

## Dateline Mexico by Josefina Menéndez

### The export invoice scam

*Undervaluation of invoices, to disguise flight capital, is one of the hottest games going.*

**T**he changes in Mexico's exchange controls put through by central bank chief Miguel Mancera Aguayo this February may be creating the biggest loopholes for flight capital since the huge outflows of late 1981 and the first half of 1982.

Mancera decreed that exporters were entitled to direct up to 20 percent of their dollar earnings to repayment of their foreign dollar debt, and up to the full remaining 80 percent for imports. Exporters who are not in a position to use these options would have to convert their earnings into pesos at the "controlled" rate which has been floating downward all year, and is currently at about 130 to the dollar.

The controlled rate has given a substantially poorer payoff to those converting dollars to pesos throughout the year; the "open" market has held steady at 150 to the dollar.

The system has given built-in incentives to exporters to understate their invoices, and bring in the undeclared dollars at the open rates, or just leave them in bank accounts in the United States—a neat form of flight capital.

Mancera decreed that businessmen exporting individual items worth less than 10 million pesos (\$66,000) did not have to declare their dollar earnings at all. Many exporters obligingly disaggregated the components of what they were sending out and declared their dollar earnings as zero.

The president of the Confederation of Associations of the Customs Agents of the Mexican Republic, Sergio Salinas, told a reporter recently,

"I would not want to make estimates [of how much is going out] because I would die of rage. . . . People are abusing the system a great deal. It's a crime, and I don't know how it is permitted."

The government has begun to sound the alarm. At a seminar of the Association of Importers and Exporters of Mexico (Anierm) in mid-August, the deputy secretary of foreign trade for the commerce ministry, Luis Bravo Aguilera, bluntly accused members of his audience of undervaluing their exports, to keep the difference between the declared value and the real value abroad.

He had some startling figures to back up his charges. While non-oil exports have gone up 52 percent in volume over the first six months of the year, he revealed, they have risen only 15.8 percent in declared value. Since manufactures have lost only 8.2 percent in terms of trade over the same period, there is a large gap to be explained. Bravo Aguilera said there was only one conclusion: massive undervaluation of invoices.

On Aug. 22, the newspaper *El Financiero* revealed a further facet of the scandal: companies outside the country directly soliciting the business of Mexican firms who wanted to enter the undervaluation racket. It published a picture of a letter that a certain Allfine Company, Ltd. of Taiwan had sent to Mexican exporters. The heading on the letter was "Undervalued Documents, To Pay Less Taxes." And the text began, "This means

that we make documents below real value. For example, it can be half the value, and you must send us the difference by check or money order in dollars."

Importers, meanwhile, are bitterly complaining about the additional scarcity of dollars imposed by this hemorrhage, which could come out as high as \$3-\$4 billion for the year, once all the facets of the scams, including straightforward contraband, are taken into account.

The Ministry of Commerce and Industrial Development (Secofin) had authorized an import level of \$7 billion for the first half of the year, but only half of that was drawn down, due to difficulties in getting dollars. The export scam was part of the difference.

The under-invoicing and related practices helps explain why many border banks on the U.S. side have been doing a brisk two-way business in peso-dollar contracts through most of the year. One would think that there would be a stronger market for dollars than for pesos, and that banks would be reluctant to be saddled with too many pesos. But well-informed sources in the El Paso banking community state that they have had no problem unloading peso contracts as large as \$4 million, in periods of 24 hours or less. Part of the secret: Mexican exporters who are converting some of their hidden dollar earnings back into pesos, but at the more attractive 150 "open" rate.

The president of the Businessmen's Coordinating Council (CCE), José Chapa, responded to Bravo Aguilera's charges with a contemptuous, "It's preferable to have a private Mexican citizen gain dollars, even if he doesn't hand them all over to the Banco de Mexico, than for neither the Banco de Mexico nor the private citizen to have any dollars at all."