THE STRATEGIC DEPENDENCY OF THE CENTERS AND THE ECONOMIC IMPORTANCE OF THE LATIN AMERICAN PERIPHERY*

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INTRODUCTION

It has become rather common to say that the economic importance of Latin America for the United States has declined sharply, mainly owing to the fact that the region's relative position in the external trade of the United States has deteriorated progressively.[1] While the figures do indeed reveal that the region now plays a lesser role in U.S. foreign commerce than it did some decades ago, it would be grossly misleading to assume that the overall economic importance of Latin America for the United States and other core powers also has declined. Economic relations between the Latin American periphery and the United States should not be analyzed merely in quantitative terms, on a bilateral basis, and only at certain points in time. It is necessary to shift attention to the structural level, to verify, for example, whether this decrease in the Latin American share of world trade necessarily implies a breakdown of the bonds that have existed historically between core and periphery economies.

As capitalism expanded worldwide, it shaped the "structural dependency" presently suffered by underdeveloped countries. It also created a *strategic dependency* of the core powers on foreign sources of supply, particularly underdeveloped regions, for low-priced strategic minerals, cheap labor, and markets, all of which are essential for the national defense and continued economic growth of core countries. Marx observed a similar phenomenon when—writing on colonialism in China and India—he suggested that not only was Asia becoming more dependent on Europe, but that the reverse was true, as well.[2] Following the

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Hegelian thesis that the master-slave relationship produces a dialectical dependency of the master on the slave, one could postulate that the strategic dependency of the centers on the periphery is an unavoidable consequence of the development of capitalism at the world level.

Strategic dependency does not denote simply a state-to-state dependency; rather it characterizes a situation in which the *international* segment (that sector associated with multinational corporations) of the dominant structure of advanced capitalist societies depends for its continued prosperity upon access to the cheap natural resources, labor, and markets of, principally, underdeveloped societies. The phenomenon of strategic dependency is also closely related to class questions inside the core countries in that it can affect domestic intra- and interclass conflicts and alliances. For instance, past experience shows that the exodus of U.S. multinational corporations to the periphery in search of cheap raw materials and markets is generally backed in government circles but opposed by organized labor.

Although it may seem contradictory, strategic dependency is a form of structural dependency, since it denotes an internal structural tension in capitalism as a mode of production. However, the two types of dependencies differ because the societies in which they prevail are different and because the dimensions affected are also different: strategic dependency translates principally into *external* vulnerability and limits to action, particularly in the *economic* sector of developed countries; structural dependency is a *transnational* and *comprehensive* phenomenon, meaning that underdeveloped societies—both in their domestic and external spheres—are shaped in their economic, political, social, and cultural dimensions by the structural requirements of the more dynamic centers of world capitalism.[3] Of course, within concrete national contexts, there is a certain degree of overlapping of both types of dependency. For example, a relatively more advanced periphery country, such as Brazil, may experience both structural and strategic dependency. However, despite their coexistence in a given nation state, one form tends to be predominant and ultimately defines the insertion of that country into the world political economy. In the case of Brazil, as in the case of most periphery societies, it would appear that the dominant situation is structural dependency. According to this conceptualization, center countries generally have a greater range of options to reduce or control their dependency than do periphery nations.

Following this line of thought, and considering the recent global context of sharpening competition among center nations to secure access to overseas sources of cheap raw materials, low-priced labor, and markets, this essay postulates that the economic significance of Latin America for the developed countries has not only continued but, in some cases, increased. To demonstrate this, the three main components

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of strategic dependency shall be explored, and an effort will be made to link the dependency of the core to the international bargaining power of the Latin American periphery.

THE COMPONENTS OF STRATEGIC DEPENDENCY

Critical Minerals

A good deal of the world's exportable reserves of strategic minerals[4] are located in developed countries such as Canada, Australia, and South Africa. But, interestingly, a great amount of these resources (i.e., oil, bauxite, copper, manganese, cobalt) also are found in underdeveloped areas, particularly in Latin America. In regard to resources, the strategic dependency of any core country arises basically from (a) the physical absence of given strategic minerals and/or (b) the existence of uneconomic conditions for the exploitation of those materials physically available. The latter point leads to another reason why it is important for the centers to preserve access to *cheap* foreign raw materials: the import of low-priced materials by multinational corporations allows them to slow down investment in constant capital, which translates into higher profits for the conglomerates involved.[5] Consequently, it makes sense for multinational firms to attempt to monopolize cheap raw material sources as a way of earning economic rents continuously.

The importance of cheap basic resources for the core is further revealed by the argument that successful capitalist growth and expansion is founded upon the availability of raw materials. According to Raichur: "To the extent that cheaper raw materials are available outside the jurisdiction of national capitalism they will be sought out and used because they stretch the ability of released capital to be employed productively."[6] Similarly, Furtado argues that "the logic of the present system of accumulation, with its very short time horizon, consists of exerting increasing pressure on nonrenewable resources. But since these resources are located in the periphery an entirely new *problematique* has emerged."[7] In other words, it is not simply a "matter of convenience" for developed nations to import minerals from abroad; it is a matter of economic advantage and structural need. As a technical study on the United States and foreign raw materials indicates: "The U.S. economy, of course, has benefited from its use of foreign minerals. Imports of most minerals came from cheaper sources of supply in foreign countries. They reduced U.S. costs for materials and facilitated U.S. exports of metals and of manufactured goods containing metal. Thus they made possible larger real incomes in the United States than would have been possible if more expensive domestic resources had been developed."[8]

The strategic dependency of the centers with regard to the natural resources of Latin America dates back to the Iberoamerican conquest,

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even though it became clearer during the beginning of the present century. During the early 1900s, U.S. investment in the region was highly concentrated in relation to country and sector. American corporations were primarily interested in areas that complemented the U.S. economy and would not compete with American firms; thus, investment centered on petroleum, industrial minerals, sugar, bananas and other commodities, and railways (to facilitate the export of raw materials.)[9] Then, the production of armaments for World War I spurred a renewed interest in strategic mineral commodities; new mining and oil concessions were sought in South America and the rest of the Third World. After the War, the United States preempted Great Britain as the principal source of foreign capital in Latin America, with the bulk of direct investment still in agriculture and mining (including petroleum). From 1929 to 1950, the inflow of "new" capital to Latin America was modest. The slowdown in new U.S. investment was due largely to the worldwide economic crisis and to the nationalistic policies of some Latin American republics. Despite everything, this period witnessed an increase in U.S. foreign investment in the mineral resources (including petroleum) of the region from 38.3 percent of total investment to 43.1 percent (see table 1).

After World War I, the Japanese also had begun the worldwide search for raw materials and markets. Among the preferred target areas for their expansion were South America and, particularly, the South Seas, regions that not only were rich in natural resources but also had open spaces for colonization.[10] Germany and other European powers centered their attention on the vast resources of Africa and Asia. After World War II, Japanese investments in Latin America were made to "obtain assured sources of raw materials, such as iron and copper ore, for Japan's industries."[11] Even though, at that time, Japan's trade with Latin American countries was smaller than that with Southeast Asia and North America, her investments there were greater than in any other region of the world. According to the Japanese Ministry of International Trade and Industry, these investments were concentrated principally in the Andean region (especially Bolivia and Chile) and in Mexico, in the mining industry.[12]

In the aftermath of the Second World War, Germany found itself "with the same well-rounded industrial structure that it had before the war."[13] Partition reinforced the concentration on basic and capital goods industries, due to the fact that almost two-thirds of prewar capacity in heavy industry and producer goods factories remained in the Western zone. The new West German economic structure meshed almost perfectly with postwar patterns of world demand, but it separated the industrial zones from the agricultural hinterland and from access to Eastern European sources of raw materials. West Germany desperately needed foodstuffs and minerals; therefore, it began to show great in-

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terest in Latin America and its resources. By the end of 1965, West Germany had already invested about 1.6 billion DM in the region. Although this amount was modest in comparison to investments by other advanced powers, in relation to German investments in other areas, Latin America's share of the German total ranked second, with about 20 percent, after Europe, with 54 percent.[14]

The postwar period witnessed a progressive shift in U.S. foreign investment out of the extractive sector and into manufacturing activities oriented to the supply of the Latin American market. As can be seen in table 1, the relative weight of mining and petroleum—as a percentage of total U.S. investment in the region—dropped from 43.1 percent in 1950 to 16.4 percent in 1978, while the manufacturing sector jumped from 17.1 percent to 35.8 percent. In other words, throughout the last two decades, the axis of strategic dependency—particularly for the United States—has moved away from the mineral resources dimension towards the aspects of local market and cheap labor. However, this historical change in the relative weight of the different components of strategic dependency is partly offset by a renewed post-oil-crisis concern in the centers regarding access to critical minerals, and by the "obsolescing bargain" phenomenon, which shall be addressed later.

The emergence of a "resources nationalism" among resource-rich periphery nations (particularly in Latin America), a growing international concern for the deterioration and possible exhaustion of the earth's resources, and the implementation of an oil embargo in 1973 brought about important complications for strategically dependent cen-

TABLE 1 *United States' Accumulated Investment in Latin America (in US$ Millions and Percentages)*

Year	*Total*	*Mining and Smelting*	%	*Petroleum*	%	*Manufacturing*	%	*Other*[a]	%
1929	3,519	732	20.8	617	17.5	231	6.6	1,939	55.1
1943	2,798	405	14.5	618	22.1	325	11.6	1,450	51.8
1950	4,576	666	14.6	1,303	28.5	781	17.1	1,826	39.9
1960	9,249	1,331	14.4	3,264	35.3	1,631	17.6	3,023	32.7
1966	11,448	1,565	13.7	3,425	29.9	3,318	29.0	3,090	27.0
1970	14,760	2,071	14.0	3,938	26.7	4,621	31.3	4,131	28.0
1977	28,110	1,628	5.8	3,489	12.4	10,063	35.8	12,930[b]	46.0
1978	32,509	1,664	5.1	3,661	11.3	11,644	35.8	15,540[b]	47.8

Source: Compiled by the author from Alfredo E. Calcagno, *Informe sobre las inversiones directas extranjeras en América Latina,* E/CEPAL/G 1108 (enero 1980), p. 35, and *Survey of Current Business* 59, no. 8 (August 1979):26–27.

[a] Includes agriculture, commerce, public services and various other nonmanufacturing activities.

[b] These figures are inflated by growing flows of financial resources to tax-havens Bahamas and Bermudas.

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ter nations. According to a recent study, the oil crisis of 1973 illustrated the dangers of strategic dependency, and motivated significant increases in levels of economic aid ("cooperation") on the part of the United States, West Germany, Japan, and other core countries toward the resource-rich nations of Latin America. Differences in degrees of cooperation were found to be dependent upon variations in the levels of strategic dependency of the center nations involved.[15]

In the case of Japan, the oil crisis caused a general slowdown in overseas investment: Japanese external investment dropped considerably (31 percent) from 3,497 million yen in 1973, to 2,396 million in fiscal year 1974. However "although investment declined in almost all sectors, those in the mineral industry rose to ¥ (p.9) 743 million."[16] Moreover, the high degree of strategic dependency experienced by Japan has forced her multinationals to yield to bargaining pressure. Presently, Japanese firms tend to offer better investment terms to resource-producing hosts than do American or German firms. For instance, "in Peru the Japanese agreed to a time limit on their investment, worker participation in management decisions and government control of their pricing and marketing practices."[17] This is why an analyst from the U.S. State Department wrote that, "the overriding consideration for Japanese participation in the mining industry of Peru is assured access to raw materials. Profit from investment or marketing in third countries is definitively subordinated to that."[18] Interestingly, although U.S. investment in the Andean region (which includes Peru) decreased noticeably during the early 1970s, due to expropiation and divestment, American investment expenditures in resource-rich Peru itself stayed at a high level owing to Southern Peru Copper Company's expansion of activities around the huge Cuajone mine complex. Likewise, United States net total flows of financial resources to the Andean country jumped—despite the nationalistic policies of Velasco Alvarado—from $15 million in 1969 to $467 million in 1975.[19]

Foreign economic assistance constitutes a vital tool of the centers to gain preferential access to the critical mineral resources of Latin America. In the words of a Washington spokesman:

> Why should the United States persist with foreign assistance? . . . Consider first the economy. The United States is increasingly linked to the developing countries in international trade and investment. U.S. imports of energy fuels and minerals are expected to increase from $8 billion in 1970 to more than $31 billion by 1985—a fourfold increase in the next 13 years. The known reserves of many minerals are largely located in the developing countries. . . . The United States has a fundamental interest in insuring that the developing countries are part of an international trading system in which resources are freely shared."[20]

Not surprisingly then—and as a consequence of the 1973 oil embargo—section 633 of the U.S. Foreign Assistance Act of 1974 "authorizes the

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President to furnish military or economic aid in exchange for 'strategic raw materials' in short supply whenever he determines it to be in the national interest."[21]

In the case of Japanese aid, there has been a tendency, since the 1960s, to give greater preference to countries that are relatively less developed, but that are endowed with vital natural resources needed by Japan. In a study by Hasegawa, resource-rich nations, such as Brazil and Peru, scored among the top twelve countries on a list of thirty-eight favored with the largest percentages of nonpayable grants to total Japanese assistance.[22] There is little doubt, therefore, that—as a U.S. government document observes—Japanese official economic aid "is being increasingly focused on countries or regions producing minerals and agricultural commodities imported by Japan."[23]

A study of West German aid to underdeveloped countries during the early 1960s also reveals that an important reason behind Germany's economic assistance program is her need for critical minerals from some of those nations. In the words of Knusel: "Since the German economy would be greatly weakened without basic raw materials, it is in their interest that they remain on good terms with the developing countries from whom most of them are obtained. Aid in effect provides Germans with the means for maintaining and strengthening their own economic health and stability."[24] Just as for external investment, the Latin American countries which receive more aid from Germany are Brazil, Peru, and Mexico.

In sum, the strategic dependency of the core on the key minerals of Latin America and other periphery regions, together with the 1973 oil crisis which acted as a catalyst, led to attitudes of "cooperation" of the centers with resource-rich periphery nations. Precisely because of this, a document from the Ministry of Foreign Relations of Japan indicates that "the importance to Japan of Central and South America, which has many underdeveloped resources, increased further in 1973 as the problem of resources and energy became more serious throughout the world. . . . It is considered that Japan's relations with the Central and South American countries will become even closer, with economic relations as the axis."[25]

Cheap Labor

The strategic dependency of the centers with regard to the factor of "cheap labor" represents principally a characteristic of the postwar period, linked to the process of transfer of infrastructures of production from the centers to the periphery. Increasingly, the world economy has witnessed the emergence of "free production zones" or "platforms of production" of multinational corporations, which can be defined as

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"industrial enclaves set up for world-market oriented industries at sites where cheap labor is abundant."[26] At present, the platforms of production located in underdeveloped countries constitute a *structural* need for the multinational corporations: due to increases in the cost of labor in the centers, the exploitation of lower wages in the periphery allows individual multinational firms to reduce costs and thus increase profits. One author described the phenomenon in the following terms: "For the first time in world history, our capitalists have both the physical and psychological ability to exploit the Third World's most basic resource—its cheap labor. Increasingly, they will do so, partly from choice but mostly from necessity, and this development is a rope with which many a traditional American or European multinational will be hanged."[27]

The changes that have taken place in the nature of strategic dependency during the postwar period partly explain the emergence of a new international division of labor. The growing interest of the core in the supplies of cheap labor of periphery countries—at the expense of their mineral resources—has been linked intimately to the redistribution or relocation of production at the world level. Hence, it is now widely accepted that the classical international divison of labor between advanced exporters of manufactures and underdeveloped exporters of raw materials has ceased to exist. The new international division of labor distinguishes itself by the fact that:

> a single world market for labor and a single world market in industrial sites now, for the first time, effectively encompasses both the traditional industrial countries as well as the underdeveloped countries. In many cases industrial capital can earn extra profits through a suitable reorganization of production, because a suitable subdivision of the production process makes it possible to exploit the worldwide industrial reserve army with the help of a highly developed transport and communications system.[28]

Multinational corporations of the centers have come to value progressively the labor of periphery nations because the salaries paid to workers in the underdeveloped nations amount to a small fraction of the wages of workers in the developed countries, even considering the "productivity of labor" factor. A recent study, that applies different methodologies that take into account the productivity of labor element, concludes that the salaries ·paid by transnational corporations to the workers of the periphery are, at the official exchange rate, about 60 to 80 percent below the wages paid normally for the same work in the United States.[29]

According to the U.N. Comisión Económica para América Latina (CEPAL), considering the wide differences in the cost of labor between the Latin American countries and the United States, Latin American labor will continue to be significantly cheaper than that of the centers "even if advanced income distribution policies are applied."[30] Inciden-

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tally, there are also marked differences in the labor costs of operations of a single enterprise, depending on where it is based. For example, in the case of General Motors, by the end of 1972, the average cost of one hour of production work, as a percentage of the cost in the U.S., was less by 35 percent in Mexico, 18 percent in Brazil, and 16 percent in Argentina.[31]

Some analysts hold that the dependency of core corporations upon the cheap labor of the periphery is affected by the kind of technology utilized: e.g., capital intensive versus labor intensive. Obviously, the more a given corporation employs labor-intensive technologies, the greater its interest in the abundant cheap labor of the periphery.[32] Hence, many U.S. companies transfer part of their production processes to, for instance, the north of Mexico, where labor is relatively cheap. A major feature of this type of transfer is that it involves relatively small amounts of fixed capital for installation; therefore, if labor or fiscal problems arise in the host country, it is easy and inexpensive for the corporation to move elsewhere.[33]

Available evidence suggests that enterprises that utilize labor-intensive techniques are not the only ones to move to low-wage regions. According to Turner: "in the past only the extremely labor-intensive industries went abroad, while today the industry that can be exported has a much more 'capital-intensive' orientation. Ten years ago, the high labor content in textiles threatened the existence of the industry in the developed economies; today the labor content in small cars may be enough to force their manufacture in relatively cheap-labor areas."[34] In addition, it has seemingly become quite difficult to distinguish clearly between corporations that utilize capital-intensive techniques and enterprises that employ labor-intensive technologies since, according to one author, "there is a continuum from the labor-intensive industries like textiles to the real capital-intensive industries like nuclear power plants."[35]

Regarding the "productivity of labor factor" one also should consider that the development and refinement of technology and labor organization makes it possible to decompose complex production processes into elementary units "so that even an unskilled labor force can easily and quickly be trained to perform otherwise complex operations."[36] Through this "fragmentation of jobs" phenomenon, skilled labor receiving high wages (as in the United States) can be replaced by unskilled or semiskilled labor earning lower wages (as in most countries of Latin America), particularly if in the latter there are ineffective trade unions and/or the advancement of workers' rights is impeded by authoritarian governments.

Data confirm the displacement of industries from the centers to the Latin American periphery. American corporations searching for cheap labor have created more than fifty thousand jobs along the

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Mexican border (exports from the area back to the U.S. climbed from $7 million in 1966 to $350 million in 1972), and large U.S. global corporations, "such as Ford, ITT, Chrysler, Kodak, and Procter & Gamble, employ more than one-third of their work force outside the United States."[37] The number of employees in foreign subsidiaries of the West German textile and clothing industry more than doubled from 1966 to 1974–75, whereas the quantity employed domestically decreased by roughly a quarter. It was estimated that, in 1977, for every one hundred domestic workers hired by the West German textile and clothing industry, there were well over ten foreign workers employed in West German-owned subsidiaries abroad. Foreign employment in West German subsidiaries in low-wage countries, as a proportion of the total foreign labor employed by West German subsidiaries in the textile and clothing industry, increased from nearly a quarter in 1966 to about half in 1974–75. During the mid-1970s, West German manufacturing companies had subsidiaries (excluding the EEC) in seventy-seven countries; most of them were located in Latin America (principally in Brazil, Mexico, and Argentina) and were fairly well distributed over different branches of industry.[38]

The displacement of industries from Europe and the United States to Latin America and other low-wage regions has evidently had an impact on employment patterns in the centers. Barnet and Müller argue that such displacement caused multiple concrete cases of unemployment in the developed countries. For example, the transfer of part of the TV production process of General Instruments from New England to Portugal and Taiwan signified the firing of three to four thousand American workers; the same occurred with the transfer of Warwick Electronics from Arkansas and Illinois to Mexico; and the displacement of Zenith Radio from the U.S. to Taiwan led to the lay-off of more than seven thousand workers.[39] Similarly, a study conducted by Frank and Freeman of Cornell University concluded that U.S. foreign investment meant the loss of 1,062,577 work opportunities for Americans in the eight-year period between 1966 and 1973. However, other studies, such as that by Stobaugh et al., do not agree; they indicate that U.S. overseas investment has produced favorable effects on both the national balance of payments and the level of domestic employment.[40]

Regardless, what should be emphasized here is that the cheap labor component of strategic dependency embodied in the exodus of multinational corporations to low-wage areas is closely linked to class issues *within* the core countries. Apparently, organized labor in the United States was slow to perceive the implications stemming from U.S. direct investment abroad. However, awareness apparently increased sharply after 1966, when global corporations dramatically accelerated their production overseas.[41] The result was a strong opposition to what

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came to be called the "export of U.S. jobs." The antagonism between American labor groups and corporate sectors over the export-of-jobs issue has not subsided. On the contrary, it has been aggravated by relatively high unemployment rates in the United States in recent years. This controversy is likely to continue because of the contradictions involved: on the one side are the dominant interests of the corporate sectors that seek to exploit cheap periphery labor and maximize world profits; on the other are U.S. labor groups that aim at preserving or increasing domestic employment and salary levels. Concentration and globalization give the business sectors a valuable advantage over national labor groups:

> Corporate organization on a global scale is a highly effective weapon for undercutting the power of organized labor everywhere. . . . The ability of corporations to open and close plants rapidly and to shift their investment from one country to another erodes the basis of organized labor's bargaining leverage, the strike. . . . A global corporation can also protect itself from a strike by establishing what is called "multiple sourcing"—i.e., different plants in different countries producing the same component. It is a strategy by which the corporation can make itself independent of the labor force in any one plant.[42]

Given this scenario, perhaps the strong political support given recently by the staunchly anti-Marxist AFL/CIO to opposition labor groups in Chile struggling to achieve some measure of labor democracy may be explained as an attempt on the part of the U.S. unions to remove the governmental control factors that make Chilean labor cheap (and therefore attractive to U.S. investors). The AFL/CIO actions in Chile would then signify an attempt to regain jobs for American workers, and an effort to erode the bargaining advantages of global firms; at the same time, it would demonstrate that the confrontation between capital and labor has indeed shifted from the national to the global stage.[43]

Large Markets

Cardoso holds that the phenomenon he calls "associated-dependent development," one of the most recent historical expressions of dependency in Latin America, and more specifically in Brazil, is based precisely on the growing importance of Latin America in general, and of some countries in particular, as a market for the core economies. According to Cardoso, during previous stages of world capitalist development

> the market for goods produced in dependent economies by foreign enterprises was mostly, if not fully, the market of the advanced economies: oil, copper, coffee, iron, bauxite, manganese, etc. were produced to be sold and consumed in the advanced capitalist countries. . . . [However] . . . today for G.M., or Volkswagen, or General Electric, or Sears Roebuck, *the Latin American market, if not the particular market in each country where those corporations are producing in Latin America, is the immediate goal in terms of profit.* So at least to some extent, a

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> certain type of foreign investment needs some kind of internal prosperity (emphasis added).[44]

The internationalization of the domestic market will create—in Cardoso's view—the conditions for the continued prosperity of an increasing portion of Brazilian society. But, Cardoso adds, "in spite of internal economic development, countries tied to international capitalism by that type of linkage remain economically dependent, insofar as the production of the means of production (technology) is concentrated in advanced capitalist economies (mainly in the U.S.)."[45]

The establishment of platforms of production in underdeveloped countries enables multinational corporations to get around import barriers of the host nations, and to enjoy the same privileged oligopolistic positions they have at home. In other words, the platforms of production give corporations a greater degree of control over the domestic markets of the periphery than would be achieved merely by exporting from the home country. This is why, for example,

> *in 1970 nearly 80% of the production of overseas subsidiaries of transnational enterprises of the United States was channeled to the internal market of the countries in which they were located.* . . . These sales can be considered as "indirect exports," since they replace sales that previously were made from the headquarters of the home country. It is calculated that *in 1971 the "indirect exports" of subsidiaries of American firms were almost four times larger than direct exports from the United States; in the case of the United Kingdom the proportion was two to one; and for France, the Federal Republic of Germany, and Japan it ranged between 37 and 95%.* In addition, through these platforms the developed countries stimulate a significant flow of direct exports from the home country of the corporation, particularly with regard to equipment, parts, and intermediary goods (emphasis added).[46]

The importance of the Latin American market for U.S. manufacturing corporations producing in the region can be seen in the historical evolution of local sales compared to exports back to the U.S. and other nonhemispheric countries (see table 2). In 1976 local sales of U.S. subsidiaries in the region amounted to $24,354 million, while exports to the U.S. and other nations outside the area reached only $1,543 million. In percentages, local sales between 1966 and 1976 remained at approximately 93 percent of the total.

It is not merely regional markets for manufactures that are significant to the U.S. economy, but also markets for agricultural products. According to CEPAL, "exports of United States farm products to Latin America in fiscal year 1977/78 surpassed the 1973/74 record of 2.5 billion dollars. This took place in the context of a 26% increase in total United States agricultural exports in the first half of 1978 compared with the preceding six-month period."[47] Latin America is also a profitable market for the investment capital of core countries. In terms of volume of earnings, Latin America is by far the most profitable region of the underdeveloped world for the United States. In 1977, Latin America accounted

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T A B L E 2 *Sales of Subsidiaries of U.S. Multinational Corporations in Latin America: Manufacturing Sector, 1966–1976 (in millions of dollars and percentages)*

	1966	*1967*	*1968*	*1969*	*1970*	*1971*	*1972*	*1973*	*1974*	*1975*	*1976*
Local Sales*	2,983	3,175	3,446	3,798	4,290	5,192	5,592	15,230	19,438	22,505	24,354
Share of Total	95%	94%	94%	93%	92%	93%	90%	94%	93%	94%	94%
Exports to the U.S. and Countries Outside the Region	161	187	231	289	349	396	600	990	1,421	1,457	1,543
Share of Total	5%	6%	6%	7%	8%	7%	10%	6%	7%	6%	6%
Total Sales	3,144	3,362	3,677	4,087	4,639	5,588	6,192	16,220	20,859	23,962	25,897

Source: Calculated by the author from data in *Survey of Current Business* 57, no. 2 (Feb. 1977):32–33.

*Sales by subsidiaries in the host countries.

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for nearly 20 percent of all earnings of U.S. multinational firms throughout the globe, equivalent to 50 percent of all earnings of U.S. corporations in the Third World; the Third World, in turn, accounts for about 40 percent of all foreign earnings of U.S. companies (see table 3). Interestingly, overseas income is a critical component of U.S. business. In 1974, the foreign earnings of U.S. multinationals accounted for 26.9 percent of their total, up from 8.6 percent in 1957. It is estimated that the ratios of gross foreign earnings (before foreign taxes) to gross total earnings (before U.S. taxes) are even higher. Income on foreign direct investment, plus fees and royalties from affiliated foreigners, contributed over $21 billion to the U.S. balance of payments in 1974, nearly as much as total U.S. exports of capital goods (excluding automobiles).[48]

In the financial area, a sizeable share of the total earnings of the twelve largest U.S. banks comes from profits on loans made *outside* the United States, particularly in Latin America. According to Wachtel: “In 1975, 63% of total income for the twelve largest U.S. banks originated in their foreign branches, up from 23% in 1971 and 43% in 1974. For several of these large banks, nearly all of their earnings in 1975 was derived from foreign branch activity. For example, Chase Manhattan received an astounding 82% of its 1975 earnings from foreign activities; First National Bank of Chicago, 63%; and First National Bank of Boston, 80%.”[49] Not surprisingly, during the post-Second World War period there was a noticeable jump in the number of U.S. banking subsidiaries abroad: from 95 in 1950 to 847 in 1975. A high percentage of this rapid increase corresponded to the growth of U.S. banking in Latin America

TABLE 3 *Adjusted Earnings*[a] *of U.S. Corporations in the Third World: 1975–1977 (in millions of US$ and percentages)*

	1975	%	*1976*	%	*1977*	%
Latin America	3,221	19.4	3,400	18.0	3,988	19.9
Middle East	1,643	9.9	1,938	10.3	1,956	9.7
Africa[b]	534	3.2	607	3.2	606	3.0
Asia and Pacific[c]	1,304	7.9	1,022	5.4	1,392	6.9
All Third World	6,703	40.3	6,967	37.0	7,942	39.6
Total all Countries	16,615	100.0	18,841	100.0	20,081	100.0

Source: Compiled by the author from *Survey of Current Business* 57, no. 8 (Aug. 1977) and 58, no. 8 (Aug. 1978).

[a] Consists of the U.S. parent's shares in the earnings (net of foreign income taxes) of their foreign affiliates, plus net interest on intercompany accounts, less foreign withholding taxes.

[b] Excludes South Africa.

[c] Excludes Japan, Australia, and New Zealand.

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from 49 subsidiaries in 1950 to 529 in 1975, meaning that the participation of the region as a percentage of the total increased from 52 percent in 1950 to 62 percent in 1975 . The growth of U.S. banking subsidiaries in Latin America has been faster than anywhere else, including Europe.[50]

The importance of Latin America for private lending entities has increased substantially since the oil crisis: given the high international liquidity produced by an overabundance of petrodollars, bankers are now more than eager to lend to periphery countries. This explains, at least in part, the tendency in Latin America to borrow increasingly from *private* sources at the expense of bilateral and multilateral *public* sources.[51] In 1977, the region accounted for nearly two-thirds of the gross indebtedness of non-oil-exporting underdeveloped countries to commercial banks, and almost all of the net indebtedness.[52] The bulk of this debt is carried by Brazil and Mexico, but other countries, like Peru, Chile, Argentina, and Colombia, also play major roles.[53] Among the principal private lending institutions are the Morgan Guaranty Trust Co., The Bank of America, and The Manufacturers Hanover Trust.

However, most of the world stock of private investment is still concentrated in the core countries themselves. In 1967, approximately two-thirds of the investment stock of the centers was located in the developed countries; eight years later, in 1975, that had increased to three-fourths. During this same period, the stock of foreign investment in the centers grew at an average annual rate of 12.9 percent, while the stock in the periphery grew only at 9.4 percent. In addition to the general decline experienced by underdeveloped nations as a whole, Latin America suffered a relative decrease in its participation in world investment, due largely to the implementation of policies of nationalization or expropriation on the part of some countries of the region. In 1967, Latin America attracted 17.5 percent of all world investment; by 1975, that share fell to 14.5 percent. The speed of foreign investment growth (9.3 percent) in Latin America during the same period was about half the rate registered in the Far East (16.8 percent). However, countries such as Mexico and Brazil experienced spectacular rates of foreign investment growth, particularly during the 1970s.[54] Still, of the $58,200 million invested at the end of 1973 by the advanced capitalist countries in the periphery, 44 percent corresponded to Latin America. More importantly, data indicate that, in 1975, 19 percent of the total U.S. investment in manufacturing throughout the world was in underdeveloped countries, and Latin America accounted for 15 percent of that total.[55]

In line with the growing relevance of markets in strategic dependency, most of the accumulated external investment in Latin America is concentrated in the four countries with the largest markets (Brazil, Mexico, Argentina, Venezuela), which together account for more than 50 percent of foreign investment in the region. In 1975, Brazil received

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almost 25 percent of external investment, Mexico nearly 13 percent, Venezuela over 10 percent, and Argentina about 5 percent (representing a noticeable decrease in comparison to 1971).

With regard to the geographical origin of foreign investment in Latin America, U.S. presence declined between 1967 and 1974, due mainly to the fast growth of Japanese investment. While in 1967 the U.S. accounted for 63.8 percent of external investment in Latin America, in 1974 it accounted for only 50 percent; during the same period, the relative participation of the EEC grew from 17.5 to 25 percent, and that of Japan jumped from 2.2 to 22 percent.[56]

More recent data show that Latin America is regaining the importance it had for the U.S. in the 1960s. Towards the end of 1978, the region received 19.3 percent of all U.S. foreign investment, compared to 16.2 percent in 1972 and 18.6 percent in 1966. Apparently, a good deal of this new American investment flows to tax havens like the Bermudas or the Bahamas.[57] Latin America has also increased its relevance as an investment area for Western Europe. According to recent research conducted by the European Center of Study and Information on Multinational Corporations, in the decade of the 1970s, Latin America became the preferred target region for European external investment, displacing the United States. The more active investors include the Federal Republic of Germany, Belgium, Switzerland, and Holland. In the case of West Germany, investment in Latin America jumped from DM1,500 million in 1970 to DM8,000 million in 1979 (an 80 percent increase, compared to 40 percent in Africa, 30 percent in Asia, and 20 percent in the U.S. and Canada). The preferred target countries for the Europeans are Brazil, Mexico, Argentina, and Chile.[58]

Last, as indicated earlier, important changes have occurred in the sectors in which foreign investment is located in Latin America. Unlike the past, when foreign investment was concentrated mainly in the extractive industries and services, "today there is an absolute predominance of investment in manufacturing activities oriented to the supply of the internal market, which coexists with the remnants of foreign investment of importance in the past, namely, public services, mining, and petroleum."[59]

In sum, it would appear that Latin America represents a market of great importance to the centers and that the access to and preservation and enlargement of markets is a critical part of the strategic dependency of core countries. This is particularly so if one considers the liberal trade policies of countries like Chile that have unilaterally reduced, or eliminated, most tariffs to foreign imports and all barriers to external investment.[60] The following paragraph, which appeared in a *Business Week* article on Latin America, illustrates the point:

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> Multinational executives who have been watching one Latin American country after another pull back from the radicalism of the early 1970s today consider the region to be one of the world's major investment opportunities. "I can just say that the area has more growth potential than the rest of the world," says Andre van Dam, Buenos Aires based director of planning for CPC Latin America. "It is all there—protein, minerals, forests, water." Adds William D. Rogers, U.S. Under Secretary of State for Economic Affairs: "The center of gravity is moving toward more effective mixed-market economies." And what Rogers and Van Dam are talking about is a gigantic arena for business: a fast-expanding population of 300 million and a combined gross national product of $200 billion.[61]

THE STRATEGIC DEPENDENCY OF THE CORE AND THE BARGAINING POWER OF LATIN AMERICA

The strategic dependency of the advanced capitalist nations (that is, the historico-structural need of the centers to have access to low-priced strategic minerals, abundant cheap labor, and markets of underdeveloped countries) has been and continues to be a central component of economic relations between the core and the periphery. The oil embargo of 1973, world inflation, the growing trade rivalry among developed nations, the international monetary crisis, and other problems of the present world order sharpened the strategic dependency of the centers and, therefore, underlined the importance of Latin America for the capitalist core. These same events increased the hopes and perceived bargaining power of Latin American countries, particularly those possessing vast natural resources, cheap labor, and wide markets. But, in order to evaluate the concrete ability of these nations to exert pressure on the developed world, one must relate "bargaining power" to each of the three basic components of strategic dependency.

The negotiating capacity of a host nation is minimal regarding multinational corporations that mainly seek to take advantage of low-cost local labor. If pressured, they can easily move to another country, given that their operations involve small amounts of fixed capital. The high mobility of these firms is, therefore, their best defense against the potential bargaining power of periphery nations.

Notwithstanding the fact that, historically, the axis of strategic dependency has tended to move away from the minerals dimension, the negotiating power of the Latin American periphery increases considerably with reference to multinationals interested in external deposits of raw materials. In this instance the capital invested tends to be large, and both the corporation and the government of the core power are concerned about maintaining the flow of supplies (particularly after the 1973 oil embargo experience). Moreover, the relationship between mining corporations and host Third World countries has undergone a sig-

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nificant transformation. In the past, the mining companies of the developed nations were able to dictate the terms of an investment in view of the vast size of the capital involved. If the host nation wanted the capital inflow, they had little choice but to accept the firms' conditions. But, nowadays, the high fixed costs, which gave foreign corporations such strength at the start of the investment, have become a source of vulnerability: with their capital sunk, foreign investors can be trapped into continuing production as long as they recover their variable costs. The host country's need for higher revenues—coupled with improvement in the technical skills of periphery negotiators—produces an obsolescing bargain[62] between the host government and the mining corporation:

> A foreign company is enticed by terms that outweigh the drawbacks of committing large lump sums of capital under conditions of great uncertainty. Once the uncertainty is dissipated and the project is profitable, the original terms appear to be overgenerous to the company, who, because it now cannot withdraw, must accept the stricter conditions of a new bargain. This process has a cyclical character: to attract new investors or new commitments from old investors the climate might improve for a period. But the new bargains, too, obsolesce.[63]

This situation is now possible because there has emerged a new, more decentralized, international political context in which—among other things—the United States is not the undisputed world hegemonic power. Consequently, the U.S. can no longer easily resort to "gunboat diplomacy" to enforce agreements between private firms and Latin American governments.[64] Additionally, the relative bargaining strength of a resource-rich periphery country varies according to several other factors. For example, the more scarce the raw material involved in the negotiation, the greater the possibilities of the host country to extract good conditions from the multinational; the greater the natural resource dependency of the country of origin of the corporation (as in the case of Japan), the better the negotiating position of the host nation; and, the greater the number of firms that possess the technology for exploitation and commercialization of the resource under discussion, the stronger the bargaining position of the host country, since it can threaten to negotiate with alternate investors.[65]

The bargaining power of the Latin American periphery is probably greatest with reference to foreign investment aimed at capturing the internal market of the recipient nations, since the capital at stake tends to be considerable and since the firm and/or its home country may rely, to varying degrees, on income obtained overseas. The international context is particularly important in this case because a situation of "oversupply" in the centers increases the urgency to sell and, consequently, strengthens the bargaining position of the more advanced countries of the periphery. In the words of Wallerstein:

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> When the core producers face a situation of "oversupply," they begin to compete intensely with each other to maintain their share in a comparatively shrinking world market for their finished goods (especially machinery). At that time, semiperipheral countries can, up to a point, pick and choose among core producers not only in terms of the sale of their commodities but also in terms both of welcoming their investment in manufactures and of purchasing their producer's goods.[66]

Large-size-market countries, like Brazil, Mexico, Argentina, and Venezuela,[67] have a particular bargaining advantage over other Latin American states in this respect, especially considering that they receive a substantial portion of the growing external investment in manufacturing activities oriented to the supply of the domestic market. Likewise, countries such as Brazil, that have growing middle-income strata, have a greater negotiating potential vis-à-vis foreign firms that produce consumer goods than do countries with small middle-income sectors.

Brazil, Mexico, and Argentina have been highly successful in case-by-case negotiations with foreign enterprises, especially in the automotive sector (where permission is given to produce domestically with the commitment to export). FIAT, for instance, had to accept an agreement to export parts and pieces as a requirement to produce within Brazil; Nissan also had to sign a similar contract to export parts and pieces to Japan in order to stay in Mexico; the Volkswagen "Bug" and the Peugeot 404 models continue to be manufactured, sold locally, and exported by Brazil and Argentina although they are no longer produced in their countries of origin. Mexico and Brazil have also negotiated the establishment of important "joint ventures" with foreign corporations in the steel, mechanical, atomic, and chemical industries. The Brazilian chemical firm COPENE (Petroquîmica Nordeste) is a case in point: it includes national public and private capital plus capital of several multinationals of the developed world that also contribute technology and administration.[68]

One should also take into account the importance of large state enterprises as possible bargaining agents of Latin American countries with regard to the developed world. In Chile, for example, state enterprises such as the National Copper Corporation (CODELCO), the world's biggest copper producing firm by sales, have played significant roles in the signing of agreements through which Chile has obtained needed technological assistance from countries like Japan—and even China—in exchange for local expertise in the field of copper. Incidentally, CODELCO and state-owned companies like the National Petroleum Company (ENAP) and the Chilean Electric Company (CHILECTRA) have survived the "privatization wave" launched since 1973 by the military government; in 1979, they ranked among the largest and most profitable firms based in Chile.[69]

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In summary, due to the economic importance of Latin America, a significance linked to the strategic dependency of the core, those countries that possess large markets and cheap critical minerals can exercise substantial bargaining power vis-à-vis corporations and governments of the centers. In this regard, a recent study of twenty-five cases of trade negotiations between the United States and Latin America confirms that, often, Latin American nations—particularly Argentina, Brazil, and Mexico—achieve their objectives despite the superior overall power of the United States. The work concluded that its findings were consistent with an "'unorthodox dependency' perspective on inter-American relations," and that the more structurally dependent Latin American countries "were less successful, but they were not without bargaining assets and strategies."[70]

Nonetheless, one should be aware of the limits to periphery negotiating power that arise from the structural dependency of underdeveloped countries and from other relevant factors. For example, it may be said—following Keohane and Nye—that the strategic dependency of the centers merely represents an external *sensitivity,* or in certain cases a *vulnerability,* which could be used as a power resource by some Latin American countries, but which does not automatically translate into "effective influence over outcomes."[71] In the last analysis, although the results of negotiation are sometimes determined principally by the political bargaining process (in which skill, commitment, and coherence count), it would appear that, weighing structural constraints and opportunities, the possibilities of the centers to manipulate the structural dependency of the periphery tend to be greater than the chances of the periphery to take advantage of the strategic dependency of the core.

CONCLUSIONS

This essay has attempted to demonstrate the present economic importance of Latin America for the developed world, putting special emphasis on the historical permanence of key linkages between the region and the core powers. From among these linkages we have focussed attention on the phenomenon of strategic dependency of the centers. The shifts that have occurred in the nature of strategic dependency reflect the changing needs of the more dynamic centers of world capitalism and, hence, explain—at least in part—the emergence of a new international division of labor in which countries like Brazil are no longer mere exporters of raw materials for the factories of the developed world. Brazil and Mexico now constitute a "semiperiphery" of the global political economy whose role is to produce and export manufactures while the centers provide capital and technology.

Among the semiperipheral nations of Latin America are Brazil,

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Mexico, and Argentina, to which one could add Venezuela and perhaps even Colombia; the rest of the countries still show problems and needs similar to the classical case of an underdeveloped society. This distinction is important because often it is asserted that *Latin America* is passing through a period of industrialization, that *Latin America* has increased its participation in the world trade of manufactures when, in reality, it is the greater relative weight of countries like Brazil and Mexico that distort development figures at the regional level. In other words, Brazil, Mexico,[72] Argentina, and Venezuela play a most distinguished role in the relations between the Latin American periphery and the centers and are, undoubtedly, the regional countries of highest importance for the core.

The industrialization of the Latin American periphery has meant the emergence of new competitors for scarce raw materials and, thus, has aggravated the problem of strategic dependency and rivalry among core countries. Brazil, for example, has become an important investor in foreign raw materials and, through the government oil monopoly, PETROBRAS, is actively seeking and/or extracting oil in the Middle East, Venezuela, Bolivia, and Peru. Likewise, Brazil is also active in the exploration of external deposits of phosphate rock and other minerals.

Great stress should be placed on the *qualitative* relevance of Latin America for the centers in the face of a growing international competition for scarce strategic minerals, cheap labor, and markets. In this regard, some studies even indicate that the progressive needs of core countries could dangerously augment the rivalry among industrialized powers. One analyst from the U.S. State Department has specifically observed mounting frictions between the United States and Japan over Latin America:

> . . . there is a good reason to believe that *an increasing share of Japan's raw material imports will come from Latin America. . . .* Japan is thus moving into an area long regarded as our backyard while the United States becomes more dependent on its traditional Latin American sources of raw materials and its relations with the area are bedevilled by nationalism and economic conflicts of interest. In this context, *there would seem to exist a serious possiblity of conflict with Japan over access to raw materials which significantly affect the overall United States security-political-economic relationship* (emphasis added).[73]

Similarly, C. Fred Bergsten, former United States Under Secretary of the Treasury, stated that "Japan and several European countries have concluded that they must fashion their own 'resources diplomacy' as centerpieces of their own foreign policies, and hence Latin America is in some senses a new battleground for competition among the industrialized countries." He added that "the sweeping changes in world economic conditions have implied a sharp increase in U.S. economic interests in Latin America," and that, therefore, "securing assured ac-

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cess to Latin American raw materials at reasonable prices should be the primary objective of U.S. economic policy toward Latin America."[74]

Recent developments also suggest that the significance of Latin America's cheap labor is still high. For example, it has been reported that, starting in 1980, and partly as a consequence of Brazil's bargaining power, FIAT's subsidiary in Brazil began to export thirty thousand cars annually to Western Europe. Although transportation costs of the vehicles amount to $300 per unit, they are more than compensated for by the low cost of Brazilian labor, which is half of that of Italy, already a relatively low-wage country within the European community context.[75]

The unquestionable importance of the Latin American market for the centers is clearly revealed by the controversial decision of the Federal Republic of Germany to sell—against the strong opposition of the U.S. government—nuclear machinery and technology to Brazil, thus securing a concrete market of immense value. According to one estimate, the German-Brazilian nuclear deal represents for Germany a transaction equivalent to $30 billion (book value) over a fifteen-year period, which means that this is the largest commercial operation in the nuclear field between a nuclear power and a Third World country.[76] Incidentally, the international nuclear market has become one of the most attractive businesses for multinational conglomerates: calculations indicate that the U.S. nuclear industry's profits alone for 1985 will fluctuate between three and four billion dollars.[77]

In view of the economic importance of the Latin American periphery, it appears then that several countries of the region could—with some limits—exercise bargaining power vis-à-vis corporations or governments of the core so as to obtain, for instance, more egalitarian agreements with specific firms and/or access to the markets of the developed nations. The attainment of such demands would certainly contribute to improving the position of the periphery country in question in the prevailing international division of labor, but—evidently—it would not suffice as an answer to structural dependency and domestic inequality.

NOTES

1. See, for example, Albert Fishlow, "A Proposal for a United States Economic Policy for Latin America" in *Latin America and the World Economy: A Changing International Order*, ed. Joseph Grunwald (Beverly Hills, Cal.: Sage Publications, 1978), pp. 37–88.
2. See, for instance, the following articles written by Karl Marx for the *New York Daily Tribune*: "The Future Results of British Rule in India" (8 August 1853), "British Incomes in India" (21 September 1857), "Opium and Monopoly" (September 1858) and "Great Trouble in Indian Finances" (30 April 1859) in *Marx on Colonialism and Modernization*, ed. Shlomo Avineri (Garden City N.Y.: Anchor Books, 1969).
3. On the subject of structural dependency see, as a mere introduction, Fernando H. Cardoso and Enzo Faletto, *Dependency and Development in Latin America* (Berkeley, Cal.: University of California Press, 1979); Fernando H. Cardoso, "Notas sobre el estado actual de los estudios de la dependencia," in Sergio Bagú et al., *Problemas del sub-*

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desarrollo latinoamericano (México, D.F.: Editorial Nuestro Tiempo 1973); Octavio Ianni "La dependencia estructural," in *América Latina: dependencia y subdesarrollo*, eds. A. M. Frasinetti and G. Boils (San José de Costa Rica: Editorial Universitaria Centroamericana, 1973); Theotonio Dos Santos, *Dependencia y cambio social* (Santiago de Chile: CESO, Universidad de Chile, 1970); Theotonio Dos Santos, *Imperialismo y dependencia* (México, D.F.: Ediciones Era, 1978); and Osvaldo Sunkel and Pedro Paz, *El subdesarrollo latinoamericano y la teoría del desarrollo* (México, D.F.: Siglo XXI Editores, 1970).

4. Operationally, we consider "strategic" any material that is a nonrenewable resource, is concentrated in relatively few hands (fifteen countries or less), and has recognized economic and military applications.
5. Theoretically, the import of cheap raw materials could lead to an increase in the average rate of profit of the core country in question, but only in the case that lower-priced raw materials permit an increase in the amount of labor used so that more surplus is created.
6. Satish Raichur, "Toward a Theory of International Exchange: Some Preliminaries," paper presented at the Conference on International Relations and Third World Development, University of Denver, Denver, Colorado, 20–22 June 1979, p. 17.
7. Celso Furtado, "Power Resources—The Five Controls," *IFDA Dossier* (May 1979), p. 6.
8. International Economic Studies Institute, "Dependence of the Industrialized World on Imported Materials," in *Raw Materials and Foreign Policy* (Washington, D.C.: International Economic Studies Institute, 1976), p. 12.
9. See Comisión Económica para América Latina, *El financiamiento externo de América Latina* (Nueva York: Naciones Unidas, 1964), particularly table 15 on page 14.
10. See Akira Iriye, *Pacific Estrangement: Japanese and American Expansion, 1897–1911* (Cambridge, Mass.: Harvard University Press, 1972) p. 38; and, on U.S. investment activity in Latin America as a result of the war, Joseph S. Tulchin, *The Aftermath of War: The Latin American Policy of the United States 1917–1924* (New York: New York University Press, 1971).
11. Yoshiro Ohara, *Japan and Latin America* (Santa Monica, Cal.: The Rand Corporation, 1967), pp. 42–43.
12. See Ministry of International Trade and Industry, *White Paper on Economic Cooperation* (Tokyo: MITI, 1966). In the case of Japan, detailed figures on foreign investment are rather difficult to obtain. Available data are generally on "approved" rather than "materialized" overseas investment. According to one researcher "it is also not clear in which countries the investments were made" (see Nagahide Shioda, "The Sogoshosha and Its Functions on Direct Foreign Investment," *The Developing Economies* 14, no. 4 [December 1976], p. 410). It is estimated, however, that the quantity of Japanese external investment has grown rapidly since the beginning of the 1970s, and that about 40 percent of total Japanese overseas investments "are of so-called natural 'resource-oriented' types, while the remaining 60 percent are of the 'market-oriented' types" (Yoshihiro Tsurumi, "The Multinational Spread of Japanese Firms and Asian Neighbors' Reactions," in *The Multinational Corporation and Social Change*, eds. David E. Apter and Louis W. Goodman [New York: Praeger, 1976], p. 123).
13. Henry C. Wallich, quoted by Michael Kreile, "West Germany: The Dynamics of Expansion," *International Organization* 31, no. 4 (Autumn 1977), p. 776.
14. See Albrecht von Gleich, *Germany and Latin America* (Santa Monica, Cal.: The Rand Corporation, June 1968), p. 53.
15. For a detailed analysis of strategic dependency, the oil crisis, and its effects on the foreign policies of the U.S., Japan, and West Germany, see Heraldo Muñoz, "Strategic Dependency: The Relations between Core Powers and Mineral-Exporting Periphery Countries," in *The Political Economy of Foreign Policy Behavior*, eds. Charles Kegley, Jr. and Patrick McGowan (Beverly Hills and London: SAGE Publications, 1980).
16. E. Chin, "The Mineral Industry of Japan," *Bureau of Mines Minerals Yearbook* (Washington, D.C.: U.S. Department of the Interior, 1975), pp. 1–2.
17. Richard Barnet and Ronald Müller, *Global Reach: The Power of Multinational Corporations* (New York: Simon and Schuster, 1974), p. 202.

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18. Wendell Woodbury, "The U.S. and Japan and Latin America's Mineral Resources," Senior Seminar in Foreign Policy, U.S. Department of State, 16th Session, 1973–74, p. 13.
19. See OECD, *Geographical Distribution of Financial Flows to Developing Countries: Data on Disbursements 1969 to 1975* (Paris: OECD, 1977), p. 184.
20. John A. Hannah, "New Responses to the Challenge of Development," *Department of State Bulletin* 67, (25 Dec. 1972): 734–35.
21. See International Economic Studies Institute, "Foreign Assistance and Material Needs," in *Raw Materials and Foreign Policy*, p. 334.
22. Sukehiro Hasegawa, *Japanese Foreign Aid: Policy and Practice* (New York: Praeger Publishers, 1975), pp. 66–67.
23. Council on International Economic Policy, Executive Office of the President, *Special Report: Critical Imported Materials* (Washington, D.C.: U.S. Government Printing Office, December 1974), p. 48.
24. Jack L. Knusel, *West German Aid to Developing Nations* (New York: Praeger Publishers, 1968), p. 13.
25. Japanese Ministry of Foreign Affairs, "Foreign Policy," in *White Papers of Japan* (Tokyo: 1975), p. 81.
26. Folker Fröbel, Jürgen Heinrichs, Otto Kreye, "The New Industrial Division of Labor," *Social Science Information* 17, no. 1 (1978), p. 138.
27. Louis Turner, *Multinational Companies and the Third World* (New York: Hill and Wang, 1973), p. 175.
28. Fröbel, Heinrichs and Kreye, "The New Industrial Division," p. 130.
29. Alfredo Eric Calcagno, *Informe sobre las inversiones directas extranjeras en América Latina*, E/CEPAL/G.1108 (Santiago de Chile, 1980), p. 14.
30. CEPAL, *El desarrollo económico y social y las relaciones económicas externas de América Latina*, E/CEPAL/1061, vol. II, 31 de enero de 1979, p. 192.
31. See U.S. Senate, *Implications of Multinational Firms for World Trade and Investment and for U.S. Trade and Labor* (Washington, D.C.: U.S. Government Printing Office, February 1973), chapter 7.
32. Studies by Louis Wells have shown that, in underdeveloped countries, foreign-owned firms that compete primarily on the basis of price are more likely to use labor-intensive techniques than those that compete principally on the basis of brand names. Many multinational enterprises that have established "off-shore" production facilities have been driven by "price competition" to locate their labor-intensive stages in the periphery. (See Theodore Moran, "Multinational Corporations and Dependency: A Dialogue for Dependentistas and Non-dependentistas," *International Organization* 38, no. 1 [Winter 1978], p. 88).
33. Other factors related to the low cost of labor that stimulate the transfer of some firms from the centers to the periphery are that (1) as a rule, the working day in underdeveloped, low-wage societies is longer than in developed countries; (2) the labor force in the periphery can be hired or fired with greater ease than in the core; and (3) the wide availability of a reserve army allows for an "optimal" selection of the most suitable labor force according to age, sex, etc. According to this last criterion, often the "most suitable" labor force is constituted mainly of young women. See Fröbel, Heinrichs, and Kreye, "The New Industrial Division," pp. 126–27.
34. Turner, *Multinational Companies*, pp. 184–85.
35. Ibid., p. 184.
36. Fröbel, Heinrichs, and Kreye, "The New Industrial Division," p. 120.
37. Barnet and Müller, *Global Reach*, pp. 300–8.
38. See Fröbel, Heinrichs, and Kreye, "The New Industrial Division," pp. 135–37. These figures did not take into account contract production for, for instance, large department stores. In the case of West Germany, the corporations have access to low-priced labor not only by transferring production facilities to periphery nations, but also by importing "temporary guest-workers" from European countries with relatively cheap labor (e.g., Portugal, Spain, Greece).
39. Barnet and Müller, *Global Reach*, p. 305.
40. Robert Frank and Richard Freeman, *The Distributional Consequences of Direct Foreign*

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Investment (Washington, D.C.: The Department of Labor, 2–3 December 1976); Robert Stobaugh et al., *Nine Investments Abroad and Their Impact at Home: Case Studies on Multinational Enterprises and the U.S. Economy* (Boston, Mass.: Harvard Business School, 1976).

41. Barnet and Müller, *Global Reach*, p. 304.
42. Ibid., pp. 308–9.
43. The AFL/CIO's actions in support of opposition labor groups included threats of boycotts of all Chilean trade if workers' rights continued to be violated by Chile's military government. See "Washington Centro de Operaciones," *Hoy*, no. 86 (17–23 enero 1979), pp. 6–9; "Qué Pasó con el Boicot," *Hoy*, no. 87 (24–30 enero 1979), pp. 12–13; "Trade Union Rights in Chile," *AFL/CIO Free Trade Union News* 33, no. 10 (Oct. 1978); "Chile Moves to Head Off Boycott," *Latin America Political Report* 13, no. 1 (Jan. 1979), pp. 1–2. From a more political viewpoint, the AFL/CIO's actions in Chile could also reflect recent U.S. policy towards Chile, and the effort on the part of the American government to widen its influence upon the Chilean labor movement, which traditionally was controlled by the left.
44. Fernando Henrique Cardoso, "Dependency and Development in Latin America," *New Left Review*, no. 74, (July–August 1973), p. 90. See also, F. H. Cardoso, "Associated-Dependent Development: Theoretical and Practical Implications," in *Authoritarian Brazil*, ed. Alfred Stepan (New Haven: Yale University Press, 1973).
45. Cardoso, "Dependency and Development," p. 90.
46. CEPAL, *El desarrollo económico y social y las relaciones externas de América Latina*, E/CEPAL/1023, 16 de junio 1977, pp. 183–84.
47. CEPAL, *El desarrollo*, enero de 1979, p. 138. Latin America is also important for the centers as a key market for armaments production. Although an increasing number of countries in the region are manufacturing and exporting their own weapons (indigenously designed, under license, or in cooperation with other states), South America's weapons purchases jumped, in terms of constant 1975 dollars, from $72 million in 1963 to $804 million in 1977. The principal suppliers to South America were the U.S., the U.K., and France. See Stockholm International Peace Research Institute, *Armaments or Disarmament? The Crucial Choice* (Stockholm: SIPRI, 1978), pp. 20–22. At the Latin American and Third World level, the Soviet Union is also an important supplier of weapons.
48. See C. Fred Bergsten, Thomas Horst, and Theodore H. Moran, *American Multinationals and American Interests* (Washington, D.C.: The Brookings Institution, 1978), p. 9. According to the authors, the 1957 and 1974 figures are inflated by abnormally high profits from oil companies; but the ratio for manufacturing alone more than quadrupled in the 18 years.
49. Howard M. Wachtel, *The New Gnomes: Multinational Banks in the Third World* (Washington, D.C.: Transnational Institute, 1977), p. 9.
50. Xavier Gorostiaga, *Los banqueros del imperio* (EDUCA, 1978).
51. The *private* component of Latin America's total external debt jumped from 39.4% in 1966 to 58.6% in 1976. Apparently, the Latin American countries also prefer private financing because through this alternative they can reject "tied" economic assistance—like U.S. foreign aid under the Carter Administration which was denied (although with important exceptions) to countries that violated human rights.
52. Bank for International Settlements, *Forty-Eighth Annual Report* (Basel, 12 June 1978), pp. 94–95.
53. See Robert Devlin, "International Commercial Bank Finance and the Economic Development of Poor Countries: Congruence and Conflict," Working Paper, Economic Development Division of CEPAL, March 1979, pp. 1–3. According to one author, "the severity of the debt burden faced by many [Latin American] countries could propel them to action to evade it. The effects on individual financial institutions, on our overall money markets, and on the U.S. balance of payments, could all be severe" (C. Fred Bergsten, "The Threat from the Third World," *Foreign Policy*, no. 11 [Summer 1973], p. 114).
54. An interesting point is that, despite the stagnation of the world economy in the last few years, the average annual increase in direct investment in Latin America was

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much greater during 1972–75 than 1968–71, rising sharply from 6.7% to 12%. In the 1972–75 period, the biggest increases were in Peru (18.9%), Mexico (18.3%), Brazil (15.6%), and the tax havens such as Panama and Bermuda (See CEPAL, *Economic Survey of Latin America: 1978*, E/CEPAL/G1103, 27 December 1979, p. 932).

55. CEPAL, *El desarrollo*, enero de 1979, p. 189.
56. CEPAL, *El desarrollo*, junio de 1977, p. 195.
57. U.S. Department of Commerce data cited in *Latin America Weekly Report*, WR-79-03 (16 November 1979), p. 32.
58. See summaries of report in "Aumentan las inversiones europeas en América Latina," *El Mercurio*, 24 February 1980, p. B2; and Oscar Palma, "Crecen las inversiones de la RFA en Latinoamérica," *El Día* (México, D.F.), 14 January 1980.
59. CEPAL, *El desarrollo*, junio de 1977, p. 195.
60. A recent study conducted by nine experts of the U.S. Commerce Department estimates that Chile is now a key market for the United States owing, among other things, "to Chile's liberal economic scheme." Chile's imports from the U.S. now reach nearly $1 billion (see *El Mercurio*, 12 July 1980, p. A1).
61. "Latin America Opens the Door to Foreign Investment," *Business Week*, 9 August 1976, p. 34.
62. The term was introduced by Raymond Vernon in his *Sovereignty at Bay: The Multinational Spread of U.S. Enterprises* (New York: Basic Books, 1971), pp. 46–59.
63. Bergsten, Horst, and Moran, *American Multinationals*, p. 133.
64. On this point see Abraham F. Lowenthal, "The United States and Latin America: Ending the Hegemonic Presumption," *Foreign Affairs* 55, no. 1 (October 1976): 199–213.
65. For a detailed study on the options of Third World countries regarding multinational companies in the natural resources sector, see Benny Widyons, "Empresas transnacionales y productos básicos de exportación," *Revista de la CEPAL* (First Semester 1978), especially pp. 150–69.
66. Immanuel Wallerstein, "Semi-Peripheral Countries and the Contemporary World Crisis," *Theory and Society*, no. 3 (1976), p. 464.
67. In July 1980, Lord Carrington, the British Foreign Minister, accompanied by twelve executives of the largest British firms, visited Barbados, Brazil, Mexico, and Venezuela with the principal objective of negotiating agreements to increase British exports to these nations. Interestingly, the visit of Lord Carrington to Brazil, Mexico, and Venezuela was the first ever by a British Foreign Minister and, hence, it denoted the growing economic importance of the three Latin American countries (see "Canciller británico a Latinoamérica," *El Mercurio*, 15 July 1980, p. A12). Incidentally, a study indicates that over the 1966–74 period, "investment in Latin America has apparently been more profitable than British overseas investment as a whole, and British investment in Brazil has consistently outperformed investment in the rest of the continent." Moreover, "on the average British companies may recently have secured higher rates of return on their investments in Latin America than were earned by the average U.S. company operating in the same region. It would seem that recent British investments in Brazil have been remarkably profitable and that this has pulled up the average very sharply" (Laurence Whitehead, "Britain's Economic Relation with Latin America," in *Latin America and the World Economy*, p. 94).
68. See Comisión Económica para América Latina, *América Latina en el umbral de los años 80*, E/CEPAL/G1106, noviembre 1979, pp. 198–201.
69. See "Ranking de las empresas: las 200 más grandes," *Ercilla*, 15 October 1980, pp. 18–24.
70. John S. Odell, "Latin American Trade Negotiations with the United States," *International Organization* 34, no. 2 (Spring 1980), p. 226. On the general theme of Latin America's bargaining power see also Ricardo Lagos, "América Latina: algunos hechos económicos recientes y su poder de negociación," *Estudios Internacionales* 8 (no. 51, July-September 1980), pp. 291–308.
71. See Robert O. Keohane and Joseph S. Nye, *Power and Interdependence: World Politics in Transition* (Boston: Little, Brown and Co., 1977), pp. 224–26.
72. Interestingly, one of the few coincidences in the positions of Republican presidential

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candidate Ronald Reagan and then-President Jimmy Carter was the recognition of the vital importance of Mexico for the United States. The Republican political platform approved in Detroit stated that "the Republicans recognize the fundamental importance of Mexico, and, therefore, a first priority will be given to the restoration of an harmonious working relationship with that country. A new Republican administration will begin immediate wide-ranging negotiations at the highest levels to seek solutions to common problems on the basis of common interests, recognizing that each country has specific contributions to make in solving the practical problems" (cited in "Enmienda a la política de Carter a América Latina," *El Mercurio*, 17 July 1980, p. A12).

73. Woodbury, "The U.S. and Japan," p. 1.

74. C. Fred Bergsten, "U.S.-Latin American Relations to 1980," in K. Silvert et al., *The Americas in a Changing World* (New York: New York Times Book Co., 1975), pp. 181–82.

75. See "Fiat uit Brazilië Komen naar Europa," *NRC Handelsblad*, Rotterdam, 2 July 1979, p. 1.

76. See *Latin America Political Report* 13, no. 15, 13 April 1979, p. 117. Before the signing of the German-Brazilian accord, the government of Brasília held conversations with two U.S. corporations. Hence, when the White House pressured against the agreement, Helmut Schmidt replied that "part of the heated discussion could be clearly related to the concrete interests of the major U.S. [nuclear] firms" (Norman Gall, "Energía atómica para Brasil—Peligro para todos," *Estrategia*, no. 42 [September-October 1976], p. 78).

77. See CIDE, "Algunos datos complementarios acerca de las relaciones Estados Unidos-Brasil bajo la administración Carter," *Cuadernos Semestrales–Estados Unidos: Perspectiva Latinoamericana*, no. 5 (First Semester 1979), p. 202.

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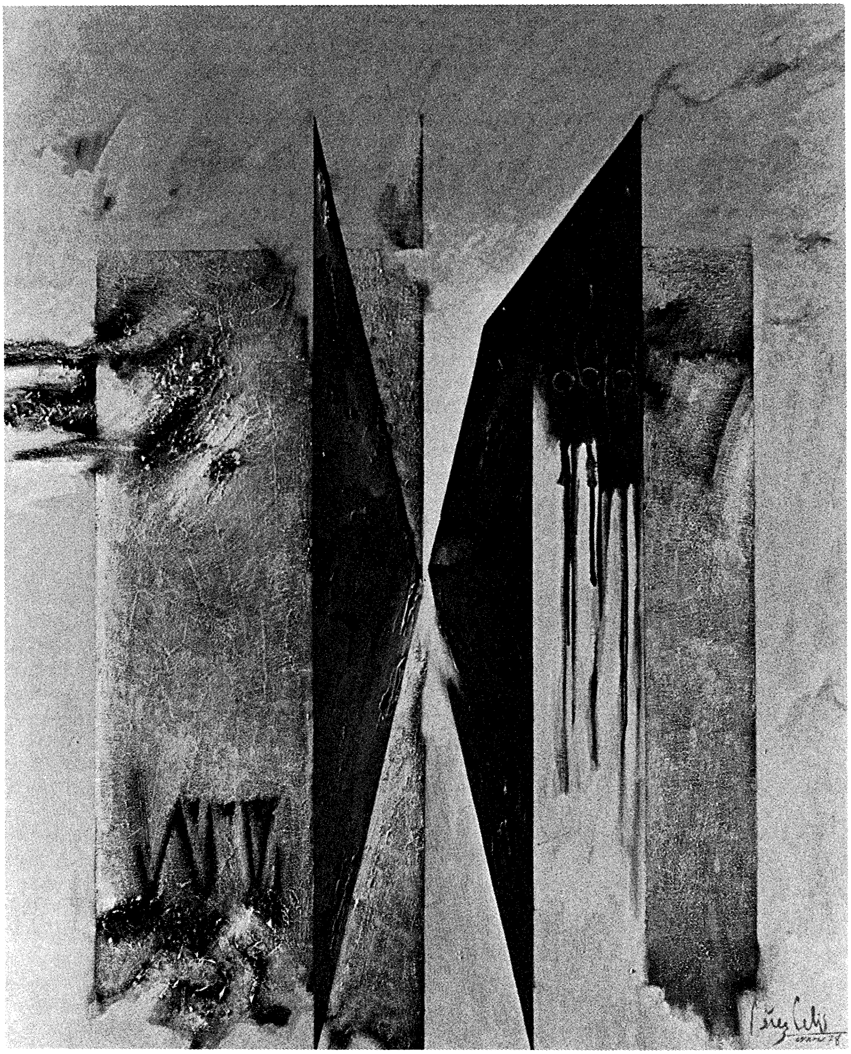

De las ciudades prometidas, acrylic on canvas by Pérez Celis (Argentina)