

Report from Rio by Lorenzo Carrasco

Party rule on the rocks

Government of, by, and for the parties is coming to an end as the corruption scandals multiply.

Unexpected denunciations by a former official of the Brazilian Senate against dozens of congressmen, ministers, and governors, in which they are charged with participating in a multimillion-dollar fraud scheme against the national treasury, are proving the trigger for new wave political instability which has not only placed the government of President Itamar Franco at risk, but the entire institutional structure of the country.

Similar charges of corruption one year ago led to the impeachment of President Collor de Mello. In the dock of the accused this time is the corrupt system of party rule which dominates the national Congress.

The scandal now exploding in Brasilia began when economist José Carlos Alves dos Santos, who until recently held the high-level congressional post of budget director, was forced to testify to the police while under suspicion for murdering his wife. Santos was arrested in his home after a search of the premises turned up nearly \$1 million, of which \$30,000 was counterfeit. According to Santos, the money was hush money and payoffs for approving budgetary amendments that would favor construction companies in government contracts. He began naming the names of other government officials involved in the scheme.

So far, the accused include 16 deputies; four senators, including Senate President Humberto Lucena; and the leaders of the majority PMDB party in both houses. Also, three governors, two cabinet ministers, and four former ministers. The two cabi-

net ministers, presidential chief of staff Henrique Hargreaves and Regional Integration Minister Alexandre Costa, have both offered to resign pending inquiries. The Congress has set up an investigating committee which, if it fulfills its task honestly, will provide the nation with a revealing "X-ray" of the entire corrupt body politic.

At the same time, the scandal could become an obstacle to the plans of those pro-free-trade groups that have approached the ongoing congressional debate over constitutional reform as a golden opportunity to break down Brazilian barriers to the surrender of the country's strategic economic sectors, including telecommunications, oil, electricity, and petrochemicals, to both national and international speculative capital. This surrender of the public patrimony has been the constant demand of the international financial institutions.

Similarly, the economic team headed by Finance Minister Fernando Henrique Cardoso, the darling of those same international financial institutions, seeks to use the constitutional reform process to advance its own program of fiscal adjustment, as previously agreed upon with the International Monetary Fund.

But this latest corruption scandal is of such dimensions that all government plans, including international economic pacts, are on hold while everyone awaits the outcome of the crisis.

President Franco, whose personal weaknesses as a ruler permitted his capture by the social democratic

groups headed by Fernando Henrique Cardoso and by the "cosmopolitan" factions of the Foreign Ministry, understands that the crisis could lead to the immediate convoking of general elections, which had originally been scheduled for late 1994. The results of such elections, in the midst of a crisis of social decomposition such as the current one, would favor Luis Ignacio "Lula" da Silva, president of the Workers Party (PT).

It is clear that President Franco is prepared to flee the government as rapidly as possible; he is already mooted his possible resignation. No matter what the Congress thinks, the institutional crisis is full-blown, and could produce unexpected solutions, should various sectors of Brazilian society, and especially the Armed Forces, choose to respond.

With the monthly inflation rate approaching 40% for October, the new corruption scandals and the total inability to govern, as demonstrated by President Franco and his virtual prime minister Fernando Henrique Cardoso, hyperinflation and social chaos could suddenly be unleashed, which could in turn force a military intervention to prevent total national disintegration and possible civil war.

The military is particularly concerned over a possible electoral victory by "Lula," especially given the fact that he has the approval of the U.S. State Department, as part of its deals with the Sandinistas in Nicaragua, the Farabundo Martí Front in El Salvador, the M-19 in Colombia, and Jean-Bertrand Aristide in Haiti. All of these groups maintain direct contact with the State Department through the so-called São Paulo Forum, to which "Lula" and the PT belong. His victory would in fact trigger a new and even more serious crisis, which could only contribute to the ongoing disintegration.