

# Cardoso wants to hand over Brazil's mining resources to the British Empire

by Silvia Palacios and Lorenzo Carrasco

Now that the Brazilian legislature has given its first vote of approval to the amendment guaranteeing Presidential re-election, President Fernando Henrique Cardoso feels empowered to proceed with the privatization of the country's vast mining conglomerate, Companhia Vale do Rio Doce (CVRD). The company's placement on the auction block had been postponed until the wheeling and dealing around the re-election vote could be completed.

Now, because of the political space cleared for privatization, there also exists the grave danger that another strategic Brazilian state enterprise, the oil company Petrobras, will be dismantled. This can already be seen in a bill to privatize Petrobras, piece by piece, which was presented by congressman Eliseo Rezende, secretary of the parliamentary commission in charge of segmenting the state oil monopoly. The bill was approved by Congress during the first quarter of 1996.

Despite the joy they expressed over the likelihood that Cardoso will be re-elected in 1998, all the international financial groups have conditioned their investments in Brazil for this year—which, according to Industry and Trade Minister Francisco Dornellas, will be \$16 billion—on continuation of the privatization program, especially of CVRD.

The privatization of CVRD is part of a plan to return the Brazilian economy to the era prior to the 1930s, that is, into the hands of the major British corporations and their American partners. During that period, mineral resources were barely exploited, and concessions were designed to "sit" on the country's mineral wealth, because the British viewed Brazil as their strategic reserve, while actively exploiting the mineral resources of countries in Africa, especially South Africa.

The Cardoso government today is opening up the country to that same select group of British imperial companies and their partners, which has carried out the cruel colonialism that has driven Africa to the edge of extinction. Speaking through his emissaries during a recent trip to South Africa, President Cardoso promised privileged treatment for companies like Anglo American and Rio Tinto Zinc, in the sell-off of CVRD.

In addition to the privatization of CVRD, the government is hoping to auction off rich mining concessions in zones

of proven gold reserves. There are four such zones; the first to be bid on is Jarú, located in the Amazon state of Rondonia, with a potential of 30 tons of gold. (By way of comparison, the largest deposit in the country today is in Serra Leste, with 150 tons of gold). The companies most likely to receive the concession are Canada's Barrick Gold (whose international advisory board's "honorary senior adviser" is former U.S. President George Bush), Anglo American, and Rio Tinto Zinc. After learning about Bush's interference in Indonesia to force that government to give concessions to Barrick, sources in the Mines and Energy Ministry told *EIR* that it is very likely that Bush raised the issue with the "susceptible" Fernando Henrique, during his recent trip to Brazil.

The near possibility of being able to control Brazil's mineral wealth has circles of the British Empire in a state of euphoria. In all the various back-and-forths regarding CVRD's privatization, it was revealed that in the Carajas zone, located in Para, rich deposits of high quality copper were discovered, of a type known as "world class," as well as gold. The estimates of quantity vary, but qualified geologists believe the gold deposits could potentially be larger than those of South Africa.

Such revelations have clearly increased the protests against the privatization of CVRD, and the government's reaction has been to nervously avoid issuing any precise information in its official reports on the newly discovered deposits.

## **CVRD vs. the British**

CVRD was founded in 1942, under the so-called Washington Agreement signed between the governments of Franklin Delano Roosevelt and Getulio Vargas, by means of which Brazil was committed to supply iron ore to the allies in World War II. Although the agreements established a fixed price below international market levels, which evidently did not benefit Brazil, the agreements obliged England to hand over to the Brazilian state the deposits of the company Itabira Iron, located in Minas Gerais. Thus, CVRD was born.

This, combined with the 1940 Roosevelt-Vargas agreement to build the Volta Redonda steel plant, set the basis for Brazil's industrial development, which continued through the 1970s.



The British may soon regain control of Brazil's huge copper and gold mining resources, if President Cardoso privatizes CRVD. Here, a view of part of the Carajas project.

It is worth noting that Itabira Iron was founded in the late 1920s by British agents Muley Cotto and Percival Farquhar, front men for the British group Brazilian Hematite Syndicate, which knew that after World War I, British interests would be unable to operate in the Western Hemisphere except through their U.S. ally. Farquhar showed not the slightest interest in exploiting the Itabira deposits, making it clear that the intention was to preserve them as strategic reserves for the global interests of the British empire.

Discontent over the government's concession to Itabira Iron at the time turned into a generalized nationalist reaction throughout the country, and especially inside the Brazilian Army, which had decisively contributed to the 1930 Revolution that put Getulio Vargas and the "Generation of Lieutenants" in power, and where the concept of sovereign industrial development had long been simmering.

For example, on July 31, 1926, Getulio Vargas, then a Federal congressman, was one of the signers of a document issued by the Congress's justice commission, which condemned the Itabira Iron concession: "In conclusion, one can see in the contract [with Itabira Iron] that the terms of legislative authorization were ignored or interpreted backwards . . . promoting what the Germans so appropriately call *Raub-wirtschaft*, a destructive or looting economy. Thus, Itabira Iron will maintain its exclusive control, as private instruments,

over the two stretches between Itabira (in Minas Gerais) and the export pole (Victoria port), making all export of minerals which are not its property practically impossible, and obliging owners of other deposits to transfer minerals to them, at convenient prices. It is, to all practical purposes, a monopoly established on its behalf."

Despite this resolution, the congress went ahead in September 1930, and approved the Itabira agreement.

Much later, in 1936, engineer Jose Pompeia published an article in the daily *Jornal de Debates*, which argued that "the concession granted by the government, with congressional approval, in September 1930, was one of the sparks which set off the 1930 Revolution. . . . Minas Gerais, with [former President Artur] Bernardes in the lead, always rebelled against the concession granted to Itabira. Our Army could not proceed in any other way. . . . It did not want to defend the power that had granted such a concession."

The 1930 Revolution and, later, the 1937 Constitution, which nationalized the Brazilian subsoil, put an end to the control of the British Empire over the political and economic life of the country, which until that time was maintained as a coffee export plantation. Percival Farquhar, in particular, played a crucial role in controlling the rulers of the so-called Old Republic. In 1904, together with two other agents of the British Empire—U.S. engineer F.J. Pearson and Canadian

lawyer Alexander Mackenzie—Farquhar founded the Rio de Janeiro Light & Power company, to control the supply of electrical energy to the Brazilian capital. “Light,” as it is known today, operated as an “asteroid” of British intelligence, directly controlling various of Brazil’s Presidents during this period, as well as the main newspapers of the time.

### **Target: CVRD**

From its founding, CVRD has been the target of various attempts to destroy it. In the mid-1950s, after the suicide of Getulio Vargas, the 100-year-old British company St. John d’El Rey, which held several rich mineral deposits in Brazil, contracted an agreement with Hanna Mining, similar to that of Itabira Iron, through a series of fraudulent interpretations of the Constitution. The agreement, mediated through the New York law office of Osborne and Thurlow, was formulated by Hanna’s president, George Magoffin Humphrey, former treasury secretary in the Eisenhower administration. Later, under the presidency of John McCloy, Hanna Mining passed to the Rockefeller family.

Thus, Hanna Mining inherited the political role exercised by “Light” during the 1920s. For example, much of the economic policy of the Juscelino Kubitschek government (1956-61), which legalized the fraudulent mineral concessions Hanna had received earlier, was directed from Hanna’s offices. Individuals who have served as the leading Brazilian mouthpieces of British free-trade ideology, such as Lucas Lopez, Roberto Campos, and Octavio Gouveia de Bulhoes, have gravitated to Hanna’s circles. Their economic and monetary policies had disastrous consequences during the period of the military regime.

Hanna, which had lost its concessions during the government of President Janio Quadros, recovered its deposits toward the end of the Castelo Branco government, through the influence of two of his ministers, Hanna agents Roberto Campos and Gouveia de Bulhoes. This recovery was indirectly facilitated by a small company, Mineraciones Brasilenas Unidas (MBR), owned by businessman Augusto Trajano de Azevedo Antunes, who, in turn, was politically and economically linked to Nelson Rockefeller. MBR was 49% owned by Hanna.

Between 1964 and 1967, the presidency of MBR was held by Eliezer Batista, former Mines and Energy minister in the Goulart government. Batista left that government in order to run the CVRD sales offices in Europe, at the same time that he remained closely tied to both MBR and Hanna Mining.

In 1979, the government of President João Bautista Figueiredo named Eliezer Batista to the presidency of CVRD, which came with such prestige that his name, by itself, would attract immense financial resources to develop the company’s projects. And thus it was, that under the fantasy of the “Great Carajas” project, Eliezer promised to bring \$60 billion into the development of the Brazilian Amazon. Eliezer insisted that the construction of the Tucuruí hydroelectric dam and

the railway line from the Carajas mine to the port city of Belem, would be sufficient to launch this project.

Later, the truth emerged. In order to build the railroad, CVRD would require a \$2 billion loan, for which the international financial creditors demanded that 30% of CVRD’s assets pass into private hands. Through this ruse, CVRD was surreptitiously privatized. By the end of the Figueiredo government, the nationwide reaction to this betrayal was so violent, that the Prosecutor General’s office reversed the whole process—in two days!

Although the state held onto 51% of the stocks, Eliezer Batista’s maneuver had a pernicious effect. First, because the development of Carajas was organized as a mere transmission belt of iron ore, which, in accounting terms, represented constant losses for the company. Second, because the idea was introduced among the company’s leadership that Carajas should be organized solely and exclusively around an accounting profit, putting aside its historic role as a motor for regional economic development, in the name of the common good and public interest.

Eliezer Batista, who held the post of Strategic Affairs Minister under the Collor de Mello government, never hid his links to the British monarchy, nor his passion for the British geopolitical viewpoint and for environmental causes. In October 1991, he was one of Prince Charles’s guests of honor aboard the royal yacht *Britannia*, when it symbolically anchored in the waters of the Amazon River.

### **To the memory of Percival Farquhar**

Since then, for fear of the reaction it would unleash, no Brazilian government has dared to touch CVRD, not even Fernando Collor de Mello, whom George Bush once referred to as “my kind of guy.” Only with the Cardoso government has the planned sell-off of CVRD begun to move, using the same argument of Eliezer Batista, that this would bring billions of dollars into the country. In fact, what President Cardoso has dubbed “the end of the Vargas era” means nothing less than returning the country to the domination of British imperial interests.

And thus, the sale of CVRD would transform Brazil in the short term into a colonial exporter of raw materials, Africa-style. And thus, would Brazil fit the role assigned it by former U.S. Secretary of State Henry Kissinger, in his secret memorandum on Malthusian population policy, National Security Study Memorandum 200 (NSSM-200). That memorandum, written in 1974 by the National Security Council, argues that Brazil must reduce its population so that the country cannot threaten the supply of natural resources to the United States and its allies, namely, England.

In recognition of his efforts, Fernando Henrique Cardoso will be in England twice in 1997; once in February at a seminar organized by the British Foreign Office, and officially at the end of the year, when he hopes to receive the title of “Sir” in Her Majesty’s service.