Petrobras crisis intensifies as treasurer of Brazil's Workers Party arrested

Bill Van Auken
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The arrest Wednesday of Joao Vaccari Neto, the treasurer of Brazil's ruling Workers Party (PT, *Partido dos Trabalhadores*) in connection with the corruption scandal plaguing the state-owned oil giant Petrobras signals a serious escalation of the country's political crisis.

With the arrest, described by the PT as "unnecessary and unjustified," the federal police investigation known as "Lava Jato" (Car Wash) has reached into the highest echelons of the ruling party, bringing the scandal another step closer to Brazil's Workers Party President Dilma Rousseff.

Vaccari and others implicated in the scandal are charged with overseeing a system of bribes and kickbacks in which construction companies contracting with Petrobras were allowed to overcharge for their services in exchange for paying bribes to top officials and making political kickbacks to the PT and other political parties.

By the company's own conservative estimate, these corrupt operations drained off some $1.9 billion, the equivalent of 3 percent of Petrobras assets.

Rousseff herself chaired Petrobras from 2003 to 2010, when these corrupt deals were being made. While no evidence has been presented implicating her in the scandal, her right-wing opponents insist that she had to have known what was going on.

Vaccari is an emblematic figure within the PT. Like its founder and first Workers Party president, Luiz Inacio Lula da Silva, he began as a trade union militant, rising into the leadership of the bank workers union and the top echelons of the PT-affiliated CUT union federation. He was subsequently elected to office and went from being a bank worker and unionist to a banking executive.

Vaccari was also charged with embezzlement, money laundering and other crimes in connection with his presidency of the real estate cooperative bank, Bancoop. He is alleged to have siphoned off over $20 million of investors' money into off-the-books campaign coffers of the PT.

The PT treasurer is only one of 40 politicians, including the heads of both houses of congress, who are under investigation in relation to the Petrobras scandal. Also under arrest are executives from major Brazilian construction firms, some of which have been driven into bankruptcy by the scandal.

Vaccari has insisted that he broke no campaign finance laws, and leading figures within the PT have charged that the arrest is politically motivated, aimed at fueling demands for the impeachment of Rousseff. Demands which have been raised in mass right-wing demonstrations that brought over a million largely middle class demonstrators into the streets last month, and considerably fewer in a second round of protests last Sunday.

In an interview with pro-government media, Rousseff condemned what she called "McCarthyism" and a "premeditated policy of criminalizing the PT." At the same time, however, she stressed that her government consisted not only of the PT, but a coalition, and that it was not her "job to resolve the problems of the PT."

After the arrest, the PT announced that it had accepted Vaccari's resignation as party treasurer, and Rousseff's aides stressed that he was not in charge of her campaign fundraising. The daily *Folha de Sao Paulo* quoted an unnamed Rousseff advisor as saying "that the president's personal view was that Vaccari should have requested leave from the treasury, but she did not apply any pressure as she considered it an internal matter for the party."

These attempts to distance Rousseff from the scandal

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have only emboldened her right-wing opponents. Aecio Neves, the candidate of the PDSB (Brazilian Social Democratic Party) who she narrowly defeated in last October's second-round election, met with leaders of the right-wing, corporate-funded groups that have organized the anti-government demonstrations and announced that the party was investigating the feasibility of an impeachment drive.

The fulminations of these elements over "corruption" is both cynical and hypocritical. All of them have been involved either in the current scandal at Petrobras or in other schemes, such as the "metro cartel" scandal in Sao Paulo, where PDSB politicians oversaw a similar bribes-for-contracts operation.

If the allegations of corruption against the PT have greater political resonance, it is because of the party's political duplicity during its nearly 13 years in power, posing as a champion of the Brazilian working class while carrying out policies tailored to the interests of foreign and Brazilian capital.

The response of the Rousseff government to the present crisis has been to move even further to the right, while handing over key functions of her presidency to right-wing figures independent of the PT.

Thus, fiscal policy has been turned over to Finance Minister Joaquim Levy, a graduate of the University of Chicago, who was a top official at the International Monetary Fund and chief of asset management at Banco Bradesco SA, Brazil's second-largest private banking group. He is implementing cuts in unemployment and other benefits for workers and budget cuts aimed at shifting tens of billions of dollars in social spending to build up a surplus to meet interest payments to Wall Street speculators.

Meanwhile, the Brazilian congress is pushing through legislation that rips up labor laws protecting workers from the outsourcing of their jobs. While outsourcing was previously limited to support functions such as janitorial or security services, it would now be allowed across the board, leading to drastic reductions in workers' wages, benefits and rights.

While Rousseff has expressed reservations about the legislation and sections of the Workers Party have opposed it, Finance Minister Levy is reportedly backing the bill, while Manoel Dias, Rousseff's labor minister, has argued that outsourcing is a necessity and the legislation could be supported with relatively minor changes.

Rousseff has also designated her vice president, Michel Temer, as her political negotiator with Congress. Temer is a leader of the Brazilian Democratic Movement Party, or PMDB, whose support is needed to pass Levy's austerity plan. The PMDB members of Congress voted overwhelmingly in favor of the outsourcing legislation.

Under these conditions, the right-wing demonstrations opposing Rousseff, on the one hand, together with the support given her government by the union bureaucracy of the CUT and the so-called social organizations, on the other, only serve to obscure the growing hostility that exists within the Brazilian working class toward the PT and an entire political setup which oversees a system of intense capitalist exploitation and massive social inequality.

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