

# Mexican speculators go to jail

*From prison, the oil workers leader "La Quina" launched a political counteroffensive which has produced its first results. By Hugo López Ochoa.*

Finally, the President of Mexico Carlos Salinas de Gortari gave the green light for judicial proceedings against the most visible defrauders of the Mexican Stock Exchange, who profited from the market's huge speculative bubble and the crash that began on "Black Monday," Oct. 19, 1987.

Nervously, with a husky voice and taking gulps of water between his words, on Feb. 13, Finance Secretary Pedro Aspe announced to the press, which was not permitted to ask questions, that he had asked the Attorney General to take legal action against Operadora de Bolsa, and Mexicana de Inversiones y Valores (Mexinval), two of the most powerful brokerage houses of Mexico.

Operadora de Bolsa is under indictment for having carried out operations with government bonds (CETES) after they had expired and for having intentionally disposed of funds and bonds for purposes contrary to contract. Mexinval is accused of having granted marginal credits not solicited by the clients, and with the funds thus obtained, buying stocks of other intermediaries and using them as collateral for operations. When these stocks turned out to be insufficient, it met expenses with securities from the same clients.

Aspe also said that "administrative" penalties will be imposed on another 152 officers and agents of the 25 brokerage houses operating in the country.

A short time later, the Attorney General Enrique Alvarez del Castillo, announced to the press the detention of Eduardo Legorreta Chauvet and Jaime Cevallos Cervantes, respectively chairman of the board and credit director of Operadora de Bolsa; and of Juan Carlos Fernández Cueto and José Francisco Rodríguez Dupont, officers of Mexinval.

## The Legorretas

Eduardo Legorreta is the brother of Agustín Legorreta, the current president of the Business Coordinating Council (CCE), which has won the universal hatred of small and medium-sized businessmen of the country who orient to the internal market, because of its authorship of, and outlandish support for, the depressive economic measures imposed by President Miguel de la Madrid starting in December 1987. Agustín Legorreta is also famous for his presumption that

"300 comfortable businessmen" can impose the economic policies of the government.

As former owners of the Banco Nacional de México (nationalized in 1982), the Legorretas have been historically associated with the J.P. Morgan interests; de Menil-Schlumberger-Mallet, French branch of the Swiss interests that financed the Nazis; and Assicurazioni Generali di Venezia e Trieste, the czars of the reinsurance companies. The ties of these interests to drug trafficking take up many pages in the book *Dope, Inc.* published by *EIR* in both Spanish and English editions. Agustín Legorreta belongs to the Inter-American Dialogue, which proposes the legalization of drugs.

## The sewer

But there is more. The owner of Mexinval is none other than Isidoro Rodríguez—uncle of the now jailed Rodríguez Dupont—who was exposed by the nationalist leader of the oil workers union, Joaquín Hernández Galicia, for his collusion with the former director of the state company Petróleos Mexicanos (Pemex), Mario Ramón Beteta, in certain dirty deals. Beteta illegally turned over to Isidoro Rodríguez the concession maritime oil transport (see *EIR*, Nov. 4, 1988, page 51).

President De la Madrid and his successor have protected, and continue to protect, Mario Ramón Beteta—now governor of the State of Mexico—not only out of personal friendship, but because his jailing would have meant opening up the sewer of dirty business carried out under the cover of the policy of *laissez-faire* for speculators on the stock market, which got imposed under the pretext of attracting capital that had fled the country since the banks were nationalized in 1982.

De la Madrid's finance secretary, Gustavo Petricioli—now ambassador to Washington—repeatedly denied that there had been "illegalities" in the events of October 1987. But he personally was one of the big beneficiaries of the affair, via his agents such as Manuel Somoza Alonso, president of the Mexican Stock Exchange at the time of the "crash" and now director of the Prime e Inverlatt brokerage firm, property of Agustín Legorreta. Another agent of Petricioli,

Hugo García Blake, who was his top adviser in the Finance Secretariat, is the brother of the current Mexinval director, Víctor García Blake.

### Counteroffensive

Hernández Galicia was arbitrarily jailed on Jan. 10 by the military forces of Presidential General Staff, on charges of "arms stockpiling." In the ensuing days, there was not one U.S. or European newspaper that did not cynically "analyze" the action as measures that had to be supported, even though the charges against the oil union leader were from every standpoint a mere pretext of the government to get rid of the principal obstacle to its "economic reforms," which include the partial privatization of Pemex—backed by Beteta—and the final rollback of every trade union conquest of the last 50 years, in order to make Mexico "competitive" in respect to foreign investment and exports to pay the foreign debt.

EIR has documented the charges of Hernández Galicia against "the 300," who, together with Beteta, according to repeated statements by the oil workers leader, squeezed President Salinas de Gortari to order his imprisonment.

From his jail cell, Hernández Galicia announced that he would defend himself politically. Other union leaders, faced with government threats, have pulled back in their political defense of Hernández Galicia. The top labor leader, Fidel Velázquez, 89, of the Confederation of Workers of Mexico (CTM), stopped giving out statements to the press and is under heavy pressure to retire. The threats reached the point that the lawyer of Hernández Galicia announced, at the end of January, that he did not agree with the "political defense" his defendant was adopted, and he quit the case.

However, Hernández Galicia turned the situation to his own advantage; his new defense lawyer, César Fentáñez, is also representing the investors who demanded the investigation against Legorreta et al.

### Nationalist flank

Salinas won a certain consensus among the nationalist faction of the "political system" in power by his moves against "La Quina" (the nickname by which Hernández Galicia is widely known), especially because the decision was taken with the President's closest cronies, and once it was done, fighting a *fait accompli* was like asking for the President's resignation.

But, contrary to what the government was expecting, popular nationalist opposition leader Cuauhtémoc Cárdenas, one of whose watchwords is the fight against "corruption" and for the "democratization" of the unions in the ruling PRI (Institutional Revolutionary Party), questioned the illegal methods used in the jailing of Hernández Galicia and charged that the real motive of his detention is not the "corruption" of the union, but the privatization of Pemex. "Let's not let ourselves get carried away by appearances nor by the noisy



*Mexican President Carlos Salinas de Gortari. His moves against stock market fraud are a "damage control" effort, forced upon him by his political opponents.*

official propaganda," reiterated Cárdenas on Feb. 4, speaking of the case. To neutralize Cárdenas, the journalists paid by Otto Granados, the presidential press secretary, put out the line that "La Quina" was stockpiling weapons to give them to peasants in the states of Guerrero and Michoacán—Cárdenas had been governor of the latter state until 1986—to overthrow the government of Salinas de Gortari and to bring Cárdenas to power!

But after the presidential elections of July 6, 1988, Cárdenas, who most Mexicans believe actually won the elections, is a key factor in defining national public opinion, on account of his open opposition to the government's economic program and its economic recovery proposals. People believe him, when he reiterates over and over that he will fight by peaceful means and within the strict framework of the law.

Cárdenas's stance on the "La Quina" affair opened up space for the nationalist factions of the government to open a political flank and pressure Finance Secretary Pedro Aspe to proceed with what his predecessor Petricioli had dragged his feet on doing. Reporters from various newspapers pressured the Attorney General on the charges. He said there was "no indictment from Finance." The Finance Secretariat, in turn, pleaded that it had not "concluded" the investigation of the National Stock Commission. Significantly, the government-linked columnist Arturo Blancas, of the *Diario de México*,

wrote that behind the whole uproar against the brokerage houses was "La Quina."

The circle was finally broken when various newspapers put out the word that the ex-Attorney General Sergio García Ramírez—under the Miguel de la Madrid administration—had left ready an extensive and detailed file on the speculators' fraud on the stock market.

Thirty-four days since Hernández Galicia was put in jail, the real purpose of the presidential actions against the oil union is so well known that the discredit of the regime threatens to reach into the more disciplined (i.e., terrorized) ranks of the PRI. On Feb. 11, two days before the actions against the speculators, an old and respected politician of the PRI, Rodolfo González Guevara, who heads the faction called "Critical Current," wrote an article "correcting" his initial backing for the measures against Hernández Galicia, and charged that in reality, a step had been taken toward a "plundering and authoritarian capitalism which could get very close to fascism."

### Salinas targets small tax evaders

The discredit of the government was total. "It is clear that things could not go on much longer," acknowledged the monetarist columnist Luis E. Mercado on Feb. 14. The situation got worse because the government, in the midst of urgent negotiations on the foreign debt with the creditors, from its need to get concessions to recover some vestige of economic growth, started to rapidly lose the support of the majority of the businessmen who are unhappy about a new 2% tax on business profits. They are demanding that the speculators pay.

At this writing, aside from those mentioned at the start, it has not been made known whether Isidoro Rodríguez, Beteta's accomplice, will also be arrested; probably Salinas de Gortari wants to "control the damage" to those mentioned.

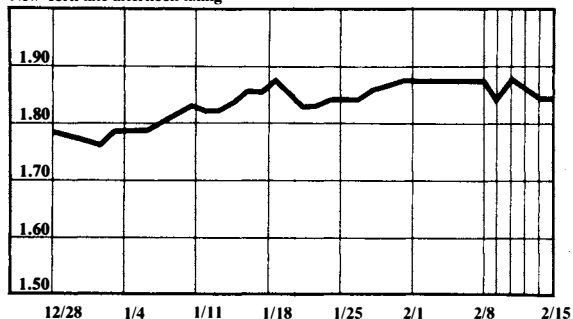
President Salinas is trying to use this "disciplinary" measure to reinforce his dictatorial policy of persecution of small tax evaders—"to fill the jails with tax evaders," as Pedro Aspe recently put it—and create "confidence" in order to attract capital into Mexico. On Feb. 14, Attorney General Alvarez del Castillo gave a press conference to "stress" that in the case of Legorreta et al., it is only a question of "individual conduct."

What is feared by the Salinas crowd is a nationalist escalation that could end up sending to jail Petricioli, along with the real architect of the economic strategy which paved the way for the stock market's *laissez-faire* degeneration: Banco de México Director Miguel Mancera Aguayo. Mancera has been in that post since 1982, to guarantee to the International Monetary Fund that Mexico would comply with the "structural reforms" the creditors wanted. Mancera was the real chief of Miguel de la Madrid's economic cabinet, as he is of the present one, which the nationalists have dubbed "The Iron Circle."

## Currency Rates

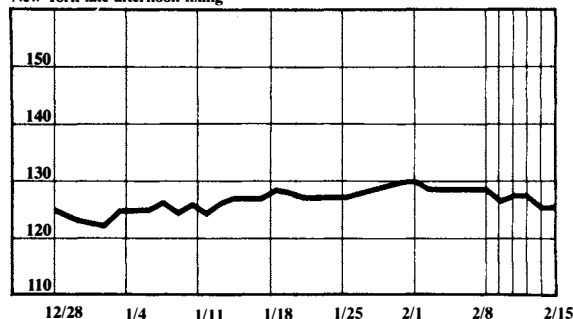
### The dollar in deutschemarks

New York late afternoon fixing



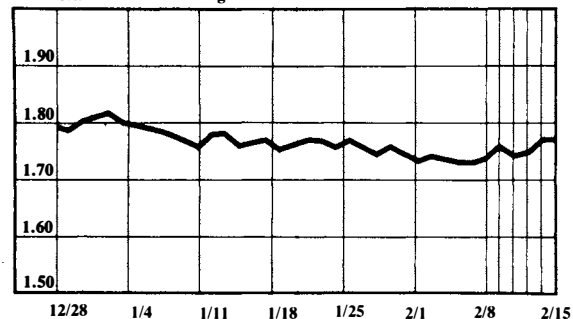
### The dollar in yen

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing

