

# Peru's entire political establishment engulfed in bribery scandal

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Lima's former mayor Susana Villarán, who was one of the most prominent representatives of what passes for "left" politics in Peru, has become the latest political figure to become engulfed in a mushrooming scandal involving hundreds of millions of dollars in bribes, kickbacks and campaign financing from major Brazilian construction contractors.

Villarán, who was elected in 2010 as the candidate of a Broad Front of the Left and on the basis of vague promises of reform, used her office to promote big business interests in the Peruvian capital, including those of the Brazilian transnationals Odebrecht and OAS, which were given contracts to build deeply unpopular toll roads.

In return, these firms offered her political support, including by sending "advisers" from Brazil's then-ruling Workers Party (PT).

Now she is accused of taking \$4 million in illicit campaign donations from the Brazilian companies, and has been barred from leaving the country. Villarán has denied the charges.

The seemingly endless series of corruption charges against every major party and politician has exposed an immense crisis of bourgeois rule in Peru, while triggering a bitter internecine struggle as everyone tries to save themselves at the expense of their rivals.

One former president, Ollanta Humala, who came into office in 2011 posturing as a nationalist and populist, is already in prison. He and his wife are under preventive detention, awaiting prosecution on charges of corruption and money-laundering involving millions of dollars in illicit campaign contributions from the Brazilian construction giant Odebrecht.

In a plea agreement reached with the US Justice Department last December, the firm acknowledged paying out over \$800 million in bribes to public

officials in a dozen countries.

Another former president, Alejandro Toledo, is in the United States fighting extradition to Peru, where he is charged with taking \$20 million in bribes from Odebrecht when he was in office from 2001 to 2006. Prosecutors recently unveiled new evidence of his receiving an illicit \$3.9 million payment from another Brazilian construction firm, Camargo Correa.

Similarly implicated are both the current president, Pedro Pablo Kuczynski, known as PPK, and the leader of his right-wing opposition, Fuerza Popular, Keiko Fujimori, the daughter of Peru's former dictator Alberto Fujimori. Her party, the FP, holds a firm majority in the Peruvian Congress.

Fujimori has been implicated by an entry in the agenda book of Marcelo Odebrecht, the CEO of the Brazilian company that bears his name, which reads, "Increase Keiko 500 and pay her a visit." It is widely believed that the entry refers to a second payment of US\$500,000 to Fujimori. The agenda also mentions OH and AG (most likely referring to former presidents Ollanta Humala and Alan García).

Peruvian prosecutors traveled to Brazil earlier this month where they grilled the imprisoned billionaire Odebrecht. The answers to their questions have yet to be made public.

Meanwhile, Kuczynski (PPK), has been increasingly implicated. On November 17, the newspaper *Expreso* published an article charging that in 1996, when Kuczynski was a member of the board of directors of the Peruvian development firm Cosapi, he helped form the Bechtel-Cosapi-Odebrecht consortium.

The independent congressman Juan Pari Choquecota, who comes out of the ranks of the Nationalist Party of Humala and headed up the first congressional commission to investigate the Brazilian bribery

scandal, told the newspaper that bank accounts belonging to Kuczynski's firm First Capital recorded payments from Odebrecht after he had become prime minister in the government of the now fugitive Alejandro Toledo.

*Expreso* asks "what was it that PPK offered to Odebrecht as Minister of State and [when] he provided financial advisory services to Marcelo Odebrecht?"

Not only have the *fujimoristas* who control Congress seized upon these charges to go after PPK, they have also begun proceedings aimed at impeaching the country's attorney general Pablo Sánchez, and sought to sack members of the Constitutional Court (TC). While the FP has cast its actions as a campaign against official corruption, they are widely viewed as an attempt to carry out an "institutional coup" aimed at protecting Keiko Fujimori and other party leaders from prosecution in the Odebrecht case.

The attorney general, who has condemned the congressional move as an attack on the independence of his office, has received the backing of local bar associations, social organizations and press associations.

The political crisis triggered by the penetration of Odebrecht's corruption scandal into every layer of the Peruvian government is directly affecting Peru's economic development. The investigation has paralyzed mega-projects in which Odebrecht was playing a leading role, including the construction of sections 1 and 2 of the Lima Metro Line, and sections 2 and 3 of the Southern Interoceanic Highway.

The main national partners of Odebrecht are Graña y Montero (GyM), Ingenieros Civiles y Contratistas Generales SA (ICCGSA), and JJ Camet. Of the three, the largest and most influential is GyM. The testimony of Jorge Barata, the former executive director of Odebrecht in Brazil, who has turned state's witness, is expected to corroborate charges that these companies were well aware of the political bribes being paid out for the contracts in which they were involved.

While the Lima Stock Exchange has continued to experience a speculative boom even in the face of poor economic growth during 2017, the construction sector has been hard hit by the political scandal. While over the course of the year mining companies have seen their shares rise by over 50 percent, and banks by 20, the construction companies are in free fall. GyM shares

have fallen 53.62 percent—29.68 percent in the last week alone.

Meanwhile, the Peruvian pseudo-left, led by the former presidential candidate Veronika Mendoza, has limited itself to defending the constitutional order, while implicitly aligning itself with PPK's right-wing government. "It is clear that the *Fujimorismo* aims to give an institutional blow as it did in the 1990s," Mendoza declared, referring to the "auto golpe," or self coup of 1992, when Alberto Fujimori closed down the Congress with the help of the army in order to establish authoritarian rule.



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