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Murder of PRI Official Ruiz Massieu Causes Shockwaves in Financial Markets

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On Sept. 28, Jose Francisco Ruiz Massieu, secretary general for the governing Institutional Revolutionary Party (PRI), was assassinated in Mexico City, causing shock waves in the financial and foreign currency markets. The assassination the third high-profile assassination in less than two years renewed concern over whether the country is politically stable enough to provide an appropriate investment climate for domestic and foreign businesses.

Meanwhile, the government has moved quickly to resolve the case to shore up confidence in Mexico's judicial system. On the day of the assassination, all seven major stock categories at the Mexican Stock Exchange (BMV) each representing an industrial sector declined sharply, resulting in a total drop of almost 2% in the exchange's key index (Indice de Precios de Cotizacion, IPC). In addition, listings at the New York Stock Exchange (NYSE) for such prominent stocks as Telefonos de Mexico (Telmex), Grupo Tribasa, Vitro, and Grupo Maseca all posted sharp declines on Sept. 28. The index of Mexican listings at the NYSE dropped by an average 5.6% during trading on that day.

In the foreign exchange markets, the Banco de Mexico (central bank) was forced to intervene to prop up the value of the peso against the US dollar. The Bank reportedly sold about US$1.2 billion in US dollars that day to keep the peso from sliding in value relative to the dollar. Beyond its short-term impact on financial and economic markets, the incident has again raised questions on whether Mexico’s political and economic climate is stable enough to even sustain present foreign investment levels, much less attract further investment.

Over the past 18 months, President Carlos Salinas de Gortari's administration has faced a series of potentially destabilizing incidents, including the assassination of Guadalajara's Cardinal Juan Jesus Posadas Ocampo in May of 1993, the killing of then-presidential candidate Luis Donaldo Colosio of the PRI in March of 1994, and the alleged attempt on the life of Chiapas gubernatorial candidate Amado Avendano in July. In addition, this year the government had to deal with the uprising of the Zapatista National Liberation Army (Ejercito Zapatista de Liberacion Nacional, EZLN) in Chiapas and the kidnapping of two prominent businessmen.

Repercussions in global markets
Ruiz Massieu's assassination caused enough concern in international circles that Michel Camdessus, executive director of the International Monetary Fund (IMF), made a special effort during his speech at the IMF's annual assembly in Madrid in early October to reassure potential foreign investors that Mexico is still an attractive market for investments. Camdessus pointed out that Mexico continues to follow sound economic policies, such as limiting inflation, creating a budget surplus, and promoting trade. Notwithstanding the reassurances by Camdessus, however, political and economic analysts say the government will have to conduct a thorough investigation and resolve the case quickly in
order to gain even a small measure of credibility, since the Salinas administration has yet to provide satisfactory explanations for the assassinations of Posadas and Colosio.

In a Sept. 30 editorial, for example, La Jornada daily newspaper called on the government to present all the facts regarding the Ruiz Massieu assassination, no matter how "unpleasant, painful or scandalous."

Against this backdrop, the attorney general's office (Procuraduria General de la Republica, PGR) has indeed moved quickly to resolve the Ruiz Massieu case. So far, the police have arrested the gunman in the killing, Daniel Trevino Aguilar, and several accomplices.

In addition, on Sept. 30 authorities ordered the arrest of a PRI federal deputy, Manuel Munoz Rocha of Tamaulipas state, who was named as the intellectual author of the assassination. Munoz is now a fugitive in hiding, but on Oct. 4, he wrote a letter to the PGR in which he admitted to his role in the plot, and at the same time named another former PRI official, Abraham Rubio Canales, as the principal mastermind behind the assassination. Rubio Canales managed the assassination victim's gubernatorial campaign in Guerrero state in 1987, but years later while Ruiz Massieu was still governor of Guerrero Rubio Canales was arrested on federal fraud charges and he remains in jail.

Were drug capos involved?

According to the letter written by Munoz Roca, since Rubio Canales's incarceration, he has been furious with Ruiz Massieu for not interceding on his behalf as governor, and as a result Rubio Canales allegedly plotted the murder of Ruiz Massieu from his jail cell in Guerrero state. Still, notwithstanding the clear revenge factor in the killing, PGR officials are also conducting their investigation on the premise that both drug trafficking and political motivations may have weighed into the assassination.

"We're working basically on three theories one has to do with political motives, another has to do with the possible participation of drug traffickers, and a third is a combination," said deputy attorney general Mario Ruiz Massieu and brother of the victim. According to one theory, Jose Francisco Ruiz Massieu's assassination was an effort by drug traffickers to send a signal to assistant attorney general, Mario Ruiz Massieu who is the brother of the murder victim to ease his tough anti-drug efforts. In fact, Munoz's letter to the PGR also seems to support the drug connection to the assassination.

In the letter, Munoz promised to surrender to law enforcement officials in return for protection from cocaine cartels in Tamaulipas state, with whom he said Rubio Canales has had frequent contacts. "The drug traffickers are clearly very powerful," said El Financiero columnist Sergio Sarmiento. "Within certain circles of the government a lot of the violence that has taken place in Mexico since 1993 is attributable to drug traffickers." Still, many political observers suggest the motivation behind the assassination also goes beyond revenge and drug trafficking to include efforts by old-guard members of the PRI to halt attempts to reform the governing party, since the murder victim was expected to play an important role in the reform efforts after president-elect Ernesto Zedillo takes office.
"You can speculate about the motives of the narco-traffickers, but there are also groups trying to take advantage of events to prevent changes to the political system and retain their hegemony," said author Carlos Fuentes in a recent newspaper column. "Colosio and Ruiz Massieu were both young men with ideas of change, and they both fell." In addition, an article on Oct. 5 in the New York Times noted that both Rubio and Munoz rose through the ranks of the PRI under local political bosses who have connections with the hard-line faction of the PRI. The hard-line faction opposes the types of political reforms first proposed by Colosio and later endorsed by president-elect Zedillo.

Ruiz Massieu had planned to work for political reforms in his role as floor leader for the PRI in the Chamber of Deputies. The reform proposals included separating the PRI from the government, thus somewhat weakening the patronage system that has been in place since the party first took office in 1929. Ruiz Massieu had also endorsed talks among the PRI and the opposition National Action Party (PAN) and Democratic Revolution Party (PRD) to reform Mexico's electoral process.

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