Transcript Q&A

Tackling Corruption in a Globalized World

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Question 1:
Would you say on the whole that your view, having looked at corruption in all these various countries, that it is actually endemic to human nature – I think one of you was more or less implying that – varying from lobbies in America buying senators and others congressmen to Mafiosi attempts to intimidate and organize whole countries as in Italy, and to some extent maybe in Russia and others. Given that sort of generality, what results are actually being obtained by all these various committees and organizations that are set up to combat corruption in concrete terms? Is there any likelihood that you can possibly win?

Question 2:
I was very pleased to hear mention of the Extractive Industries Transparency Initiative, which deserves a boost, and particularly efforts to get countries in the Western world to sign up to it. But one thing missing from the list we heard from the panel was perhaps the role of corruption in undermining the rule of law. A particularly sensitive area is corruption within judiciaries and also police forces. Within police, of course, you have members of the public up against traffic policemen who impose unjustified fines – very common in large parts of the world – and then in the judiciary much closer to home than we like to think we have wholly corrupt judicial systems, from lawyers to prosecutors to judges. This is an area where governments, including our own, are very reluctant to act. It's too embarrassing, too sensitive in many ways. But its role in undermining the rule of law and in provoking feelings of revolutionary unease I think needs to be looked at rather harder.

Question 3:
I just wondered if you had a magic solution today, what would it be, to ensure that there is political leadership to tackle this issue once and for all?

Michela Wrong:
Okay, that's quite a lot of questions. I'll allow you to pick which ones you go for, not all of them necessarily.
Paul Kett:

Interesting questions – the scale of the challenge is sort of a theme which comes through a couple of those.

On the endemic question – is it a question of human nature? I simply don’t know. If what you see is that there are so many examples at so many different levels throughout the world, then clearly the answer is yes. But the reality is there has been progress in tackling it. This has been something which has been going up for the political leadership spectrum, if you like, in recent years and actually that’s one of the things that the G20 work has brought that real focus.

Though interestingly, one of the things that I have found most interesting in recent discussions on this is the shift of the debate in terms of the moral case for tackling corruption, which I don’t think is arguable in the sense that people understand and it’s compelling. One of the things about the G20 discussions has been increasingly making the economic case for tackling corruption. I think that has led to a much stronger focus and commitment and that political leadership flowing through. Some of the ways in which there is working between government and business and civil society is partly driven by that, in terms of the extractive industry and the construction sector as well. Those different elements of society coming together – government, business and civil society – to focus on those areas because of that coming together of the moral case, which is inarguable, and the economic case for tackling this. So I think that should give us cause for hope. I’m an optimist so I would focus it in that way.

It does go back slightly to, what is it that enables corruption in some sense? Actually the question around rule of law is one of – actually getting effective and functioning democracies with a strong sense of rule of law is kind of one of the givens. One of the challenges in terms of the G20 work is that although it hasn’t explicitly looked at the role of the judiciary, one of the focuses has been on anti-corruption authorities and enforcement agents, in whatever form they are. In which case I think we have looked at it in the general sense, in terms of are the components there to enable the state to effectively deal with instances of corruption when they arise. I think that focus is one that needs to continue.

I’m going to duck the magic solution question, because I don’t know what it is. I think the one thing I would highlight as having come up in so many different scenarios is the role of transparency. I think that might maybe tease up Laurence.
Laurence Cockroft:

Thank you. I wanted to say something on the first question but not as much as I would like to hear Alena speak about it, because she has a lot to say on this issue. I think an interesting way to look at it is the trade-off between ethics and standards. By ethics, I obviously mean the ethical traditions which we generally associate with the major religions, all of which actually without exception have something to say about corruption. It is always a human activity that is condemned. Then secondly the question of standards, because as we all know so often public standards have not kept in line with those traditional ethics. But there are in history and maybe at the present time situations in which ethics and standards come into line and then diverge again. So if you look at maybe this country from the late 19th century to the late 20th century, the standards were not too bad – maybe they are slipping again now, I would argue that, but in the early 19th century they were certainly appalling – so things do change over time. It’s very interesting to look at Brazil at the present time, because actually President [Dilma] Rousseff is taking an amazingly strong stand on corruption. There may be many people in the room who know that 30 congressmen have actually been sent to jail in the last three months on grounds of accepting bribes to swing their vote during the previous presidency of [Luiz Inácio] Lula [da Silva].

So we do see change over time and that’s a remarkable event in itself. So I’m not pessimistic about change. The question is whether or not the negative forces outweigh the positive forces.

On corruption and the law, that also changes. Both Michela and I have been very concerned not so long ago about issues in Kenya, which is still a very hot case, but as a matter of fact the current attorney general in Kenya is doing a very good job – or rather, the chief justice is doing a very good job in cleaning up the judiciary, which has been appalling for several decades. Then don’t let’s forget the case of the USA, because as a matter of fact the last five governors of Illinois have all been found guilty of one thing or another and three of them have gone to jail. So actually the law does occasionally triumph over politics. There are cases from different places.

Finally, is there one hit? I tried to sketch this in my opening remarks, that there are various ways in which the fruits of corruption converge. I mentioned political finance but I also mentioned the role of organized crime, which I regard as a form of corruption – and mispricing by multinationals and others. The common characteristic of all of these offences is that the money ends up in secret jurisdictions. So I would say my kind of one hit would be that there should be absolutely no way you can disguise the true owner of an account, a
trust fund or a company in any financial market in the world, whether it’s the Caymans or Shanghai or New York. That’s my one hit.

**Alena Ledeneva:**
I will just say very quickly about the magic solution as nobody wanted to pick it up. Oh, the hit on the offshore was your magic solution, right. I don’t think it is magic, I think it’s very real. It could be done.

**Laurence Cockroft:**
Yes, absolutely.

**Alena Ledeneva:**
Exactly. It’s interesting for me, from the perspective that I work, as to why it’s not happening. The thing is, very often we talk about corruption as if it’s something we should wage war against or we should fight, something that is ‘out there’. But actually it’s not out there, it’s in here. It’s in every one of us. Talking about the endemic nature of corruption, I think human nature is certainly part of it. Experimental economics shows that whichever nationality, whichever profession, whichever person you take and put in experimental conditions, under certain constraints they become corrupt. That means that our human way of being invites certain types of behaviour. It’s just there are societies where you could be a good brother and a good bureaucrat at the same time. There is a legal framework, there is a rule of law, and there are certain non-constraining family relationships that actually do not push to bend rules or engage in insider training and you could organize your life in a non-controversial way. But in some societies the squeeze is really strong, because if you are a good brother you are a bad bureaucrat or vice versa. People have to shoulder the load of those institutional frameworks somehow and therefore engage in corrupt behaviour.

We know what to do. We know that we need rule of law; we know that we need an independent judiciary. We know we need a watchdog media. We know we need to close tax havens in offshore territories. We know that. Intellectually, it’s not even a puzzle. The puzzle is how to get there, and how to identify those forces that are against. That is really where the agenda stumbles because to do that we need to turn to ourselves, to the leadership. That’s why my magic solution would be to really call for reflective
modernization of the leadership. Every leader should be an example in one’s own country.

**Michela Wrong:**

I was going to say exactly the same thing. It seems to me that when you’re talking about when your role as a bureaucrat pulls against your role as a brother, those happen in systems where the president is already doing that. Everyone is doing that. Everyone that you work with is saying: you stupid fool, this is the system; this is the way it works. When I became a journalist I remember somebody standing up in my journalism college and telling us how to fiddle our expenses. This was an old veteran tabloid hack, he said, ‘If you don’t do this, you won’t earn enough to survive, and this is how you do it. You add to this and you do that and the trip and this.’

That was being told to us in our twenties. When I joined Reuters, eventually someone told me that they didn’t want to sign off on my expenses because they could see there was one area where it had been fiddled. I was shocked, because I had been told this was what you did. But if I had known that my bureau chief was busy fiddling, that advice and that ticking off would not have had any impact. So I think leadership, that’s the magic solution. It’s not enough but you have to start with someone at the top who sets a good example.

**Question 4:**

Quick question, to do with the wider debate about the effectiveness of aid, but to what extent does the panel believe that the Western aid regime, if one can call it that, actually ends up embedding corruption in continents like Africa? Insofar as we often see organizations like DFID (Department for International Development) and the World Bank continuing to lend, come what may be going on in whichever countries, underlying corruption and such.

**Question 5:**

To put the question briefly, how can you incentivize, for instance, whistleblowing? Not only with the view of developing countries, where corruption is almost institutionalized, but perhaps also with a view of already developed countries that assist systematic corruption – for instance, within the financial system.
Question 6:

Given corruption’s endemic nature, which you have spoken about earlier on – if not in human nature, then certainly in the upper echelons of government, of the Russian government, right to the very top, that we all hear stories about – what you seem to be arguing, if I’ve understood you correctly, is that all of the architecture that Paul outlined is actually not worth much. It’s a kind of box-ticking exercise which the Russians use and can say – Mr [Vladimir] Putin and Mr [Dmitry] Medvedev have made many fine words about corruption which I think we could all agree with, but then reality is a different story. I’m really asking for clarification: are you suggesting that the architecture, of which there is plenty, as we heard, counts for nothing? And in fact what we need to see is really a sweeping away of the current political system with all that that implies, as far as Russia is concerned, and only then will there be substantial change in Russia. Have I understood that correctly or is that too much of a generalization?

Alena Ledeneva:

I’ll start with that one; it actually builds together with the question on systemic corruption. If you put yourself in Mr Putin’s shoes, where would you start, if there is systemic corruption? You would start with creating a formal institutional framework. Synchronize anti-corruption legislation with best examples in the world. You would try to take advice from the G20 Anti-Corruption Group. You would try to implement anti-corruption monitoring. So that’s normal, that’s what they’re doing. I don’t think it’s box-ticking. I think they are serious about it. The trouble is you cannot do everything at once. You have to build that framework. They are doing this. The trouble is they could do it much more effectively if there was also some work in education, some work along the lines of religious education and beliefs, some work on the double standards and unwritten rules that are also introduced.

In which sense, to give you a very easy example, everybody knows that police reform is very important and military reform is very important. It’s all over the papers. But at the same time in every kitchen you hear strategizing about how not to send your son for the army conscription. So those kids grow up with that kind of schizophrenia, as you say, exactly that. That ambivalence is not really acknowledged anywhere. There is no transparency about those double standards and that’s where the problem emerges.

All the important legislations that are finally through – it’s a huge achievement. I think the whole presidency of Medvedev is going to be
remembered for him being able to push anti-corruption laws in 2009. They were in the Duma for 20 years before then, with President [Boris] Yeltsin vetoing them. So that’s great progress. But I think we are trying to push here for the new agenda, for the future, for the shift of the paradigm. We have done a lot, a lot is happening. Transparency is there, now it’s another push into the corners where those corrupt practices get shifted to. Offshore is a huge focus for that one now.

**Paul Kett:**

Just one final point, picking up on that response: one of the things I would say about the Russians, in terms of their participation in these instruments now, is the review mechanisms that will kick in. There is something around, as we transition from getting infrastructure in place to the fact that there are regimes to monitor and evaluate. Whether or not that translates into action, there will be a light shone upon how effectively that implementation is happening. I think that will flow from it and I don’t think it was a small step in terms of the legislation they have passed.

In terms of the effectiveness of aid, one of the things I wanted to pick up was actually around opportunities for more intelligent and effective use of aid in relation to anti-corruption. One of the things that some of the DFID programmes are doing now is actually funding initiatives to help build capacity in terms of enforcement activity on the ground, in certain African countries in particular, to enable them to tackle corruption. I think that’s been a very positive step and indeed has resulted in a number of very significant improvements in what’s going on in a number of those countries.

In terms of the broader aid regime, I think it’s difficult to assess. Any large sums of money going into countries which have those elements, it’s always going to be a risk. The extent to which you can put controls around it becomes increasingly challenging. I think it’s something that needs an intelligent and strong focus in terms of minimizing those risks.

Just a very quick comment on the whistleblowing question. The point around incentives is important. One of the things we focus on in the G20 is around appropriate protections so that those who come through should not fear losing jobs or whatever it is. There are lots of different protections that exist, some in law, some in public policies. I’m not sure what the effectiveness is but we’ve done some work with OECD looking at that, which I think is publicly available from the OECD.
But I think the line of the whistleblowing question is one around culture. This is where actually civil society, business and government working together in terms of changing culture, about what are the behaviours that are rewarded – and it comes all the way back to that leadership comment at the end – that is going to be the way that whistleblowing is not seen as a ‘grass’ or someone who has in some way done something wrong by blowing the whistle. I think the language around it, the culture around it, for me is one of the biggest challenges.

**Laurence Cockcroft:**

I’m glad to have one area where I can completely disagree with Paul. I don’t agree with his analysis in response to the aid question. I think it’s virtually impossible to insert large quantities of money into societies which are endemicly corrupt and expect that money not to be siphoned off in one way or another. There is the famous issue of fungibility – for example, an aid donor may fund an educational programme that frees government resources to be used somewhere else, which then is highly likely, in a context where corruption is endemic, itself to be used corruptly.

I would like to point out that there is a huge issue around climate change funds. If the resolutions from Kyoto which have been substantiated in later climate change conferences go through, the total value of funds geared to address climate change will exceed total aid flows. There is very little discussion about how that should be safeguarded in terms of minimizing corruption. So I think that’s a very key area.

I’m afraid I come down as an individual with the view that aid has propped up corruption. It certainly is still doing so and it’s an issue that has not been sorted out. So if I’m pinned to the wall and you say do you then favour reduction in aid flows below present levels? I would say yes. But I would say frankly more importantly, I’m more concerned with what’s going to happen with climate change funds and how they are going to be safeguarded, which for all of us is actually an even more important question.

**Michela Wrong:**

Very good to bring in that element. Am I allowed to express my opinion on that aid question? Because I have written about this quite a lot. My feeling is that you’re much more likely to steal something that you know is of no value to the owner or the giver. If something is given, the tendency tends to be,
well, it wasn’t needed and therefore the person giving it doesn’t really mind what it’s spent on. I think that will apply to climate change money just as it applies to aid. We all have that reaction. You kind of think, huh, they’re not even going to notice. To be honest, there is an element of truth about that rationalization: we don’t notice where our aid money gets spent and we don’t ask questions about it. So it’s a perfectly logical way of thinking.

I’m afraid we do have to wrap it up, I’ve been told that Chatham House are really strict about their timekeeping so I’m going to be really strict. Thank you very much. Please thank our speakers. Thanks for coming; I’m sure that you can mob them all on the way out if you want to pursue them.