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Electoral Agency to Examine Contributions to PRI's 1994 Presidential Campaign

by LADB Staff

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In an unprecedented decision, the Instituto Federal Electoral (IFE) overwhelmingly supported a request from the opposition parties to investigate campaign contributions to the governing Partido Revolucionario Institucional (PRI) during the 1994 presidential election. The request for an IFE investigation was presented by the center-left Partido de la Revolucion Democratica (PRD) but was strongly endorsed by the conservative Partido Accion Nacional (PAN). In its complaint, the PRD accused the governing party of obtaining illegal campaign contributions to fund the 1994 presidential election.

PRI candidate Ernesto Zedillo won the election with 50% of the vote. The rest of the vote was split among the PAN, PRD, and a handful of minor parties (see SourceMex, 08/24/94). The PRD complaint charges the PRI created phantom companies to solicit large sums of money from Mexican millionaires to fund Zedillo's campaign. Many of these business owners made their fortune through concessions received from former president Carlos Salinas de Gortari.

Furthermore, the PRD complaint alleges that some of the private debt that resulted from campaign contributions was transferred to the government's controversial bank-rescue fund (Fondo Bancario de Proteccion al Ahorro, FOBAPROA). As expected, the PRI strongly protested the IFE decision to launch the investigation and said the institute had overstepped its authority. "The IFE has a pivotal role in our politics and our society," said Deputy Juan Jose Garcia. "Based on this reality, my party asks these electoral officials to not violate laws society has formulated." In protest, the governing party withdrew its support for the IFE the day after the investigation was announced.

Sen. Eduardo Andrade, coordinator of legal issues for the PRI, accused the seven-member IFE board of abandoning its role as an impartial arbitrator and adopting a position that was "frankly biased and partisan." IFE president Jose Woldenberg was the only member to vote against opening the investigation. But Woldenberg defended the integrity of the IFE members who voted to support the investigation. "The members of the electoral commission fully understand their mission, which is to strengthen confidence in the electoral process," said Woldenberg. "This concept is part of each and every one of the resolutions we pass."

The IFE, formed in 1991, was a PRI-sponsored agency for five years. In 1996, it was declared an autonomous institute comprising Mexico's major political parties and several nonpartisan citizens (see SourceMex, 07/31/96). Some political analysts have raised concerns that the absence of PRI support for the institute could undermine the state elections in 1999 and the presidential race in 2000. To defuse the tensions between the IFE and the governing party, Woldenberg said he is willing to meet with PRI president Mariano Palacios Alcocer to resolve the misunderstandings.

Fugitive banker may provide clues to campaign finances

The IFE has come under strong pressure to scrutinize campaign financing following the arrest of Mexican banker Carlos Cabal Peniche in Australia. Cabal, former chairman of Banca Cremi-Union, fled Mexico in September 1994 rather than face charges of money laundering and bank fraud. Among other things, Cabal is charged with defrauding Cremi-Union of 670 million pesos (US\$67.1 million) to fund personal business ventures.

Authorities said Cabal's bank fraud contributed to financial troubles at Cremi-Union. The bank was one of several Mexican financial institutions rescued via FOBAPROA (see SourceMex, 09/14/94). The PRD and PAN have accused Cabal of using some of the embezzled money from Cremi-Union to channel at least 150 million pesos (US\$15 million) in illegal campaign contributions to the 1994 Zedillo campaign. The opposition parties said that, as chairman of Cremi-Union, Cabal made loans to phantom companies, which later transferred the funds into trusts to which only the PRI had access. "We have sufficient proof that Cabal Peniche indeed financed the PRI in 1994," said PRD president Andres Manuel Lopez Obrador.

The PRD has also accused Cabal of making illegal campaign contributions in the gubernatorial campaign of PRI candidate Roberto Madrazo Pintado in Tabasco state. A federal inquiry showed that Madrazo had spent more than 30 times the legal limit to win that race, although the case was dismissed two years later on a technicality. In 1995, Madrazo filed a lawsuit, accusing then attorney general Antonio Lozano Gracia of overstepping his authority for ordering an investigation of the finances in the Tabasco race (see SourceMex, 08/30/95).

Mexican and international investigators said Cabal was involved in major commercial ventures even while in exile in the US, Argentina, Puerto Rico, the Dominican Republic, and Australia. At the time of his arrest in Australia, Cabal was carrying a false Dominican passport and was posing as an importer of Italian wine, cheese, and olive oil. The PGR is also investigating whether Cabal had any links with drug traffickers and with Raul Salinas de Gortari. The former president's brother is under investigation by Swiss authorities for laundering drug profits through Swiss banks (see SourceMex, 10/28/98).

Swiss investigators say Raul Salinas deposited some drug profits in Cremi-Union before transferring them to accounts in Switzerland and other European countries. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Dec. 2, reported at 9.98 pesos per US\$1.00] (Sources: Reuters, Associated Press, 11/10/98; Spanish news service EFE, The Dallas Morning News, 11/11/98; The New York Times, 11/12/98; El Financiero International, 11/23/98; Excelsior, 11/17/98, 11/24/98; Novedades, 11/13/98, 11/18/98, 11/23/98, 11/27/98; El Universal, 11/11/98, 11/12/98, 11/18/98, 11/30/98; El Economista, 11/18/98, 11/19/98, 11/30/98; Proceso, 11/15/98, 11/29/98; La Jornada, 11/12/98, 11/13/98, 11/18/98, 11/30/98, 12/01/98; The News, 11/11/98, 12/02/98)

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