



MEXICO: ANTI-CORRUPTION TSUNAMI WARNING II (LESSONS LEARNED FROM THE *OPERAÇÃO LAVA JATO* INVESTIGATION)

On July 1, 2018, in a tidal wave of support, voters elected Mr. Andrés López Obrador, a left-wing politician who has voiced his determination to fight corruption in Mexico, as the country's next President.

Throughout his campaign, Mr. Obrador stated on numerous occasions that he will end corruption in Mexico—a country that is ranked 135 of 180 on the Transparency International's Corruption Perceptions Index 2017, indicating that the country's public sector is viewed as highly corrupt. However, Mr. Obrador has yet to explain how he will achieve this goal.

What is clear is that Mr. Obrador and his new administration will be expected to increase anti-corruption enforcement activity in Mexico upon taking office, which would likely have a follow-on effect in the United States.

As we wrote in our first Mexico note, the aggressive anti-corruption rhetoric used by Mr. Obrador in the campaign and the growing global outcry against corruption suggests that the new administration will focus on implementing Mexico's new anti-corruption laws, which came into effect in 2017. The new legislation provides the new administration the opportunity to prosecute high-profile cross-border cases of corruption. The new administration will be responsible for appointing the new National Anticorruption Chief Prosecutor. Mr. Obrador suggested recently that he intends to send a short list of three candidates for the National Anticorruption Chief Prosecutor to the Mexican Congress. The Mexican Congress will then elect one candidate.

Mexico is the only Latin American country involved in the *Operação Lava Jato* (Operation Car Wash) corruption scandal that has not investigated the allegations. These allegations include the improper award of government contracts related to gas pipelines, refineries, ethylene production, and energy and water facilities, allegedly following officials' receipt of illicit payments. These allegations could quickly become the focus of the new National Anticorruption Chief Prosecutor.

As a result, we suggest that:

- Foreign companies operating in Mexico – particularly those that have connections to the United States and thus could have exposure under the U.S. Foreign Corrupt Practices Act – as well as under the new Mexican anti-corruption laws, should ensure they have assessed their businesses' potential for corruption risks and taken appropriate mitigating steps as corruption may be a key focus of the new administration.
- Companies that have engaged in business with the individuals and entities that have been swept up in *Operação Lava Jato* or whose business focuses on government procurement or interaction with state-owned entities should assess their potential exposure to corruption claims.

Companies should take proactive compliance measures now to avoid getting caught in the current of Mexico's anticipated anti-corruption initiatives.

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