

Petrobras, the state petroleum company, over the exploration, refining and distribution of petroleum and petroleum products.⁵²

However, more radical changes to Brazil's constitution are necessary to effect a real change in Brazil's economy. Perhaps the most important area for reform is the fiscal system. The constitution dictates how 90 percent of taxes must be spent. As a result, spending is difficult to cut and the resulting deficits exert substantial inflationary pressure.⁵³ Cardoso wants to amend the constitution to redefine the financial relationships between the federal and lower levels of government, to simplify the tax system and to rationalize the social security system.⁵⁴

Brazil's movement towards a free economy is slow and uneven. In part, this is due to lack of a consensus about the direction Brazil's economic policy should take. Planning Minister José Serra, whom press reports connect with São Paulo industrial interests, and Industry Minister Dorothea Werneck are considered by many to favour protectionist policies to promote the interests of Brazilian industry.

This ambivalence on the role of the state in the economy extends to Brazil's Congress. There is little party discipline or loyalty in the Brazilian Congress and there is no firm consensus on the advisability of privatising key state enterprises.⁵⁵ Cardoso has complained about the lack of support for his economic reforms in Congress from his own party (the Brazilian Social Democratic Party).⁵⁶ In the same week that they passed the first bloc of Cardoso's constitutional reforms, Brazil's legislators voted on a bill that would have set interest rates at 12 percent by legislative fiat. The bill was not passed, but the fact that it was seriously proposed says a great deal about many Brazilian policy-makers' belief in the efficacy of state intervention in the economy.

⁵² "Congress Approves Constitutional Amendments", ZTGR2066, Canadian Embassy Brasilia, Unclassified Reporting Telex, 10 August 1995; "Brazil Senate OKs Ending State Telecom Monopoly", Reuter News Service, 10 August 1995.

⁵³ "Brazil President Marks Economic Wins, Faces Battles", Reuter News Service, 30 June 1995.

⁵⁴ U.S. Department of State, Economic Policy and Trade Practices: Brazil, 19 July 1994. (On National Trade Data Bank CD Rom)

⁵⁵ "Business Outlook Brazil", Business Latin America, 22 May 1995, p. 4.

⁵⁶ "Brazil Chief Urges His Party to Back Econ Reforms", Reuter News Service, 4 July 1995.