Report from Rio by Silvia Palacios

'The issue is oil'

Even government spokesmen admit that the privatization scheme is Kissinger's old debt-for-equity grab, with a new twist.

Brazil's privatization program constitutes such an overt assault on national sovereignty and so openly favors creditor banks and other foreign agencies, that within days of its being launched officially, even Vice President Itamar Franco attacked it.

While President Fernando Collor de Mello was in Europe on official business, *Folha de São Paulo* published an interview with Itamar Franco on June 6, in which the vice president affirmed, "I have my own ideas," and added that the proposed sale of of the large steel complex Usiminas "will hurt" the economy of the state where it is located. "I would favor the move," he continued, "if local businessmen and the workers could control the company."

These statements exemplify the widespread rejection of the model which the government is using to sell off the first company in its privatization program, the profitable Usiminas. The gigantic concern, which produces 40% of national steel production, and exports $500 million worth of steel annually, was assessed for sale at the dirt-cheap value of $1.5 billion.

This reaction to the auctioning of state sector companies is the least of it, however. On May 17, Eduardo Modiano, president of the National Economic and Social Development Bank (BNDES), who is also coordinator of the privatization program, admitted to foreign journalists in a Rio de Janeiro press conference that the program, whose first phase will sell off 26 companies, starting with Usiminas, is nothing other than former Secretary of State Henry Kissinger's old debt-for-equity plan, presented at the 1983 Council of the Americas meeting in Vail, Colorado and later incorporated into George Bush's Enterprise for the Americas plan.

When *EIR* asked Modiano whether plans to privatize companies like the state oil concern Petrobras, or the strategically important telecommunications company Embratel, weren't being mentioned for the moment for "tactical reasons," Modiano responded sharply, "Yes, it is a political tactic not to discuss this for now . . . because if we were to begin talking about the state oil monopoly, we'd end up not privatizing anything." He added that "the government's project [the National Reconstruction Project], sent recently to the Congress, includes six constitutional amendments putting an end to the state oil and telecommunications monopolies."

Brazil's Constitution protects the existence of these two strategically vital sectors, both of which are considered to represent the country's economic sovereignty. Defense of these sectors has served to unite diverse political forces, from both civilian and military arenas.

Asked again by *EIR* whether the Collor government's plan to swap debt for equity in state-sector companies was the same plan designed by Kissinger, Modiano replied: "Each country pays its debt in whatever way it can; that's what we're doing." He explained that this would provide the means to assemble funds to be used exclusively to "reduce the public debt, both domestic and foreign . . . and not one penny will go for new investment." In fact, Modiano concluded, Brazil's is "a fine program for swapping foreign debt for equity in companies."

Currently Kissinger Associates, Inc., the former secretary of state's consulting firm which is taking the lead in ensuring that privatizations go forward in Ibero-America, especially in the oil sector, is going to great lengths to ensure that control over hemispheric oil reserves remains in the hands of the U.S. and George Bush's new world order.

Kissinger Associates President Alan Stoga recently told a reporter that "the real issue in the Enterprise for the Americas program is oil." The U.S. should guarantee its supply from within the hemisphere, he said, from Mexico and Venezuela. Obviously, the U.S. will consider other options as well. Stoga mentioned, for example, the recent decision to explore Antarctica.

Kissinger and the Bush administration's desires to grab resources like oil are compatible with those of the Brazilian privatization team. They openly assert that they want to dismantle the entire state sector and add, "we're seeking the privatization of the future."

Moreover, they are quite clear that they are handing real wealth over to foreign groups, such as those which control the world's oil monopoly. In discussing the privatization of the petrochemical sector, which will begin with the Petroquisa conglomerate which refines oil owned by Petrobras, the BNDES director in charge of that sector revealed that the company which evaluates the privatization procedure is linked the Rothschild Bank, i.e., to the interests of the Anglo-Dutch oil company, Royal Dutch Shell.