

## **SHORT PRIMER ON THE CONTROVERSIAL ZTE-NBN SCAM**

### **What is the National Broadband Network deal and why is it at the center of controversy?**

The NBN deal is a \$329.5 million contract between the Philippines and the Zhong Xing Telecommunications Equipment Limited (ZTE) to set up a broadband network for the Philippine government. To finance the project, the Philippine government will have to secure a loan from China, payable with interest.

The main issue with the NBN deal is that it is overpriced mainly because of the bribes and payoffs for certain government officials considered close to President Gloria Macapagal Arroyo. The whole contract was rigged to favor ZTE, in clear violation of Philippine law.

The overpricing will eventually be shouldered by the Filipino people as it is the government who will pay the loan from China. This is the main reason why the deal is deemed grossly disadvantageous to the people.

The allegation of overpricing was revealed by Joey de Venecia III, head of the losing bidder Amsterdam Holdings Inc. Among other things, de Venecia said that Comelec Chair Benjamin Abalos offered him \$10 million to back off from the NBN deal. Abalos, de Venecia alleged, was the broker of the NBN deal and was set to receive \$130 million as commission from ZTE. Nueva Ecija representative Carlos Padilla also claimed that Abalos brokered the deal.

### **How is the Arroyo administration involved in the controversial deal?**

The First Gentleman Mike Arroyo and other key Arroyo officials are in one way or another involved in the negotiations of the contract.

Comelec Chair Benjamin Abalos “He is believed to be the principal broker of the deal. He is said to be “golf buddies” with some ZTE officials. He allegedly actively lobbied for the approval of the contract in exchange from money and alleged sexual favors. There are allegations that he received \$130 million (P58.5 Billion) from ZTE, the equivalent of the overpricing of the contract in the first contract. The amount would be used to bribe other Philippine government officials and individuals (including the young de Venecia).

Joey de Venecia also recalled how he was present when Abalos talked to ZTE officials regarding the supposed commission. Abalos admitted making four trips to China.

In the past, Abalos has been implicated in numerous controversies including the “Hello Garci Scandal” and the overpriced Mega Pacific deal that purchased P1.3 billion worth of counting machines.

First Gentleman Mike Arroyo “As relayed by de Venecia III, Mike Arroyo influenced the outcome of the NBN deal when he asked the AHI head to “back off” from the deal. This allegedly happened during a “reconciliatory” meeting held sometime mid-March between Abalos, DOTC secretary Leandro Mendoza, Mike Arroyo and four other men.

DOTC Secretary Leandro Mendoza “He signed the NBN deal last April in China, witnessed by President Arroyo herself. It was under his watch when the supposed contract was “lost”, “stolen” then later on “reconstituted”.

Former NEDA Secretary Romulo Neri- At the start of the negotiations for the contract, Neri allegedly questioned the NBN deal. He was reportedly offered P200 million allegedly by Abalos to endorse the deal to the China Export-Import Bank. Reports say he declined the offer but was asked by the President to approve the deal just the same. Neri was later transferred to the Commission on Higher Education.

President Gloria Macapagal Arroyo “While Joey de Venecia did not categorically implicate Mrs. Arroyo in the NBN scam, there are several facts which cannot be denied. Mrs. Arroyo has known of the NBN deal for quite some time now, even citing her vision for the NBN in her 2006 State of the Nation Address. She signed the contract in China even if it went against the guidelines she herself laid down for the Philippine government. She also made several sins of omission by not investigating the alleged “theft” of the contract and for not investigating the officials believed to be involved in the anomalous contract. Recently, Arroyo has asked her cabinet officials to appear before a Senate inquiry to explain the NBN contract.

### **What should be done with the NBN contract and the officials involved?**

The NBN deal with ZTE should be junked because it is patently corrupt and disadvantageous to the public. The officials of the Arroyo administration must be held accountable for their involvement in this tainted deal. Abalos, Mendoza et al should immediately resign from their posts.

As this is another one in the many allegations of corruption and misrule leveled against the Arroyo regime, it becomes necessary for Arroyo herself to step down. It is the only moral and logical thing to do in the face of relentless accusation of illegitimacy, fraud, plunder and human rights abuses.