

EIR Economics

Patriots fight privatization of Brazil's mining company

by Silvia Palacios

Brazilian nationalists are up in arms over President Fernando Henrique Cardoso's plans to privatize the strategic mining conglomerate Companhia Vale do Rio Doce (CVRD), scheduled for early in 1997. A civic-military alliance opposes the destruction of Brazil's national patrimony and the handing over of state-run infrastructure companies to international usury, as if Brazil were merely a colony, only good for raw materials extraction.

Broad-based forces of great institutional weight are participating in the mobilization to stop Vale's privatization, and it could very well be that following Mexico's backtracking from privatizing its petrochemical industry, Brazil, as a result of internal nationalist resistance, will succeed in halting the privatization of one of the world's largest companies, thus delivering a major defeat to those oligarchical powers behind the drive for globalization.

The outcome of the battle over CVRD's privatization could also determine President Cardoso's political future. The failure of his monetary stabilization program, reflected in growing trade and balance-of-payments deficits, has forced him to offer up CVRD as a way of guaranteeing the continued flow into Brazil of the speculative capital to which his government has become addicted.

The exact value of Vale's stock held by the Brazilian government is not known. The figure varies between \$5-6 billion, or half of CVRD's total value. Top international financial officials characterize the privatization scheme as the biggest business deal of 1996-97, and obviously, there is a long line of multinationals from the British Crown's Club of the Isles, all of them eager to grab CVRD. Among these are

the world's leading mining firms, such as Britain's Anglo American, Rio Tinto Zinc, Canada's Noronda, and the Japanese Mitsubishi and Western Mine.

Notwithstanding the vast natural wealth CVRD represents, the real threat to the national interest is, that its privatization takes into consideration neither the company's actual wealth, nor the strategic position it occupies as the most important presence of the Brazilian state in the rich and coveted Amazon region. Moreover, the criterion used in determining CVRD's value is absurd, since it doesn't take into account the drop in raw materials prices over the last 30 years. In the face of an imminent international financial collapse, these depressed prices would change dramatically. The oligarchy deems that strategic mineral reserves would become their greatest reserve source of wealth, sparing them from general collapse. Aside from guaranteeing them free access to the rich Amazonian region, CVRD would give the oligarchy power over the world's third largest mineral commodities' company, with a chokehold over many strategic minerals (see box).

To get an idea of what's at stake here, one example suffices. Australia and Brazil are responsible for placing on the international market 52% of the iron ore consumed worldwide. Australia contributes 27% and Brazil 25%, with its major supplier being CVRD, which in 1994 exported 69 million tons of the mineral. This comes from the Carajás mining complex, considered to be the world's largest mining province.

In addition, Brazil has the world's third largest reserves of bauxite and aluminum, with 3.8 billion tons, of which

3.75 billion, or 98%, are found in the Amazonian subsoil. CVRD controls 3.23 billion tons.

Pillar of economic sovereignty

Companhia Vale do Rio Doce was founded in 1942, a twin of the National Steel Company. They were the first two state-run infrastructure companies in Brazil, conceived of as pillars of the state's economic sovereignty. Diverse political currents have joined together in defending CVRD, constituting a legitimate national movement, including sectors of the Armed Forces, businessmen, the Catholic Church, political parties, and prominent personalities.

On Nov. 19, several former Presidents and other prominent figures, among them former President and current head of the Senate, José Sarney, former President and current ambassador to the Organization of American States, Itamar Franco, and former Vice President Aureliano Chavez, issued a manifesto entitled "Vale do Rio Doce and the National Interest," stating:

"Vale cost Brazilians more than just financial investments. It was created through agreements with Washington which established Brazil's participation in the Second World War," and "there is no argument which justifies the transfer of its controlling stock, as the president of BNDES [National Bank for Economic and Social Development] admitted in announcing the plan to sell it. . . . Vale do Rio Doce is a political and technological conquest of Brazilians. Its [mineral] deposits are its primary patrimony."

The movement's organizers are now circulating the manifesto for signatures, and by early this month they will have become a nationwide, supra-party movement to coordinate the offensive against CVRD's privatization.

The Armed Forces and the Amazon

On Nov. 21, former Army Minister Gen. Leonidas Pires Gonçalvez, one of the most influential retired officers within the Army's high command, signed the manifesto, warning that selling Vale could damage Brazil's sovereignty. "I know the region like the palm of my hand, and I know it is an object of international greed," the general said. It is "the last pillar of our nationality; we must flood the Amazon with civilization."

Brazil's most important military publication *Ombro a Ombro* vehemently defended CVRD in its November editorial. The newspaper asked how it were possible to defend national interests in the Amazon, while at the same time handing over such a strategic enterprise as Vale to foreign cartels. The defense of CVRD must be the centerpiece of a campaign to defend the nation-state, *Ombro a Ombro* said, calling for a broad national mobilization "above any ideological division or divergence." The editorial asked that the Military Club of reserve officers assume leadership of the national movement to defend Vale, recalling the Military

Club's role in the 1950s when it led the civic-military movement which resulted in the creation of Petrobras, the state-owned oil firm.

The Armed Forces have previously demonstrated their discontent with CVRD's privatization. Last Aug. 15, Luiz Carlos Mendoça de Barros, the director of the National Bank for Economic and Social Development (BNDES), the state bank which is managing Brazil's privatizations, spoke at the Superior War College on the alleged benefits that Vale's privatization would bring the country. He complained to reporters afterward of resistance to the plan. "I confess I had no idea that the nationalism of the Armed Forces were so strong."

As a high-level Army officer told *EIR*, as far as the Armed Forces is concerned, the Amazon doesn't just belong to Brazil—it is Brazil. Anglo-American pressures on the region are great, having intensified especially during the 1988-92 government of U.S. President George Bush and his New World Order, and culminating with the creation of the Yanomami Indian reserve decreed by Brazilian President Fernando Collor de Mello, whom Bush called "my kind of guy." For these reasons, the Armed Forces are now on alert, monitoring any movement aimed at penetrating or internationalizing the Amazon.

This was evident last October at the Third National Strategic Studies Conference organized by the Superior War

Huge mineral reserves

The Companhia Vale do Rio Doce is the largest steel producer in the world, yielding nearly 25% of world production and with reserves of high-quality iron ore expected to last at least 200 years at current production levels. In addition to this, the company controls 98% of national reserves and 14% of world reserves of bauxite, key to the production of aluminum, as well as more than 90% of Brazilian reserves of manganese, of which the country is the world's third largest producer.

These figures, which do not reflect significant reserves of other minerals, such as titanium, copper, gold, and nickel, give some idea of the importance CVRD holds for the oligarchic Club of the Isles.

Companies belonging to the British Empire, among which are Anglo American and Rio Tinto Zinc (RTZ), control 59.5% of world gold production, 40% of nickel production, 25% of copper production, 21% of steel reserves, 42% of manganese reserves, and 47% of titanium reserves.

College, which included a panel on "The Amazon and Poles of Power." Gen. Leonidas Pires Gonçalvez, a participant, affirmed, "We must defend our sovereignty and independence. We've invented a wave of pacifism, when now is the time to fight." Also participating were the best-known specialists on the Amazon region. Air Force Lt. Col. Marcus Vinicius Belfort Texeira harshly attacked the creation of the Yanomami Indian reserve, and named the enemies of Brazilian sovereignty behind it, prominently including the non-governmental organizations (NGOs).

The movement to defend Vale is also a vehicle for channelling discontent with other aspects of Fernando Henrique Cardoso's demilitarization policies, particularly his insistence on subjecting the Armed Forces to so-called civilian authority, and his cooperation with the NGO international apparatus and the British-run ecology movement.

The nationalist mobilization has caused such fear among Anglo-American ranks that some of the Bush crowd's spokesman have had to show their faces more publicly. For example, Colonel Jarbas Passarinho (ret.), the former justice minister in the Collor de Mello government responsible for the signing of the Presidential decree creating the Yanomami reserve, penned an article in *O Estado de São Paulo* entitled "Nationalism Has Returned."

In a vain attempt to ridicule nationalist military demonstrations, characterizing them as diatribes, Jarbas instead tightened the noose around his own neck. Justifying his signature on the decree and denying that he has been a tool of Collor de Mello's desires, he stated, "In all fairness, I received not even a hint of pressure from the President, nor any reference to his meeting in the United States with then-President Bush. It is my conviction that he was not submitting to foreign orders."

The present Cardoso government has reacted nervously to the national movement against Vale's privatization. Cardoso's anxiety is undoubtedly related to the difficulties he's having in meeting his commitments to the British Crown, given that the latter has planned to have the Brazilian President knighted when he visits England next year, as Queen Elizabeth herself announced recently.

Cardoso is currently touring Africa, visiting Angola and South Africa. While in South Africa, he is hoping to ratify agreements for CVRD's privatization with representatives of the world's most powerful mining companies, which form part of the select Club of the Isles, the economic power behind the British throne.

Before the Presidential trip, Brazil's *Jornal do Comércio* commented that during the South Africa portion of the visit, Cardoso and his entourage were hoping to meet with representatives of mining giant Anglo American, to discuss CVRD's future. According to the Brazilian media, the person who ended up meeting with Anglo American's representatives in South Africa was CVRD President Francisco Schettino.

Bush to Ibero-America: 'I'm in charge here'

by Gretchen Small

Sir George Bush's Nov. 20-25, five-nation tour of Ibero-America, bankrolled by his current piggy-bank, the Rev. Sun Myung Moon, was an Al Haig-style routine. In each of his incoherent speeches, Bush delivered a two-part message: creation of a Western Hemisphere Free Trade Accord (WHFTA), which he had set into motion as President, must be made the number-one priority of the region; and, that, ready to lead that program into the next millennium, are Bush's sons, the politicians of the future in the United States, with whom people will have to deal.

Here was a post-election power play, indeed. Bush, under investigation at home for his role in directing the secret government's arms- and cocaine-trafficking apparatus in the 1980s, flew off to Ibero-America to line up foreign assets, crush national opposition to the destruction wreaked by the British free trade he champions, and, while at it, put a stop to the Clinton administration's anti-drug offensive in Ibero-America.

Bush was received by the Presidents of Venezuela, Brazil, and Peru, and he was even housed as a guest in the home of Argentina's President Carlos Menem. They, along with hundreds of Venezuela's oil and business elite, São Paulo businessmen, would-be prominent Limeños, and Argentines eager to be seen hobnobbing with Reverend Moon, were told to forget President Bill Clinton; his unfortunate second term will be but a brief interruption of the Bush dynasty, and its march toward a new world order.

Not that all went well for the former President. In every country, he was greeted by advertisements and press articles denouncing him, and his piggy-bank, Moon, for their various crimes, from destroying Iraq and Panama, to trafficking cocaine and arms. By the end of his trip, Bush appeared to have become unglued by the opposition, as he had Peruvian police arrest three Ibero-American Solidarity Movement organizers, for leafletting against his presence, using material from *EIR!*

The 'Bush dynasty'

Bush's "Bush dynasty" rap began from the first event of the trip, a well-paid chat to a conference organized by the educational institute of Venezuela's state oil company, Petroleos de Venezuela. Bush charged that President Clinton had put only talk, not action, behind the expansion of the North American Free Trade Agreement (NAFTA) to include other nations. "You've got to go to the Congress and fight for