

Brazil's social and political crisis deepens in Lula's second term

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Barely six months have passed since Brazil's President Luiz Inácio Lula da Silva began his second term in office in January 2007. As was to be expected, the political crisis that has beset the Brazilian state has begun to reemerge with the same force as in 2005, when Lula was confronting the threat of impeachment. Those, both on the left and right, who believed that the crisis had been overcome and had faded into the past were only fooling themselves.

In less than half a year the false hopes that the worst had passed or that the political crisis had been driven merely by the partisan struggle for the presidency have already been dashed. New corruption scandals have already surfaced, involving various political allies of Lula, compromising the reforms his administration had promised (political reform, labor reform, reform of higher education, tax reform and another social security reform). At the same time, the crisis has also called into question the pseudo-development plan announced with much fanfare by his government, the so-called PAC (Plan to Accelerate Growth) that was to modernize the country's productive infrastructure.

The president of the Senate—Renan Calheiros, a major ally of Lula—as well as a whole network of politicians close to the president, various deputies and governors in the country's northeast, like Jacques Wagner of Lula's Workers Party (Partido dos Trabalhadores—PT), have been implicated in scandals involving big construction contractors, particularly Mendes Junior and Gautama.

It was recently reported that Dilma Rousseff, the powerful minister of the *Casa Civil*, a chief of staff position that serves as a mediator between the executive and legislative branches, on a trip through Salvador, took a ride on the yacht of the owner of construction contractor Gautama. Once again rumors are spreading of payoffs, of bank withdrawals and envelopes and suitcases full of cash amounting to as much as 600,000 *reais* (approximately US\$300,000). At the same time, it has been revealed that more than half the members of the National Congress financed their election campaigns precisely with donations from the contractors involved in the payment of bribes.

The controversial water transfer scheme on the São Francisco river, a massive irrigation project that would be carried out in

the Northeast, involves precisely the Gautama company, whose owner appears at the center of various attempts to bribe deputies, senators and governors. Gautama's network of corruption is linked to a large part of the projects proposed under the PAC (Plan to Accelerate Growth) promised by Lula. The businessman Zuleido Veras, owner of Gautama, is already known as the “Marcos Valério of the Northeast,” in reference to the public relations executive who was at the center of the web of corruption that exploded into public scandals in 2005.

Among the discoveries made by the federal police was the payment of 100,000 reais (US\$50,000) in cash to the minister of mines and energy, Silas Rondeau, who was forced to resign. Videos show an executive of Gautama entering and leaving the office of the minister with a package, which is suspected to have contained the supposed payoff. The evidence appears irrefutable, as it corresponds with money withdrawn during the same period and taped phone calls with advisors of the minister, directing the Gautama employee to enter through a particular door and elevator in order to make the handover of the bribe “more discreet.”

As if this were not enough, in another parallel operation of the federal police known as “*xeque-mate*” (checkmate) investigating a gang that ran slot machines, phone conversations were recorded involving none other than the president's brother, Genival Inácio da Silva, known as Vavá. On the phone tapes, the president's brother negotiates with members of the gang, telling them, “I talked today with the man and he guaranteed that everything would go well.” The “man” is believed to be the president himself, Lula, who, on the day of the taped conversation was in the city of São Bernardo, where his brother Genival lives.

The worst of it—incredibly—is that it has become clear, thanks to this and other earlier scandals, that the Workers Party (PT) of the president has had direct links with illegal gambling: numbers, slot machines, etc. It is enough to recall that the first scandals that broke out in Lula's first term in office began precisely with corruption in the gambling houses (the Waldomiro case).

As a result of these successive exposures, the government and its principal leaders in Congress, as well as its ministers, appear paralyzed, concerned principally with avoiding parliamentary

commissions of inquiry and desperate to prepare their defense, doing nothing but trying to hunt for documents that could absolve them. Renan Calheiros, the president of the Senate, is trying to prove that rent and child support payments for his lover were not paid by Mendes Junior, the major construction firm that is continuously involved in large public works projects. His predicament is typical of a large number of politicians in the ruling party, who are spending all of their time trying to block police, parliamentary and judicial investigations.

Meanwhile, the projects of the Plan for the Acceleration of Growth (PAC) remain stopped, in part because of a recommendation by the National Court of Accounts (TCU), the congressional oversight and investigations body, which found that the projects had been launched in violation of constitutional requirements. A series of irregularities have been discovered that are now blocking the start of work. As the TCU reported there were “delays in the process of getting environmental approval, a delay in the securing of properties and a series of other obstacles.” This chaotic situation affects 29 PAC infrastructure projects, all of which either are suffering from problems in their execution or were never even launched.

A draft study by the Macroplan consulting firm, according to a report this week in the daily *Folha de São Paulo*, “demonstrates that the projects that were delayed, off schedule or which confront some ‘challenge’ (a euphemism used by the ministry of the chief of staff in the identification of problems) are funded with 31.4 billion *reais* (approximately US\$15.5 billion). This figure amounts to 54 percent of the total value of the logistical infrastructure projects of the official plan for stimulating the economy. Works caught in this mess include projects for improving, expanding or conserving highways, constructing and eliminating bottlenecks on railroads, modernizing ports and expanding airports.”

On the other hand, to get around the deepening stalemate, the government is issuing provisional measures—an emergency spending decree that is supposed to be used only under exceptional circumstances. Contradicting the constitution, the Lula government has never resorted so much to the use of such measures to providing budgetary funding. According to press reports, in less than four months since the approval of the 2007 budget, the federal government has already carried out 1.8 billion *reais* (US\$900 million) in spending by means of provisional measures.

Under the Brazilian constitution, provisional measures should “attend to unforeseeable and urgent expenses, such as the results of war, internal unrest or public calamity.” However, with the congress not functioning, with the ministers besieged, with the allegations of criminality involving the president’s own brother, provisionary measures have been employed to carry out some of the PAC projects. Obviously, all of this takes place without any open negotiation of appropriations with the National Congress, opening the door to more corruption, as the spending is set behind closed office doors without any

knowledge of the press or scrutiny by public opinion.

As in the crisis of 2005, the reality is that the right-wing bourgeois opposition—the PSBD, the Democratic Party (formerly the PFL)—is doing nothing, given that a good part of their own politicians are involved in the same scandals with the government contractors, as in the case of Teotônio Vilela (PSDB), governor of Alagoas, or in even worse problems.

One of the leading opposition politicians, for example, José Serra (PSDB), the governor of São Paulo, created a secretary of higher education with the aim of ending the autonomy of the state universities. This attempt has succeeded in provoking a strike by professors, staff and students that has gone on for more than a month.

The administration building of the University of São Paulo (USP), the country’s principal university, has remained occupied by students since May 3, and the confrontation has led to a growing political crisis of Serra’s administration. He does not want to rescind the authoritarian decrees that end the autonomy of the state universities, and, at the same time, he fears a direct confrontation with the students and staff of the USP, having announced on various occasions that a police attack was imminent, but never carrying it out. In the face of solidarity from intellectuals, public workers and students throughout the country, Serra’s predicament is emblematic of the general paralysis of the Brazilian bourgeoisie.

Meanwhile, demonstrations have broken out throughout the country. More than 30 universities are participating in strikes by staff, professors and students. At the same time, a number of bankrupt factories have been occupied by workers. Contracts favoring the employers, even when they are passed, are confronting continuously more opposition in the large factories, like Volkswagen and other car industry plants, demonstrating the deepening crisis of the CUT, the trade union federation aligned with the PT government. The occupation of universities, schools, public buildings and factories has been accompanied by demonstrations of between 10,000 and 20,000 in São Paulo and other urban centers.

Among the students and the university employees, the PT has lost its political influence and is publicly repudiated. In the student assemblies at the University of São Paulo, for example, the PT members, despite their participation in the Central Directory of Students, were expelled from the leadership of the assemblies because of their right-wing policies.

On June 15, a mass demonstration has been called by students, professors and various sections of public employees of the state of São Paulo.



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