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Brazil: Reaction To Plans For Privatizing Petrobras

by Barbara Khol

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On Jan. 23, Ernesto Teixeira Weber, president of the state-run oil conglomerate Petrobras, told reporters that long-term plans for the company include an end to the government's monopoly in several areas of oil exploration, processing and distribution. He said the government plans to eventually privatize (e.g., offer concessions, among other options) transport, refining, and crude oil import activities currently the exclusive terrain of Petrobras. (See Chronicle 01/16/92 for previous coverage of government plans.) Petrobras was created 39 years ago during the administration of populist president Getulio Vargas. At present, the company ranks as Latin America's second-largest (annual sales receipts). The company produces 720,000 barrels per day, equivalent to 60% of domestic consumption, and plans are underway to achieve oil self-sufficiency within the next two or three years. Petrobras is recognized as a pioneer world-wide in offshore drilling technology and logistics. The company also manages the distillation and distribution of alcohol fuel for over 4 million vehicles. On Jan. 24, Deputy Vivaldo Barbosa called Teixeira's announcement and government plans for privatizing components of Petrobras "silly." Barbosa is a leader of the Democratic Labor Party, headed by Rio de Janeiro state governor Leonel Brizola. According to Barbosa, Teixeira and others forget that the constitution specifies that petroleum resources are the exclusive domain of the government. Local media sources reported that politicians and Petrobras employees expressed incredulity and immediate opposition to the privatization idea. Sen. Josephat Marinho, of the conservative Liberal Front Party, said, "The directives of Petrobras cannot be grounded on the idea of privatization. A constitutional amendment would be mandatory." Petrobras engineer and oil worker unions are skeptical about the viability of the government's plans. Hildebrando Gonzales, leader of the Engineers Association, said, "A specialized company would have to be contracted to examine all possible scenarios, mainly in terms of long-term planning... [B]ut to believe that the national congress will be agreeable [to privatization of Petrobras] is dubious at best." (Basic data from Spanish news service EFE, 01/23/92, 01/24/92)

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