

3-21-2002

Presidential Administration Accused in Banking Scandal

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/noticen>

Recommended Citation

LADB Staff. "Presidential Administration Accused in Banking Scandal." (2002). <https://digitalrepository.unm.edu/noticen/8942>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in NotiCen by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.

Presidential Administration Accused in Banking Scandal

by LADB Staff

Category/Department: Guatemala

Published: 2002-03-21

President Alfonso Portillo, Vice President Francisco Reyes Lopez, and four associates have been making multimillion dollar deposits in offshore banks, according to a newspaper expose. Amid denials and foot-dragging by Portillo's governing Frente Republicano Guatemalteco (FRG), opposition party leaders and civic organizations are demanding that Portillo and Reyes Lopez give up their immunity and face the charges in court. The daily Prensa Libre said the regime no longer has any credibility.

The offshore transactions, which the press is calling the Panama Connection, appear to violate the ethics law for public officials, which requires them to update their financial- disclosure records each year to include any new assets or debts of more than US\$6,320. None of the people involved in the alleged transactions reported any assets acquired since February 2000. Long before the current scandal erupted, Portillo was besieged by allegations of corruption in his administration, but to date only ex-interior minister Byron Barrientos has been charged with illicit acts while in office (see NotiCen, 2001-12-06).

In February, before the story broke, Portillo announced an anti-corruption plan (Programa Nacional contra la Corrupcion). "Corruption and impunity...are part of the perverse functioning of our political, economic, and social systems." he said. Among other things, the courts would be encouraged to make an example out of people involved in corruption, Portillo said. The Foro Guatemala, which represents all sectors of society, was to discuss the plan in March, but instead began discussing the offshore accounts and calling for an investigation of the president and vice president. Foro coordinator Efrain Medina said the group would now propose its own anti-corruption plan and present it to the international advisory group (Grupo de Dialogo) at the local offices of the United Nations Development Program (UNDP).

Accused officials worked through shell companies

The daily newspapers Siglo Veintiuno of Guatemala and La Prensa in Panama reported March 5 on the results of their two-week joint investigation of the Panama Connection. Besides Portillo and Reyes Lopez, Reyes' son Francisco Reyes Wyld is also implicated. He is president of two Panamanian companies, Corder Associates and Hamish Holdings, and an officer in a third company, Jano Corp., whose location the newspapers could not determine. Reyes Wyld is also president of the Instituto de Fomento Municipal (IFFOM) and a deputy in the Parlamento Centroamericano (PARLACEN). The group opened 13 bank accounts in Panama and the US in the name of four companies registered in Panama, one in the British Virgin Islands, and possibly three others of unknown location.

Cesar Medina Farfan, a Guatemalan with ties to TotalBank of Miami, and Portillo's brother-in-law Juan Antonio Riley Paiz are listed as president and secretary of Corder Associates and Hamish

Holdings. Vice President Reyes Lopez and Portillo's private secretary Julio Giron Barillas appear in documents as partners. All the companies were set up in January 2001 and are registered for importing diesel and fuel oil for fishing fleets in Puerto Quetzal, Guatemala. No sales were ever made, however, according to the Ministry of Energy and Mines.

Panamanian attorneys Adrian Castellero and Idis Griselda Suarez, acting through their law firm Suarez, Castellero, Holmes, and Richa and their company Atlantic Pacific (APSA), set up the firms and the bank accounts. The newspapers said that documents they obtained showed, for example, that Portillo opened an account in January 2001 in the Banco Internacional de Panama in the name of Inversiones Segovia and Highlands Consultants. Reyes Lopez and Giron Barillas are listed as partners in both companies. Riley Paiz is president of Segovia, which is registered in Panama, and Medina Farfan is secretary. Elvis Omar Perez Barahona is president of Highlands Consultants.

The documents also indicate that the officers of the companies planned to make two or three banks deposits per month ranging from USA\$150,000 to US\$300,000. Several deposits were made in early 2001 of up to US\$500,000 but ceased when bank officials refused to accept deposits from Portillo and his associates. Future transactions were then made by fiduciaries Riley Paiz, Medina Farfan, and Douglas Mauricio Urrutia Jerez, a friend of the Reyes family.

A Panamanian source told the newspapers that the companies probably were set up to launder money. The Ministry of Energy and Mines suggested that the money was eventually channeled through another of the groups' accounts in the Banco Atlantico in Panama to a branch bank in Miami or to other offshore banks. The combined deposits in all the accounts may have gone as high as US\$1.5 million per month. As yet, the origin of the funds sent offshore is uncertain. But in its March 8 edition, Siglo Veintiuno reported that Medina Farfan, Giron Barillas, Reyes Lopez, and Reyes Wyld received US\$126,422 from Jarol Axel Gil Munoz, who allegedly diverted the money from the Interior Ministry.

The newspaper said it had documents showing that Gil Munoz withdrew the same amount from his own account and transferred it to Medina Farfan who then deposited the money in one of the groups' offshore accounts. Medina Farfan worked for the Banco de Desarrollo Rural (BANRURAL) but left in 2001 under suspicion of having appropriated US\$1.15 million in Agriculture Ministry funds. He and 30 others are under investigation.

The Panama Connection accusations came as Panama was touting its successful efforts to get off the blacklist kept by the G-8's Financial Action Task Force on Money Laundering (FATF). In early 2001, Panama passed new laws that require banks to report transactions of more than US\$10,000 and to exchange banking information with other nations. Panama got off the blacklist in June 2001, six months after the Guatemalan money began flowing into its banks (see NotiCen, 2001-06-28).

Portillo asks, "What accounts?" In Panama for a meeting of Central American presidents, Portillo was asked by reporters about the bank accounts. "What accounts?" he asked. He denied having any accounts in Panama and said he would ask Panamanian banking authorities for certification to that effect. "It's all speculation," he said at a news conference. However, he acknowledged that he had US\$26,000 in an account outside the country and had another account in Guatemala. Opening

an account is no crime, he said. Portillo charged that the newspaper reports were orchestrated by sectors unhappy with his reform program and that their goal was to destabilize the nation. He said he did not rule out lawsuits against the newspapers.

Continuing the assault on his unnamed enemies on March 15, Portillo said the authors of the conspiracy were members of a family with power to make and unmake presidents, and who possess more money than the government. Reyes Lopez called a news conference to accuse the newspapers of yellow journalism. He acknowledged that he, his son, and business partners had bank accounts in Panama but said they were for future use by their oil-import businesses. He said no deposits were made to the accounts recently, but he did not say how long that was. He denied any business dealings with Portillo, Giron Barillas, and Medina Farfan. The vice president said he would give no further details unless Congress eliminated the banking-secrecy law. Deflecting accusations that Congress did nothing to stem corruption,

Congress and FRG president Efraín Ríos Montt claimed the president, not the party, governed the nation. As Portillo lashed out at the mysterious "family," members of the Movimiento Cívico were calling for him and Reyes Lopez to give up their immunity and face charges in court. They would be replaced by a provisional government of national unity. The Movimiento was formed following the newspaper revelations and includes various representatives of business, former guerrillas and military, and nongovernmental organizations. The Movimiento began organizing street demonstrations against the top officials, preparing lawsuits, and collecting signatures on a petition to oust the president and vice president.

Angered by the allegations, former president Ramiro de León Carpio (1993-1996) resigned his seat in Congress and his membership in the FRG to protest the secret accounts. "I thought the future of the country was going to be managed differently, but I was wrong," he said. De León Carpio maintained that Congress president Ríos Montt was holding the FRG deputies under tight control in support of the accused officials. Rumors immediately surfaced that as many as 10 other FRG deputies might resign, but to date none has done so.

Comptroller finds no evidence

Three separate investigations are underway, but those run by government departments have been slow to find any evidence of wrongdoing. Government Comptroller Marco Tulio Abadio has come under fire for his response to the Panama Connection allegations. First, he said his office lacked jurisdiction and took no action to investigate. Portillo then sent him to Panama March 12, where he said he found no evidence of wrongdoing. Abadio reported from Panama via local media on March 13 that he was ending his investigation after two days. He said the newspaper reports were just a "show." He accused an informant, Panamanian attorney Sidney Sitton, of having been paid to produce documents backing the allegations. "There are people behind this; the information they gave me is absolute garbage," said Abadio.

The Guatemalan Congress appointed a committee to investigate the allegations and to report its findings to the full house in two weeks. FRG deputies declined to serve on the committee, leaving it to opposition deputies. The committee, formed on March 5, began to collapse March 6, as four

of the six members quit, accusing the majority FRG deputies of refusing to cooperate with the investigation. The opposition members also complained of restrictions imposed on the committee such as limiting its inquiry to deposits that may have come from public funds. One of those who remained on the committee said the problems began when the FRG faction refused to give the committee more than two weeks to complete its investigation. With its term extended to 60 days, the reconstituted committee went to Panama March 13 to begin a two-day inquiry.

In Panama, the committee joined investigators from the attorney general's office and Abadio. Business leaders threaten legal action against government. Meanwhile, the business community is threatening to take action on its own. The business group *Comite de Asociaciones Agricolas, Comerciales, Industriales y Financieras (CACIF)* warned that if any of the investigations confirmed the newspapers' allegations, CACIF might take the officials implicated to court. CACIF president Enrique Neutze said the private sector was tired of the corruption scandals.

Last year, CACIF led a one-day protest against government tax policies and official corruption (see *NotiCen*, 2001-09-20). A subsequent propaganda attack on one of its leaders, Chamber of Commerce president Jorge Briz, led to allegations that Vice President Reyes Lopez had used a government printing office to produce fliers attacking Briz. The case has yet to be resolved.

Within two days of arriving in Panama, the committee reported that it had found evidence tying all six members of the group to the companies and bank accounts set up by Suarez, Castellero, Holmes, and Richa. US blacklists corrupt officials. Under a policy outlined by newly appointed Assistant Secretary of State for Western Hemisphere Affairs Otto Reich on March 12, Portillo, Reyes Lopez, Reyes Wyld, and Giron Barillas appear on a list of officials and former officials in Latin America who may not receive US visas because of credible allegations of corruption. Besides the Guatemalans, former Nicaraguan President Arnaldo Aleman (1997-2002), former Peruvian President Alberto Fujimori (1990-2000), and former Argentine President Carlos Saul Menem (1989-1999) are on the blacklist.

Announcing the new policy, Reich said, "What we are going to do is, when we are one hundred percent sure that an individual stole public funds, we are not going to let them into the United States of America. They are not going to retire in Key Biscayne, and they are not going to go to Disney World, and their spouses are not going to shop on Fifth Avenue. They are not going to go to Houston to have their hearts examined." By mid-March, FRG deputies were saying they were worried that an attempt might be made to overthrow Portillo. Some were said to be compiling a list of plotters who might be involved in a coup conspiracy.

Congress president Rios Montt said he did not share these concerns, but FRG Deputy Ivan Santisteban said the party should think seriously about its internal problems. He said the FRG should reassure the public that the constitutional order would be maintained.

-- End --