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INTERNATIONAL BUSINESS: COMMENTARY

COMMENTARY: ZEDILLO HAD BETTER CLEAN UP THE CESSPOOL

Things in Mexico keep getting curiouser and curiouser. This time, a close associate of Raul Salinas, brother of former President Carlos Salinas de Gortari, is saying that the \$84 million discovered in Raul's secret Swiss bank accounts is really a venture-capital fund. Carlos Peralta, a prominent Mexican businessman, says he gave Raul \$50 million to invest in tourism projects that never happened. Peralta never asked for a receipt and can't remember what bank he put the money in. Peralta denies any link between the \$50 million and blessings such as a valuable cellular phone concession that were bestowed on him by the Salinas administration.

Peralta is a long-time friend of the Salinas family and controls Mexico's second-largest telecomcompany, Grupo Iusacell. Until now, he has shown excellent business sense. But he was apparently willing to look naive, perhaps to save his buddy Raul's skin and win back the millions the Swiss seized as suspected money-laundering proceeds. Raul has been jailed since March, 1995, on charges of masterminding a political killing 1 1/2 years ago. BIG DEAL. The Mexican public, of course, believes that Raul Salinas' money came from business executives buying favors from his brother. If Raul squirreled away that much, people figure, how much did other members of the Salinas team pocket? Both Salinas brothers deny any improprieties.

President Ernesto Zedillo Ponce de Leon has made a big deal about bringing the rule of law to Mexico. Now, he has to go beyond high-profile jailings and get to the bottom of the corruption quagmire, even if he must shake the political and business Establishment to the core.

The Mexican public wants a much fuller accounting. Foreign investors, whose resources Mexico desperately needs, want a more transparent business environment. Some of those who invested following the principle that the foreign partner provides the knowhow and the Mexican partner supplies the know-who could be in for sobering experiences. Bell Atlantic Corp., for example, has paid nearly \$1 billion for 42% of Peralta's Grupo Iusacell since 1993 and has been stunned by Peralta's revelations. Bell Atlantic CEO Raymond W. Smith says his company has been over Iusacell's books with "a fine-tooth comb" and is confident the \$50 million did not come from Iusacell since Bell Atlantic's involvement.

The big question is how far Zedillo is willing to push the investigation. The attorney general's office is investigating Raul on charges of illicit enrichment, which could cover bribe-taking. But it's not clear whether the tax authorities intend to pore over Peralta's tax returns to see if he--or his company--reported the \$50 million "investment."

The newly aggressive press and opposition members of Congress appear unwilling to let the scandal be swept under a rug. The excesses of the Salinas era have become a bitter national joke.

Vendors in Mexico City hawk pinatas showing Carlos Salinas in a tuxedo brandishing fistfuls of pesos and dollar bills. Others sell dolls showing the former President dressed in prison garb and holding a sack of loot.

Sources confirm that Salinas is living in Cuba, shielded from prying eyes and investigators. Family members regularly trek to Havana to visit him--and the new baby just born to his mistress. But back in Mexico, many of the people that he and his brother Raul dealt with while in power--businesspeople, politicians, and friends--are running for cover.

HONEST MAN. Peralta's disclosures sent real shock waves through several corporate boardrooms. He named other businessmen who he said may have contributed money to Raul's mysterious fund: Adrian Sada of glassmaker Vitro and Banca Serfin and Roberto Gonzalez of tortilla maker Maseca, who is Carlos Salinas' godfather. Both men immediately denied any connection with Raul's millions.

There are several things Zedillo could do to help restore confidence. First, conduct a serious investigation into the origin of Raul's accounts. If they are illicit proceeds from bribes for government favors, or payoffs from privatizations, such deeds should be punished. If South Korea is capable of going after top former officials and leading executives accused of bribery, surely Mexico can, too.

Second, Zedillo should set an example: He is widely believed to be an honest man who has not benefited illicitly from his government posts. Although he is not required by law to make public an annual statement of personal wealth, he could score big points by doing so.

Mexico's biggest problem right now is that its people do not trust their leaders. Most Mexicans assume that Zedillo will never get to the bottom of this scandal. If he is to win their trust, he will have to prove them wrong.

BY GERI SMITH
