

Top Workers Party former minister arrested in Brazil

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Brazilian police on Monday took into custody Antonio Palocci, the former finance minister and chief of staff in the Workers Party (PT) governments of presidents Luiz Inacio Lula da Silva and recently impeached Dilma Rousseff.

Palocci, one of the most prominent figures within the PT hierarchy for decades, is accused of serving as a go-between for the Workers Party and Odebrecht SA, the largest construction conglomerate in Latin America, in a massive bribes-for-contracts scandal that siphoned billions of dollars from the state-run oil giant, Petrobras. Various figures who have already been charged in the Petrobras scandal have reportedly testified as part of plea bargain deals that the former finance minister arranged bribes.

The arrest of Palocci is the latest stage in the sweeping Operation Lava Jato (Car Wash) investigation that has implicated hundreds of politicians and some of Brazil's wealthiest capitalists in the kickback scheme, which has discredited not just the PT, but some of the country's largest corporations and virtually every bourgeois party.

Palocci's arrest comes less than a week after the federal judge overseeing the investigation ruled that Lula, the former metalworkers union leader who became the Workers Party's first president in 2003, will stand trial on charges of money laundering and corruption. Prosecutors have charged that Lula was the "supreme commander" of the Petrobras kickback scheme and that the pervasive corruption could not have existed without his active participation. He is also charged with personally benefiting from over \$1 million worth of bribes from a major construction contractor.

Lula and PT supporters have denounced the charges as unsubstantiated and insisted that they are aimed at derailing a likely bid for his return to the presidency. He was considered a front-runner in the 2018 election, which is to choose a successor to Michel Temer, the former PMDB (Brazilian Democratic Movement Party) vice president who was installed in the presidential palace following last month's ouster of the PT's Dilma Rousseff in an impeachment process based on trumped-up charges of fiscal irregularities.

In a further indication that the corruption scandal is steadily engulfing the core of the PT, Palocci's successor as finance minister, Guido Mantega, was arrested on a temporary detention warrant and released after only a few hours in deference to his wife's hospitalization. Mantega is charged with having solicited a \$2.35 million illegal bribe from billionaire Eike Batista, a mining

and energy magnate who previously ranked as the richest man in Latin America. Close to the PT, he built up his business empire through billions of dollars in loans from the state development bank, BNDES. He also secured contracts for building Petrobras oil platforms worth nearly \$1 billion. These deals are now the subject of a corruption investigation.

Another of Brazil's wealthiest billionaires with close ties to the PT, Marcelo Odebrecht, the head of the construction giant of the same name, has been convicted on charges of bribery, money laundering and organized crime in relation to the Petrobras scandal and sentenced to 19 years in prison. Among the charges pending against Palocci is that he improperly approved loans to Odebrecht from the BNDES for building oil platforms in Africa.

The conviction of Lula, Palocci and Mantega could spell not only the end to the former president's electoral ambitions, but the demise of the PT itself. The same crisis, however, is gripping the entire ruling establishment in Brazil, including the PT's erstwhile allies who carried out the Rousseff impeachment. Last Friday, Brazil's Supreme Court approved a prosecutor's request to open a corruption investigation against newly installed President Temer in connection with the Petrobras bribery scandal.

Palocci is an emblematic figure in terms of the historical and political trajectory of the Workers Party. His career tracks its emergence as a vehicle created with the critical participation of pseudo-left elements, including, most prominently, groups that had broken with the Trotskyist movement, as well as the PT's subsequent transformation into the premier party of Brazilian capitalism, accompanied by its descent into corruption and intensifying crisis.

The future finance minister and top PT leader began his career as a student activist at the University of Sao Paulo in that state's northeastern city of Ribeirão Preto. The year was 1980, when the Workers Party was founded amid a wave of militant strikes and mass student demonstrations that forced an end to two decades of US-backed military dictatorship.

Palocci was a member of *Liberdade e Luta* (Freedom and Struggle), the student group of a tendency known as the OSI (Organização Socialista Internacionalista—Socialist Internationalist Organization). The OSI was the Brazilian affiliate of the so-called Committee for the Reconstruction of the Fourth International, the international conglomeration led by Pierre Lambert of France, who had broken with the International Committee of the Fourth International in 1971 and sought alliances with various movements

in Latin America based on a rejection of both the political independence of the working class and the fight to construct a revolutionary Marxist leadership.

The Brazilian Lambertists, following much the same trajectory pursued by their parent organization in France, the Organisation Communiste Internationaliste (OCI), in relation to the French Socialist Party, liquidated themselves into the PT, putting forward the political thesis that it would be transformed into a genuine revolutionary party of the working class. In reality, they turned themselves into the obedient political servants of the dominant right-wing “Majority Camp” faction identified with Lula within the Workers Party leadership.

Palocci, who made little impression as a radical student activist, proved adept at securing ever higher posts, both elected and within the party apparatus. He rose from the city council in Ribeirão Preto to state deputy and, by 1992, to the post of mayor of the city. In that position, he established tight connections with a local business mafia.

Having begun political life as a supposed adherent of revolutionary socialism, Palocci became a political agent of local capitalist interests, carrying out privatizations and other policies that benefited his new business allies and attacking public sector workers. After a stint as a federal deputy, he returned to office as mayor in 2000, with the head of the local Commercial and Industrial Association as his running mate.

In the PT itself, he became president of the state party in Sao Paulo in 1997, and in 2002 became the head of Lula’s first successful campaign for the presidency after an official first tapped for the job was kidnapped and murdered under what are still unexplained circumstances.

After Lula’s election, Palocci became the head of his transition team and was then named finance minister, a position he used to impose a right-wing economic program in line with the austerity policies of the previous capitalist government, along with unwavering subservience to the dictates of the International Monetary Fund.

So right-wing were Palocci’s policies that Henrique Meirelles, the former Wall Street banker selected by Lula to head the central bank, and currently finance minister of the Temer government, was able to declare in 2003, “My level of conservatism is equal to that of Palocci.”

Palocci’s meteoric political rise was temporarily aborted with the eruption of a corruption crisis in the first Lula government during the second half of 2005. He was accused of playing a role in the so-called Mensalão scandal involving monthly payments to members of Congress in return for voting in favor of the government.

While initially protected because of support from big business and right-wing opposition parties, Palocci was ultimately forced out in connection with re-evaluations of his participation in parties organized at a mansion in Brasilia attended by businessmen, politicians and prostitutes, where deals were made and cash exchanged. Lula was compelled to sack his most powerful minister when it emerged that the government had illegally obtained the bank records of the mansion’s caretaker, who had testified about the parties, to see if he had received payments from political

opponents.

Emerging unscathed from multiple investigations, Palocci returned to politics as manager of Rousseff’s successful campaign for the presidency in 2010, after which he was named her chief of staff. Amid renewed corruption allegations, including those surrounding Petrobras, he was forced to resign by 2011.

Palocci was not the only ex-Lambertist to assume a senior position in PT governments. Others included Luis Gushiken, the ex-minister of communications, who was also forced out over charges of corruption, and Clara Ant, who was Lula’s confidential secretary and currently occupies the position of director of the Lula Institute in Sao Paulo. Ant’s home was raided last March, when Lula himself was arrested, as prosecutors pursued an investigation into charges that the Lula Institute was also a conduit for bribe money.

The fate of Palocci and the PT are, in the final analysis, bound up with far broader political and economic processes. The crisis gripping world and Brazilian capitalism has made it impossible for the Brazilian capitalists to continue the methods of rule they pursued during the 13 years of PT government power. The PT—a bourgeois, not a workers, party—presided over the growth of corporate profits and the accumulation of vast wealth by the ruling elite, even as it diverted a small share of the revenues from the commodities and emerging market booms to finance minimal social assistance programs aimed at dampening the class struggle.

Under conditions of Brazil’s deepest economic crisis in a century, coinciding with the collapse in commodity prices, both the Brazilian bourgeoisie and international finance capital are demanding a sharp change in course directed at imposing the full burden of the crisis onto the backs of the working class. Rousseff was impeached not because the PT was unwilling to pursue such policies, but because the financial markets demanded a decisive and abrupt change.

Those pseudo-left forces who promoted and built the PT, including not only the likes of Palocci who stayed in the party and entered the top circles of the Brazilian ruling elite, but also organizations like the Morenoite PSTU and the Pabloite tendencies who were forced out, bear direct political responsibility for the immense dangers now confronting the Brazilian working class.



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