

## Cost of doing business

Above-board business practices are the rule in most mature economies but in countries where free market dealings are still relatively new, like India, some under-the-table practices linger. I was intrigued to listen to Narayan Manepally, CEO of an Indian manufacturer, address our trade delegation in Bangalore. He explained that demands for cash from state and municipal inspectors are common.

"We plan for obligations," he said in a veiled reference that initially went over my head. "Obligations come on a daily level. Inspectors and others come and ask for money. You will have to pay them," he said in a matter-of-fact tone.

Gul Iqbal, who worked 30 years for IBM, said government employees are underpaid and that is why they frequently ask to be paid on the side. "The biggest problem in India is the low-paid government employees," he said.

Not everyone, however, agreed that companies need to pay bribes. Gayatri Yadav, who works for General Mills' operation in India, said they do not pay bribes. "The multi-nationals make it clear from the outset they will not do bribes in India. You can do business honestly in India," she said.

"Bribe," of course, is my word and perhaps it is too strong. Manepally may have used the word "obligation" for more purpose than mere obfuscation. When the bellhop at the hotel where we stayed brought my bag to my room he held out his hand. I gave him money. Was it a tip or a bribe? Certainly if I refused him I could expect my luggage delivery to be a little slower the next time. The bellhop, like the factory inspector, is paid a wage. In both cases, their official earnings are probably small. Is it wrong for them to ask for a little more? Is it wrong for me, the customer, to give the guy a few bucks, or I mean rupees?

The Foreign Corrupt Practices Act prohibits American companies from paying bribes in other countries, but I am told some companies circumvent that law through alliances with local partners. I can see where it can become very difficult to distinguish between a bribe and a legitimate cost of doing business for an American company trying to make in-roads into India's booming consumer market.

As India's economy grows and more people earn incomes commensurate with middle class living, the "obligations" are likely to disappear. I would encourage any company to take a serious look at doing business in India. Conditions in India differ from those in the United States, but that's a big part of its attraction. ❖

