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## **Forbes Magazine Lists Head Of Sinaloa Cartel Among "new Billionaires"**

*by LADB Staff*

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Mexicans were used to seeing one of their own, Carlos Slim Helu, consistently make Forbes magazine's list of the world's richest men. In its latest edition, the magazine again listed Slim as the world's third-richest man, but it also created a good deal of controversy when it added the name of another Mexican to the list: drug trafficker Joaquin Guzman Loera, leader of the Sinaloa cartel, who is more commonly known as El Chapo. There was outrage about the drug trafficker's debut on the list, with one columnist likening Guzman Loera to US businessman Bernard Madoff, who amassed a fortune through highly illegal activities.

In Mexico, dozens of companies and several thousand individuals were victims of Madoff's fraudulent investment schemes. Guzman Loera did not make Forbes' list of the 50 richest men, but he made the magazine's listing of 38 "new" billionaires. "Among the more notable billionaires are Mexican Joaquin Guzman Loera, one of the biggest suppliers of cocaine to the US," said Forbes. To put it into perspective, the drug lord's fortune was estimated at US\$1 billion, compared with US\$35 billion for Slim. US software developer Bill Gates remained the richest man, with a net worth of US \$40 billion.

According to Mexico City daily newspaper El Sol de Mexico, Guzman Loera would be the seventh-richest man in Mexico with a net worth similar to that of Mexican entrepreneurs Emilio Azcarraga, chief executive of television network Grupo Televisa, and Alfredo Harp, owner of telecommunications company Avantel. Azcarraga and Harp are also on the Forbes list. Mexican government outraged Forbes' decision to list Guzman Loera prompted strong protests from Mexican officials, legislators, and the business sector. "It was a very powerful statement that Chapo Guzman became the first drug trafficker to be named to Forbes' prestigious list," said Aurora Berdejo, a columnist for the Mexico City daily newspaper El Sol de Mexico. "This came at a time when everyone was watching to see in which of the top three positions Carlos Slim would land."

The Forbes list had Slim in third place, surpassed by Gates and US billionaire Warren Buffet. President Felipe Calderon suggested that Guzman Loera's listing was another example of a campaign in the US to exaggerate the extent of drug-related violence in Mexico. "Public opinion and now even magazines not only attack and lie about the situation in Mexico but also praise criminals," the president said at a business summit. "In Mexico, it is considered a crime to praise criminals." Attorney General Eduardo Medina Mora said Guzman's drive to expand his control of Mexico's drug-trafficking routes and local consumer markets is partly responsible for the surge in violence in Mexico.

The expansion efforts by Guzman's Sinaloa cartel are strongly resisted by the Osiel Cardenas' Gulf cartel, which is also trying to gain control of some of its rival's territory. This, say experts,

has spawned the seemingly out-of-control violence in many parts of Mexico, especially along the US-Mexico border (SourceMex, May 21, 2008 and January 11, 2009). The two cartels and other drug-trafficking organizations are also striking back at the Calderon government for its war on drugs (SourceMex, January 24, 2007) through threats and murders of law-enforcement officers, politicians, journalists, and military personnel (SourceMex, September 24, 2008, November 05, 2008 and February 25, 2009). "I will never accept that a criminal could or would be recognized, even by a magazine like Forbes," said Medina Mora, who described Forbes' calculations of Guzman's fortune as speculative. "In my country, [Guzman] is associated with a wave of violence in recent years...and the death of many innocent people who have got caught in the crossfire of hit men." There was similar outrage in the Mexican Congress, where legislators echoed Calderon's assertion that the Forbes article was another attack on Mexico.

Deputy Cesar Duarte Jaquez, a member of the opposition Partido Revolucionario Institucional (PRI) and president of the Chamber of Deputies, said the Forbes piece was just another sign that "Mexico's image is under attack globally." Other legislators concurred with Medina Mora, questioning the accuracy of Forbes' accounting methods and saying Guzman's Loera's fortune could be smaller than US\$1 billion or it could be larger. "Forbes' numbers are simple guesses," said Sen. Pablo Gomez of the center-left Partido de la Revolucion Democratica (PRD). "It's possible that [Guzman Loera] has even more money." The Mexican business community also objected to Guzman's inclusion on the list of the world's top billionaires. "It is regrettable that a criminal is included in the group of those who have the world's largest fortunes," said Armando Perez Arroyo, president of the Consejo Coordinador Empresarial (CCE).

In amassing his huge fortune, Guzman has not only directed one of the most efficient and ruthless drug organizations in Mexico in the past decade, but he did this after escaping from the Puente Grande maximum-security prison in 2001 with the help of prison staff (SourceMex, January 24, 2001). The US government has offered a US\$5 million reward for the capture of Guzman on charges that he has smuggled cocaine into the US. Even if arrested, he would still have to go through the extradition process in Mexico. Some observers suggest that Guzman could not remain at large without the assistance of high-level politicians who, in turn, receive big donations from traffickers. "The most tangible proof that drug traffickers have supported the political system is that Chapo remains at large after his escape from Puente Grande," said Berdejo.

Still, there are reports that Guzman rarely travels far from his home turf an area within Sinaloa, Durango, and Chihuahua states where he has cultivated strong relationships with local communities by distributing money and goods to local residents. "There is little doubt that those villagers now help hide him and alert him to the presence of soldiers or police," said the Los Angeles Times. "He is very agile and, of the kingpins, the one who moves around the least," said Ismael Bojorquez, editor of the daily newspaper Riodoce, based in the Sinaloa capital of Culiacan. "He has a natural space for operating." Columnist sees parallels between Guzman, Bernard Madoff Some in the Mexican media criticized Forbes' decision to include Guzman on the list and leave out other individuals around the world who have made a fortune from illicit activities. "You only have to read the list of individuals involved in organized crime in the former Soviet Union and the size of the market that they control and reach conclusions on the type of fortune that they possess," said syndicated columnist Leo Zuckermann. "And in the United States, isn't it possible that there are suspected criminals whose assets are above US\$1 billion? What about those involved in white-collar

crime? Don't they count?" Zuckermann, said in reference to Bernard Madoff, the US businessman who defrauded thousands of investors through a fraudulent pyramid scheme.

In mid-March, Madoff pled guilty to charges of fraud. His victims included 50 Mexican-based companies and about 3,000 Mexican nationals. "Madoff did not traffic in drugs but stole money from his clients through his US\$50 billion pyramid scheme," said Zuckermann. "Applying the same criteria that Forbes used to calculate Chapo's fortune 20% of the money obtained from sales then Madoff would have a fortune of US\$10 billion." The Mexican victims are considering a lawsuit against the Mexican affiliates of American Express and Banco Santander, the two financial-services companies that sold them Madoff investments without telling them about the scheme. "We are considering whether to file a civil lawsuit against American Express and Santander because they are the ones that have to respond to Mexican clients, who did not know Madoff and were unaware that they were buying his products," said Carlos Alberto Martinez, an attorney with IDN Consultoria, which is representing the Mexican clients. Martinez said that, despite Madoff's admission of guilt, there is no guarantee that any of the fraud victims will get their money back. "It's well and good that [Madoff] is going to jail," said the lawyer. "But this does not resolve the problems for the victims, who will not recover their investments."

The IDN Consultoria lawsuit is just one of several legal actions filed at the global level against Madoff. An alliance of 48 legal firms from 29 countries, including IDN Consultoria, has proposed to the UN that it create a special international court to deal specifically with financial fraud. Martinez said about 6,000 attorneys from countries including Brazil, Ecuador, the US, Britain, Switzerland, and others form part of the alliance that presented the request. Mexicans among victims of fraud from Madoff, R. Allen Stanford Madoff was not the only white-collar criminal who engaged in fraudulent activities in Mexico and other countries. Texas businessman Robert Allen Stanford, who operates Stanford Funds, is said to have defrauded investors of as much as US\$9.2 billion through a fraudulent investment scheme (NotiSur, March 20, 2009).

His victims include dozens of Mexican nationals through his Mexican affiliate Stanford Fondos. The US Federal Bureau of Investigation (FBI) took Stanford into custody in late February after the Securities and Exchange Commission (SEC) served the US businessman with papers alleging fraud. The SEC accused Stanford of defrauding 50,000 customers around the world by lying about the return rate on certificates of deposits offered by his firm. Chances are also remote that any investors who lost money through Stanford's scheme will recover their capital. As of late February, the court-appointed receiver of Stanford Financial had located only about US\$250 million of the US\$8.2 billion the company once claimed in assets. Stanford Fondos began operations in Mexico in 2005 with about 3,400 clients.

Mexico's securities regulator, the Comision Nacional Bancaria y de Valores (CNBV) said the Mexican affiliate does not have a full banking license but does have authority to sell shares in investment funds. As with the Madoff transactions, the Stanford case had negative repercussions throughout Latin America, prompting the governments of Colombia, Ecuador, Panama, Peru, and Venezuela to suspend operations of Stanford affiliates in their country. In Mexico, the CNBV is investigating whether Stanford Fondos broke the country's securities laws, which prohibit Mexican financial institutions from encouraging clients to invest in unauthorized certificates of deposit in

other countries. "If we had evidence of that happening, we would act immediately," senior CNBV official Carlos Lopez-Moctezuma told Reuters. "We are getting information of our own. What is important is that people look at their contracts as we need proof."

The Federal Bureau of Investigation (FBI) and Mexican authorities are also looking into allegations that Stanford was laundering money for the Gulf cartel. The CNBV is already looking at ways to tighten its oversight practices. "We are working in changing our regulatory guidelines to make them more precise to create better profiles for the clients," said CNBV president Guillermo Babatz. "We especially need to develop more effective mechanisms to sanction those intermediaries that are not following the proper steps." The depositors' protection commission (Comision Nacional para la Proteccion y Defensa de los Usuarios de Servicios Financieros, CONDUSEF) has proposed a change to the Mexican securities law (Ley del Mercado de Valores) to ensure that all contracts contain the consent of investors before their money is deposited in an overseas fund. CONDUSEF president Luis Pazos de la Torre said the commission has received complaints from many Mexican investors who said they were not aware that their money was being placed in US funds.

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