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Brazilian Company Odebrecht Implicated in PEMEX Bribery Scheme in Mexico

by Carlos Navarro

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Odebrecht SA, the Brazilian company linked to a series of scandals around Latin America, has also been implicated in a corruption scheme involving Mexico's state-run oil company, PEMEX. According to a report in the Brazilian weekly magazine *Veja*, the corruption scheme occurred in 2014, when then PEMEX director Emilio Lozoya Austin requested a US\$5-million payment from Odebrecht's Mexican subsidiaries in exchange for construction contracts. The magazine, citing Brazilian court records, said company executive Marcelo Odebrecht volunteered the information about bribery schemes in Mexico and other countries as part of a plea agreement that would reduce his prison sentence.

Odebrecht SA has been linked to bribery and bid-rigging in Latin America, including a major scandal in Brazil that brought down the governing Partido dos Trabalhadores (Workers Party, PT) ([NotiSur, Sept. 30, 2016](#), and [Jan. 13, 2017](#)). The Brazilian company has also been at the center of corruption scandals in Colombia, Argentina, Guatemala, Ecuador, Peru, Venezuela, Panama, and the US ([NotiCen, March 9, 2017](#); [NotiSur, May 6, 2016](#), [Feb. 24, 2017](#), [May 26, 2017](#)).

The revelation of the bribery request in 2014 comes after an investigation by Mexico's Procuraduría General de la República (Attorney General's Office, PGR) discovered that an Odebrecht affiliate, the construction company Norberto Odebrecht, obtained three important contracts from PEMEX in exchange for bribes totaling US\$10.5 million.

The PGR said the three projects involved contracts of US\$1.4 billion pesos (US\$77 million) to build water treatment facilities at the Miguel Hidalgo refinery in Tula, in the state of Hidalgo; a US\$84.7-million contract (shared with international conglomerates ICA-Fluor Daniel and Fluor Enterprises) to refurbish the refinery in Salamanca, Guanajuato; and a contract of 1.8 billion pesos (US\$98 million) to build access roads and other external projects for the Tula II refinery, also in Hidalgo.

Additionally, the PGR has asked the autonomous auditing agency Auditoría Superior de la Federación (ASF), which is under the oversight of the Mexican Congress, to provide information on all contracts that Odebrecht has won in Mexico.

Odebrecht first came to Mexico in 2005, when the company won concessions in partnership with three other companies to reconfigure a PEMEX refinery in Minatitlán, in Veracruz state.

Spotlight on former PEMEX officials

The two PEMEX officials in charge of assigning the contracts were Miguel Tame Domínguez and Alejandro Martínez Sibaja, managers of important PEMEX affiliates. The two men were said to be close to Lozoya Austin, who resigned from his post as PEMEX director in February 2016.

In March of this year, representatives for a group of PEMEX retirees who worked at facilities in the states of Veracruz and Chiapas filed a complaint charging Tame Domínguez and Froylán Gracia, a

top aide to Lozoya, of taking part in a scheme in which they assigned contracts for projects without putting them up for bids.

Lozoya's name appeared in the Panama Papers, a set of documents obtained by investigative journalists on offshore companies created in Panama by thousands of individuals as part of an effort to avoid paying taxes at home. Following the release of the Panama Papers in 2016, Mexican tax authorities launched investigations against more than three dozen Mexican citizens suspected of tax evasion ([SourceMex, April 13, 2016](#)).

According to sources close to the recent PGR investigation into the Odebrecht bribery case, Mexican prosecutors are considering actions against Norberto Odebrecht and another, yet-to-be named Mexican affiliate of Odebrecht SA. The actions against the companies could involve hefty fines, as was the case with the Odebrecht scandal in other countries. "The financial penalty has not yet been decided," columnist Mario Maldonado wrote in the daily newspaper El Universal.

Maldonado noted that authorities in Colombia, Peru, and Panama have cancelled projects involving Odebrecht. "In the Dominican Republic, the attorney general entered into an agreement whereby Odebrecht would pay a penalty US\$184 million for having bribed officials to gain favorable treatment for two projects," he wrote.

Officials said the investigation into the Brazilian company's dealings in Mexico is just beginning. "This could become the biggest corruption scandal in Mexico. It is known that Odebrecht had dealings with several local media firms, and I understand it signed several contracts," Max Kaiser, director of the anti-corruption, private-sector Instituto Mexicano para la Competitividad (IMCO), said in an interview with the daily newspaper Reforma.

Kaiser raised concerns that Mexican authorities have been lax in pursuing investigations of companies like Odebrecht, noting that they have only intervened after foreign investigators have uncovered corruption.

"In the last 10 years, investigations into prominent corruption cases in Mexico have been made by foreign authorities. [Lozoya's] case will proceed in Mexico based on investigations that were not made here," Kaiser said in reference to the information revealed during investigations in Brazil, the US, and other countries. In December 2016, Odebrecht and its affiliate, the petrochemical company Braskem, pleaded guilty to bribery charges in the US. This April, a US judge approved a fine of US \$2.6 billion against Odebrecht and Braskem.

Mexican authorities also have their eyes on Braskem, which has received several dozen contracts from state-run agencies including the federal water commission (Comisión Nacional del Agua, CONAGUA), the environment ministry (Secretaría de Medio Ambiente y Recursos Naturales, SEMARNAT), and affiliates of the energy ministry (Secretaría de Energía, SENER) and the agriculture ministry (Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación, SAGARPA).

Former Veracruz governor under scrutiny

Additionally, an investigation conducted by the non-governmental organization Mexicanos Contra la Corrupción y la Impunidad (MCCI) uncovered evidence that Odebrecht officials paid off Javier Duarte de Ochoa, the former governor of Veracruz, in exchange for obtaining contracts in his state. Duarte, who is accused of embezzlement, money laundering, and other serious charges ([SourceMex](#),

March 1, 2017, and April 5, 2017), was detained in Guatemala in April ([SourceMex, April 19, 2017](#)). Mexico has asked the Guatemalan government to send Duarte to Mexico to face charges, but the former governor is fighting extradition.

According to the MCCI investigation, Brazilian politician Eduardo de Melo Pinto paid US\$3 million to the Duarte administration to gain contracts for public works projects. Two projects were awarded to companies associated with Odebrecht during the Duarte administration. One project involved a 30-year contract to upgrade the potable water system in the Veracruz metropolitan area to supply the municipalities of Veracruz, Boca del Río, and Medellín. The other project included the expansion of electrical power in the capital city of Xalapa and water distribution in Veracruz state.

“Duarte played a key role in the 30-year concession that an affiliate of Odebrecht won in Veracruz,” columnist Jorge Fernández Menéndez wrote in the daily newspaper *Excelsior*. “That company’s director, Javier Chumán Rojas, is also accused of money laundering for projects in [the African country of] Angola.”

“It was inevitable that the corruption of the Brazilian giant Odebrecht in Mexico would one day be discovered,” columnist Raymundo Riva Palacio wrote in the daily business newspaper *El Financiero*. “For many years, Odebrecht executives worked with governors throughout the country, even via the intermediation of [former Brazilian President] Luiz Inácio Lula da Silva, who was the recipient of favors and strong compensation from the company.”

The full extent that corruption played in the concessions that Odebrecht obtained in Mexico isn’t know, he added. “What is clear is that for a recent five-year period, Odebrecht grew in Mexico, thanks to support from officials and politicians who received millions of dollars in bribes from the company,” Riva Palacio wrote.

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