



Brazil's Troubles Go From Bad to Worse

Rumors that Brazil's finance minister — considered by many to be the only voice of reason in an administration riddled with corruption and determined to spend the country into bankruptcy — [will shortly be resigning](#) his position has driven down even further the Brazilian real versus the dollar, along with the Bovespa stock index.



A corruption investigation called “Operation Car Wash” has netted top officials at Latin America's largest engineering and contracting company, Odebrecht, including its chairman and CEO, Marcelo Odebrecht.

Brazil's finance minister, Joaquim Levy (shown), has been fighting a losing battle with Marxist president Dilma Rousseff in efforts to cut spending and return some sense to her administration's financial affairs. He was recently rebuffed by Rousseff when she overrode some of his recommendations in favor of more spending in another failed attempt to stimulate the moribund and shrinking economy.

For his part, Marcelo Odebrecht — who was arrested in June on charges of money laundering, corruption, and organized crime, and remains in custody — is reported to have skimmed some \$1.8 billion from projects undertaken by Brazil's oil company, Petrobras, over the last decade. A cartel of other construction companies has worked to bribe Brazilian politicians and top officials at Petrobras in order to obtain contracts to develop newly discovered oil and gas fields.

Odebrecht and his company are being investigated in Switzerland and Portugal, with potential probes also looming in Panama, Peru, and Ecuador.

A favorable ruling for Rousseff by Brazil's Supreme Court on two political maneuvers having to do with impeachment efforts by her opponents has worked to darken further Brazil's outlook, as it reduces the chances of her impeachment and removal from office — a move deemed by some as necessary to cleanse Brazilian Augean stables.

These events will no doubt hasten Moody's downgrade of Brazil's debt from investment grade to junk, just as Standard & S Poor's and Fitch have recently done.

The ripple effects of “Operation Car Wash” continue to roll outward and upward.

A graduate of an Ivy League school and a former investment advisor, Bob is a regular contributor to The New American magazine and blogs frequently at [LightFromTheRight.com](#), primarily on economics and politics. He can be reached at badelman@thenewamerican.com.

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