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Mexican Businesses Rank Third in Bribery in 28-Country Index

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The international organization Transparency International (TI), which provides various measures for corruption, recently released a report that was not very flattering to the Mexican business sector, which ranked third in a TI index measuring the extent by which bribes were used as part of international business practices to obtain a contract or other advantages from a foreign government. The revelation was hardly surprising because bribery has long been a traditional practice for many businesses in Mexico.

The study results were based on a survey of 3,000 executives from 28 countries regarding the business practices of their companies. Only Russia and China ranked higher than Mexico in the survey, with Argentina in fourth place. Brazil, the only other Latin American country in the index, ranks 14th. The rest of the list includes countries like Japan, Spain, Turkey, South Africa, Saudi Arabia, Canada, and the US.

"The perception of Mexican businesses affects the country's global reputation," TI said in the study published on Nov. 2.

As an example, TI noted that Mexico is replacing France in the presidency of the Group of 20 (G-20) economic group. France has made a great effort to fight business corruption, while Mexico appears to have done very little. "These results are of major importance for Mexico's foreign policy," said TI. "They come at a time when France is turning over the presidency of the Group of 20 to Mexico."

The TI study also reported that there appears to be little effort to combat the practice in Mexico and almost no evidence that the country is taking seriously its commitment to implement the Organization for Economic Development and Cooperation (OECD)'s Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Mexico ratified the convention in May 1999. The document establishes legally binding standards to criminalize bribery of foreign public officials in international business transactions and provides a host of related measures that make this effective.

"While Mexico reports only two domestic bribery investigations in place, countries like South Korea report 17, Germany 137, and the US 227," said a TI communiqué.

Mexican executives say bribery is needed to conduct business

Some executives acknowledge Mexican businesses have to resort to bribes overseas to remain competitive. "There is no other way. Either you pay a bribe or you do not conduct business," an executive told Leo Zuckermann, a columnist for the Mexico City daily newspaper *Excelsior*.

"The system is designed for corruption. Election years are worse. This is when the government inspectors come every day. And the cost of permits increases. And the elected officials tell you openly that you have to put money in the piggy bank of the chief because the elections are coming."

"Unfortunately, he is not the only businessman who has confessed this to me. This is a common complaint among the business community, both here in Mexico as well as overseas," said Zuckermann. "Many businesses cannot operate unless they offer bribes."

Still, Zuckermann said the businesses are not without blame. "Are the businesses responsible for the problem by accepting the situation?" asked the columnist. "I think they are."

Zuckermann said there appears to be no progress in Mexico since the last TI report. "Since the last index, published in 2008, we have not seen an improvement in the perceptions of the frequency of bribes in foreign markets," said the columnist.

Eduardo Bojórquez, director of Transparencia Internacional-México, found similar positions among the executives he interviewed. He said Mexican businesses have become used to a certain level of corruption when conducting business overseas. In an interview with Radio Fórmula, Bojórquez said Mexican businesses have for years conducted business by cultivating friends among the procurement agencies of their host governments. This has been counterproductive, he said, because they try this tactic in other countries where bribery is not as widespread and find that they are not competitive.

TI said the bribes affect businesses by creating instability within their operations and increasing financial risk and hurting their reputation. The report said this situation is especially relevant in light of major anti-bribery reforms taking place in countries like China and Britain.

Some industrial organizations acknowledged that bribery is a problem, but they asked that the business sector not be singled out. They said the problem is prevalent throughout society and is especially evident in the public's dealings with members of law-enforcement agencies.

"Everybody knows that to conduct any sort of transaction, not only by businesses, but also a citizen dealing with a transit police officer or a citizen seeking a construction permit has to resort to [some sort of bribery]," said Ángel Castillo Torres, director of the Sistema de Financiamiento para el Desarrollo del Estado (SIFIDE).

But the OECD is not buying this argument. In a report on the status of implementation of the anti-bribery convention, the OECD pointed to a flawed judicial structure in Mexico. "There are many deficiencies in Mexico's laws, and the pace of change has been very slow," said the OECD.

Among other things, an OECD working group has recommended a legal reform to protect auditors and whistle-blowers and to create a framework to prevent retributions. "They have all the resources and the knowledge they need to seriously investigate all the accusations," said the report.

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