

# Top Peruvian politicians implicated in Brazil's "Lava Jato" corruption scandal

By Armando Cruz  
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Revelations stemming from the investigation into Brazil's "Lava Jato" bribes and kickbacks scandal centered at the state-run energy conglomerate Petrobras have exposed the use of these same methods abroad, with Brazilian corporations, particularly the construction giant Odebrecht, bribing high-ranking public officers in order to secure lucrative public contracts.

On December 21, the US Department of Justice made public that Odebrecht S.A. and Braskem S.A., a petrochemical company partly owned by Odebrecht, agreed to pay a stunning \$3.5 billion in fines to Brazilian, US and Swiss authorities after pleading guilty to charges of bribing officials in 12 countries. The US took part in the prosecution basing itself on the Foreign Corrupt Practices Act, which sanctions companies and individuals that directly or indirectly cause acts of corruption on US soil. (Odebrecht carried out infrastructure projects in Florida, Louisiana and Texas).

"Odebrecht and Braskem used a hidden but fully functioning Odebrecht business unit—a 'Department of Bribery,' so to speak—that systematically paid hundreds of millions of dollars to corrupt government officials in countries on three continents," said US Deputy Assistant Attorney General Suh.

In the settlement, Odebrecht admitted having paid US\$788 million in bribes to public officials in Peru, Venezuela, Ecuador, Angola, Argentina, Colombia, Guatemala, Mexico, Panama and the Dominican Republic.

In Peru, company executives revealed that US\$29 million was paid between 2005 and 2014, a timespan that includes the administrations of Alejandro Toledo (2001-2006), Alan Garcia (2006-2011) and Ollanta Humala (2011-2016), all of them right-wing governments dedicated to the protection and expansion of free-market policies that were imposed in the country during the 1990s.

While Odebrecht was active since the late 1980s in Peru, and was one of the beneficiaries of the corrupt, autocratic government of Alberto Fujimori in the 90s, there has yet to emerge conclusive evidence of illegal practices during that time. Fuerza Popular, the party headed by Fujimori's daughter Keiko, has made it clear that it will oppose any attempt to investigate Odebrecht-related corruption under the Fujimori government, using its control over the legislature.

Among the major figures that may be targeted by prosecutors are the current Peruvian President Pedro Pablo Kuczynski, who was prime

minister under the Toledo administration, current mayor of Lima Luis Castaneda, who held the same post from 2003 to 2010, and the former mayor of Lima Susana Villaran, who unexpectedly rose to office in 2010 with the support of the pseudo-left.

During each of the last three governments a major infrastructure bid was secured by Odebrecht. Under the Toledo administration, it was the Inter-oceanic Highway, a project that would link Brazil to Peruvian ports in order to facilitate the export of products to China. Under Garcia, it was the construction of a substantial part of the Lima Metro. And under the Humala administration, it was the Gasoducto Sur Peruano, a gas pipeline project that would supply the country's south with natural gas.

The first major casualty in the Peruvian investigation is ex-president Alejandro Toledo who on the night of February 3 was accused by prosecutors of receiving \$20 million in bribes for the construction of the Inter-oceanic Highway thanks to the revelations of a close collaborator, Jorge Barata, Odebrecht's main man in Peru.

It is reported that this money ended up in a money-laundering case in which the former president and his Israeli wife, Eliane Karp, acquired a mansion in Lima valued at US\$3.7 million. Peruvian justice eventually absolved both of them.

In an interview with the daily *El Comercio*, Toledo, who is currently in Paris attending an economic forum, denied taking the bribes and claimed a "political witch-hunt" by his enemies. He said that, while under his administration the price of the project was secured at US\$850 million, it ended up rising to US\$2.1 billion in the next administration of Alan Garcia.

On Saturday, prosecutors gave the go-ahead for a raid on one of Toledo's houses in Lima in the search of evidence linked to the Odebrecht bribes. They claim to have already found US\$11 million in the offshore accounts of Israeli businessman Josef Maiman, one of Toledo's allies.

If Peruvian and international prosecutors ask for his extradition and he is found guilty in a subsequent trial, Toledo would become the second ex-Peruvian president sitting behind bars: Alberto Fujimori was convicted in 2009 of human rights violations in the dirty war against the Sendero Luminoso guerrillas and subsequently against the resistance of the working class to the free market measures ordered by Washington.

Ironically, Toledo was catapulted to the national stage as the overblown symbol of the “democratic resistance” to the autocratic Fujimori regime during its last years, when it was collapsing amidst filthy corruption scandals. Once elected, he continued and deepened Fujimori’s submission to Washington and big business.

With Toledo in the crosshairs of the Lava Jato investigation, the position of the current president, Kuczynski, is becoming increasingly precarious. He was Toledo’s most powerful prime minister, and evidence may turn up that he also was involved in the corrupt deals with Odebrecht. The congressional “Lava Jato Commission” has declared that it is “almost inevitable” that the president will be called to testify.

This could not come at a worse time for Kuczynski. After landslides ravaging most of the Andean region of the country, violent protests in Lima against an excessive highway toll, and a humiliating conflict with the fujimorista-controlled congress over the removal of a minister of education, the president’s approval rating has fallen 11 points in one month.

Two public officers from the Ministry of Transportation and Telecommunications (MTT) under the APRA party government of Alan Garcia have already been detained in connection with Odebrecht’s Lima Metro project. Edwin Luyo, a member of the bidding committee for the Metro, admitted to receiving bribes from Odebrecht and said he could become a witness for the prosecution, while Jorge Cuba, the deputy minister of the MTT, disappeared for some weeks before returning to Lima to face charges.

The accusations of bribes and corruption in connection with the construction of the Metro—a project whose cost rose from US\$583 million to US \$900 million—have thrown the APRA party and its upper echelons into crisis. This party, the oldest one in Peru, was throughout the 20th century a political force that mobilized a substantial part of the Peruvian working class under a reformist bourgeois program. With its first and second periods in power (both under Alan Garcia,) it was transformed into a club of powerful lobbyists centered around the figure of Garcia, a reported multi-millionaire. Currently, it is completely discredited amongst the working class and youth, who view it as the symbol of corruption in the country.

The response to the prosecution of Luyo and Cuba from the party leadership around Garcia has been to shield the former president and place “political responsibility” for the corrupt deals on the minister of transportation at the time: Jorge Cornejo, who is seen by many as a rising star in the party after a relatively successful participation in the last elections for the mayor in Lima and a potential challenger to Garcia’s near-total domination of the party. Cornejo, who declared some weeks ago that APRA would “disappear if Alan Garcia keeps leading it,” has charged that the orders to scapegoat him come from Garcia himself. The party responded by stripping him of his rights inside APRA.

Meanwhile, in the camp of the pseudo-left, the former mayor of Lima, Susana Villaran, will be summoned to the congressional committee investigating the Odebrecht bribes in connection with the Vias Nuevas

de Lima project awarded by the city to Odebrecht in 2012.

Elected in 2010, Villaran was a relative newcomer to Peruvian politics who benefited from popular disaffection from the traditional bourgeois parties. From the start, she came under the political influence of individuals linked to the Partido dos Trabalhadores (Workers Party) of former presidents Luiz Inacio Lula Da Silva and the ousted Dilma Rouseff, such as the Argentinian-Brazilian political operator and former member of the French Lambertist OCI (International Communist Organization), Luis Favre.

The pro-capitalist record of the PT in Brazil did not stop the pseudo-left in Peru from hailing her election and working with her. By promoting her as a viable alternative to the discredited parties, they paved the way for the return of the right-wing populist Castaneda who easily won the last elections. Now these same elements are either distancing themselves from her former administration or defending her against the charges.

Also, there are indications that the main trade union federation, the CGTP, was working in support of Odebrecht. The online journal *El Expreso Informativo de Moquegua* reported that the CGTP had been promoting the demand that the state gave a US\$5 billion credit for the construction of the Gasoducto Andino pipeline, the main project Odebrecht secured during the Humala administration—which the CGTP supported. At the end of January, the CGTP issued a statement lamenting the loss of 15,000 jobs due to the Odebrecht corruption investigations.

These developments have left the ruling class nervously contemplating the discrediting of every party and political institution in Peru. A column in *El Comercio*, the Peruvian bourgeoisie’s main voice, explains that for the majority of the population, “the main discussion [about the politicians] is who got bribed less.” It concludes by warning that the spectacle of corruption tainting the entire political establishment is rich soil for “anti-system” and “anti-status quo” sentiments.

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