

Marbella construction scandal exposes endemic criminality of Spanish capitalism

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The surfacing of a number of corruption scandals linked to the construction industry in Spain has revealed the outright criminality that lay at the heart of the country's recent economic boom.

The most high-profile of these scandals centres on the jet-set resort of Marbella on Spain's southern coast. To date, no less than 79 companies have been implicated, 50 people arrested and €2.6 billion (US\$3.3 billion) worth of assets seized.

The Marbella scandal came to light when a police investigation in March 2005 into drug-related money-laundering activity in the city discovered that groups linked to organised crime had funneled more than €600 million into the booming property-development sector in the city. Further investigation revealed that the corruption scandal went to the heart of local government in Marbella.

Earlier this year, the police launched "Operation Malaya," which led to the town council being dissolved and Mayor Marisol Yagüe, her deputy Isabel García Carlos and a number of local officials, including the alleged ringleader—planning advisor Juan Antonio Roca—being charged. Judge Miguel Ángel Torres, the magistrate in charge of the investigation, described Roca as the "Mr. Big" of a mafia-style alliance of businessmen and politicians who ran Marbella as their own cash-generating fiefdom and Mayor Yagüe as "a puppet in Roca's hands."

The group's alleged offences include granting permission to build on nature reserves and other land protected from development, manipulation of public tenders, and accepting bribes, as well as illegal price fixing.

The corruption scandal has also transcended Spain's borders. Spanish financial intelligence agents are currently in the Dominican Republic tracking investments linked to the Marbella case that have filtered their way into the country's tourism and construction sectors. According to a number of reports in *Dominican Today* the main figures involved are Spanish financier Carlos Sanchez, who is linked to the Marbella scandal, and 2008 Dominican presidential hopeful Miguel Vargas.

The origins of the present scandal go back to the days of ex-property developer Jesús Gil Gil—notorious for the collapse in 1969 of a restaurant he built near Segovia that killed 58 people. His five-year sentence was reduced to 18 months by the dictator General Francisco Franco. Capitalising on the inability of the ruling Socialist Workers Party (PSOE) administration in Marbella to meet basic social needs, Gil founded the right-wing Grupo Independente Liberal (GIL) party and swept to power as mayor of Malaga in 1991—promising to end PSOE corruption and build cheap housing.

During his 15 years tenure of Malaga, Gil oversaw the construction of tens of thousands of homes now deemed illegal by Spanish authorities. Up to 5,000 are now threatened with demolition. In 2002, Gil was forced to resign as details of his corrupt behaviour emerged, but he died two years later, shortly after the Supreme Court banned him from holding public office for 28 years.

Gil's successor, Julián Muñoz, lasted little more than a year. His ousting was reportedly part of a power struggle organised by Juan Antonio Roca after Muñoz dismissed the planning advisor from his post, deeming him too closely linked to property-related scandals. Muñoz was himself charged with approving illegal property planning earlier this year in a second round of arrests linked to Operation Malaya.

Roca's rise to prominence began when he became planning adviser to Gil in the early 1990s and went from unemployed builder to multimillionaire. The police have now seized 2.4 million euros of Roca's assets, including cash, property, jewels, cars, horses, fighting bulls and a private jet.

The non-profit organisation Ciudadanos Europeos suggests how Roca operated in his function as planning advisor in a recent article, saying, "...when a developer had a problem (and of course, everyone had a problem at the start), [Roca] talked to the person in question, agreed to solve the problem (it could be some additional floors on a building under construction), and named his price. Often a piece of land

without approval for construction was given to one of Roca's companies. This land at once became building land, while the 'problem' of the constructor vanished."

While many of Spain's mayors insist that Marbella is a one-off phenomenon limited to the GIL party, fresh scandals suggest that the problem is endemic, with the opposition Popular Party (PP), the PSOE and regional nationalist parties all involved. In a recent article, the *Economist* pointed out that "Government and prosecutors have usually turned a blind eye [to corruption], as nobody wants to kill the golden goose of construction."

Back in 2003, a report by Malaga University's Andalusian Criminology institute noted that a very close relationship existed between Spain's construction industry and town halls, which depend on much of their funding from issuing planning licences. Some municipalities raise as much as 70 percent of their income in this way.

A report earlier this year by the anti-corruption think tank Transparency International pointed to the so-called "3 percent real estate case" in Catalonia that was allegedly used to help finance the 20-year-long coalition between the PP and nationalist *Convergència i Unió* (Convergence and Union, CiU). The report also revealed that in Mallorca, several municipalities have altered their individual urbanisation plans an astounding 227 times.

In September, the PP administration in the Valencian town of Orihuela was charged with permitting the construction of 30,000 "irregularly built" houses, and the PP mayor of Alicante, Luis Díaz Alperi, was accused of illegal tendering for the construction of underground car parks in the city. In nearby Catral, the PSOE administration is under threat of suspension for allowing 1,270 illegal homes to be built in or near to a nature reserve.

On October 3, Enrique Porto, the planning chief at the PP-controlled Madrid city council, resigned amidst allegations that he rezoned land in Villanueva de la Cañada against advice from technical experts. As a result, a plot of land he bought for €87,000 a couple of years ago became worth €4.3 million.

The corruption scandals provoked such massive popular discontent—as displayed by the large demonstration organised by local citizen groups in Marbella in March—that the PSOE was finally forced to act.

A week after the demonstration, the government moved quickly to bury the scandal. Rather than calling fresh municipal elections, the council was dissolved and a caretaker administration appointed until the next national elections in May 2007. A provision within the Spanish constitution was used that gives central government the power to dissolve a local body if its management is "considered against the general interest and its constitutional

obligations." This is a first time that a Spanish government has used such antidemocratic measures since the country returned to democracy in 1978.

Meanwhile, most of those involved in the Marbella scandal have been released on bail, and reports suggest that Marbella's "Mr. Big" will end up with just a small custodial sentence.

Whilst Spain's ruling elite has benefited from the construction boom and accrued massive profits, Spain's working population has found itself falling deeper into debt as it struggles to keep up with the cost of living.

Workers earn an average of €1,922 (US\$2,480) per month before tax and social security payments, but spend nearly half of their income on accommodation, which has doubled in price in real terms over the last decade.

Household indebtedness has risen to more than 110 percent of income and approaches US levels. The most recent data shows the amount of outstanding mortgage loans stands at a record €811 billion (US\$1 trillion), a rise of 26 percent since last year. As 80 percent of Spain's population own their own home, many workers are in an extremely vulnerable position should interest rates rise sharply (most mortgages are variable rate) or the housing bubble burst, as recent data suggests could be happening.

The construction scandal has also affected British workers. Many of the properties deemed to have been built illegally and now threatened with demolition belong to British and Irish expatriates who have moved there in the last few years, attracted by the relatively lower cost of living and dreams of retiring to a place in the sun. As one told London's *Evening Standard*, "I invested most of my life savings emigrating. We face financial ruin."



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