Brazil

War over Petrobras surplus begins

by Lorenzo Carrasco

The surprise resignation of the president of the semi-public Brazilian oil company Petrobrás, Helio Beltrão, brought to the surface what have been up to now the underground rumblings inside the cabinet of ministers of President José Sarney over control of the immense resources of Brazil's most important company.

Traditionally, Petrobrás has been known as the battle trench and headquarters of a Brazilian nationalist faction vowing to defend the policy of great projects which was launched during the government of Gen. Ernesto Geisel (President 1974-79)—who, apparently, is still the leader of this group.

The drop in the price of oil produced a sudden increase in the financial surplus of Petrobrás, which raised the level of factional warfare around it. Petrobrás, as a net importer of oil, is now reaping the benefits of the gap between lower crude-oil prices and the high market prices of gasoline and other refined petroleum products.

On the one side, Dilson Funaro, the finance minister, and João Sayad, the planning minister, are seeking to control this surplus by imposing special taxes on the profits of the semi-public firm. On the other side is Mining and Energy Minister Aureliano Chávez, who opposes these measures.

Ministers Funaro and Sayad, in their incompetent strategy to reduce the public deficit, have come up with various measures, one of which would be to suck the money out of those state companies with a big surplus, such as Petrobrás or the Vale do Rio Doce company, which is in charge of huge investments in the "iron mountain" of Carajás, and whose president, Elieser Batista, also stepped down recently.

This policy of attack on the state-owned companies is not new to the economic ministers currently in office. Both the former planning minister, Delfim Netto, and the former finance minister, Francisco Dornelles, tried to do the same thing previously.

Besides the $1 billion they plan to loot from Petrobras in this way, the economic ministers are planning to trim $2 billion out of investments in state companies. To these cuts would be added the reduction of grain subsidies, which would be another $2 billion, and a freeze on government-backed bank loans to state and municipal governments and companies.

With these measures, President Sarney's economic team thinks it will reduce the public deficit from 5% to 2% of the Gross Domestic Product. This deficit, in reality, was brought about by the exaggerated interest payments on the foreign debt. It turns out, in the end, that the Sayad-Funaro ministerial team is earmarking the economic surpluses of the semi-public companies for payment of debt service—under the disguise of reducing the public deficit.

In open opposition to Sayad and Funaro, we find a group of ministers led by Mining and Energy Minister Aureliano Chávez, who want to maintain levels of investment within their areas. He particularly wants to keep Petrobrás's economic surplus inside the company, and allocate it for petroleum investments. Although this group is more rational and closer to reality, in trying to prevent the drain of more resources toward foreign debt payments, nonetheless, it has a very limited vision.

What to do with the $4 billion

The truth of the matter is that the resources at stake are even greater. Despite the enormous interest payments on foreign debt which Brazil will make this year, at the expense of the cruelest looting of the economy and the population, this country will have an excess in its trade balance of a little bit more than $4 billion dollars, because of the lower oil price and the drop in international interest rates.

It is not known with scientific certainty what the government's policy on these surpluses will be. For right now, the pressures from the most monetarist-minded groups in the country are going in the direction of applying these $4 billion to paying part of the principal on foreign debt, while internally they maintain a policy of increasing austerity, which as far as one can see is being endorsed implicitly by ministers Sayad and Funaro.

The most rational decision would be to set up a special fund for to investments in infrastructure and public services, which are urgently required throughout the country. The savage policy of exporting to pay debt, and the austerity which has been prolonged over decades, have created an untenable situation for the majority of Brazil's population. Outbreaks of epidemics of new and old diseases are appearing all over Brazil as the result of hunger and the destruction of municipal public services. As *EIR* has reported (May 6), 50-60% of the summer crops were lost due to drought, and there are huge outbreaks of malaria and dengue fever. Brazil, by official reports (far below the actual situation), has the second highest rate of AIDS cases in the world.

The right thing to do—beyond any doubt—is to use the windfall surplus of the Brazilian economy to cure these injustices. And this, bearing in mind that the public deficit could easily be solved if domestic financial speculation were eliminated, and limits were set on the payments of debt service.