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Bid-Rigging Scandal Reverberates throughout Latin America

by Andrés Gaudín

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A multi-billion-dollar settlement announced Dec. 21 in a US district court in New York set off alarm bells throughout the Latin American political world, starting in Colombia, where most people—with the exception of the far-right opposition—were busy celebrating the end of the country’s decades-long civil war.

The settlement involves Odebrecht, a major Brazilian construction company, which pleaded guilty to violating anti-bribery provisions of the Foreign Corrupt Practices Act, a far-reaching US federal law. Odebrecht admitted to paying—in a dozen countries and during an unspecified period of time—US$788 million in bribes. The case was handled by the US District Court for the Eastern District of New York.

The situation has caused shock waves throughout Latin America and prompted a meeting on Feb. 16-17 in the Brazilian capital, Brasilia, between the attorneys general of 15 countries. The prosecutors’ aim was to coordinate efforts in tackling the bid-rigging network. Ongoing investigations suggest that the bribe money not only boosted the bank accounts of various governments, but also financed the electoral campaigns of candidates who, in some cases, went on to win leadership of their countries.

Besides operating in Colombia and Brazil, where the case began as part of the so-called Lava Jato scandal (NotiSur, Jan. 13, 2017), Odebrecht is also thought to have purchased favors in Argentina, the Dominican Republic, Guatemala, Ecuador, Mexico, Panama, Peru, and Venezuela, as well as in the African nations of Angola and Mozambique.

Information provided by US Attorney Robert Capers of the Eastern District of New York points to the possible involvement of both Juan Manuel Santos, the current president of Colombia, and his predecessor, Álvaro Uribe (2002-2010). In Peru, attention is focused on former presidents Alejandro Toledo (2001-2006), for whom authorities have already issued an international arrest warrant, Alan García (1985-1990, 2006-2011), and Ollanta Humala (2011-2016). Media outlets say authorities also have an eye on the country’s current president, Pedro Pablo Kuczynski, who served under Toledo as minister of the economy and president of the Council of Ministers, and played a central role in awarding contracts for large-scale infrastructure projects that, as is now becoming clear, involved millions of dollars in bribe payments. In Argentina, questions are being raised that put President Mauricio Macri in an uncomfortable position as well.

Hedging their bets?

In the case of Colombia, the New York court documents offer one very precise piece of information: a payment in the amount of US$6.5 million made between 2009 and 2010, near the end of Uribe’s second term as president. On Dec. 23, the secretary of transparency, Camilo Enciso, identified the recipient of that money by name: Gabriel García Morales, a former director of the now defunct Instituto Nacional de Concesiones (National Institute of Concessions, INCO) and a close confidante.
of Uribe. García Morales is now under detention. The contract awarded to Odebrecht was to build the so-called Ruta del Sol, a strategic highway linking central Colombia to the western coast.

The Brazilian company was also contracted to make the Río Magdalena, one of Colombia’s most important rivers, navigable as a way to reduce the cost of transporting items produced inland to Caribbean ports. In order to secure the job, according to Odebrecht higher-ups, the company paid a Brazilian publicist named Duda Mendonça US$4.6 million to work on the campaign of Óscar Iván Zuluaga, who represented Uribe’s Centro Democrático party in the presidential race of 2014, when Santos was reelected.

When the scandal first broke, Colombians were treated to the ugly spectacle of a president and his predecessor engaging in a war of words with insults that, in some instances, were more disparaging to people on the periphery than to each other. Such was the case for two former ministers of the Santos administration—Gina Parody (Education) and Cecilia Álvarez (Commerce)—neither of whom served in government at the time the acts of corruption took place but were denounced by Uribe regardless. After the former ministers said publicly that they were living together as a couple, congressional allies of Uribe, showing signs of homophobia and without any evidence that could implicate the women, asked the national prosecutor’s office to open an investigation.

Uribe’s attacks on the two former ministers came after Santos, in a public appearance, said that, “none of my relatives or children have done business with the government or been involved in a legal case.” The statement was in obvious reference to Uribe, whose father, brothers, two sons, and a cousin have been implicated in cases of drugs trafficking, paramilitary activity, and dishonest business dealings with the state (NotiSur, Nov. 6, 2015).

On Feb. 9, Uribe had his own opportunity to gloat when Otto Bula, a former senator and the second person arrested in connection with the Odebrecht bribery scandal, said from prison that he had personally given US$1 million from the Brazilian company to Santos’ 2014 reelection campaign. The accusation suggests that Odebrecht may actually have financed both of the leading candidates.

All eyes on Toledo

The scandal has also picked up steam in Peru, where on Feb. 8, anti-corruption prosecutor Hamilton Castro called for Toledo be jailed for 18 years based on allegations that the former head of state received US$20 million in bribe payments. Castro accuses Toledo of favoring Odebrecht in a bidding process to build the Carretera Interoceánica Sur, a cross-continental highway project linking Peru and Brazil.

Toledo is employed as a visiting scholar at Stanford University in California, but his former attorney in Lima, Paolo Aldea, said that he may have moved to the nearby city of San Francisco. There has also been talk about a possible trip by Toledo to Israel, though the spokesperson for Israel’s Foreign Affairs Ministry, Emmanuel Nahshon, said that the Israeli government will authorize Toledo’s entry “only when his affairs in Peru are settled.” The only thing known for certain is that days before the international arrest warrant for Toledo was issued, he was in France, where on Feb. 4 he spoke by telephone with the Lima newspaper El Comercio.

Even though everything being said about Toledo was, at that point, just rumor, the former president declared himself innocent and denied that he was on the run. A spokesperson for the national prosecutor’s office claimed otherwise and said that Toledo may have spent the US$20 million
on property via an offshore company based in Panama and co-owned by his mother-in-law, Eva Ferenbug, an Israeli citizen.

In Panama City, Panama, in the meantime, the Spanish news agency EFE reported that the country’s national prosecutor’s office had decided to formally charge the law firm Mossack Fonseca for money laundering in connection with the Lava Jato scandal. On Feb. 9, Attorney General Kenia Porcell said that “information collected shows how the law firm operated as a criminal organization dedicated to hiding money and assets of suspicious origin and helping offshore companies operate.”

Mossack Fonseca is the law firm at the center of the so-called Panama Papers scandal, which began with a massive information leak in April 2016 showing how powerful people across the world—including presidents, business leaders, sports stars, and others—hide their assets and earnings and evade tax payments (NotiSur, May 6, 2016, and NotiCen, July 21, 2016, and Feb. 2, 2017). The leaked documents were first given to the German newspaper Süddeutsche Zeitung, which decided, due to the massive volume of information, to share the material with the International Consortium of Investigative Journalists (ICIJ) so as to break the story simultaneously across the world.

More questions for Macri

Among those who appear in the Panama Papers as owners or key associates in offshore companies are a number of Argentine citizens, including President Macri, his brothers, and his cousin Ángelo Calcaterra, a businessman whose name appears repeatedly in the documents compiled by the US District Court for the Eastern District of New York.

Complicating matters further for the Argentine government are allegations involving the director of the Agencia Federal de Inteligencia (Federal Intelligence Agency, AFI), Gustavo Arribas, a former sports agent whose close ties with Macri date back to Macri’s tenure as president of the popular Boca Juniors soccer team. Leonardo Meirelles, an Odebrecht financial operator who was jailed as part of the Lava Jato scandal and also figures in the New York court case, claimed that he paid Arribas some US$600,000 as “compensation” for helping the Brazilian firm win a contract for work on the Ferrocarril Sarmiento, one of the principal railroad lines crossing Buenos Aires.

Meirelles said the money was paid to the Argentine spy chief by a company called RFY Import & Export via transfers issued from the Standard Chartered Bank of Hong Kong. The deposits went to an account that Arribas opened with the Swiss bank Credit Suisse, in Zurich. Brazilian prosecutors said that RFY Import & Export and “other financial companies connected to the Meirelles family are shell companies that, under the appearance of legitimacy, simulate contracts between Brazilian and foreign companies to justify international transfers.”

One of Odebrecht’s partners on the Ferrocarril Sarmiento project is IECSA, a construction company that Macri owned until 2007, when he transferred control to his cousin Ángelo Calcaterra.

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