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The Bribery Aisle

How Wal-Mart Used Payoffs To Get Its Way in Mexico

By DAVID BARSTOW and ALEJANDRA XANIC von BERTRAB

WAL-MART longed to build in Elda Pineda's alfalfa field. It was an ideal location, just off this town's bustling main entrance and barely a mile from its ancient pyramids, which draw tourists from around the world. With its usual precision, Wal-Mart calculated it would attract 250 customers an hour if only it could put a store in Mrs. Pineda's field.

One major obstacle stood in Wal-Mart's way.

After years of study, the town's elected leaders had just approved a new zoning map. The leaders wanted to limit growth near the pyramids, and they considered the town's main entrance too congested already. As a result, the 2003 zoning map prohibited commercial development on Mrs. Pineda's field, seemingly dooming Wal-Mart's hopes.

But 30 miles away in Mexico City, at the headquarters of Wal-Mart de Mexico, executives were not about to be thwarted by an unfavorable zoning decision. Instead, records and interviews show, they decided to undo the damage with one well-placed \$52,000 bribe.

The plan was simple. The zoning map would not become law until it was published in a government newspaper. So Wal-Mart de Mexico arranged to bribe an official to change the map before it was sent to the newspaper, records and interviews show. Sure enough, when the map was published, the zoning for Mrs. Pine-

da's field was redrawn to allow Wal-Mart's store.

Problem solved.

Wal-Mart de Mexico broke ground months later, provoking fierce opposition. Protesters decried the very idea of a Wal-Mart so close to a cultural treasure. They contended the town's traditional public markets would be decimated, its traffic mess made worse. Months of hunger strikes and sit-ins consumed Mexico's news media. Yet for all the scrutiny, the story of the altered map remained a secret. The store opened for Christmas 2004, affirming Wal-Mart's emerging dominance in Mexico.

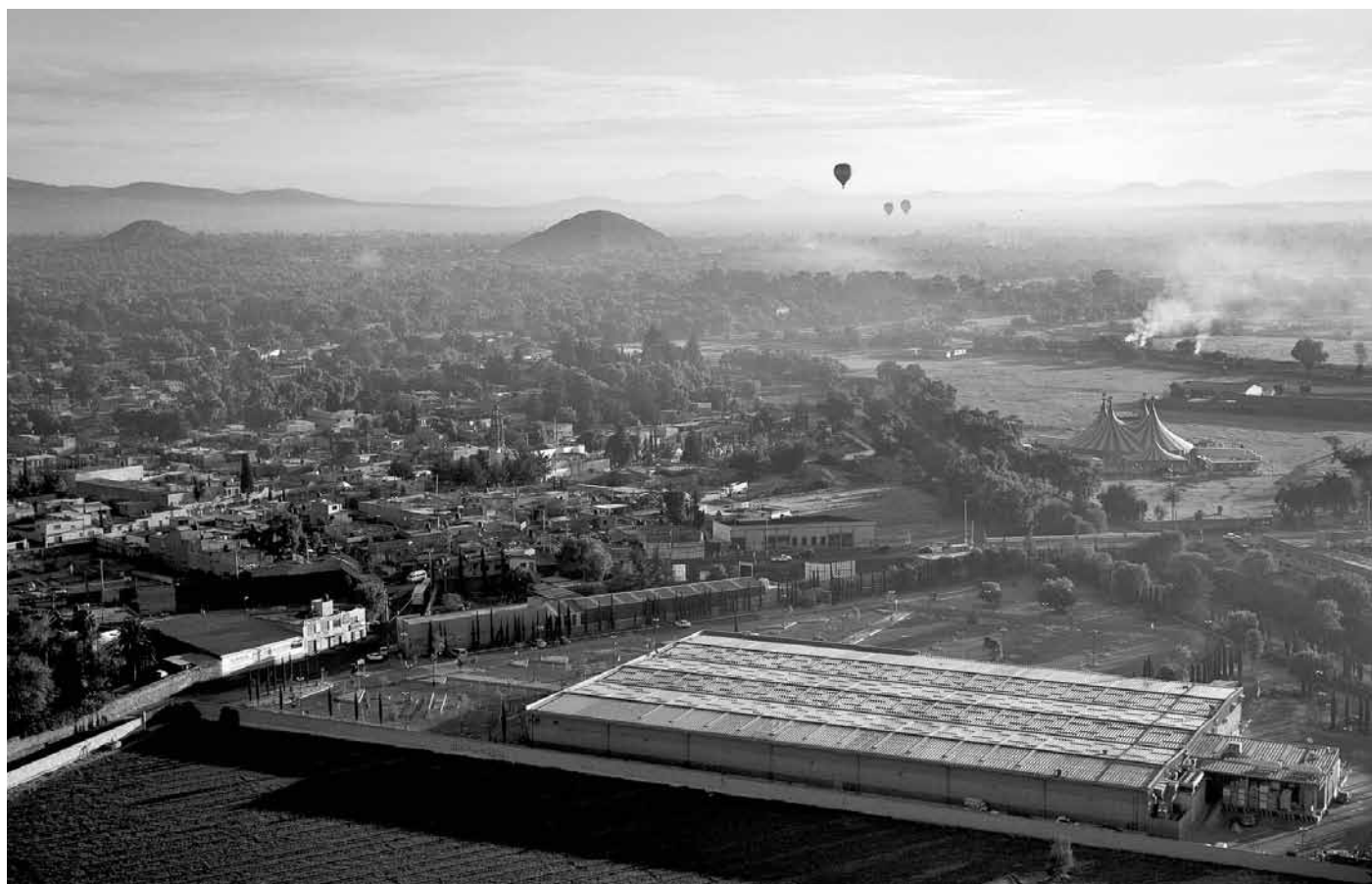
The secret held even after a former Wal-Mart de Mexico lawyer contacted Wal-Mart executives in Bentonville, Ark., and told them how Wal-Mart de Mexico routinely resorted to bribery, citing the altered map as but one example. His detailed account — he had been in charge of getting building permits throughout Mexico — raised alarms at the highest levels of Wal-Mart and prompted an internal investigation.

But as The New York Times revealed in April, Wal-Mart's leaders shut down the investigation in 2006. They did so even though their investigators had found a wealth of evidence supporting the lawyer's allegations. The decision meant authorities were not notified. It also meant basic questions about the nature, extent and impact of Wal-Mart de Mexico's conduct were never asked, much less



DANIEL AGUILAR/REUTERS

In Teotihuacán, Emmanuel D'Herrera helped lead protests against Wal-Mart.



PHOTOGRAPHS BY JOSH HANER/THE NEW YORK TIMES

A STORE BUILT ON BRIBES

Without paying more than \$200,000 in bribes, Wal-Mart almost certainly would not have been able to build its Bodega Aurrera supermarket in Teotihuacán.

answered.

The Times has now picked up where Wal-Mart's internal investigation was cut off, traveling to dozens of towns and cities in Mexico, gathering tens of thousands of documents related to Wal-Mart de Mexico permits, and interviewing scores of government officials and Wal-Mart employees, including 15 hours of interviews with the former lawyer, Sergio Cicero Zapata.

The Times's examination reveals that Wal-Mart de Mexico was not the reluctant victim of a corrupt culture that insisted on bribes as the cost of doing business. Nor did it pay bribes merely to speed up routine approvals. Rather, Wal-Mart de Mexico was an aggressive and creative corrupter, offering large payoffs to get what the law otherwise prohibited. It used bribes to subvert democratic governance — public votes, open debates, transparent procedures. It used bribes to circumvent regulatory safeguards that protect Mexican citizens from

unsafe construction. It used bribes to outflank rivals.

Through confidential Wal-Mart documents, The Times identified 19 store sites across Mexico that were the target of Wal-Mart de Mexico's bribes. The Times then matched information about specific bribes against permit records for each site. Clear patterns emerged. Over and over, for example, the dates of bribe payments coincided with dates when critical permits were issued. Again and again, the strictly forbidden became miraculously attainable.

Thanks to eight bribe payments totaling \$341,000, for example, Wal-Mart built a Sam's Club in one of Mexico City's most densely populated neighborhoods, near the Basílica de Guadalupe, without a construction license, or an environmental permit, or an urban impact assessment, or even a traffic permit. Thanks to nine bribe payments totaling \$765,000, Wal-Mart built a vast refrigerated distribution center in an environmentally fragile flood basin

north of Mexico City, in an area where electricity was so scarce that many smaller developers were turned away.

But there is no better example of Wal-Mart de Mexico's methods than its conquest of Mrs. Pineda's alfalfa field. In Teotihuacán, *The Times* found that Wal-Mart de Mexico executives approved at least four different bribe payments — more than \$200,000 in all — to build just a medium-size supermarket. Without those payoffs, records and interviews show, Wal-Mart almost surely would not have been allowed to build in Mrs. Pineda's field.

The Teotihuacán case also raises new questions about the way Wal-Mart's leaders in the United States responded to evidence of widespread corruption in their largest foreign subsidiary.

Wal-Mart's leadership was well aware of the protests here in 2004. (The controversy was covered by several news outlets in the United States, including *The Times*.) From the start, protest leaders insisted that corruption surely played a role in the store's permits. Although woefully short on specifics, their complaints prompted multiple investigations by Mexican authorities. One of those investigations was still under way when Wal-Mart's top executives first learned of Mr. Cicero's account of bribes in Teotihuacán (pronounced Tay-o-tea-wah-KHAN).

But Wal-Mart's leaders did not tell Mexican authorities about his allegations, not even after their own investigators concluded there was "reasonable suspicion" to believe laws had been violated, records and interviews show. Unaware of this new evidence, Mexican investigators said they could find no wrongdoing in Teotihuacán.

Wal-Mart has been under growing scrutiny since *The Times* disclosed its corruption problems in Mexico, where it is the largest private employer, with 221,000 people working in 2,275 stores, supermarkets and restaurants.

In the United States, the Justice Department and the Securities and Exchange Commission are investigating possible violations of the Foreign Corrupt Practices Act, the federal law that makes it a crime for American corporations or their subsidiaries to bribe foreign officials. Mexican authorities and Congressional Democrats have also begun investigations, and Wal-Mart has been hit by shareholder lawsuits

from several major pension funds.

Wal-Mart declined to discuss its conduct in Teotihuacán while it is continuing its own investigation. The company has hired hundreds of lawyers, investigators and forensic accountants who are examining all 27 of its foreign markets. It has already found potentially serious wrongdoing, including indications of bribery in China, Brazil and India. Several top executives in Mexico and India have been suspended or forced to resign in recent months.

Wal-Mart has also tightened oversight of its internal investigations. It has created high-level positions to help root out corruption. It is spending millions on anticorruption training and background checks of the lawyers and lobbyists who represent Wal-Mart before foreign governments. The company has spent more than \$100 million on investigative costs this year.

"We are committed to having a strong and effective global anticorruption program everywhere we operate and taking appropriate action for any instance of noncompliance," said David W. Tovar, a Wal-Mart spokesman.

In Mexico, a major focus of Wal-Mart's investigation is none other than the boxy, brown supermarket in Mrs. Pineda's alfalfa field.

Eight years later, it remains the most controversial Wal-Mart in Mexico, a powerful symbol of globalism's impact on Mexican culture and commerce.

As it turns out, the store also took on symbolic importance within Wal-Mart de Mexico, Mr. Cicero said in an interview. Executives, he said, came to believe that by outmuscling protesters and building in the shadow of a revered national treasure, they would send a message to the entire country: If we can build here, we can build anywhere.

City of the Gods

In ancient times, Teotihuacán was a sprawling metropolis of perhaps 150,000 people. The "city of the gods," as the Aztecs called it, rose up around a vast temple complex and two great pyramids, the Sun and the Moon. The ancient city is long gone, buried under farm fields, small pueblos and the detritus of bygone civilizations. But the temple complex and pyramids remain, which is why Teotihuacán is so central to Mexico's cultural patrimony.

Teotihuacán's leaders naturally wanted to



THE COMPETITION MOVES IN

Inside the Bodega Aurrera in Teotihuacán, top, shoppers can buy everything from tortillas to tires. Market vendors, above, were among those most concerned about Wal-Mart's plans to enter Teotihuacán.

protect this legacy as they began work on a new zoning plan in 2001. To keep the town attractive as a tourist destination, they decided to limit development in the “archaeological zone,” a buffer of protected land that encircles the pyramids. At the same time, they wanted a plan that would lure more tourists into the town’s central square.

“People complained tourists didn’t go into town,” said Víctor Ortiz, a partner in the consulting firm the town hired to draw up its new zoning plan.

By early 2003, just as Mr. Ortiz’s firm was finishing its work, Wal-Mart de Mexico had settled on Teotihuacán as a ripe target for expansion. Its population, nearly 50,000, was growing fast, and its commerce was dominated by small neighborhood shops and a traditional public market in the central square — exactly the type of competition Wal-Mart de Mexico had vanquished in town after town.

Mr. Cicero, a trim, sharp-featured man, recalled how Mrs. Pineda’s alfalfa field jumped out as Wal-Mart’s real estate executives scoured aerial photographs of Teotihuacán. By putting one of Wal-Mart’s Bodega Aurrera supermarkets at the town’s main entrance, they could create a choke point that would effectively place the town off limits to competitors. There was also space to add other types of Wal-Mart stores — restaurants or department stores — down the road. “We would be slamming the gate on the whole town,” he said.

But Wal-Mart officials got a cold reception when they began to inquire about permits at Teotihuacán’s municipal offices. Saúl Martínez, an employee in the urban development office, recalled telling Wal-Mart’s representatives that a supermarket could not be built in Mrs. Pineda’s field, because the field was zoned for housing. Wal-Mart would need a zoning change. But a supermarket, he told them, was sure to generate strong opposition because of the traffic chaos it would create.

“Go look for something else,” he recalled telling Wal-Mart.

At first, Mr. Cicero’s team thought it had found a perfectly legal solution to the zoning problem. Only a narrow strip of land separated Mrs. Pineda’s field from Hidalgo Avenue, the main road into town. If Wal-Mart could build an entrance across that strip, zoning rules would

let it rely on Hidalgo Avenue’s zoning, which allowed commercial development. But Wal-Mart could not get a right of way, despite months of trying.

By then, the municipality was rushing to complete its new zoning plan. Officials were already holding public meetings to present the plan and solicit feedback. A final vote was scheduled for Aug. 6, 2003.

The Times obtained four different copies of the new zoning map as it existed on the eve of the vote. All four, including two found in the town’s urban development office, confirm that housing was the only kind of development allowed on Mrs. Pineda’s field. There is no record of Wal-Mart seeking a last-minute change, and nine officials closely involved in drafting the plan all said in separate interviews that they were certain Wal-Mart made no such request.

“I would remember,” said Humberto Peña, then the mayor of Teotihuacán. “And if they would have asked that, my answer would have been no.”

After two years of painstaking work, Mr. Peña and the municipal council unanimously approved Teotihuacán’s new zoning plan on Aug. 6

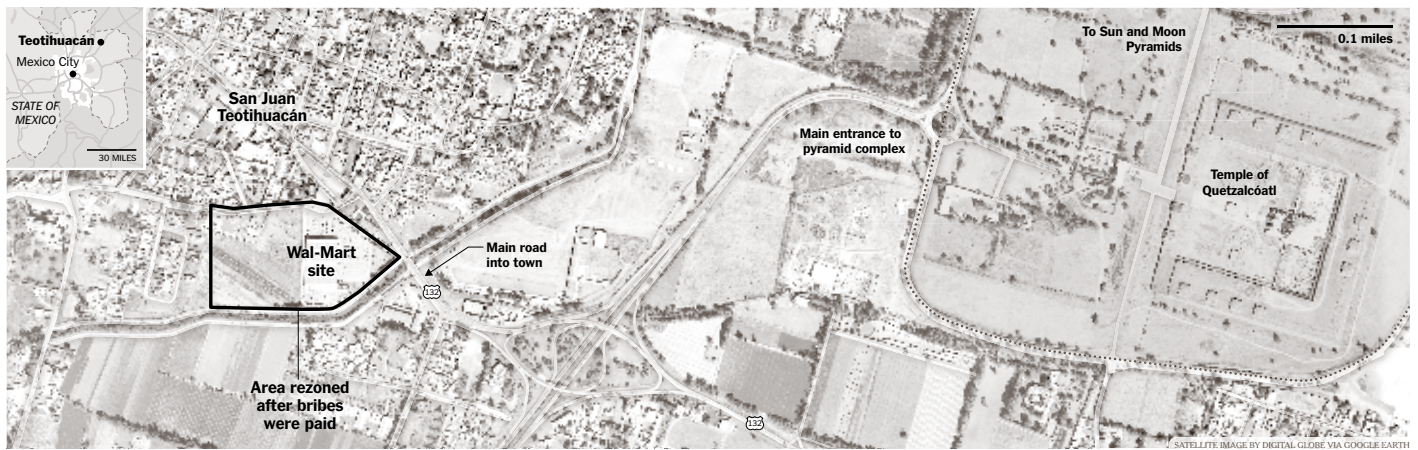
The next day Mr. Peña sent the new map to the state’s Office of Urban and Regional Planning, a bureaucratic outpost of roughly a dozen employees in Toluca, the State of Mexico’s capital. The office’s main job was to verify that local zoning plans fit the state’s development goals. It also handled the critical final step — arranging publication of completed plans in the state’s official newspaper, the Government’s Gazette.

An Altered Map

If the council’s vote seemingly dashed Wal-Mart’s hopes for Teotihuacán, Wal-Mart de Mexico’s executives certainly acted as if they knew something the rest of the world did not.

On Aug. 12, records show, they asked Wal-Mart’s leadership in the United States to approve their plan to spend about \$8 million on a Bodega Aurrera in Mrs. Pineda’s field. The request was approved by Wal-Mart’s international real estate committee, made up of 20 or so top executives, including S. Robson Walton, the company’s chairman.

The committee’s approval, records show, was contingent on obtaining “zoning for com-



FOUR BRIBES, ONE WAL-MART

Wal-Mart de Mexico faced a series of legal obstacles in its quest to build a supermarket in the protected archaeological zone around the pyramid complex in Teotihuacán. It overcame those obstacles by authorizing bribes, records and interviews show.

\$52,000

The biggest hurdle was Teotihuacán's zoning map. It clearly prohibited commercial development where Wal-Mart wanted to build. Wal-Mart de Mexico authorized a \$52,000 bribe payment to have the map altered, records and interviews show.

\$25,900

Wal-Mart wanted to build by the main entrance into Teotihuacán, in a spot already choked with traffic. Wal-Mart de Mexico authorized a \$25,900 bribe payment to gain the approval of local traffic authorities, records and interviews show.

\$114,000

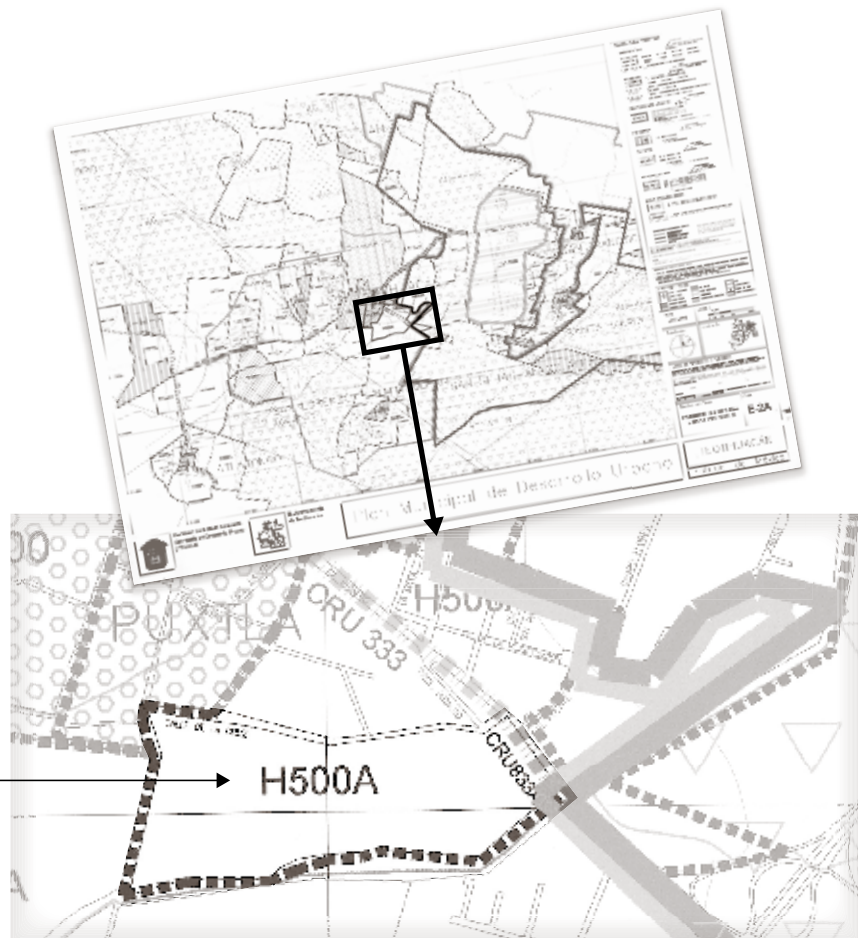
Facing certain opposition from local merchants and residents, Wal-Mart de Mexico executives agreed to pay \$114,000 in bribes to guarantee the support of Teotihuacán's mayor and his allies on the municipal council, records and interviews show.

Up to \$81,000

Wal-Mart could not build by the pyramids without a permit from the agency that protects Mexico's cultural landmarks. Wal-Mart de Mexico offered a "donation" of up to \$45,000 and a "personal gift" of up to \$36,000 in exchange for the permit, records and interviews show.

THE ORIGINAL MAP

Teotihuacán's leaders approved a new zoning map on Aug. 6, 2003. That map prohibited any commercial development on the plot where Wal-Mart wanted to build its supermarket.

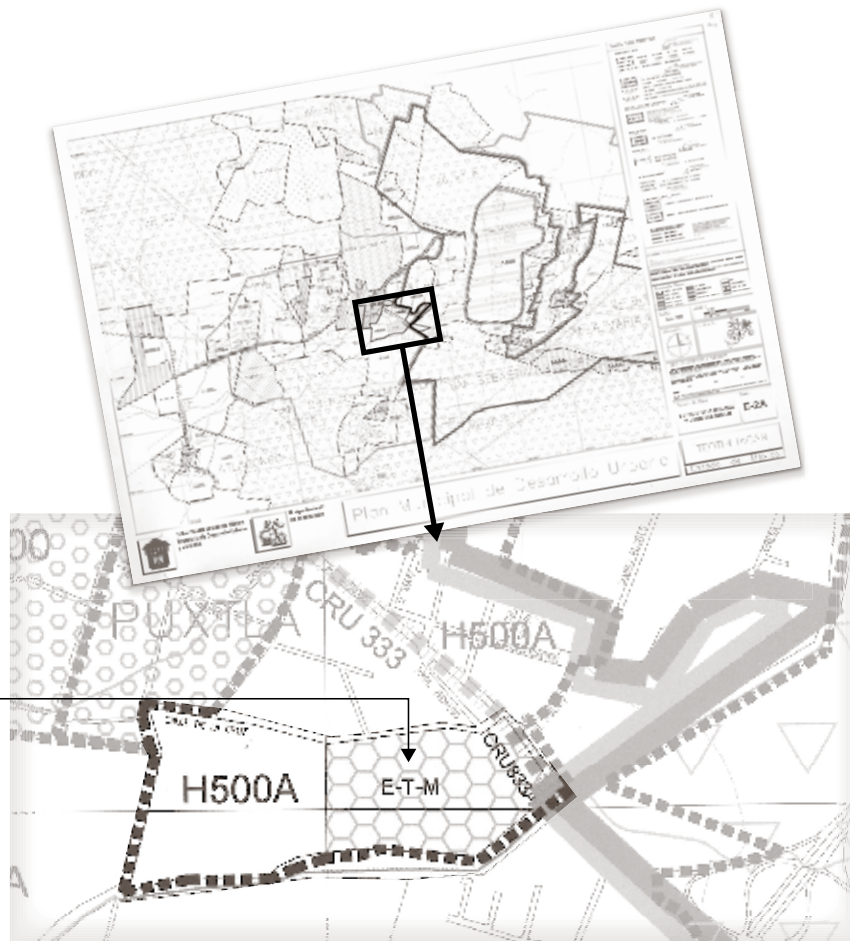


The plot's zoning designation, H500A, allowed only houses to be built there.

THE ALTERED MAP

The new map would not become law until it was published in a government newspaper. Wal-Mart de Mexico bribed an official to alter the map before it was sent off for publication.

In the altered map, the land where Wal-Mart wanted to build had its zoning changed to E-T-M, a category that permitted a supermarket.



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mercial use.”

By law, the state Office of Urban and Regional Planning could not make zoning changes on maps it reviewed. If there were problems, it was supposed to send the map back to the town for revisions. Teotihuacán’s plan, however, was quickly approved and then sent to the Government’s Gazette on Aug. 20.

It typically took the Gazette a few weeks to publish a new zoning plan. Only then did it become law. But even before Teotihuacán’s map was published, Wal-Mart de Mexico did two very curious things: First, it began an expensive soil mechanics study of Mrs. Pineda’s field, which it would later lease. Second, it submitted an application to the Business Attention Commission, a state agency that helps developers get permits.

The application and the soil study would have been a foolish waste of time and money, assuming the soon-to-be-published map matched what the Teotihuacán council approved on Aug.

6. It made perfect sense, though, for a company that had reason to believe the map would be published with a single strategically situated change.

The Times found evidence of that change on a computer disc stored in a shoe box inside the Office of Urban and Regional Planning. The disc, created by a senior official in the office, held a copy of Teotihuacán’s zoning map as it existed on Aug. 20, the day it was sent to the Government’s Gazette.

On the map, the zoning on Mrs. Pineda’s field had been changed to allow a commercial center.

“One thing I am sure of — this was altered,” Alejandro Heredia, a partner in the consulting firm that created Teotihuacán’s zoning map, said when he was shown that Aug. 20 map.

“It was surgical work,” he said, adding, “It would be quite a gift to someone who wanted to do something here.”

It was a safe bet that a single small change

would not be noticed by Teotihuacán's municipal council. Because of term limits, the entire council left office after the Aug. 6 vote. A new mayor, Guillermo Rodríguez, was sworn in with a new council on Aug. 17. In interviews, Mr. Rodríguez and members of the new council said they had no idea Wal-Mart had its eye on Mrs. Pineda's field when they took office.

"They must have had to bribe somebody in order to make the illegal legal," Mr. Rodríguez said when he was shown both the Aug. 20 map and the map approved on Aug. 6.

"Whatever happened here must be explained," Jesús Aguiluz, a former high-ranking state official whose domain included the Office of Urban and Regional Planning, said when he was shown both maps. Only one person, he said, could explain what happened — Víctor Manuel Frievenh, then the director of the urban planning office.

"He was in charge totally," Mr. Aguiluz said.

In interviews with *The Times*, people who worked in Mr. Frievenh's office recalled a steady parade of favor-seekers — housing developers, wealthy landowners, politically wired businessmen — all hoping Mr. Frievenh would use his influence to shape zoning plans to favor their interests. Wal-Mart de Mexico, they said, was part of the parade.

During a two-hour interview with *The Times*, Mr. Frievenh jovially described how his predecessors had taken bribes to shift zoning boundaries. But he insisted he never met with anyone from Wal-Mart, and said he had nothing to do with the change to Teotihuacán's map.

"It's very strange," he said, looking intently at the altered map.

The formal order to publish Teotihuacán's new zoning plan was received by the Government's Gazette on Sept. 11, 2003. The next day, internal Wal-Mart de Mexico records show, Mr. Cicero authorized five bribe payments totaling \$221,000. According to the internal records, the bribes were for obtaining zoning changes to build five supermarkets. One of the payments, for \$52,000, was for the Bodega Aurrera in Teotihuacán, Mr. Cicero said in an interview.

Wal-Mart de Mexico officials did not themselves pay bribes. Records and interviews show that payoffs were made by outside lawyers, trusted fixers dispatched by Mr. Cicero to deliver envelopes of cash without leaving any trace

of their existence. Wal-Mart de Mexico's written policies said these fixers could be entrusted with up to \$280,000 to "expedite" a single permit. The bribe payments covered the payoffs themselves, a commission for the fixer and taxes. For some permits, it was left to the fixers to figure out who needed to be bribed. In this case, Mr. Cicero said, Mr. Frievenh was the intended recipient.

Mr. Frievenh, the son of a shoe-store owner, earned a government salary of less than \$30,000 in 2003. However modest his pay, he was in the midst of amassing an impressive real estate portfolio. From 2001 to 2004, property records show, he bought up most of a city block in Toluca. The land costs alone were nearly 65 percent of his government pay during those years.

Asked if he had ever accepted anything of value from a Wal-Mart representative, Mr. Frievenh shook his head, chuckled and extended a hand, palm up. "Bring him to me so he can pay me, no? Have him bring it to me."

Even with the right zoning, Wal-Mart still needed at least a dozen different permits to begin construction. But to apply for them, Mr. Cicero's team first had to get a zoning certificate, which verified that a plot's zoning was consistent with the proposed development.

Zoning certificates did not come from Mr. Frievenh's office. They were issued by the state Office of Urban Operations, and Wal-Mart's request went to Lidia Gómez, a career civil servant known as a stickler for rules. Ms. Gómez rejected Wal-Mart's request. Wal-Mart tried again a few months later, and again Ms. Gómez said no, saying that even with Teotihuacán's new map, a Bodega Aurrera would still run afoul of a rarely enforced federal guideline. Wal-Mart was dead in the water.

With help from Mr. Frievenh, Mr. Cicero's team found a way around Ms. Gómez, and the law. Mr. Frievenh had no legal authority to overrule Ms. Gómez. But at Wal-Mart's request, records show, Mr. Frievenh wrote a letter on government letterhead on March 9, 2004, that directly contradicted Ms. Gómez's rulings. Citing the altered map, he wrote that Wal-Mart's supermarket was indeed compatible with the zoning for Mrs. Pineda's field.

Mr. Frievenh said he did not recall the letter, or why he wrote it. But Wal-Mart de Mexico immediately put the letter to work. It began ap-

plying for other permits, each time submitting the letter as if it were a valid zoning certificate.

One of its first applications was to the state agency that regulates roads.

There were obvious reasons for traffic regulators to balk at Wal-Mart's permit request. Traffic, of course, was one of Teotihuacán's biggest headaches, and a supermarket at the main entrance would only make matters worse. But there was a far bigger complication. The town had recently approved a long-term plan to ease congestion. The plan called for building a bypass road through Mrs. Pineda's alfalfa field.

According to internal Wal-Mart records, Mr. Cicero authorized a \$25,900 bribe for the permit, which was issued in less than two weeks. The paperwork approving it did not even mention the bypass road.

A Helpful Mayor

Teotihuacán's municipal council had just finished its regular meeting on June 11, 2004, when the mayor, Guillermo Rodríguez, made an unusual request. He asked the council members to stick around and meet privately with some people from Wal-Mart. Instructions were given to turn off the video camera used to record public meetings. But the video operator disregarded the instructions, and the camera continued to roll.

"They are going to explain what they want to do here," the mayor told his colleagues.

To build in Mrs. Pineda's field, Wal-Mart now needed a construction license from Teotihuacán. Construction licenses were issued by Hugo Hernández, the town's director of urban development. Yet Mr. Hernández had thus far declined to give Wal-Mart a license because it still lacked several approvals — an environmental permit, for example.

But Wal-Mart de Mexico had found a friend in Mayor Rodríguez, who now, in private, explained to the council why it was essential to act with speed and flexibility to help Wal-Mart build, regardless of the inevitable opposition.

"They say that if we don't solve this quickly, they will leave," he told the council members. Wal-Mart, he revealed, had raised the possibility of a donation. "They asked me, 'What are you going to ask from us?' I said, 'Pay your taxes, reach an agreement, help the community.'"

Then he summoned Wal-Mart's team, led

by Jorge Resendiz, one of Mr. Cicero's deputies.

Mr. Resendiz got to the point. In exchange for bringing jobs and low prices to Teotihuacán, Wal-Mart wanted something extraordinary. It wanted the council members to let Wal-Mart start construction even though it did not have all the required permits. And it wanted them to do it then and there, in private, without public hearings. Wal-Mart was in a rush to open for Christmas shopping. "Time is precious for us," he said. "If we don't start this unit in the coming days, we will have a delay."

Mr. Rodríguez assured Mr. Resendiz that the council would give its approval the next week.

The mayor's aggressive activism was out of character. In interviews, former aides and colleagues described Mr. Rodríguez as "insecure," "easily manipulated" and "passive." He was frequently absent during working hours. "My persistent thought was that I was disappointed by him," said Mr. Peña, the former mayor who had been Mr. Rodríguez's political mentor.

But according to Mr. Cicero, there was nothing accidental about Mr. Rodríguez's enthusiasm. Wal-Mart de Mexico, he said, bribed Mr. Rodríguez to secure his support and that of his allies on the town council. The decision to bribe Mr. Rodríguez, he said, was blessed by Wal-Mart de Mexico's leaders.

"I didn't receive any money from Wal-Mart — no money," Mr. Rodríguez insisted during two lengthy interviews with *The Times*.

But he struggled to explain why he began to spend tens of thousands of dollars in June 2004, the same month he emerged as Wal-Mart's champion.

The spending is described in financial disclosure reports Mr. Rodríguez prepared himself under oath. The reports, obtained by *The Times*, show that he spent \$30,300 to begin building a ranch on a hill overlooking the pyramids. He spent \$1,800 more on a used Dodge pickup. He paid cash in both transactions.

As mayor, Mr. Rodríguez was paid \$47,000 a year. His wife made \$23,000 more working for the municipality. His spending spree in June nearly equaled their entire pay for the first half of 2004.

Even more remarkable was what happened six months later. Mr. Rodríguez swore in his disclosure reports that he had no savings as of Dec.

31, 2004. Yet on Jan. 1, 2005, he and his wife spent \$47,700 in cash on improvements to their ranch, his reports show.

Before becoming mayor, Mr. Rodríguez had been the town comptroller, responsible for making sure municipal officials completed their financial disclosure reports correctly. Yet in the interviews, Mr. Rodríguez claimed over and over that the amounts he reported were “mistakes” or “approximate figures” or “generalized.”

He tried to be precise, he explained. “I now see it wasn’t so.”

But he did not dispute the overall spending pattern. From June 2004 to June 2005, he acknowledged, he spent “approximately” \$114,000 building and furnishing his ranch, all in cash.

Wal-Mart’s investigators would ask Mr. Cicero how much Wal-Mart de Mexico had paid to bribe the mayor. About \$114,000, he said.

Teotihuacán’s council members met again on June 18, 2004, a week after Mr. Rodríguez first introduced them to Wal-Mart. It was just after 7 a.m. and Mr. Resendiz took a seat up front. Item 7 on the agenda was Wal-Mart.

It was the first and only public airing of Wal-Mart’s plans. The council members spent 15 minutes discussing one of the largest construction projects in the town’s modern history.

Mr. Rodríguez announced they were there to give a “favorable or unfavorable opinion” of Wal-Mart’s supermarket. When a council member pointed out that Wal-Mart had not even submitted a formal written request, the mayor waved away the problem. “That’s a detail we omitted,” he said.

Mr. Hernández, the town’s urban development director, noted that Wal-Mart still did not have several permits it needed before the town could issue a construction license. He urged the council to stick to the rules.

Mr. Resendiz objected, saying Wal-Mart did not have time to spare.



A POPULAR STORE

Wal-Mart’s supermarket is easily the busiest store in town, catering mostly to working-class families.

The mayor pushed for a vote, suggesting that all they were doing was indicating general support while Wal-Mart rounded up its missing permits. He gave no indication that the vote constituted a final approval.

In interviews, council members said they viewed Wal-Mart’s proposal through the prism of lingering resentments toward their public markets. Residents had long complained about vendors inflating prices and rigging scales. They liked the way Wal-Mart challenged the old irritants of the Mexican shopping experience — stores that do not list prices; stores with no parking;

stores with musty display cases.

The vote was unanimous for Wal-Mart. Days later, construction began.

Getting By the Guardians

The appearance of heavy excavation equipment in Mrs. Pineda’s field quickly aroused suspicion around town. The suspicions stemmed from Teotihuacán’s fraught relationship with the National Institute of Anthropology and History, or INAH, the official guardian of Mexico’s cultural treasures.

Because of the pyramids, INAH (pronounced EE-nah) is a major presence in Teotihuacán. Its approval is required to build anything inside the protected archaeological zone. Its officials patrol town looking for signs of illegal construction, and it is not hard to find stories about zealous inspectors stopping a homeowner from extending a kitchen a few feet.

It was also well known that INAH required excavations to be done with picks and shovels to minimize damage if digging uncovered ancient ruins. So the sight of bulldozers and backhoes stood out, especially when a sign went up announcing that a Bodega Aurrera was coming. Why, residents asked, should Wal-Mart get special treatment?

Among those who noticed was Sergio Gómez, an archaeologist and researcher for INAH.



PHOTOGRAPHS BY JOSH HANER/THE NEW YORK TIMES

FOR AND AGAINST

Guillermo Rodríguez, top, outside his ranch, was the mayor of Teotihuacán when Wal-Mart built its supermarket there in 2004. Emma Ortega, above, a spiritual healer who cares for patients across the street from the Pyramid of the Moon, shown in background, viewed Wal-Mart as a threat to Mexico's cultural traditions.

Mr. Gómez knew that before the agency issued a permit, it first had to officially “liberate” the plot by verifying that construction would not destroy valuable archaeological remains. That meant conducting a formal archaeological survey, with grid lines and exploration holes.

For any developer, a survey was risky. If significant remains were discovered, it could kill the project, or at least force lengthy delays. Yet Mr. Gómez had not seen any sign of a survey, an odd thing since a survey like this should have occupied a team of INAH researchers and laborers for a good six months. This, too, was a red flag.

Mr. Gómez was concerned enough to follow trucks from the site one day. When they dumped their loads, he could see fragments of pottery and other evidence of ancient remains. “I didn’t need to scratch the ground to see it,” he said in an interview.

Iván Hernández noticed, too. He was one of five INAH archaeologists who did surveys to liberate land for construction in the protected zone. He knew every major project in town, but nothing of this one.

Residents were also calling INAH to complain. The calls went to Juan Carlos Sabais, the agency’s top lawyer in Teotihuacán. He would have been the one to review the permit paperwork and prepare the official liberation letter for this plot. “We didn’t have a clue,” he recalled. “People were saying this was Wal-Mart, and we didn’t know a thing.”

Mr. Sabais led a party of INAH officials to the site to find out what was going on. They passed through a small crowd of angry residents. It was July 16, and construction was already well under way. There were several large excavations, one as deep as 16 feet, records show. Workers claimed they had an INAH permit, just not on site as the law required. Mr. Sabais ordered them to stop construction. “The crowd started clapping,” he said.

By the time Mr. Sabais returned to his office, senior INAH officials were calling from Mexico City demanding to know why he had halted construction. Only then, he said, did he discover that Wal-Mart had somehow managed to get a permit without a survey, or a liberation letter.

This bureaucratic miracle, Mr. Cicero would explain to Wal-Mart investigators and The

Times, was made possible by another payoff. As Mr. Cicero described it, senior INAH officials had asked for an “official donation” of up to \$45,000 and a “personal gift” of up to \$36,000 in exchange for a permit.

Wal-Mart’s permit was signed by Mirabel Miró, then the agency’s top official in the State of Mexico. According to Ms. Miró, it was Wal-Mart de Mexico that made an improper offer of money. Her chief architect, she said, told her that Wal-Mart had approached him with an offer of a sizable “donation.” He wanted to accept, she said.

“I told him, ‘I don’t want a dime, not as a donation, not as anything, because it may be interpreted as something else,’” she said.

Sergio Raúl Arroyo, the director general of INAH, recalled in an interview that Ms. Miró had told him about Wal-Mart’s offer. He could not recall any other instance of a company offering a donation while it was seeking a permit. “That would have been totally irregular,” he said. “It was obvious we had to be very careful with these people.”

“I told Miró to accept no donations,” he added. “Not even a pair of scissors.”

And yet in June 2004, three weeks after Ms. Miró signed the permit, Mr. Resendiz spoke about a payment to INAH during his private meeting with Teotihuacán’s council. “INAH itself is asking us for a considerable contribution,” Mr. Resendiz said.

“We are going to formalize the contribution next Monday,” he added. “But it is a fact.”

Mr. Resendiz, who has been placed on administrative leave pending Wal-Mart’s investigation, declined to comment. Every INAH official interviewed, including Ms. Miró’s chief architect, Carlos Madrigal, denied accepting money from Wal-Mart.

But Mr. Sabais, the agency’s top lawyer in Teotihuacán, knew nothing about official donations or personal gifts on the day he stopped construction. All he knew was that he was being summoned to INAH’s headquarters in Mexico City. Over several tense meetings, he recalled, his bosses confronted their embarrassing predicament: INAH had halted construction even though Wal-Mart had the required permit. Yet the agency had given Wal-Mart that permit without first conducting a survey and liberating the land.

Fearing a public relations debacle, senior INAH officials concocted a trail of backdated documents to hide its blunders, Mr. Sabais said. He pointed to an INAH report dated April 2, 2004, seven weeks before the agency issued its permit. The report suggested Wal-Mart's plot had been liberated after a 1984 survey. "This document," Mr. Sabais said, "was made later to justify what had not been done."

INAH officials would later tell multiple government inquiries that Wal-Mart's plot had been liberated because of this 1984 survey.

The Times tracked down the 1984 survey. It had nothing to do with the land where Wal-Mart was building. The survey was done on a different plot several hundred yards away. The archaeologists who supervised and evaluated the survey were appalled to learn that it had been used to justify INAH's permit for Wal-Mart. "This is a fraud," Ana María Jarquín, one of the archaeologists, said in an interview.

In interviews last week, top INAH officials acknowledged for the first time that Wal-Mart's plot had neither been surveyed nor liberated, either in 1984 or any other time, before construction began. They also made one other startling admission. The agency has long maintained no ancient remains were destroyed during construction. But Verónica Ortega, INAH's top archaeologist in Teotihuacán, acknowledged it was indeed possible ancient remains were destroyed during the excavation before Mr. Sabais halted construction.

"I am not able to affirm categorically that no soil went out," she said.

The work shutdown ordered by Mr. Sabais did not last long. Four days later, INAH allowed Wal-Mart to resume construction. The agency did take one precaution: it began an extensive survey, digging dozens of exploration wells alongside Wal-Mart's crews.

A Gathering Protest

By now a loose protest movement had begun to form. Its leaders all had deep roots here. Lorenzo Trujillo owned produce stands in the public market. Emmanuel D'Herrera, a teacher and poet, had celebrated his son's birth by tucking the boy's umbilical cord in a crack atop the Moon pyramid. Emma Ortega was a spiritual healer who cared for patients a stone's throw from the pyramid. "You feel that it's part of you,

and you are part of it," she said.

The protesters immediately suspected something "dirty" had taken place, Ms. Ortega recalled. The first clue came on Aug. 1, 2004, when she and other protest leaders met with Mayor Rodríguez. By now the supermarket's walls were being erected. They asked the mayor to show them the construction permit. The mayor, nervous and evasive, admitted Wal-Mart did not actually have one.

"So we were like, 'Why are they there working?'" Ms. Ortega said. They asked the mayor to halt work and hold hearings. The mayor said he would think about it. Two days later, he issued Wal-Mart a construction license.

He signed it himself.

In response, the protesters demanded his resignation and filed the first of several legal challenges. Then they blockaded the construction site.

As word of the blockade spread, bells rang from a chapel in Purificación, the neighborhood where Wal-Mart was building. It was the alarm used to summon neighbors in an emergency. Residents marched toward the blockade.

"We thought they were there to support us," Ms. Ortega recalled. "No. They were there to attack us." The crowd descended on the small band of protesters, pushing and yelling insults until the blockade was broken.

What Ms. Ortega did not know was that Wal-Mart had already bought the support of Purificación's neighborhood leaders. In interviews, several of those leaders recalled being invited to Mr. Rodríguez's office to meet with the company's representatives. The Wal-Mart people, the leaders said, offered money to expand their cemetery, pave a road and build a handball court. They offered paint and computers for Purificación's school. They offered money to build a new office for the neighborhood leaders.

But the money came with strings: if there were any protests, they were expected to be visibly and loudly supportive of Wal-Mart.

Protest leaders began to get anonymous phone calls urging them to back off. In news conferences, the mayor dismissed them as a tiny minority of gadflies and self-interested local merchants. He insisted the town overwhelmingly favored Wal-Mart's arrival, and as proof of his incorruptibility, he boasted of how he had rejected Wal-Mart de Mexico's offer of a \$55,000

donation to the municipal treasury.

But the tide turned as INAH's archaeologists began to find evidence that Wal-Mart was building on ancient ruins after all. They found the remains of a wall dating to approximately 1300 and enough clay pottery to fill several sacks. Then they found an altar, a plaza and nine graves. Once again, construction was temporarily halted so their findings could be cataloged, photographed and analyzed. The discoveries instantly transformed the skirmish over Mrs. Pineda's field into national news.

Student groups, unions and peasant leaders soon joined the protests. Opponents of other Wal-Marts in Mexico offered support. Influential politicians began to express concern. Prominent artists and intellectuals signed an open letter asking Mexico's president to stop the project. Many were cultural traditionalists, united by a fear that Wal-Mart was inexorably drawing Mexico's people away from the intimacy of neighborhood life, toward a bland, impersonal "gringo lifestyle" of frozen pizzas, video games and credit card debt.

The support emboldened the protesters. When the mayor held a news conference, they interrupted and openly accused him of taking bribes. They blockaded INAH's headquarters and marched on Wal-Mart de Mexico's corporate offices in Mexico City. "All we have found are closed doors and an ocean of corruption around the authorizations for this Wal-Mart," Mr. D'Herrera told reporters with typical flourish.

Their allegations of corruption seeped into the news coverage in Mexico and the United States. In September 2004, an article in *The Times* included this passage: "How Wal-Mart got permission to build a superstore on farmland supposedly protected under Mexican law as an archaeological site has vexed the merchants here, who freely accuse the town, the state and the federal Institute of Anthropology and History of corruption."

Open for Business

Back in Bentonville, Wal-Mart's international real estate committee was aware of the growing attention from the news media, former members said in interviews. Some committee members cringed at the ugly optics of Wal-Mart literally bulldozing Mexico's cultural heritage. "I kept waiting for someone to say, 'Let's just

move sites,'" recalled one member, who, like others on the committee, asked not to be identified because of the continuing inquiry.

But top Wal-Mart de Mexico executives assured the committee that the situation was under control. They portrayed the protesters as a fringe group — "like they were from Occupy Wall Street," another person recalled.

Despite multiple news accounts of possible bribes, Wal-Mart's leaders in the United States took no steps to investigate Wal-Mart de Mexico, records and interviews show.

Mr. Tovar, the Wal-Mart spokesman, said that while executives in the United States were aware of the furor in Teotihuacán they did not know about the corruption allegations. "None of the associates we have interviewed, including people responsible for real estate projects in Mexico during this time period, recall any mention of bribery allegations related to this store," he said.

In Mexico, government officials were looking for a way to quell the controversy. Mr. Arroyo, INAH's director general, urged Wal-Mart de Mexico to build elsewhere. The state's urban development ministry quietly searched for alternate sites outside the archaeological zone. Then, on Oct. 2, Mexico's newspapers reported a major announcement: Arturo Montiel, the state's governor, was looking for another site "that is better for all."

With its supermarket more than half built, Wal-Mart de Mexico was not eager to accommodate the governor. The company raced to complete construction and mounted a public relations offensive. Executives argued that Wal-Mart de Mexico had scrupulously fulfilled every legal requirement: the zoning was correct, as confirmed by the map in the Government's Gazette; necessary approvals had been duly obtained from INAH, traffic authorities and other agencies; the mayor himself had signed the construction license.

Not even a week after Mr. Montiel's announcement, his top deputy told reporters there was, alas, no way to stop Wal-Mart. "We would be violating the law since they can tell us they complied with all that is required," he explained.

The supermarket opened on Nov. 4, 2004. A year later, Mr. Cicero met with Wal-Mart's lawyers and told his story for the first time. His allegations were shared with several of the same

executives who were on the international real estate committee, records show. If the protesters' vague allegations of corruption had been easy to dismiss, now they were coming from the person responsible for obtaining Wal-Mart de Mexico's permits in Teotihuacán.

More important, Mr. Cicero's allegations emerged as a comptroller for the State of Mexico was wrapping up a lengthy investigation into whether officials had acted unlawfully in granting permits to Wal-Mart de Mexico.

But Wal-Mart did not share Mr. Cicero's allegations with any authorities in Mexico. "This is one of the areas we are reviewing as part of our ongoing investigation," Mr. Tovar said.

When the comptroller's office subsequently announced it had found no wrongdoing, it chided protesters for failing to present any specific proof.

The comptroller had been the protesters' last hope. Most moved on, resigned to the idea that their struggle had been for nothing. But not Mr. D'Herrera. He continued to visit government archives, seeking access to Wal-Mart's permit records. He kept appealing to public officials for help. "I shall continue my hunger strike until Wal-Mart leaves or until I die," he wrote in a letter to Vicente Fox, Mexico's president at the time.

Despite the passage of time, Mr. D'Herrera never wavered in his conviction that Wal-Mart must have paid bribes. He was appalled by the store's impact on Teotihuacán, and infuriated that so few seemed to care. It did not go unnoticed when protest leaders were spotted shop-

ping contentedly in the Bodega Aurrera, where people can buy everything from tortillas to tires, almost always at a substantial discount from local shops.

Friends and relatives urged Mr. D'Herrera to let it go, but he refused. "He became obsessed," Ms. Ortega said. Mr. D'Herrera finally snapped. On May 16, 2009, he entered the Bodega Aurrera and placed a crude homemade bomb in a shopping cart. According to prosecutors, the bomb consisted of a small juice can containing gunpowder and nails. Mr. D'Herrera pushed the cart into the store's home section, looked around to make sure the aisle was empty, and then lit a fuse poking from the can. His intent, he later wrote, was to kill himself and damage the store to draw public attention back to Wal-Mart. But all the blast did was knock him down and damage \$68 worth of merchandise.

As he awaited trial from a prison cell, he continued his hopeless campaign. He wrote more letters to politicians. He asked his wife to publish his diatribes against Wal-Mart on an obscure poetry blog. Yet he clearly recognized the precariousness of his circumstances. He was thin and severely diabetic. His teeth were falling out. In early 2010, he asked a cellmate to deliver a letter to his wife in case he died in prison. A few months later, he had a brain hemorrhage and slipped into a coma. Death quickly followed. He was 62.

In his final letter to his wife, Mr. D'Herrera tried to explain why he had battled so long at such grievous cost.

"I am not leaving material patrimony for you and our son," he wrote. "I'm leaving you a moral and political legacy, dying as I am for a cause, in defense of the Mexican culture." ■

Josh Haner and James C. McKinley Jr. contributed reporting.