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Mexican small and medium-sized businesses spend the equivalent of US$43 billion annually on bribes to obtain services and expedite red tape, said a study by private company CEI Consulting and Research. The study was based on a survey of 1,376 companies involved in manufacturing, construction, retailing, and services. Small and medium-sized enterprises created 315,000 jobs in 2004 and accounted for 42% of Mexico’s GDP. "Dishonesty in Mexican society has had a serious cost," said CEI president Arturo del Castillo. "We estimate that 12% of GDP is lost on corruption."

The CEI said that 43% of the companies that participated in the study said they make regular payments under the table to public officials to expedite operating licenses and permits. These companies set aside about 10% of their profits to pay officials under the table. On average 507 acts of bribery are committed daily, said CEI. The largest share of the bribes, about 57%, went to municipal officials. This compared with 36% paid to state offices and 18% to federal entities.

Representatives of small and medium-sized enterprises at times find bribery more efficient than wading through burdensome red tape. "Small and medium-sized businesses mentioned overregulation frequently as a reason that would lead them to take alternative actions," said Del Castillo. Pedro Salcedo, president of the Asociacion Latinoamericana de las Micro, Pequenas y Medianas Empresas (ALAMPYME), said government officials often leave businesses with no choice but to pay bribes. "Small businesses are often subject to extortion at various levels of government," said Salcedo.

An obstacle to foreign investment
The CEI study did not collect data on the extent to which large enterprises participate in bribery, a practice that has been denounced by several influential business organizations. "We are concerned about this practice because it has the effect of discouraging foreign investment," said Jose Luis Barraza Gonzalez, director of the Consejo Coordinador Empresarial (CCE). In particular, Barraza said the practice greatly raises operating costs for some companies. "[Bribery] becomes an increased expenditure," he said. The CEI study concurred that corruption is a major deterrent to foreign investment.

The report noted that "35% of foreign companies that decided against investing in Mexico in the last five years did so because of concerns about corruption." The CCE and other organizations like the Consejo Mexicano de Hombres de Negocios said, however, that the CEI report may have exaggerated its estimate on lost foreign investment. "I don't know where they got that 35% estimate," said CMN president Gaston Azcarraga, who noted that many potential foreign investors are large companies that operate differently than small and medium-sized enterprises. "[The large companies] have a well-structured legal code," said the CMN president.
Azcarraga said the government could go a long way toward eradicating corruption by simply enforcing the laws already on the books. "The law must be applied to its full consequence," he said. The CEI report also attracted the attention of the Mexican government, which acknowledged that bribery is ingrained in the Mexican culture. "[This report] should be taken seriously by different government entities," said Ruben Aguilar, spokesperson for President Vicente Fox.

The Secretaria de Funcion Publica (SFP), whose role is to investigate complaints of government corruption, acknowledged that Mexico could use a uniform code governing cases of corruption. This code, said SFP deputy secretary Benjamin Hill, could be applied at the municipal, state, and federal levels.

The Unidad de Desarrollo Politico (UDP), a division of the Secretaria de Gobernacion (SEGOB), also addressed the issue in 2003 through a survey on Mexican attitudes toward corruption. In the survey, at least half the respondents said corruption was permissible.

Only one-third of the respondents said honesty was a quality that they sought in political candidates.

"It is notable that 34% of respondents want an honest politician, even if he is not capable," said the daily newspaper El Universal, which published the UDP results. "Another 18% were willing to accept a dishonest but capable politician. A large percentage of respondents, 38%, left this question blank." Corruption is also prevalent among law-enforcement agencies.

A poll by El Universal among Mexico City residents found that more than half of participants said they had either been the victim of extortion or voluntarily bribed a uniform officer to allow them to escape charges. (Sources: Agence France-Presse, 08/10/05; Spanish news service EFE, Notimex, 08/11/05; La Cronica de Hoy, 08/11/05, 08/12/05; La Crisis, Agencia de noticias Proceso, El Universal, 08/12/05; The Herald-Mexico City, 08/11/05, 08/15/05)

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