

## Corruption Scandals Claim Victims

The government's political crisis continued to accumulate victims last week.

Under pressure from government officials and congressional leaders, the top three officials of the government's PT Party all submitted their resignations. The first to step down was the party's secretary general Silvio Pereira who was shortly followed by PT treasurer Delúbio Soares.

After first refusing to resign, PT president José Genoino on Saturday told the party's national council that in order to permit a restructuring of the party's leadership he had decided to leave his post.

Genoino's announcement came the day after another stunning new development when a PT official was caught at São Paulo's Cumbica airport attempting to board a flight to the northeastern city of Fortaleza with a suitcase filled with R\$200,000 (US\$84,000) in cash. The Federal Police also found US\$100,000 in US\$100 bills hidden in the underwear of José Adalberto Vieira da Silva, an official of the PT in the state of Ceará and the cabinet head of Genoino's brother, José Nobre Guimarães, a state assemblyman.

Guimarães was also in São Paulo to attend the weekend meeting of the PT's national council but said he had no knowledge of why his aide was in the city. Silva told police the money came from the sale of vegetables but it was later learned that Silva is not a farmer. The incident came at a moment when Genoino was attempting to defend himself and his party from accusations that the PT made payoffs to congressmen to secure their votes on government bills.

Although he resigned, Genoino repeated his claims that no payoffs were made.

Following the collapse of the PT leadership, it was announced that Education Minister Tarso Genro will be the PT's new president, Labor Minister Ricardo Berzoini will be the new secretary general and PT Congressman José Pimentel, also from Ceará, will be the new party treasurer. The PT's communications secretary Marcelo Sereno also resigned and will be replaced by former health minister Humberto Costa. These changes will force President Lula to expand his cabinet reform.

Press reports last week also focused on the operations of state company pension funds and the activities of Luiz Gushiken, in charge of publicity and communications for the government. It was reported that since the start of the Lula government, Gushiken's former company increased its revenues by 600%. The company provides consulting services for pension funds and nearly all of its income comes from state companies and unions.

It was also learned that the Banco Rural and the BMG Bank, both of which have been cited in the congressional bribery scandal, have received large investments from state company pension funds. Advertising executive Marcos Valério de Souza's alleged payoffs to congressmen were supposedly made via withdrawals from the Banco Rural while the BMG bank was the source of the controversial loan to the PT guaranteed by Souza. Gushiken, ex-PT communications secretary Marcelo Sereno and former cabinet head José Dirceu were responsible for naming the directors of the leading state company pension funds whose investment decisions have poured millions of reals into the two banks.

Prior to the Lula government, Petros, the pension fund of state oil company Petrobrás, had no investments in either bank but has since placed R\$78 million (US\$33 million) in two BMG investment funds and R\$24.5 million (10.3 million) US\$ in a Rural fund. Real Grandeza, the pension fund of state power company Furnas, invested R\$363 million (US\$153 million) in the two banks last year. These and other investments made by state company pension funds helped BMG increase its profits last year by 205% over 2003.

The steady stream of accusations and revelations is beginning to have a serious impact on Lula's public image. In a survey taken June 21-29 by the Ipsos-Opinion polling firm and cited by *Veja* magazine, 55% of the respondents said they believe Lula was aware of the alleged PT payoff scheme in Congress. Out of these persons, 16% said they believe Lula was involved in the scheme. Regarding the PT Party, 54% of the poll's respondents said they believe the party's leadership was involved in the scandal and 48% stated that the PT is not an honest party.

*Veja* also published an article that raised questions about the business activities of Lula's son, Fabio Luis Lula da Silva. According to *Veja*, Lulinha as he is known, is the partner in a games company which over the last year has received R\$5 million (US\$2.1 million) in investments from Telemar, Brazil's largest phone company. While Telemar is a private company, 25% of its capital is held by the federal Economic and Social Development Bank (BNDES). State company pension funds also have holdings in Telemar, *Veja* said.

The relentless pace of the corruption scandals continued with an agreement between government and opposition leaders to install a separate investigative committee (CPI) to concentrate on the congressional bribery scandal.

Souza last week testified before the special congressional committee (CPI) investigating the postal service bribery scandal and denied having made payoffs to congressmen in the name of the PT.

Regarding questionable withdrawals totaling R\$21 million (US\$8.8 million) from the bank accounts of his two advertising firms, Souza said the money was used to pay suppliers and to make investments. He refused, however, to provide details of these payments and investments.

It was also learned during the week Souza had guaranteed a second bank loan to the PT. *Epoca* magazine published on its web site a copy of a contract for a R\$3 million (US\$1.2 million) loan in which Souza's signature can be seen as one of the loan's guarantors. The contract was also signed by ex-PT treasurer Delúbio Soares and former PT president José Genoino. The contract for the loan from the Banco Rural was signed in May 2003. PT officials later admitted that the loan was made and that Souza had guaranteed it.

Meanwhile, press reports brought up other questions involving Souza. According to the *Globo* newspaper, one of Souza's firms, DNA Propaganda, remitted to the United States US\$750,000 in some 50 operations. The paper said the post office CPI would investigate these remittances.

According to Central Bank records, the bank deposits and withdrawals of Souza's two advertising firms totaled R\$836 million (US\$352 million) between 1999 and May of this year. Out of this total, the Council for the Control of Financial Activities (Coaf) informed the committee that it could not identify the origin of R\$459 million (US\$193 million). Coaf called these operations "incompatible with the assets, economic activity or professional occupation and presumed financial capacity of the client (Souza)."