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AMERICAS

Chile Joins Other Latin American Nations Shaken by Scandal

By **SIMON ROMERO** APRIL 9, 2015

SANTIAGO, Chile — Scandals are shaking one government after another this year in Latin America: the mysterious death of a prosecutor in Argentina; the ouster of Peru's prime minister over a domestic spying operation; the revelations of a vast bribery scheme at Brazil's national oil company.

Chile was long thought to be above such agitations, given its reputation as one of the region's least corrupt nations. But a series of stunning scandals is placing the political establishment here in turmoil, suddenly raising doubts about a country that has been a darling of international finance institutions and exposing figures across the ideological spectrum to scorn.

The most prominent target of criticism is President Michelle Bachelet, the 63-year-old pediatrician who returned to the presidency in 2014 on a platform of easing inequality. In recent weeks, her son has been accused of using his influence during her campaign to secure a loan for a land deal that reaped millions of dollars in profits in the space of a few weeks.

Yet the conservative opposition is also under fire after the arrests in March of executives from one of Chile's largest financial groups on charges of tax fraud, bribery and money laundering. Prosecutors say the charges stem from an illegal scheme to finance the Independent Democratic Union, a right-wing party.

Contributing to the spreading ire over corruption here, a giant mining

company controlled by Julio Ponce Lerou, the former son-in-law of the Chilean dictator Augusto Pinochet, is embroiled in an investigation over questionable payments to an array of political figures, largely on the right but also to government figures and legislators in Ms. Bachelet's coalition of centrists and leftists.

"All of these revelations at once are throwing the system into shock," said Pablo Collada, the director of Intelligent Citizen, an organization promoting transparency in politics. "It's like we've realized this is a swamp and everyone has one foot in the mud."

The sense of dismay has been especially acute for Ms. Bachelet, who ended her first term as president in 2010 with soaring approval ratings, having shielded the country from a sharp downturn during the global financial crisis. Before her return to the presidency last year, she took a global post as the head of the United Nations' women's rights body.

On Wednesday, Ms. Bachelet told reporters that she lamented the emergence of a "culture of distrust" in the wake of the scandals.

But she also insisted that Chile's institutions were doing their job by investigating figures, including those in her own family, while making it clear she had no plans to step down.

"I have never considered resigning," she said, adding that such a move would amount to an "institutional rupture."

Ms. Bachelet said she, like nearly everyone else, learned of the business dealings of her son, Sebastián Dávalos, from news reports in February, when he was accused of trying to secure a \$10 million loan with the help of one of Chile's richest men, Andrónico Luksic.

The bank that Mr. Luksic's family controls granted the loan a day after Ms. Bachelet was re-elected in December 2013, providing the money to a company partly owned by Ms. Bachelet's daughter-in-law, according to investigators. The company used the loan to buy land that was flipped weeks later in a deal producing an estimated profit of several million dollars.

The land deal is still under investigation. But whatever the legality, the scandal has accentuated an enduring source of tension here over Chilean

politics and business: the use of elite connections to exert influence and obtain wealth, embarrassing a leader who had made leveling the playing field a goal of her second term.

Few Chileans could even fathom obtaining a meeting with Mr. Luksic to ask for a loan of such magnitude, *AméricaEconomía*, a business magazine based here, explained in a scathing editorial.

“Whether they’re from the left, center or right, the members of a small elite have the money and power in their hands,” the magazine said.

After her son resigned from his post as head of the charitable foundation normally run by Chile’s first lady, Ms. Bachelet’s approval ratings have plunged to 31 percent, a record low in either of her two terms, according to Adimark, a polling company. The public opinion survey, conducted in interviews with 1,258 people from March 5 to March 27, had a margin of sampling error of plus or minus 2 percentage points.

“The opposition is on the floor with its scandals, but this is a personal tragedy for Bachelet,” said Robert Funk, a professor of political science at the University of Chile. “There was a sense of moral superiority around Bachelet, and now she’s struggling to regain legitimacy.”

Trying to find her footing, Ms. Bachelet is appointing an advisory committee to draft new measures to regulate the ties between political figures and business interests.

“These have been difficult and painful times for me as a mother and a president,” Ms. Bachelet recently said in reference to the revelations about her son.

Of course, Chile is far from alone in grappling with issues of privilege and politics in Latin America, or elsewhere. Echoing other scandals in the region, some of the practices exposed at Penta, the Chilean financial group with jailed executives, and SQM, the mining company under investigation over payments to political figures, appear to involve illicit ways to evade taxes, fund campaigns and influence politicians.

In Brazil, just three months into her second term, President Dilma Rousseff is fighting for her political survival as Petrobras, the national oil

company she once oversaw as energy minister and has championed throughout her presidency, reels from a colossal bribery scandal.

The rising sensitivity over corruption in Chile and other parts of Latin America reflects the strengthening of the region's middle classes this century, accompanied by an emboldened sense of citizenship that holds political leaders to higher ethical standards. With economic growth slowing throughout the region, tempers are flaring.

“During the boom period, with greater social spending, corruption did not have the gravity and political consequences that it has when times are tough and governments have little choice but to carry out fiscal adjustments,” said Michael Shifter, president of Inter-American Dialogue, a policy group in Washington.

Chile maintains important advantages in limiting the scope of corruption, including a vibrant civil society and an independent judiciary. The economy, while growing slower than in recent years, is still expected to expand by about 2.5 percent this year, an enviable rate for countries like Argentina, Brazil and Venezuela.

Some here also point out that the scandals, while shocking in Chile, are still on a different scale from those elsewhere in the region. In Brazil, Ms. Rousseff, with an approval rating of 13 percent, faces a stagnant economy and sprawling scandals involving bribes and tax fraud resulting in losses well into the billions of dollars.

“Chileans think we're in the middle of an acute crisis, but I liken it to a trip to the emergency room with some chest pains,” said Patricio Navia, a Chilean political scientist at New York University. “We get there and we see Brazil, having a real heart attack, and the doctor tells us we're overweight, not exercising, maybe smoking too much.”

“The doctor's message,” Mr. Navia continued, “is that we'll end up with a heart attack five years down the road if we don't change our ways now.”