Brazil's unresolved energy dilemma

Including an exclusive interview with the head of Petrobras

Brazil is a rarity among developing nations. It is simultaneously the site of Latin America's most technologically advanced and most retrograde energy-production programs.

On the basis of a model transfer-of-technology agreement with the government of West Germany, Brazil is now well on its way towards the contruction of its first nuclear fission reactor, which will shortly be complemented by the Third World's first complete nuclear fuel reprocessing center. But the Brazilian government has simultaneously embarked on a labor-destructive, economically inefficient project to replace oil with "gasohol," alcohol produced from sugar cane.

Although many Brazilian politicians would vigorously deny it, these two energy programs are entirely contradictory, and imply two distinct, irreconcilable strategies of economic development for that nation. In the next three months, Brazil will be forced to choose which of these strategies it will follow over the coming years.

On Oct. 15, 1978, General Joao Baptista Figueiredo was elected to replace General Ernesto Geisel as President of Brazil, and on March 15 he will be inaugurated. The intervening five months are already being characterized by intense factional battles and negotiations to seize and then hold the key policy-making positions around the President. The battle is on between those who favor using nuclear energy to convert Brazil into an industrial giant, on the one hand, and those who prefer labor-intensive agricultural export projects on the other. The first would be a boom market for U.S. capital goods exporters; the latter an autarchic wreck of an economy headed toward total collapse.

Brazilian "Grandeza"

Although Figueiredo has already indicated his preferences by declaring that "agriculture will receive top priority" in his administration, Brazil's Vice-President-elect, Aureliano Chaves, is widely being viewed as an "inside man" for the industrial faction. Chaves himself was previously governor of the state of Minas Gerais, and earned a reputation for building up basic industry there during his term.

Under the Geisel administration (1974-78), an entire stratum of prodevelopment industrialists, nationalist military men, and party politicians formed a loose factional alliance based on their common commitment to *nation-building*. They wisely chose to interpret the oft-quoted drive for *"grandeza brasileira"* (Brazilian grandeur) as signifying the *industrial* aggrandizement of their nation. And they have made defense of the Brazilian-West German nuclear deal their rallying cry, violently rejecting the Carter Administration's misguided efforts to sabotage that accord.

In foreign policy, their "pragmatic" views of diversifying economic and diplomatic relations have been reflected in Foreign Minister Da Silveira's strategy of pursuing openings to the European Monetary System and Europe in general, and in his successful policy of establishing strong ties to Black Africa and the oil-producing Arab nations.

Domestically, this faction has fought to defend the powerful Brazilian state-sector industries, such as the national oil company Petrobras, from monetarist attack. And at their best, they have attempted to reverse Brazil's destructive, low-wage labor policies, which have driven whole areas of the country — in particular the impoverished northeast — to the brink of virtual starvation. The most significant step in this regard was taken by the "Group of Eight" Sao Paulo industrialists in a June 25, 1978 policy statement, which called for "measured increases of real wages" along with "moving toward an advanced industrial stage (of development) that must be based on a capital goods industry. . . ."

As one Brazilian banker summarized at the time: "The importance of the Document of the Eight is that it is a response to a Mao Tse-tung faction that wants to reduce investment and consumption in order to combat inflation, forgetting that we have to continue growing (economically) whatever the price."

Soy, sorghum, and sugar

It is this "Maoist" faction in Brazil that is trying to stop the nuclear deal with West Germany, and which favors nonsensical "biomass" alternatives like the "gasohol" scheme. To give some idea of the social costs involved: it would take over 400,000 peasants farming sugar cane on 2 million hectares of land to provide as much energy as will be provided by 100 skilled workers manning only two of Brazil's slated eight nuclear plants. And the efficiency of conversion of solar energy into "gasohol," through the growing and processing of sugar cane, is a pathetic 0.23 percent.

Defenders of the "gasohol" program argue that its labor-intensive nature is actually one of its major advantages, and that, unlike nuclear energy or even oil imports, it requires no foreign exchange. This is a powerful argument in Brazil, which has a total foreign debt of $40 billion and a staggering yearly debt service burden of $9 billion, to the point that even nuclear energy's supporters find themselves agreeing that the backwards "gasohol" program can contribute to meeting the nation's energy needs. The far more rational solution, of favorably renegotiating Brazil's debt in order to eliminate the foreign exchange obstacle to capital-intensive programs, is all too rarely discussed in public.

The institutions that hold most of Brazil's $40 billion in foreign debt — the World Bank, the International Monetary Fund, and City of London and Wall street commercial banks — are united in their insistence that Brazil forget its industrialization plans, and concentrate instead on repaying its enormous debt. Brazil, they insist, must become a giant agro-exporter, turning the bulk of its 120 million population into low-skilled peasant laborers producing coffee, soy, sorghum, and sugar cane for export to the world market.

These agencies have their allies and spokesmen within Brazilian politics, who at the moment hold sway over the incoming Figueiredo administration.

The key figure for the coming six-year term will *not* be President Figueiredo, but rather the eminence grise of his candidacy, the aging General Golbery do Couto e Silva. Golbery, himself a protege of the anglophile ex-Deputy Director of the CIA, Vernon Walters — U.S. military attache in Brazil in the 1960's — has to date been identified with a "geopolitical" interpretation of "grandeza brasileira" that is modeled on British neo-colonial expansionism. Golbery, however, is also widely considered to be one of the wiliest politicians in Brazil, who may well shift his "geopolitical" alignments in view of the growing ascendancy of the prodevelopment European Monetary System over the failing IMF and World Bank.

Persistent rumors in the Brazilian press indicate that Golbery will select for himself the position of Planning Minister in the Figueiredo Administration, a post he will mold into that of a virtual Prime Minister, and from which he will dictate the economic and foreign policies of the nation. Golbery is reported to favor Brazil's current Ambassador to London, Roberto Campos, for the Foreign Ministry, and wants to put the notorious Delfim Neto — a self-proclaimed Fabian socialist and Finance Minister during the 1967-74 period of labor destruction — into the crucial position of Agricultural Minister, from whence he would oversee the conversion of Brazil into a "Maoist" plantation.

Under such circumstances, it would only be a matter of time before the West German-Brazilian nuclear accord is jettisoned, and Brazil, the largest nation in Latin America, reduced to a third-rate economic and political power. No one in the Carter Administration is saying how they expect Brazil to continue its current process of "democratization" under such conditions.

— *Dennis Small*

Petrobras's Araken de on the energy future

The President of Petrobras, General Araken de Oliveira [ret.], talked with Executive Intelligence Review's *Dennis Small and Joao Carlos de Almeida on Dec. 7 at the Brazilian oil company's New York City offices. Here is the text of their discussion.*

EXCLUSIVE INTERVIEW

EIR: What are Brazil's present energy problems? In particular, what difficulties does Brazil face, especially since the beginning of the oil crisis, and which energy sources is Brazil studying?

de Oliveira: After the 1973 Middle East crisis, Brazil faced a balance of payments problem because oil prices increased practically tenfold between 1968 and 1974. The last increases in late 1973 and early 1974 were the biggest. These had a direct effect on the country's balance of payments — 25 percent of our foreign exchange was spent on oil payments. As a result, within our energy balance, a greater national effort was needed to liberate ourselves as much as possible from dependency on oil imports in particular, but more generally on the energy we must import to fill out our energy needs.

Brazil's energy balance has some unique characteristics. Around 30 percent of our energy comes from hydroelectric power, 40 percent from oil, and 22 percent from firewood, charcoal, and sugar cane bagasse. Since the country is a major sugar producer, the sugar mills use the cane fibers for fuel. While other countries don't even compute wood and cane in their energy balance, Brazil has to, because they are a significant portion — 22 percent. The remainder of our energy comes from coal, part of which is imported. Brazilian coal supplies 10 to 20 percent of the coking coal needed by our steel industry.

Thus, starting in 1973, what did we seek? To decrease this external dependency which, discounting the 17 percent of oil needs produced in Brazil and the 3 percent of coal needs supplied locally, left us in 1976 with the need to import 40 percent of our energy.

On the other hand, the country does not want to stop its development. Since this development lies, above all, in industrialization, the country needs more energy. And this development — given the needs of transport and industry — has to have petroleum.

To reduce external dependency and permit greater energy consumption to sustain development, we are