

5-27-1998

Zedillo Government: U.S. Money-Laundering Probe Violates Mexican Sovereignty

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/sourcemex>

Recommended Citation

LADB Staff. "Zedillo Government: U.S. Money-Laundering Probe Violates Mexican Sovereignty." (1998).
<https://digitalrepository.unm.edu/sourcemex/3921>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in SourceMex by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.

Zedillo Government: U.S. Money-Laundering Probe Violates Mexican Sovereignty

by LADB Staff

Category/Department: Mexico

Published: 1998-05-27

President Ernesto Zedillo's administration has lodged a formal protest with the US government for violating Mexican sovereignty during the US Justice Department's investigation of money-laundering operations through several Mexican banks. The three-year investigation, known as Operation Casablanca, discovered that several Mexican banks and other financial institutions in Latin America were used by drug dealers to launder profits that could total US\$157 million. In particular, US authorities targeted three of Mexico's largest banks: Bancomer, Banca Serfin, and Confia. US Attorney General Janet Reno and Treasury Secretary Robert Rubin announced the results of the investigation on May 18.

As of May 22, the US government planned to indict 200 persons in six countries in the case, including 26 mid-level employees and managers of Mexican banks. The Mexican bank employees, who were arrested on US soil, were tricked into traveling to the US to attend a fake casino opening and other events. In a letter delivered to US President Bill Clinton by Ambassador Jesus Reyes Heróles, the Mexican government criticized the US for not consulting Mexico during the three-year investigation.

Furthermore, the letter said, the investigation could not have proceeded without the illegal incursion of US undercover agents into Mexican territory, a violation of the Mexican Constitution. In addition to the protest to the US government, the Zedillo administration is planning to bring the issue to other forums, including the Organization of American States (OAS) and the UN. Manuel Tello, Mexico's ambassador to the UN, said his government will introduce a resolution in the UN General Assembly that any international cooperation to combat drug trafficking be based on "principles of sovereignty and nonintervention in the internal affairs of any country."

Operation Casablanca was also discussed at the Asia-Pacific Economic Cooperation (APEC) meeting in Alberta, Canada, May 23-24. Mexican Finance Secretary Jose Angel Gurria Trevino and US Treasury Secretary Rubin, both attending the APEC meeting, discussed Mexico's concerns in a private session. After the session, Rubin pledged a thorough investigation to determine whether the operation violated Mexican law. At the same time, Rubin defended the US government's decision not to inform Mexican authorities about the ongoing probe. "In these undercover operations, you have people whose lives are literally at stake," he said.

US officials attempt damage control

In her weekly news conference May 22, Reno reassured Mexican authorities that Operation Casablanca was not an indictment of Mexico's banking system. "We were pursuing leads on a group of money launderers from the Cali and Juarez cartels," said Reno. "During the investigation, the information led us toward some bankers, and that's the way we followed it." Similarly, US drug czar Barry McCaffrey acknowledged that the US government may have acted in an "insensitive" manner

by not bringing Mexican authorities into the investigation. McCaffrey said he would personally ensure that any future US anti-drug efforts involving Mexico were coordinated with Mexican authorities.

For their part, Mexican authorities said they will use information gathered in Operation Casablanca to open their own investigations into money laundering. "We will punish anyone who has committed crimes in Mexican territory," Gurria said. The case elicited mixed reactions in the Mexican Congress. The Comision Permanente, comprising members of the Senate and the Chamber of Deputies, shared the administration's outrage about the possible violations of Mexican sovereignty.

"Drug trafficking is nothing more than a political pretext by the US government to involve itself in our internal affairs," said Sen. Mario Saucedo Perez of the center-left Partido de la Revolucion Democratica (PRD). Sen. Eduardo Andrade, a member of the governing Partido Revolucionario Institucional (PRI), said the US government may have entrapped the 26 bank employees. "These employees did not succumb to the corruptive power of drug trafficking," said Sen. Andrade. "They fell victim to the corruptive power of the US government.

At the same time, some legislators questioned how the Mexican banks could have been involved in money-laundering operations without the knowledge of the Zedillo administration. The Comision Permanente demanded that Attorney General Jorge Madrazo Cuellar resign unless he can present a "satisfactory" explanation of how the money laundering went undetected. Legislators from the PRD and the center-right Partido Accion Nacional (PAN) also called for the resignation of Eduardo Fernandez as head of the Comision Bancaria y de Valores (CNBV) and Guillermo Ortiz Martinez as chief governor of the Banco de Mexico (central bank).

The PAN and PRD legislators said Fernandez and Ortiz were directly responsible for allowing Mexican banks to become involved in money-laundering operations. Critics call investigation biased. Some critics questioned the focus of the US investigation, which probed illegal activities of bankers in Mexico and other Latin American countries while absolving US financial institutions of any guilt. Luis Astorga, a drug-trafficking specialist at Universidad Nacional Autonoma de Mexico (UNAM), said the money laundering could not have occurred without participation of US institutions.

"It's not that Mexican people are anxious to defend Mexican bankers," Astorga told The Christian Science Monitor. "But it's hard to believe that the crooks are only in Mexican banks." Prominent columnist Miguel Angel Granados Chapa raised concerns that the US decision to conduct a unilateral investigation could affect the bilateral anti-drug campaign launched by Zedillo and Clinton in May 1997.

The campaign, called the "Alliance Against Drugs," identified several areas of cooperation, ranging from developing programs to discourage drug consumption to confiscating assets of drug traffickers and increasing coordination in the exchange of information among law-enforcement agencies in the two countries (see SourceMex, 05/21/97). "We have not heard whether the US and Mexico have consultations this year under the auspices of the Alliance Against Drugs," said Grandos Chapa.

"But the next meeting should focus on the US probe, conducted right under the noses of Mexican banking authorities."

Columnist Arnaldo Cordova of the daily newspaper La Jornada said US violations of Mexican sovereignty should be the central theme in high-level US-Mexico consultations scheduled for Washington June 10-11. "The Mexicans acted properly in lodging an official protest of the Casablanca Operation," said Cordova. "But this does not save our country from the ridicule we face before the world." The Mexican banking industry downplayed the potential impact of Operation Casablanca on the country's financial institutions. "The Mexican banking system employs 140,000 workers, only 26 of whom were implicated in the money- laundering case," said Carlos Gomez y Gomez, president of the Asociacion de Banqueros de Mexico (ABM).

Furthermore, Gomez y Gomez noted that the US investigation was conducted before the government and the ABM implemented strict controls in April of this year. Among other things, the controls require financial institutions to report cash transactions of more than US\$10,000. But despite the Mexican government's efforts to halt money laundering, some international watchdog groups doubt the practice can be stopped. The 1998 report by the Financial Action Task Force on Money Laundering said an "alarming level of corruption" in the Mexican government has rendered ineffective the recent money-laundering controls.

The task force, sponsored by the Group of Seven (G-7) industrialized countries, said the association between Mexican and Colombian drug cartels has created a formidable regional organization that transfers drug profits across borders at will. Among the preferred money-laundering methods employed by the Mexican-Colombian cartels, said the task force, are contraband in currency and illegal electronic transfers. These practices are facilitated by the use of fake Mexican bank documents and a parallel foreign-exchange market. (Sources: The Miami Herald, 05/19/98, 05/20/98; El Diario de Yucatan, 05/19/98, 05/21/98; El Nacional, The Christian Science Monitor, 05/21/98; Los Angeles Times, 05/19/98, 05/22/98; The Washington Post, The Dallas Morning News, 05/19/98, 05/20/98, 05/22/98; El Economista, The News, 05/19/98, 05/20-22/98; Notimex, 05/18/98, 05/21/98, 05/25/98; Novedades, 05/19/98, 05/20-22/98, 05/25/98; Associated Press, 05/19/98, 05/21/98, 05/26/98; Reuters, 05/18/98, 05/19/98, 05/21/98, 05/23/98, 05/26/98; United Press International, 05/26/98; Excelsior, 05/19/98, 05/20/98, 05/22/98, 05/26/98, 05/27/98; The New York Times, 05/19/98, 05/20/98, 05/22/98, 05/27/98; La Jornada, 05/19-22/98, 05/25-27/98; El Universal, 05/20/98, 05/22/98, 05/26/98, 05/27/98)

-- End --