

Peña Nieto implicated in rail contract scandal

Our reporter
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Besieged by protests over Mexico's missing students, President Enrique Peña Nieto is also confronting a brewing scandal over the award of a \$3.7 billion contract to build a 210-kilometer high-speed train from Mexico City to the state of Querétaro to a consortium consisting of China Railway Construction Corp. Ltd. and China's CSR Corp., along with four Mexican partners.

The Chinese-led consortium had been the sole bidder for the rail project after 16 other firms pulled out of the bidding, including France's Alstom, Mitsubishi of Japan, Canada's Bombardier and Germany's Siemens. Several said they pulled out because the government declined to give them more time to work up bids.

The cancelation seemed related to the fact that the winning consortium included a firm that won several major contracts in Mexico state during Peña Nieto's term as governor there, as well as a company majority-owned by families with close ties to Peña Nieto's ruling Institutional Revolutionary Party.

With the odor of these ties wafting, Peña Nieto suddenly canceled the bullet train award late Thursday. According to Tony Payan, the head of the Mexico Center at Rice University in Houston, Texas, the crisis over the abduction of the 43 students made it impossible for Peña Nieto to defend a train deal that appeared to benefit firms close to the president.

The abrupt cancelation came right on the eve of Peña Nieto's Sunday trip to an Asia-Pacific Economic Cooperation summit in Beijing before a two-day state visit to China. Peña Nieto will have to personally explain the cancelation decision to Chinese president Xi Jinping. The cancelation also comes as Mexico prepares to open bidding for private investment in the oil industry and national power grid as part of Peña Nieto's opening up of the Mexican economy to penetration by foreign capital.

The mushrooming scandal over the bullet train award

exploded Sunday when it was revealed by a leading Mexican journalist, Carmen Aristegui, that a \$7 million private home of Peña Nieto in the exclusive Lomas de Chapultepec neighborhood of Mexico City was built by and is registered under the name of Ingenieria Inmobiliaria del Centro, a company belonging to Grupo Higa, whose Constructora Teya affiliate is one of the Mexican companies that is part of the Chinese-led train consortium.

According to the Aristegui article, Grupo Higa and its affiliates were granted more than \$600 million in construction projects in the state of Mexico when Peña Nieto was its governor. Moreover, an air-charter service owned by Grupo Higa ferried Peña Nieto and other officials during his 2012 presidential campaign, while another Grupo Higa company printed his campaign materials.

Aristegui's report says that the posh home has never been declared by Peña Nieto in his campaign financial disclosure statements. The property is adjacent to one owned by Peña Nieto's wife, the former actress Angélica Rivera.

The response of the president's office late Sunday was that the Mexico's First Lady had contracted to buy the house in question in January 2010, 11 months before Peña Nieto became president. With 60 million Mexicans living in poverty, the revelations about luxury mansions apparently paid for through political kickbacks have only increased popular anger toward the government.



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