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Panama Papers Documents Implicate at Least 33 Mexican Citizens in Global Tax Scandal

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Mexican tax authorities have launched investigations into the finances of 33 Mexican citizens implicated in the Panama Papers scandal that came to light in April. The Mexican citizens—including several entrepreneurs, drug traffickers, entertainers, and others—are under investigation for possible tax evasion. Details of the activities of possibly tens of thousands of individuals or corporations worldwide implicated in the Panama Papers case are contained in a set of 11.5 million confidential documents listed by the Panamanian corporate service provider Mossack Fonseca. Since 1977, the firm has specialized in creating shell companies in third countries to help wealthy individuals and corporations hide their assets, primarily to avoid paying taxes to their home countries.

Tax evasion has been a big problem for Mexico, which ranks 30th among 188 countries in the world in the amount of money that is placed in tax havens overseas. The money that has been hidden from Mexican tax authorities could total as much as US$410 billion, according to the Organization for Economic Cooperation and Development (OECD). “In other words, we have a big problem with hiding assets,” columnist Jenaro Villamil wrote in the weekly newsmagazine Proceso.

“The practice of opening businesses in third countries that are considered tax havens is not a crime,” noted Villamil. “The crime lies in not reporting profits, financial gains or interests.”

The released documents, which contain information about more than 214,000 offshore companies, were leaked by an anonymous source to Süddeutsche Zeitung, a daily newspaper based in Munich, Germany, beginning in 2015. Because of the massive files involved, the German newspaper enlisted the assistance of the International Consortium of Investigative Journalists, which distributed the documents for investigation and analysis to some 400 journalists at 107 media organizations in 76 countries. In Mexico, the two media outlets that received the information were the online site Aristegui Noticias and Proceso. The first batch of information from the documents was published by the various media outlets at the beginning of April.

Some Mexican journalists said the effort to release the documents was quite an accomplishment. “The first thing that caught my attention as a lifelong journalist was the gigantic task required in revising, classifying and publishing 11.5 million documents, contracts, property deeds, notarized papers, banking certificates, copies of checks, passports, and other items,” Eduardo R. Huchim wrote in the daily newspaper Reforma.

According to Huchim, the task was greater than the WikiLeaks campaign, which released and continues to release classified information and other sensitive material, including diplomatic correspondence that countries around the world attempted to keep secret. Several countries in the Americas were affected by the WikiLeaks revelations, including Mexico (SourceMex, Feb. 2, 2011), the Dominican Republic (NotiCen, Sept. 26, 2013), Panama (NotiCen, Feb. 13, 2014), and Peru (NotiSur, March 18, 2011), among others.
**Prominent entrepreneurs implicated**

The Mexican citizens named in the Panama Papers documents included several prominent individuals, including Ricardo Salinas Pliego, owner of Grupo Salinas, which owns Mexico’s second-largest broadcast network, TV Azteca. The name of Alfonso de Angoitia, executive vice president of the leading broadcasting company, Grupo Televisa, also appears in the documents.

Salinas Pliego has faced other legal troubles, including allegations of stock fraud levied by the US Securities and Exchange Commission (SEC) in 2005 (SourceMex, Jan. 19, 2005, and June 15, 2005). Rather than face US charges, Salinas Pliego agreed to pay US$7.5 million in penalties and compensation to settle accusations of fraud involving a scheme to conceal a deal between a TV Azteca subsidiary and a company secretly owned by Salinas.

Two prominent names associated with President Enrique Peña Nieto are also on the list. One is Emilio Lozoya Austin, who served as director of the state-run oil company PEMEX during the first half of Peña Nieto’s administration, and the other is Juan Hinojosa Cantú, a private contractor favored by the president. Both have been involved in other scandals linked to the Peña Nieto administration.

Lozoya, who left his post as PEMEX director earlier this year, was deeply involved in the bribery scandal involving a Mexican subsidiary of the Spanish company OHL (SourceMex, June 3, 2015). His departure from PEMEX coincided with the scheduled visit of Pope Francis to Mexico in February. As expected, political corruption was one of the themes that the pontiff addressed during various public appearances around the country (SourceMex, Feb. 17, 2016).

The Panama documents suggest that in 2011 Lozoya, who spent much of his professional career in the private sector, expressed interest in creating “a partnership with a Panamanian company via Dubai.” Even though his name appeared in one of the documents released with the Panama Papers, Lozoya “categorically” denied having registered companies in the Central American country, owning any bank accounts in Panama, or entering into any relationship whatsoever with Mossack Fonseca.

The documents also implicate several PEMEX contractors, including Ramiro García Cantú, who made his fortune as a service provider for the state-run oil company, and the owners of Oceanografía, a company that committed financial fraud to obtain a loan of as much as US$400 million from banking giant Grupo Banamex, a subsidiary of US-based Citigroup (SourceMex, March 19, 2014, and Oct. 22, 2014).

Hinojosa Cantú is the owner of Grupo Higa, one of the Mexican companies that partnered with a Chinese consortium to bid for a project to construct a high-speed rail line between Mexico City and the industrial hub of Querétaro. Allegations surfaced that the Grupo Higa-China Railway Construction Corporation received favorable treatment in the awarding of the concession because of Hinojosa Cantú’s close ties to the president (SourceMex, Dec. 3, 2014, and Aug. 26, 2015). The administration cancelled the project because of budgetary problems (SourceMex, Nov. 12, 2014).

“For Mexico, the Panama Papers situation occurred during a politically complicated time,” columnist Víctor Beltri wrote in the daily newspaper Excélsior. “The current presidential
administration is facing a crisis of credibility. [Economic] results are mediocre, public officials appear shallow and insincere, and corruption scandals are rampant… How many concurrent crises can a country confront?”

A connection to public servants

The documents also provide information about other public servants or relatives of public servants, including former Chiapas state legislator Noé Castañón Ramírez; Omar Yunes Márquez, son of former cabinet official Miguel Ángel Yunes Linares; and actress Edith González, who is married to a partner in a law firm created by Miguel Alemán Velasco, the former governor of Veracruz.

Additionally, the Mexican pharmaceutical companies Marzam and Nadro are named in the documents released via the Panama papers. According to Aristegui Noticias, the Netherlands-based fund Moench Coöperatief engaged in an unreported transaction on behalf of Marina Matarazzo, wife of Nadro director Pablo Escandón. The Dutch company used funds provided by Matarazzo to purchase 50% of the shares of Marzam.

There is concern that the transaction, in effect, creates an unreported monopoly, which could force Mexican authorities to intervene. According to the pharmaceutical industry group Unión Nacional de Empresarios de Farmacias, Nadro supplies about 35% of the medications market in Mexico, while Marzam has a 12% share.

“If the transaction is confirmed, it raises concerns about the possibility that medications could increase in price,” said Juvenal Becerra, president of the pharmaceutical industry group.

The documents also contain information about transactions involving two prominent drug capos, Joaquín “El Chapo” Guzmán Loera of the Sinaloa cartel, who built his drug trafficking organization into a global empire (SourceMex, Feb. 26, 2014), and Rafael Caro Quintero, who heads a drug-trafficking organization that bears his name. One of the two cartel leaders, Chapo Guzmán, is back in federal custody (SourceMex, Jan. 20, 2016) after escaping from a federal prison in July 2015 (SourceMex, July 15, 2015). The other, Caro Quintero, was in prison for 28 years until a panel of judges ordered his release in 2013 (SourceMex, Aug. 14, 2013). Because of pressure from the United States, the Mexican government has issued an arrest warrant for Caro Quintero, but he remains at large. According to the Panama Papers documents, Guzmán Loera and Caro Quintero have been laundering drug profits through Panama since the 1980s. “In the face of these revelations, the firm Mossack Fonseca has covered itself by pointing out that it has no connections with the activities of its clients,” columnist Ernesto Hernández Norzagaray wrote in the online site Sinembargo.mx

Investigation underway in Mexico

In the face of the revelations, the finance ministry (Secretaría de Hacienda y Crédito Público, SHCP) has promised to conduct a thorough investigation of the Mexican citizens and companies named in the Panama Papers. Two SHCP agencies will be looking in to the cases, the Servicio de Administración Tributaria (SAT) and the Unidad de Inteligencia Financiera (UIF).

Experts noted that the UIF and the SAT would each play a distinct role in the investigation. “The UIF has the power to investigate the Mexicans who have been named [in the documents], while the examination of fiscal matters related to the cases belongs to the SAT,” said Rosa María Cruz, president of the Colegio de Contadores Públicos de México, an organization of public accountants.
“We will conduct the appropriate analysis and sanction those who need to be sanctioned,” Alberto Elías, who is in charge of the money-laundering division at the UIF, told reporters.

SAT director Aristóteles Núñez offered the same assurances, saying those who violated Mexican tax laws would be prosecuted, but cautioned that the formal investigative process could take some time, perhaps as long as 12 to 24 months.

“We must classify all the data, assessing each detail of what was made public last Sunday through online media outlets,” Núñez said in a radio interview. “We need to identify whose names are mentioned there... and what was revealed.”

The information will then be compared with corresponding tax returns in Mexico.

According to Núñez, audits are already being done of 18 people and two others are the subjects of requests for information from other countries.

The SHCP decision to act decisively on the information earned praise from the political opposition, but legislators from the center-left Partido de la Revolución Democrática (PRD) and the conservative Partido Acción Nacional (PAN) urged authorities to expedite their investigations.

Leaders of the two parties said the investigations were essential because the government might “not just be dealing with tax evasion” but also “with the acquisition of illicit resources” by Mexicans, who may have deposited them in offshore “tax havens” via the Panamanian law firm.

“This is a timely development because many of these individuals had open audits through their companies,” said PRD Deputy Jesús Zambrano Grijalva, who serves as president of the Chamber of Deputies.

Some observers suggested that the leak of the Panama Papers might have both intended and unintended consequences.

“The leak without doubt is going to destroy Mossack Fonseca’s business. I suppose this was the purpose of the leak, probably by a disgruntled employee. The firm will no longer be able to attract new clients,” syndicated columnist Sergio Sarmiento wrote in Reforma. “I suppose politicians will face difficulties proving the origin of the money in question, but business leaders will simply have to prove that they paid the appropriate taxes in their home countries. What is not going to disappear is the practice by companies and financial trusts to register companies overseas as long as there is no illegality involved. A ban on these practices would create an enormous cost for trade and the international financial system.”

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