Pandora Papers reveal finance minister profited from offshore account as misery ravages Brazil

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The recent leak of the so-called Pandora Papers by the International Consortium of Investigative Journalists (ICIJ) has revealed that Brazil's Finance Minister, Paulo Guedes, has since 2014 kept a sum of US$ 9.5 million invested in a company named Dreadnoughts International, based in the British Virgin Islands. These assets have been protected from the massive 40 percent devaluation of the Brazilian *Real* since Guedes took over the post at the beginning of the Bolsonaro government, in January 2019.

The same period has seen a massive economic crisis that has plunged 112 million Brazilians—over half of the population—into food insecurity, while 19 million face outright destitution and hunger. The number of unemployed stands at 14 percent of the workforce, or 14 million workers, while another 20 million work partial hours.

The leak also revealed that from 2004 to 2019, an offshore account was kept by the head of Brazil's Central Bank, Roberto Campos Neto. It was closed 14 months after he took office.

These revelations stand as a testimony to the rampant social inequality that is the defining trait of Brazilian capitalism. Only the 12th largest economy in the world, Brazil boasts the second largest number of billionaire offshore asset holders in the Pandora leak. Nearly 60,000 Brazilians keep US$ 192.6 billion exempt of taxes abroad.

The Pandora Papers revelations have provoked deep nervousness within Brazilian ruling circles. The major corporate newspapers— *Folha de S. Paulo, Estado de S. Paulo, O Globo and Valor* —have either ignored the scandal or focused entirely on foreign officials and international sports and pop music celebrities. Infamously, the financial daily *Valor* interviewed Campos Neto on Monday and failed to ask him a single question on the revelations. None of these corporate outlets is part of the IUCRJ, which is represented in Brazil by the web-based *Metrópolis* and *Poder360* and the magazine *piauí.*

Major government critics in the corporate press, such as *Globo's* Miriam Leitão, rushed to clear Guedes of any wrongdoing, stressing that he had duly reported his foreign assets to Brazil's Federal Internal Revenue Service and the Presidential Ethics Committee. The latter is responsible for evaluating possible "conflicts of interest" involving the state officials and cabinet members, who are forbidden by law from holding financial interests directly affected by their policy decisions—such as the exchange rate of the Real, in the case of the finance minister and the Central Bank chief. In any case, the committee is known for rubber-stamping whatever "lack of conflict of interest" is declared by cabinet members.

Senior authorities also attempted to minimize the issue. Speaking for Congress, the president of the Senate, Rodrigo Pacheco, declared that "personal issues" related to Guedes "should not interfere in the country's agenda." The press conference in which he spoke had been called to announce a major breakthrough in negotiations between states, local governments and the federal government in a tax reform which has been dragging on since Bolsonaro took office, despite the fact that Guedes has repeatedly defined it as a government priority.

The corporate press and senior officials have shielded Guedes out of concern that his fall would generate further financial instability. The bourgeois opposition and major news corporations have opposed the Bolsonaro government largely on the basis that it is incapable of consolidating the "free market reforms" sponsored by Guedes.

The leading force within the political opposition, the Workers Party (PT), has fully lined up behind this right-wing opposition to Bolsonaro, despite its nominal criticism of Guedes' "social insensitivity." The party has for almost three years centered its criticism of Bolsonaro on the charge that he is incapable of stemming the hemorrhaging of financial assets from the country and the São Paulo stock exchange, driving the value of the Real down, and that he has damaged trade with China and Europe due to his reactionary anti-Chinese rhetoric and anti-environmental demagoguery.

More fundamentally, however, all of these forces are concerned with the explosive effect of the fact that Guedes has protected his private interests abroad while sponsoring brutal austerity, high inflation and Bolsonaro's herd immunity policy at home—and that this has been a common practice of the country's entire ruling elite. That includes the owners of the major news outlets, such as the *Globo* owners, the Marinho family, the owners of *CNN Brasil*, the Menin family, and of the far-right *Jovem Pan* radio.

Most significantly, it also includes several businessmen investigated by the Senate's Commission of Inquiry (CPI) into Bolsonaro's murderous herd immunity policy towards the COVID-19 pandemic. Some of the high-profile names in the

Pandora Papers are major backers of the government, such as Otávio Fakhoury and Luciano Hang, who are accused of financing the president's far-right rallies, and the Parrillo brothers, owners of the Prevent Senior private health care provider, all of whom have recently testified before the CPI. The Parrillo brothers stand accused of organizing barbaric experiments with quack cures for COVID-19 and hiding the resulting deaths at their hospitals.

Guedes has himself been recently brought to the center of the CPI, with the lawyer representing a group of doctors who previously worked for the Prevent Senior health provider declaring in her testimony that the criminal experiments in its hospitals were coordinated with Guedes' ministry to provide public reassurances that the economy could be opened without provoking mass death, as "cures" for COVID-19 would be promptly available.

These mounting scandals are emerging against the backdrop of not only the COVID-19 pandemic's mass death and destruction of entire families, but also the mass destitution of workers. Last week, horrific images circulated worldwide of workers in Rio de Janeiro scavenging for leftover bones and carcasses inside a meat delivery truck, while TV cooking programs were showing how to use chicken feet in soup recipes and avoid impossible meat prices.

Also last week, in the leading meat-producing state of Santa Catarina in the south of the country, one of Brazil's richest states, an image went viral of a butcher's shop which put a plaque warning costumers that bones were "sold and not given away," prompting the state Attorney General's Office to intervene to prohibit charging for scraps. In northern Pará state, where the fishing industry dominates the protein market, fish carcasses are being sold.

Meat prices have gone up 30 percent in Brazil on a yearly basis. That is far above the record-breaking 10.42 percent inflation recorded for September against September 2020, the highest figure since February 2016, months before PT president Dilma Rousseff was impeached by the House on trumped-up charges of breaking budget rules.

For September alone, the inflation rate stood at 1.16 percent, the highest figure since the Real was established in 1994, ending hyperinflation in Brazil. At the same time, the yearly inflation rate for meat is lower than the 40 percent inflation for gasoline, and 37 percent for diesel oil, the main fuel used by Brazil's truck-dependent internal transport of goods. Staples such as rice and beans have gone up by over 30 percent, cooking and heating gas by 32 percent, and 21 percent for household electricity. The worst drought in 90 years in the Southern Cone, caused by global warming, has dried up hydroelectric dams and rivers, affecting energy output, agriculture and inland shipping between major agricultural regions of Brazil, Paraguay and Argentina.

On Tuesday, despite attempts by the media and state authorities to minimize or ignore the revelations, their explosive fallout forced the House to call Guedes to speak on the issue in a session scheduled for October 19. It is the first time ever that a finance minister has been called to Congress to testify on such matters in Brazil. A poll by Realtime BigData on Friday found that 64 percent of respondents believe Guedes should be fired.

It is unclear whether deputies will pressure Bolsonaro to dismiss Guedes in order to dissociate himself from the scandal. Whatever his fate, it is clear that Congress, including the PT-led opposition, is working to cover up the intractable crisis of Brazilian and international capitalism, denying the connection between financial speculation and the capitalist system in Brazil and internationally.

After announcing that the PT would ask the Attorney General's Office to investigate Guedes, the party's leader in the House, Deputy Elvino Bohn Gass, tried to blame Brazil's high inflation on Guedes' profiteering in betting against the Real. He tweeted, in a stupid attempt at irony: "Do you understand? The higher the exchange rate to the dollar, the richer Paulo Guedes gets." Former president Rousseff, interviewed on Thursday by the union-sponsored *Workers' TV* news agency, said Guedes exemplified the "insensitivity of a ruling elite heir to slavery," that is, which is not capitalist enough.

The PT's feigned "indignation" is ludicrous. Guedes was the founder of one of the largest investment banks in Brazil, BTG Pactual – after being trained as an economist in Chicago and working under the fascist dictator Augusto Pinochet in Chile amid his "neoliberal" shock policies. The story of his Dreadnoughts International company begins in 2014, as the Brazilian Central Bank, under the Rousseff presidency, began a massive sale of reserves to calm the markets and avoid the devaluation of the Real.

The PT, whose primary function has been to serve national and international financial interests, was thoroughly unable to stem capital flight. Having won reelection on a bogus anti-austerity platform in October 2014, Rousseff reshuffled her cabinet and named as finance minister another Chicago-trained economist, Joaquim Levy, who would be appointed by Guedes himself as the head of the country's development bank, BNDES, when he took office. On September 1, the PT-led opposition vote massively in favor of Guedes' income tax reform which kept offshore assets exempt of taxation.

A genuine struggle against growing social inequality in Brazil and internationally requires a break with capitalism and all of its nationalist defenders such as the Brazilian PT, whose sole concern is that of avoiding the exposure of the massive untaxed assets of the rich provoking a social explosion.