

Corruption: The high cost of bad business

What's the global bill for a year's worth of corruption in international trade? A trillion dollars U.S., say experts, which is just about equal to Canada's entire GDP for 2005. Every year, in other words, Canada's total economic output barely covers the sum lost to criminals around the world.

Corruption is not only expensive, it's pervasive as well. It can range from small "facilitation payments" for merely signing a form, and "consulting fees" that never results in any consultation, to a million-dollar secret payment guaranteeing a mining license.

But according to Sunny Pal, corporate governance counsellor for the law firm of Lang Michener LLP, all these criminal acts are identical in one way.

"They all," Pal says, "involve the misuse of power or authority for unlawful, private gain."

What can businesses do?

Corrupt practices are more common in some countries than in others. Before doing business in a particular market, an exporting company should try to assess the level of corruption it's likely to encounter. Transparency International (TI), the largest international NGO dedicated to monitoring and reporting on global corruption, can assist.

Every year, TI publishes its Corruption Perceptions Index, which ranks the world's countries according to the perceived level of their corruption in demanding bribes. TI also compiles a Bribe Payers Index, which evaluates the perceived propensity of firms from industrialized countries to bribe in the places where they do business.

Another tool developed by TI is the Integrity Pact, in which the host government and all would-be bidders for a public contract agree beforehand that no party to the negotiations will offer or accept bribes. Astounding as it may sound, TI claims to have achieved success with Integrity Pacts in some of the world's most chronically corrupt countries.

National corruption levels aren't the only factors involved, though. Some industrial sectors are well known to be more corrupt than others, like oil and gas, construction and armaments among them. A firm negotiating a deal in one of these sectors, in a country ranking poorly on the TI corruption index, should be especially sensitive to improper behaviour.

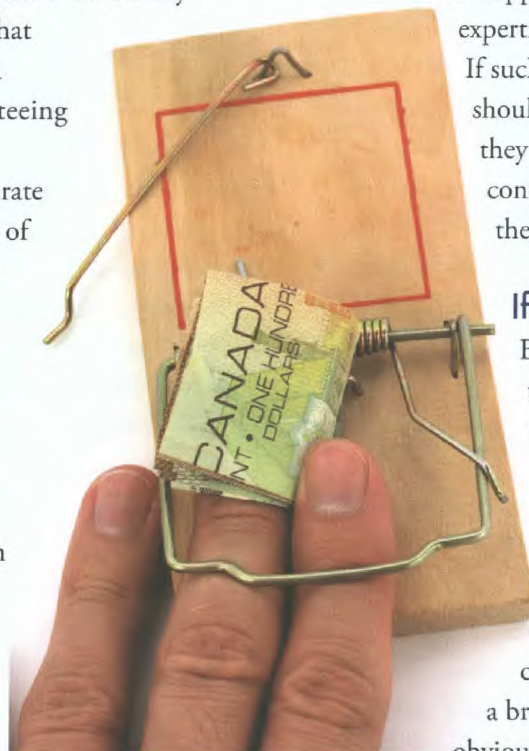
Warning flags—which can, of course, apply to any sector—might include unjustifiable delays in signing a contract, indirect messages suggesting extra compensation, or the appearance of "experts" who have no apparent expertise but must be paid for their services anyway. If such behaviour arises, the company's negotiators should be prepared to walk away from the deal. If they are to do this, however, they must be confident that senior management will support their decision.

If the worst happens

But what should a company do if it discovers that it has, unwittingly, become involved in corruption? "First," says Pal, "seek legal advice, because what's been done is potentially a criminal act in both Canada and the other country. Second, do your best to get out of the contract, while being very careful that the reasons you give for this can't be construed as libellous—a demand for a bribe is almost always made orally and will, obviously, be denied. You'll probably take a loss, but that's preferable to criminal prosecution. And be sure to preserve your documentation."

Companies are less likely to end up in such a situation if they establish and implement a corporate anti-corruption program before venturing into risky markets. A firm wanting to do this will find very useful guidelines in TI's free publication, *Business Principles for Countering Bribery*, available on the TI Web site at www.transparency.org.

Establishing such a program, and making very sure that everyone in the company understands it and follows it, will help establish strict standards of behaviour for the company. Coupled with due diligence, alertness and a disciplined sales force, this will go a long way toward protecting any firm from the potentially disastrous consequences of bribery and corruption. ◀



Taking down trade barriers for women

Canadian businesswomen are starting companies at twice the rate of men. What's more, they're exporting all over the world and finding success. Yet in spite of these successes, women are still facing barriers when it comes to pursuing trade opportunities.

One Canadian woman who has had export success is Kathy Kastner, CEO of Health Television System Inc., whose Toronto-based company delivers patient education to teaching hospitals across North America. Kastner participated in the first Canadian trade mission for businesswomen in 1997.

Prior to joining that historic team effort, Kastner did not export. Today, over 60% of her sales are to the U.S. "Without that trade mission, I don't even think we'd be in the U.S.," she says. "It was that powerful. I was able to take advantage of what was offered and change my perception, course and strategy."

Kastner is just one successful Canadian entrepreneur among many who have no doubt faced challenges in getting their export businesses going. Some of the biggest obstacles for anyone looking to export include international marketing, the cost of developing new markets, as well as finding local partners and distribution channels.

In addition, Helena Guergis, Secretary of State for Foreign Affairs, International Trade and Sport, says women face unique, gender-based challenges in the pursuit of trade opportunities.

"Cultural differences—such as those faced by businesswomen in the Middle East, South Africa, India and South America—and not being taken seriously as business owners are two such challenges," says Guergis.

A 2004 study published in the *Journal of Small Business and Entrepreneurship* found that 75% of female business owners believe that their gender has an influence on their ability to export. Among this group, many find that their gender is a disadvantage, citing lack of respect from male business owners, and a perceived bias against women on the part of financial institutions as key challenges.

Another report found that some women-owned firms were not performing as well as male-owned firms, and cited the lack of mentors and role models, smaller professional networks, and even a lack of spousal or peer support as possible reasons.

"The challenges become even more acute for women in developing countries," says Guergis, who says that the barriers



are exacerbated by poor education and training, and a lack of knowledge of international trade regulations.

That's where Foreign Affairs and International Trade Canada (DFAIT) can help. It funds research and provides resources such as a website, newsletters and trade missions to help accelerate Canadian exporting success for women.

"Whether women want to know how to begin exporting or whether they want assistance in tapping into new global markets, we can help steer the way," says Josie Mousseau, a Canadian trade commissioner.

The Canadian Trade Commissioner Service is a network of more than 900 trade commissioners working in Canada and overseas and helps companies succeed in foreign markets by providing timely advice, valuable business intelligence and in-market assistance.

"Since fewer than 10% of Canadian women entrepreneurs are exporting now, there are huge opportunities for women to grow and expand their businesses internationally."

Women entrepreneurs can look to *Businesswomen in Trade* (previously known as *Going Global: Women Entrepreneurs in International Markets*), an annual newsletter published by DFAIT that showcases pioneering Canadian women exporters who are contributing to the country's competitiveness.

The newsletter also features resources across Canada that businesswomen can use to help them succeed in foreign markets.

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