

# Law, a Large-Caliber Political Weapon in Bolivia's Fight Against Money Laundering

By Andrés Schipani\*

In the main courtyard, behind the rusty bars of one of the gates of the San Pedro prison in central La Paz, a short, chubby, Andean-looking man is refereeing an improvised soccer match between some of the inmates. "Foul, foul, that was a clear foul!" he shouts to a player who is wearing the country's green national jersey, with the name "Evo" emblazoned on the back.

The self-styled referee has also been calling "foul" for almost two years on the real Evo: Evo Morales, Bolivia's left-wing and first indigenous president.

The referee is Santos Ramírez, the former president of Bolivia's Senate and former head of the country's state-run oil and gas company, Bolivia's Fiscal Oil Fields (YPFB – *Yacimientos Petrolíferos Fiscales Bolivianos*). Ramírez was detained in prison 18 months ago on charges of corruption associated with money laundering.

"I am being used as a double-sided flag: On the one side, the government is using me as their scapegoat in their alleged fight against corruption, and on the other, the opposition is using me to say this government is corrupt," Ramírez told Global Integrity from behind the bars of the "VIP" wing of South America's strangest jail. It is a place where inmates pay for their cells and services, and where foreign tourists used to pay bribes to enter, gawk, shop, dine and even do drugs, until shortly after Ramírez was imprisoned.

Ramírez was alleged to have taken bribes worth more than US\$1 million in exchange for oil and gas contracts. These were then to have been laundered through ghost companies, with some of the money sent overseas. For several Bolivians, the microcosm of the San Pedro prison reflects a wider reality of a country that is believed to be a safe haven for crooked officials, drug-traffickers and money launderers alike.

## Where the Trouble Began

The trouble began on Jan. 27, 2009, when oil businessman Jorge O'Connor was on his way to deliver US\$450,000 in two suitcases to an apartment building in La Paz. There, gunmen ambushed, shot and killed him. Who these gunmen were, and why they killed him is not clear, but it was later discovered that the money was allegedly a kickback to Ramírez for giving a US\$86 million contract to O'Connor's company to build a natural gas processing plant.

Ramírez, a former congressman with presidential aspirations, happened to be a close friend of President Morales, who was the best man at Ramírez's wedding.

The bribery scandal was a tough blow for President Morales, not only because Ramírez was once his best friend and close aide, but also because it damaged the government's credibility. The loss was all the sharper because President Morales had campaigned on a promise to end Bolivia's endemic corruption — few countries can match Bolivia's record of venal rulers.

Now, accusations and discussions about corruption seem to permeate Bolivians' everyday life. A few blocks away from the San Pedro prison, graffiti painted by a group of President Morales' most radical supporters — also known as the "*Satucos*" — reads: "We send the corrupt crooks to jail without hesitation. Well done!"

For Carlos Toranzo, a political analyst with the Latin American Institute for Social Research in La Paz, the present situation is not very hard to read: "The argument of corruption is being used as a large-caliber political weapon by the government. Everyone in the opposition, everyone who has something to do with the 'past', before Evo Morales, is believed to have had something to do with corruption and money laundering. But this government is very sensitive when it is labeled as corrupt and believes it has to show it is doing something about it."

One of the new instruments "to do something about it" was put in place soon after Morales took office in January 2006. First, Bolivia's government created the world's only Anti-Corruption Ministry as a deputy ministry and then upgraded it around the same time that Ramírez's case hit the headlines. The ministry was put in place by the new Constitution that was pushed for by President Morales and passed by a landslide on a national referendum in January 2009.

"It doesn't matter who you are. Now we have a very hard stance on corruption, from the president on down. If you are serving the Bolivian people and you steal one Boliviano [US\$0.14] or 1,000,000 Boliviano (US\$143,000) from the Bolivian people, it doesn't matter — we'll investigate and you'll be prosecuted," Bolivia's Institutional Transparency and Anti-corruption Minister, Nardi Suño, told Global Integrity at a United Nations Convention Against Corruption gathering in Vienna.

"You saw that happen to the president's best friend, Santos Ramírez, and we are now investigating some governors and former ministers," Minister Suño added.

The other — and highly controversial — instrument is the Marcelo Quiroga Santa Cruz Law, a retroactive law passed earlier this year intended to fight corruption and the money laundering linked to it.

The law was named after one of Bolivia's mythical outspoken left-wing fighters against the ruthless dictatorships of the 1960s and 1970s, who had been abducted and assassinated in 1980 during the "narco-coup" that was led by General Luis García Meza. President Morales and his supporters revere him as an example of a man who believed in hard work, honesty and democracy.

Among other things, the new law sets jail sentences for government officials who are convicted of corruption between 5 to 20 years — and more, if it is linked to money laundering. Previously, the sentences were one to six years in prison.

"This law is largely praised by international bodies; there was a desperate need for a real change. In the past, government officials made a great living for themselves out of corruption and money laundering; some even live abroad now on the proceeds of years of stealing from the Bolivian people and sending that money overseas however they could," Minister Suxo said. She added "there cannot be impunity here. Punishments should be harsh for corruption whether it took place in the past, present or will in the future. Before the punishments were ridiculously minimal, and since everyone was involved, that encouraged corruption and money laundering."

About a dozen current and former officials are now under investigation for corruption and money laundering; yet, Suxo says, "many others are overseas, spending what they stole here and then laundered; it will be very hard to catch those."

#### When Does Prosecution Become Persecution?

Some members of the opposition have labeled the law a "witch hunt" and feel that the government's sensitivities have gone a bit too far: A few governors staunchly opposed to President Morales now are being publicly accused of corruption. The former governor of the central region of Cochabamba, Manfred Reyes Villa, who was Morales's main contender in last December's presidential election, fled to the U.S. after investigations began in 2010 into his alleged involvement in the mismanagement of funds.

But it seems to be spilling over. After accusations of corruption were made against him, former president Jorge "Tuto" Quiroga was recently found guilty of defaming a state-run bank in statements he made right after the YPFB's bribery scandal.

Quiroga — who ruled from August 2001 to August 2002, and who ran for the high seat in 2005 but was soundly defeated by the incumbent — said that the bank was "a money-lauderer for resources obtained in a bad way, for Venezuelan resources and for resources from corruption." At the time of Quiroga's comments, the Bolivian Public Ministry was investigating Banco Unión in connection to money in a trust fund directly handled by the oil

businessman who had been shot to death while carrying the briefcase allegedly containing the bribe for Ramírez.

But while Minister Suño dismisses the accusations, she admits that while there are controls in place, state authorities lack funds and infrastructure to fight money laundering.

“Sometimes we feel overwhelmed and without means,” says a source at the Bolivian government’s Financial Investigations Unit. Two relatively recent decrees signed by President Morales — one for the fight against corruption and illicit enrichment and the other in regard to the obligation to declare imports and exports of currency — don’t seem enough in a country where, according to Toranzo, “corruption and money laundering are national habits.”

This “habit” might be costing Bolivia a lot. According to Cochabamba-based think tank Millennium Foundation (FM — *Fundación Milenio*), during the past four years, between smuggling, drug trafficking and other activities (i.e., corruption) about US\$800 million a year in dirty money circulates in Bolivia.

So, in a country that is one of South America’s poorest and in which cocaine trafficking has become the third-largest source of revenue (trailing just behind gas and mineral exports), and where, for many, corruption and money laundering are commonplace, people like Toranzo believe such a law might now seem, somehow, hypocritical.

“The final goal of the Marcelo Quiroga Santa Cruz law is not the fight against corruption or money laundering by present or past officials, but to use that law as a powerful political instrument,” he says.

That idea is echoed behind the walls of the San Pedro prison. There, Ramírez, who is still awaiting trial, feels like a hated and, ultimately, assaulted referee in Bolivia’s match against corruption and money laundering. “They are accusing me of stealing money; they are accusing me of laundering money in Bolivia and in the Bahamas, and even in Germany. I am not going to say if I am innocent or not. What I will say is that I am not serving a fair judicial sentence, but rather a political one.”

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