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This record is a partial extract of the original cable. The full text of the original cable is not available.

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C O N F I D E N T I A L SECTION 01 OF 04 QUITO 001000

SIPDIS

VISAS DONKEY

DEPARTMENT FOR WHA/AND, WHA/PPC, CA/VO/L/C, L/LEI, L/WHA,  
INL/C/CP, P, COUNSELOR

E.O. 12958: DECL: 04/19/2015

TAGS: PGOV, CVIS, EFIN, KCOR, EC

SUBJECT: **EMBASSY RECOMMENDS 3C FINDINGS FOR ISAIAS BROTHERS**

REF: A. QUITO 839

B. QUITO 623

C. 04 QUITO 3206

D. 04 QUITO 1745

E. 03 QUITO 2349

F. STATE 262132

G. STATE 262205

Classified By: Ambassador Kristie A. Kenney, Reasons 1.4 (b)

1. (C) SUMMARY: William and Roberto Isaias, former chiefs of Filanbanco bank and among Ecuador's richest men, fled Ecuador in 1999 after absconding with over \$100 million in government bailout funds. They used their ill-gotten wealth

to buy safe passage from Ecuador and later pressured prosecutors to reduce criminal charges against them. Similar pressure tactics resulted in GoE-prepared extradition packages that were insubstantial and non-actionable by the Department of Justice. Proof of their financial shenanigans was sufficient, however, to permit the State Department to revoke their visas on money-laundering charges in 2003.

2. (C) The Isaiases' presence in the United States has proven a bilateral irritant for nearly six years. Ecuador's rabid media accuse us of harboring fugitives and paying lip service to our anti-corruption OAS commitments, and former President Lucio Gutierrez, elected partly on a "bring the bankers home" platform, regularly demanded their and others' return as quid pro quo for supporting U.S. policies. From south Florida the brothers recently spurred a bank run here, hurting U.S. efforts to help foment Ecuadorian economic growth, a key Mission goal.

3. (C) The Immigration and Nationality Act's Section 212 (a)(3)(C) renders inadmissible any "alien whose entry or proposed activities in the United States the Secretary of State has reasonable grounds to believe would have serious, adverse foreign policy consequences for the United States Government." Understanding 3C can be utilized to deport aliens as well, the Embassy seeks Department support in expeditiously expelling these individuals on foreign policy grounds. END SUMMARY.

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A Tangled Web of Corruption  
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4. (C) Filanbanco, Ecuador's largest bank, began experiencing severe liquidity problems in 1998, owing to the poor quality of its loan portfolio. The Central Bank extended a \$440 million liquidity support loan on the condition the bank undertake no new lending activity. As Filanbanco's health worsened, President Roberto Isaias and Executive Vice President William Isaias orally instructed the bank's head accountant to begin a series of transfers to an offshore trust in the Caymans. On December 3, 1998, with

Filanbanco perilously close to running out of liquidity, the GoE intervened in the bank's operation, ceding control to the AGD, Ecuador's Resolution Trust Corporation-equivalent. The Isaias brothers were removed as directors. Subsequent bailouts totaling over \$1 billion were unable to restore financial health, and in June 2001 the GoE shuttered Filanbanco, freezing over 350,000 individual accounts in the process (Ref E).

5. (C) Throughout 1999, allegations surfaced regarding William and Roberto Isaias' negligent, even criminal management of Filanbanco. Feeling the heat, they left Ecuador for Florida in late December 1999, where they remain today. From Coral Gables, the brothers continue to administer a business empire which includes Ecuador's sole cable television operator, seventy radio stations, three television stations, Ecuador's largest sugar processor, and a yogurt brand; not one firm is registered in their names. Among Ecuador's wealthiest expats, they also wield political power, with strong ties to Coast-based parties the PSC (center-right) and PRE (populist).

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Their Power Over the Judicial System  
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6. (C) No records exist in Ecuador's migration system to document the brothers' December 1999 exit. The Attorney General's Office began investigating the brothers shortly thereafter, and eventually recommended bank fraud charges in a report presented to Attorney General Mariana Yopez. Yopez, whose PSC ties were widely known, immediately departed on an unannounced trip to Bogota where she allegedly met with PSC stalwart Xavier Neira (confidential Embassy sources claim Neira paid her a \$2 million bribe). On her return from Colombia, Yopez refused to sign the indictment and disbanded the financial crimes investigative unit. An indictment eventually came two months later, but much of the evidence earlier uncovered had disappeared.

7. (C) A year passed between the indictment's issuance and its June 2001 delivery to the USG as part of a GoE

extradition request. Upon receipt, it was apparent the charging document and supporting files were insufficient to bring the Isaiases' case before a U.S. extradition judge. Following up, DoJ attorneys visited Ecuador in 2003 for meetings with Embassy staff, financial investigators, and government officials (the latter refused to engage). They concluded that the lack of evidence showing the Isaias brothers had benefited personally from the illegal transfers would prevent the extradition case from progressing (we since learned the Isaiases' domestic employee, in the Caymans, signed for the \$107 million wire transfer). Yepez subsequently insulated the brothers further, reducing bank fraud charges to civil fraud, a non-extraditable offense (Ecuador's then-Supreme Court president later overturned her ruling, however). Bank fraud charges remain active against the brothers.

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Why Self-Flagellate When You Can Gringo-bash?  
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8. (C) The United States Government did not bankroll the Isaiases, co-sign their bad loans, embezzle government bailout funds, smuggle them across the border in a car trunk, bury evidence, or pressure prosecutors to reduce charges against them. Yet by reading the press in Ecuador you would think it had. As news of the brothers' thievery went public, headlines like "U.S. Lays Out Welcome Mat to Pension Fund Robbers" and "Bush's Words, Actions Differ on Corruption" became commonplace. Local temperatures peaked in 2003, when Ecuadorian media carried Miami society pages' coverage of Roberto's daughter's wedding, a million-dollar affair held at the Versace Mansion.

9. (C) Media indignation fed public discontent and eventually drove GoE policy. Lucio Gutierrez, a former Army colonel and 2000 coup leader, won Ecuador's presidency in November 2002 by rallying the underclasses with a populist, far-left platform; a key plank was his promise to "bring the 'corruptos' home to face justice." In early meetings with USG officials, a Washington call on President Bush included, he reiterated his interest in successful banker

repatriations. Subsequently, Gutierrez linked the return of the Isaiases and others of their ilk to Ecuadorian support for key U.S. initiatives, from Article 98 to hemispheric free trade.

10. (C) Physical separation from Ecuador has not blunted the Isaiases' influence nor their capacity to do harm. In September 2004, TeleAmazonas TV, owned by the Egas family, financial rivals of the Isaiases, broadcast a series of reports on Ecuador's 1999-2000 bank collapse. One segment concerned Roberto Isaias and his activities during the period. TeleAmazonas officials claimed that Roberto contacted them before the show aired, threatening retaliation if it did. In retaliation, the Isaias-owned TV TC broadcast a piece alleging the insolvency of Egas-owned Banco de Pichincha, the nation's largest bank. Contacts told us that a dangerous bank run ensued, threatening the Ecuadorian financial system's solvency. Only after Church leaders brokered a "truce" did depositors begin to re-invest their savings in Banco de Pichincha, hitherto Ecuador's most solid financial institution.

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USG Not Standing Still  
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11. (C) In 2003, prospects for extraditing the Isaias brothers looked hopeless -- whether from intimidation or subornment, Ecuadorian officials simply were unable/unwilling to provide the necessary supporting documentation. A politically weak Gutierrez had turned for support to the PSC, whose leaders, many with business ties to the Isaiases and fearing implication in future trials, wanted the brothers as far from Ecuador as possible. Regardless of the president's overtures to his former political enemies and his administration's sub-par extradition performance, his public commentary remained unchanged, promising he would move heaven and earth in delivering the bankers to Ecuadorian courts.

12. (C) Deportations require less GoE input than extradition. Convinced the brothers were involved in financial crimes but unable to gather sufficient information

to prove they had personally benefited -- an imperative for a successful extradition -- DHS began working to establish both administrative (misrepresentation) and criminal (money laundering) grounds for the brothers' removal. Their investigations on the latter bore fruit, and in September 2003, the Department of State, invoking Immigration and Nationality Act (INA) Section 212 (a)(2)(I), revoked "any and all visas issued to or held by William and Roberto Isaias" on money laundering grounds (Refs F, G). DHS special agents in Miami assumed responsibility for notifying the brothers.

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Not There Yet  
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13. (C) Possessing a U.S. visa does not guarantee entry into the United States, nor does losing one mean immediate removal. Employing the finest attorneys their millions allow, the Isaises have successfully fought deportation for years, despite State's revocations of their E-2 and other visas. In December 2004, however, a deeply-buried section (5304) of the 2004 Intelligence Reform/Terrorism law made prior revocation of an alien's nonimmigrant visa a grounds for removal (the Intel Reform law actually updated the INA's "Classes of Deportable Aliens" provisions). As State's 2003 revocation had covered "any and all" visas, the brothers appeared removable.

14. (C) Subsequent DHS Miami inquiries revealed, however, that immigration adjudicators had approved change-of-status applications for William and Roberto Isaias, from E-2 to H-1b. It remains unclear whether the processing occurred before or after the revocation, but in either case, it appears that State's actions would trump the adjudicators' (if the DHS changes occurred beforehand, the revocations' "any/all" provision would take precedent; if the changes occurred afterward, we imagine the adjudicators' likely lacked access to system "hits" and feel justified in requesting review). Despite this, the brothers still enjoy valid H1-b status in the United States, as the DHS Service Center has not yet reconsidered the case.

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Why We Don't Want Their Kind  
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15. (C) In November 2004 remarks in San Antonio, U.S. Permanent Representative to the OAS John Maisto asserted that corruption was the single biggest inhibitor to economic growth in the developing world. "At the Monterrey Summit of the Americas," Maisto explained, "OAS member states, the United States included, pledged to deny safehaven to corrupt officials, those who corrupt them, and their assets." President Bush put force behind the anti-corruption mantra in Proclamation 7750, which suspends the entry of corrupt persons into the United States.

16. (C) The gravity of the Isaiases' graft, and the bilateral damage their U.S. domicile has caused, make the case more than one of simple corruption, however. Congress deposed Gutierrez on April 20, citing as justification his "dictatorial" bent and inability to govern, not the Isaiases. In the post-mortem, however, former allies and commentators argued that Gutierrez's abandonment of his base and inability to meet campaign promises, extraditions included, contributed greatly to his downfall.

17. (C) "Deepening Democracy's Roots" and "Promoting Economic Growth" rank one-two on the Embassy Mission Performance Plan's list of strategic goals (which effectively translate into U.S. foreign policy objectives in Ecuador). The Isaiases' corruption and influence-peddling compromise our efforts to reach both. Further, their continued presence in the U.S. provides grist to Ecuador's yankee-bashers who seek to drive our nations apart. Despite early, expected pandering to these ultra-nationalists, Ecuador's new president, Alfredo Palacio, has expressed desires for close relations with the United States. Expelling the Isaias brothers might provide Palacio a useful deliverable and quiet the restive left, boost rule of law here at a critical moment, and confirm the USG's anti-corruption bark has bite.

18. (C) We therefore seek Department support in

expeditiously removing these individuals on foreign policy grounds.  
KENNEY

<http://m.elcomercio.com/wikileaks/cable.php?c=c20ad4d>