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Transcript

Tackling Corruption in a Globalized World

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Michela Wrong:

Good evening, everyone, and thanks for coming.

Just to introduce myself, my name is Michela Wrong. I'm a former journalist – still a journalist, but mostly I now write books about Africa and have found myself writing a lot about corruption without really meaning to.

Let me introduce my guests. On my left is Paul Kett. He was the last co-chair of the G20 Anti-Corruption Working Group. He is director of justice reform at the UK Ministry of Justice. I think he can give us a very good overview of what was done, why it was done and where things are going.

On my near right is Laurence Cockcroft. He was a development economist for many years, working in Tanzania and Zambia. He was then a co-founder of Transparency International (TI), which many of you will have heard of. It's this incredibly influential anti-corruption NGO based in Berlin that really did more than any other single group to identify corruption as a massive problem that had to be addressed. He is a recent author; he wrote a book called *Global Corruption*. I see that he's so modest he hasn't brought a copy along with him today. I recommend it; it's got a nice red spider on the front cover. It's a very accessible, if slightly pessimistic, overview of the fight against corruption, with a particular emphasis on the legislative steps that have been taken and whether or not they have proved to be rather emptier than they seemed.

On my far right is Alena Ledeneva, who is originally from Russia but went to university in Cambridge. She is now professor of politics at University College London's School of Slavonic and East European Studies. She is a longstanding expert on corruption in Russia and post-communist societies. She is also the author of a trilogy of books on Russia with an emphasis on corruption. The last in the trilogy is about to come out, published by Cambridge University Press, and it's called *Can Russia Modernise?* I hope she can talk to us a bit about the Russian chairmanship and what we can expect to see from that side of things.

I wonder, Paul, if you could just kick off and give us a sort of overview.

Paul Kett:

Thank you very much. Good evening, everyone. It's nice being introduced as the 'not sexy' end and the geeky nerds – we'll do our best to live up to that challenge.

In saying that, one of the things it's reminded me, there was an article in *The Economist* just before Christmas which – it's nice when you read about some of the work you've been involved in. It was talking about the work of the Anti-Corruption Working Group and started off saying 'nice, more progress than perhaps expected'. Then starkly, in the middle of a paragraph, was a quote from an NGO saying 'steady, slow, *boring* stuff but still important'. I suppose, well, who are they calling 'boring', when we are sat here on a Tuesday evening debating? But in a way, that kind of sums up quite a lot in terms of what the G20 Working Group has been trying to do, which is actually to get some of that infrastructure in place to make progress. I think some of the challenges as we go forward are about how you translate infrastructure into effective implementation and enforcement practice – I will perhaps come onto that.

A little bit of the history of the group. It was born out of the Toronto summit in 2010, where the political ambition for establishing a working group and developing an action plan was established. It was then in the Seoul summit in November 2010 that that action plan was endorsed by leaders and a working group was convened to oversee progress toward implementing that action plan. It was given a two-year mandate. Initially that working group was chaired by the French presidency at the time, with the co-chair of the Indonesians. Then in November 2011 the Mexican presidency came in and the UK was asked to co-chair with the Mexicans, so I was asked to be the co-chair of that group.

In the last year we have seen the second half of the two-year mandate driving us forward. Not only have we been focused on the implementation of that action plan but also the question of what next, and should there be a further two years.

The way in which the working group operates as part of the G20 – it is a consensus-driven, intergovernmental piece of machinery. It does mean that it doesn't move that quickly but one of the things I want to highlight is that there have been very tangible steps in terms of progress. But it has also seen very strong involvement of international organizations, and I will do some acronyms as well: the World Bank, the UNODC – United Nations Office on Drugs and Crime, the OECD – I don't think I need to explain that one, the IMF – similarly, and also the FATF, which is the Financial Action Task Force. They have all been involved in informing this work.

Coming on to that first action plan in Seoul, it was a pretty ambitious two-year action plan. I think it's fair to say that once it was agreed and everyone

paused to start reading it, unusually for that kind of document, governments started saying, 'Oh, yikes, that's quite ambitious what we have committed to in that two-year timeframe.' It focused quite a lot around some machinery and the United Nations Convention against Corruption: ratification and implementation of that convention being a key part of it, strengthening the use of the review mechanism within that machinery, the adopting and enforcement of laws, in particular around the criminalization of bribery of foreign public officials, and using the OECD instruments and the Convention on Combating Bribery. It also called for a focus on, in effect, money laundering and the use of financial systems for the proceeds of corruption, and looking to use the FATF, the Financial Action Task Force, as the main vehicle for that, calling for the updating of their standards and effective implementation. Then there are a number of other components which were tighter around integrity, around transparency, around effective tools to tackle corruption – so mutual legal assistance, how globally we need to tackle this scourge.

Against that ambition in terms of the action plan, one of the other things that the group decided to do was to put in place a monitoring mechanism. This was with the commitment to an annual monitoring report. This has been particularly effective in focusing minds and also bringing transparency of the efforts we have been making in the working group. In terms of that monitoring report, it has not only been an opportunity to update on progress and to highlight achievements, it has also been a place where additional commitments have been made, but also best practices or opportunities for further activity have been highlighted. That's given a certain momentum to what is inevitably a relatively slow process in the G20 environment.

It also enables some of the folks that work around, say for example, whistleblowers, where establishing a kind of framework was one of the things the group did – it came out of the fact that it was clear around the table that there was vastly different practice and actually people weren't sure what the best approach would be. So it became a sort of learning opportunity.

The other element of the way in which it worked in terms of sharing was to – increasingly through the first two years, and it's signalled in the next action plan – is around a bit more outreach. This has come through business in particular, in terms of the B20 process, which started off as very much a one-off kind of dialogue and report and in the last year has become much more closely aligned in terms of the business community and elements of civil society – sorry, B20 is a group of business leaders that operate in establishing an equivalent of a governmental process, but the B20 process

instead of the G20. That alignment and that input has been very powerful in terms of how we tackle corruption – it's not something governments alone can do. The involvement of business and civil society, that's an increasing theme through the work of the group.

In terms of where we are, coming into the end of that two-year mandate, there have been a number of elements of progress in the course of this last year, particularly around principles for denial of entry of corrupt officials, establishing experts networks for how you turn it into a reality, endorsement of principles around financial asset disclosure systems, which we then look to implement and report on in the coming years. A very techy – and this is definitely in the geeky, non-sexy category – the publication of a guide on mutual legal assistance to enable enforcement and investigation teams to share information more effectively and work across borders. So much corruption activity has a cross-border element to it.

I think crucially one of the things that has been achieved this year is the renewal of the mandate. I think one of the biggest challenges that anti-corruption has had on the political stage is maintaining that political leadership around tackling anti-corruption. That's something that has built effectively over the last couple of years, and with the renewal of the mandate and leaders committed to the renewal of the group, that kind of carries that forward for the next two years, into the Russian presidency and into the Australian presidency with a renewed action plan setting out no backsliding, in effect, on what's already been committed to, building on that with a greater focus now on making effective practice in terms of implementation and enforcement activity. So the more we put the machinery in place and the tools to support effective implementation and enforcement, how do we make a reality of that and keep that challenge going?

That is now published and we are in the process of handing over to the Russian presidency and the Canadians, who take up the mantle now. I will stop there.

Laurence Cockroft:

Thank you very much, Michela. I think everything Paul has said confirms we are now internationally at a different stage to where we were 10 or more years ago. The fact that the G20 and not just the G8 – if they were ever concerned about this issue – but the G20 are addressing this in the serious way which they are attempting to address it I think represents huge progress.

Those of us who are concerned about corruption can take some comfort from that.

However, what I would want to emphasize is that corruption, as I'm sure everybody in this room knows, is a tough old business. The forces at work which are actually generating corruption – and I'm certainly not going to go into definitions right now, but I think we all have a view on what corruption is – the forces which drive corruption are extremely strong and have a tremendous capacity to morph. In my view, to name some of the key drivers, I would emphasize, for example, political funding. In most countries in the world, certainly in those countries in which corruption is endemic, there is a huge problem in the way in which political finance is raised, frequently from corrupt sources, in order to back a particular party or candidate on the assumption that contracts will be awarded also corruptly once a certain candidate or party is in power. One can see that process at work in various countries. India would be one of them; Nigeria would certainly be another. There are forces at work which are part of that process in different places. The last presidential election in the US, party political funding has been hugely controversial. Although the sources may not be directly corrupt, there is certainly a view in the US that the process has now become corrupt, because people are effectively buying policies from Congress.

So what I want to emphasize is that although the initiatives sketched out by Paul and the G20 process in general are extremely welcome, there are forces at work – one of which is political finance, another of which, for example, is organized crime, which frequently has an interface with political finance – which are going to make this agenda very difficult to deliver on.

The agenda that Paul has talked about doesn't really deal very adequately with certain areas which are very important, and maybe we can return to those in the question-and-answer session that will be part of this meeting. But for example, secrecy jurisdictions – this is a huge and very complicated area. The G20 talks a lot about money laundering but it doesn't talk too much about secrecy jurisdictions. Of course here the UK in particular has a huge responsibility not only in terms of the Channel Islands and Caribbean so-called dependencies, which appear to be largely independent, but actually also in terms of the legal structures which our legal system puts in place so that those wishing to place money in the City of London can do so very discreetly. The easiest way to look at this, I suggest, is the question of identifying beneficial owners of assets. We still have a long way to go internationally but also in the UK in terms of developing a system in which it's

perfectly feasible to ascertain who owns what, where people wish to hide their money.

A second issue that is not being dealt with, for example, is mispricing, by which I mean transfer pricing, not necessarily by multinationals, often by local companies who are trading internationally, who are seeking to move money offshore into other jurisdictions – frequently into what have been generally described as offshore tax havens, but there are other vehicles as well. That's an area that I think also needs to be looked at more carefully.

Then organized crime is not recognized as part of the agenda by the G20, but for the reasons I have sketched in and can talk about a little more, that is a very key question. Then in addition to that I would emphasize asset repatriation. Actually the G20 Working Group does have a view on asset repatriation, but again this is an area where countries have yet to exercise much real responsibility. In the UK you will remember there was a big controversy about [Hosni] Mubarak's assets at the time that he fell from power. That certainly hasn't really been resolved. The World Bank has an initiative called StAR (Stolen Asset Recovery Initiative), which is all about repatriating assets; in spite of about seven years of work, it's repatriated hardly anything. That issue therefore is a very complicated one. It is obviously complicated because the question is: who do you repatriate the assets to? But there are mechanisms which could be put in place, like trust funds, to make that much more feasible.

If I can just boil down this to questions and issues for the UK in this rather interesting and changing context, I would say we mustn't forget the Bribery Act. Many of us who are concerned about this issue were extremely pleased that the Bribery Act finally became law. Rather interestingly, although the UK was behind schedule on that, the fact of the matter is it has attracted a lot of international interest, if not as a model anti-bribery law certainly as one to be respected. On the other hand, the SFO (Serious Fraud Office) has only processed a minimal number of cases and at least until very recently was mainly concerned with negotiations – if you do a deal with us, we'll let you off with a fine which will certainly not be disastrous. So that's an area that certainly needs to be tightened up.

I've mentioned the question of offshore centres, the Channel Islands and dominions in the Caribbean. I think it's very important we don't forget organized crime. It's a remarkable fact, and some of you may know this, that our current government has actually announced that it intends to withdraw from 132 joint legal initiatives with the rest of the EU as part of its strategy of

disengaging from central EU questions. At the moment, the UK government is actually working out the way of doing this. The official line is we will then rejoin à la carte. Well, we know what the broader debate is, and I don't want to go into that, but it's a remarkable fact that while we are taking rather a positive line on the G20 and the prime minister has announced he wishes to be equally positive in the G8, we are also withdrawing from no less than 132 instruments of collaboration – which have to do with criminal law and include corruption – with our partners in the EU. A remarkable situation.

Finally, I'd just like to say something about the Extractive Industries Transparency Initiative – avoiding the acronym EITI. This is an area where the UK government in the past has provided a lead and it is the instrument by which companies in any given country that is an exporter of oil or minerals agree to record what they pay to the state and the state agrees to record what they receive from companies. This has resulted from a campaign by Global Witness, Publish What You Pay and Transparency International, who have worked on this over a number of years. It's a very successful exercise. There are 27 countries involved in that and many companies are part of it. But interestingly enough, President Obama recently announced that the US would itself sign up for it. Norway signed up for it some time ago. It would be very good to see the UK sign up for it, and I'm glad to say that in a letter to the G8 which is in the public domain, the prime minister has said that he will look into this. So that's progress. But it's very, very important in the context of international transparency that we do that.

Those are my immediate thoughts in relation to this issue.

Alena Ledeneva:

Thank you. I just wanted to pay tribute to Transparency International here, because the awareness of corruption actually goes back to Peter Eigen, I guess, this whole new way of thinking about the subject. Corruption is one of the oldest phenomena in the world. Arguably, it's very hard to distinguish it from human nature altogether. It's very common now to associate it with something that is very evil or greedy or hidden or secrecy, but may I bring to your attention that corruption is also consequential to very positive human nature, which is loyalty, which is doing the best for your parents and friends – favouring your dear ones. That kind of positive emotion carries quite a lot of responsibility for corruption as well. Look at the countries where kinship and friendship are the most important institutions – much more important than

universal rules. Those are the countries where corruption issues will be much more important.

Therefore, what I'm saying is that it is very important – and I think TI has done a great job – is coming up with very inventive methodologies by which we could actually put our finger on that elusive subject. Back in the 1990s they came up with the idea of measuring and creating the Corruption Perceptions Index. That's great. But since then what we are witnessing is a global corruption paradigm. It is somewhere where we all share our understanding that corruption can be defined – as Laurence said, we don't even need a definition because we all know it's a misuse of public office for private gain; that corruption could be measured in some kind of way, as our Corruption Perceptions Index does, by the TI; and it's also something that could be monitored or controlled. As Paul was saying, monitoring mechanisms keep improving and it's an important part of the story.

But what we also have, despite that methodology, is that corruption paradigm is slightly obsolete – because despite the huge progress that we are discussing, corruption is still there; and by the look of it, it is even increasing. What we see from the president of Russia, he is not embarrassed at all to speed up the passport application procedure down to three days and publicize it all over the world, and Gerard Depardieu being on the receiving end of it. This man is not really reflective enough; he doesn't see what's wrong about Russia giving a passport to someone in three days because, as Depardieu said, in Belgium it will take ages because there is a bureaucracy there. What is this bureaucracy? The bureaucracy of a working institution. What is the personal and formal power that the president exercises quite powerfully in everyone's view? It's an informal power, where just one word on the television made the officials do the job and issue the passport to someone who doesn't even speak Russian. And somehow everybody kind of enjoys the story. That kind of situation really upsets me personally because it's not something that is decent.

That brings me to the point of tolerance of corruption, which again is a very important indicator and differs substantially across countries. In Russia, if we talk about it, the tolerance of corruption is one of a routine type of attitude to life. People do get upset and we do have actually a bulk of corruption scandals in Russia. You probably know that the minister of defence in Russia just recently has been sacked and replaced because he was connected to a corruption scandal in the ministry of defence and his military. That is probably the highest-profile corruption scandal in recent years. It's very important that

it's happening but then of course comes all those stories as to why it would really take place.

That brings me to an important reality of this world, which is double standards. They don't only exist in Russia. They spread very effectively through globalization, through immigration, through all kinds of channels of globalization. Double standards are exactly where corruption resides and feeds from. Unfortunately we don't have any monitoring mechanisms for double standards. We don't have any monitoring mechanisms for those items that Laurence has brought to our attention, which are exactly the mechanisms that make anti-corruption reforms not effective. Therefore we have to kind of squeeze corruption, also pushing it from the global level but also trying to create monitoring mechanisms for those realities that are creating it: double standards, ambivalence in attitudes, lack of reflective leadership in the countries of the world.

So when you talk to the Russian leadership, when they chair international organizations, I think it's very important for Russia. I think it's very important for Russian leadership to be exposed to other leaders' behaviour and views. But what I also notice is that it's not always that the West or the international community brings the best example to the table. That's where examples such as Gerard Depardieu become quite important because that really gives that kind of message that it's the same everywhere.

That is something that I think would be my main message: we need to look into the issue of double standards and make them acknowledged in ourselves and in our own countries, not just the countries which are becoming chair or not, not just in the countries which are in the regular bottom third of the Corruption Perceptions Index, countries with tolerance of corruption. Thank you.

Michela Wrong:

Maybe I can just ask you a question myself. You talked about double standards, but you also can have a form of schizophrenia, where governments will sign international agreements – I saw this in Kenya, when they signed the agreement that set up the genocide court in Arusha and then President (Daniel arap) Moi going on a public stage and saying that no way was he going to allow the investigators from Arusha to turn up and question suspected Rwandan *genocidaires* in Kenya, and how dare they expect him to do that and why should he. You sort of thought: but you signed the agreement. You can have this sort of schizophrenia where yes, you've signed

the agreement because you want to look good and that's what everyone else is doing, and the civil servants want it done, but then the political reality hits home and those signatures don't have any validity. Is that a scenario that rings...

Alena Ledeneva:

Well I am pleased you say that, because it's not just Russia. My research area is Russia and I know the unwritten rules and the double standards and the kind of ambivalence of people best. The kind of ambivalence that you are talking about is exactly that you sign something that should be formally complied with but then you behave somewhere else, and there is a huge gap between how things should be and how things are in reality. That kind of gap is like a playing field for corrupt strategists. Everyone knows what one could do formally and how to best satisfy the law, but then everybody uses loopholes creatively in order not to upset the network or people who are watching you in the back, because unwritten rules are also enforced quite seriously by people who see that you don't step over the line.

That field is fairly under-researched. That's what I'm trying to say. When we create an Anti-Corruption Working Group for the G20, it's all very well to monitor legislation because it's easy; it's the formal side of the story. But to see how it is in practice, we need to create second-tier indicators that would actually get there.