

Brazil hit with new credit downgrade as impeachment crisis deepens

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The crisis of Brazil's Workers Party (Partido dos Trabalhadores—PT) government of President Dilma Rousseff continued to deepen Wednesday as Brazil saw its sovereign debt credit rating dropped to junk status by Fitch Ratings.

The ratings agency, which followed Standard & Poor's in stripping Brazil of its investment grade rating, cited the country's descent into its worst economic crisis since the Great Depression as the reason for the downgrade. Fitch also pointed to the crisis over the impeachment proceedings against Rousseff, which it said were interfering with the "implementation of corrective fiscal adjustments," i.e., deeper austerity measures.

The downgrade by the second rating agency triggers requirements by some pension funds to shed any Brazilian assets and could trigger a wider selloff, while making it more expensive for the government to secure loans.

The economic blow came as Brazil's Supreme Court considered a challenge to the constitutionality of the procedures used to select a congressional commission considering the impeachment charges. The panel, chosen by secret ballot, ended up packed with opponents of Rousseff.

On December 8, the high court ordered a suspension of the commission's work until its ruling on the challenge. While a decision had been expected Wednesday, the court session ended without a ruling and a decision is now expected Thursday.

An early indication that the court may clear the commission to proceed came Wednesday with the leaking of a recommendation made to the court by Judge Luiz Fachin who originally suspended the impeachment proceedings. He reportedly declared his support for the secret ballot and rejected a claim that

the Senate should be empowered to summarily dismiss the impeachment process after its approval by the lower chamber.

Even as the probability of Rousseff's impeachment appeared to grow, the speaker of the lower house of the Brazilian Congress, Eduardo Cunha, who initiated the impeachment proceedings, faced an appeal Wednesday from Brazil's Prosecutor General Rodrigo Janot to the Supreme Court to suspend him from his positions as a legislator and speaker for using his position for "personal benefit and illicit acts."

The move came just one day after federal police raided Cunha's homes and offices, along with those of several other prominent politicians, most of them, like Cunha, members of the PMDB (Brazilian Democratic Movement Party), the largest party in Rousseff's governing coalition.

The police were seeking evidence in connection with the spiraling corruption scandal that has reportedly cost Brazil's giant state-owned oil conglomerate Petrobras some \$2 billion.

Cunha, an extreme right-wing figure and former ally of Rousseff, is himself accused of taking millions in bribes from private companies seeking Petrobras contracts. Late last month, prosecutors said they had uncovered evidence that the lawmaker received \$11.5 million from BTG Pactual, Brazil's largest independent investment bank, in exchange for personal favors.

On the same days as the police raids, the Congressional Ethics Council voted by 11 to 9 to continue a probe into Cunha's activities that could also lead to his removal. The panel was moved to conduct the proceeding after Cunha, a self-proclaimed evangelical Christian, made a formal statement to a previous congressional investigation that he never had any foreign bank accounts. Subsequently, Swiss

banking authorities informed Brazil's prosecutors that both he and other members of his family had opened up accounts in that country. They also provided evidence of lavish credit card spending.

An estimated 55,000 people demonstrated in Sao Paulo Wednesday under the banner "There will be no coup," opposing the impeachment of Rousseff and calling for the ouster of Cunha. Smaller protests were held in many other cities. These demonstrations, backed by the CUT, the PT-aligned trade union federation, followed Sunday's pro-impeachment rallies called by the Brazilian right, which brought barely 40,000 people into the streets in Sao Paulo.

Both pro and anti-Rousseff demonstrations were far smaller than those demanding the ouster of the PT president held earlier this year, reflecting the growing hostility of the population towards both the PT and its right-wing opponents, which are all seen as terminally corrupt and responsible for the sharp cuts in living standards and rise in layoffs affecting the broad mass of working people.

Joaquim Levy, Brazil's finance minister, responded to the downgrade by Fitch by calling it a "serious" development that required actions "in defense of Brazil." He made it clear that this meant the imposition of more drastic austerity measures. "We have to keep making reforms, adjusting what we must adjust for the economy to continue to grow," he said.

A former International Monetary Fund official and investment banker, Levy was tapped by Rousseff as finance minister at the beginning of this year in a signal to Wall Street that her government was committed to policies serving the profit interests of foreign and domestic capital.

Levy refused to respond to reports Wednesday that he is leaving his post over disagreements with Rousseff over targets for a primary budget surplus (a surplus before making payment on foreign debt). This is an economic measure that PT governments have kept in effect since the party first came to power nearly 13 years ago under the former metalworkers union leader Luíz Inácio Lula da Silva. While diverting funds that could be used to meet social needs, the surplus is designed as a guarantee to foreign bankers that their demands will be met.

While Levy had insisted that the government set a target of 0.7 percent of gross domestic product for its

primary budget surplus, Rousseff moved Tuesday to reduce it to 0.5 percent, prompting Levy to declare he felt "somewhat sidelined" by the decision, which was apparently aimed at warding off at least some cuts to social spending.

Within the Brazilian ruling political establishment, there is growing impatience over the failure of the government and Congress to enact more sweeping austerity measures.

The attitude among leading capitalists was summed up by Paulo Skaf, the president of the powerful Sao Paulo Federation of Industries, FIESP, Tuesday. Skaf reported that FIESP had polled 1,113 companies from the state of Sao Paulo and found that 91 percent of their CEOs favored Rousseff's impeachment.

"Employers, the market and the majority of society look with approval on a change in the political scenario," Skaf said in an interview with the daily *Estado de S. Paulo*.

While Rousseff and the PT have consistently defended the interests of Brazil's capitalists and suppressed the struggles of the working class, there is a growing consensus within the ruling class that a change in government will have a salutary effect with the financial markets.

Within this ruling layer there is no concern whatsoever about the legality or constitutionality of impeaching Rousseff, who has not been charged with any crime. It is strictly a matter of how her ouster will affect their bottom line.

More than 30 years after the end of Brazil's two-decade-long military dictatorship brought to power with the support of this same FIESP, there exists no constituency whatsoever within the country's capitalist ruling class for even a modicum of democratic rights and principles.



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