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## **Mexico, U.S. Fight Over Custody of Pharmacist Accused of Drug Trafficking**

*by LADB Staff*

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In a strange case that could easily be mistaken for a spy novel, the Mexican and US governments are fighting about custody of a Chinese immigrant who is alleged to have strong ties to the notorious Sinaloa drug cartel. Zhenli Ye Gon, who immigrated to Mexico in 1990, has been charged in both the US and Mexico with drug trafficking. He is accused of using his Mexican pharmaceutical companies as a front to import massive quantities of a chemical used to produce methamphetamines for sale in the US.

In March, Mexican authorities seized US\$207 million from Ye Gon's luxurious home in Mexico City but were unable to detain him before he fled to the US. Ye Gon then turned the tables on President Felipe Calderon's administration, claiming that a large portion of the money found at his home was part of an illegal fund to support the center-right Partido Accion Nacional (PAN) presidential campaign in 2006. The PAN has denied those allegations and has asked for the extradition of Ye Gon, who was arrested in Maryland by the US Drug Enforcement Administration (DEA) in late July.

Ye Gon's arrest at a restaurant in suburban Washington has sparked a minor dispute between the US and Mexican governments, both of whom want to bring him to trial. Still, the Mexican government was pleased to learn about the arrest. "[This is] magnificent news," said Attorney General Eduardo Medina Mora.

Calderon said the US government made the arrest at the request of his government. "We have confiscated important amounts of drugs and money, including the largest seizure of 'dirty money' in the history of humanity," the president said in a speech in Sinaloa state. "Now at the request of my government, one of the individuals most responsible for the introduction and distribution of methamphetamines into our country has been detained."

At the start of the year, Calderon launched an ambitious campaign against drug traffickers, sending military units to states where cartels operate (see SourceMex, 2007-01-24). Some critics fear, however, that Calderon cannot win this war against the powerful cartels and that the campaign will only result in increased violence (see SourceMex, 2007-05-30).

In discussing the Ye Gon case, Calderon reiterated his pledge to prosecute those involved in the drug trade. "Today, those who commit crimes should know that my government will not spare any resources or effort to hunt them down wherever they may be, inside or outside our national territory," the president said in a speech at his alma mater, the Escuela Libre de Derecho, in Mexico City in late July.

Medina Mora said the Mexican government was preparing the necessary paperwork to formally request Ye Gon's extradition on several drug-trafficking charges, including production of methamphetamines, possession of firearms, and conducting operations with illegal proceeds.

If convicted in Mexico, he could face a prison sentence of up to 73 years. The Calderon administration has a right to expect reciprocity from the US government, as Mexico has readily extradited several major drug-cartel leaders to the US (see SourceMex, 2007-05-16 and 2007-07-11).

But the US government may not be willing to surrender Ye Gon so easily, since the pharmaceutical entrepreneur has also been involved in the drug trade. This position was supported by comments made by the DEA following the arrest. Officials for the drug agency denied that they conducted the arrest at the request of the Calderon government. They said that Ye Gon had been under investigation for some time and that an order for his arrest had been issued in June of this year.

The US Justice Department confirmed the DEA's version, saying that Ye Gon was arrested on charges that he introduced 500 grams of methamphetamines into the US and that he laundered drug profits through US and international banks. Mexico's official news agency Notimex, however, quoted Medina Mora on June 13 as saying that he had requested through diplomatic channels that the US detain Ye Gon in preparation for a formal extradition request.

### *Millions of dollars seized from Ye Gon's home*

Ye Gon and the Mexican government also have different versions regarding the source of the roughly US\$207 million found at his home in the ritzy Mexican neighborhood of Lomas de Chapultepec. Most of the money seized by the government, which was in US\$100 bills, had been stashed behind false walls and in closets.

The money, which by some estimates weighed about 2 tons, was shipped to New York to be counted and checked for counterfeits. At that time, DEA administrator Karen Tandy called it "the largest single drug-cash seizure the world has ever seen." Authorities arrested Ye Gon's wife, Tomoiyi Marx Yu, and several employees during the raid. Medina Mora said most or all of the money found at the house represented the proceeds obtained by one of the hemisphere's largest networks for trafficking pseudoephedrine, the main ingredient in methamphetamines.

The attorney general said the organization had been operating since 2004, illegally importing the substance from India and China through Ye Gon's two companies, Unimend Pharm Chem de Mexico S.A de C.V. and Unimed Pharmaceutical S.A de C.V. The substance was then sold to the Sinaloa drug cartel, led by Joaquin "El Chapo" Guzman Loera.

"Guzman Loera, who is aware that China and India have a large quantity of acetate of pseudoephedrine, would place orders to Zhenli," said the Mexico City daily newspaper Reforma, quoting Chinese news sources. Ye Gon would make the arrangements for shipments from the ports of Shanghai and Hong Kong.

Most of Ye Gon's dealings were with Hector and Arturo Beltran Leyva, top associates of El Chapo Guzman, and with Ignacio Coronel Villarreal, considered one of the leaders of the

methamphetamine-trafficking operation for the Sinaloa cartel. As is the case with many drug organizations, Ye Gon is said to have employed retired military personnel to safeguard his operations. One major drug organization, the Gulf cartel, is known to have hired deserters from elite army units, who call themselves the Zetas, to conduct its enforcement operations (see SourceMex, 2005-12-14, 2006-02-08, and 2006-07-26).

### *Ye Gon implicates governing PAN in campaign-finance violation*

Ye Gon, who before the DEA took him into custody had said he would apply for political asylum in the US, charged that a portion of the money found at his home, about US\$150 million, was part of a slush fund to help fund Calderon's election in 2006. He made the accusations at various times to Mexican news media. In the allegations, Ye Gon and his lawyers accused Labor Secretary Javier Lozano Alarcon of forcing him to hide the US\$150 million in his home.

If true, the allegations would be the latest in a series of campaign-finance scandals. In the 2000 election, the PRI was accused of diverting funds from the state-run oil company PEMEX to the presidential campaign of Francisco Labastida (see SourceMex, 2002-09-18 and 2005-05-18). Similarly, the PAN campaign was dogged by allegations that its political action committee, Amigos de Fox, accepted illegal donations from overseas (see SourceMex, 2003-10-15).

In making the latest allegations, however, neither Ye Gon nor his attorneys presented any evidence to support their claim. His attorneys later appeared to back away from the allegations at a press conference in Washington on July 18, saying that Ye Gon did not know of the source of the US\$150 million.

Still, the allegations of Lozano's involvement prompted the labor secretary to pursue a slander suit against Ye Gon. Because the comments were made in the US, Lozano has decided to bring the legal action in US courts. Lozano has expressed willingness to cooperate with any investigation to clear his name. Calderon also dismissed Ye Gon's allegations. "Not only are they false statements, they are also ridiculous," Calderon said at a news conference with visiting Spanish Prime Minister Jose Luis Rodriguez Zapatero in June. "Most Mexicans can see that it's part of a silly and clumsy strategy to avoid justice."

The issue also attracted the attention of opposition parties in the Mexican Congress, which voted through the standing joint committee of the Chamber of Deputies and the Senate (Comision Permanente) to propose a special commission to investigate the case. Leading the effort were legislators from the center-left coalition Frente Amplio Progresista (FAP), comprising the Partido de la Revolucion Democratica (PRD), the Partido del Trabajo (PT), and the Partido Convergencia por la Democracia (PCD). The purpose of the special commission will be the "clarify the case," said FAP members in the Comision Permanente.

Senators from the three major parties the PRD, the PAN, and the Partido Revolucionario Institucional (PRI) acknowledged that the proposed commission might not be able to begin its work until September. This is because the creation of such a commission requires the approval of the full Chamber of Deputies and Senate, which are not scheduled to meet until after the summer recess.

There is the possibility of a special session sometime during the summer, they said, but it will be limited to matters related to tax reform (see SourceMex, 2007-06-27).

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