

Brazil's Money Laundering Scandal from Hell

With no one eager to talk about the revelations, the question is what will ex-president Lula do about it

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Two decades after a political earthquake, a powerful aftershock that should be rocking Brazil apart is being met with thunderous silence.

What is now termed “the Banestado leaks” and “CC5gate” is straight out of vintage WikiLeaks: a list, published for the first time in full, naming names and detailing one of the biggest corruption and money laundering cases in the world in the past three decades.

This scandal allows for the healthy practice of what Michel Foucault characterized as the archeology of knowledge. Without understanding these leaks, it's impossible to place in proper context events ranging from the sophisticated assault by Washington on Brazil – initially via NSA spying on President Dilma Rousseff's first term (2010-2014) – all the way to the “Car Wash” corruption investigation that jailed **Luis Inácio Lula da Silva** and opened the way for the election of neofascist patsy **Jair Bolsonaro** as president.

Credit for the scoop on this George Orwell-does-hybrid-war plotline is due, once again, to independent media. The small website [Duplo Espresso](#), led by young, daring, Bern-based international lawyer **Romulus Maya**, first published the list.

An epic five-hour podcast [assembled](#) the three key protagonists who denounced the scandal in the first place, back in the late 1990s, and now are able to re-analyze it: then-governor of Parana state Roberto Requiao, federal prosecutor **Celso Tres** and now retired police superintendent **Jose Castilho Neto**.

Previously, in another podcast, Maya and anthropologist **Piero Leirner**, Brazil's foremost analyst of hybrid war, [briefed me](#) on the myriad political intricacies of the leaks while we discussed geopolitics in the Global South.

The CC5 lists are [here](#), [here](#), and [here](#). Let's see what makes them so special.

The mechanism

Way back in 1969, the Brazilian Central Bank created what was described as a “CC5 account” to facilitate foreign companies and executives to legally wire assets overseas. For many years the cash flow in these accounts was not significant. Then everything changed in the 1990s – with the emergence of a massive, complex criminal racket centered on money laundering.

The original Banestado investigation started in 1997. Federal prosecutor Celso Tres was

stunned to find that from 1991 to 1996 Brazilian currency worth no less than US\$124 billion had been wired overseas. Eventually the total for the whole life of the racket (1991-2002) ballooned to a whopping \$219 billion – placing Banestado as one of the largest money laundering schemes in history.

Tres's report led to a federal investigation focused in Foz do Iguacu in southern Brazil, strategically situated right at the Tri-Border of Brazil, Argentina and Paraguay, where local banks were laundering vast amounts of funds through their CC5 accounts.

Here is how it worked. US dollar dealers in the black market, linked to bank and government employees, used a vast network of bank accounts under the names of unsuspecting [smurfs](#) and phantom companies to launder illegal funds from public corruption, tax fraud and organized crime, mainly through the Banco do Estado do Parana branch in Foz do Iguacu. Thus “the Banestado case.”

The federal investigation was going nowhere until 2001, when then-police superintendent Castilho ascertained that most of the funds were actually landing in accounts at the Banestado branch in New York. Castilho arrived in New York in January 2002 to turbo-charge the necessary international money tracking.

Through a court order, Castilho and his team reviewed 137 accounts at Banestado New York, tracking \$14.9 billion. In quite a few cases, the beneficiaries' names were the same as those of Brazilian politicians then serving in Congress, cabinet ministers and even former presidents.

After a month in New York, Castilho was back in Brazil carrying a hefty 400-page report. Yet, despite the overwhelming evidence he was removed from the investigation, which was then put on hold for at least a year. When the new Lula government took power in early 2003, Castilho was back in business.

In April 2003, Castilho identified a particularly interesting Chase Manhattan account named “Tucano” – the nickname of the PSDB party led by former president Fernando Henrique Cardoso, who had been in power before Lula and who always kept very close ties to the Clinton and Blair political machines.

Castilho was instrumental in the setup of a parliamentary inquiry commission over the Banestado case. But, once again, this commission led nowhere – there was not even a vote on a final report. Most companies involved negotiated deals with the Brazilian Internal Revenue Service and thus ended any possibility of legal action in regard to tax evasion.

Banestado meets Car Wash

In a nutshell, the two largest political parties – Cardoso's neoliberal PSDB and Lula's Workers' Party, neither of which ever really faced down imperial machinations and the Brazilian rentier class – actively buried an in-depth investigation.

Moreover Lula, coming right after Cardoso, and mindful of preserving a minimum of governability, made a strategic decision not to investigate “Tucano” corruption, including a slew of dodgy privatizations.

New York prosecutors went so far as to prepare a special Banestado list for Castilho with

what really mattered for criminal prosecution to go through: the full circle of the money laundering scheme, with funds first illegally remitted out of Brazil using the CC5 accounts, next passing through the New York branches of the Brazilian banks involved, then reaching offshore bank accounts and trusts in tax havens (e.g., Cayman, Jersey, Switzerland) and finally going back to Brazil as – fully laundered – “foreign investment,” for the actual use and enjoyment of the final beneficiaries who had first removed the not-accounted-for money from the country using the CC5 accounts.

But then Brazilian **Justice Minister Marcio Thomaz Bastos**, appointed by Lula, nixed it. As superintendent Castilho metaphorically puts it, “This deliberately prevented me from going back to Brazil with the murdered body.”

While Castilho never got hold of this critical document, at least two Brazilian congressmen, two senators and two federal prosecutors who would later on rise to fame as Car Wash investigation “stars” – Vladimir Aras and Carlos Fernando dos Santos Lima – [did get it](#). Why and how the document – call it the “body bag” – never found its way into the criminal proceedings back in Brazil is an extra mystery wrapped up inside the whole enigma.

Meanwhile, there are “unconfirmed” reports (several sources would not go on record on this) that the document might have been used for outright extortion of the individuals, mostly billionaires, featured on the list.

Extra sauce in the judicial sphere comes from the fact that the provincial judge in charge of burying the Banestado case was none other than Sergio Moro, the self-serving Elliot Ness figure who in the next decade would rise to superstar status as the *capo di tutti i capi* of the massive Car Wash investigation and subsequent justice minister under Bolsonaro.

Moro ended up resigning and is now de facto already campaigning to be elected president in 2022.

And here we hit the toxic Banestado-Car Wash connection. Considering what is already public domain about [Moro’s modus operandi](#) on Car Wash, as he altered names in documents with the single-minded objective of sending Lula to jail, the challenge now would be to prove how Moro “sold” non-convictions related to Banestado. He had a very convenient legal excuse: With no “body” brought back to criminal proceedings in Brazil, no one could be found guilty.

As we plunge into excruciating details, Banestado increasingly looks and feels like the Ariadne’s thread that may reveal the beginning of the destruction of Brazil’s sovereignty. A tale full of lessons to be learned by the whole Global South.

Black market dollar king

Castilho, in that epic podcast, did ring alarm bells when he referred to \$17 million that had transited in the Banestado branch in New York and then was sent to, of all places, Pakistan. He and his team found that out only a few months after 9/11. I’ve sent him some questions about it, and his answered, through Maya, is that his investigators will dig it all up again, as a report did indicate the origin of these funds.

This is the first time such information has surfaced – and the ramifications may be explosive.

We're talking about dodgy funds, arguably from drugs and weapons operations, leaving the Triple Border, which happens historically to be a top site for CIA and Mossad black ops.

Financing may have been provided by the so-called king of the black market dollars, Dario Messer, via CC5 accounts. It's no secret that black market operators at the Tri-Border are all connected to cocaine trafficking via Paraguay - and also to evangelicals. That is the basis of what Maya, Leirner and I have already described as [Cocaine Evangelistan](#).

Messer is an indispensable cog in the recycling mechanism built into drug trafficking. Money travels to fiscal paradises under imperial protection, is duly laundered, and is gloriously resurrected on Wall Street and in the City of London, with the extra bonus of the US easing some of its current account deficit. Cue to Wall Street's "irrational exuberance."

What really matters is free circulation of cocaine. Why not, hidden in the odd soya cargo, something that comes with the extra benefit of securing the well being of agro-business. That's a mirror image of the CIA heroin ratline in Afghanistan that I detailed [here](#).

Most of all, politically, Messer is the notorious missing link to Moro. Even mainstream O Globo newspaper was forced to admit, last November, that Messer's shadowy businesses were "[monitored nonstop for two decades by different US agencies](#) out of Asuncion and Ciudad del Este in Paraguay. Moro for his part is an asset for two different US agencies - FBI and CIA - plus the Department of Justice.

Messer may be the joker in this convoluted plot. But then there's the Maltese Falcon: [There's only one Maltese Falcon](#), as the John Huston classic immortalized it. And it's currently lying in a safe in Switzerland.

I'm referring to the original, official documents submitted by construction giant Odebrecht to the Car Wash investigation which have been [undisputedly "manipulated,"](#) "allegedly" by the company itself. And "maybe", in collusion with then-judge Moro and the prosecution team led by Deltan Dallagnol.

Not only, possibly, for the purpose of incriminating Lula and persons close to him, but also - crucially - deleting any mentions of individuals who should never be brought to light. Or to justice. And, yes, you guessed it right if you thought about the (US-backed) black market dollar king.

The first serious political impact after the release of the Banestado leaks is that Lula's lawyers Cristiano and Valeska Zanin have finally, officially requested Swiss authorities to [hand over the originals](#).

Governor Requião, by the way, was the only Brazilian politician to publicly [ask Lula, back in February, to go for the documents](#) in Switzerland. It is no surprise that Requião is the first public figure in Brazil to now [ask Lula to make all this content public](#) once the former President gets hold of it.

The real, not adulterated Odebrecht list of people involved in corruption is crammed with big names - including the judiciary elite.

Confronting the two versions, Lula's lawyers may finally be able to demonstrate the falsification of "evidence" that led to the jailing of Lula and also, among other developments, to the exile of Ecuador's former president Rafael Correa, the imprisonment of

his former vice-president, Jorge Glas, the imprisonment of Peru's former president Ollanta Humala and wife and, most dramatically, the suicide of Peru's former two time president [Alan Garcia](#).

Brazilian Patriot Act

The big political question now is not to uncover the master manipulator who buried the Banestado scandal two decades ago.

As anthropologist Leirner detailed it, what matters is that the leaking of the CC5 accounts focuses on the mechanism of the corrupted Brazilian bourgeoisie, with the help of their political and judicial partners – national and foreign – to solidify itself as a rentier class, but still always submissive to and kept in check by “secret,” imperial files.

Banestado leaks and the CC5 accounts should be seen as a political opening for Lula to go for broke. This is all-out (hybrid) war – and blinking is not an option. The geopolitical and geoeconomic project of destroying Brazil's sovereignty and turning it into an imperial sub-colony is winning – hands down.

A measure of the explosiveness of Banestado leaks and CC5gate has been the reaction by assorted limited hangouts: thundering silence, and that encompasses leftist parties and alternative, supposedly progressive media. Mainstream media, for which former judge Moro is a sacred cow, at best spin it as “old story,” “fake news” and even a “hoax.”

Lula is facing a fateful decision. With access to names so far shadowed by Car Wash, he may be able to unleash a neutron bomb and pull off a reset of the whole game – exposing a rash of Car Wash-linked Supreme Court judges, prosecutors, district attorneys, journalists and even generals who received funds from Odebrecht overseas.

Not to mention bring black market dollar king Messer – who controls the fate of Moro – to the frontline. This means directly pointing a finger at the US deep state. Not an easy decision to make.

It's now clear that creditors of the Brazilian state were, originally, debtors. Confronting different accounts it's possible to square the circle on Brazil's legendary “fiscal imbalance” – exactly as this plague is brought up, once again, with the intent of decimating the assets of the ailing Brazilian state. Finance Minister Paulo Guedes, a neo-Pinochetist and Milton Friedman cheerleader, has already warned he'll keep selling state companies like there's no tomorrow.

Lula's plan B would be to clinch some sort of deal that would bury the whole dossier – just the way the original Banestado investigation was buried two decades ago – to preserve the leadership of the Workers' Party as domesticated opposition, and without touching on the absolutely essential issue: how Guedes is selling out Brazil.

That would be the line favored by Fernando Haddad, who lost the presidential election to Bolsonaro in 2018 and is a sort of Brazilian version of Michelle Bachelet, Chile's former President. He's an ashamed neoliberal sacrificing everything to have yet another shot at power possibly in 2026.

Were Plan B to happen it would galvanize the wrath of trade unions and social movements – the flesh and blood Brazilian working classes, which are on the verge of being totally

decimated by neoliberalism on steroids and the toxic collusion of the US-inspired [Brazilian version of the Patriot Act](#) with military schemes to profit from Cocaine Evangelistan.

And all that after Washington – successfully – nearly destroyed national champion Petrobras, an initial objective of NSA spying. Zanin, Lula’s lawyer, also adds – maybe too late – that the “informal cooperation” between Washington and the Car Wash op was in fact illegal, according to decree number 3.810/02.

What will Lula do?

As it stands, as a development of the Banestado leaks, a first [Banestado “VIP list”](#) was gathered. It includes the current President of the Supreme Electoral Tribunal, who also serves as a Supreme Court justice, Luis Roberto Barroso, bankers, media tycoons and industrialists. Car Wash prosecutor Deltan Dallagnol happens to be [very close](#) to the neoliberal Supreme Court justice in question.

The VIP list should be read as the road map for the money laundering practices of the Brazilian 0.01% – roughly estimated to be 20,000 families who own the [close to one trillion dollar Brazilian internal debt](#). A large part of those funds had been recycled back to Brazil as “foreign investment” through the CC5 scheme back in the 1990s. And that’s exactly how Brazil’s internal debt exploded.

Still no one knows where the Banestado-enabled torrent of dodgy money actually landed, in detail. The “body bag” was never formally acknowledged to have been brought back from New York and never made its way into the criminal proceedings. Yet money laundering is almost definitely still in progress – and thus the limitation period does not apply – so somebody, anybody, would have to be thrown in the slammer. It doesn’t seem that will be the case anytime soon, though.

Meanwhile, enabled by the US deep state, transnational finance and local comprador elites – some in uniform, some in robes – the slow-motion hybrid war coup against Brazil keeps rambling on, day by day inching closer to full spectrum dominance.

Which bring us to the key, final question: what will Lula do about it?

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