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Political Atmosphere for the Week

The political week in Brasília will be pretty hectic. There are several important issues on the agenda, as follows:

- Publication of the new CNT/Sensus poll
- Delúbio Soares' deposition at the Bingo CPI
- Attempt to vote MP 281/06, in the Senate
- TSE (Superior Electoral Court) decision regarding the applicability of the mini electoral reform on this year's elections
- Meeting of the National Monetary Council

Issues for the Week

CNT/Sensus. A new CNT/Sensus presidential succession will be published on Wednesday, 24. Data was gathered from May 18 to 21. During the last survey undertaken by the Institute (April 3 to 4), Lula had 37.5% of vote intentions against 20.6% for Geraldo Alckmin and 15% for Anthony Garotinho.

TSE. Next Tuesday (April 23) the Superior Electoral Court (TSE) will decide whether the provisions introduced by Law 11.300/06 (the so-called "mini electoral reform"), sanctioned by President Lula on May 10, will be valid for October's election or not. Law 11.300/06 altering Law 9.504/97 (Elections Law) targeting the reduction of electoral campaign costs. Amongst other regulations, the new legislation prohibits political rallies that include shows or the distribution of gifts, such as T-shirts and caps.

Bingo CPI. The Bingo CPI scheduled former PT party treasurer Delúbio Soares' deposition for Tuesday (April 23), at 11:00 a.m. Soares filed an appeal at the Supreme Federal Court in an attempt to avoid having to go to the CPI. Also on Tuesday, the Committee will vote on several requirements, amongst which are the removal of banking, fiscal and telephone confidentiality from Delúbio Soares himself and former PT party General Secretary Silvio Pereira. There is also a petition to summon Daniel Dantas, owner of the Opportunity Bank, to speak about an alleged extortion attempt by the PT party against him. Delúbio Soares will try to avoid having to render his deposition by appealing to the STF.

House. As of Tuesday, the House will attempt to vote four provisional measures whose voting deadlines have expired: 280/06 – that adjusts the income tax table for individuals and provides for the Refis; 286/06 – which extends an extraordinary credit amounting to R\$ 250.5 million to the Ministries of Justice, Sports and Social Security; 287/06 – that releases R\$ 361.55 million from the Union's Budget for the Ministry of Transport; and 288/06 – that raises the minimum wage to R\$ 350 as of April 1.

Senate. The Senate agenda is blocked by five provisional measures: 281/06 – which exempts foreign investors from income tax on gains originating from investment in public securities; MP 282/06 – concession of a new extraordinary credit amounting to R\$ 57.55 million for the Ministry of Transport to undertake emergency repairs to the country's highway network through the so-called "pothole fill-in operation"; MP 283/06 – reorganization of civil service careers; MP 284/06 – permission for domestic employees to discount employer contribution to Social Security from their annual income tax declaration; and MP 285/06 – renegotiation of debts up to R\$ 50 thousand secured by mini, small and medium farming concerns and cooperatives from the Northeast Constitutional Financing Fund (FNE).

CMN. A meeting of the National Monetary Council is scheduled for Thursday (May 25). The meeting agenda will be defined on the previous day during the meeting of the Credit and Currency Committee.

Situational Analysis

⇒ Expectations for the CNT/Sensus poll

This week a new CNT/Sensus election poll will be released.

It will be the first poll following important events such as the nationalization of Bolivian gas, the publishing of new Silvio Pereira revelations about the monthly payoff, the PMDB decision to not field its own Presidential candidate, and the wave of violence in São Paulo.

It's possible that together these factors could have negatively affected President Lula and the image of his administration. However, in our understanding, without great changes in the election picture.

In other words, the tendency is for Lula to continue leading comfortably, with Geraldo Alckmin (PSDB) in second place.

However, two aspects will be very important in this poll.

In the first place, to find out who won the most – Lula or Alckmin – with the erosion of Anthony Garotinho and the PMDB giving up on fielding a candidate.

The second point is to discover if Alckmin also lost votes nationally, like he did in the São Paulo Ibope poll.

For Alckmin, any downward oscillation in his vote percentages will be negative, even if within the margin of error.

⇒ Lula seems unshakable

In the middle of the month of May, Lula's situation seems unshakable. Not even a succession of bad news appears to be sufficient to affect his comfortable lead in the election.

The Petrobras episode with Bolivia has already done whatever damage it was going to do. Silvio Pereira backed off from his accusations and they fizzled out. Daniel Dantas also conveniently did an about face with a humiliating note last Monday night.

What's left is the PCC episode. On balance the damage went to Geraldo Alckmin, who appeared remiss. The declarations by Governor Cláudio Lembo were very bad for him. The impression created was of a shrunken candidate afraid of getting tainted with the PCC rebellion.

To make things worse for Geraldo Alckmin, the choice of José Jorge was not good for the campaign.

The experienced senator from Pernambuco is considered a lackluster politician, weak, and not at all charismatic.

Considering that Alckmin is also no phenomenon in terms of charisma, the ticket with José Jorge could be considered a sleepy one.

Technically you can't say that Lula has already won the election. But if the current picture remains, his victory could be by a very comfortable margin.

The only thing left for Alckmin to do is to recover lost time. To prepare to adequately use the PSDB and PFL political advertising in June. And hope that Heloísa Helena (PSOL) and Cristovam Buarque (PDT) help him prevent a Lula first round victory.

⇒ The PMDB and its own candidacy

In spite of the PMDB decision on Saturday, May 5, to not launch its own candidate, last week some members of the party were still insisting on having a PMDB candidacy in the Presidential election.

However, it is very unlikely that the party will field a candidate. A remote possibility is for everyone to rally around Senator Pedro Simon (RS). Itamar Franco and Anthony Garotinho would have to give up their "candidacies," which is difficult in Garotinho's case.

Therefore, in spite of the pressure from some and the resistance of others, the PMDB's own candidacy is dead.

⇒ The PSB is divided on Lula ticket VP spot

Former National Integration Minister Ciro Gomes is one of the favorite names for the VP spot on the Lula ticket. The President feels that Ciro Gomes could be the best candidate to succeed him in 2010.

However, even though it wants the Vice Presidency, the PSB is not sure if it is a good deal for the party.

The doubt has to do with the barrier clause. In order to continue to have access to the party fund, television time, and the perks of positions in Congress, the party will have to get at least 5% of the votes nationally, and 2% of the votes in nine states.

In order to do so, it's very important that the party have strong candidates for the House of Representatives to draw in more votes.

With this in mind, the party leaders prefer that Ciro Gomes run for a seat in the House instead of isolating himself in the campaign as a Vice Presidential candidate.

The final decision will be made by June 21, when the PSB national convention takes place.

⇒ **The winding down of the CPIs**

After the wave of accusations that motivated the installation of several CPIs last year, there seems to be no more climate for new investigation fronts in Congress. In public opinion the discussions on investigating accusations of corruption in the country are winding down.

Currently the opposition is working to hurry up and conclude the Bingo CPI, still the main front of artillery against the government, but already waning. There is little disposition for congressmen to initiate new CPIs.

The disdain of the voters, who can no longer stand hearing about crisis, the proximity of events such as the June festivals and the World Cup, and the October elections, which have commanded the

attention of the politicians are to blame for this scenario of total lack of interest.

Therefore, if new CPIs such as the “Bloodsucker” CPI to investigate the supposed involvement of congressmen with the ambulance mafia, and the “Lula” CPI requested again by Senator Almeida Lima, will probably not get very far if they ever get off paper at all.

Another CPI, dealing with Firearms Trafficking, could also contribute to halt new investigations. With the recent wave of violence in São Paulo and other states, the activities of this hitherto unknown CPI should attract the spotlights and push the others to the background.

Therefore, since there is no interest on the part of the government and the majority of the opposition, new investigations in Congress are expected to produce little or nothing.

Political Agenda for the Week

MONDAY (May 22)

- ✓ President Lula signed agreement protocols with 11 States and the Federal District for sanitation undertakings amounting to R\$ 1.3 billion.
- ✓ Central Bank President **Henrique Meirelles** will participate in the “2006 Successful Investors Awards” at the São Paulo Stock exchange.
- ✓ Broadcasting of **PT** programs on the radio and TV network in all States (except MS), totaling 20 minutes.

TUESDAY (May 23)

- ✓ The **House** of Representatives will attempt to initiate voting on four provisional measures currently blocking the agenda.
- ✓ The **Senate** will attempt to vote five provisional measures currently blocking the agenda.
- ✓ The **PDT** national Board will meet in Brasília to confirm its choice of Cristovam Buarque as presidential candidate.
- ✓ Congress will attempt to vote on a resolution Bill that modifies the rhythm of **budget proposition processing** in Parliament.
- ✓ The **Bingo CPI** may take the deposition of former PT treasurer Delúbio Soares regarding the alleged attempt of extortion of the Opportunity Bank.
- ✓ The Senate Economic Affairs Committee will hold a public hearing to discuss House Bill 119, dated 2005, which adds art. 17-a to Law 6.404/76 (transfer of unidentified **limited liability corporation** stockholder shares to the National Treasury).
- ✓ The TSE will analyze whether the provisions introduced by Law 11.300/06 (**mini electoral reform**) will be valid for the October elections.
- ✓ The National Confederation of Industry (CNI) will sponsor a seminar on “**Basic Sanitation – Regulatory Bench Mark and Resumption of Investment**”.
- ✓ The **PT** party will inaugurate its new national headquarters in Brasília, President Lula’s future political campaign coordination center.
- ✓ Broadcasting of free **PTB** spots on radio and TV network, totaling 5 minutes.

WEDNESDAY (May 24)

- ✓ A new **CNT/Sensus** presidential succession poll is expected to be published.
- ✓ The House Economic Development Committee will hold a public hearing regarding **highway concessions**.
- ✓ French President **Jacques Chirac** will make an official two-day visit to Brazil.
- ✓ Meeting of the Credit and Currency Committee (**Comoc**).
- ✓ **Geraldo Alckmin**, PSDB pre-candidate for the Presidency of the Republic, visits Rio Grande do Sul.
- ✓ The **National Treasury** will present its fiscal performance for April and that of Social Security accounts, Central Bank and the Treasury itself.
- ✓ The National Electric Power Board (**Aneel**) will hold a public hearing in Brasília, regarding the tariff revision process for the 12 electric power transmission concessionaires, which should be concluded by July 1.

THURSDAY (May 25)

- ✓ The Government may announce measures targeting the Harvest Plan and structural decisions providing for **agriculture**.
- ✓ Meeting of the National Monetary Council (**CMN**).
- ✓ **PT** national program on the radio and TV network, totaling 20 minutes.
- ✓ **IBGE** publishes the Monthly Employment Survey (April/06).
- ✓ Agriculture Minister **Roberto Rodrigues** will announce the 2006/2007 Harvest Plan.
- ✓ **FGV** publishes the results of its Consumer Expectations Sampling for May.

THURSDAY (May 25) - Continuation

- ✓ At 11:00 a.m., the **Central Bank** announces fiscal policy indicators for April for the consolidated public sector (federal government, states and municipalities), with data on the primary surplus, nominal deficit and the public debt – GDP ratio.
- ✓ Broadcasting of free **PTB** spots on radio and TV network, totaling 5 minutes.

FRIDAY (May 26)

- ✓ The **PSOL** party holds a national encounter in Brasília until Sunday.
- ✓ **IBGE** announces the National Amplified Consumer Price Index 15 (May/06).
- ✓ The **US** Labor Department publishes personal income and consumption expenditure for April and the April PCE.

SATURDAY (May 27)

- ✓ Broadcasting of free **PTB** spots on radio and TV network, totaling 5 minutes.

Assessment of the Government

Managerial Performance. Vice-President of the Republic José Alencar stated that the wave of attacks in São Paulo originate from the economy. According to him, lack of employment for Brazilian youth creates easy targets for crime, and that job creation under the Lula administration has not been sufficient to change the situation. ☹

Economic Performance. According to a FGV survey, the business community has shown less appetite for investment. 55% of the one thousand companies surveyed desire to make more investments in 2006. In last year's survey this percentage was up to 65%. ☹

Political Performance. The dispute between the Government and the Opposition regarding the wave of violence in São Paulo fired things up in Congress and impeded the resumption of voting. ☹

Fiscal Performance. Total collection in April amounted to R\$ 34 billion, the second best monthly result in the country's entire history. The R\$ 14.2 billion Union Budget cutback this year was considered modest by the market. Another item of concern is the farming community pressuring for more funds. ☹

Social Performance. An IBGE survey released last week indicates that 3.3 million households lack food and that 60% of families that have nothing to eat do not receive funds from social programs. The wave of violence in São Paulo also showed up the country's precarious public security. ☹

Reformist Performance. Yet another week with scant voting in the House and Senate, where both agendas are blocked by provisional measures. ☹