

Avon bribery scandal in China, not really a big deal

Description

Ifeng.com ran a piece of news reporting that, according to Wall Street Journal, people familiar with the matter disclosed that federal prosecutor had submitted their evidences to jury in the case of Avon overseas corruption. It was said that auditing report found that Avon employees had paid some hundreds of thousands USD to China governmental officials and third-party consultant agencies at a time when Avon sought to obtain governmental permit to allow Avon to conduct direct sale in China. For more about the scandal, please click [here](#).

Well, hundreds of thousands of USD is not really a big deal here in China, contrasted with scandals about Chinese businessmen.

I believe none of those big companies in China is really clean of bribery or corruption of some kinds if a thorough investigation is conducted. I believe so because the ecological environment for enterprises and entrepreneurs compels such practice which is almost indispensable for companies, domestic or foreign, to survive in China, much less making money.

Foreign investors in China are very familiar with Chinese relationship or "guanxi" culture, meaning that you need to develop vast network of people that can lend help. Very often, this means that you need to know people in the government, people that have the power to allocate resources that are otherwise not accessible via normal ways. However, it is not free to establish and maintain such critical relationships, and actually it takes a lot of money to make it work.

China is a state thousands of miles away from a real rule of law country. Governmental officials' hands are pervasive in the market grabbing, extorting or even robbing money from businesses that are in their jurisdictions. Though China has launched high-profile anti-corruption campaign, however in a country where there is no rule of law, no independent judicial systems, Chinese officials in governments believe that they can get away from scrutiny and escape penalties. Even those disciplines enforcers and judges are corrupt themselves, no one really gives any serious damn to the system.

I am not saying that foreign investors in China should get localized this way but saying that to operate a business in China, it is almost inevitable to be totally free of some kind of corruption practice. But for foreigners, while it is almost necessary to engage in some sort of bribery, bear in mind, you are really playing fire indeed.

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