

'Development Pays'

How West Germany Is Winning The Brazilian Market

The silly admonitions which President Carter made in Brazil March 30 about the danger of nuclear proliferation exemplify American attitudes towards the problem of Third World development which are causing American industries to be squeezed out of Brazil.

The Brazilian government is now favoring European and Japanese investors in competitive bidding for the mammoth state development projects and in gaining permission for industrial investment in Brazil. Not long ago, American corporations considered Brazil their choice spot for profitable expansion. Now, largely in response to the Carter Administration's provocative campaign against nuclear development and to the refusal of many U.S. multinationals to provide effective technological transfer, the big Brazilian market is becoming increasingly off-limits for American firms.

The West German industry is winning hegemony in Brazil, *because* they are not stepping into American shoes. The Rio daily *O Globo* outlines the secret of German success — their understanding that their domestic economy can thrive through maximum transfer of the most advanced technology available to the developing nations — "Development pays."

The sophisticated marketing techniques and strategies of monopolizing control over technology practiced by U.S. firms have lost out against the West German challenge. IBM's imperial policy of preventing technological diffusion cost it its chance to have a chunk of the Brazilian computer business. A Brazilian firm building steam turbines severed its partnership with the Elliott Corporation of the U.S. and entered into one with Siemens of West Germany, because of Elliott's refusal to provide Brazil with the most advanced technology. Brazilian experience with Henry Kissinger and James Schlesinger's unending string of sabotage operations against Brazil's nuclear energy program have not stopped it, but have made American nuclear suppliers "unreliable" in the eyes of the whole world.

'In the War for Markets, the Armaments Give Energy'

The following are excerpts from O Globo, March 19:

Contrary to the American exporter model (not only in the nuclear area) which seeks intensive sales of goods and services, the German plan is to promote the growth of its "partner-clients," expanding the specific-weight of their economies, thus increasing their buying power. The plan seeks real technology transfer and the formation of

"joint ventures," that will bring about a real growth of the economy and of national industrial output, which will demand more consumption goods — and more advanced technology.

The logical corollary is that German science and industry must always remain a step ahead so as to be able to fill orders.

(Globo then describes how the Germans are moving into world leadership in the next generation high-temperature thorium and fast-breeder reactors)...thanks to the decision of its President Jimmy Carter to interrupt research.

In summary, Germany has decided to win the battle for the international market of the future to guarantee living space for its own economic expansion. Its main weapon is offering its partners energy autonomy, in the case of Brazil, the complete nuclear fuel process, from uranium research through enrichment and reprocessing.

'A German Point of View On The Nuclear Agreement: A Strategy To Reach Technological Hegemony'

The following are excerpts from an article in Rio daily O Globo of March 19 by special envoy to Bonn Eduardo Pinto:

...The (West -ed.) German government, businessmen and scientists do not see nuclear energy as an isolated issue. The development of their energy industry — not only nuclear — is considered vital for permitting the nation as a whole to grow and as the spearhead for opening up international markets for exports of goods and capital.

...German efforts towards Brazil are based on the foreign policy of the genius of German post-war resurgence, Konrad Adenaur. The number two man in Kraftwerk Union, Hans Frewer, clearly summed up the German nuclear thrust in a speech to leading businessmen in late 1977.

The German philosophy of conquest of the nuclear market — and through it achieve massive economic penetration as a form of opening markets — is all encompassing. The first step is signing scientific cooperation agreements, covering the widest variety of fields including the exchange of scientists and information . . . The Brazilian-German nuclear deal really began in 1967 when the two countries signed an extensive

technical and scientific cooperation accord. The nuclear aspect was the most publicized, but the accord included fields such as urban planning, oceanography, and mineral resource research.

The German strategy is based on the realization that "starting in the 1980s the crucial problem of the developing countries will be fulfilling their energy needs." In his speech, Hans Frewer stressed that "the receptor countries, especially those in which nuclear reactors will play a significant role in energy generation over the long term, are very sensitive on the basis of their not always good experiences, and will react to any kind of dependency, whether to the U.S. or to Europe."

The redoubling of Germany's promotion of its reactor industry, and especially its agreement with Brazil, is entirely due to the realization that "the volume of the German market alone is insufficient for economic utilization of nuclear technology. It is necessary to conquer export markets so that lengthy and expensive research and development efforts can be effectively amortized. The transference of nuclear technology to third countries is, thus, an essential premise for a stable long term nuclear industry structure."

New Concept

"What makes it difficult to export to third countries," continued the KWU director, "is the dominant position of American suppliers. This fact necessitated evident and important differentiation in relation to American promotion techniques. The German government recognized very early that short-term export strategies wouldn't work. Exports could best be achieved through a long term all-encompassing technological cooperation which included ever-wider circles of the industries of the receptor country. This establishes the basis for investments in common and the formation of joint ventures. Only in this way can the developing countries, and especially raw material producers, be convinced that the Federal Republic of Germany, through this long-term model of technology transfer is interested in demolishing the North-South gap, and not just in doing business."

... "The participating governments have a key role in every export project. This is true, of course, in regard to the Federal Republic's commitment to non-proliferation. But more generally, the financial dimensions and the multiplicity of enterprises, research institutions and state offices participating in nuclear cooperation means that state organisms must invariably serve as coordinators and moderators."

"After the global agreement, a second stage sets up technical cooperation with universities and other research centers to study basic questions like alternative energy sources, structure of energy industry, raw materials, etc."

"Thus," he continues, "the two countries are interlaced with cooperation contracts, with an exceptionally

complex structure. Transference of know-how, especially at the industrial level, must be accomplished within limited time spans in order to meet requirements of the energy program."

... Brazilian-German relations are in this second stage as shown in the recent visit of President Geisel to Germany where he signed complementary agreements for research on biomass alcohol production and on niobium, a metal used in ultra-resistant steels and which Brazil possesses 90 percent of known world reserves. Existing oceanography and space rocket research agreements were amplified. It was not accidental that a large and important group of businessmen and industrialists was brought on the trip. An ever-greater linking of private sectors is expected as a logical consequence of the agreements between the governments.

'Country's Nuclear Project Looks To Next Century'

The following are excerpts from an article by Eduardo Pinto, West German correspondent of the Brazilian daily O Globo of March 20:

What seems evident is that as the nuclear accord is not for West Germany merely a fabulous trade deal of more than \$5 billion, or for Brazil just a means of generating electricity: beyond the electrical energy 'decorrente', the basic objective, according to well-placed sources, is to promote industrial modernization (of Brazil), by importing a bridge technology, by formation of managerial and administrative elites...

The principal function of nuclear energy continues to be its use to generate electricity. But, in the decision to carry forward the nuclear program other considerations came into play, among others that the sophisticated technologies involved and the high standards of personnel training would be reflected throughout the entire industrial sector, with an (overall) elevation of quality. Also, the strategists of Brazilian development consider that, whatever the form, it will be indispensable by the period 2000-2010 to 'apelar' some form of energy generation that does not come from natural sources. They believe that the only valid and fully developed alternative is nuclear energy.

Technical-military sectors of the Government believe that 'no nation can be considered master of its destiny, authentically free, that does not entirely dominate its sources of energy supply.' Such concepts, based on geopolitical forecasts, suggest that Brazil will be an 'intermediary power' ... by the end of the (20th) century. And nuclear energy is considered ... a key element in achieving this objective.