Looking Ahead ➔ What to watch for?

- **23rd June**  -- IBGE – Unemployment in May ➔
- **24th June**  -- SRF - May federal revenues R$ billion
- **27th June** -- June IGP-M ➔ % ➔ +% for 12-month period
- **30th June**  -- Public Account data for May
- **29-30 June** -- Pres. Dilma Rousseff to visit NY & Washington
- **1st July**   -- Trade balance for June ➔ US$ billion; 1st semester ➔
- **1-5 July**  -- FLIP – International Literary Festival in Paraty, RJ
- **2nd July**  -- New car sales June, units (% YoY), in 1st semester (% YoY)
- **2nd July**  -- IBGE industrial production for May ➔ 0.% MoM; -% YoY
- **4th July**  -- US Independence Day [national holiday]
- **6th July**  -- FGV to announce IGP-DI for June ➔ %
- **7th July**  -- IBGE to release IPCA inflation data for June ➔ %
- **9th July**  -- State Holiday in SP – [“Commemorate” defeat, 1932 Revolution]
1 - POLITICS

1.1 – *Lava Jato* arrested some “big fish”

Of Friday, 19th June, the Federal Police executed twelve arrest warrants issued by Judge Sérgio Moro in the 14th phase of *Operation Lava Jato*. This time, some really “big fish” were imprisoned (under the codename *Operation Erga Omnes* in Latin “towards everyone”) – top executive of two large Brazilian construction/engineering firms involved in the *Petrolão* corruption/bribery scheme – the President of *Norberto Odebrecht*, Marcelo Odebrecht plus other Odebrecht executives, Marcio Faria da Silva, Alexandrino Alencar and Cesar Ramos Rocha. The President of *Andrade Gutierrez* Otávio Marques de Azevedo and an A-G executive, Flávio Lúcio Magalhães were also arrested. Other executives were held under “temporary arrest”.

The Federal Police claim that Odebrecht and Andrade Gutierrez paid out some R$ 710 million in bribes to Petrobras directors.

*Photo: Enrique Castro/Reuters*

Detail: In January 2013, Alexandrino Alencar (Odebrecht Director for Institutional Relations) took former President Lula on a special corporate aircraft trip to Cuba, the US, and the Dominican Republic.

The “operator” of the Odebrecht “scheme” for bribes paid to Petrobras directors in Swiss bank accounts, Bernardo Schiller Freiburghaus (age 47) fled to Switzerland in 2014 immediately after the arrest of Paulo Roberto Costa. He name is on the Federal Police arrest warrant, so his name is the
Interpol arrest list. Allegedly, he lives a life of luxury in Geneva. Although he was born in Rio, Freiburghaus carries a Swiss passport.

Odebrecht is one of the largest construction/engineering firms in Brazil and has systematically denied any involvement in the Petrolão corruption/bribery scandal – but the evidence gathered by federal prosecutors and the Federal Police prove the contrary. Odebrecht has a large number of international contracts – in Latin America, Europe, Africa and the US. It was hired via a BNDES one billion dollar loan to re-construct and expand the seaport at Mariel, Cuba. Also, this firm also was awarded the contract to complete a large expansion/renovation of the Miami International Airport.

This new “phase” of Operation Lava Jato has the Dilma government, the PT and former President Lula “very worried” – because of the very close relationship between Marcelo Odebrecht and Lula. ➔ Stay tuned!!!

1.2 – TCU did not approve Dilma’s 2014 accounts

On 16th June, the TCU decided by a unanimous vote not to approve Pres. Dilma’s public accounts for 2014 – but gave her 30 days to respond to the negative evaluation. The TCU did not accept the so-called pedaladas (“creative accounting”) used to “manufacture” [produce] a primary surplus ➔ some TCU judges called this a “criminal act” that violated the 2000 Fiscal Responsibility Law. If her accounts are finally rejected by the TCU, this would create a dangerous precedent.

Apparently, the argument she used to defend her self in the Petrobras corruption/bribery case that in spite of having been Minister of Mines & Energy (2003-2005), Casa Civil chief (2005-2010), and President of the Petrobras Administrative Council (2003-2010) – she knew nothing about this corruption case and the cartel of construction firms – might be used in her defense at the TCU ➔ “I knew nothing about these pedaladas carried out by [‘her’] Finance Minister Guido Mantega and [‘her’] national treasury secretary Arno Augustin in 2012, 2013 and 2014.

The TCU listed 31 points and 13 “irregularities” that Pres. Dilma will be obliged to answer. On 18th June, TCU minister Augusto Nardes visited Senate President Renan Calheiros (PMDB-AL) and stated “I hope that the inauguration of a new moment for the TCU that, for the first time, did not just approve the President’s accounts with ‘reserves’, will serve as an positive example of transparency and will strengthen our institutions and that the Law will be applied equally to Mayors, Governors and the President of the Republic”. Chamber President Dep. Eduardo Cunha (PMDB-RJ) said that the Chamber will examine the final TCU report in detail before passing judgment regarding rejecting or approving the President’s 2014 accounts. Nardes said that Senator Renan Calheiros’ position is similar – that the principal function of Congress is to exercise oversight and monitoring the President’s accounts.

What might happen? If the TCU approves her accounts (after her explanations), any citizen might request the Chamber to initiate impeachment proceedings against her. If the TCU rejects her accounts, Pres. Dilma might face a court process for administrative impropriety and/or an impeachment process.
Because recently Pres. Dilma has lost a considerable amount of weight via a special diet and long bicycle rides, the press has joked about “her” pedaladas [pedaling] – a nickname for “creative accounting” practices.  


In an attempt at “damage control”, on 30th December 2014, just before he left office, Dilma’s Treasury Secretary, Arno Augustin, signed a document (nota técnica) assuming full responsibility for the “creative accounting”. Apparently, this document might be used to exempt Pres. Dilma (and Finance Minister Guido Mantega) from any responsibility vis-à-vis the TCU judgment of her 2014 accounts.  ➤ Stay tuned!!!

1.3 – Fachin sworn in at STF

On 16th June, the Supreme Court finally was complete with eleven judges with the swearing in of Luiz Edson Fachin. He was confirmed by the Senate by 52 out of 81 senators in spite of questions raised about his campaigning in Paraná in favor of Dilma Rousseff in 2010 and that he continued to practice law after he was appointed state prosecutor.

Pres. Dilma did not attend this ceremony and was represented by Vice-President Michel Temer (PMDB-SP). The presidents of the Chamber and the Senate attended.

1.4 – Antonio Paes de Andrade died at 88

On 17th June, former federal deputy Paes de Andrade (PMDB-CE) died in Brasília. Last week he had surgery to implant a gastric tube and was still in the intensive care unit. He was born in Mombaça, Ceará in May 1927. He was married to Zilda Maria Martins Rodrigues, daughter of Dep. José Martins Rodrigues (PSD-CE) between 1955 and 1969, when he was assado by the AI-5.

Paes de Andrade received his BA in Law from the Universidade do Distrito Federal (then in Rio de Janeiro) in 1953. While still studying Law, he was elected PSD state deputy in Ceará in 1950 and reelected in 1954 and 1958. In 1962, he was elected PSD federal deputy. In 1966, he was reelected by the MDB and in 1980 joined the PMDB. He was reelected federal deputy until 1990 when he ran for the Senate in a PMDB-PFL coalition, but lost to the PSDB. In 1994, he was elected PMDB federal deputy and ran for the senate again in 1998 and lost to the PSDB [again]. He was succeeded in Ceará politics by his son-in-law, former deputy and current senator Eunício Oliveira (PMDB-CE). During the military regime he was part of the autênticos – the “radical” wing of the MDB that strongly opposed the military in government. However, he was not assado, BUT came close by a spelling mistake ➤ a presidential decree announced the cassação of Antonio Vaz de Andrade in 1969.

In 1989, Paes de Andrade was elected President of the Chamber of Deputies. In that capacity, he substituted José Sarney in the Presidency 12 times when the latter traveled overseas. During his first substitution (20–27 February 1989), acting President Paes de Andrade order a FAB plane to fly him and 63 politicians on a “presidential visit” to Mombaça, CE.

In 2003, Pres. Lula appointed Paes de Andrade to be Brazil’s ambassador to Portugal. He was posted in Lisbon until 2007.
1.5 – Olacyr de Moraes died at 84

Known as the “King of Soy” in Brazil, Olacyr de Moraes died after a battle against pancreatic cancer on 16th June. Born in 1931, Olacyr began honing his commercial skills by selling sewing machines in São Paulo at the age of 14. He progressed to become a tycoon with a bank (BCN) and dozens of companies – including Constran (a very large construction firm). The Banco de Crédito Nacional (BCN) began as Banco Itamarati and was sold to Bradesco in 1994 (after the Real Plan was installed. Constran was sold to UTC owned by Ricardo Pessoa – who was considered the “coordinator” of the “Cartel” of construction firms involved in the Petrobras corruption/bribe scandal → Petrolão. Ricardo Pessoa was arrested by the Lava Jato investigation.

In the late 1960s and 1970s he acquired 600,000 acres of untamed, fallow land in Mato Grosso and planted soy and became the world’s largest producer of soybeans. He helped finance research by Embrapa to develop a new genetic line of soybean seed well adapted to Brazil. He also invested in wheat, sugarcane, ethanol and cotton. He also helped finance Embrapa research on cotton. The economic downturn in the 1990s forced him to close his bank and abandon his dream of building the Ferro Norte railroad and other large-scale infrastructure projects.

2 – FOREIGN RELATIONS & TRADE

2.1 – Pres. Dilma’s visit to the US

On Sunday, 28th June, Pres. Dilma Rousseff will fly to New York to begin her visit to the US. On Monday, 29th June she will address a group of investors in NY and try to explain her fiscal austerity package as well as the new PIL – Infrastructure Investment Program. That same evening (29th June), she will be hosted by the Obama family for a small dinner event at the White House. She will stay at the Blair House reserved for official visitors. On 30th June, in Washington, she will begin her “official” [not a State] visit with conversation with Pres. Obama and an official luncheon hosted by Vice-President Joe Biden at the State Department. Then, she will fly to San Francisco to meet with business leaders in “Silicon Valley”.

See ➔ http://nationalinterest.org/feature/america-must-take-brazil-seriously-12111
See ➔ http://www.thedialogue.org/page.cfm?pageID=32&pubID=3783
See ➔ http://www.atlanticcouncil.org/publications/articles/spotlight-president-rousseff-s-us-visit

2.2 – Venezuela thwarted visit by Brazilian Senators

After denying landing rights to a FAB plane that was to transport Brazilian Senators to Caracas in an attempt to visit Venezuelan opposition leaders in prison, on 17th June, this denial was rescinded and the plane arrived on Thursday 18th June. This delegation of Senators was led by Sen. Aécio Neves (PSDB-MG). The Special Commission of Brazilian Senators left the Caracas airport in a mini-van and headed toward the Ramos Verde prison where the Opposition politicians are being held.
At the airport, the Brazilian senators were joined by Lilian Tintori (wife of Leopoldo Lopez, Mitzy Capriles (wife of the Mayor of Caracas Antonio Ledezma), Patrícia de Ceballos (wife of Daniel Caballos, and a federal deputy, Maria Corina Machado who was cassado by the Maduro regime.

However, the senators’ van encountered a traffic jam provoked by police action and the van was stoned by pro-government militants. As a result, the van had no choice but to return to the Caracas airport – but found the airport “closed”. With no other choice, the senators boarded the FAB plane and flew back to Brasília at 7:15 pm (Brasilia time). This was the same situation encountered by former Spanish PM Felipe Gonzalez.

Sen. Cássio Cunha Lima criticized the Brazilian ambassador in Caracas, Ruy Pereira – “He gave us no institutional assistance, he ‘washed his hands’.” Amb. Pereira greeted the Senators at the Caracas airport but did not accompany them on their attempted visit – under direct instructions by Itamaraty. Instead of demanding “explanations” from her Foreign Minister Mauro Vieira, according the Brazilian press, she instructed him the “seek explanations” from the Venezuelan government. Apparently, the Senators will present a measure for Senate approval to suspend Venezuela from Mercosur. Minister Vieira gamely tried to explain that the Ambassador could not accompany the senators because that would have caused a “diplomatic incident”.

The Brazilian Senate delegation (Special Commission) included – Aécio Neves (PSDB-MG), Aloysio Nunes Ferreira (PSDB-SP), Cassio Cunha Lima (PSDB-PB), Ronaldo Caiado (DEM-GO), José Agripino (DEM-RN), Ricardo Ferraço (PMDB-ES), José Medeiros (PPS-MT) and Sérgio Petecão (PSD-AC).

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2.3 – Stefanini expands in Atlanta

Brazil’s information technology firm, Stefanini announced that it is adding an addition 400 jobs to its office in Atlanta, GA – and plans to collaborate with Georgia Tech to add another research office to the growing hi tech cluster around the university’s downtown campus location. Georgia has more than 16,000 tech firms and Atlanta hosts one of the nation’s largest concentrations of IT jobs.

Brazilian firms have some 40 facilities in Georgia and employ about 8,500 persons.
2.4 – MDIC expects US$ 5 to 8 billion trade surplus in 2015

On 18th June, Brazilian Trade Minister Sen. Armando Monteiro (PTB-PE) said that he expects Brazil will post a 2015 trade surplus between US$ 5 billion and US$ 8 billion. In 2014, Brazil posted its first trade deficit in 14 years.

2.5 – Federal Police capture Israeli murderer in SP

On 18th June, the Brazilian Federal Police together with Interpol Brazil arrested Elizur Yhoshua was arrested by the Federal Police in SP. He was accused of murdering a Palestinian in and convicted to 20 years in prison in 2005. He immigrated from Germany in 2002 and allegedly escaped from Israel using a false German passport. He is in the Federal Police lockup in SP awaiting extradition.

3 - REFORMS

3.1 – Retirement rules

After Congress abolished the “social security factor” (fator previdenciário) and created a new formula for retirees to receive full benefits (“85/90”) – where women could receive full benefits if their age and years of service totaled 85 (and men totaled 95 – many said that this would greatly increase the social security deficit in 2015, 2016, etc. To this end, Pres. Dilma vetoed this change and issued an MP that progressively extended this formula to “90/100”.

4 – PRIVATIZATION & REGULATION

4.1 – Changes in pre-Salt regulation

Mines & Energy Minister Eduardo Braga has proposed giving Petrobras the right to allow foreign drillers to lead pre-salt projects while Petrobras concentrates on containing capital expenditures and reducing its biggest debt load. The current Petrobras administration supports this plan, but is opposed to a more radical bill filed by Sen. José Serra (PSDB-SP) that would strip Petrobras of its right (under current legislation) to operate these fields and force it to bid just like any other company [competition]. Opposition and PMDB senators say they have enough votes to approve the Serra bill.

5 - ECONOMICS

5.1 – Caged ➔ 115,000 jobs lost in May
Yet another sign that Brazil is in a recession in 2015 – on 19th June, the Labor Ministry released its Caged “job creation” data for the month of May ➔ 115,000 (net) jobs were lost – the worst result since May 1992. The worst result was in the state of SP that lost 23,000 jobs. This trend began in May 2013 when only 72,030 new jobs were created followed by 58,840 in May 2014. In May 2015, the only sector that created new jobs was Agriculture (28,362 new jobs).

5.2 – IPCA-15

Also on 19th June, yet another “bad sign” – the IPCA-15 posted +0.99%, the highest June result since 1996 (+1.11%). This was a higher result than the prediction by economists surveyed by ValorPro (+0.82%) and by Bloomberg News (+0.85%). The 12-month accumulation of the IPCA-15 now stands at +8.80% – less than the highest recent 12-month accumulation posted in December 2003 (+9.85%).

5.3 – Industrial employment declined April

On 19th June, IBGE announced that industrial employment declined -0.9% MoM in April. This was the fourth consecutive decline and the worst result since -1.3% posted in February 2009 – during the recession provoked by the November 2008 Wall Street blowout. Fiesp reported that SP lost 17,000 jobs in April.

5.4 – IBC-Br declined in April

On 19th June, the Central Bank reported that the IBC-Br (Index of Economic Activity declined by -0.84% MoM in April. This result was worse that predicted by economists surveyed by Reuters (-0.40%).

5.5 – Retail Sales

On 16th June, IBGE released its data on retail sales in April ➔ -0.4% MoM and -3.5% YoY. This result was contrary to the positive prediction by 28 economists surveyed by Reuters ➔ +0.6%. Declining household demand (family consumer) has reduced retail sales for four months straight. Economists predict that in 2015 Brazil will have its worst recession in 25 years. Unemployment has increased sharply as many companies cut payrolls and investments to salvage profits. One newspaper headline said “The crisis has reached the supermarket”.

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