

## Report from Rio by Silvia Palacios

### Is Petrobrás dying?

*Shocking news: Brazil's state-owned oil company is strangling under IMF austerity.*

A few months ago no one would have guessed, not even the econometric forecasters, that the state oil company Petrobrás was a step away from bankruptcy. Nearly a decade of shrinking investments, a policy intensified in the past two years to comply with the austerity demands of the International Monetary Fund, has led one of the world's largest companies, the symbol of Brazilian national pride, into desperate straits.

Petrobrás president Carlos Sant'Anna made an urgent announcement that the company's investment program will be paralyzed for the rest of this year, due to an absolute lack of resources. Sant'Anna blamed, although not by name, the finance and planning ministers, for the disaster, due to their blind obedience to the monetarist program they and the creditor banks agreed to. "Our distress increases when we see that Petrobrás' weakening has not yielded a lowering of inflation." He added, "Inflation is fought with investment and work," not by freezing public service rates, as was decreed under the failed economic strategy of the "Summer Plan."

Petrobrás had expected a 1989 investment of some \$3.2 billion in its expansion and maintenance programs. With the January decree of the latest monetarist package, the money almost vanished. High interest rates and an inflation rate of 3-9% a month produced a flow of money which in better times would have gone to the productive economy but today has fled to the speculative markets. Resources

of all the state companies were undermined; Petrobrás was left with less than \$1 billion for investment, which had already been spent.

The ruling elite in Brazil has made oil self-sufficiency by the end of the century a priority for guaranteeing national sovereignty. For this year, with the new explorations in the deep waters of the Campos Basin, the goal is to produce 700,000 barrels of oil a day. The cutback in the investment budget will seriously affect such plans.

Investment in Petrobrás has been falling for years. It is reckoned that between 1982 and 1988, investment fell 51%. The annual volume of investment dropped from \$5.2 billion in 1982 to \$2.5 billion last year. Still, interest payments on the foreign debt have been paid punctually; in only five years, Brazil has sent abroad \$55 billion in liquid dollars!

The near collapse of the state oil company, which contributes 10% of the GNP and employs directly and indirectly nearly 3 million people, is just the tip of the iceberg. Each of the key infrastructural sectors of the economy is in trouble, especially electrical energy and steel production.

The capital goods industry in Brazil, one of the largest and most modern on the continent, is in rotten shape. It is precisely this sector which must be the cornerstone for an economic recovery program that can end the African levels of poverty afflicting the country. Brazil's capital goods industry will also be its most important contribution to the rest of the continent, if

Ibero-American integration is ever to occur.

The most advanced capital goods fell in production by 10% in 1988, the lowest production level this decade, while industry as a whole fell 2.1%. "All this is due to the crisis of the state companies, which make up 70% of internal demand," according to a study of the Brazilian Association for the Development of Base Industries. The cited sector is using only 61.4% of its installed capacity, and from 1980 to 1988 fired some 60,000 "over-qualified" workers.

The crisis of Petrobrás parallels that of the electrical sector, subjected to the sabotage and blackmail campaigns of the World Bank and its eco-fascist cohorts. According to the government's Plan for the Year 2010, the electrical sector requires annual investments of \$6.5 billion through the year 1991, if a collapse worse than that of the oil industry is to be avoided. However, every indication is that illumination in the country will soon be by candlelight. Investment in 1988 was \$4 billion.

In sum, Brazil in the 1980s has lost its development rhythm. The average GNP growth rate was 2.39% over the past nine years, while the average in the 1980s was 8.7%. This year, Brazil will certainly lose its status as eighth economy in the world.

And worse is to follow. There has been much commentary of late about the coming "Black September," since without resources from abroad, the country will have to either burn up its reserves to pay \$3 billion in foreign debt interest charges due in September, or enter into a technical moratorium. However, the collapse of Petrobrás could come sooner than that, serving as the spark for a general economic conflagration in Brazil that could make troubled Argentina appear an oasis of stability, by comparison.