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The Billionaire at the Centre of the Largest Corruption Scandal in Latin America

By Marcelo López de Aragón

The name Odebrecht has become irremediably tied to one of the largest corruption scandals in Latin American history. In the midst of the ongoing scandal is the man bearing the company's name, one of Brazil's richest men, Marcelo Odebrecht; a 48-year-old executive, who went from managing one of the world's largest construction firms to having several high-ranking government officials in Latin America look on nervously as the Brazilian construction tycoon confesses and provides details on an unparalleled and sophisticated bribery and bid-rigging scheme to Brazilian judicial authorities and to US courts.

Until 2015, before the scandal broke out, Odebrecht lived a life of luxury and influence as one of the richest men in Brazil at the helm of one of the country's most [renowned](#) companies. Odebrecht grew up as an heir, groomed to take over the family company. His grandfather founded the construction company in 1944, based in the northern Brazilian city of Bahia. During the military government that took power in that country in 1964, the Odebrecht company began to build roads, hydroelectric and nuclear power plants. Over time, the company came to be considered as one of the largest industrial conglomerates in Brazil, with businesses in the energy, biofuel, defence and petrochemical sectors, among others.

In 1979, the Odebrecht company began operating abroad, building hydroelectric projects in Peru and Chile. Since then, and often supported by loans from the Brazilian government, it expanded its operations in almost all of [Latin America](#), as well as in several countries in [Africa](#) and in the [United States](#). It became the largest construction company in the region and one of the largest in the world. Following studies in civil engineering in Brazil and business school in Switzerland, in 2008 Marcelo Odebrecht took over the reins of what had become a sprawling multinational company.

Over the next several years, the company's profits rocketed as Brazil experienced what many touted as a

new "economic miracle": [rapid economic](#) growth under the government of former President Luis Inacio "Lula" da Silva, and after 2010, with his successor, Dilma Rousseff. While the 2008-2010 world financial crisis severely slowed down most economies, Brazil's economic growth continued at a high rate, hitting [7.5 percent in 2010](#). Brazil was the star of emerging nations; a boom in the price of export commodities had filled state coffers, which in turn undertook an extensive welfare program that helped millions out of poverty, but also experienced rampant corruption among the political class.

Meanwhile, Odebrecht's work expanded throughout Latin America and Africa with contracts in more than 20 countries. At the same time, the Brazilian government embarked on huge infrastructure projects, from stadiums for the World Cup and Olympic Games, to airports, railways and highways. By early 2015, however, the miracle began to quickly [fall apart](#) as the Brazilian economy collapsed. More importantly, "[Operação Lava Jato](#)," or Operation Carwash, an ongoing criminal investigation by the Brazilian Federal Police, put Odebrecht under the spotlight of an investigation into corruption in public contracts.

By June 2015, his life took a dramatic turn for the worst after being arrested in connection to the bribery scandal. In March 2016, he was sentenced to [19 years in prison](#) for having paid more than \$30 million (US) in bribes to officials of state oil company Petrobras to obtain contracts. Having only spent a few months in prison, Odebrecht decided to collaborate with authorities in order to reduce his sentence. Soon, the former executive began to reveal damaging information about his company's vast network of kickbacks in exchange for winning multi-million dollar construction contracts, not only providing a list of corrupt senior politicians in Brazil, but also allegations that have snared politicians in several countries in the region.

Under investigation by the US Justice Department, Odebrecht agreed in December 2016 to pay [\\$3.5 billion \(US\)](#) in fines after admitting to paying \$788 million (US) in bribes across 12 countries to secure contracts. While the Odebrecht corruption case first shook Brazil's political scene at the highest level – as current President Michel Temer, and both former Presidents Dilma Rousseff and Luiz Inacio Lula da Silva have been investigated – the ongoing investigation

has implicated political leaders in several Latin American countries.

Ecuador

In November 2017, a judge ordered a criminal trial to begin against the country's Vice-President, Jorge Glas. Along with 12 other defendants, Mr. Glas stands accused of taking bribes from the Brazilian construction giant. Prosecutors accuse Glas of taking a total of [\\$13.5 million](#) in kickbacks for favouring Odebrecht in government contracts. If found guilty, he could face five years in jail.

Peru

In July 2017, A Peruvian judge issued an 18-month detention order for former president [Ollanta Humala and his wife](#), for money laundering and intention to commit criminal offenses related to the Odebrecht case. Both Humala and his wife have denied committing any wrongdoing. In addition, [Alejandro Toledo](#), another former Peruvian president, was issued an international arrest warrant and ordered to spend 18 months in jail while prosecutors investigate him for allegedly taking \$20 million (US) in bribes from the Brazilian construction giant. He denies the charges.

Also, [former President Alan Garcia](#) has been investigated on alleged links to irregularities in the award of a light rail network during his second presidency. According to the Peruvian prosecutor's office, the Brazilian company paid \$7 million (US) in bribes to win the contract, awarded during Garcia's second presidential term. Garcia denies all allegations.

Colombia

The Attorney General of Colombia is [investigating allegations](#) that current President Juan Manuel Santos' presidential campaign received \$1 million (US) from the Odebrecht construction company, allegedly paid to a Colombian ex-senator. The former senator is [currently imprisoned](#) after having been found guilty of taking \$ 4.6 million (US) in bribes from Odebrecht.

While President Santos' campaign denies the allegations, his campaign chief confirmed the Brazilian firm's contribution in 2010 for the payment of two million posters. In addition, the Prosecutor's Office reported that the Brazilian firm had made [illegal contributions](#) to Santos' presidential rival in 2014, Óscar Iván Zuluaga. Mr. Zuluaga has denied knowledge of illegal contributions to his campaign.

Panama

Odebrecht's alleged illegal financing of election campaigns is also of interest in Panama. Suspicions of support for former President Ricardo Martinelli's campaign, had already been [highlighted by US ambassador Barbara Stephenson](#) on a wire leaked by Wikileaks. Thus, it came as no surprise that several lawsuits against Martinelli, who had lived in Miami, Florida, were filed following the end of his term in office. In June 2017, [Martinelli was arrested in Miami](#) and denied him bail by US authorities pending his extradition to Panama. The Panamanian government had issued an arrest warrant against the former president for other cases of corruption and illegal wiretapping.

In addition, the country's Supreme Court requested judicial assistance from [the Swiss government](#) to determine whether former President Martinelli held bank accounts with bribes from the Brazilian company in Switzerland. Among the 17 defendants identified by the Special Anti-Corruption Prosecutor's Office in Panama, are several relatives of Martinelli. Swiss officials seized bank accounts containing \$22 million (US) in January 2017 belonging to the Martinelli family.

Another former Panamanian president implicated by the Odebrecht scandal is [former President Martín Torrijos](#). In February 2017, Panama's Public Prosecutor's office confirmed that it had requested information on the accounts of former President Martín Torrijos to determine possible links with the Odebrecht bribing scheme. Mr. Torrijos denied any ties and promised to collaborate with the authorities. And the list of Panamanian politicians linked to the scandal does not end there. According to local media, the possible entry of Odebrecht's money into the campaign of the [current Panamanian president, Juan Carlos Varela](#), is also being investigated.

El Salvador

The role of the Brazilian company in the campaign of [former President Mauricio Funes](#) is also under investigation. The Salvadoran Prosecutor's Office indicated it has information suggesting that Odebrecht illegally financed the former president's campaign with \$1.5 million (US). However, the Salvadoran ex-president, who is being tried for illicit enrichment on an unrelated case, has fled the country

and obtained political asylum in Nicaragua. He denies all charges.

Argentina

So far, investigations in Argentina have targeted mainly [key figures of the Kirchner era](#). Nevertheless, the Odebrecht scandal reached the current head of the Federal Intelligence Agency, Gustavo Arribas, a personal friend of current president Mauricio Macri. Mr. Arribas was [accused](#) of receiving \$750,000 (US) from Odebrecht, an accusation he denied. While the Federal Chamber of Criminal Cassation closed the case in June 2017 against Mr. Arribas, the Odebrecht scandal has brought to light the web of corruption present in Argentina's politics.

Venezuela

The former Venezuelan Attorney General, Luisa Ortega – who fell afoul from the Venezuelan government and had to flee the country – [released videos](#) alleging that the Brazilian construction giant, made illegal campaign contributions to numerous Venezuelan politicians. In the videos, an Odebrecht executive testifies that the company had paid current President Nicolás Maduro at least \$35 million (US) in 2013 in campaign contribution, as well as contribution millions to other leading politicians.

Conclusion

While it remains to be seen how many years Marcelo Odebrecht will ultimately serve in prison, one thing is clear, the ongoing corruption scandal working its way throughout several countries in the region was orchestrated by one of Brazil's most renowned companies whose family name will forever be associated with corruption. More importantly, the scandal has laid bare how corruption is entrenched throughout several of Latin America's political halls of power. While most countries in Latin America are now governed by democratically elected leaders, having regular elections is not sufficient. For the region to address the scourge of corruption and extensive negative impact on its economy, fundamental changes to how government institutions function must be put in place.

It is critical that weak democratic institutions with parasitic accountability be strengthened as the negative ramifications of corruption run deep. [Empirical data](#) shows that countries with high levels of corruption experience lower acceptance of established institutions, deficient court systems,

political instability, and heightened income inequality. Corruption also lowers the quality of public infrastructure and expenditures on education and health. In addition, there is a direct correlation between corruption, the growth of the informal economy, and the spread of illicit activity in the form of organized crime and illegal cartels, among others. Sadly, all of these attributes are all too often characteristic of many Latin American countries as witnessed by the Odebrecht scandal.

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