Brazil Focus –
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Weekly Report
Mar. 12-25 2016

Looking Ahead ➔ What to watch for?

- 27th Mar. -- Easter Sunday
- 28th Mar. -- Easter Monday – Holiday in Canada
- 28th Mar. -- WEF ➔ World Competitiveness Report, Brazil ranked ___
- 28th Mar. -- IBGE: February unemployment data ➔ __%, versus ___% in January
- 28th Mar. -- Central Bank to revise estimate for Brazil’s GDP in 2016, ___%➔ ___%
- 29th Mar. – PMDB Executive Committee to decide break with Dilma government
- 30th Mar. -- Public Account data for February
- 31st Mar. -- FGV to release IGP-M for March ➔ +___%
- 31st Mar.-2nd April – 13th BRASA Congress to be held at Brown University
- 1st April -- Trade Balance for March ➔ US$ ____ billion
- 4th April -- Social Security (INSS) deficit -R$ ____ billion in February
- 4th April -- IBGE to announce February Industrial Production
• **4th April** – New car production in March ➔ _____ units, ___% YoY
• **7th April** – FGV to post IGP-DI for March ➔ +___%
• **8th April** – IBGE to post March IPCA ➔ +___
• **8th April** – IBGE – Industrial employment in February ➔ ___% MoM & ___% YoY
• **8th April** – IBGE-PNAD, December-January-February unemployment ➔ ___%
• **10th April** – General elections in Peru
• **13th April** – FGV to post IGP-10 ➔ +___% versus +___% in March
• **15th April** – Central Bank to release its IBC-Br for February ➔ +___%

1 - POLITICS

1.1 – PMDB national convention

The PMDB national convention convened in Brasília on Saturday, 12th March. Many state organizations of this party called for a vote aimed at a total break between the PMDB and the Dilma government. However, this demand was deflected into a 30-day “waiting period” and sometime in mid April the party would decide about such a “break”. This was seen as a “prior notice” to the Dilma government that the PMDB might decide to formally leave the pro-Dilma coalition. Currently, the PMDB occupies seven cabinet positions.

The only such “formal break” was done by the PFL in April 2002 when it accused José Serra (PSDB-SP) of masterminding the Federal Police “search-and-seize” on 1st March at the office of the husband of then Gov. Roseana Sarney (PFL-MA) who was a very active pre-candidate for President. Some R$ 1.3 million in cash was discovered in this office, stacked up on a table and the photo was front page news in all Brazilian newspapers and magazines as well as evening news programs. This destroyed her candidacy. In retaliation, the PFL left the Fernando H. Cardoso (PSDB-SP) government – totally. All PFL appointees, from cabinet ministers down to 5th echelon appointees ALL resigned their positions. The only PFL politician remaining was Vice-President Marco Maciel (PFL-PE) who had been elected, not appointed.

In the present case of the PMDB, no one knows whether this party would be as cohesive and regimented as was the PFL in 2002.

**However** – it was decided the no member of the PMDB would accept an appointment in the Dilma government. His left the possibility appointee to SAC (Secretariat for Civil Aviation) – Mauro Lopes (MG) - was very upset when the party literally prohibited him from assuming this post. This appointment was actually a “bargaining chip” sued by Dep. Leonardo Picciani (PMDB-RJ) to persuade the PMDB-MG to vote for him to be PMDB floor leader in the Chamber.

With 96% of those present and voting, the PMDB reelected Vice-President Michel Temer as the party’s national president. Sen. Romero Jucá (PMDB-RR) was elected Vice-President. Many PMDB militants affirmed that if Lopes decided to accept this appointment he should be expelled from the party.
Emergency Meeting – On 14th March – after the PMDB national convention and the very large street protest mobilizations – Pres. Dilma convoked an emergency meeting with 6 PMDB cabinet ministers in an effort to “hold on” to the PMDB and avoid a formal “break” in mid-April.

PMDB-SC did not respect the 30-day period. The PMDB in Santa Catarina (that had pushed for a total break with the Dilma government in the PMDB national convention,) decided not to wait for the party’s decision after the 30-day “grace period” and on 14th March its members resigned their three federal appointments 1) Djalma Berger, President of Eletrosul; 2) Paulo Afonso Vieira, Director of Eletrosul; and 3) Vinicius Lummertz, President of Embratur. The President of the PMDB-SC state directorate, federal deputy Mauro Mariani called this a Grito de Independência – a “Scream for Independence”.

PMDB-ES also broke with the Dilma government on 21st March and all of the PMDB-ES holding federal appointments resigned their posts. This decision was announced by Dep. Lelo Coimbra, President of the PMDB-ES.

PMDB-RJ decided on 24th March that it will vote in favor of a complete break with the Dilma government at the meeting of the PMDB national executive meeting on 29th March. This decision was announced by the PMDB-RJ president, Dep. Jorge Picciani, the father of the PMDB floor leader in the Chamber, Dep. Leonardo Picciani. The PMDB-RJ has 12 members on the national executive committee. Gov. Luiz Fernando Pezão (PMDB-RJ) was diagnosed with a lymphatic non-Hodgkin, type T, ALK positive cancer in his 8th and 9th vertebrae. On 24th March, he took a 30-day leave of absence in order to begin chemotherapy. Vice-Governor Francisco Dornelles (PP-RJ).

Antonio Henrique de Carvalho Pires, the president of FUNASA-National Health Foundation, was summarily fired by Pres. Dilma on 24th March – after 23 months in office. His “crime”?? His appointment was linked to PMDB national president, Vice-President Michel Temer (PMDB-SP). The press called this “retaliation”. Health Minister Marcelo Castro was outraged because he was not consulted by Pres. Dilma before she sacked Pires. This emotional move by the President was very counter-productive. It stimulated the break by the PMDB-RJ and apparently has galvanized the PMDB in many other states to vote in favor of a complete break with the Dilma government on 29th March.

Dep. Mauro Lopes (PMDB-MG) was selected by Pres. Dilma to be the new Secretary (Minister without Portfolio) of Civil Aviation. Because the National Convention of the PMDB decided on 12th that no PMDB member would assume ANY appointment in the Dilma government during the 30-day “grace period”, he was advised that if he assumed this position he would be expelled from the PMDB. As a result, the PMDB national Executive Committee convoked a meeting for 29th March where Lopes’ expulsion will be decided AND the formal break off of the PMDB from the Dilma government will also be decided. This break would mean that ALL PMDB members occupying federal confidence appointments would be obliged to resign or be expelled from the PMDB – including the now seven PMDB cabinet ministers.

The last time that this happened was in April 2002, when the PFL ordered all its appointees in the Cardoso government to resign. The PFL (now DEM) was a very cohesive and regimented party and, yes, they all resigned (except for Vice-President Marco Maciel (PFL-PE) who had been elected; not
appointed). This decision was because the PFL believed that PSDB pre-candidate for President, José Serra, had articulated the Federal Police invasion of the office of the husband of Gov. Roseana Sarney (PFL-MA) on 1st March 2002. At the time she was tied with the PT pre-candidate (Lula) in the presidential polls and Serra was far behind. Ms. Sarney’s candidacy was destroyed and she eventually ran for the Senate and was elected.

1.2 – Massive street protest demonstrations

The “day after” the PMDB convention, on Sunday 13th March massive street protest demonstrations were organized in 239 cities, including 24 state capitals and Brasília. In each state the local PM estimated the number of people in these street protests at 3 million. But, the PM-RJ did not estimate the protest along the Copacabana beach avenue that came close to one million – so the total was probably close to 4 million.

This was considered the largest popular mobilization in the history of Brazil – larger than similar demonstrations in 2015 and 2013 – and even larger that the Diretas Já mobilizations in 1984. The PM-SP estimated some 1.4 million people protesting along the total length of the Av. Paulista and another 400 million in interior SP cities. The PM-DF estimated that 100,000 persons marched from the Republic Museum to Congress on Sunday morning. On 15th March 2015, it was estimated that the national protest demonstrations reach a total of 2 million nationwide.

Sen. Aécio Neves (PSDB-MG) and Gov. Geraldo Alekmin (PSDB-SP) tried to join the protest march in SP, but were booed by the participants and withdrew. However, Sen. José Serra (PSDB-SP) participated with no negative treatment by the crowd.

The protesters carried posters and banners in favor of the impeachment of Pres. Dilma and jail for former President Lula. Also, there was much support and praise for the Federal Police and Prosecutors involved in the Lava Jato investigation and in favor of Judge Sérgio Moro.

**Consequences ➔** Pres. Dilma and her inner [“hard”] circle of ministers/advisors were surprised by the size of these street protests that they feel will strengthen the impeachment movement in Congress. Deputies, especially, are very vulnerable to such “voices from the streets”. Even the Senate that in December was considered a “Dilma bastion” is now wavering away from the President. In December, the Dilma government thought that it had enough deputies to block impeachment, but now in March that has changed negatively.

**ALSO ➔** more plea bargaining testimony should be completed and accepted by the STF – Marcelo Odebrecht, Leo Pinheiro (OAS), the executives of Andrade Gutierrez and Marcos Valério, the operator of the Mensalão scandal who is serving a long jail term in Belo Horizonte. Once these testimonies (and their documentation) are approved by the STF, this documentation will be annexed to the impeachment documentation – this could be devastating for Dilma and also Lula.

Dilma’s some time ally, Senate President Renan Calheiros (PMDB-AL) launched the idea of Brazil adopting a “semi-presidential” system (very similar to a parliamentary system) where Dilma would be “kicked upstairs” to become a “heir of state” and all government functions would be exercised by a “prime minister” selected by Congress. Quickly, STF Minister Barroso affirmed that this
“modification” would be acceptable only if it were approved by a national referendum, but not by a constitutional amendment (as occurred in September 1961) when then Dep. Tancredo Neves (PSD-MG) negotiated the rapid approval of a PEC implanting the parliamentary system in Brazil (only at the national level) – that allowed Vice-President João Goulart to return to Brazil to become “head of state”. Tancredo became Prime Minister.

This was not really a “golpe”, but rather a “solution” to avoid a civil war because the Army was equally divided for and against Goulart. In January, 1963 a national plebiscite restored full presidential powers to Goulart and he was ousted by a military coup on 31st March 1964.

1.2.1 – Pro-Dilma demonstrations

The PT, CUT and other pro-Dilma organizations staged pro-Lula & pro-Dilma street demonstrations on Friday, 18th March in 45 cities in all states. The PM-SP estimated that 80,000 persons participated in the mobilization on the Avenida Paulista where Lula was the featured speaker.

1.3 – Impeachment Committee installed in Chamber

The impeachment process began in the Chamber of Deputies of 3rd December 2015 and the Special Committee was chosen on 8th December, but the process was suspended because of new definitions regarding the impeachment ritual define by the STF.

On 16th March, the STF finalized its determinations as to how the impeachment process is to be conducted in Congress. In December, when the STF made its first decisions, this was thought to be an impediment to impeachment in the Chamber – but no longer. Thus, the day after (17th March), the Chamber installed the 65-member Impeachment Committee – with first-term deputy Rogério Rosso (PSD-DF) and President and Dep. Jovair Arantes (PTB-GO) as the reporter. Reportedly, Chamber President Eduardo Cunha (PMDB-RJ) – who is VERY anti-Dilma – articulated this “team” with the Chamber party leaders and they were elected by a unanimous vote. As a result, Rosso resigned his PSD floor leader position.

The press head count affirms that a majority (31 vs. 28 – not counting the Rede, PRB and PMB deputies) on this committee are favorable to Dilma’s appointment. Thus, the Dilma government (without Lula and Chief of the Casa Civil) is concentrating its efforts to “persuade” [with “pork barrel” appeals] the pro-impeachment deputies to change their position.


This “head count” was compiled by Fernando Rodrigues and four UOL journalists on 17th March. Since then, several deputies have better defined their positions so that Dilma is at a worse disadvantage on 24th March (one week later).

On 24th March, the “head count” of the 65 members of the impeachment committee compiled by the OESP listed 35 deputies in favor of impeachment, 24 against impeachment, and 6 undecided. You can see “who’s who” in the OESP article.

The chronology sequence of the Impeachment Committee in the Chamber

<table>
<thead>
<tr>
<th>Dates</th>
<th>Activities by the Special Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 17-18</td>
<td>The Special Committee is installed and selects its President and Reporter</td>
</tr>
<tr>
<td>Until March 31</td>
<td>Pres. Dilma Rousseff presents her defense</td>
</tr>
<tr>
<td>April 11-28</td>
<td>The Special Committee reporter presents is report and The same is voted on by the Committee</td>
</tr>
<tr>
<td>By 3rd May</td>
<td>The text of this report is voted on by the Full Chamber</td>
</tr>
<tr>
<td>✈️ Perhaps Sunday, April 24</td>
<td>➔ 342 of 513 deputies needed to approve impeachment ➔ 172 pro-Dilma votes are enough to block impeachment</td>
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</tbody>
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This calendar sequence depends on whether there are three, four or five Chamber sessions per week – so that the full Chamber might possibly vote on impeachment in late April.

The roll call vote by the full Chamber might take 4 to 5 hours as each deputy’s name is called, he/she comes to the front microphone and declares their vote. Reportedly, a Sunday will be chosen because “all Brazil will be watching” and no one will be watching any soccer games that day.

**IF the Chamber approves impeachment**, the Senate-- (by a simple majority vote (41) -- must decide whether to continue the process (or not). If the Senate decides to continue the process, Pres. Dilma would be suspended for 180 days while the Senate (sitting as a jury and presided over by the President of the STF) will render the final verdict. The final Senate vote to impeach would need 54 of the 81 Senators. This process could perhaps end in November 2016.

**OAB --** On 18th March, the OAB (Brazilian Bar Assoc.) decided to support the impeachment of Pres. Dilma. In 1992, the OAB and the ABI (Brazilian Press Assoc.) supported the impeachment of then Pres. Collor. The OAB brief should be delivered to Chamber President Dep. Eduardo Cunha on Monday, 28th March.

In a “cautious” move, the Committee decided not to include the plea bargaining testimony (complete with documents and evidence) of Sen. Delcídio do Amaral (PT-MS) because the impeachment request document used by Chamber President Eduardo Cunha (PMDB-RJ) to install the impeachment committee did not mention this, and the inclusion of this case might be challenged by pro-Dilma deputies. Apparently, the OAB is planning to file a broader impeachment request that includes testimony showing that Pres. Dilma committed “crimes of responsibility”.

See ➔ [http://www.msn.com/pt-br/noticias/crise-politica/oab-apresentara-%c3%a1l-%c3%a0-%c3%a2mara-novo-pedido-de-impeachment-contra-dilma-para-incluir-delacao%C3%A7%C3%ADo-de-del%C3%ADcio/ar-BBqQC4i?li=AAggXC1&ocid=UP97DHP](http://www.msn.com/pt-br/noticias/crise-politica/oab-apresentara-%c3%a1l-%c3%a0-%c3%a2mara-novo-pedido-de-impeachment-contra-dilma-para-incluir-delacao%C3%A7%C3%ADo-de-del%C3%ADcio/ar-BBqQC4i?li=AAggXC1&ocid=UP97DHP)

**MTST** (Homeless Workers’ Movement) national leader stated on 22nd March that if the impeachment of Pres. Dilma is effected by Congress [Chamber and Senate] “we will set Brazil on fire”.
Want more? Pres. Dilma and her inner [“hard’] circle apparently will not accept an impeachment verdict without attempting some “strong reactions”. On 23rd March, a rumor circulated in Brasília that Pres. Dilma might decree a “State of Defense” that would divert attention from all the accusations and impose strict conditions on citizens and liberties. This would have to be sent to Congress within 24 hours to be approved by an absolute majority. This “rumor” was confirmed by Sen. Ronaldo Caiado (DEM-GO) who said – “No way would Congress ever approve this”!


Still more? A PT militant at MRE ➔ On 18th March, Brazilian diplomat, Minister Milton Rondó Filho, sent out official telegrams to all Brazilian embassies, consulates and representatives alerting them regarding the possibility of a golpe [coup] against Pres. Dilma already underway in Brazil. About one hour later, the Secretary-General at Itamaraty [Brazilian Foreign Office-MRE], Sérgio Danese, sent out a telegram instructing the recipients that Rondó’s telegram should be ignored because “it was sent without proper authorization”. Rondó described the persons who participated in the massive street demonstrations against Pres. Dilma and Lula on 13th March (See Item 1.2) as “fascists, Nazis, and racists”. Rondó used (paraphrased) a note issued by Abong against the so-called golpe.

Rondó has occupied the post of “International Coordination of Combat against Hunger” as MRE and brought his PT militancy into Itamaraty. He was censured by Danese, but could not be “punished” because he is linked to the current Labor Minister Miguel Rossetto (PT-RS).


On 24th March, Sen. Ronaldo Caiado (DEM-GO) requested that the Senate Foreign Relations Committee convocate Foreign Minister Mauro Vieira to “explain” this episode involving diplomat Rondó.

Pres. Dilma convoked press conference with SIX foreign correspondents ➔ On Thursday afternoon, 24th March, just before the national Good Friday holiday, Pres. Dilma Vana Rousseff convoked a press conference with all foreign correspondents in Brazil. She told them – “I am not a weak woman”. She insisted that she had not done anything “wrong” and had not committed any “crimes of responsibility” that would serve as a basis for impeachment – and that Brazil would be in a “peaceful climate” when the 2016 Olympic Games begin in Rio in August.

She fed these correspondents the “same line” she has adopted in recent days ➔ 1) the Opposition does not accept defeat in the October 2014 elections and adopted the strategy that “the worst is better; 2) her detractors are accused of corruption [her allies, no way]; 3) the basis for her impeachment (violations of the Fiscal Responsibility Law) are extremely weak; and 4) that the impeachment process does not represent a golpe [coup] in the traditional military sense, but rather a “break” in Brazil’s democratic order.

She became very upset and irritated when asked about the wiretap of her conversation with Lula where it was apparent that she wanted to appoint him to her cabinet so he could gain foro privilegiado to avoid being arrested by Federal Judge Sérgio Moro. She bashed the table with her hand and declared – “To violate a person’s privacy damages democracy because it impacts [negatively] the right of each citizen to have a private life”. She did not use her previous line that to wiretap the
President violates the Constitution and can only be authorized by the STF, and in most countries will get you arrested. She added, “In 2005, I became his cabinet chief of staff (Casa Civil) in the midst of the Mensalão cash-for-votes scandal. . . I know I helped him then, and I know he can help me now”. **Detail:** In 2005 she was already a cabinet minister (Mines & Energy) and did not need to be shielded from prosecution.

This “counter attack” was mounted because the foreign press has reported Brazil’s impeachment process very negatively for Dilma. Last weekend, *The Economist* published a cover story entitled “Time to Go” – with a very harsh editorial urging her to resign.

**SEE**

http://www.theguardian.com/world/2016/mar/24/brazil-president-dilma-rousseff-defiant-resignation-interview
http://veja.abril.com.br/blog/augusto-nunes/

**Army Commandant Eduardo Villas Bôas** – affirmed in an internal video that “Brasil is going through economic, moral-ethical and political crises”. He did not mention the words “impeachment” or “golpe” and said that these three crises are “linked”. He affirmed that the Army will obey the Constitution.

1.4 – SP judge transfers Lula case to Curitiba

On 10th March, SP state prosecutors denounced Lula’s financial schemes and requested his arrest. This case was distributed (by lottery) to 4th Circuit Criminal judge Maria Priscilla Veiga Oliveira. **However,** on 14th March, she transferred this case to federal Judge Sérgio Moro in Curitiba. This provoked a quick reaction by Lula. He flew to Brasília to talk with Pres. Dilma about her offer to appoint him to her cabinet. Fearful of what Judge Moro might do with this case transferred from SP, Lula decided to accept Dilma’s offer. He became the “leader” to the street demonstrations organized by the PT and CUT, and led by Lula in SP on Friday, 18th March.

1.5 – Lula as cabinet minister
Item 1.4 was decisive for Lula’s decision to accept Pres. Dilma’s invitation to join her cabinet and thus gain *foro previlegiado* [in Brazil, cabinet ministers, deputies and senators can only be prosecuted at the STF and not by first level federal or state courts].

The same day that Lula was named minister by Dilma, the DEM, PSDB and PPS filed a suit in federal courts in Brasília requesting an injunction to suspend this appointment because of *desvio de finalidade*. See Article 37 in the 1988 Constitution. His formal swearing in as minister was scheduled for 22nd March.

If Lula obtains *foro previlegiado*, this would not “cover” his wife and children who could be arrested, prosecuted and sentenced by federal Judge Sérgio Moro in Curitiba.

However, Lula’s appointment to the Casa Civil was suspended the evening of 18th March by an injunction granted (*vis-à-vis* the request by the PSDB & PPS) by STF judge Gilmar Mendes. Mendes also ruled that the judicial actions against Lula remain in the hands of Federal Judge Sérgio Moro in Curitiba. This decision created “havoc” in Dilma’s government and the PT and the AGU immediately filed counter suits at the STF in an attempt to overturn Mendes’ injunction – and allow Lula to assume the Casa Civil pending a final decision by the full Supreme Court. The “fear” is that Lula is now vulnerable to a possible arrest warrant issued by Judge Moro.

On 18th March, STF judge Gilmar Mendes issued an injunction suspending Lula’s appointment to the Casa Civil, arguing that this would be “obstruction of justice” because this appointment was decided to give Lula *foro previlegiado* and move his investigation/prosecution case from Federal Judge Sérgio Moro in Curitiba to the STF. Mendes also ruled that Lula’s case remain in the *Lava Jato* investigation in Curitiba.

However, on Tuesday afternoon, 22nd March, STF Judge *Teori Zavascki*, who is the designated STF judge for the *Lava Jato* investigation, ordered that Judge Sérgio Moro transfer all the documentation regarding Lula to the STF. He did not overturn Gilmar Mendes injunction suspending Lula’s appointment to the Casa Civil. That same day, a group of persons mobilized in front of the apartment building where Zavascki lives in Porto Alegre, RS to protest against his decision favoring Lula. As a result, the Dilma government offered Federal Police “protection” for STF judges.

Lula set up his HQ at the Golden Tulip Hotel (former Blue Tree) from which he operates as Dilma’s informal political operator in a last minute effort to save her from impeachment. Early Tuesday morning, he was surprised/concerned when he saw 4 Federal Police vehicles arriving at his hotel. But, nothing to fear, this detachment was doing a search-and-seize operation for documents that John Santana had at his hotel suite.

Reportedly, Lula might become a “special advisor” to Pres. Dilma.

VEJA will publish a bombastic cover story on 27th March that alleges that Lula has organized a scheme whereby he would escape arrest in Brazil by fleeing to Italy to seek political asylum – because his wife acquired Italian citizenship (via her grandfather) and this dual citizenship was then extended to Lula and his sons. The cover reads – “*The Secret Plan for Lula to avoid Prison: Request Asylum in Italy and Flee Brazil*”.
1.6 – New Cabinet Ministers

1.6.1 – Interim Minister of the Casa Civil

With no immediate perspective of Lula being able to assume the Casa Civil position, on 22nd March, a “substitute minister” was named – Eva Maria Cella Dal Chiavon.

Who is Eva Chiavon? She was born in Chapecó, SC in 1960. She obtained her nursing degree from the Fundação Educacional do Alto Uruguai Catarinense (FEUC) and has a specialization in Public Health & Strategic Planning. In January 2015, she left the position of number two at the Planning Ministry to become number two (Executive-Secretary) at the Ministry of Defense – the same status as the Chefe do Estado Maior of the Armed Forces. Reportedly, this caused considerable “uneasiness” and “dissatisfaction” among the military leaders.

She gained the nickname of “Dilma da Bahia” when she was Chief of the Casa Civil in the government of Jaques Wagner (PT-BA) – 2007-2010 – when Dilma was Lula’s Chief of Casa Civil. Wagner appointed her to the position at Defense. Before this, she occupied top positions at Planning and the Labor Ministry. When Jaques Wagner became Chief of the Casa Civil he appointed Eva Chiavon as his adjunct.

The main restriction is the fact that she is married to an important MST leader, Francisco Dal Chiavon,
1.6.2 – New Justice Minister

After five days of “contemplations”, Dilma’s new Justice Minister, Wellington Cesar Lima e Silva, decided that he would rather not give up his career as public prosecutor in Bahia and resigned. This was because of a STF decision reinforcing the 1988 Constitution that requires public prosecutors to resign their career to be appointed to a position in the Executive Branch.

That same day, 14th March, Pres. Dilma appointed the number two at the PGR (federal prosecutor) to be Justice Minister → Eugênio José Guilherme de Aragão. Well, what about the 1988 Constitution? Reportedly, this does not apply to Aragão because he became a federal prosecutor in 1987, before the new Constitution was approved in September 1988.

Aragão was cited as a possible appointment to the STF to replace Carlos Ayres Britto in 2013 and Joaquim Barbosa in 2014, but Pres. Dilma decided to appoint others. Aragão also served as the election prosecutor at the TSE. In this post, he asked the TSE to fine Veja R$ 500,000,00 per hour because this news magazine had not given Dilma's campaign the right for a response to a devastating cover story regarding the plea bargaining of money changer [doleiro] Alberto Yousseff who cited Dilma and Lula as “knowing all about” the Petrobras corruption/bribe scheme. Two years ago, Aragão published an article where he criticized federal prosecutors (MPF) – his colleagues – “because the MPF was being influenced by a heavy environment, stimulated by the media with permanent conflicts with the Executive and Legislative branches of government. . . This confrontation does not contribute to the prestige of the MPF as a protagonist in the intermediation of social conflicts”. This guy is very hard line.

Thus – the concern that this new Justice Minister will try to restrain the Federal Police and federal prosecutors in the Lava Jato investigation apparently is real. Aragão should be a strong ally of Lula if and when the former president [informally] takes over the Dilma government. (See Item 1.5)

On 18th March, Aragão showed his “true colors” (why he was appointed) when he declared that “just the ‘smell’ [sic] of any leaks of information from the Lava Jato investigation by the Federal Police would be enough to fire the Director of the Federal Police and replace ALL the Federal Police agents in the Lava Jato investigation”. This statement was strongly contested by the ADPF (Assoc. Of

Photo: Luis Macedo/
Chamber of Deputies

Eugênio Aragão,
New Justice Minister

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Federal Police Officers) saying that the use “smell of leaks” [instead of hard proof/evidence] to intervene in the Federal Police would be unconstitutional and highly illegal.


1.6.3 – New Sports Minister

After the PRB decided to break with the Dilma government, Dep. George Hilton (PRB-MG) attempted to remain as Sports Minister by switching to the PROS, but this “arrangement” was not successful. On 23rd March, Pres. Dilma appointed Ricardo Leyser (PCdoB) who had been Executive Secretary (number two). Thus, the PCdoB now occupies two cabinet posts ➔ Defense and Sports.

1.7 – Lava Jato – Plea Bargaining

On 15th March, STF judge Teori Zavascki accepted the plea bargaining testimony of Sen. Delcídio do Amaral (PT-MS). Reportedly, Monica Moura (the fifth wife of Dilma’s campaign marketing specialist, João Santana, will do plea bargaining testimony. Also, former deputy and PP national president, Pedro Corrêa, sentenced to a 20-year jail term in the Lava Jato investigation, concluded his plea bargaining testimony on 18th March.

1.7.1 – Delcídio ➔ Mercadante

The text of the plea bargaining testimony by Sen. Delcídio do Amaral (PT-MS) impacted directly on one of Pres. Dilma’s strongest supporters and advisors – new Education Minister Aloizio Mercadante (PT-SP). Part of this testimony was leaked by Veja on 15th March. Amaral accused Mercadante of attempted “obstruction of justice” – the same crime that got Amaral arrested in November. He accused Mercadante of attempting to “buy off” (bribe) Amaral to avoid his plea bargaining testimony. While Amaral was in prison, one of his staunchest staff, José Eduardo Marzagão, met with Mercadante twice at the Ministry of Education. Mercadante offered (in the name of Pres. Dilma Rousseff) financial assistance for Amaral’s family, and to use the government’s influence to secure his release at the STF and at the Senate to avoid his cassação. Their first encounter at the Education Ministry was on 1st December and the second was on 9th December.

Marzagão secretly recorded these conversations with Mercadante and delivered same to federal prosecutors. Thus, it is possible that the STF might issue a warrant for Mercadante’s arrest – as it did in the case of Amaral – for the same crime – attempted obstruction of justice. Ironically, “history repeats itself”. Because Mercadante mentioned intervening with the STF president to seek Delcídio’s release.

Want more? Mercadante explained to Marzagão that he would “chat” with STF President Ricardo Lewandowski so that he might issue an injunction to release Delcídio during the STF recess (in time for him to join his family for Christmas) and that he would intercede with Senate President Renan Calheiros (PMDB-AL) – at that point a “Dilma ally” – to end the cassação process against Amaral.

Still more? On 18th March, under pressures from Mercadante and Pres. Dilma (according to Marzagão), Senate President Renan Calheiros (PMDB-AL) sacked Marzagão from his position in the Senate.

With this “bomb” exploding in Dilma’s lap, she postponed Lula’s decision to accept her invitation to be one of her cabinet ministers. She was to announce this on 15th March (the same day that Veja broke the Delcídio-Mercadante story, but she decided to postpone the announcement until 16th March. Then Casa Civil minister Jaques Wagner (PT-BA) was “kicked upstairs” to become Chefe de Gabinete.

Raul Schmidt – The arrest request of Raul Schmidt Felippe Junior was filed with Interpol by the Lava Jato task force back in July 2015. He is accused of organizing the bribery payments for three top Petrobras directors. He was finally tracked down and arrested in Lisbon on 22nd March. A Brazilian Federal Police officer and a federal prosecutor flew to Lisbon to assist the Portuguese police in Schmidt’s arrest. Schmidt was granted Portuguese citizenship in December 2014 – thus, he would have to be extradited back to Brazil.

1.7.2 – Operation Xepa

Early Tuesday morning, 21st March, the Federal Police launched the 26th Phase of the Lava Jato investigation ➔ Operation Xepa. The 67 search-and-seize warrants were aimed at Odebrecht and a spread sheet was discovered that listed 316 politicians (from 24 parties) who had received “contributions” (from bribes) in the 2010, 2012 and 2014 elections. They discovered a separate unit within the Odebrecht organization that handled all these contributions with “nicknames” for all recipients and a special computer program to manage this operation.

Thirteen persons (Odebrecht and money changers) were arrested. An Odebrecht secretary, Maria Lúcia Tavares, had been arrested previously and she showed the Federal Police where to find the spread sheets (that Odebrecht tried to destroy) and helped decipher (translate) the codenames (nicknames). The Federal Police also conducted 28 warrants for “coercive” testimony.

On 23rd March, the Federal Police in Curitiba indicted João Santana and his wife Monica Moura.

1.8 – Pension fund decline

Brazil’s state enterprise pension funds (Previ, Petros, Funcef, Postalis, etc.) suffered drastic declines in their patrimony while they were “administered” by PT militants. Postalis (Brazilian Post Office) for example suffered a R$ 6.8 billion “hole” in its pension fund and has now had to levy an
extra [additional] contribution of 18% in an effort to cover this gap. In the meantime, Postalis pension payments will be reduced proportionally.

2 – FOREIGN RELATIONS & TRADE

Nothing this week.

3 - REFORMS

Nothing this week

4 – PRIVATIZATION & REGULATION

Nothing this week.

5 - ECONOMICS

5.1 – Unemployment

5.1.1 - PNAD

On 15\textsuperscript{th} March, IBGE released its PNAD unemployment survey data for October, November and December 2015. In 2015, Brazil had 8.6 million unemployed, up +27.4\% compared with 6.7 million in 2014. The level of unemployment in 2015 was an average of 8.5\% \textit{versus} 6.8\% in 2014.

Different from the PME monthly IBGE unemployment survey in six metropolitan areas, the PNAD survey is nationwide, conducted in 3,500 \textit{municípios} and 211,344 households. The PME for 2015 posted 6.8\% unemployed.

On 24\textsuperscript{th} March, IBGE released the PNAD unemployment data for November, December and January \textrightarrow 9.5\% nation wide. In part, this increase was due to more people seeking employment.

5.1.2 - PME

On 23\textsuperscript{rd} March, IBGE released its monthly unemployment survey (PME) for the six largest metropolitan areas in February \textrightarrow 8.2\%, up from 7.6\% posted in January. This was the highest level of unemployment since May 2009 (after the Wall St. blowout). Average wages were down -1.5\% MoM and 7.5\% YoY.

For the first time since 2007, unemployment among young people (18 to 24) surpassed 20\% -- in February, 20.8\% vs. 18.9\% in January.
Pres. Dilma tried to deflect attention to this recent increase in the unemployment rate – “Unemployment was much higher with Pres. Fernando H. Cardoso”.

The average unemployment rate in 2015 was 8.8%. Economists affirm that the average rate in 2016 might reach 11.5%.

5.2 – Central Bank ➔ IBC-Br

Pm 14th March, the Central Bank released its Index of Economic Activity (IBC-Br) for January 2016 ➔ -0.61% MoM and -8.12% YoY. This was the eleventh consecutive monthly decline in the IBC-Br. In December 2015, the 12-month accumulation was -4.0% and in January 2016 this accumulation was up to -4.5%. This indicates that Brazil’s economic crisis is getting worse and that the 2016 GDP decline might be even worse than in 2015. IBGE should release the 1st Q/2016 GDP data in early June.

5.3 – Caged – 104,582 jobs lost in February

On 22nd March, the Labor Ministry released its Caged data for February 2016. The net result was that 104,582 jobs were lost – the worst February result in 24 years! The 12-month accumulation is now 1,707,000 jobs lost. Of the eight sectors surveyed, only “Public Administration” created 8,583 new jobs.

5.4 – March Inflation

On 23rd March, IBGE released its IPCA-15 inflation index ➔ +0.43%, down from 1.42% in February. This result was lower than the median forecast (+0.54%) by 37 economists surveyed by Bloomberg News. Food prices increased by half of the result posted in February. The 12-month IPCA-15 accumulation is now “single-digit” ➔ +9.95% versus +10.84% in February.

5.5 – February Public Accounts

Current Account – On 23rd March, the Central Bank data showed that the Current Account “gap” [deficit] had been reduced from US$4.817 billion in January to US$ 1.919 billion in February. This February result was higher than the US$ 200 million “gap” predicted by 19 analysts surveyed by Reuters. The 12-month accumulated current account deficit is now at 2.67% of GDP, down from 2.94% of GDP in January. The Central Bank now predicts that the Current Account deficit in 2016 will be “very small” ➔ US$ 25 billion versus US$ 58.9 billion in 2015 and US$ 104.2 billion in 2014.

FDI in February posted US$ 5.9 billion – more than enough to cover the current account deficit.

Foreign Debt – The Central Bank estimated Brazil’s foreign debt at US$ 330.687 billion in February.
Tourist Spending down ➔ In January-February, Brazilian tourists spent US$ 1.7 billion overseas (55% YoY) – the lowest result for this period since 2009. In January-February 2015, the FX dollar rate was R$2,70 versus R$ 3,94 in January-February 2016.

5.6 – Economic Decline in 2015

According to data compiled by the FGV-Rio, for the first time in since 1992, the combined political and economic crises produced a decline in income and an increase in inequality in Brazil. In the crises in 1999 and 2003, income decline but inequality did not increase. According to Marcelo Neri, Director of FGV Social and former head of the SAE in the Dilma government, “This phenomenon was ‘latent’ but exploded in 2015”. He said that until 2014, Brazil produced “surprising” increases in income and improved inequality, despite all the macro-economic problems.


5.7 – Mercedes-Benz opens auto factory in Brazil

On 23rd March, Mercedes-Benz opened its new auto factory assembly line in Iracemápolis, SP. The target is to produce 12,000 units per year beginning with the Class C sedan and later with the GLA model. This factory opened with 750 workers and there is no projection of when a second shift might begin. The initial investment in this new factory was R$ 600 million.

5.8 – Private sector bankruptcies increase

In 2015, 277 industrial firms went bankrupt, up 12.6% from the 246 in 2014. When firms in the commerce and services sectors are included, the increase was +16.6%, 924 ➔ 1,078.