

Capital, State, and Diplomacy: The Early Internationalization of the Brazilian Construction Industry (1964-1979)

Capital, Estado y Diplomacia: la internacionalización temprana de la industria de la construcción brasileña (1964-1979)

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Resumen

El propósito de este trabajo es investigar el papel desempeñado por el estado en facilitar el proceso de internacionalización de capital de la industria de la construcción en Brasil durante las décadas de 1960 y 1970. Sostenemos que las necesidades y características únicas de esta industria requirieron una convergencia específica de factores institucionales y medidas políticas para fomentar su desarrollo. Por lo tanto, sostenemos que una perspectiva integral de la industria en su conjunto es más efectiva que centrarse en empresas individuales al explicar este proceso. Utilizando un enfoque histórico y basándonos en datos del Instituto Brasileño de Geografía y Estadística (IBGE) y la Fundación João Pinheiro, construimos una narrativa que ilustra la evolución de las políticas estatales destinadas a crear un entorno propicio para la expansión de la industria. En particular,

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destacamos el impacto de la demanda estatal de proyectos de construcción a gran escala durante las décadas de 1960 y 1970. Esta demanda se facilitó a través de mecanismos como la provisión de crédito por parte del Banco Nacional de la Vivienda (BNH) y la propia requisición estatal para proyectos de construcción pesada. También exploramos cómo se utilizaron esfuerzos diplomáticos para cultivar relaciones con otros países, identificar posibles mercados internacionales y respaldar a la industria de la construcción nacional a medida que la demanda estatal comenzó a disminuir a finales de la década de 1970.

Palabras clave

Industria de la construcción, diplomacia, dictadura brasileña, internacionalización del capital.

Abstract

The purpose of this paper is to investigate the role played by the state in facilitating the process of capital internationalization within the Brazilian construction industry during the 1960s and 70s. We argue that this industry's unique needs and characteristics necessitate a specific convergence of institutional factors and policy measures to foster its development. As such, we contend that a comprehensive perspective on the industry is more effective than singling out individual companies when explaining this process. Employing a historical approach and drawing on data from reputable sources such as the Brazilian Institute of Geography and Statistics (IBGE) and the João Pinheiro Foundation, we construct a narrative that illustrates the evolution of state policies to create a conducive environment for the industry's expansion. In particular, we emphasize the impact of the state's demand for large-scale construction projects during the 1960s and 70s. This demand was facilitated through mechanisms such as credit provision by the National Housing Bank (BNH) and the state's requisition for heavy construction projects. We also explore how diplomatic endeavors were utilized to cultivate relationships with other countries, identify potential international markets, and support the domestic construction industry as state demand diminished in the late 1970s.

Keywords

Construction industry, Diplomacy, Brazilian dictatorship, Capital internationalization.

Introduction

During the final quarter of the 20th century, the Brazilian economy bore witness to the emergence of a local industry that underwent significant growth, evolving from a limited scope in the 1960s to become the backbone of its largest transnationals: the Brazilian Construction Industry (BCI). This transformation was particularly notable during the years of the business-military dictatorship, which spanned from 1964 to 1986, during which the BCI experienced an exponential accumulation of capital and technological expertise. This period of growth ultimately culminated in a broad process of internationalization at the turn of the century. Remarkably, in the new millennium, the leading companies of the BCI, which had been awarded contracts by the government during the dictatorship, earned the majority of their profits from foreign operations.

In the 1950s, the heavy construction industry in Brazil was characterized by a relatively straightforward structure. At that time, a small number of large foreign companies held a dominant position in securing the most complex and sizable contracts (Corrêa & de Paula, 2012). Meanwhile, numerous small and medium-sized domestic firms were primarily engaged in minor projects, such as the development and upkeep of roads and urban infrastructure. In addition, the state played a dual role as both a plaintiff and an executor, with the engineering department of the Army serving as the main agent for government construction projects (João Pinheiro Foundation, 1984, v. 2).

During President Kubitschek's administration between 1956 and 1961, the national construction industry's primary source of revenue shifted to state demand. Kubitschek's *Plano de Metas* encompassed the development of four dimensions of the Brazilian economy, namely energy, intermediate goods (such as steel and cement), capital goods, and construction (Rabelo, 2013). Among these dimensions, the Brasilia project emerged as an emblematic example, offering numerous opportunities for the construction industry in areas such as building, heavy construction, and industrial assembly (João Pinheiro Foundation, 1984, v. 2).

The accumulation of capital and technological expertise by the Brazilian construction industry prior to the business-military dictatorship played a crucial role in its subsequent expansion. Before the turning point, the majority of international contractors operating in Brazil relied on a network of small and medium-sized local companies to execute their projects. As the Brazilian Construction Industry (BCI) began to win state

contracts, it further improved its learning curve by tapping into this reserve of expertise (Corrêa & de Paula, 2012)².

The definitive consolidation of the national construction industry, however, only occurred after the mid-1960s, during the business-military dictatorship. While acknowledging the importance of the 1950s and early 1960s for the BCI, it was only between 1964 and 1979 that the industry became economically and technologically capable of taking larger strides. Further, during the State's fiscal crisis in the 1980s, the Brazilian construction industry shifted its focus to international demand.

The objective of this paper is to demonstrate how the internationalization of the Brazilian construction industry (BCI) was conceived during the civil-military dictatorship as a two-way process: (a) driven by the state's demand for heavy construction and customer funding through national housing policies, and (b) diplomatic efforts to find potential partners (countries) for engineering services. To achieve this goal, the paper is divided into three parts. Firstly, it discusses the role of the state in improving public and private demand for BCI between 1964 and 1980. Secondly, it argues that diplomacy played a crucial role in prospecting business opportunities for the industry between 1970 and 1980. Finally, the paper draws on previous discussions to extract theoretical insights on the role of the state, prior capital accumulation, and diplomacy in the process of BCI internationalization.

1. Theoretical Insights

In examining the case of the early internationalization process of the Brazilian construction industry, certain theoretical insights can be derived. This section will explore how this case reinforces the notion that prior capital accumulation, including technology, expertise, and financial surpluses, is a prerequisite for successful internationalization. Moreover, it highlights the importance of coordination with the state, which can facilitate increased demand and assist with business prospecting through diplomacy. This study also reveals that the collective needs of the industry, rather than individual firm decision-making, drove the international

2 The Brazilian construction industry had the opportunity to replace foreign companies on major projects during the construction of the Furnas Hydroelectric Plant in the state of Minas Gerais between 1955 and 1965. Initially, the Companhia Energética de Minas Gerais (Cemig), guided by the Amforp Group, hired the company IECO for the project, but due to various contingencies, they could not complete it. As a result, the Brazilian construction company Mendes Junior took over the project and completed it successfully, demonstrating the industry's capabilities for large-scale projects (Corrêa & de Paula, 2012).

expansion of capital in the case of BCI, challenging dominant theories of internationalization.

Karl Marx's theory of capitalist production highlights the fundamental role of the process of accumulation in driving the expansion of the system. According to Marx (2013), capital is not a fixed quantity, but rather a dynamic and self-expanding entity that requires constant reinvestment in the production process. Each cycle of expanded reproduction creates the conditions for further accumulation, as the increase in capital stock leads to higher production capacity and the need to sell more products. This drive for increased accumulation fuels a process of centralization of capital, in which larger firms with greater resources absorb or drive out smaller competitors. The resulting concentration of capital allows the most dominant firms to expand into new markets and territories, thereby increasing their scale and scope of operations. In this way, capitalism has historically evolved from small, localized arrangements to increasingly national and international forms, as the process of capital accumulation and centralization has continued apace.

The transition from the primitive accumulation of capital to internationalization is a complex and non-linear process, marked by competition, advances, setbacks, mergers, and acquisitions, which are influenced by the State. Moreover, it is important to note that this process does not necessarily reflect the behaviour of individual firms, but rather the industry as a whole. It is possible for a particular company to forge a distinct path for itself, leveraging the collective stock of development from the industry at a given historical moment. The study of this phenomenon can provide insights into the dynamics of capitalist accumulation, particularly in the construction industry, and underscores the need for a holistic approach to understanding the forces at play in the process of internationalization (Palloix, 1975).

As previously mentioned, the Brazilian Construction Industry initially operated at a local level. However, with the support of government policies and favourable economic conditions, the industry was able to accumulate capital and acquire advanced technologies. This, in turn, led to a process of capital centralization, resulting in the emergence of large firms (Campos, 2012). It is worth noting that some companies opened later than others but quickly ventured into overseas markets with success. For example, OAS, which was established in 1976, was able to secure contracts for major projects in Peru, Argentina, and Colombia, among other countries. By the end of the 1990s, the company had become one of the largest construction firms in Brazil, with a workforce of over 25,000 employees and revenues of approximately USD 3 billion (Campos, 2008).

Fernand Braudel developed a theoretical framework for the study of the capitalist mode of production, building on the ideas of Karl Marx and Max Weber. According to Braudel, capitalism is inherently international and constitutes an economy that is a world in it, a dynamic political and economic space governed by the relations of production and distribution. The expansion of the “capitalist economic-world” (Braudel, 1982, p. 163) is an ongoing process that integrates regional spaces unevenly and hierarchically. It creates a geographical and subjective area of influence, which is centred on a hegemonic core and extends through intermediate zones that integrate into the core. The core serves as a reference point for the basic patterns of capital accumulation, including desirable profit rates, forms of job control, and development paths. Strategic decisions for the coordination and control of businesses worldwide are guided by these patterns.

The capitalist economic-world can be analysed through the lens of at least three levels of integration. Firstly, there is the central area where strategic decisions are made and wealth accumulates. Secondly, an intermediate zone exists that is dynamically integrated with the central region and thus enjoys some of the benefits of the system. Thirdly, a peripheral region is present, which contributes to the accumulation of wealth by providing raw materials and commodities (Braudel, 1982). These positions are not static, but rather dynamic, as intermediate regions tend to develop and compete amongst themselves, and sometimes even with the central economy, to further streamline their economic systems. Similarly, peripheral areas are attempting to at least enter the intermediate zones. Integration between levels of capitalist zones of influence occurs through a two-way process, center-periphery and periphery-center. This integration process is achieved mostly by replicating the political macroeconomic management and microeconomic structures of the central or intermediate levels (Arrighi, 1996).

The integration of peripheral regions into the capitalist economic-world follows a contradictory path, as it is always truncated and never realized to its full potential. This integration is conditioned by the interests of developed countries and has a disproportionate impact on the industries that make up the economic system of a peripheral zone. The hegemonic center of global capitalism, acting as the “hegemon,” admits into its concert only peripheral industries that contribute to the broad accumulation of capital. This process of integration is selective and exclusive, as only those industries that are not directly exploitable by corporations or capitalists or serve a purpose that is not in their interest are integrated (Prebish, 2011).

We argue that the Brazilian construction industry achieved its high level of internationalization despite the limited scope of the rest of the Brazilian economy, due in part to the existence of significant untapped

markets that were of little interest to American or European construction firms. For instance, in the 1970s, Africa received only 2% of global construction investments, yet it was a region where Brazilian firms were able to secure a foothold, as the continent was seen as a low-risk investment destination with significant growth potential (Cristaldo, 2011). However, we contend that the success of Brazilian construction firms abroad was not solely due to market opportunities, but also the result of state intervention. The Brazilian government played a crucial role in promoting domestic demand by investing in large-scale infrastructure projects and providing credit for building construction, which in turn helped to develop the country's engineering and heavy construction services. Moreover, the state also engaged in diplomatic efforts to support Brazilian construction firms in their international expansion, with programs aimed at identifying business opportunities and promoting the industry abroad (Campos, 2008).

The processes described above were reliant upon a combination of social, political, and economic factors that were able to provide the institutions and structures necessary for the BCI reproduction and legitimization. This ensemble of social relations, institutions, and forms of consciousness, which allow coordination between the three elements necessary for the reproduction of capital—capital, labor, and state—will be referred to in this work as the “sociometabolic reproduction of capital” (Mészáros, 2002, p. 94). It is important to note that there are several kinds of sociometabolic reproduction of capital arrangements, including corporatist, neo-corporatist, liberal, and planned, among others. However, in the period under examination in this paper, Brazil shows a mimetic sociometabolic arrangement that incorporates elements of both liberal and planned arrangements (Cristaldo, 2015).

The reproduction of capitalism involves a continuous process of reproduction of social relations, institutions, and structures that are crucial for the maintenance of capitalist relations of production (Birh, 2005). The state, which is mostly controlled by the capitalist class—although between fractures and fractions—, has a crucial function in this process by ensuring that the conditions for capitalist reproduction are established. This includes maintaining the legal and political framework that facilitates capitalist exploitation and providing the necessary infrastructure and services that are essential for the smooth functioning of capitalist production. The working class also has a role in capitalist reproduction, although this role is primarily one of reproducing labor power. The working class reproduces itself by participating in the reproduction of capitalist social relations, including the reproduction of family, education, and cultural institutions.

These institutions help to socialize workers into accepting their position as wage laborers and the legitimacy of capitalist social relations.

The coordination of the sociometabolic arrangement is a challenging issue in the entire process, requiring politically consensual objectives to form a coherent framework in a given country (Mészáros, 2002). However, in a complex capitalist nation like Brazil, the existence of multiple fractions of the capitalist and working classes, as well as sub-regional interests, makes it difficult to achieve full hegemony or even a simple consensus. Thus, between 1964 and 1980, the formation of a coherent sociometabolic arrangement in Brazil was only possible due to the alliance between certain segments of the capitalist class and the military, resulting in a repressive dictatorship (Dreifuss, 1981).

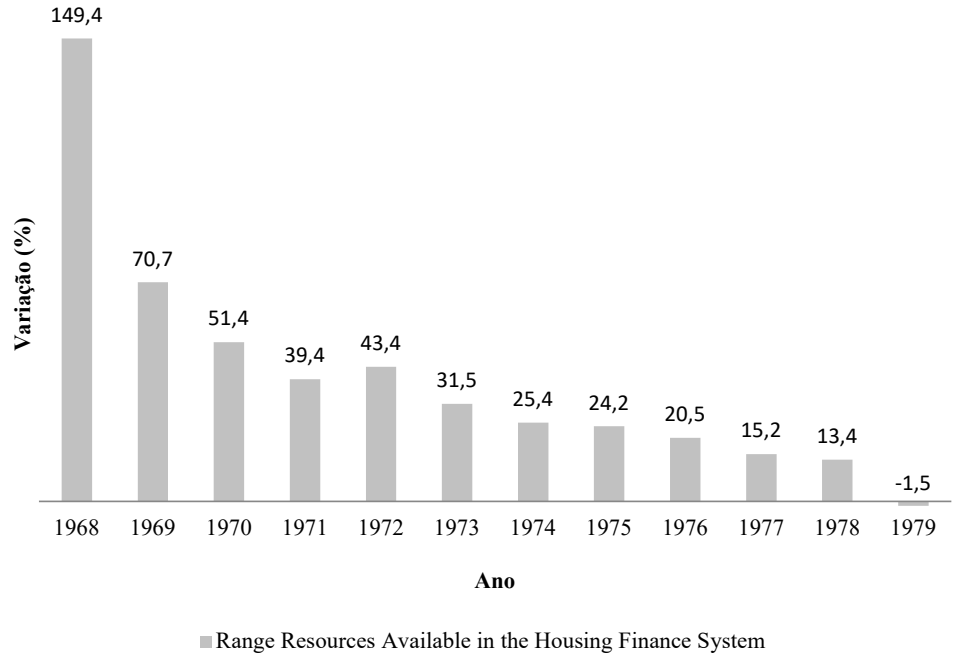
2. The State's Role in Enhancing Demand for Construction Services

In the early 1960s, following the end of President Kubitschek's term, Brazil's economy faced political and economic turmoil regarding the election of Jânio Quadros for the President chair, his withdraw and the raising of the vice president João Goulart—a alleged leftist politician with labour connections—, which culminated in a *coup d'état* orchestrated by conservative factions of the Brazilian entrepreneurial elites and the Military in April 1964 (Serra, 1998). The ensuing political instability had severe consequences for the construction industry, with a decline in both public and private demand for engineering services leading to a short period of ostracism. However, from the mid-1960s were witnessed a reversal of this downward trend, following the renewal of private investment and demand for housing, consolidated by the dictatorship government's resumption of public investment in infrastructure from the early 1970s (João Pinheiro Foundation, 1984, v. 2).

One of the strategies carried out by the entrepreneurial-military dictatorship in Brazil to address the economic crisis of the sixties was to assist the construction sector, which was a labor-intensive industry composed mostly of domestic companies, to tackle the enormous housing deficit of the country. As a result, the government created the Housing Finance System (SFH) in 1964 to enhance private demand for the construction industry by financing house acquisitions (Gremaud, Saes & Toneto Jr., 1987).

In 1967, the SFH received an initial infusion of financial resources amounting to approximately USD 25 million (Ferreira, 2004). Subsequently, the Brazilian government continued to increase the funding allocation to the SFH on an annual basis, with the aim of strengthening demand and reducing the housing deficit (see Fig. 1).

Figure 1. Resources Available on Brazilian Housing Finance System Between 1968 and 1979



Source: Adapted from João Pinheiro Foundation (1984, v. 11, p. 148).

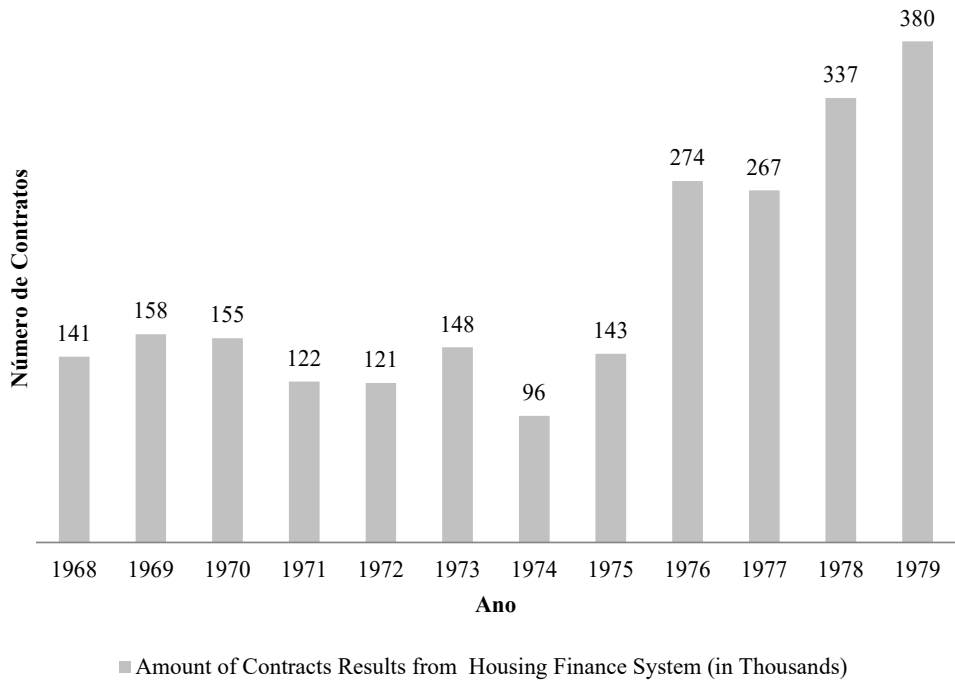
Despite a decline in the percentage of funds allocated to the SFH in the late 1970s, which was related to the diminishing capacity of public investment due the state fiscal crisis (Coutinho & Belluzzo, 1998), the number of contracts for new houses financed by the SFH increased from 1968 to 1979 (see Fig. 2). The growing number of contracts highlights the significance of the program in sustaining demand for the construction industry, even during cyclical fluctuations in the Brazilian economy throughout the 1970s.

Although the crucial role played by the SFH in financing the Brazilian construction industry during the 1970s, private demand alone could not explain the substantial growth observed in this sector between 1964 and 1979. The private investments in the Brazilian economy resumed in the early 1970s, which also contributed to the reinforcement of the construction industry (João Pinheiro Foundation, 1984, v. 12). In addition, the Brazilian government played an intensified role in this process during the first half of the 1970s. The government's increased investment in infrastructure, particularly in the construction of highways and hydroelectric power plants, had a significant impact on the construction industry's

growth. This investment led to increased demand for construction services and created new job opportunities, further stimulating the industry's expansion (Campos, 2008; 2012).

In the early 1970s, the Brazilian government under the entrepreneurial-military dictatorship adopted a comprehensive approach towards national development that emphasized the need for a structural transformation of the country's economy. This approach, which was based on a set of policy objectives that included (1) import substitution, (2) domestic production of capital goods, and (3) the expansion of infrastructure (Mantega & Moraes, 1979), aimed to enable Brazil to attain regional hegemony and change its position in the international division of labour (Cervo & Bueno, 2010).

Figure 2. Contracts in the Brazilian Housing Finance System between 1968 and 1979 (in thousands).



Source: Adapted from João Pinheiro Foundation (1984, v. 11, p. 174).

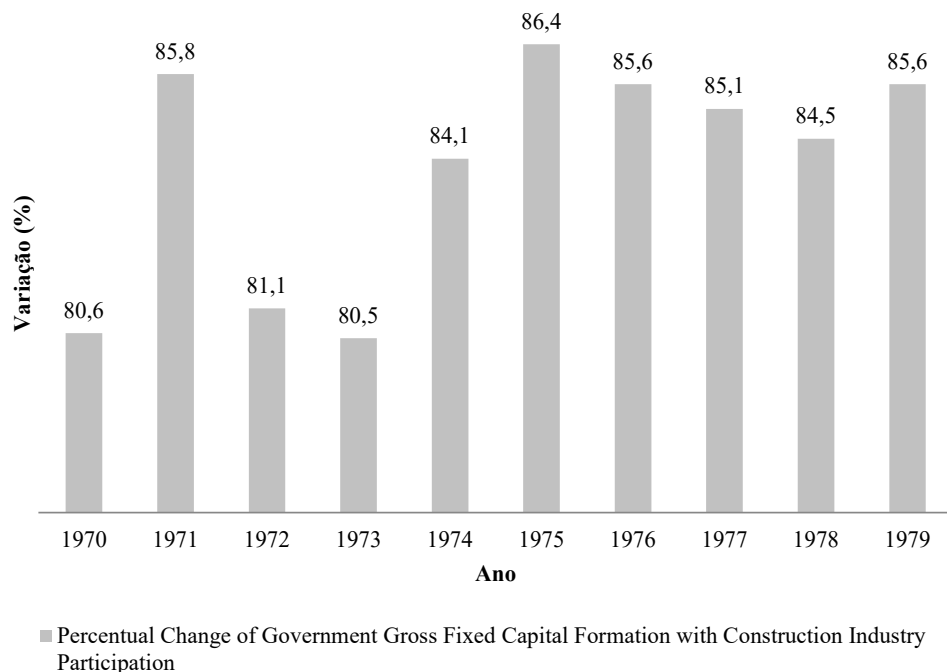
A comprehensive public investment plan was formulated by the Brazilian government, with a specific emphasis on critical sectors such as infrastructure, oil exploration, petrochemicals, power generation and distribution, mining, and steel production. This strategic initiative, known as

the Second National Development Plan (Second PND), was inaugurated in 1974 (João Pinheiro Foundation, 1984, v. 12). A salient characteristic of these investment domains was their close integration with the construction industry, encompassing projects that spanned road infrastructure, ports, railways, hydroelectric power plants, and the intricate development of industrial power distribution networks, among other multifaceted endeavours.

The 1970-1979 period bore witness to an augmentation of no less than 80% in these investments, underscoring an enduring and substantial demand for the construction industry across diverse sectors and for the realization of increasingly intricate structures (refer to Fig. 3). Notably, within the State of São Paulo, Brazil's most industrially advanced region, the construction industry assumed a direct role in approximately 25% of Gross Fixed Capital investments between 1970 and 1979 (João Pinheiro Foundation, 1984, v. 12). Remarkably, over the period spanning 1970 to 1981, the Brazilian construction industry, on average, accounted for more than 50% of the gross fixed capital formation in Brazil each year (João Pinheiro Foundation, 1984, v. 14)³.

3 It should be noted that a significant portion of the fixed investments and economic aids carried out during the business-military dictatorship in Brazil relied on the acquisition of substantial foreign currency loans throughout the 1960s and 1970s by the state, which certainly contributed to exacerbating, perhaps even triggering, the economic crisis in the following decades. The dictatorial state incurred debts during a period of very low interest rates in the world's leading economy, the USA, and significant international liquidity. However, the inflationary process observed in the American economy from the mid-1970s forced a change in the Federal Reserve (Fed), leading to the Volcker Shock in 1979: a marked and repeated increase in the basic interest rates in the USA. As international financing contracts for Third World countries in the 1960s and 1970s were negotiated at variable rates in the American amortization system (annual payment of interest, under the rates of the contract anniversary, without amortization of the principal), these countries were suddenly forced to pay large sums of foreign currency annually, while also carrying a considerable debt during a period of lower international liquidity. Countries like Mexico, Argentina, Chile, Peru, as well as Brazil—notably, Latin American countries under authoritarian regimes—, entered a severe crisis, bequeathing to their populations a situation of hyperinflation, economic instability, unemployment, in politically fractured states. For more information on this debate, see: Ocampo, J. A. *et al.* (Eds.) (2014). *La crisis latinoamericana de la deuda desde la perspectiva histórica*. Cepal.

Figure 3. Change of Government Gross Fixed Capital Formation with Construction Industry Participation between 1970 and 1979 (%)



Source: Adapted from João Pinheiro Foundation (1984, v. 12, pp. 79-80).

Therefore, the 1970-1981 period played a pivotal role in the capital accumulation process of the Brazilian construction industry. The revenue of the Brazilian Construction Industry (BCI) exhibited an annual growth rate of approximately 9.1%, surpassing the overall annual economic growth rate of the Brazilian economy, which stood at 7.8% during the same period (João Pinheiro Foundation, 1984, v. 14, p. 6).

The state's demand for engineering services between 1970 and 1979 primarily comprised two distinct categories: (a) requisitions from the public administration, particularly in the domain of heavy construction, encompassing projects related to transportation infrastructure, urban development, and more; and (b) commissions from state-owned enterprises, which included assignments in heavy construction, industrial assembly, and civil construction (João Pinheiro Foundation, 1984, v. 12). Specifically, the prominent patrons of the Brazilian construction industry at the state level included: (1) electric power, oil and petroleum—Eletrobrás System, Nuclebrás System, Petrobrás System, (2) steel mill—Siderbrás System, Vale do Rio Doce Company, (3) Transports—DNER, RFFSA, Portobrás

System, Infraero, (4) sanitation—SFS, DNOS, and (5) the public sector as a whole—federal government, states and municipalities (João Pinheiro Foundation, 1984). It is noteworthy that all of these investments were intricately tied to the economic development plans formulated by the Brazilian government during the 1970s.

Furthermore, the 1960s and 1970s in the twentieth century marked a crucial period for the Brazilian construction industry. During this time, the industry became deeply involved in projects of increasing complexity and scale. These projects not only posed challenges but also presented opportunities that compelled companies to revamp, expand, and enhance their production technologies.

For instance, as per the research conducted by the João Pinheiro Foundation (1984, v. 53), the construction of Brazil's new federal capital, Brasília, played a pivotal role in shaping and disseminating industrialized building techniques. This was not solely due to the magnitude of government initiatives but also a result of the efforts to urbanize a previously inhospitable region. The construction of Brasília played a significant role in expediting the industrialization of construction components and necessitated a more streamlined approach to conventional construction processes. During this period, various innovative techniques emerged and proliferated, including the utilization of pre-cast slabs, concrete panels, tunnel-shaped construction, and assembly techniques involving sliding forms.

Moreover, substantial heavy construction projects commissioned by the government represented both opportunities and challenges for the construction industry. Notable examples include: (a) The hydroelectric plants, counting Itaipu (commissioned in 1982), Tucuruí (commissioned in 1984), Ilha Solteira (commissioned in 1978), and Paulo Afonso IV (commissioned in 1979), among others (Gomes *et al*, 2002); (b) The construction of the nuclear power plant, Angra I, which spanned from 1972 to 1982 (Agência Nacional de Energia Elétrica do Brasil, 2002); (c) The regional integration program for the north and northeast regions of Brazil, involving the construction of highways and waterways, as well as the modernization of ports (Monteiro & Coelho, 2004). From these significant undertakings emerged large structures constructed with reinforced concrete and steel, and the utilization of heavy machinery for transportation, assembly, and various construction processes. These projects not only tested the industry's capabilities, but also facilitated advancements in construction technology and engineering practices in Brazil.

However, despite the introduction of numerous new technologies that brought significant advancements to the Brazilian construction industry, a significant portion of projects continued to rely heavily on unskilled labour

into the late 1980s. During this period, the prevailing characteristic of construction processes was the simultaneous presence on construction sites of: (a) Traditional construction methods, (b) Mechanized tools, and (c) The employment of machinery mostly to substitute manual labour in heavy-weight operations (João Pinheiro Foundation, 1984, v. 5). This coexistence of different approaches and technologies highlighted the industry's transitional phase, where modern methods began to supplement but not entirely replace the conventional labour-intensive practices.

As a consequence of the synergistic relationship between the state's facilitation of private demand in civil construction, a robust and profitable public demand for heavy construction projects, and the technological challenges posed by the complexity of government-initiated projects, the Brazilian construction industry, by the late 1980s, had achieved a substantial accumulation of capital, expertise, and production capacity (Cristaldo, 2011). The data presented in this paper thus corroborate a key conclusion drawn from the report conducted by the João Pinheiro Foundation (1984, v. 14), leading us to infer that the development of the Brazilian construction industry was intricately tied to Brazilian government economic policies, particularly up to the 1980s.

In the early 1980s, when Brazil faced a financial crisis resulting from various factors, including the escalating foreign debt interest, structural repercussions of the second oil shock, and the government's policy choices to address these challenges (Mello & Belluzzo, 1984), the public demand for heavy construction projects dropped to nearly zero (João Pinheiro Foundation, 1984, v. 12). Faced with this decline and driven by the imperative to maintain levels of capital valorisation and accumulation, the Brazilian construction industry was compelled to explore new markets, with its sights set on international horizons (Campos, 2008).

As we aim to clarify in this paper, when the Brazilian construction industry ventured into international markets, it did not appear to do so independently. Instead, it required the assistance of the State through diplomatic channels to facilitate its activities in foreign markets.

3. Diplomacy and Early Patterns of Internationalization in the Brazilian Construction Industry

During the two decades spanning from 1960 to 1980, Brazil underwent a notable transformation, transitioning from a peripheral exporter of commodities to achieving a significant level of industrialization. This transformation, to some extent, reshaped Brazil's role in the international division of labor. In the early 1960s, Brazil successfully established an industrial sector capable of exporting durable goods. Then, from the 1970s

onward, the economy's second department also gained the capacity to export capital goods, engineering services, and other related products, although it never fully managed to sever the international dependency ties (Souza, 2005). This transformation had a profound impact on Brazilian international policy, paving the way for the establishment of agreements and diplomatic relations that became essential as the national construction industry sought overseas markets starting in the 1980s (Cristaldo, 2011).

From 1946 to 1961, Brazil's foreign relations were characterised by an unwavering alignment with the United States of America and Europe (Cervo & Bueno, 2010). During this period, the Brazilian economic structure was predominantly reliant on the export of agricultural commodities and raw materials. In exchange, the country imported manufactured goods from developed nations. However, this economic arrangement constituted a form of complementarity that did not yield clear opportunities or concrete outcomes for advancing the Brazilian economy into industrialization (Gremaud, Saes & Toneto Jr., 1987). Due to the limited progress in economic development, Brazil, under the leadership of President Juscelino Kubitschek from 1956, decided to refocus efforts on building a more dynamic economy. As a result, the government initiated various interventions in the economic system aimed at intensifying the process of industrialization, thereby reducing its reliance on this complementarity (Souza, 2005).

Nonetheless, this shift in policy would only take on a coherent and systematic form with the election of Jânio Quadros as the President of Brazil in 1961 and the adoption of what came to be known as the "Política Externa Independente" (PEI), or Independent Foreign Policy (Cervo & Bueno, 2010). The actions carried out under this framework were rooted in the principles of universality in international relations, a pragmatic approach to seek new markets for Brazilian products, a sense of nationalism, non-automatic alignment with the United States, and an openness to engage with Africa, the Middle East, Latin America, Eastern Europe, and even countries with communist governments such as the USSR and China. Although the PEI was only actively pursued until April 1964—when a *coup d'état* led by the Brazilian military, with support from certain local capitalist groups and indirect backing from the US, established a dictatorship that endured until 1985 (Deifuss, 1981)—the pragmatic aspects of the PEI became a lasting reference in Brazilian foreign policy.

Following the coup led by the Brazilian military, President Castello Branco, who held office from 1964 to 1967, introduced changes in foreign policy alongside a comprehensive security package and a new liberal economic framework. The central proposal was the dismantling of the

PEI through a strategy known as “course correction”. As Cervo & Bueno (2010) highlight, this approach had several key elements. (1) *Acceptance of Bipolarity*: The government acknowledged the bipolarity of the international system and recognized the need to align Brazil as an Occidental (capitalist) nation, making a clear choice in favour of the United States of America's side. (2) *Opening the Brazilian Economy*: There was a deliberate move to open the Brazilian economy to foreign capital, particularly in alignment with the side led by the United States. This economic orientation was consistent with the chosen bipolar pattern. (3) *Embracing Concepts of Collective Security and Military Interdependence*: The administration promoted the notions of collective security and military interdependence within South America, which were integrated into the political and economic agenda. These concepts served to justify Brazil's aspirations to take a leading role in regional integration, in partnership with the United States. (4) *Nationalism*: Despite the shift away from PEI, some characteristics of the policy were retained, most notably its sense of nationalism.

One of the most striking aspects of the “course corrections” proposed by President-Dictator Castello Branco was the limited and challenging impact it had. On one hand, it led to the dismantling of Brazil's universalist diplomatic tradition, which caused dissatisfaction among diplomats and accusations of inconsistency within the bureaucracy. On the other hand, the expected loans and investments from the United States did not materialize. Additionally, the policy of exclusively upholding diplomatic relations with the Western bloc resulted in a restriction of export opportunities, leading to a reduction in the industry's income and exacerbating the economic crisis (Gremaud, Saes & Toneto Jr., 1987). According to Cervo and Bueno (2010), during these three years, the government's foreign policy faced criticism from both the political right and left, from within the government itself, from Brazilian society, and from foreign analysts. It was an untenable situation, and it ultimately did not last.

Therefore, in 1967, Brazilian foreign policy underwent a new round of course corrections (Cervo & Bueno, 2010). The core principles established during this period would remain largely intact until the early 1980s, with minimal adjustments, now characterized by a pragmatic orientation. While still rooted in nationalism, the government began to steer its diplomacy toward the pursuit of business opportunities for the domestic industry. Under the leadership of Generals Arthur da Costa e Silva (1967-1969), Emílio Garrastazu Médici (1969-1974), and Ernesto Geisel (1974-1979), Brazil's foreign policy was dubbed *Diplomacia da Prosperidade* (Cervo & Bueno, 2010, p. 381), or Prosperity Diplomacy. This diplomatic approach led to a testing and eventual abandonment of the notions of bipolarity,

collective security, military interdependence (both politically and economically), and even Occidentalism.

According to Pereira (2010), the new Prosperity Diplomacy policy of Brazilian's putschist government pursued three primary objectives:

1. To reshape the foundations of Brazilian foreign trade, with a focus on expanding markets and diversifying the export portfolio.
2. To facilitate the acquisition of new technologies and knowledge essential for Brazil's quest for economic independence.
3. To explore new opportunities for investments, loans, or financial operations that would enhance financial inflows to Brazil and, in turn, benefit domestic capitalists as well as the Dictatorship Government.

In practical terms, the Brazilian government began to welcome cooperation agreements, funding, and technology from any country, regardless of ideological alignment, as long as these agreements did not entail any compromise of national sovereignty.

Latin America received a significant share of attention from Brazilian diplomacy during the period in question, particularly in terms of forging new partnerships. Between 1964 and 1980, there were 39 significant events leading to formal treaties between Brazil and Latin American countries, accounting for approximately 35% of the total number of new agreements (see Table 1). Among these new agreements was the Declaration of Asunción in August 1967, signed by Brazil, Argentina, and Paraguay. This Declaration of Asunción marked the commencement of initial consultations aimed at establishing a common market, which would eventually develop into the Mercosur as it exists today (Roett, 2023).

**Table 1. Brazilian New Diplomatic Ties
between 1964 and 1980, by regions^a**

Specific Regions	Brazilian New Diplomatic Ties	(%)
Africa	29	26.2
Asia and Pacific	5	4.5
Europe (Capitalist) ^a	9	8.1
Europe (Communist) and China ^a	21	18.9
Latin America	39	35.1
North America	2	1.8
Middle East	6	5.4
Totals	111	

Source: Adapted from Pereira (2010), Cervo & Bueno (2010), and João Pinheiro Foundation (1984, v. 13).

a. We opted for a specific regional division to underscore the pragmatic nature of the Brazilian dictatorial government's foreign policy. We categorized European countries belonging to the Communist bloc separately from those under the influence of the United States. We also included the People's Republic of China in the group of European Communist countries. Additionally, we grouped together the American countries that were colonized by Spain or Portugal due to their evident historical proximity, in contrast to countries in North America such as Canada and the United States. This category encompasses countries in South America, Central America, and Mexico.

The second most significant region for Brazilian diplomacy, at least in terms of the number of new agreements, was Africa. Between 1964 and 1980, there were 29 significant events that represented new ties and opportunities for the Brazilian industry, accounting for approximately 26% of the total (see Table 1). Within this group of events were two substantial commercial missions to Africa. These missions, led by diplomatic staff, included delegations of Brazilian businesspersons and politicians who visited several countries to explore export opportunities and cooperation. These missions took place in 1965 and 1966 (Cervo & Bueno, 2010).

This period also saw the successful implementation of the Brazilian strategy to promptly recognize the new countries emerging from the decolonization of Africa. This recognition policy allowed Brazil to establish friendly relations that could lead to future cooperation agreements and market openings. For instance, during this time, diplomatic ties between Brazil and Angola were formed. Angola would later become a significant client for the Brazilian construction industry, particularly in its post-independence reconstruction efforts. This development made Angola one of the primary destinations for the internationalization efforts of firms such as Odebrecht and OAS (Santana, 2003).

When considering the new diplomatic agreements established by Brazil between 1964 and 1980, Latin America and Africa accounted for around 61% of these agreements, totalling 68 events. This focus on these regions highlights their significance for the Brazilian Construction Industry. The internationalization process of the Brazilian Construction Industry had its inception when the company Mendes Júnior undertook the construction of the Santa Isabel hydroelectric plant in Cochabamba, Bolivia, between 1969 and 1973 (Campos, 2008). Following this milestone, the Brazilian Construction Industry expanded its operations to numerous countries around the world, with a particular emphasis on developing nations in Latin America, Africa, and the Middle East.

As illustrated in table 2 below, from 1969 to 1980, the Brazilian Construction Industry secured 444 contracts to provide engineering services abroad. Of these contracts, roughly 60% were established with countries in Latin America, encompassing South America and Central America,

resulting in a total of 268 contracts. Notably, the countries that exhibited the highest demand for engineering services from the Brazilian construction industry during this period were Paraguay, with 75 contracts; Bolivia, with 45 contracts; and Uruguay, with 36 contracts. These three nations collectively represented approximately 35% of the total (João Pinheiro Foundation, 1984, v. 13, p. 15). Among these contracts was the bi-national Itaipu hydroelectric plant, at the time the world's largest hydroelectric facility. This project was commissioned by both the Brazilian and Paraguayan governments and was constructed from 1974 to 1982 by a consortium led by the company Mendes Júnior (Pereira, 1974).

Table 2. Distribution of the Number of contracts for engineering services abroad from Brazilian Constructions Industry, according to geographical areas and nature of the service, between 1970 and 1980

Regions	Studies and projects	Construction	Industrial Assembly	Special services	Totals
Africa	70	16	3	9	98
Oceanic	1	-	-	-	1
Central America	23	6	3	2	34
Europe	13	-	3	-	16
Middle East	13	6	-	2	21
North America	13	-	-	1	13
South America	154	38	24	18	234
Totals	304	66	35	36	444 ^a

Source: João Pinheiro Foundation (1984, v. 13, p. 13).

a. In the report conducted by the João Pinheiro Foundation (1984), it is noted that there were three projects added without specific references to their nature or destination.

Furthermore, corroborating the pattern revealed before, the second most prominent destination for the export of engineering services, in terms of the number of contracts, was the African continent. Those countries demanded 98 foreign contracts for the Brazilian Construction Industry, representing approximately 22% of the total (see Table 2). Notably, Nigeria stood out as the primary recipient with 28 contracts, closely followed by Algeria with 27 contracts during this period (João Pinheiro Foundation, 1984, v. 13, p. 15).

Another noteworthy aspect pertains to the nature of the foreign contracts that engaged the Brazilian Construction Industry between 1970 and 1980. During this timeframe, the majority of contracts were designated for conducting studies and projects, totalling 304 contracts or 68% of the overall count (see Table 2). This category primarily entails instances where potential clients present an undertaking and solicit the industry to conduct studies to determine the feasibility of their projects. Governments frequently require these types of projects to gather information, plan interventions, secure funding, or evaluate their potential to combine efforts and execute their investment prospects. Additionally, in certain cases, the same company that conducts the project may subsequently be contracted to implement it (João Pinheiro Foundation, 1984, v. 13).

Of the 268 contracts signed with Latin American countries, 177 contracts (66%) were designated for studies and projects, a proportion consistent with the global average. In Africa, roughly 71% of the contracts were intended for studies and projects, a proportion closely aligned with the group's average.

Nevertheless, although there is an apparent inclination to argue that forging trade agreements with a region is directly linked to an increase in contracts for providing engineering services, this trend cannot be substantiated. For instance, countries within the Communist Bloc, including China, with which Brazilian diplomacy established the third-largest number of agreements between 1964 and 1980 (21 new ties, nearly 19% of the total, see table 1), barely emerged as potential clients for the Brazilian Construction Industry during this period, with no contracts reported (João Pinheiro Foundation, 1984, v. 13). Additionally, it is worth noting the case of relations between Brazil and the Middle East, with which only approximately 5% of new ties were established from 1964 to 1980 (see Table 1), despite these countries soliciting almost 5% of the total number of contracts for providing engineering services in the same period (see Table 2).

In fact, the correlation between these two variables must be contextualized by a third qualitative aspect: the political and economic structure of the countries involved. The nations that demanded a substantial number of engineering services from the Brazilian Construction Industry between 1964 and 1979 typically (a) initiated their development under the impetus of state-led initiatives, (b) grappled with significant infrastructural deficiencies, especially in the domains of electricity generation, transportation infrastructure, and ports, (c) specialized in the extraction, cultivation, and exportation of commodities, such as raw materials, oil, grains, and ores, among others, and (d) were often governed by undemocratic or even repressive political structures (Campos, 2012). Notable examples include Nigeria, Paraguay, Bolivia, Uruguay, and Argentina, among others.

Therefore, it becomes evident that the internationalization process of the Brazilian Construction Industry unfolded and gained momentum in tandem with the government's strategy to foster relations with underdeveloped or developing nations. These nations represented potential customers for the services and products offered by the Brazilian economic system.

Conclusions

This paper has aimed to construct a comprehensive narrative surrounding the intricate processes that facilitated the internationalization of the Brazilian construction industry during the 1970s. Adopting a historical perspective, we assert that the paramount variable in comprehending its international expansion lies in the industry's symbiotic relationship with the authoritarian state.

Primarily, we contend that the Brazilian state played a pivotal role in propelling the construction industry forward. Our analysis has illuminated how the state's demand for substantial construction projects enabled the Brazilian construction industry to amass capital and cultivate technological expertise. Furthermore, the state's instrumental role in channeling housing funds through the SFH underscores that virtually all demand for engineering services during the period spanning from 1964 to 1970 emanated from state funding.

Secondly, we underscore the significance of diplomacy in shaping the internationalization trajectory of the Brazilian Construction Industry. We posit that Brazilian foreign policy adopted a pragmatic orientation, driven by the pursuit of agreements with nations of diverse ideological leanings—be they socialist or capitalist, central or peripheral—so long as they promised advantages for the domestic industry. Brazilian diplomacy strategically forged stronger collaborative ties with regions like Africa, Latin America, and the Middle East, subsequently elevating these areas to the forefront of the internationalization journey of the Brazilian Construction Industry.

Indeed, the experiences gleaned from the internationalization process of the Brazilian Construction Industry yield valuable insights. First, they underscore the necessity of accumulating capital, in the form of financial surplus and technological prowess, to establish a competitive industry. Second, they underscore the indispensable role of the state in not only generating domestic demand, but also in identifying prospects overseas through diplomatic endeavours.

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