

## Report from Rio by Silvia Palacios

### Toward a new neo-liberal era?

*Brazil's state sector is targeted for privatization by free-marketeters seeking a toehold through the elections.*

With just one month to go to the presidential elections here, an offensive has been launched to assure that, whoever the victor is, he will carry out a free-market program whose basic content will be: first, the privatization of the valuable state sector, today weakened by International Monetary Fund (IMF) policies; and second, the imposition of a neo-liberal economic era in which the concept of national sovereignty is subverted.

The state sector is the key to realizing Brazil's potential as an independent economic power, through state-directed funding of great infrastructural projects, and nationalists in both civilian and military circles understand that the survival of state sector enterprises is crucial to national sovereignty. For the first time, through the combined assault of the creditor banks abroad and the advocates of neo-liberalism at home, the economic bulwarks of Brazilian nationhood are under threat of disappearing.

The most visible mouthpiece for this neo-liberal policy in Brazil is the daily *Folha de São Paulo*, which in an Oct. 1 editorial demanded that the presidential candidates not only endorse a program which establishes the privatization of the state sector as their top priority, but that they announce now which companies will be privatized.

The *Folha* editorial was followed up by various published reports, the most provocative of which was entitled, "Candidates Avoid Discussion of Petrobrás Taboo." The article targeted Brazil's massive state oil company for attack, citing one of the most

prominent spokesmen for the Brazilian neo-liberal project, former minister and current Senator Roberto Campos, who declared: "It is a defect of the economic model of the monopoly. All the monopolist state companies in Latin America are on the verge of collapse—in Argentina, Peru, Mexico, and Venezuela. The state oil monopoly is a fetish of underdevelopment."

Joining the new wave of neo-liberalism is the largest food cartel in Ibero-America, Bunge and Born. It was Jorge Born himself who, speaking from his São Paulo offices Aug. 27, broke with the traditional discretion of his company to tell the daily *O Estado de São Paulo*: "At the present time, a very interesting phenomenon is occurring: Public opinion is changing its mind. A wave of liberalism has begun to emerge, in Argentina as in Brazil, Peru, and Bolivia. The countries of the region are beginning to open themselves up to the world." Born said that, in the Brazilian elections, "I am convinced that the politician who comes out in favor of privatization is going to get elected."

This neo-liberal grouping, which includes Harvard's guru of the "Bolivian model," economist Jeffrey Sachs, unfortunately has in its favor the worsening financial decline of key state sector companies, the result of a decade of murderous IMF austerity recipes. By demanding an increase in export earnings, the IMF forced the Brazilian government to concede numerous subsidies to exporters in the form of artificially low public service rates. At the same time, cutbacks in invest-

ment in the public sector have affected the financial health and productivity of the state companies.

Hardest hit by these policies have been the two bulwarks of Brazilian nationalism, Petrobrás and the nearly 200-year-old Banco do Brasil, which has functioned as a national bank in helping fund the most productive areas of the economy. Somewhat cushioned for a long time from the ravages of the IMF, these two companies have now fallen victim to the infamous austerity dictates of the "Summer Plan," and have now reached the verge of collapse.

For the first time in its history, Petrobrás had a financial deficit of \$500 million, a result of the Summer Plan's dictate keeping fuel prices way below inflation. That deficit has significantly cut into productive investments. According to *O Globo* of Sept. 14, the country's oil reserve has fallen to 2.8 billion barrels, 15 million barrels less than last December's reserve, because oil exploration during that semester yielded less than production.

The Banco do Brasil has also been seriously undermined under the Summer Plan, says the bank's employees' association, ANABB. According to a paid advertisement taken out in the national press to denounce the bank's current critical state of affairs, the ANABB charges the government with imposing a \$2 billion burden on the institution by forcing it, under the Summer Plan, to pay yields on specialty accounts at the super-high interest rates of the overnight markets, while lending the capital from those specialty accounts at a mere 7% a year. "This means," says the ad, "that the Banco do Brasil, to compensate for those \$2 billion . . . for which it receives only 7% a year, was forced to seek funds on the [open] market at real interest rates of 80% a year."