

Police arrest and interrogate Brazil's ex-President Lula

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On Friday at 6:00 a.m. police detained Brazil's ex-president, Luiz Inácio Lula da Silva, for questioning over his role in the Petrobras corruption investigation. After searching his home in the São Paulo suburb of São Bernardo, police escorted him to the local *Congonhas* Airport where he underwent four hours of interrogation. Lula was questioned over allegations that he directly participated in and enriched himself through the *Operação lava jato* (Operation Car Wash) payola scandal involving Petrobras, the state-owned Oil Company.

Though he was released following the questioning, it appears that former president and leader of the ruling Workers Party (PT) will be formally charged of being one of the main beneficiaries of a conspiracy to siphon off some 10 billion *reais* (\$2.7 billion USD) from Petrobras between 2004 and 2012. Lula was president of Brazil between 2003 and 2010.

Lula's detention was part of a broader operation codenamed *Aletheia* (Greek for "search for the truth") involving 200 police officers and 30 auditors in the states of São Paulo, Río de Janeiro and Bahía.

Police officials also visited the São Paulo home of Lula's son, Fábio Luiz da Silva.

An incensed Lula responded to the police action at a press conference later on Friday, claiming that the operation had been a media event and that he would fight whatever charges are made. Lula stated that he is guiltless. "If they find one single *real* that betrays my conduct," declared the former president, "I do not deserve to belong to this party."

In response to a request from Lula's legal team, Rosa Weber, secretary of the Federal Supreme Court (STF), refused to suspend the investigation of the ex-president.

The STF claims that two corrupt construction companies involved in the scandal, Odebrecht and

OAS, channeled payoffs to Lula by remodeling and installing furniture in two residences, a luxury apartment and a country home in Guarujá and Atibaia, both in São Paulo state. In return, Lula allegedly used his connections to help the two firms obtain international contracts.

It has been determined that both Odebrecht and OAS were part of *Lava jato*. Both Odebrecht and OAS would obtain contracts with Petrobras through their political connections, inflate the costs of the work done and share the resulting excessive profits with politicians. The money was transferred to overseas bank accounts belonging to leaders of the PT and its coalition partners, the Brazilian Democratic Movement (PMDB) and the Progressive Party (PP).

Marcelo Odebrecht, CEO of the transnational company that carries his name (the largest in Latin America), is now under arrest.

Furthermore, the STF accuses Lula of having received speaking fees and donations from other firms more directly linked to the Petrobras scandal. An STF press release on Friday insisted "in a republic, even the powerful and well-known are subject to judicial enquiry when there are firm suspicions of criminal activity. In this case, those suspicions are based on scores of testimonies and broad documentary evidence."

According to the STF, 60 percent of the funds of the "Lula Institute", which the ex-president controls, came from five companies linked to Petrobras corruption. The same firms also contributed 47 percent of the speaking fees that Lula has received since he left office in 2011.

Lula's detention and interrogation are sure to worsen the political crisis engulfing the government of President Dilma Rousseff, also a PT leader and Lula's

former protégé. The Rousseff administration is fighting an impeachment effort launched last year as well as political paralysis by a hostile congress.

In his press conference, Lula announced that he would aggressively defend himself and the PT in public appearances across Brazil. “What took place, had to take place, to reinvigorate the PT. We are going to start anew,” declared the former president, who had widely been expected to run again for his old office.

As news of Lula’s detention spread, PT leaders in Congress denounced the STF and the Federal Police for the manner in which it was carried out, nine days before a scheduled day of national protest to demand Rousseff’s impeachment. Leaders of upcoming “mega-demonstrations” redoubled their calls for a mass attendance, hoping that the protest would surpass those that demanded Rousseff’s impeachment in March 2015.

PT leaders denounced what they claimed were dark political motives behind the investigation of Lula, including to strike against the Dilma Rousseff government and the PT itself, and to force hesitating congressmen to vote for impeachment, on the grounds that Rousseff is standing in the way of the Petrobras investigation.

Compounding the political crisis is the fact that the Brazilian economy is fast spinning into a major recession. Lula’s interrogation took place less than 24 hours after the Brazilian Statistics and Geography Institute (IBGE) announced that the nation’s economy had shrunk 3.8 percent in 2015, the worst economic performance in at least 20 years. This year’s forecasts signal a further decline of between 2.9 and 3.5 percent. Unemployment has risen to 10 percent, and prices are also rising by 10 percent.

Brazil’s financial sector reacted with euphoria to the news of Lula’s detention. The São Paulo stock exchange shot up 5.12 percent, reaching its highest level since last November. The Brazilian *real* appreciated against the US dollar by 2.6 percent.

La Nación, a Buenos Aires daily, quoted Alexandre Cabral, economics professor and financial analyst of *NeoValue Investimentos*, who described the market’s reaction as “totally against Lula and Dilma. The market believes that the world is about to implode and that a possible new government would refuel the economy.”



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