

Family Affairs

U.S. lawmen say billionaire power broker Carlos Hank Gonzalez and sons protect narcotraffickers. A secret probe is under way, but details have leaked.

By Jamie Dettmer

They've dubbed the federal operation "White Tiger" — a tart reference to the nonchalant attempt by one of the targets to smuggle into Mexico through Southern California a rare Siberian cub seven years ago. But trafficking in exotic animals isn't the focus of the audacious Drug Enforcement Administration, or DEA, probe. Its goal, indeed, is to catch "big cats," but of the human narco-smuggling, money-laundering variety.

San Diego-based agents drawn from several federal agencies believed their operation was shrouded in secrecy. And well it should have been, as Operation White Tiger is a hugely ambitious effort to expose the key relationship underpinning Mexico's narcotrafficking — the association between drug barons, such as Tijuana's Arellano Felix brothers and the Juarez-based Vicente Carrillo Fuentes and Rafael Munoz Talavera, and top Mexican politicians. Particular targets are some stalwarts of Mexico's long-standing governing party, the Institutional Revolutionary Party, or PRI, which some federal lawmen long have regarded as a shadowy cartel behind the cartels.

Fearful that sharing any information with Mexican authorities automatically would result in the subjects of the probe being forewarned and, therefore, forearmed, federal agents from the DEA, the U.S. Customs Service, the FBI and the IRS have done their best to keep the thrust and principal targets of the investigation secret from their leaky counterparts south of the Rio Grande. But when it comes to the Southwest border — or any major probe of Mexican politicians suspected of being the *padrinos*, or patrons, of the country's drug kingpins who are responsible for 70 percent of the cocaine sold on U.S. streets and 18 per-



Carlos Hank Rhon: *He oversees the large, lucrative banking and communications holdings of the family.*



Jorge Hank Rhon: *He openly cavorts in Tijuana with narcotraffickers, including the Arellano Felix brothers.*

cent of heroin buys — little can be kept under wraps for long.

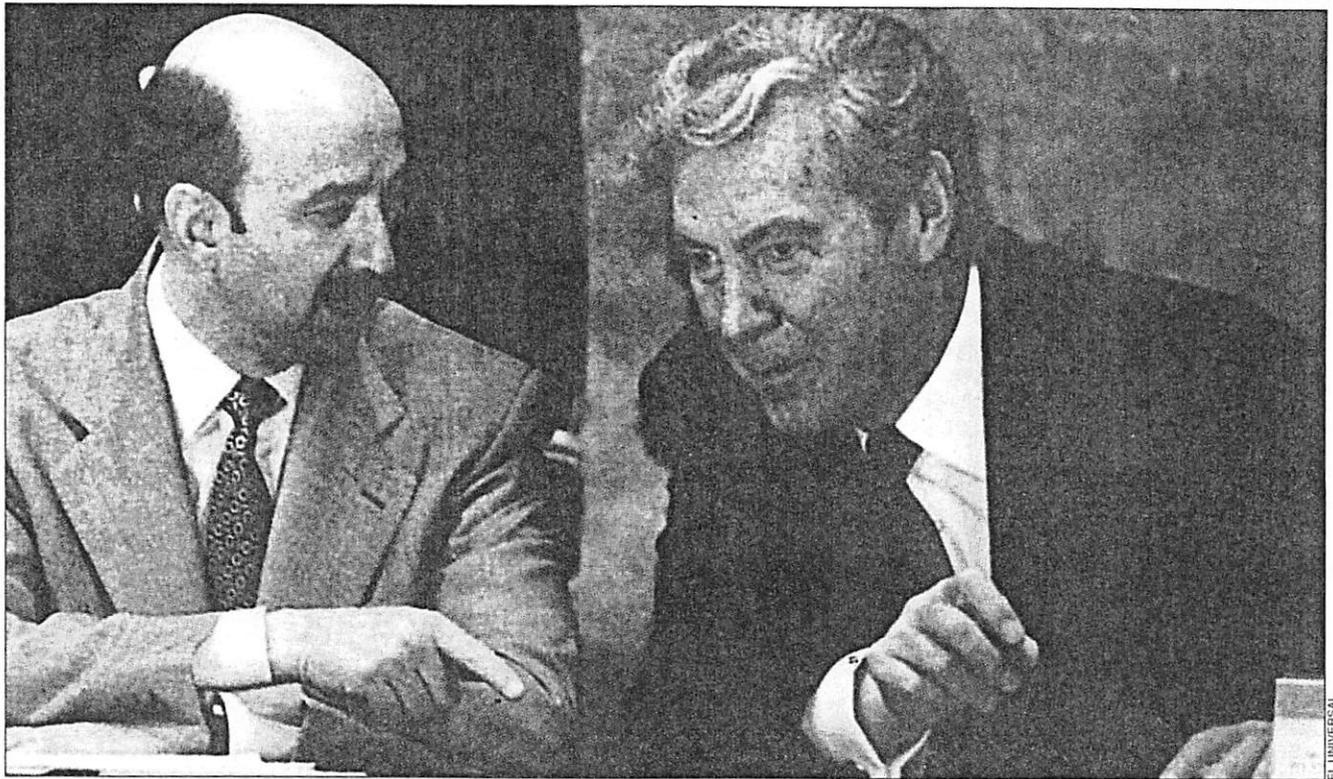
And so it is with White Tiger — the targets being too illustrious, too significant, for leaks not to occur. A comparison? "It would be like the Mexicans having tried to indict LBJ or Nelson Rockefeller, or both at the same time, and keeping it from us," says a DEA agent.

When the stealthy operation was launched in late 1997 security was tight, but recently senior law-enforcement circles in Mexico City have been abuzz with talk that the United States proactively is investigating one of Mexico's most prominent political leaders, who also happens to be one of the country's richest men — the elegantly dressed, charismatic 72-year-old Carlos Hank Gonzalez. With his two sons, Carlos Hank Rhon, 51, and Jorge Hank Rhon, 46, the lanky billionaire politician presides over a complex and

diverse commercial empire that boasts vast holdings in Mexico and overseas as well as in the United States in the fields of telecommunications, brokerage, transport, manufacturing, construction, energy and gaming. Federal investigators insist these holdings serve drug-smuggling operations and launder millions of narcodollars.

For the last two decades Hank has enjoyed almost unparalleled political influence in Mexico. Denied the presidency himself — his father was a German émigré and the country's constitution requires both parents of a presidential candidate to be Mexican-born — Hank has been the *compadre* to successive Mexican heads of state, stretching back to Jose Lopez Portillo in the 1970s.

In the turbulent wake of the 1994 assassination of PRI presidential candidate Luis Colosio, Hank was the power broker behind the selection of



Peas in a pod: Carlos Hank Gonzalez (right) was the *éminence grise* behind the presidency of Carlos Salinas (left).

Ernesto Zedillo as the country's current president — even signing his electoral nomination papers. Hank also was considered by many to be the *éminence grise* of the 1990-94 Carlos Salinas presidency and well could be the crucial figure in determining who succeeds Zedillo in the year 2000 — especially if the run-up to the PRI's pick is messy, enhancing the strength of the billionaire politician and his so-called reform-opposed, dinosaur faction in the party.

Over the years Hank has been mayor of both Toluca and Mexico City, governor of Mexico state and secretary of tourism as well as agriculture. But his formal posts don't even begin to reflect the spidery influence Hank exerts in the web of Mexican politics. Described by former Mexican president Miguel de la Madrid as the "master of gratuities," Hank is the Cardinal Richelieu of his generation, an Armani-suited political godfather armed with an easy smile and a ready handshake and steeped in the ways of developing and keeping power through the art of dispensing favors. Other entrepreneurs who have dealt with him say generosity is his trademark — "If it rains in my land, I will make sure some of the water also makes your land wet," he likes to declare in his deep baritone.

Carlos Hank Gonzalez is an Armani-suited political godfather steeped in the ways of developing and keeping power through the art of dispensing favors.

"He has loyalists all over — in the bureaucracy, in the PRI — the gratitude he generates is amazing," says Adolfo Aguilar Zinser, an opposition politician who headed an inconclusive Mexican corruption probe into Hank. "He moves like a fish in water without leaving a sign of his presence."

The glittering prizes of political office always have gone hand in hand for Hank with business success. *Forbes* magazine has estimated his wealth at \$1.3 billion, not bad for a man who hails from the struggling middle class — his father was a military-college teacher — and who once unabashedly quipped in defense of his fabulous wealth, "*Un politico pobre es un pobre politico*," or "A politician who

is poor is indeed a poor politician."

A dozen or so major U.S. probes as well as several Mexican inquiries, including one launched 18 months ago by Mexican Attorney General Jorge Madrazo, have been mounted during the years targeting the Hank family, looking into their businesses, sweetheart deals, political strokes and friendships of the power broker and his sons. But they appeared doomed from the get-go, with investigators unable to breach the byzantine layers of protection or slice through the webs of intrigue and patronage surrounding the family, according to dozens of senior lawmen and government officials on both sides of the border, all of whom declined to be identified for this article.

Accusations of complicity in murder, drug smuggling, money laundering, political corruption, bribery, income-tax evasion and racketeering have bounced off this megapowerful family. When Jorge Hank, a flamboyant member of the family who openly has cavorted with narcotraffickers in Tijuana, was accused by the Mexican media 10 years ago of ordering the killing of a popular Mexican columnist — *Zeta* magazine's Hector Felix Miranda, who regularly ridiculed the Hanks — the family didn't miss a stride: True, the younger Hank's bodyguards were convicted of the murder, but he wasn't questioned and publicly denied any involvement. Likewise, Jorge Hank

wasn't even formally interrogated after sharing the first-class cabin of an Aeromexico flight from Guadalajara to Tijuana with two assassins of Roman Catholic Cardinal Juan Jose Posadas, who was murdered just hours earlier in a 1993 slaying that stunned the world.

Now a multiagency task force is focusing on "Hank Money Laundering/Drug Smuggling," to quote from the title of a U.S. law-enforcement document leaked to *Insight*. This White Tiger operation follows another ongoing investigation which touches on the Hank family. Two years ago, the Justice Department started investigating allegations that some of Mexico's top entrepreneurs and politicians used a Mexican government agency during Carlos Salinas' presidency to launder hundreds of millions of dollars in drug profits and payoffs through the agency's U.S. bank accounts. The agency — a federal food program known as Conasupo — was headed by Raul Salinas, the then-president's elder brother, who was convicted last year on murder and corruption charges. According to U.S. law-enforcement and Swiss authorities, Conasupo was used as the Salinas family's slush fund, a storehouse of drug money and cash from corrupt privatization deals, much of which found its way into now-frozen \$240 million Swiss bank accounts controlled by Raul Salinas.

When the Hank name surfaced in that inquiry — Carlos Hank denied at one point he had "loaned" \$9 million to Raul Salinas and then subsequently acknowledged it — few U.S. lawmen who have tracked the family for years harbored much hope of making a breakthrough. Will White Tiger prove any more successful? Will it result in Hank and his sons appearing before a court north of the Rio Grande? That has to be in some doubt now, say federal agents familiar with the operation.

The bid to build one of the most complex cross-border drug and money-laundering conspiracy cases involving Mexican bigwigs ever mounted by the United States has been compromised by leaks, and Hank and his sons appear destined to live up to the name the more feisty of Mexico's newspapers dub them: The Untouchables.

Insight first learned of the existence of Operation White Tiger last fall — well before the current politi-

cal squabble about President Clinton's March 1 decision to recertify Mexico as a reliable ally in the war on drugs. No doubt U.S. lawmakers critical of recertification on the grounds of high-level Mexican political collusion with the drug trade will point to White Tiger as further evidence of why Mexico shouldn't be classified as a reliable antinarcotics partner. The reaction from Mexico will be as furious, with politicians there likely to claim that *Insight's* disclosures about White Tiger are just part of a U.S. law-enforcement bid to disrupt the Clinton administration's stamp of approval on

the investigation is that Washington will conclude that White Tiger is too controversial, too potentially disruptive of Mexican-American relations and will order it shut down in much the same way that a fledgling federal inquiry into top PRI politicians was halted, according to retired DEA agents Phil Jordan and Hector Berrellez, in the months leading up to the signing of the North American Free Trade Agreement. "We are going to get heat and lots of it — particularly when the extent of the probe comes out," says an agent.

And according to U.S. law-enforce-



AP/WIDE WORLD

Mexico's antinarcotics strategy.

In fact, not only does the information about White Tiger predate by several months the present furor about recertification, it also originally came from tips not from law-enforcement sources in the United States but from contacts within the Mexican attorney general's office, or PGR, and the Hacienda, Mexico's treasury department, many of whose top officials owe allegiance to the Hank family.

As U.S. lawmen familiar with the direction of White Tiger concede, the very fact that the PGR and the Hacienda are aware of the ongoing probe means the targets know they are in the crosshairs and are likely to be using all their political and business might and urging all their loyalists among the PRI hierarchy and Mexican-state governors to sabotage the U.S. inquiry.

One fear among agents involved in

Arellano Felixes: *The brothers launder money through Jorge Hank's casino and satellite wagering operations.*

ment documents leaked to *Insight*, the task force's scope is broad, involving pulling together every federal case involving the family ever opened north of the border — from Jorge Hank's rather casual trading in exotic species (the Siberian tiger cub he tried to smuggle was lounging on the back seat of his Mercedes) to cocaine seizures from trucks owned by firms controlled by the Hank family. Federal agents also are scrutinizing an array of business dealings and every tie the Hanks ever have had with convicted or suspected narcotraffickers — from friendships to joint ownerships of businesses, including in the suspected drug-linked commercial airline Taesa and the major cargo-shipping firm

Transportacion Maritima Mexicana, or TMM.

And close observers say the task force is probing extensive allegations made by confidential sources of Carlos Hank laundering money through two family-owned Texas banks — the Laredo National Bank and the South Texas National Bank of Laredo — and allegations that Jorge Hank is “providing the service of laundering narcotics proceeds” via the family-owned Agua Caliente Racetrack in Tijuana and off-track gaming interests on both sides of the border. “Through Jorge Hank Rhon’s gambling casino and satellite

younger brother Jorge Hank works with members of the Arellano Felix organization on the California, USA/Mexican border.”

The documents also detail alleged Hank family “criminal associations” in the past with the former head of the gulf cartel, Juan Garcia Abrego, now serving 11 life sentences in a Texas jail for drug smuggling; Ramiro Mireles Felix, who is listed in federal law-enforcement databases as a “class-one drug trafficker who invests monies for the AFO”; the deceased smugglers Baltazar Diaz Vega and Jesus Guiterrez Baron, both “class-one drug traffick-

Mexican authorities of U.S. lawmen involved in setting up the sting. The latter now have been dropped after diplomatic negotiations but have provoked U.S. fears of possible Mexican police retaliation against U.S. border inspectors.

White Tiger similarly could become a major bone of contention between Washington and Mexico. “Does the Clinton administration really have the stomach for this?” asks a top U.S. lawman. “When push comes to shove, I doubt it.” Even if the operation does result in an indictment against any of the Hanks, extradition would be more

than unlikely, and if a warrant were served while Jorge Hank, say, was staying at his house in San Diego’s Coronado Cays, or his brother was in the states visiting the family-owned Texas banks, a diplomatic firestorm would ensue.

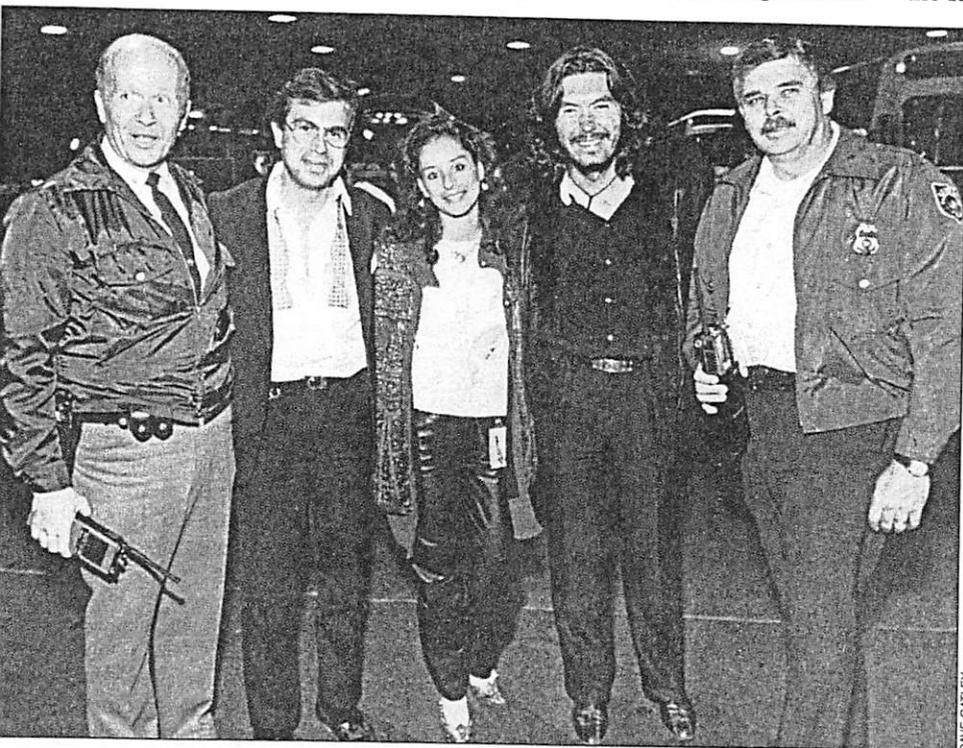
Even so, the task force is pressing on and is convinced it has established through financial investigations and information supplied by confidential sources that the Hank family, through their “businesses, corporations and entities, are linked to the major drug-trafficking organizations.”

The task force probing the Hank family has delved into Hank’s past to develop a picture of his rise to wealth and influence. Born in 1927 in Santiago Tianguistenco, a village west of Mexico City, Hank confronted two major burdens and overcame them.

His father, a retired colonel and teacher at a local military college, died in a motorcycle accident when Hank was 3 years old, and he had to contend with being the son of an immigrant, a stigma in sharply nationalistic Mexico.

Hardworking, astute and charming, Hank quickly gravitated to politics. By the age of 17, he became secretary-general of the PRI’s state youth federation — a post that brought him to the attention of former Mexico state governor Isidro Fabela, the founder of the Atlacomulco Group, an alliance of local politicians determined to transform the rural state into an industrial powerhouse. The group eventually became influential in national politics and Hank rode with it to become mayor of the state capital of Toluca in 1955, a state lawmaker and then on and up. He went into business early, too, starting with a

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Hotley crew: Jorge Hank poses with friends and Customs officials at the border crossing south of San Diego.

evagating operations the AFO [Arellano Felix Organization] is able to effectively launder millions of cash dollars made from the narcotics trade,” states one document.

The overall objective of the probe? To shape a case against the Hanks for using their “businesses, corporations and entities” to help “the most powerful drug traffickers ever to come to the forefront and operate with impunity.”

According to the documents, 51-year-old Carlos Hank Rhon, who heads the family’s financial and telecommunications firms consolidated under the holding company Grupo Hermes, “has worked directly with the Amado Carrillo Fuentes organization on the Texas, USA/Mexican border, while his

ers”; and current money-laundering “subjects of investigation” Alberto Murguía Orozco, Paul Karam Kassab and Nicholas Nassif (described in official U.S. investigative reports as a “Tijuana businessman who works closely with the AFO”).

A successful conclusion to White Tiger will need “major innovative investigative techniques and prosecutive strategies,” argues one document. That could be an understatement. In the wake of last year’s U.S. Customs-led sting operation known as “Casablanca,” the Mexican government is more than ever alert to undercover U.S. probes south of the border — and quicker to take offense on sovereignty grounds.

Operation Casablanca, which led to the arrests and indictments of several Mexican bankers, prompted a storm of protest from an embarrassed Mexico City that led to counterindictments by

DAVE GATLEY

FAMILY AFFAIRS

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candy factory and a fleet of trucks.

From the beginning Hank skillfully merged politics and business, cutting deals with companies seeking contracts with the city and state governments he ran and awarding contracts to his own firms and friends. As he got further up the PRI's ladder, Hank's turning of political money into a fortune and his creative exploitation of government patronage continued and became bigger and more audacious. In the 1960s, when he had a major job at Conasupo, Hank secured the agency's contract to ship grain for a trucking company he founded. As Mexico City's mayor in the 1970s, he was criticized by the Mexican media for being the impresario of sweetheart deals — between unions and state companies, between state agencies and private suppliers. A toll road he had built when mayor between Mexico City and Toluca was nicknamed by Mexicans the "Hank Highway," a snide reference to the pesos that Hank was rumored to have skimmed off the construction contracts.

But it was during the free-for-all sell-off of state-owned companies under President Salinas, when hundreds of government-owned corporations were privatized — including telephone companies, airlines and broadcasting outlets — that the Hank family catapulted from being a major force in Mexican business into a significant international commercial presence, with increasing interests overseas and partnerships with foreign firms, including Volkswagen, Mercedes-Benz, BellSouth and, recently, the Virginia-based power-plant company AES Corp. The latter was a joint venture announced during Clinton's 1997 state visit to Mexico.

The Hanks benefited hugely from the privatizations with a series of successful bids that left them with a massive share of Mexico's telecommunications industry, now consolidated in BellSouth Mexico, of which the engineer-trained Carlos Hank is the chairman.

Since the early 1980s, law-enforcement sources say, the Hank family also has had multiplying commercial and social ties with known and convicted **narcotraffickers** — links that proliferated after the assassination of Cardinal

Carlos Hank skillfully merged politics and business, cutting deals with those who were seeking contracts with the city and state governments he ran.



Dead baron: Amado Carillo Fuentes' (far left) shipping company delivered 3,000 pounds of cocaine to San Diego.

Posadas when, investigative reports say, "Carlos Hank Rhon and Jorge Hank Rhon began providing protection to the Arellano Felix brothers."

Department of the Treasury investigative files first document a tie-in in 1982, when drug kingpin Juan Esparagoza Moreno, nicknamed "El Azul" ("The Blue One"), transported in his oil trucks petroleum products owned by Hank. And during the years, U.S. investigators monitored snowballing connections between the Hanks and Mexico's cocaine kings. Leaked U.S. investigative files cite as an example the TMM shipping company. In October 1990, at Otay Mesa, the commercial port of entry just south of San Diego, nearly 9,000 pounds of cocaine was discovered in a TMM propane-gas truck. In August 1997, 1,144 kilograms (2,517 pounds) of cocaine was seized by Mexican authorities from the TMM-owned vessel *Jalisco*. In February 1998, the DEA believes a 2,000-pound cocaine shipment was off-loaded in the Florida Keys from the TMM container vessel *Conship Houston*.

TMM is part-owned by Carlos Hank, and the late drug baron Amado Carillo Fuentes was a major investor. The company recently acquired some U.S. rail carriers, including Kansas City Southern. The government file state: "It has been reported that members of the Colombian cartels have also invested in TMM. TMM is documented as being used by traffickers to smuggle narcotics into the United States and other parts of the world... Recently it acquired Gran Colombiana Shipping, which is also documented for its involvement in drug smuggling. TMM manufactures its own cargo containers. The significance of this is that they can now control all aspects of shipping and transporting narcotics without outside interference."

U.S. law-enforcement agencies also point to a Hank-Carillo Fuentes tie-in with Hank-founded Taesa airline, whose ownership recently has been shrouded in mystery. According to an official report: "Confidential sources have provided information that Carillo-Fuentes was the major investor in Taesa, which was owned by the Hank family and is heavily utilized by major drug-smuggling organizations in

Mexico. Recent information is that Taesa was sold to Alberto Angel Abed-Schekaiban, who has been employed over the years as a private pilot for the Hank family. Sources state that Abed could not afford to buy an airline of this size, that Abed is owner in name only and that Carlos Hank is still in control of the company. DEA intelligence reports have indicated that large seizures of narcotics in Mexico were made from a number of commercial aircraft registered to Taesa. There have also been seizures from independent airplanes that were being off-loaded at airstrips under the control of Taesa. Because of these seizures and the U.S. law-enforcement's interest ... the Hanks decided to distance themselves from the company."

Attempts to distance themselves now may prove more troublesome. One U.S. investigative file leaked to *Insight* reports: "Drug trafficking in Mexico flourishes because Mexico's elite benefit from it." U.S. drug warriors are out to demonstrate that in the future that won't be the case.

Neither the Hanks nor their business offices returned *Insight's* telephone calls.