



**Asia-Pacific
Economic Cooperation**

**IMPLEMENTATION
OF THE CODE OF CONDUCT
FOR BUSINESS IN CHILE**

Project Report

**Santiago de Chile Workshop
Institute of International Relations
University of Chile
January 2011**

**APEC Anti-Corruption and Transparency Experts Task Force
March 2011**



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I.PRESENTATION

Under the auspices of the APEC Secretariat the Institute of International Studies of the University of Chile organized a workshop addressed at Small and Medium Size Enterprises (SMEs). The main objective of the workshop was to disseminate the content and implications of the APEC Code of Conduct for businesses in the Asia-Pacific Region. The program of the workshop sought to increase awareness of corruption as an unacceptable and illegal practice, The workshop aimed to strengthen the knowledge about civil society rules in the context of business development. At the same time, the workshop intended to provide education to SMEs about corruption and its legal, moral and business implications. Also, the workshop sought to enable governmental organizations, law enforcement mechanisms and industry representatives by implementing adequate anti-corruption measures and raising standards to prevent these illegal practices in businesses.

The workshop took place in Santiago – Chile, at the headquarters of the Institute of International Studies of the University of Chile on January 14th 2011. There were 95 participants, all of them pertaining to selected SMEs from different industrial branches, especially manufacturing, agriculture, mining, and services. Furthermore, the workshop was attended by a few officials within different government agencies participated (Minister of Economy, Ministry of Foreign Affairs and the CORFO – Chile’s Industrial Development Agency) along with individuals from some regulatory and law enforcement agencies. One of the participants was director of an educational association in the southern part of Chile, with about 15 school members. This association is interested in learning about this issue to include new material in the teaching about values and ethics at its secondary education. The audience was varied and interested in the program, inquiring about more information to learn how to deal with the corruption problem from other international experiences.

All participants were allowed some time during the workshop to make questions and to bring up additional issues on the presentations about the different issues regarding corruption, negotiations and the APEC Code.

Likewise, participants were requested to fill out a survey to give their opinion about the workshop, as well as on the supporting material provided to them. Participants were also asked their opinions about the usefulness of the workshop in practical terms and their willingness to apply principles and code of conduct as presented. An abstract of the results from this survey is presented in this report.

There were four key lectures at the workshop. Professor Luis A. Riveros, economist Director de the Asia Latin America Center of the School of Economics and Business of the University of Chile, referred to the importance of the APEC Code in the context of trade and financial business in the Asia – Pacific area. Professor Arturo Herrera, INTERPOL and former Chilean Police Director, presented on the police role and their experience regarding corruption, money laundering and bribery in the current economic context, thereby indicating the importance of transparency to perform good businesses. Professor Luis Bates, former Chile's Minister of Justice and Member of the Supreme Court, explained the prevailing legal bodies containing the regulatory framework with regard to corruption in business, as well as to some basic principles surrounding corruption in business activities. Chairman of the Institute of International Studies. Professor Mario Morales, Engineer and professor of the School of Accounting and Management Control of the University of Chile, highlighted the already existing criteria used to guarantee transparent accounts and a modern system of management control for business.

The Director of the Institute of International Studies from the University of Chile, Professor José Morande was the chair of the Seminar in its first part, while in the second part this role was carried out by Professor Manfred Wilhelmy, Executive Secretary of Chile's Asia Pacific Foundation. In general, the audience was extremely satisfied with the workshop, especially about the quality of the presentations and the material contained in a file delivered to all of them which contained the APEC Code of Conduct, an abstract of the four presentations and some other related material. Participants were granted with a certificate of attendance provided by the Institute of International Studies – University of Chile.

**TEAM IN CHARGE OF THE
ORGANIZATION
OF THE WORKSHOP ON THE APEC
CODE OF CONDUCT**

Santiago – Chile – January 14th 2011

At the Institute of International Studies
University of Chile

**PROGRAM AND SPEAKERS
AT THE WORKSHOP ON THE APEC
CODE OF CONDUCT**

Santiago – Chile – January 14th 2011

Institute of International Studies
University of Chile

**FIRST SESSION
(9:00 – 11:00)**

Chairman of the Institute of International Studies UNIVERSITY OF CHILE	Professor José Morandé	Opening	Professor Luis Cortés Executive Secretary of the Workshop
Director of the Project:	Professor Luis A Riveros Institute of International Studies & School of Economics and Business UNIVERSITY OF CHILE	Chair	Professor José Morandé Director Institute of International Studies
Executive Secretary and Coordinator of the Workshop	Professor Luis Cortés Asia Latin American Center UNIVERSITY OF CHILE	Presentation: The APEC Code of Conduct and the Corruption Problem	Professor Luis A. Riveros (Ph.D.) Director of the Workshop IIS and School of Economics & Business
Academic Coordinator	Professor Paz Milet Institute of International Studies UNIVERSITY OF CHILE	Presentation: Corruption as a Security Problem And Source of Bad Businesses	Professor Arturo Herrera Academy of Police Training & INTERPOL
Logistic and Resource Coordinator	Prof. Gregory Bown Institute of International Studies UNIVERSITY OF CHILE	Presentation Corruption as a Legal Problem: The need for a Code of Conduct	Professor Luis Bates Former Minister of Justice and Member of Chile's Supreme Court
Editing of the Final Report	Peter Lewis Institute of International Studies	SECOND SESSION (11:15 – 13:30)	
Secretary	Ms Gloria Onate Institute of International Studies	Chair	Professor Manfred Wilhelmy Executive Secretary Chile's Pacific Foundation
Media Coordinator & Register of the workshop	Ms. Andrea Peña	Presentation Accounting and Auditing Techniques To Fight Corruption in Business	Professor Mario Morales School of Accounting and Control University of Chile
		Questions and Discussion by Participants at the Workshop	

II. THE BENEFITS OF IMPLEMENTING THE CODE

II.1 CORRUPTION, GOVERNABILITY AND ECONOMIC DEVELOPMENT.

Corruption is currently considered an important issue in all international fora and is becoming an important concern for politicians, government officials and private entrepreneurs in developing countries. It is also becoming part of the work agenda of most international agencies given the potential harm that corruption can induce in economic and political relations among countries. In conjunction with the growing economic integration among countries and the increasing trade and capital flows among all of them, the globalization process has led to an ample cross country communication facilitated by an efficient technology and highly developed transport systems. In turn, this has led to ample imitation of life styles and created a growing set of material aspirations particularly in poorer countries, thereby pressing for increasing financial needs and upholding corrupt practices in business development. The effect of corrupt practices in both private and public business distorts relevant decisional information and becomes into an obstacle to investment projects. Thereby, the effect of corruption on economic growth and development is increasingly being recognized as the source of a negative vicious circle. This generalized concern also takes into account the fact that corruption appears to be highly linked to weak governments and fragile legal and enforcement institutions and is thus linked to governance problems. Since corruption hinders growth and investment, and governance remains minimal alongside reduced economic development, a stubborn economic stagnation is a certainty.

II.2 THE ECONOMICS OF CRIME: AN EXPLANATION?

Crime in whatever form can be explained in the theoretical frame of maximization on the part of economic agents. In fact, if only the expected direct benefit from a criminal action is considered, corruption has a very simple economic interpretation. According to this elemental theory, the cost of criminal actions

aimed at obtaining a financial return would be bounded only by the probability of being exposed and subject to punishment. Thereby, in this model the behavior of economic agents would be essentially explained by the existence of a direct monetary benefit derived from the action, the probability of being caught in the criminal act and that of being punished as a consequence. In order to prevent corruption, this approach allows putting heavy emphasis on surveillance and the existence of tough judiciary and legal systems. Nonetheless, this economic analysis disregards the fact that people should know the difference between right and wrong as a basic condition for living in society, which presupposes that economic agents should be capable of acting based upon a set of more paradigmatic values, not only on the basis of probable economic benefits. This idea, which goes beyond the elementary behavioral model of utility maximization, explains the current efforts to include these issues to education in all levels, thereby making an entire population aware of their freedom to choose. Thereby, increasing relevant information for an individual's range of choices, making more transparent prevailing regulations and controls, and increasing the accountability for everyone in matters concerning economic decisions, are all relevant policy signals to combat corruption in society. That is why current international policies that have been recommended place a heavy emphasis on information and education, along with all forms of effective regulation and punishment.

II.3 BRIBERY AND CIVIL LIBERTIES

A 1998 study of a cross section of numerous countries, was carried out by Kaufmann and Sachs and revealed the existence of a negative relationship between bribery as a generalized practice in society and the presence of civil liberties. In fact, economies with severe restrictions on civil liberties, such as the cases of the People's Republic of China, several African countries and Viet Nam, are also characterized by a high rate of bribery reports. On the contrary, economies such as the USA, New Zealand and the Nordic countries, featured by an ample dominance of civil liberties, are also noted to have low rates of bribery reports. Chile, similarly to France, Israel and Germany, appears to have a low rate of bribery reports. However, there are some exception in economies with notable civil liberties, such as Greece, Argentina

and the Republic of Korea, which also exhibit a relatively high rate of bribery reports. In general the cross country evidence display a highly significant negative correlation between bribery and civil liberties, which reinforces the idea that corruption is clearly linked to underdevelopment both economic and institutional.

II.4 OTHER RELATIONSHIPS

The empirical evidence also proves that the higher the professionalism existing in the public service, the lower the probability of bribery cases, thereby calling the attention to issues such as norms on personnel selection, pay policies and meritocracy. By the same token, the evidence also suggests that the lower the degree of discretionary regulatory devices existing in one given country, the lower the detected degree of corruption. Likewise, the smaller the “unofficial economy” – i.e. activities being developed in the margin of the law and regulatory procedures– the lower the rate of reported bribes. Finally, the existence of bribery as a generalized practice is more likely in countries where the law is less respected or actually enforced. It is important to note that all these correlating exercises have disregarded the likely important positive connection between the quality and distribution of education in society and the smaller incidence of corrupt practices, considering the fact that education should act as a powerful countering mechanism in the longer term.

II. 5 THE STRATEGY TO COMBAT CORRUPTION

Fighting corrupt practices has relied on different alternative instruments according to country experiences. From the viewpoint of the economic policy, emphasis has been put on using less redundant controls and simplifying taxation policies. In terms of financial controls, better auditing techniques and more accessible and transparent accounting registers have been pursued. With regard to the civil service and public enterprises, the emphasis has been put into policies addressing the establishment of meritocracy and better pay policies. From the viewpoint of the judiciary system, policy options are in favor of a system more independent of political instances, featured by stronger controls

and higher accountability requirements. Finally, considering the public control over the problem, options are in favor of a greater parliamentary involvement in supervision and control, the creation of more and richer sources of information to the public, the production of alternative indicators related to the problems and the promotion of NGOs concerned with the problem and with ample possibilities of accessing relevant information.

II. 6 THE RECENT EVOLUTION

There seems to have prevailed a positive evolution in terms of limiting corruption. As the problem has been increasingly indicated as an important issue regarding the credibility of a country in international matters, there has been a tendency to create more and better instruments of control. However corruption remains a central concern as it still subsists in a number of countries where corrupt practices are rather normal or accepted in business deals. However, the evidence reveals that where it is quite normal is more a problem in terms of the government, both central and local, the judiciary system, the public enterprises and the control agencies, and much less a problem for private business. However, at the same time that privatization goes along with economic growth and private business gets a more prominent role in the economy, the concern is that corrupt practices, in absence of adequate policies to counteract them, may be generalized and becoming customary. That explains the issuing of the OECD Convention to combat bribery in the case of public employees in the context of international business transactions. Thereafter, many economies, including the Republic of Korea, have developed different instruments to enforce a proper behavior of public employees and businessmen regarding the practice of an acceptable business conduct.

II.7 THIS SEMINAR ON THE APEC CODE OF CONDUCT FOR BUSINESS

The Asia Pacific area is characterized by growing importance in terms of financial and trade flows, leading to the statement that in the 21st century the world's engine of growth has moved away from the Atlantic to the Pacific. Given that in this area there are

countries where the practice of corrupt business practices is still a problem, the definition of a proper Code of Conduct for Business was deemed necessary at the APEC Forum of 2007. This Code takes into account many elements already present in other similar organizations such as the United Nations Convention against corruption, the Interamerican Convention, The Convention of the European Community (GRECO Program) and the Convention of the European Union. The workshop sponsored by APEC in Santiago had the purpose of disseminating the Code in the context of an open discussion about the overall issue of corruption, its immediate causes, its likely economic and social effects and the means of controlling it through police control, legal definitions and improving the availability of information and accounting techniques.

III. THE BENEFITS OF SPREADING THE WORD ON THE APEC CODE OF CONDUCT FOR BUSINESS

III.1 THE MAIN ELEMENTS IN THE CODE

The APEC Code establishes that the enterprise should prohibit bribery in any form, whether direct or indirectly offered or received. The Code also establishes that the firm, in consultation with employees, should develop a program to prevent bribery from occurring; in this sense, the Code supports the idea of fighting corruption as a firm's institutional policy supported by the higher management. The Code refers to the prohibition of bribery as a permanent policy to deal with donations, gifts, hospitality stipends and other "favor" expenditures, as well as facilitation payments and political contributions. The APEC Code sees it as an obligation on behalf of the firm to prohibit bribery, establishing effective mechanisms of internal communication and a clear leadership in conducting an anti-bribery policy. It also pushes for the adoption of adequate financial registers and transparent auditing procedures, as well as a policy regarding human resource development with emphasis in meritocracy and punishment for detected corruption. It also supports the development of training programs with the aim of addressing this problem and

all its negative consequences and calls for the installment of monitoring and review systems through the Audit Committee of the Board. It is important to note that the APEC Code relies upon an extensive participatory mechanism so that anyone in the firm could report suspicious circumstances and contribute to improvements in the program. According to the Code, the Board should be informed and updated about the effectiveness of the program and also receive recommendations on further corrective actions, while the CEO (or equivalent) will be considered responsible for seeing that the program is effectively implemented.

III.2 THE OECD HAS A VERY RESTRICTIVE CODE OF CONDUCT

Chile is currently a member of the OECD and as such it should follow the strict lines emanating from this organization's Code of Conduct. It is important to note that the OECD Code criminalizes any bribery delivered either in a direct form or through an intermediary with the purpose of maintaining or acquiring any advantage with regard to a business transaction. This rule includes private or public employees, and implies effective sanctions, proportionate but highly dissuasive, jointly with an extra territorial jurisdiction wherever possible. This Code creates the principle of the corporate criminal responsibility and advocates for supervisory mechanisms not simply linked to national interest. The Code penalizes money laundering and the existence of "unofficial" accounting books, and proposes a system of mutual legal collaboration among countries, as well as a system of extraditions.

III. 3 OTHER CODES OF CONDUCT REGARDING BUSINESS

The APEC Code follows a global initiative which aims at tackling corruption distortions that may affect International Business based upon the idea that corruption is a deterrent to trade and financial business. The concern about this issue has led to enacting a set of different agreements and Codes regarding the conduct of private and public agents. This is the case of the Global Guide Golsferb Against for Money Laundering, which has been underwritten by financial institutions. It is also the agreement against anti-bribery which has been enacted by mining firms, as well as the agreements being signed by different professional groups such as engineers, lawyers and accountants. In addition, a set of Codes and Agreements have been included in several international organizations, such as the Rules of the International Chamber of Commerce, the Code of the Economic Agreement of the Pacific Basin (PBEC) and the Code of the MNC Corporation. In addition, governments such as the Republic of Korea and Chile have issued strict guidelines on this subject, creating new institutions and procedures to fight corruption, including the role played by supporting NGOs such as Chile Transparente.

III.4 SUCCESSFUL ANTICORRUPTION POLICIES DEPEND UPON FOUR DIFFERENT FACTORS.

There are four key factors, according to Miguel Schloss (DamConsult Ltd) to explain the degree of success of anti-corruption initiatives. First, the existence of a clear ownership of any program addressing the demands for accountability and responsiveness. Second, the need for surveillance and empowerment of key actors, particularly those involved in supervision. Third, sustainable actions require a set of incentives in place and a clear alignment between public and individual wellbeing. This alignment must obviously, be based upon a moral foundation supported by education. Four, the fight against corruption can not take place only on one particular front, but simultaneously on as many fronts as necessary given the complexity and multiplying effects of the problem.

III.5 REPORTED CORRUPTION EPISODES CANNOT BE AN ADEQUATE INDICATOR ON THE MAGNITUDE OF THE PROBLEM

In the case of Chile only 16 out of 100 cases of corruption are effectively reported to the relevant authority (year 2003). Of these only 25 percent are effectively pursued through the judiciary system and finally end up in any kind of punishment. That is to say, sanctions are applied to only 4 percent of all cases of corruption. This clearly shows that registered reports on corruption episodes are not a good indicator of the magnitude of the problem. According to a study performed in a Chilean case, about 33 percent of the unreported cases can be explained by the fact that people believed the report would not have any actual effect. About 25 percent of the unreported cases was because concerned people believed there would be reprisals against those reporting. This evidence reveals the importance of a transparent and credible legal and judiciary system to have any success in fighting corruption, and also indicates that a Code of Conduct is not enough by itself if there is not a credible system in place. This study for the case of Chile in 2003 reveals that almost 60 percent of the cases concerned bribes or Traffic of Influences. 18 percent of the cases corresponded to public enterprises, 15 percent to Municipalities and 13 percent to different Ministers, while about 10 percent corresponded to enforcement agencies and to the judiciary system. Only 0.7 percent corresponded to private firms.

III.6 THE IDEA OF THE WORKSHOP

The Seminar on the APEC Code of Conduct for Business was inspired in the idea of disseminating the content and implications of the APEC Code, but also to present and develop discussions about the corruption issue in the context of international relations. This is an important issue in Chile, given the increasing importance of trade and international finances in the economy, and the importance of the economic relationship with Asia. In fact, China and Japan figure among the main export markets for Chilean products (15 percent), a similar proportion with regard to import suppliers. Almost 50 percent of Chilean exports go to other APEC economies, while investment to and from APEC are also the most important in the Chilean economy. Therefore, it is extremely important to know about this dimension of the economic reality in the frame of trade and financial flows, also considering that the dynamic of the Chilean economy in the decades has been strongly linked to international trade and foreign investment. The workshop explained the economic dimension of the corruption activity and the implication of the APEC Code regarding the attempt to fight this distortion. Also, the experience with police controls was released to give examples on how the practices of criminal offenses do not produce any significant sustainable return for neither private or public interests. The legal and judiciary system was also revised, to give context to the current policies addressing the existence of corruption in business practices. Finally, there was a presentation on the accounting and auditing norms which could be of significant help in controlling the effects of this distortion through transparent register and adequate management controls. The presentations made at the workshop were plenty of examples based upon the recent experience of economic interaction between Chile and the other APEC economies.

III.7 THE BENEFITS OF INCLUDING INDUSTRY ASSOCIATIONS, TOP BODIES GOVERNMENT OFFICIALS AND LAW ENFORCEMENT AGENCIES

As explained, corruption can be considered quite an invasive distortion that affects business deals and the organization of trade and financial exchange among countries. Therefore, in a country with an ever important external sector in its economy it is quite important to provide information to all those entrepreneurs planning to insert in international business to avoid corruption. Corruption is a source of bad reputation for the firm and the country as a whole, as well as a cause of lower benefits in the present and the future. In this context, it is a well known fact that large firms usually have adequate legal advisory to avoid any problem regarding their foreign deals and to prevent the occurrence of serious corruption episodes. Also they count with personnel departments and many with corporate policies able to deal with possible corruption problems. However, in the case of Medium and Small size firms this assistance and internal devices are absent or are notably weak. It is in this case where more assistance is needed in terms of information about international norms on anti corruption practices and where it is more valuable the provision of case studies on corruption. The idea is that the workshop on the APEC Code of Conduct could provide them with enough information on its content and implications as well as its practical used so that it can be applied to actual commercial and financial deals. The presence of government officials and law enforcement offices was deemed necessary to inform them about the APEC Code and its implications and to involve them in an open dialogue with entrepreneurs from SMEs. Their presence was also important to establish comparisons among different Codes and agreements about this issue in different international organizations.

IV. MAIN STANDPOINTS PRESENTED AT THE SEMINAR

IV.1 THE GENERAL ISSUE

Corruption is a conduct which has been penetrating International Business and arising in poorer countries as a result of the intent to imitate life styles in richer countries. The idea of obtaining easy money on the basis of accepting bribes has been a conduct linked to traditional practices in many countries, resulting from the privileged position of some in charge of economic and financial decisions which may involve significant resources and open the door to the possibility of accepting illegal payments in exchange. However, it is not only the financial issue which is at stake, but also something regarding a moral issue as the person must distinguish between right and wrong, and have a judgment about the negative effect of attempting to obtain a private return on the basis of a criminal offense which exerts negative effects from a social standpoint. The idea of a Code of Conduct is that of calling the attention on the importance of the proper behavior in conducting international and domestic business, by pointing out the risks of perpetrating wrong procedures in exchange for illegal payments. The Code, more than a threat must be a commitment of honor regarding the right way to do business and about the aim of gaining credibility and prestige among partners, especially in international deals. The social cost of doing business subject to corrupt practices consists in negatively affecting the credibility and transparency of the firm or industry, harming its reputation and producing a lower future flow of returns associated to any business. Therefore, is an advisable behavior to avoid and penalize corruption since it affects the long-term return of a firm, particularly in the context of international trade and foreign investments. Education on this is very important from the lower levels of schooling all the way up to the higher education.

IV.2 THE CONTROL OF CORRUPTION AND CORRUPT PRACTICES

There is no good business in the absence of values such as transparency, security and creditworthiness. Those values create the necessary confidence and good reputation to develop trustable businesses in a longer term frame to cultivate long-lasting agreements so to secure adequate returns in the competitive area of international business. That is why the adherence to an ethic code of conduct for business provides a frame for good practices and best economic and financial results and a good reference for the firm as regard its reputation. The globalization process has produced increasing trade and financial flows among countries, thereby helping to increase social welfare for all participants, but it has also been associated to some corrupt practices. The new communication technologies and the encounter of societies characterized by different business and political cultures, have provided a means for the expansion of corrupt practices, which have to be controlled to reduce their pervasive effects. INTERPOL has developed different instruments to have adequate information on corruption shared by different countries and able to observing international transactions to detect any corrupt activity behind economic and financial procedures. It has classified criminal activities in six areas including: high tech criminality, falsification, financial crimes, money laundry, crimes against the intellectual property and the misuse of credit cards. The Chilean police has acted according to these same principles, and created the Unit of Financial Analysis, aimed at detecting criminal activities in the financial area, as well as a special group aimed at dealing with crimes against intellectual property rights. The implementation of a data base on these corrupt practices has helped to analyzing different situations and producing adequate comparable statistics. The cyber crime unit of the Chilean police has been able to develop instruments aimed at controlling the occurrence of crimes using sophisticated technology, or getting information on economic and financial transactions involving illegal procedures. In general, however, police control can do little in absence of a conceptual frame which commits firms and individuals involved in business decisions to reject corrupt practices as something bad for the success of the business itself. This is the importance of the APEC Code of Conduct for Business.

IV, 3 THE LEGAL AND JUDICIARY SYSTEMS

The basic concept refers to the bad use of a responsibility to obtain a private gain adopting decisions which are not necessarily the best for the firm. This act can be performed by a public employee or a private actors in charge of adopting key with regard to an economic or financial transaction. In terms of the Chilean law this is “an abuse of the public function for private purposes” or “making bad, improper, undue or injustice use of something or somebody”, and it is clearly established in the Penal Code with the consequential punishment. Therefore, in the Chilean law corruption is clearly established as a negative incidence on the social interest in exchange for a private gain. In particular, corruption in the case of the public function is a permanent damaging to the role of credibility of the public authority and it is considered a serious offense. Obviously, beyond the natural or traditional tendency to corrupt practices to improve the personal material situation of those so benefitted, there are some risk elements that need to be under control, such as the extreme materialism cultivated in our society, the existence of drug problems, the inefficiency of our public service, the existence of low pay in the public sector and the lack of a significant concept of public service among public employees. Behind all these problems is the existence of an insufficient education particularly to cover moral and ethical behavior in society. There is a long legal tradition in Chile, meaning that all issues are reflected in law and legal corps, producing a vast amount of instruments to control corruption and bribery. However, and although a National Commission on Public Ethics has been in place since 1994, the problem is evolving through new forms of committing corrupt practices, using modern technology. Therefore, it is necessary a permanent modernization of all legal instruments aimed at controlling corruption but, more than that, it is important to improve the quality of the person on the basis of a complete education.

All the recent progress in terms of new laws controlling the political expenditure, improving the evaluation, selection and pay of the public employees, prosecuting a financial modernization of the State, making more transparent the execution of the

public policy and introducing more accountability at all levels of society, do little in absence of a population not totally aware of the negative impact of corruption on society. Even when we buy “imitation” products in the street, or we close our eyes in front of an illegal act, we are collaborating to that, on the contrary, we declare necessary to eradicated. That is why control mechanism and education are the emphasis of current policies on these issues in Chile, and we need to be aware that everybody in society, including the “VIP” are to be subject to control and accountability. In this sense, our commitment towards the Code of Conduct in different regional context, which are of great influence in our international relations, are quite complementary to domestic efforts to prevent and eliminate corruption.

IV. 4 AUDITING AND ACCOUNTING AS PREVENTION MECHANISMS AGAINST CORRUPT PRACTICES IN THE FIRM

Accounting and auditing techniques are fundamental instrument in business development, but needs professional expertise for an adequate design and implementation. This requires an investment on the part of the firm, particularly considering the hardware and software which is inherent to developing and adequate financial analyses unit. Clearly enough, the development of business activities implies a relationship between the firm and the surrounding social sphere, where the firm has to cultivate credibility and reputation to attain sustainable business in the longer term. In this context, the firm has to have a relationship with the legal-judiciary reality of its business environment, either in the country or in the international context where economic and financial actions are developed. In this sense, the firm has to respond to the social environment where it is included, and respond to it in terms of information and a clear policy in terms of creating value on the basis of transparent rules based on market opportunities. The accounting and auditing are important techniques in support of this main ambition of the firm. “Forensic Auditing” is the area of the discipline addressing corrupt practices in any organization which can be exposed through adequate quantitative information. The technique applied to the practice in Chile involves a set of variables which are considered

“risky” factors and are normally evaluated upon any auditing process. According to the standard procedure there must be a culture of control at the firm level, a risk mapping indicating the possible sources of problems, the activities carried by the firm in terms of controlling and informing both internally and externally on preventing actions, and a permanent system to follow up. A strong auditing procedure must be based upon a selective technique carried by the external professional in a very independent way and putting particularly emphasis in detecting direct fraud and the fraud associated to omission of procedures and controls. Obviously, for all these control mechanisms to be successful a real commitment of the firm is necessary.

V EFFECTIVENESS OF THE WORKSHOP

V.1 PROBLEMS EMERGED DURING THE PROJECT

There were not important problems during the development of the project, in spite of the fact that the original date for the workshop was changed due to some delays in the procedures in the APEC Secretariat. This change, however, was beneficial for the purposes of the workshop since the month of January resulted to be even better for its realization, as the activity demanded time from people involved in business activities. The original Program involved longer time and more presentations, also including more representatives of the Regions (out of Santiago, the capital of Chile). However, APEC was not willing to fund the original financial request. In any case, the workshop congregated a number of quite representative people from SMEs and the public sector (Enforcement Agencies and Ministries), so that it is envisaged there will be an important disseminating effect. The organization of the Workshop did not face any other difficulty and the activity was well received in the business community. As a matter of fact, the Association of Manufacturing Export Industries (ASEXMA) has asked us to repeat the Seminar in March or April to their associates in order for them to be aware of the current issues and discussion on the APEC Code for Business.

V.2 THE EFFECTIVENESS OF THE WORKSHOP

As indicated by the survey carried at the end of the workshop, presentations were well received and quite welcome as an issue usually untouched in different business Seminars. Participants believe they obtain valuable information about the APEC Code and on the whole issue of corruption and its incidence in business making. They seemed to understand that corruption is a distortion that affects the reputation of an individual firm but also the reputation of the country as a whole. Similarly they believe they understood that corruption corresponds to obtaining a private benefit at the cost of a social damage and that there may be optimal ways of containing the problem and assuring adequate control mechanisms at the level of the firm. As regard to the lessons, 90 percent of participants believe they will apply the main elements contained in the APEC Code, particularly in terms of adopting an institutional agreement regarding the content of the APEC Code. Also, 85 percent of participant did not have any previous information about the APEC Code and its contents, whereas 90 percent considers that adopting the APEC Code will be beneficial for their business.

V.3 EVALUATING ORGANIZATIONS WILLING TO ADOPT THE CODE PRINCIPLES

The APEC Code was well evaluated by public officials attending the Seminar, and they expressed they will be available to introduce the principles in their managing of rules and principles to be applied to the Chilean business sector. All participant pertaining to different industrial branches expressed their understanding on the negative effect of corruption on business and profits and the need of adopting an agreement about the acceptance of the Code principles. Our impression is that the Association of Manufacturing Exporters (ASEXMA) as well as the Association of Industrials from Maipu (a local government around Santiago), the Association of Concepcion Schools and the Group of Firms linked to Export Services will be willing to adopt and further disseminate the Code principles.

V. 4 AWARENESS AMONG THE COMMUNITY WORKSHOP TARGET AUDIENCIA ABOUT THE CODE

The survey applied to participants after the workshop, very clearly revealed that there was no previous information whatsoever about the APEC Code. Many of the participants, whom are already carrying out business in Asia, manifested they did not receive any information about it at the public offices in charge of marketing Chilean products. They thought the Code implies important issues regarding the way in which they have to face trade negotiations, as well as on the right way to organize their business to have more control on bribery and corruption. The workshop gave them an ample view about the economic, legal, accounting and control issues involved.

V.5 RESULTS FROM THE SURVEY APPLIED TO PARTICIPANTS: GENERAL RESULTS

The following results were obtained through the survey completed by participants answering questions regarding the workshop and its organization:

i. Participants were asked their evaluation about the compliance with the program for the workshop. 93 percent of participants manifested that they “Totally agree” or “Agree” that the workshop followed very closely the program anticipated. Only 7 percent of the participants expressed doubts or disagreement with the statement.

ii. The attendees were pleased having attended the workshop, because they could get familiar with the APEC Code, and they could exchange experiences and opinions about the corruption issue. They also manifested satisfaction with the supporting material for the presentations, and consider that they obtained significant orientation for their future decisions.

iii. 96 percent of participants pointed out a high of satisfaction with having attended the workshop. Only 4 percent declare to be “unsatisfied”. Their satisfaction comes from what they see as an adequate organization of the workshop and having the opportunity of getting in touch with other people trying to do business and fight against corruption.

iv. 89 percent of the participants think that the time programmed for the different presentations was “just right” for a better understanding of the issue. 2 percent would have liked the seminar to be longer, whereas 7 percent thinks that the time was excessive.

v. 90 percent of the attendees think that the material given at the beginning of the workshop was “Sufficient and important” or “Sufficient”.10 percent considered the supporting material “scarce but important”. Participants commented that it was useful to have a Spanish version of the APEC Code for dissemination.

vi. In general terms, 83 percent of the attendees rated the workshop as “outstanding” (13 percent) or “remarkable” (70 percent). 15 percent rated it as “adequate” and 2 percent as “insufficient”.

V.6 RESULTS FROM THE SURVEY APPLIED TO PARTICIPANTS: SPECIFIC ASPECTS

The following results concern questions regarding some specific aspects of the workshop

i. As for the method used in the workshop, based in “lectures with written support”, 15 percent of participants consider it “outstanding”, 42 percent rated it as “remarkable” and 39 percent considered it “sufficient”. Only 2 percent rated the methodological approach of the Seminar as “insufficient”, while another 2 percent considered it as “very insufficient”.

ii. A significant majority of the participants (81 percent) expressed great satisfaction with the speakers. The speakers were evaluated as “outstanding” (42 percent) and remarkable (39 percent). A 15 percent of participants rated the speakers as “sufficient”, whereas a 2 percent considered them as “insufficient” (2 percent).

iii. 70 percent of the participants have rated the place of the Seminar (at the Institute of International Studies) as “Very adequate” (26%) or “Adequate” (44%). 24 percent considered it as “sufficient”, while 8 percent said it was “Insufficient” or “Very insufficient”.

iv. About the aspects related to the presentation of the folder containing the supporting material, there was an unanimous favorable opinion, with 49 percent considering it as “Very good and useful”, 30 percent as “Good and useful” and 21 percent as “Good”.

v. With regard to the organization of the workshop, considering aspects such as invitations, service and information, 81 percent of participants rated the workshop very positively (52 percent rated it as “Outstanding” and 29 percent as “Remarkable”). Similarly, 15 percent rated the workshop with regard to these aspects as “Sufficient” while a 4 percent considered it as “Insufficient”.

vi. Participants pointed out that they were not previously aware of the Code, and that the workshop provided them with solid information, and that this created an advantage for them in terms of being well informed. All participants manifested their purpose of following APEC rules regarding the Code.

vii. Participants suggested the following topics to be included in any other workshop regarding this issues: Customs and Business practices in Asia-Pacific; Business and Culture in Asia Pacific; Study of Corruption cases in Asia Pacific.); Certification and Export Business in Asia. They also pointed out the need of having workshops with more information about APEC and the APEC regulations.

viii. Finally, participants suggested that, in order to improve with regard to corruption and business, ethics should be studied from early ages at schools, and also to invite public authorities to have the will to accomplish the content of the APEC Code.

Santiago-Chile January, 2011.

APPENDIX N° 1

IMPLEMENTATION OF THE CODE OF CONDUCT FOR
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APPENDIX N°2

IMPLEMENTATION OF THE CODE OF CONDUCT FOR BUSINESS IN CHILE QUESTIONNAIRE FOR THE PARTICIPANTS OF THE WORKSHOP

We encourage you to COMPLETE the questionnaire below and return to us at the end of the Seminar. Your opinions will be of high importance to us in order to prepare the evaluation of the workshop.

(Please mark your choice with an “X”)

1. Program’s level of compliance

“I consider that the program has been accomplished in a complete and satisfactory way”:

Totally Agree: _____

Agree: _____

I have my doubts: _____

Disagree: _____

Totally Disagree: _____

Comments: _____

2. Satisfaction by having participated in the workshop during the Seminar.

Completely Satisfied: _____

Halfway Satisfied: _____

Unsatisfied: _____

Comments: _____

3. Time for the Workshop (including number of speakers and total duration of the workshop).

Excessive: _____

Adequate: _____

Scarce: _____

Comments: _____

4. Material given as a support for the presentations.

Sufficient and important: _____

Sufficient: _____

Scarce but important: _____

Scarce, not interesting: _____

Comments : _____

5. General Evaluation of the Workshop.

Outstanding: _____

Remarkable: _____

Sufficient: _____

Insufficient: _____

Very Insufficient: _____

Comments: _____

6. System used for the presentations at the workshop (Lectures with written support).

Outstanding: _____

Remarkable: _____

Sufficient: _____

Insufficient: _____

Very insufficient: _____

Comments: _____

7. Level of the Speakers on the different topics.

Outstanding: _____

Remarkable: _____

Sufficient: _____

Insufficient: _____

Very insufficient: _____

Comments: _____

8. Physical Space and Environment of the workshop.

Very Adequate: _____

Adequate: _____

Sufficient: _____

Insufficient: _____

Very insufficient: _____

Comments: _____

9- Presentation of the folder, documents and other materials.

Very good and useful: _____

Good and useful: _____

Good: _____

Insufficient and not that useful: _____

Very insufficient and useless: _____

Comments: _____

10. Organizational Aspects (Invitations, Coffee Brake, Information).

Outstanding: _____

Remarkable: _____

Sufficient: _____

Insufficient: _____

Very insufficient: _____

Comments: _____

11. Did you know about the existence and content of the APEC Code for Business?:

12. Do you consider you have been informed properly through the workshop and are you willing to follow the APEC Code?:

13. What information do you think is missing or that you would suggest to be included in another workshop and in the folder?:

14. What advantages do you consider have you obtained from having participated in this workshop

15. Do you consider the workshop contents and presentations an useful thing to promote good business behavior? How do you think that we can improve on this?

16. Suggest any idea to improve the satisfaction with this workshop in the future. What topic do you think would deserve more attention in future editions of this workshop?:

“Thank you very much for your participation and collaboration”

APEC Secretariat - Institute of International Studies
University of Chile



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