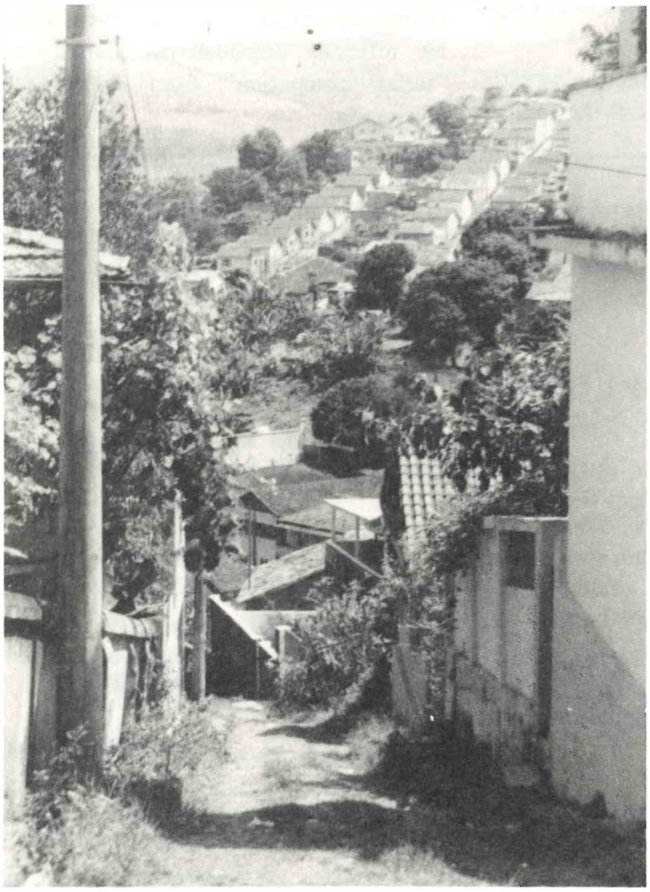
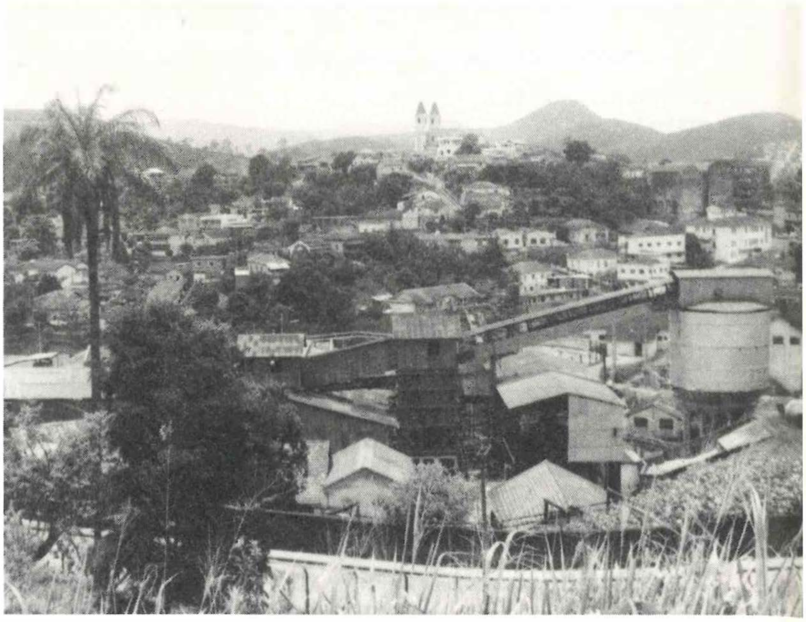
Old miner Militao in front of the cooperative, now closed (above). Street of Nova Lima with miners' house in the back.





Nova Lima in February 1984.
General view of the plant and town (top).
Frame of the men who created the union of Morro Velho (middle).
Mayor of Nova Lima with secretary and assistant (bottom).

COMPANY REPORT

Anglo American in Brazil

By David Fig
Photos by Jean-Pierre Euger

Anglo American Corporation of South Africa is one of the most powerful mining TNCs in the world.
In the early 1970s the company developed a new investment strategy aimed at diversification outside South Africa.
David Fig has recently visited Brazil to analyse Anglo activities in that country and in particular the Morro Velho gold mine, one of Anglo's major investments in Latin America.

David Fig is a researcher and journalist working with the International Labour Research and Information Group in Cape Town, South Africa.

Prior to the enormous diversification of the Anglo American Corporation's empire in the 1970s, it was essentially a mining finance house based on Southern African gold and diamonds, and Zambian copper. Yet its international entanglements had been present from the start of its operations in 1917. Not only was it founded on the basis of foreign capital investment, reflected in the very name of the corporation, but it was to develop a monopoly position in the worldwide marketing of diamonds.

Wherever diamonds were discovered, the interests of the Anglo empire were aroused. The Oppenheimer family took an almost proprietorial interest in diamonds. Founder of Anglo, Sir Ernest Oppenheimer had started his career on the Kimberley diamond fields, had risen to the chairmanship of De Beers Consolidated, had acquired major holdings in southern Namibia after the South African conquest, and had set up the Central Selling Organisation as the marketing arm of De Beers and the world diamond industry as a whole. Anglo executives have frequent contact with the Soviet Union whose diamonds are also marketed by the CSO. Whilst Harry Oppenheimer, who replaced his father, has now stepped down as chairman of the Anglo American Corporation, he still retains his position as chairman of De Beers.

One of the strategies which the Anglo American Corporation developed in the early 1970s was that of geographical diversification, particularly into areas where costs were substantially lower than those in South Africa. A further consideration was the potentially volatile political situation in the Corporation's base country and the long term uncertainty over South Africa's future. Harry Oppenheimer, then still chairman, had long been associated with liberalism and advocated the need for social transformation as the best guarantor of the survival of monopoly capital in South Africa. Yet because the pace of change was negligible, the Corporation adjudged that the further the risks could be spread, the better.

The Anglo American strategy in Brasil

A number of factors were instrumental in Anglo's serious consideration of a Brazilian investment. The need to *maintain a global monopoly in controlling the diamond market* was one such factor. Therefore Anglo, through De Beers, had an automatic interest in securing an interest in any significant new diamond finds. In the case of Brazil, prospecting in the late 1960s was beginning to bear fruit in the early seventies. The military regime which took over the country in 1964 was also keen to stimulate foreign investment in the minerals sector.

To maintain the support of the indigenous bourgeoisie, the military government was loathe to allow majority ownership by foreign-based companies. But in many cases local capitalists were unable to raise sufficient finance to expand operations; in other cases external participation was seen as a useful way of acquiring advanced technology.

The main incentive for Anglo's entry into Brazil was a clear approach received by a Brazilian industrialist for participation in a diamond prospecting company. Prior to the Kimberley discoveries in the 1860s, Brazil had been the major source of the world's diamonds ranging back to the eighteenth century. Production had all but ceased by the time of the Kimberley discoveries, but changes in technology supported new possibilities for the economic viability of Brazilian alluvial diamonds in the late twentieth century.

To sustain its monopoly on the world market, the Brazilian offer was one which could not be refused. It came from an entrepreneur, Agosto Azevedo Antunes, Brazil's leading private mining financier. Dr Antunes, trained as a mining engineer, had previously been engaged in joint ventures with large US metals and mining corporations such as Bethlehem Steel and Hanna Mining.

His approach to Anglo was sufficiently interesting for the corporation, since it reasoned that the deal would give it a foothold in Brazil and access to local expertise in the legal, financial and fiscal spheres.

Further, Brazil seemed *an attractive destination for new investment compared to some of the other possibilities under consideration at the time.* Restrictive measures in the USA, Australia (then under the Whitlam Labor government) and Canada, coupled with the difficulties experienced in Africa, caused Anglo to regard Brazil with relative optimism. Wages were low, taxes moderate, after-tax profits repatriable and, unlike in Africa, there was a pool of labour with the requisite mining skills. An Anglo executive also pointed to the relative political stability in Brazil after 1964, expressing the view that 1973 marked the "peak of the Revolution (i e military rule) in terms of control of inflation".[1]

Yet the factor which clinched Anglo's entry into Brazil was ultimately the opportunity it obtained *to purchase existing and potential gold mines.*

The formation of a Brazilian subsidiary

One of the constraints under which the world gold mining industry operated in the middle third of the century (1934–69) was the constant price of gold, established at 35 USD an ounce on the world market. With the rise in fixed costs and the rapid inflation of the latter half of the 1960s, South Africa's gold mining industry was flung into crisis. Forecasters anticipated that the industry might collapse entirely during the 1970s, if the world price for gold remained intact.

As one of the principal mining finance houses and as the owner and operator of numerous gold mines in South Africa, many of which were low-grade producers and hence under risk, Anglo felt the imperative to diversify its holdings geographically. Given the fiscal restrictions operating elsewhere, and the welcome provided to transnationals on the part of its government, Brazil was no longer worth ignoring. Interesting investment possibilities were soon to reveal themselves.

Thus after a detailed six month feasibility study, focusing on the technical financial and legal dimensions of a potential investment, in 1973 the Corporation established a subsidiary in Rio de Janeiro, the *Anglo American Corporation do Brasil – Administracao, Participacao e Comércio em Empreendimentos Mineiros – Limitada,* known familiarly as *Ambrás.* This was to become the holding group for most of the Anglo group's Brazilian assets.

Anglo sought to gain maximum advantage from the Brazilian government's partiality to denationalising the country's mining sector. It also took advantage of the fact that Portuguese nationals were allowed the same rights as Brazilian citizens to act commercially, and placed Dr Mário Ferreira, a Portuguese citizen, in the chairmanship of Ambrás. Ferreira had previously headed Anglo's operations in colonial Mozambique, when the Corporation formed part of an international consortium to construct the Cabora Bassa dam on the Zambezi river in the late 1960s. At the time the project was criticised for forming part of a strategic settlement scheme promoted by the Portuguese colonial government to attract white immigrants. Ferreira was also reputed to have close links with Jorge Jardim, a Portuguese businessman involved in breaking oil sanctions against the Smith government and who later helped finance the radio station of the anti-Frelimo MNR movement.

Preoccupied with gold and diamonds, Ambrás showed an interest in prospection and the acquisition of mining investments. At the time, Brazil's gold mining industry was in the doldrums. The major mine, Morro Velho, located about 325 km due north of Rio at Nova Lima, close to the city of Belo Horizonte, had experienced a turbulent history under British control between 1830 and 1960,[2] after which it was acquired by three Brazilians for the token sum of one dollar.

Despite government subsidies, the constant gold price of the 1960s made substantial investment in the mine prohibitive for the Brazilian owners. Productivity declined rapidly, the technology was backward, and the local press exposed the dangerous and unhealthy working conditions. By 1968 a former Morro Velho superintendent declared that, 'in the four years necessary for its reconstruction, the mine has virtually been paralysed economically and it is humanly impossible to continue to work it'.[3]

Thus it was that the Brazilian owners invited Anglo to purchase a 49 per cent minority holding. Here was a chance to utilise Anglo's economic expertise, vast access to capital and anxiousness to diversify geographically out of South Africa. Morro Velho, the deepest mine in all of Latin America (2 450 m), might benefit from Anglo's considerable deep-level experience on the Witwatersrand.

Brazilian opposition to Anglo

Despite the backing of Mário Henrique Simonsen, Brazil's finance minister, and who later became Anglo's major Brazilian partner, government enthusiasm towards Anglo's entry into Brazil was tempered with apprehension on the part of a number of politicians.

Two parliamentary commissions of enquiry were established in the Chamber of Deputies at this time. One sought to examine Brazil's minerals policy and the other the role of foreign capital in the country.[4] Each had the competence to examine the Morro Velho deal, and the commission on minerals summoned one of its former Brazilian owners to give evidence. Unfortunately for the historian, the key parts of his deposition which dealt specifically with the deal have been excised from the final published report, perhaps in error. No serious critique of the deal resulted, despite the intentions of some of the commission's more nationalist deputies to limit foreign acquisition of Brazilian mineral resources.

In a similar manner, despite close questioning of witnesses, the commission on multinationals failed to tackle fully the question of the entry of South African capital into Brazil.

The Minister of Mines and Energy, Shigeaki Ueki, was crossexamined on the deal, putting forward the technological imperative as an argument for accepting the new South African presence:

> "It's really only Anglo American which has the best knowhow for exploiting gold at this depth . . . so this Brazilian group thought that this association (with Anglo) was convenient. We hope that, with this association, gold production will increase. The deal was signed a year ago (in 1975). I believe that the Brazilian group made the deal on excellent terms, because gold has since dropped in price from 200 to 130 dollars."[5]

Ueki's evidence, instead of being challenged, was entered piecemeal into the final report of the commission as part of the chairperson's summary, as if it were the considered opinion of the entire commission. No restrictions were placed on Anglo's investments.

Why was this the case? Firstly, substantial ignorance existed in Brazil at the time about the nature of Anglo American and its role in the South African and other national economies. Deputies, although critical, deferred easily to the technological pretext for approving the admission of Anglo into the most promising areas of Brazilian mining, failing to consider the political implications. Secondly, Anglo's public relations machine had excelled itself. A team of top executives visited Brazil, meeting with senior cabinet ministers such as Simonsen, Delfim Neto, and Dias Leite. The editors of the influential Rio newspapers Jornal do Brasil and O Globo (the latter being connected to the largest television network in the country) were entertained. Anglo's diamond partner, Antunes, had been helpful in smoothing the way so that overt opposition to Anglo's entry was not met.

But the coup de grace was Harry Oppenheimer's reception by President Ernesto Geisel. In the context of an authoritarian military state, this signified the automatic official acceptance of the Morro Velho deal. Ironically, whilst Oppenheimer, a direct representative of South African monopoly capital, was able to gain access to the president, it is doubtful whether Geisel would have received any senior apartheid politician. At the time he was pursuing a foreign policy which favoured close relations with African states and a posture hostile to apartheid.

The Morro Velho deal was to form the springboard for further Anglo investments in Brazil. Anglo also acquired a vast expanse of land in the interior of the north-eastern state of Bahia, close to the town of Jacobina, 1300 km from Rio. This holding, rich in gold, was later consolidated into the Morro Velho company. Capital has been thrust into both mining investments, amounting to a total of 306.8 M USD by the end of 1988. Of this figure 70 M USD has already been spent on the Jacobina mine, and 197.5 M USD is earmarked for the extention of the Morro Velho project to the nearby Cuiabá-Raposos mines. These figures were announced by Morro Velho's superintendent at a mining industry conference in May 1983.[6]

Anglo links with Brazilian capital

The relationship between Anglo and the Bozano Simonsen group has proved important to the Corporation. The link arises from the close friendship between Ambrâs president Mârio Ferreira and Júlio Bozano. Bozano's partner, Mârio Henrique Simonsen, a former finance and planning minister, received a glowing tribute in Anglo's house journal.[7] The Corporation began to announce in its annual reports an increasing shareholding in the Bozano Simonsen bank as well as in its industrial holding group. Dividends amounted to 0.7 M USD (March 1982) and 1.6 M USD (March 1983).

Ambrás also acquired 49 per cent of Companhia Siderúrgica Hime SA, a steel company belonging to the Bozano Simonsen group, in March 1980. The ostensible aim of this acquisition was to extend Anglo's investments into the metalworking field and to have a research base for prospecting non-ferrous metals. But Hime also possessed 1 per cent of Morro Velho, and in the same year, bought out Moreira Salles' Cia. Valenca de Participacoes,

Table 1

Brazilian gold production, 1978–1982 (metric tonnes)

Year	Total	Morro Velho	Opencast/Alluvial	Other
1978	8.6	3.8	4.5	0.3
1979	4.3	3.1	0.9	0.3
1980	13.8	4.0	9.6	0.2
1981	24.1	4.2	19.7	0.2
1982	33.8	4.2	29.3	0.3

Source:
Brazil, Ministry of Mines and Energy, Departamento Nacional de Producao Mineral.

which possessed the remaining 50 per cent of the capital of Morro Velho.

The new ownership pattern reinforced Anglo's control over Morro Velho, owning 49 per cent directly and a further 25 per cent (49 per cent of 51 per cent) indirectly, amounting to 74 per cent in total. The Bozano Simonsen group's holding was reduced to 26 per cent (51 per cent of 51 per cent). Valenca was subsequently absorbed and ceased to exist.

Practical objections to this situation, in effect amounting to full denationalisation, have forced the Bozano Simonsen–Anglo partnership to disguise the nature of the ownership even further. In November 1982 it was reported that the Morro Velho company was seeking finance covering 60 per cent of its expenditure on basic engineering, technology and equipment purchases from the Minas Gerais State Development Bank (BDMG), FINAME (an agency of the National Bank for Social and Economic Development) and FINEP (Finance for Studies and Projects, part of the planning ministry). The announcement was swiftly denied by FINEP, which claimed that on 14 October 1982, it unanimously rejected the company's application because BDMG had pointed out that although 51 per cent of Morro Velho's capital was owned by Brazilian nationals, nevertheless effective control of the company was in the hands of a foreign corporation. On these grounds Morro Velho was refused official financing.

The company's ownership structure has undergone some changes in order for it to appear to be, at least on paper, more obviously under national control. The present structure appears to reduce Anglo's holdings even further, but cross-holdings amount to a paper percentage of 45.4 per cent. This leaves out of account the fact that Anglo's holding company in the Americas, Minorco, through other subsidiaries in Liberia, owns significant and growing percentages of the Bozano Simonsen group and its bank.

Diagram 1: Ownership of Mineraçao Morro Velho SA, 1980

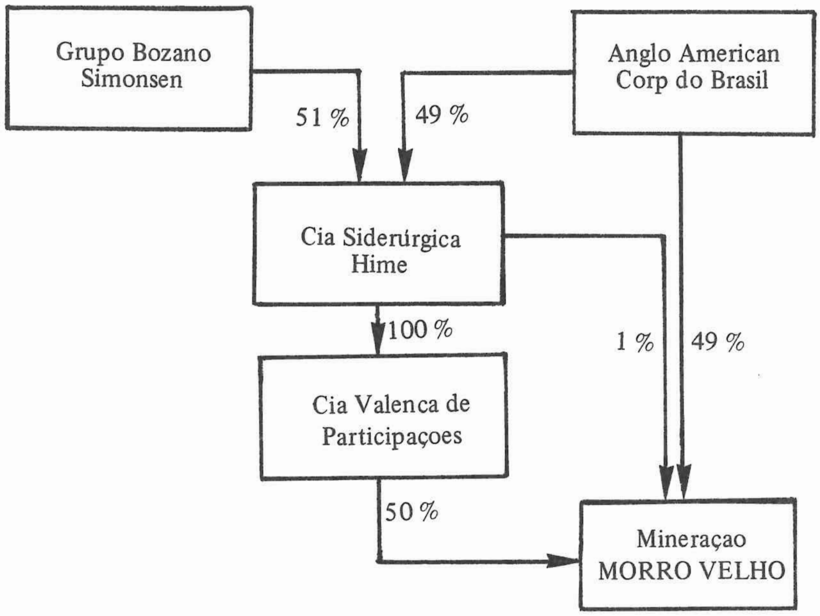
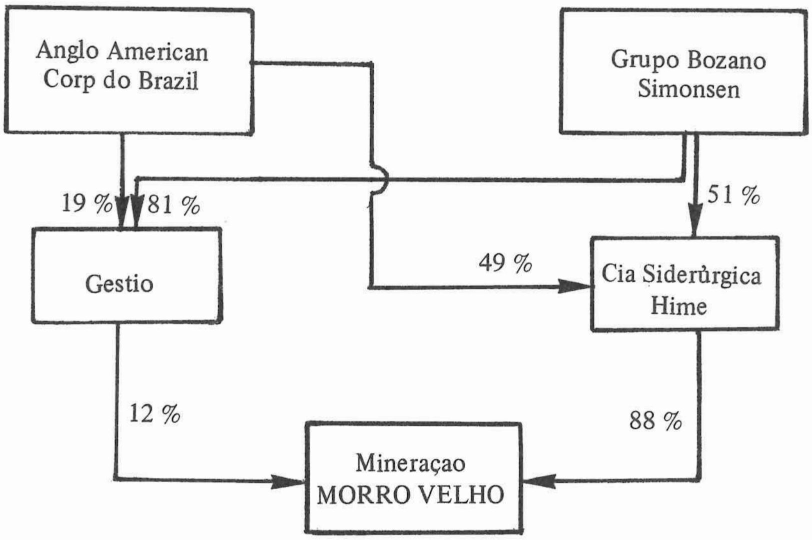
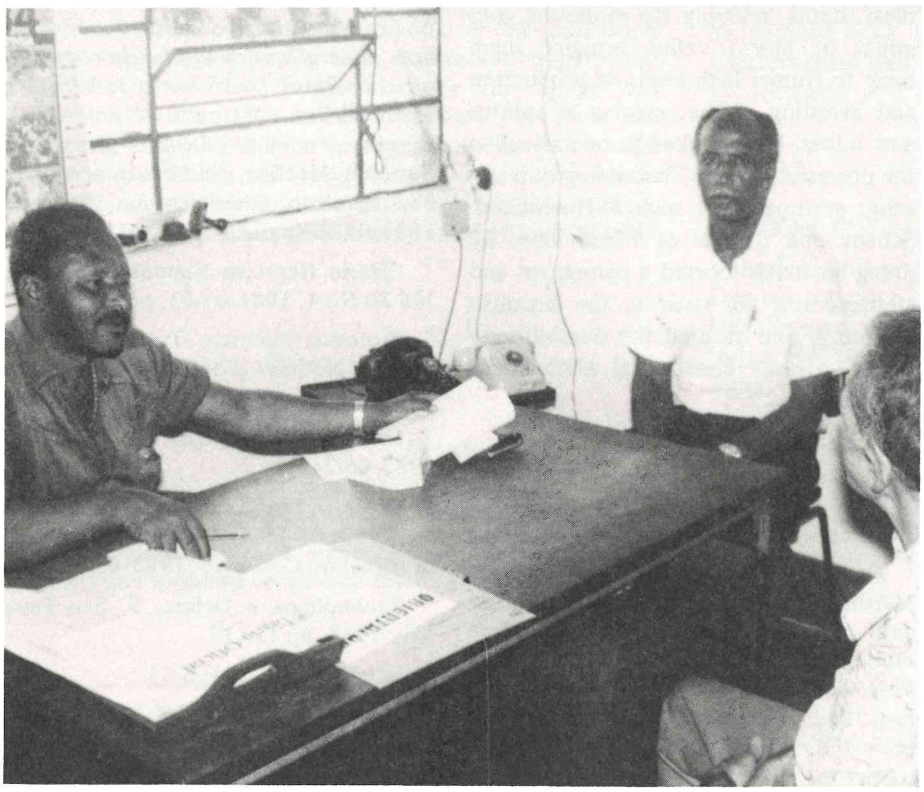


Diagram 2: Ownership of Mineraçao Morro Velho SA, late 1982



Working for Anglo

Working conditions on Anglo-run mines have come under great criticism in Brazil. In Jacobina, the miners complain about dangerous working conditions, bad transport and inadequate food. There is no danger pay or social security supplement. Wages are low and with overtime (normal shifts last 10 hours) the 800 workers receive just over the minimum wage of around 50 USD per month. The company, according to testimonies of workers, has attempted to cover up the cause of a worker's death in a mining accident in or-



Milton Machado (left) actual president of the union with accountant (middle) and Militao.

der to avoid having to compensate the family. The company has also threatened workers with dismissal for attempting to form an association.[8]

At Morro Velho average wages between two and three minimum salaries (between 90 and 140 USD per month) depending on overtime worked. Because of the deep level of the oldest part of the mine, there are substantial refrigeration problems. Very high temperatures force the miners to work in shorts and sandals and with scarves over their faces instead of protective headgear. Because of the drilling, fine silicon dust enters both through the respiratory system and through the unclad pores of the skin. The high incidence of silicosis (one in three workers are affected according to union officials) testifies to the poor working conditions. The company has closed down its hospital and workers depend on their union and inadequate state provision for medical services. Although a company town, the mayor, himself a doctor, claims that the company has failed to assist the municipality with any social service payments. He alleged that none of the taxes payed by the company reach the municipality.[9]

Social responsibility for the poverty of the community of Nova Lima, dependent on mine incomes since the last century, must lie to a large extent with the company.

From official statistics it is evident that the Morro Velho group is by far the most important source of underground gold in Brazil, providing 97 per cent of total underground production in 1981. Until 1979, underground production was far greater than opencast and alluvial production, but this pattern has changed substantially since then. (See Table 1 p 15).

Nevertheless whilst Morro Velho has declined in relative importance, the question of gold has become strategically crucial to the Brazilian economy, whose national debt approaches 100 billion USD. The escalation of gold production is a key element in paying off the debt. Eager to acquire as much gold as possible, the Brazilian government is offering producers a higher price than is obtainable on the world market. There is also substantial interest in the establishment of a national gold regulating authority, Ourobrás, with the matter being raised in the Senate by Gabriel Hermes, chairman of the Committee on Mines and Energy, as well as in the pages of the national press.[10] The tenor of this debate is critical of any foreign participation and control over gold production. Both these factors are likely to constrain Anglo expansion into further areas of gold production.

Anglo diversifies

Because of this, Anglo has tended to spread its investments into other areas of mining and industry, as well as the banking field mentioned earlier. Through its De Beers subsidiary AECI, it has acquired interests in a number of explosives companies in Brazil. Its Brazilian partners in this venture used to have formal associations with one of Salazarist Portugal's finance ministers, Professor Texeira Pinto, responsible for advising the Champalimaud family on their investments in Mozambique. Although public links with Texeira Pinto are no longer acknowledged, AECI's Brazilian partners are backed by a mysterious Swiss company, Dex Holdings, which experts believe is a cover for Texeira Pinto, who transferred his investments out of Portugal before they could be nationalised in the wake of the 1974 revolution.

One of the explosives factories owned by the joint venture is called Companhia de Explosivos Valparaiba – CEV. According to the Brazilian specialist defence press, CEV, based at Lorena in the state of Sao Paulo, supplies the Brazilian armed forces and numerous export customers with various types of hand grenades, smoke grenades, smoke markers, smoke gas grenades for anti-riot use, fuses for various types of heavy ammunition, rockets for bazzoka-type launcers, aircraft rockets of different types as well as the M1 submachinegun, soon to be launched.[11] CEV uses the logic of 'security reasons' to avoid divulging the names of countries to whom it sells its products.

Neither Anglo nor AECI have ever made mention of their participation in the Brazilian explosives industry in their annual reports. Shareholders are kept ignorant of the workings of the partnership, IBEX Participacoes SA, which had a capital of 1.4 billion cruzeiros at the end of 1982. Anglo's involvement in the lucrative Brazilian arms export industry raises numerous sensitive questions about the Corporation's image and activities.

Further inroads into the Brazilian mining industry were made in December 1981, when Anglo and its associates purchased a 40 per cent interest in Empresas Sudamericanas Consolidadas SA, the holding company for all the South American assets of the Panama-based Hochschild group. Through this deal Anglo extended its Latin American holdings to Peru, Chile and Argentina and has set up its own subsidiary companies in Buenos Aires and Santiago. In Brazil itself the deal enabled Anglo to increase its holding in the CODEMIN ferro-nickel project in the state of Goiás to over 35 per cent. Empresas also has investments in niobium and tungsten production and the manufacturing of industrial furnaces. It recently acquired a 69.7 per cent interest in Copebrás, a major Brazilian producer of fertilisers, industrial phosphates and gypsum.

Other non-mining investments include Ambrás' majority holding in the Iracema cashew nut processing company in Fortaleza, Ceará. This investment is not so curious as it appears, since Anglo possessed substantial investments in the Mozambican cashew industry, whose shares it still owns. The transfer of management and technical expertise suited the corporation. In 1982 Iracema exported 350 tonnes of cashew products worth 1.45 M USD to South Africa. In its annual report for the same year, Anglo noted a 250 000 USD dividend from Iracema and the repayment of 1.9 M USD of the company's foreign debts. Iracema's products are available in both Brazilian and South African supermarkets.

More recently, in November 1983, De Beers do Brasil started operating its Brazilian industrial diamonds division in Sao Paulo with the object of marketing its product in the country's industrial heartland. It intends, according to the company president Jorge Saloma Minguell, to market a million carats and do a turnover of 2 M USD during 1984. By the time of its official inauguration at the end of January 1984, it had already acquired a market share of 50 per cent.[12]

Anglo is keen to maintain and extend its Brazilian involvement. In a short period of time it has developed into one of the key mining groups in Brazil, with substantial holdings and diversified interests. By 1982 it had become the largest foreign holder of prospecting rights in Brazil, preceded only by the two large state-owned mining companies.[13] It has provided technical inputs, rescuing the moribund gold mines of Morro Velho, bringing them back to former high levels of production and investing in the opening of various new mines. It has linked its operations to the powerful Bozano Simonsen group and other multinationals such as Hochschild, Schenk and Banque de l'Indochine. By doing so it has secured a permanent and strategic role for itself in the Brazilian economy, and ensured the durability of South Africa's commercial connections with Brazil.

Notes:

[1] Interview, Johannesburg, 1984-02-01.

[2] On the history of Morro Velho, see Marshall Eakin, *Nova Lima: life labour and technology in an Anglo-Brazilian mining community, 1882–1934,* History PhD, University of California, Los Angeles, 1982; Douglas C Libby, *O trabalho escravo na mina de Morro Velho,* tese de mestrado, Universidade Federal de Minas Gerais, Belo Horizonte, 1979; and the excellent account of worker organisation researched under conditions of great danger: Yonne de Souza Grossi, *Mina de Morro Velho: a extracao do homem, uma história de experiencia operária,* Paz e Terra, Rio de Janeiro, 1981. The author wishes to thank Professora Grossi for kindly sharing many of her research experiences and contacts.

[3] Guido Jacques Penido addressing the XXth Week of Mining and Metallurgy Studies, September 1968, quoted in Sérgio Danilo, 'A venda da mina de Morro Velho', Opiniao, 1975-04-11, p 9.

[4] República Federativa do Brasil, Congresso, Camara dos Deputados, Comissao Parlamentar de Inquérito para investigar o comportamento e as influencias das impresas multinacionais e do capital estrangeiro no Brasil, Relatório e conclusoes, Diário do Congresso Nacional, (Secao I – Suplemento), 1976-07-01; and Comissao Parlamentar de Inquérito destinada a evaluar a politica mineral brasileira, ibid, 1978-03-07.

[5] Ibid, 1976-07-01, pp 989–990.

[6] Juvenil Tibúrcio Felix, *Ouro – um bem mineral que se confunde com a história do Brasil. Os 150 anos da Mineracao Morro Velho: estágio atual e programa de expansao em curso',* Lecture given to the National Meeting on Mining and Brazil 83, Instituto Brasileiro de Mineracao, 1983-05-19 (mimeo).

[7] "Mario Henrique Simonsen", Optima, Vol 30 No 1, 1981-07-31, pp 54–55.

[8] Professor Mauricio Tragtenberg, writing in Noticias Populares, Sao Paulo, 1982-09-08.

[9] Interviews conducted in Nova Lima, 1983-06-24.

[10] See Aloysio Biondi in Folha de S Paulo, 1983- 05-15 and Edson Suszozynski in Jornal do Comércio, 1983-05-21.

[11] Technologia e Defesa, 3, Sao Paulo, May 1983, pp 15–17.

[12] Istoé, 1984-02-01, p 57.

[13] See DFFM/PROSIG, Tabela 5, Grupos empresariais que detem maior n^{o} de diploma legais, 1982-08-10. ■