis, what they are doing is transforming the TNC into a sort of entelechy, attributing to it whatever was clasically characteristic of capitalism, and merely repeating everything that has already been said. In reality, the process of postwar internationalization has had the special feature of generating a more rapid expansion and a closer solidarity of the system as a whole, weaving the famous web of interdependence, which only makes more visible and complex the problems presented by capitalism from its very inception.

Economic Survey of Latin America, 1970, Santiago, Chile, 1971.

1. *The postwar movement of capitalist expansion. Central aspects*

Under all the dust raised by the above-mentioned debate, there is more truth than may be obvious. Discovering it and incorporating the central explanatory elements of the various opposing currents is a *sine qua non* condition for capturing the essential aspects of the process of internationalization.

For this purpose, it is important to distinguish two fundamental aspects:

— firstly the generalization of the United States manufacturing pattern due to the hegemony of this country; this process reproduces the same industrial structure, with all its characteristics of industrial organization, and the same sectors and leading growth firms in the various national markets (the Japanese exception only applies in the case of enterprises, not sectors);

— secondly the response to capitalistic competition, due to the resurgence of the monopolistic power of the two main defeated countries, as a means of facing the threat represented by the bloc of socialist countries, particularly the Soviet Union and China; any difference there may be between the various national responses is due to purely morphological aspects of the constitution of the blocs of capital and to the role of the State in the relationship between these and the preservation of each national accumulation space.

The process of internationalization thus corresponds to modifications made within the capitalist system through a realignment, first commercial, later manufacturing and technological and finally financial, of the relative positions of the principal developed national capitalist countries, that is, a realignment of the centres. During this process the United States went from an indisputable position of hegemony on the commercial, industrial, financial, technological and military (and —why not admit it?— moral) levels to a situation in which it found itself obliged to concede to the two nations most strategically situated in the cold war a growing autonomy in relation to its leading role as a hegemonistic power.

The moving force of the process of internationalization was the dynamic effect of the great industrial and financial capital. It was the efficiency of capitalist competition, the search for new markets and the national responses which reinforce capitalistic ties which led, within the system, first to the displacement of capital from the United States to the European countries, and then from the central countries as a whole towards the peripheral world.

In this second process two patterns may be distinguished: that of industrialization through the establishment of affiliate companies of the large transnational corporations in markets of considerable absolute size, confirming and emphasizing the preexisting industrial development; and the case of the so-called 'export platforms', which occurred at the end of the process of industrial expansion through affiliates after exhausting the dynamic possibilities of inter-centre expansion, in a kind of revived caricature of the theory of comparative advantages. Only in this last stage did the most apparent tendencies of the new system become evident, after the latter had already reached a level of interindustrial and financial interpenetration which was to lead Bettelheim to call it 'oligopolistic collusion'.

Superimposed on this movement of differentiated expansion of capitalistic internationalization, special cases of industrialization stand out, deliberately supported by the economic and military might of the United States in frankly backward countries, without a great market potential but located on the strategic border of the system, such as Iran, South Korea and Taiwan. In the first two, puppets to begin with, the response of the national States to a growing autonomization led to a destabilization of the proposed imperial model, which was merely the latest in the demonstrations of loss of hegemony.

This entire process, complex by nature and differentiated by its dynamics, has been approached with simplistic ideas which impede its proper comprehension. It is a wrong and absolutely empty generalization to catagorize this 'general movement of extended reproduction on a world scale' as a search for cheap labour, as various neomarxist thinkers have done.

The important point for our purposes is to stress once again that, rather than the formation of a transnationalized world economy which would tend towards the harmonious and efficient operation of a system of large enterprises, capable of imposing a transnational economic order *per se*, what happened was a destructuring of the system of capitalist power buttressed by the United States hegemony. This destructuring reveals, paradoxically, a dual impotence:

— The subsystem of industrial and, more recently, banking affiliates is so interconnected and has such rapid oligopolistic reactions in the market that it is capable of proceeding to an international redivision of labour within the enterprise (bloc of capital). By developing through the orbits of production and circulation of merchandise and circulation of financial capital, it is able to manoeuvre beyond the limits of the national economic spaces and outside the control of the economic policies of their respective governments. This slows down, or even makes impossible, strictly national solutions for structural readjustment of the system, or rather impedes the classical imperialist solution of resolving capitalistic disputes through rivalries or wars between national powers. It is not enough, therefore, to insist, as Mandel does, on the eminently national character of the capital blocs in competition;

— Nor is the transnational hope of a new order based on the affilliated and interdependent subsystem valid either, because in reality what is involved is merely a formal subsystem. The capital blocs which serve the interests of private enterprise cannot stop competing among themselves and reproducing on a broader scale, i.e., at the world-wide level, the disorder of capitalistic *laissez-faire*. The present desperate search for a conservative, neo-liberal ideology which takes away from national States, including even the hegemonistic powers, their minimal capacity for regulation and which blames the State for all the setbacks (from the fiscal crisis to the bureaucratic and moral crisis) in the path towards the new order, is the best possible demonstration of 'transnational impotence'. Everything appears to indicate that the big international bankers and businessmen would welcome the establishment, on the part of the 'invisible hand' of the merchandise kingdom, of a new order without a visible *res publica*, beginning with the absence of an international monetary pattern, with denomination in dollars, of the great international banks, except for inter-bank accounting.

The most clearly schizophrenic manifestation of this dual impotence becomes evident in the demands made by spokesmen of the large enterprises for localized intervention by the State in markets which are in crisis. In demanding the imposition of barriers and the socialization of losses through subsidies and tax reductions, they are not ashamed to enter into conflict with their own requirement of applying liberal principles in other markets.

2. *Periods and national responses*

For a complete understanding of the process of internationalization, we must develop its analysis through the four stages in which the world economy expanded after the war. The first corresponds to the period of complete hegemony by the United States, from European reconstruction until 1955-1958; from then until the mid-1970s came the period of expansion of affiliates of the large enterprises originating in the United States and the national responses to the 'American challenge'; the following period, which ended around 1974, may be called global transnationalization, when the 'hegemony crisis' of the United States and the differentiation of the centres took place; finally, and up until the present, we have the evolution of the crisis provoked by the general breakdown of the international order.

The *first stage*, which corresponds to the predominance of the United States in the commercial and financial spheres, starts with the implantation of a system of rules of operation of the international market, through institutions such as GATT, IMF or IBRD, which ensured their orderly development under the auspices of the dollar system. In this period the structural elements of the internal response by the main countries affected by the war began to appear, with the following main characteristics:

— State support for reconstruction, although resorting to external indebtedness;

— monopolistic re-linking of industrial and banking capital, and adaptation of the old national structures to the technological and market patterns of the large United States corporation;

— trade aggressiveness, especially that of Germany towards the rest of Europe and Japan towards the Asiatic world, and even towards the United States.

This Japanese and German trade aggressiveness brought with it a decrease in the participation of the United States in world trade, a fact which was already manifest at the beginning of the 1970s. However, this country still maintained its industrial and technological hegemony, and used its power especially in the fields of agriculture and finance.

As regards the pattern of expansion of the United States affiliates, they maintained their traditional interest in strategic mineral resources and the opening of affiliates interested in the processes of export and import in order to control markets through the habitual practices of using patents, 'tied' financing, etc. There was still no generalization of the manufacturing 'affiliatization' which was to flourish after overcoming the regional or national tariff barriers with the implantation of new productive units.

The *pax americana*, expressed by the political and military hegemony of the United States and the remilitarization of the so-called Western world under the atomic 'umbrella', left the capitalist countries, especially the developed ones, free to carry out the tasks of economic reconstruction, technological diversification and regrouping of essentially economic forces. France is the only traditional European country which attempted to maintain a relative autonomy on all fronts without submission, even manifesting some degree of rebellion in relation to NATO itself. Japan maintained its nationalism on the economic level, but politically and militarily it remained under the aegis of the United States. England, now a minor partner, did not adhere to the European policy.

In 1954 the consolidation of this imperial system culminated with the United States intervention in the Middle East and Indochina. However, whereas in the Middle East the

United States military policy was based on the concrete interests of the advanced capitalist system because it guaranteed a cheap supply of oil, in the Far East it was only a substitute for the old colonial order. The reverses suffered on the political and military levels, and later on the moral level with the defeat in Vietnam, are all too well known. On the economic level, the greatest beneficiary of the United States military policy in the Far East was Japan. The commercial and technological expansion of Japan in the region resulted in the subsequent industrial expansion of Japanese affiliates: a process which is, on a smaller scale, the counterpart of the expansion of the United States manufacturing affiliates in Europe.

The *second stage,* which began in the mid-1950s and extended for a period of almost 10 years, was the so-called 'American challenge', that is, the intensification of inter-capitalist competition under the United States hegemony. The expansion of United States affiliates, which followed the previous stage of merchandise export and financial indebtedness of the rest of the world with the United States, developed under European regional neo-protectionism, which hoisted the flag of neoliberalism.

The organization of a European system of payments was based on military expenditures and the flight of capital in dollars, which reproduced at the European level the intra-regional, neoliberal ordering of a trade pattern, a manufacturing system and a banking subsystem. The simultaneous movement of European financial capital, especially banking capital, was inextricably linked with the cyclical movement of the United States national economy, which found in the European subsystem a mechanism for the extended reproduction of its surpluses of private capital. The issue of dollars by the Federal Reserve Bank, encouraged periodically by the United States fiscal and balance-of-payments deficits, served as a 'monetary base' for the concomitant extended expansion of the means of payment and interbank credit in the European Common Market.

All these factors, although they reinforced the greater industrial and commercial dynamism of Europe, were perceived on the political and ideological level as an expression of the United States hegemony, and the expression 'American challenge' was coined. Actually, however, the so-called 'American challenge' already contained the response which would bring about the commercial, industrial and financial defeat of the United States national power. The strong intercapitalist competition which existed in each national European space exerted pressure in the direction of dynamic responses from the national capital interests, both private and State, in close connexion with the large national banks. Only later, after the transmigration of the United States banking affiliates, could the European affiliates of the important enterprises of this country take advantage of the complete regionalized circuit of integrated financial capital.

The single and obvious exception is England, which continued to pay the price implied in its role as minor partner and secondary financial centre, although still proud of its liberal traditions and mercantile, financial and diplomatic *savoir faire.* The British banking system, in maintaining *prima facie* its international role, did not support the industrial modernization of the country, and this led to a process of denationalization of those great British enterprises which were not either in the weak position of being 'nationalized' (by the British State) or in the strong position of being already transnationalized.

On the other hand, on the Continent the process of internationalization was influenced by the strong oligopolistic modernization and linkage of national capital in competitive or associated coexistence with the large capital from the United States, under the tutelary protection of the State, whatever the ideology (frequently neoliberal) of the governing parties.

Until the mid-1960s intercapitalistic competition, provoked by the movement and articulation of an oligopolistic interplay with a national base, although increasingly internationalized, made possible the strengthening of a properly international order which, although it affirmed interdependence on the commercial and financial levels, simultaneously gave very dynamic industrial responses in the specifically European space (for example, not only the

German miracle but also the French and Italian national miracles).

It is clear that the particularly dynamic and innovative performance of Japan allowed this country to make up for lost time and overcome its famous technological dualism, fully entering the mass consumption market which had been reached long before the war by the developed European countries. However, it may be observed that even the Europeans generalized a particular form of consumption —that of durable goods— which is a dynamic resource in expanding the internal market already saturated by the United States economy immediately after the war.

Thus, the industrialization patterns of the 1960s were very similar in all countries of the world, with the advantage that the durable consumer goods sector played an additional motivating role in the development of the metal manufactures and machinery support industries. In the United States, on the other hand, a much more mature economy whose consumer market showed purely vegetative growth, the only dynamic force lay in the armaments industry. This, however, despite complex and heavy technological development, shows very limited chain reactions and interindustrial impact.

The *third stage* corresponds to the global transnationalization of the subsystem of affiliates and also marks the advent of the hegemony crisis of United States national power. The United States, to be sure, maintained its indisputable technological and market power, especially in the sectors where it was traditionally strong: heavy and mass-produced equipment and agriculture. Nevertheless, although this buttressed its great potential for accumulation, it did not resolve the problem of interindustrial expansion nor that of the markets outside of industry. It may be noted in passing that this was the source of its inexorable vocation to expand beyond the frontiers of its national market which, in spite of being colossal, had the inertia corresponding to its own hugeness. Expansion towards the outside by the affiliate subsystems was extremely beneficial to the dynamism of the United States national economy itself, both for the circuits of head office-affiliate exports and for the demand on its powerful agriculture and food industries by the rest of the world.

However, the oligopolistic response was not long in coming, especially in the shape of European and Japanese competition, and the actual process of expansion of affiliates and transnationalization of capital from those countries cut down the specifically United States economic space. Before the end of the 1960s and, especially, after 1968, with the United States crisis in evidence and well-developed in its commercial, fiscal and even military aspects, the transnationalization of the capitalist system and the progressive loss of the national United States hegemony was confirmed.

The system also began, and for good reasons, to lose the regulatory mechanisms built up by the hegemony itself. The permanent aggravation of the United States deficit prevented the dollar system from maintaining its power to structure commercial and financial movements. The attempt to maintain the dollar artificially as a money system, through its growing overvaluation, emphasized the loss of natural competition in the bulk of United States industry compared with European and Japanese recently installed, modernized and dynamic industries, further stimulated by the very competition unleashed by the United States affiliates. These, although on an equal level of modernization, could not compete with the heavy and important national segments of heavy industry from which they had originally come, but they obliged the rest with whom they competed, sometimes even their own partners, to win the combat of international competition.

The crisis in the United States national economy continued to worsen in structural terms, and the loss of ability to compete, the fiscal deficit and balance-of-payments deficits are only the most obvious manifestations of this. The United States' rate of accumulation at the beginning of the *mini-boom* in the world economy from 1970 to 1972 was frankly inferior not only to that of the subsystem of affiliates —indeed, it always had been— but also to its own historical postwar rate. Moreover, the subsystem of United States affiliates expanded more slowly, after the mid-1960s, than the whole of European and Japanese affiliates in the world. Or rather, the United States system as a whole lost momentum.

The periodical recoveries in the growth of the United States national economy led to a worsening of the deficit. The stop-and-go policies, which responded to the alternating movements of the balance of payments and the flow of capital, pressured the dollar in the exchange markets, and in 1971 the dollar system, symbol of United States hegemony, collapsed along with the entire Bretton Woods system. To a considerable extent this was due to the speculation stimulated by the United States affiliates themselves in the Eurocurrency markets, which reacted against the currency of their own country of origin.

The *fourth stage* occurred from 1974 until the present, and has witnessed the decay of the old economic order and the attempts, up to now fruitless, to cure it. The oil crisis actually only accentuated the structural nature of the problem of the internationalization of capital by bringing out a weakness in the infrastructure of the world manufacturing technological system not unrelated to the imperial character of the predominant economic order.

The intercapitalist rivalry, sorely tried by the forced union of interests and without a unified command at any level, could not hide the ruptures and disturbances of the national power structures which did not yield easily to the utopian or self-interested pretensions of the transnational ideology. The ideological differences themselves within the capitalist system have steadily increased in recent decades and have generated attitudes which are frankly unfavourable to that system from the traditional pillars of the oldest Western secular order, such as the national armies and the Catholic Church.

However, the transnational ideology has stood by its 'pacificist' utopias: North-South integration and East-West convergence. Such schemes, of markedly ideological origin, reduce and simplify the multipolarization of the existing political and economic forces and ignore the structural movements characteristic of each bloc of countries.

The socialist countries, especially the Soviet Union and China, are much less heterogeneous societies and are only now beginning to enter upon patterns of production and consumption; to them, the United States type of internationalization of the industrial system is at the very least, quite foreign. The transnationalizing aspiration of the large capital enterprises, which would like to penetrate deep into the potentially huge markets of these two nations, runs up against at least three types of obstacles:

— the non-existence of capitalist competition, which is the dynamic and disseminatory instrument, *par excellence*, of the forms of 'technical progress', and especially their most polished form: product differentiation;

— the very form, not only of basic social relations of production, but especially of the way in which the national division of labour is articulated and its position outside the international division (which has not advanced sufficiently, even within the socialist bloc itself);

— the *modus operandi* of the large Soviet (and Chinese) conglomerates or State enterprises, which do not have any structural similarity to the internationalized enterprises, either in their intersectoral relations or in the form in which the process of labour is organized, to say nothing of the most obvious feature, which is the centrally-planned control of the economy.

Consequently, the famous interpenetration of the two systems is no more than a fantastic idea which does not even point towards a clear ideological convergence, and even less a global transnationalization of the world under the aegis of an ultramodern type of financial neomercantilism.

From the point of view of North-South relations, or rather of relations between the so-called centre and periphery, the limits of transnationalization are less evident, but are nonetheless strict. The existence of the *NICs* (newly industrializing countries), celebrated in prose and verse as an industrial conquest of transnationalization, hides some obvious problems of structural analysis:

1. The pattern of production and consumption reproduced in the periphery excludes, not only as citizens but also even as consumers, huge masses of the population who, although incorporated into the most modern mercantile relations, and thus subject to the dominant

mode of production, are only second-class consumers.

2. The degree of development of the specifically capitalistic productive forces of these countries is much more advanced than their position in world trade, which is low, or their position in international financial indebtedness, which is considerable. This makes even less problematic the possibility of a reproduction on a world scale compatible with the old order or even, let it be said in passing, with any foreseeable new order (since the imaginable has been formulated since 1964 by UNCTAD without any perceptible results). If this trend continues, the renationalization of the industrial, commercial and financial structures which are today transnationalized would appear as a *sine qua non* condition requiring, at least for some countries, the adherence and peaceful (or authoritarian) transition of the large enterprises to the interests of the national host States.

3. As the oligopolistic balance cannot be reestablished at the level of the central countries without the return to the country of origin of much 'affiliatized'* capital duly associated with international capital from different nations, the most plausible alternative remains the sterilization of the considerable masses of financial capital corresponding to unrecoverable debts, beginning with the debt of the United States itself. Without this prior cleaning-up, and quite apart from any considerations regarding rivalry or the possibilities of inter-capitalistic collusion, it is difficult to image a reordering of the international system, even if, as is most probable, a broad North-South regionalization is maintained as a result of the historic relations of domination.

3. *Differences between the process of internationalization in advances and underdeveloped countries*

Immediately after the war the United States economy was highly 'trustified', with a great concentration of financial capital which could not all be reinvested in the 'trustified' industry itself; hence the need to expand abroad. The first attempt was that of dismantling the monopolistic structure of the defeated countries and using their exports of merchandise and technology to finance the United States hegemony in the areas which were already industrialized. This was of short duration, and the neoliberal model of the imitative reproduction of United States financial institutions and the breaking down of the large enterprises and large rival banks gave way to a process of monopolistic restructuring which took place under the aegis of domestic economic policies.

The process of internationalization was then carried out through the spread of the large United States enterprise, and it found resistance which was neither passive nor only on the part of the market but which was reflected in the institutional restructuring and reorganization of the great blocs of domestic capital. It was only after this that the *oligopolistic reaction* mentioned by the United States school took place: that is, a reactive behaviour whose typical features were aggresive expansion of markets, product differentiation, and specialization in the most advantageous commercial branches within each industrial sector.

The expanding sectors were the same everywhere: basically metal manufactures and machinery, the electrical and electronics industries and the chemical industry. It was in these sectors associated with national banking capital that the remonopolization of capital was carried out, although no longer in the old form of the German cartel or Japanese *zaibatsu*; the form adopted from the business conglomerates turned out to be more flexible than the old prewar heavy industry and mining cartels.

Thus, it is not just any kind of oligopoly that is in question, but the form which Labini called 'differentiated-concentrated oligopoly'. The concentration lies more in the financial power of conglomeration and differentiated penetration into various markets than in the individualized participation of each enterprise in each particular market.[5]

*Neologism from "affiliate" that is, "establisment which depends on another".

[5]This explains the fact that the indexes of industrial concentration, as measured by the participation of the four major four-digit establishments, are practically identical in

In the developing countries the situation is radically different. The process of industrial monopolization is very backward in the industrial sectors established before transnationalization, so that in the majority of cases the entrance of transnational manufacturing enterprises took place at the same time as the constitution of the productive sectors which form the technical base and the market itself. The pre-existing forms of consumption were limited to the élites, who imported durable consumer goods and a small variety of capital goods to maintain the national infrastructure. Thus, the so-called 'internationalization of the domestic market' suddenly created the enterprises, industries and markets, that is, the specifically capitalistic productive forces corresponding to an advanced stage of world capitalism.

Much more than a substitution of a ridiculously small amount of imports or a non-existent mass market, this process of 'affiliatization' requires, in order to be effective, that the industry should be a market for itself to a much greater extent than it already is by nature. This leads to a successive internationalization of the various productive stages within each industry,[6] with a concomitant expansion of pre-existing national capital and a voluntary or forced articulation, promoted by the State, of the various segments of capital.

Actually, rather than rivalry and competition in the struggle for pre-existing markets, we are witnessing the creation of new economic spaces which include all the types of national capital, large and small, and international capital from various sources, without apparent serious rivalries. Thus, in our opinion, the concept of 'entrance barriers' does not apply to international, national or State capital when it is a question of the installation of the new industrial structures for durable consumer goods, heavy inputs or capital goods. The implantation of these new sectors took place under the leadership of the international affiliates, with the direct support of the State, and the tolerance, if not the association, of national private interests. It is paradoxical that the protectionism motivated by the balance-of-payments crisis did not create entrance barriers but stimuli, which were fed back through the intersectoral dynamic system itself during the periods of joint expansion, giving rise to a special type of briefer and more intense cycles than the Schumpetarian cycles of diffusion of innovations.

In the few cases where some large blocs of national industrial capital existed before, the barriers to the entrance of capital did function, supported even by the political power of the State. This was the case of the group in the heavy metallurgy industry, civil construction and construction materials, which were not denationalized even during periods of crisis. Citing the examples of the few existing national enterprises in the spheres of electrical equipment and the automobile industry as cases of denationalization does not strengthen the argument at all, since however original or technologically adequate these enterprises were for the reduced national markets, they did not have the technological and financial characteristics —that is, the degree of previous monopolization— to guarantee them a scale big enough to allow them to construct a barrier against the entrance of capital.

The preceding observations refer to the phenomenon of simultaneous implantation corresponding to the process of recent internationalization. Completely different, however, are the problems of denationalization through take-over corresponding to the classical cases of export of capital, which are aggravated in national economies during periods of crisis connected with the end of boom phases in the central economies, when there are capital surpluses; this process occurred with the pharmaceutical, food, beverage, textile and footwear industries, and in general, all the traditional industries where international affiliates existed in open competition with national enterprises. However, even in this case, we cannot spead of 'entrance barriers', since what operated was the relative advantage of the special affiliate-parent company relations with regard to very low financial costs, brands, tech-

all countries, which shows an apparent homogeneity of the oligopolistic structure at the world scale.

[6]The concept of the 'product cycle', formulated by Vernon, describes only the form of this process without capturing its essence, which is expressed by the idea of the total capital cycle.

nology and marketing, which made the domination of the national markets easier for them.

Spurred on by the presence of the affiliates of the large enterprises, the national enterprises were obliged to take the path of defensive modernization. This process of modernization necessarily implied the use of techniques which required high capital density, bringing with it a rapid growth in the capital/labour relationship which became generalized in the entire industrial sector. If they did not act in this way, the national enterprises would become even more vulnerable to the competition from the TNCs. The effects of this phenomenon were already analysed by Fajnzylber,[7] who demonstrates that the problem does not lie in the fact that the TNCs have contributed less than domestic enterprises to the growth of employment, "but in the fact that the industrialization model which they advocate incorporates structural factors which militate against the growth of employment".[8]

The process tends to reach its culmination with financial internationalization. It is here that the problem of the new stage remains to be solved. In the mid-1960s, when the financial reforms of capital markets and of housing financing systems became generalized, 'affiliatization' occurred only in countries where large-scale national banking and mercantile capital was not previously installed. Where it did exist, and whatever the nature of the laws (as different as those in Argentina, Mexico or Brazil), national predominance was maintained in the construction and banking sector with the explicit support of the central banks, however orthodox and liberal they were in their monetary and financial policies. There were also sectors, such as that of strategic mineral reserves, in contrast, where a process of renationalization did take place after the war. It is precisely these sectors —mining, construction and banking— which are now under attack by the new internationalizing liberal ideology.

II

The internationalization of Brazilian industry[9]

Up to now we have seen the process of industrialization as a movement articulated from the centres of the capitalist system and carried out through the implantation of affiliates of the great enterprises, at first from the United States and later from Europe and Japan. This movement, which generalized the United States' manufacturing system and was based on a trade and financial pattern controlled by the imperial power, cannot be understood in strictly economic terms; its understanding requires a study of the conditions in which what we call the United States hegemony was formed and an examination of the various factors which contributed to this hegemony's entering a period of crisis.

But it is another matter to see this same movement from the angle of the peripheral countries such as Brazil. In our case, the meaning of the term 'internationalization' corresponds, *lato sensu*, to the process of the implantation of affiliates of foreign entreprises, giving rise to situations of integration and

[7]See Fajnzylber, "Oligopolio, empresas transnacionais e estilos de desenvolvimento", in *Estudos CEBRAP*, No. 18.

[8]F. Fajnzylber, *op. cit.*, p. 26.

[9]In this section and the following ones, liberal use will be made of the thesis *Ciclo e crise - O movimento recente da industrialização brasileira*, submitted by María da Conceição Tavares to the Faculty of Economics and Administration of the Federal University of Rio de Janeiro in applying for the post of full professor. The empirical material used is based on the research on industrial structure and leading enterprises carried out in FINEP (Fund for the financing of studies and projects) by the economists Luiz Otávio Façanha and Mário Possas, and on the research on TNCs in the Brazilian economy carried out in the Institute of Industrial Economics of the Federal University of Rio de Janeiro by the economist Reinaldo Gonçalves, both under the guidance of María da Conçeicao Tavares. We also wish to thank Luiz Otávio Façanha and Reinaldo Gonçalvez for their suggestions in the drafting of this work.

complementarity with domestic private or public corporations without necessarily meaning their expulsion.

Thus, the term 'denationalization' remains limited to those cases of the purchase or failure of national enterprises which occur in the phase of the cycle in which the predominance of foreign capital is exercised in open competition with domestic capital. When this occurs we have a phenomenon of *absolute* denationalization, which may be distinguished from the modalities of *relative* denationalization. This took place in stages of rapid expansion or accelerated modernization, whether through relative concentration in favour of the foreign enterprises, due to their greater power of internal accumulation, or through the influx of new capital to achieve a technological leap forward (as occurred in the synthetic textile industry), or through significant economies in horizontal and vertical market integration (as happened in various branches of the chemical, pharmaceutical and cosmetics industries).

In this broad sense the Brazilian economy has undergone processes of internationalization which are not limited to recent decades, when it has been presented as a domestic counterpart of the more general process of rearticulation of the international capitalist system since the end of the war. The peculiar feature of this period, however, is that it creates a convergent logic of accumulation in which public investment (particularly in the infrastructure and in the production of basic inputs) becomes subordinate to investment by international enterprises, and both carry national private investment with them in their career.

If we take into account only the processing industries, we may see that the process of internationalization is old and has accompanied almost all the stages of industrialization since the 1920s. The recent period of expansion, which has confirmed the trends already outlined since the mid-1950s, extended internationalization to all brances of industry, particularly in the case of the large enterprises which dominate the principal industrial markets.

1. *Presence of TNCs in Brazilian industry*

The data from a study carried out in FINEP, which covers only a sample of the leading enterprises in the processing industry, show the degree of internationalization of the Brazilian industrial structure, which is manifested in oligopolistic control of the principal markets of the processing industry. The analysis starts from a sample of the four biggest establishments according to the four-digit industrial classification of the Brazilian Institute of Geography and Statistics (IBGE), the only standard classification of industry which approximates (although not totally satisfactorily) to the market concept.[10] This group includes 1 528 establishments belonging to 1 261 leading enterprises and corresponds to 38% of the value of production in 1970.

The participation of foreign capital is 50% of the value of production of the sample, and of the rest 33% corresponds to national enterprises and 17% to establishments of public enterprises. If we limit ourselves to the 272 large leading enterprises which figure among the 500 largest mentioned by the review *Visão*, we note that 149 belong to groups of external capital, 110 to national groups and 13 to public enterprises. The overall weight of these 272 enterprises amounts to 30% of the total value of production, revealing a high level of concentration similar to the international indexes of the mature industries in the central countries.

The proportions of market control are substantially modified when we consider a sample including only the large enterprises, in which the groups of foreign capital come to represent 57% of the value of production of the establishment of large enterprises, while the subgroups of public and private domestic capital enterprises account for 21% each.

In order to distinguish between the various forms of foreign-capital enterprises, the research group of FINEP adopted a four-part subdivision, as follows:

— International enterprises, where at least 20% of the capital belongs directly or indirectly to a foreign-based enterprise or industrial group which figures on the list of the 500

[10]For methodological considerations on the coverage of the sample and the principal concepts used in the analysis, see the master's thesis submitted by professor Mário Possas of the University of Campinas.

largest enterprises in the United States, or the 200 largest outside the United States (published by the magazine *Fortune* in 1970), or which carry on industrial activities in at least six countries;

— Foreign enterprises, where at least 20% of the capital is controlled by a foreign-based enterprise or group which does not satisfy any of the previously mentioned conditions;

— Financial conglomerate enterprises, when at least 25% of the capital belongs to a foreign-based bank or financial group;[11]

— Joint ventures, when there is equity participation by one or more foreign-capital enterprises (international, foreign, financial conglomerate or even another joint venture), with the respective percentage of control, side by side with at least one domestic and/or State enterprise or group with equal or greater participation.[12]

This subdivision allows us to distinguish, first of all, the affiliates of companies with headquarters outside the country —i.e., international and foreign companies— from those where the external control represents much more a financial contribution of capital, in the abstract sense, although it takes the form of direct investments. In the second place, this separation between international enterprises and foreign ones, based on the size of the parent company and on the degree of international penetration, is an attempt to avoid confusion between the large transnational corporations —usually called the transnationals— and enterprises with scant financial, technological and market power at the world level, which in some cases are only distinguished from domestic corporations in that the control of capital belongs to a 'foreign resident'. In any case, the number of foreign enterprises thus defined, among the sector leaders in 1970, turned out to be fairly low, as was to be expected.

In fact, among the 272 foreign groups included in the sample of the leading enterprises operating in Brazil, there are 114 groups with capital from the United States, 107 of which are affiliates of international enterprises; only 5 are foreign and 43 are controlled by financial conglomerates from the United States. Of the 159 non-United States groups at the head of Brazilian industry, the majority are of European origin, but only around half (84) are international enterprises. The rest represent foreign enterprises (54) and financial conglomerates (24).

The foreign enterprises entered the country more recently than the international ones, upon the diversification of the metal manufactures and machinery, chemical and various instrument industries. The accelerated development during this period opened up gaps in the market which were filled by smaller enterprises, with European and Japanese capital, as well as by small and medium-sized domestic industries which then expanded.

The financial conglomerate enterprises are even more recent: most entered since May 1968 as a result of the excess of liquidity in the Eurocurrency markets and the process of conglomeration of international financial capital. Mostly of European and Japanese origin, these groups are scattered over almost all the industrial branches, the only exception being the case of rubber and tobacco, which are dominated by two world cartels within which the markets of each important country are shared out.

Market control was exercised predominantly through the operation of closed affiliates which followed the technological, commercial and financial policies of their respective head offices. That seemed to be the most effective method for large-scale international capital, since through parent company-affiliate operations they could carry on the well-known practices of transfer pricing, import- and export-related policies, excessive diversification of products, technology, etc., whose most spectacular and visible result was, up until very recently, the trade deficit.

European and Japanese capital, which was less internationalized, used more flexible means of controlling the market with less par-

[11]The higher base figure for participation in this case assumes less ease of control by the enterprises of this group than by industrial enterprises, specifically control of technology and patents, knowledge of and access to product markets, raw materials and equipment, marketing techniques, etc.

[12]The inclusion of this category in the group of foreign capital enterprises is not strictly justified and only means that the enterprise in question is not under full domestic control.

ticipation of capital and sometimes even without stockholder control, their control being basically exercised through technology and external indebtedness, taking advantage of less restrictive marketing practices. As a result inter-capitalistic competition sharpened even within the great oligopolies, and the position of some traditional cartels became less stable, in both the Brazilian and international markets. In any case, this was due not so much to the industrial policies adopted by the host countries as to the increase in the international oligopolistic rivalry, which grew still further following the peak in the world cycle. In this stage, foreign capital, of all types and sources, intensified its efforts towards a rapid conquest of newly expanding markets. On the domestic level, this movement gave rise to the accelerated reproduction of national capital, spontaneously incorporating into this process the growth of the small and medium-sized firms, especially in the metal manufactures and machinery industry.

The available empirical evidence supports this assertion. Actually, in the period of rapid expansion from 1970 to 1973, no increase in the coefficients of concentration occurred, nor was there any accentuated *denationalization* of Brazilian industry. The growth rates of the large and small leading corporations were the same, and were identical to the average for processing industry. In addition, despite the growing internationalization of diverse markets, in this stage (which was completely favourable to the processes of fusion and association of foreign capital with national groups) the take-overs were less important than the opening of new economic spaces, at least in respect of the leading enterprises. This explains why the large domestic corporations have not lost the leadership that they have traditionally exercised in some markets.

2. *Market leadership and competition strategy of international enterprises*

The Brazilian industrial structure shows some characteristic features in relation to the presence and leadership of international enterprises and to the division of spheres between them and domestic public and private capital. In the durable consumer goods sector, the international firms exercise almost absolute leadership; in the capital goods sector their presence is now decisive; while in the non-durable consumer goods sector they exercise leadership in conjunction with the large domestic enterprises, nevertheless dominating in the production of tobacco, pharmaceuticals, toiletries and some branches of the textile industry, clothing and food. In the basic inputs sector, such as heavy chemicals and metallurgy, they share domination with the State enterprises, and in the production of paper and pulp, non-metallic minerals and other branches of metallurgy, they exercise leadership along with domestic private capital enterprises. Moreover, they completely dominate the flat glass, rubber and electrical conductor industries, and are leaders in the dyes and paints, petrochemical materials, resins, pigments and colourings and plastic laminate industries.

The degree of internationalization of production in Brazilian industry may be gauged from the fact that only 29% of such production corresponds to sectors where there is exclusive leadership by domestic State or private enterprises. The State enterprises include iron and steel, fuels and lubricants, while the domestic ones include cement, some branches of construction materials and large sectors of the non-durable consumer goods industry.

This structural picture enables us to understand why the recent industrialization has been led by the growth strategy, the patterns of production and the accumulation of capital of the international enterprises situated in the dynamic sectors producing durable consumer goods, especially the automobile and related industries and electronics. In both cases these are concentrated and differentiated oligopolistic structures where practically closed affiliates of TNCs of various origins predominate.

The automobile industry is composed of large, independent corporations which compete aggressively in the international market and which see the Brazilian market as a platform for the expansion and differentiation of markets and models. This industry shows growth rates of its productive capacity which are greater than the growth of demand, and its profit margins are flexible in the face of lower sales. These strategies correspond to forms of rivalry between the leading enterprises and represent an attempt to conquer the new portions of the market for which they are seriously competing.

The electrical and electronic industry is dominated by a cartel of enterprises organized on a world scale with a clear division of areas and markets, and this explains why it responds less aggressively to the growth of the market. Its high rates of accumulation are more a response to the rapid growth of the market itself than an attempt to win territory from rivals. Thus, it is more rigid in the face of the reduction of its profit margins and lower rates of accumulation when there is idle capacity. The dynamism of the automobile industry and the electrical and electronics industry is largely responsible for the rapid growth of new sectors (especially that of capital goods) which are fed by its derived demand.

The presence of international enterprises in the heavy inputs industry is much less significant, and this, except in the case of the recently modified legal oil monopoly, is not due to the existence of legal barriers. The logic of the Brazilian market alone, as it is historically structured, has prevented the entrance of new foreign affiliates in certain branches of strategic inputs. Among the central elements of this logic, there are two factors which are fundamental for the market strategy of the large enterprises: firstly, the impossibility of controlling the market structure and final demand, which precludes the traditional monopolistic practices of selection of customers, control of sales and differentiation of the product; secondly, and increasingly important, the impossibility of control or association in a backward direction towards the suppliers of equipment and technology, a normal TNC practice which would run up against the governmental policy of substitution of capital goods imports by buying from national producers. These structural elements explain, more than does any tendency towards State control, the expansion of public enterprises in the basic inputs sectors.

The oldest and most firmly established international groups are found in the non-durable consumer goods markets. The markets concentrating on tobacco, toiletries and pharmaceutical products are traditionally internationalized, and in them the dominant enterprises exercise absolute control through marketing, brands, advertising and distribution. In the markets of deconcentrated production, particularly the food industry, the control is exercised through the 'monopsonic' purchase of raw materials and/or the marketing of production (milk, milk preparations, wheat milling, production and refining of vegetable oils, animal slaughtering and preparation of preserved meat). In all these branches, the internationalization of capital and production took place through the dominant presence of the United States affiliates, with the notable exception of one Swiss firm. In these cases it is a question of stable monopolistic situations, with a low relative growth rate of demand and productive capacity. The progressive conquest of the regional markets has led to the formation of multi-plants when the local urban market justifies it, thus keeping the control of the national market in the hands of the dominant group.

The only case of control by a stable oligopoly, with technical decentralization by multi-plants but with high economic concentration, is that of beverages, whose market division between large national enterprises and some international ones in the carbonated beverages sector guarantees high profit margins to both. The growth of the sector as a whole is quite low, both in demand and in productive capacity, but at all events market control by the dominant firms allows a substantial raising of relative prices and maintenance of higher profit margins than the industry average, in a situation such that the performance of the leading establishments is not much different from the whole of the branch.

In the textile, clothing and footwear industries, we have the important cases of leadership divided between domestic and foreign capital. Here, the opportunities for exports have stimulated unstructured technological development and differentiation of products with a view to the stratification of regional, national and international markets.

In the sectors of intermediate capital

goods, linked to the strategy of industrial expansion led by the automobile and electronics industries, we note the presence of the international corporations which most recently entered the country; this is the case of the electrical conductors, chemical raw materials, dyes and paint industries. An analogous phenomenon occurred in the chemicals sectors related to the expansion of heavy chemicals and petrochemicals, in connexion with the pioneer investments by the State enterprises. Here, the situation of leadership by international oligopolies is still stable, and the market strategy emanates from the investment and final demand policies of other public or international enterprises, through negotiations which result in a three-cornered interrelationship between State, foreign and domestic enterprises.

In the case of capital goods, the relative participation of the international affiliates has risen since the last period of expansion in 1970-1973. During these years their position in the group of leading establishments in the sector went from 69% to 75% of sales. This predominance reflects the control of the supply of equipment in two of the four sectors of this industry: electrical and electronic equipment and at least the main sectors producing machinery for cargo transport and handling, such as tractors, with parts and accessories, and earth-moving equipment. In the first sector, their leadership position was largely consolidated by the total guarantee of orders on the part of the government, which accounted for almost all of the demand for heavy equipment produced by the large companies. The same occurred in the sectors producing heavy metal manufacturing machinery. Here, the division of markets between affiliates of international corporations and large domestic enterprises followed the guidelines imposed by the control of production technology.

In the sectors of the capital goods industry which are still not 'cartelized', where there is a struggle between capital from various sources, including domestic capital and non-internationalized foreign capital, the leadership situation is still not defined. The adoption of 'market reserve' policies would not in itself guarantee the relative position of the domestic groups, even the most powerful, unless it were accompanied by an explicitly directed ordering strategy. It is thus not a question of imposing 'entrance barriers', nor even of the traditional 'import substitution', since almost all the suppliers of equipment are already installed in the Brazilian market. The open oligopolistic competition of the large-scale, non-internationalized foreign capital and the strongest domestic capital will in no way aid in maintaining the portions of the market conquered or 'granted'. The most probable trend is towards the concentration and centralization of capital in the hands of the large international groups which are moving towards the complete 'cartelization' of the market, in view of their greater power of internal pressure and external financing.

3. *Internationalization and external debt*

After the boom in the last growth cycle had passed, the fallacy of the 'island of prosperity', with which economic policy-makers claimed to present the Brazilian situation, also disappeared. The link between the Brazilian economy and the capitalistic system in crisis could no longer be hidden by waving a magic wand, and in a certain way the solution for the former involved solutions for the problems faced by the latter, too. Let us reconsider here some arguments dealt with at the beginning of this essay, in order to explain the trends towards internationalization of capital in Brazil.

Around 1973-1974 it began to be evident that the great boom in post-war capitalist expansion had come to an end. Two symptoms made this clear: the dollar crisis and the oil crisis. The first signalled the breakdown of the United States hegemony and the second was a menace hanging over the entire industrial structure of the capitalist world, which was built on the three legs of the tripod: the petroleum industry and its derivatives, automobiles and the highway system. The resistance to collapse shown by the large international enterprises was due to their desperate attempts to maintain their privileged positions in the various markets, using their monopolistic power to raise prices on a world scale and permit a speculative spiral of the money, commodities and land markets.

Thus the phenomena which reveal the end

of the great boom of industrial capitalism have materialized in this general crisis, in the specific manner in which the monetary system, basic raw materials and land are seen to constitute the three pillars of the speculative springboard which is precipitating the world economy into a situation of slow fragmentation, destruction and formation of blocs which are fighting among themselves for their relative positions without showing any inclination to yield.

Brazil is deep within this movement of sharpened competition between the great blocs of internationalized capital. Thus, after a mutually advantageous coexistence between the oligopolistic rivalries which reinforced the simultaneous expansion of the productive and market capacities, we seem now to be approaching a critical point in non-peaceful 'coexistence' between capital blocs of diverse origin. The rivalry between these blocs manifests itself in various ways. The most important weapons in this struggle are privileged access to national and international credit and the capacity to capture regional markets outside of Brazil through an aggressive policy of industrial exports of products with absolute advantages. These latter derive both from the policy of implicit or explicit subsidies granted by the Brazilian economic policy and from the fact that they are made at marginal cost on the basis of considerable scales of production for the internal market. The rate of industrial expansion has been kept fairly high by international standards, so that the dilemma between the external and internal markets has not yet arisen. In fact, the affiliates have used the obvious advantages of complementarity which exist in the joint expansion of both markets. The efforts of the affiliates to export have mainly been oriented towards the Latin American and African markets, but also include the socialist countries and developed capitalist countries where the affiliates can open gaps in the unconsolidated market of their rivals. Recent studies on the exports of the largest international corporations reveal that the trend towards a trade deficit of the principal affiliates has been reversed as a result of the worsening of the overall situation of the Brazilian balance of payments and the international crisis itself, which have led to an export effort made necessary both by Brazilian domestic policy and by the increase in intercapitalistic competition.

After the tapering-off of the cyclical boom, the accumulation by international corporations in the country lost momentum and overall indebtedness became especially concentrated in the State enterprises, which resorted to it because of decisions by the government to finance its deficit position in foreign currency rather than for reasons to do with domestic accumulation by these enterprises themselves. The Central Bank's report for 1978 shows that on 31 December of that year the public sector was responsible for 63.3% of the external debt recorded: an increase over the previous year, when the figure was 60.3%.

The external debt represents one of the most perverse factors of the process of internationalization of the Brazilian economy, since its growth since 1976 is absolutely sterile in real terms. It does not correspond, whatever the concept used, to so-called 'external savings', since it coincides with the deceleration of the investment rate and with a fall in the demand for imports of capital goods and complementary inputs for domestic production. In other words, the external debt has become sterile from the point of view of the need for imports, and accumulative from the financial point of view.

The external financial debt of Brazil contracted in recent years may be considered overall as a 'fictitious' mechanism for accumulating financial capital to permit the transfer of profits to international bankers who invest their excess 'international liquidity' here. What has caused this transfer is the difference between the domestic and external interest rates, which has made the Brazilian financial market attractive. This mechanism may be considered 'fictitious' because it derives from an accounting game which arose with the conversion of the cruzeiro, permanently over-valued in relation to the international monetary system. In turn, this was brought about as a result of the 'manipulation' of the exchange rate and the monetary correction of public debt securities, which act as a new form of domestic 'financial money'. Public debt securities, especially treasury notes, were used during the first stage (1971-1974) as a monetary policy instrument to counteract the expansion of the means of payment derived from the money indebtedness abroad, but in a second stage, after 1975, it accelerated more than the external debt due to the movement of speculative financial circulation which has occurred since then.

Part of the external debt figures as a 'forced debt' of the government, since as the cruzeiro is not a convertible money, the Brazilian State needs to finance its debtor position in the international market with foreign currency. The question of why the government did not try sooner to renegotiate the debt and chose to serve it by indebtedness which was increasingly greater than necessary remains unanswered. The idea that this process, which results in a considerable increase in reserves, could be used as 'an emergency safeguard' in any potential crisis in the international financial market is inconsistent with the increase in the already very heavy financial burden of the debt, which represents a game of blind man's bluff with the future. The pressure presently being exerted by international bankers for Brazil to submit to the rules of the International Monetary Fund may even mean that the future has already arrived.

The other part of the external debt is that which is contracted either directly by the enterprises, through Law No. 4131, or through the intermediation of financial institutions in accordance with Resolution No. 63. In this case the increased indebtedness is due not only to the short-term interests of the international bankers, always eager to find a profitable application for the excess money that they themselves help to create with their speculative movements in the principal financial markets of the world; it is also due to the interests of the Brazilian affiliates of the international corporations and of the national banking system.

While the difference between internal and external interest rates represents only an *accounting* transfer backed by the issuing power of the government, the internal difference between the cost of money taken externally and its remuneration in domestic applications represents a *real* transfer of incomes of wage-earners, small and medium-sized enterprises, and even large domestic enterprises showing a deficit, which cannot resort to the mechanism of direct indebtedness with the exterior. From the point of view of the profits of the capitalist class as a whole, this transfer is only a redistribution in favour of the financially strongest sectors. However, from the point of view of the workers, it is a real loss of income, since financial speculation pushes the inflation rate above the prices desired by the large corporations and used as an element in calculating their gross margins of profit.

The difference in interest rates resulting from the international exchange of currencies, when one of them is non-convertible —that is, without international exchange value— cannot be paid in effective terms since there is no trade surplus. Even the transfer price mechanisms are incapable of transferring the real surplus to the exterior; they can only move an accounting surplus. The difference in interest rates is paid, from the accounting point of view, through the State's power of regulation over the exchange rate and over the sale of securities issued by the State itself. That is to say, it is 'socialized' in a way which represents only a growing indebtedness on the part of the State, both internally and externally, which will have to be resolved in the future (perhaps sooner than imagined) by its internal power of arbitration and its political power of international negotiation, which are contradictory because they represent great opposing interests.

4. *Recent trends and prospect of internationalization in Brazil*

There are various foreseeable trends as regards the restructuring of control of the market by the various groups in the Brazilian industrial structure. Various situations may occur, from a new wave of 'cartelization' and sharing-out of the market among the large competing international enterprises, to an increase in the centralization of large capital through take-overs of private capital from smaller domestic or foreign sources. Control of finance and the market, much more than technology, seems to be the strategic factor in this stage of relative international stagnation, when the main technological innovations have already become widely diffused.[13]

At the same time, however, we should not set aside the more optimistic hypothesis of a partial 'renationalization' of some international enterprises in sectors where, oppressed by competition and by a possible alternative economic policy, they find conditions relatively more favourable for reviewing their rigid control practices and for trying to relocate themselves, in association with national capitals, in a large market with good prospects for long-term expansion. However, in the short term the trends towards internationalization will still predominate.

There are two sectors in particular which will be closely watched by the large international corporations during this period of sharpening competition between oligopolies at the world level: mineral resources and banking. As regards mineral resources, foreign capital is concentrating its attention on iron ore and strategic minerals. In relation to the first, the four largest enterprises, after the Companhia Vale do Rio Doce, are affiliates of international corporations or are associated with foreign capital. A study carried out by the economist Paulo César Sá and published in *Boletim do IERJ* (Instituto dos Economistas do Rio de Janeiro), reveals that "of the most important foreign investments in the mining sector, five are related to the export of iron ore (Consorcio MBR, Futeco, Samarco, Samitri and H. Muller) and are linked with large iron and steal groups, while the others are connected with manganese (Icomi), gold (Anglo-American), niobium (CBMM) and cassiterite (Brascan). In non-metallic minerals, the most important is the Lafarge Association, Lonestar while the Hochschild group is also engaged in various activities".[14]

In broad terms, State capital has been concentrating in the areas of iron ore and energy minerals, while domestic private capital has been concentrating in non-metallic minerals related to civil construction and non-ferrous minerals. The pressures exercised by international groups with a view to taking control of certain mineral regions began to meet with resistance from the Brazilian State, more for reasons of national security, linked with the *esprit de corps* of the military fraternity, than for any other motive.

As regards the banking sector, two very different types of reasons were active here. The domestic capital was already in fact firmly installed in its market positions before the beginning of the international expansion after the war and the formation of the large 'trans-national' banks, with the consequent implantation of affiliates in the various countries. Thus, and with the support (explicit or not) of the Central Bank, it maintained its predominance and had sufficient strength even to surmount certain 'liberalizing' measures.

In reality, in no text are 'entrance barriers' of a legal nature mentioned, except those contained in Law No. 4131 of 3 October 1962, article 50 of which establishes that foreign banks authorized to operate in Brazil should be subject to the same prohibitions or restrictions imposed by their countries of origin on Brazilian banks; moreover, foreign banks from countries where there are restrictions on the operation of Brazilian banks will be unable to acquire more than 30% of the voting stock of Brazilian banks. This text is the only written regulation existing in the 1946 Constitution (and successive ones), which did not adopt any other restrictive measures on the activities of foreign banking establishments.

However, in spite of the 'liberalism' of the legislation, the increase in the number of foreign banks was relatively small. In 1948 there were ten foreign establishments installed in the country: Bank of London and South America, Banco Nacional Ultramarino, the National City Bank of New York, Banco Italo-Belga, The Royal Bank of Canada, Banco Holandês Unido, The First National Bank of Boston, Crédit Foncier du Brésil et de l'Amérique du Sud and Caisse Générale de Prêts Fonciers et Industriaux.

In 1976 there were 19 foreign commercial

[13]We refer to innovations in the Schumpeterian sense of the introduction of new ways of producing or differentiating products and controlling the markets, that is to say, new ways of practicing intercapitalistic competition, and not to the world-wide advancement of 'technical progress', already achieved or in the process of development.

[14]P. C. Sá, "A política mineral brasileira", *Boletim do IERJ*, No. 17, January-February 1981.

banks, of which only 5 had already been established in 1948: Bank of London and South America, City Bank, Banco Europeu para a América Latina (new name for the Banco Italo-Belga), Banco Holandês Unido, and Bank of Boston; the Royal Bank of Canada was still present in the Brazilian banking system, but was associated now with the Bank of America as Banco Internacional. Another two had already operated in the country but their authorization had been cancelled in 1942 as a result of Brazil's declaration of war against the Axis: the Banco Alemão Transatlântico and the Banco Frances e Italiano para a América do Sul; the Deutsch Südamerikanische Bank, which today has minority participation in the Banco Lar Brasileiro, controlled by the Chase Manhattan Bank, could also be included in this category. Among the others are the recently arrived Japanese banks (Mitsubishi, Tokyo and Sumitomo) and those which are only representative offices of foreign public or private banks such as Banco de la Nación Argentina, Banca Commerciale Italiana, Agencia Financial do Portugal and the Unión de Bancos del Uruguay, Español, Territorial y del Norte. Finally we have the Banco Cidade de São Paulo, owned by the Swiss Bank Corporation; the Banco Francês e Brasileiro associated with Crédit Lyonnais, and the Banco América do Sul, the only one which, though a foreign bank (controlled by the Japanese Fuji group), has less than 30% of its capital stock in the hands of residents outside the country.

Few of these institutions have much importance in the ranking of Brazilian commercial banks, the most important being the City Bank, the Francês e Brasileiro, the América do Sul, the Lar Brasileiro and the Francês e Italiano. Actually, the group of foreign banks represents 18% of the total number of commercial banks operating in the country, but they are responsible for only 13% of the loans and 12% of the demand deposits.[15] This may be explained by the unwritten rules imposed by the Banco Central, which restrict the opening of agencies on the part of foreign banks; so much so that if we consider the total number of bank *branches* in the country (headquarters, agencies and subagencies) the share of the foreign banks drops to less than 1%.

Not all of the foreign banks operating in the country may be considered internationals (or transnationals) *stricto sensu*. However, in this sector there has been much pressure in recent years towards greater 'openness': the establishment of the 'Rio-dollar' seems to have been only a trial balloon with a view to developing a temporary statute which would allow a great number of large 'transnational' banks to enter, operating directly with their fictitious money, the dollar which they themselves issue. The big domestic banking capital was able to oppose these measures directly, as in the case of the 'Rio-dollar', or indirectly through its dissuasive power and its ties with the State apparatus, as in the case of certain aspects of the banking reform law and of the capital market. In these texts there were provisions which stimulated association with the big transnational banks, either for the differentiation and specialization of financial institutions or in order to facilitate the procurement of foreign resources in line with the means provided by Resolution No. 63 of the Banco Central.[16] Despite the growth in the participation of foreign capital (especially when the financial system is considered as a whole, including banking and non-banking institutions), the large-scale domestic capital promoted the trend toward conglomeration and maintained its predominance and leadership in the sector.

The future of internationalization in the financial (and banking) sector has yet to be decided. And the end of the story will not depend on the domestic capacity for political resistance and negotiation with the State on the part of the Brazilian bankers alone, but on the possibility of seeking a new connexion with the productive sectors and on the evolution of the international crisis itself and its effects on the Brazilian economy. In any case, this was the sector which benefitted most from the recent

[15]These data correspond to 1976 and were compiled from the *Boletim do Banco Central* and the *Revista Bancária*.

[16]Under Resolution No. 63, financial institutions may obtain resources in the international financial market and transfer them to the Brazilian market over shorter terms and at lower values.

development of capitalism in Brazil, and particularly from the policies of internal and external indebtedness. The sector has not shown a propensity to assume the historical role of 'financial capital' (in Hilferding's sense); it centralizes capital and promotes national heavy industry, but in relation to speculative international banking capital it prefers a position of tacit alliance. However, the possibilities that this situation may persist are no longer the same, and the national banking capital will soon be brought face to face with the choices it has been avoiding.