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Ex-President Carlos Salinas de Gortari Faces Questions Over Sale of Telmex

by LADB Staff

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In late November, members of the opposition Democratic Revolutionary Party (PRD) filed a motion requesting a political trial against Carlos Salinas de Gortari charging that the former president improperly sold off the state-run company Telefonos de Mexico (Telmex) in late 1990. The request for a political trial was filed in the Chamber of Deputies by PRD leader and former presidential candidate Cuauhtemoc Cardenas. In the Senate, the request for a political trial was presented by PRD Sen. Felix Salgado Macedonio of Guerrero state. According to both complaints, the Salinas administration- -through "bad faith, negligence, or fraud" understated the value of Telmex when the telephone monopoly was privatized.

The complaints allege that the Salinas administration sold Telmex shares at US\$0.80 cents each, when the true value of each of those shares was at least US\$1.90 and possibly as high as US\$3.20. The PRD argues that, assuming that each Telmex share was truly valued at US\$1.90, the potential losses to the Mexican Treasury are close to US\$12.5 billion. "This sum would amount to the annual minimum salary of 15 million Mexicans," the PRD said. In the first phase of the privatization, the Salinas administration sold a 20.4% share of Telmex to a consortium composed of Mexico's Grupo Carso, US-based Southwestern Bell, and France's Telecom for US\$1.76 billion. Telmex employees also received a 4.4% share in the company (see SourceMex, 01/16/91). Under the scheme, Grupo Carso which is led by businessman Carlos Slim Helu immediately gained control of 51% of the company.

The Mexican government, which in 1990 still owned a large percentage of the company, gradually sold its remaining shares via issues on global financial markets between 1991 and 1994. The PRD complaint also charged that the Salinas administration allowed the merger of 20 Telmex subsidiaries into the parent company without allowing public input. The 20 subsidiaries were operations independent of the main company. The lawsuit also names former finance secretary Pedro Aspe Armella, former comptroller Maria Elena Vazquez Nava, former communications and transportation secretary Andres Caso Lombardo, and Jacques Rogozinski, who headed Salinas's privatization programs. According to the weekly news magazine Proceso, the PRD's efforts to bring a political trial against Salinas will probably fail because of constitutional questions. "If the same criteria is used as in the previous six cases, then these will be thrown out." Proceso cited articles 108 through 111 of the Mexican Constitution, which disallow a political trial against any current or former president of Mexico.

Meanwhile, the attempt to bring Salinas to a political trial is only one of a host of problems facing the Salinas family. Two of Salinas's relatives, sister Adriana and brother Raul, are under investigation for defrauding the government of massive amounts of money. According to several news accounts, the government is investigating Adriana Salinas for illegally securing loans from a government bank. But the charges against Adriana Salinas pale in comparison to those brought

against Raul Salinas, who is accused of using high-level positions in government to enhance his personal wealth. Some of the allegations also tie Raul Salinas to prominent Mexican narcotraffickers. The investigation into Raul Salinas's finances became public in mid-November, when Swiss authorities arrested his wife Paulina Castanon in Switzerland on charges she used false documents to withdraw funds from accounts holding about US\$84 million dollars. In a brief statement following the arrest, Swiss authorities confirmed that the detention of Castanon was part of a broader joint Swiss-Mexican-US investigation of "several Mexican nationals for alleged activities in financing drug trafficking and laundering money" from drugs.

According to several news reports, Raul Salinas was able to conceal his illegal earnings which are said to amount to millions of dollars by depositing the money in various accounts in Europe, the Caribbean, the US, and Canada, under fictitious names. Meantime, the Attorney General's Office (Procuraduria General de la Republica, PGR) and the Comptroller's Secretariat (Secretaria de la Contraloria y Desarrollo Administrativo, Secodam) have not specifically mentioned the drug connection in their investigation of Raul Salinas. But spokespersons for the two agencies said the investigation of the former president's brother is focused on allegations of fraud and "illegal enrichment" during his tenure as head of the government foodstuffs agency Conasupo.

According to investigators, Salinas deposited some US\$7.1 million into his Mexican accounts during an 18-month period in the early 1990s. At that time, he earned an annual salary of US\$192,000, including benefits. Records provided by Secodam show that property owned by Raul Salinas includes 12 houses, at least one ranch, 15 apartments, and 17 plots of land. The new charges against Raul Salinas come on top of previous accusations that the former president's brother played a significant role in planning the assassination of Jose Francisco Ruiz Massieu, a former leader of the governing Institutional Revolutionary Party (PRI), in September 1994. Based on those charges, authorities have held Raul Salinas in custody since February of this year.

The charges against Raul Salinas have raised the question of whether his actions were conducted with the approval and knowledge of Carlos Salinas. In a statement issued through an intermediary shortly after the arrest of Paulina Castanon, Carlos Salinas denied knowledge of his brother's activities. "During my presidency I knew nothing of this. Now he (Raul) will have to explain the origin of these funds," said Carlos Salinas. "If he committed violations, he should be firmly punished by the proper authorities." Carlos Salinas's allegations that he was not aware of his brother's activities, however, have been refuted by a former member of his administration. Maria Elena Vazquez Nava, who was the government comptroller in the Salinas government, said she raised concerns to then-president Salinas in 1992 about "rumors" that Raul was involved in a number of illegal activities. She said she urged Carlos Salinas at that time to distance himself from his brother. Members of opposition parties have also suggested that Raul Salinas could not have operated without the consent and knowledge of Carlos Salinas. "It is implausible that Raul Salinas is merely a black sheep," said PRD president Porfirio Munoz Ledo. "It is obvious that Carlos Salinas is the head of the mafia, and the capo of the capos."

Meantime, the exact whereabouts of Carlos Salinas are unknown. Earlier this year, the former president received a temporary entry visa into Canada, which expires in mid-December. However, according to the prominent daily business newspaper *El Financiero*, Carlos Salinas left Canada

in recent weeks for Havana, Cuba, where his family is said to have strong financial interests. El Financiero said Salinas enjoys a strong personal relationship with Cuban President Fidel Castro, and at times has acted as an intermediary in developing contacts between the Cuban leader and US and Canadian business and financial leaders. Despite his absence from the public eye, Salinas who is widely blamed for negligent economic policies that led to the devaluation of the peso this year and the ensuing economic crisis has managed to answer critics through public statements sent to Mexican news organizations.

In a recent nine-page document distributed on Dec. 2, Salinas attempted to answer many of the criticisms levied against him. He disputed allegations that he masterminded the assassination of then- presidential candidate Luis Donaldo Colosio in March 1994. The former president also denied charges that he was involved in drug trafficking or political corruption. And, he denied any responsibility for the economic crisis in Mexico. In a bizarre twist, however, Carlos Salinas's statement also alleged that former president Luis Echeverria Alvarez and his associates had organized a campaign to discredit Salinas's six-year tenure. In fact, Salinas went as far as to suggest that the Echeverria group may have been behind Colosio's assassination.

The growing troubles of the Salinas family appear to have become a major embarrassment to the ruling PRI. On Nov. 29, a group of PRI members in the Chamber of Deputies initiated a petition to expel Carlos, Raul, and Adriana Salinas from the PRI. According to political experts, the petition received support from a wide range of PRI members, including both the faction of "reformers" as well as the so-called "dinosaurs" who have staunchly resisted changes in the party. PRI president Santiago Onate Laborde said the party will take the petition seriously, especially the motion to expel Raul Salinas from the party. For his part, President Ernesto Zedillo sent legislation to the Chamber of Deputies to create an independent office to audit expenditures by all government agencies.

Members of the Zedillo cabinet said the proposed agency dubbed the Auditoria Superior de la Nacion would help prevent the future misuse of government funds. However, according to federal comptroller Norma Samaniego, the new agency would not have the power to investigate past misuse of funds, including the allegations that Raul Salinas used funds from Conasupo for personal gain. (Sources: Agence France-Press, 11/29/95, 11/30/95; New York Times, 11/25/95, 12/02/95; Reuter, 11/28/95, 11/29/95, 11/30/95, 12/02/95, 12/03/95; Deutsche Press Agentur, 11/29/95, 12/03/95; Notimex, 12/01/95, 12/03/95; Reforma, La Jornada, 12/01/95, 12/04/95; Excelsior, Proceso, 12/04/95)

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