

interest to both countries, since that was the content of discussions during the visit of our President Geisel to West Germany. It will surely be matters of economic development which affect both countries. Of course, nuclear technology has costs, and we are also interested in minimizing the effects on our balance of payments. Thus it will be an exchange of ideas and opinions of an economic character.

EIR: The European Monetary Fund was set up in Europe just two days ago. This is an agreement of — up to now — six European countries to form a European monetary and political union based on the political and economic concepts of its creators, Helmut Schmidt and Giscard d'Estaing. One of the greatest problems for Brazilian development is obtaining sufficient credit to be able to develop high-technology processes in hydroelectricity, nuclear and petroleum energy. Does the government of Brazil have a position or an interpretation regarding the European Monetary Fund, and do you foresee possibilities of it serving as a positive source of financial agreements? How do you see the broader question of diversification of markets, not only for exports and imports, but also the market of finance capital?

de Oliveira: Our country lacks capital. An enterprise like Petrobras has had, up to now, the capacity to raise the capital needed for its programs, for its own exploration program and the exploration by the companies. And beyond this, we have programs set by the government. We have a development program to make us self-sufficient in nitrogenous fertilizers, and for this Petrobras opened up credit lines with the World Bank, the Interamerican Development Bank, French cooperative banks, and so on. You can see that the government has the right image to obtain credit, since Petrobras — an element of the government — has credit-worthiness.

Naturally we need such capital because we are interested in developing technology inside the country, in being able to create our own technology. We are interested in road, railroad, and urban mass transit plans because we lost a lot of time when oil was cheap and abundant. And when this was the case no projects were presented at any level that didn't use a petroleum product as its energy source. Petrochemical industries, of course, had to use petroleum, but other industries, such as capital goods, were designed to burn fuel oil and diesel oil.

Nuclear energy is not the only energy source we are developing. We are working on using Rio Grande do Sul coal at the mine head, so we don't have to transport the 35 percent cinder content. We are constructing coal gasification plants on site and using the gas for petrochemical products like ammonia and urea. In Santa Catalina, depending on capitalization decisions, we will probably have an iron ore reduction plant using coal gas to produce pellets or sponge iron for us to export instead of just plain ore. Further north, in Parana, we have a large shale oil belt which runs all the way south from Sao Paulo to Rio Grande do Sul. Petrobras is developing technology to extract oil from the shale. Even though the cost (\$17

per barrel) is slightly higher than that of imported oil, it wouldn't waste foreign exchange; and I think that by the time this unit is on stream at the end of 1982 or beginning of 1983, oil will already be at that price.

In addition, another energy source being put into production is alcohol, from sugar cane and from manioc.

All this has one purpose — to rectify our energy balance and decide what we will use of hydroelectric, coal, oil, et cetera, so that our energy balance becomes less dependent on imports. The goal of doing all this is so that four years from now, we can move to a model of energy balance which is more desirable for the economy of our country.

On Mexico's oil discoveries

EIR: Mexico has just discovered enormous oil reserves. I understand that you passed through Caracas, Mexico City, and Houston on your way to New York, and I believe that you spoke with your colleagues, General Alfonso Ravard in Venezuela and Jorge Diaz Serrano in Mexico. I would like you to comment on the Mexican discoveries, on what they imply for Latin American energy policy, and if there are plans for Brazilian pur-

Petrobras of Brazil—

Petroleo Brasileiro S.A., or Petrobras, the Brazilian national oil company, is the cornerstone of the nation-building tendency in Latin America's biggest country. It is the 21st biggest corporation outside the United States, with assets of \$9 billion and annual sales of the same magnitude.

The early history of Petrobras reflects the vicissitudes of Brazilian politics.

Getulio Vargas won the presidency of Brazil in 1951 with the help of his nationalist slogan, "*O petroleo e nosso*" (The oil is ours). The idea of national control over petroleum took root, even with the opposition party, and Petrobras was created as the national monopoly over domestic oil production in 1953. There have been several efforts during the last quarter-century to weaken or even break up Petrobras, but the trend has been for it to take on ever-increasing responsibility for national development.

President Joao Goulart nationalized private oil refineries and handed them over to Petrobras at a mass rally only three weeks before he was overthrown in March 1964. While the armed forces, which took over the government in 1964, sharply shifted attitudes toward foreign investment in other sectors, most officers consider national control over petroleum a strategic imperative.

General Ernesto Geisel, now completing his term as President of Brazil, served as president of Petrobras from 1969 to 1974. Under his leadership, Petrobras changed from being a rather passive company, im-

chases or cooperation with Mexico. Could you also comment on Mexico's plans to use its energy resources to import capital goods so that, as stated by President Lopez Portillo, Mexico will become an advanced country in the 21st century.

de Oliveira: The data shown us really give Mexico a very great potential to develop her reserves. They export about 470,000 barrels per day today, and as a result of those exports are very rapidly building nitrogenous fertilizer plants; they also have a great plan to use the fertilizer to develop agriculture. They have two plants going and three 1,500-ton ammonia plants being built simultaneously. They are building ammonia pipelines to distribute this fertilizer. This is a very far-reaching program for the development of the country. They are also building natural-gas-fed petrochemical complexes, which is really the best raw material, the cheapest one for petrochemical production.

As far as Brazilian-Mexican commercial unity is concerned, we have bought some ammonia from them; we have a petrochemical agreement to exchange surpluses of specific chemicals, since we already have two

cornerstone of nation-building

porting oil from the multinational oil giants while pumping out a few fields in Northeast Brazil, into the dynamic giant of today. An example of the way Geisel broke the old rules was Petrobras's direct purchase arrangement with the Iraqi state oil company, concluded in 1969, when the Seven Sisters had an effective international boycott against Iraq in reprisal for its oil nationalization. The Brazilian deal smashed the embargo.

Geisel followed up what turned out to be a lucrative deal from the Brazilian standpoint with similar agreements with other OPEC members. In 1972, Geisel launched Braspetro, a Petrobras subsidiary which has made major oil strikes in Colombia, Algeria, and Iraq and is also prospecting in Libya and Iran.

The Geisel Administration has made closer relations with the oil-producing nations, and with the Third World in general, a primary objective. General Araken de Oliveira, who has headed Petrobras during the Geisel presidency, has taken important initiatives of his own. Rather than accept depressionary cutbacks in oil imports to meet balance of payments problems, Petrobras spun off a trading company, Interbras, whose role has been to place Brazilian exports in new markets, especially through two-way deals with oil-supplying nations and the socialist countries. Petrobras is also busy producing petrochemicals and fertilizer to help raise Brazilian agricultural production levels.

petrochemical poles in Brazil and are building a third. And we have already signed a contract to buy Mexican oil starting in 1980.

Right now, the problem is with one of the products we could place in Mexico and which would be very useful for us — iron ore pellets. They need it for their steel program, since they still import iron ore. However, the (Mexican) ports are still too small. There is no way at the moment to send ships of iron ore there and have them return filled with oil. We can bring oil from Mexico on ships of 150,000 tons since they have set up floating oil buoys just outside the port where you can operate efficiently. But what we want, to minimize shipping costs, is to fill the ships both ways, and they are constructing a new terminal which will make this possible, at a location called Dos Bocas.

With Venezuela we have signed a contract to buy around 30,000 barrels (of crude oil per day — ed.), which will be increased to 50,000 barrels when the increment becomes available in March of 1979. All of our efforts are within the goal of interchange, of helping each other and minimizing the effects of buying because we are also selling.

EIR: And your Houston stop?

de Oliveira: During my recent stay in Houston, Texas, I had the opportunity to talk with a number of American businessmen. All of them were very interested in the development of Brazil, and were willing to do whatever is necessary for that to happen.

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