Research Report

Special Conference 2

Tackling corruption and miscommunication among large corporations

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Issue:	Tackling corruption and miscommunication among large corporations
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Introduction

Corruption is an important issue in today's world. It happens everywhere: From small businesses to large corporations, from local police stations to governments of important countries. The concept of corruption has existed for centuries and because it is harder to detect than normal crime it is still a huge problem today.

In my eyes, it is an unreachable goal to stop all corruption. Therefore it is important for the world to work together against corruption, in order to minimize the corruption and the harm that it causes to society.

This issue focuses on the corruption and miscommunication among large corporations.

Definition of Key Terms

Corruption:

Unlike "normal crime", it is hard to detect corruption. In "normal crime" there is always a perpetrator and a victim. The victim wants the perpetrator to be found so he therefore goes to the police.

However at corruption, there are two perpetrators who both benefit from each other. It is a "Win-Win" situation, so there is no reason to warn the police.
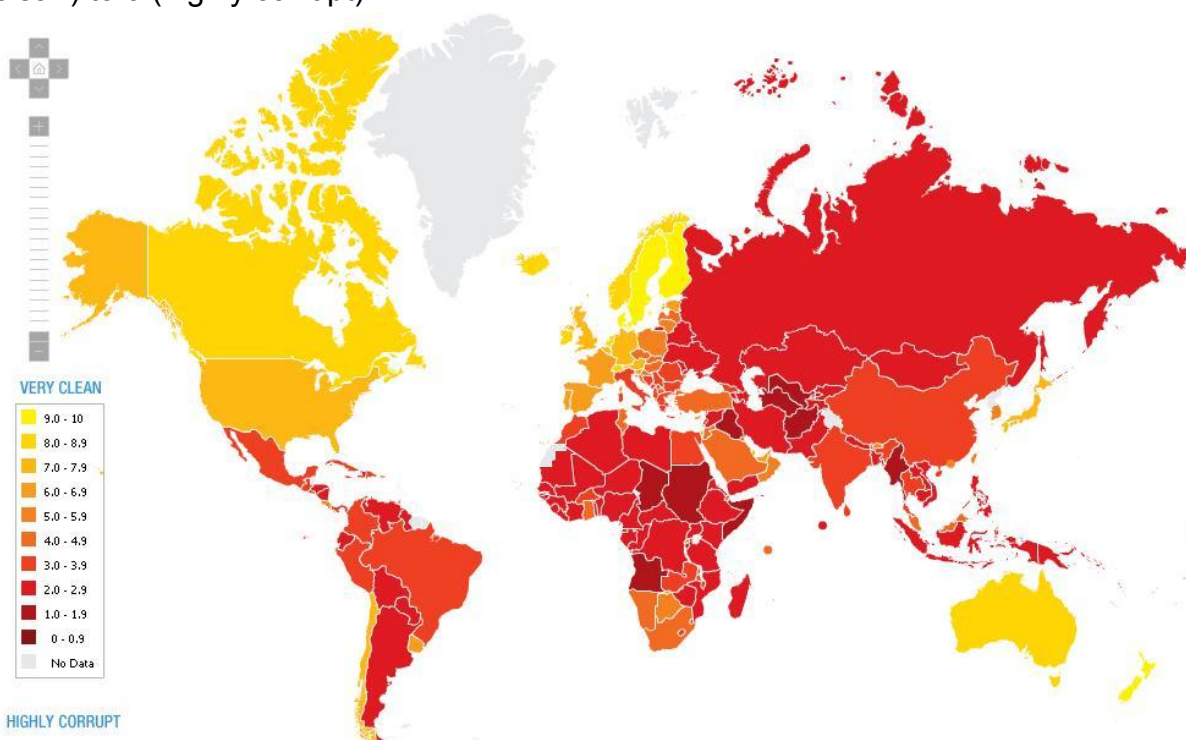
Corruption can be defined as the willingness of the person that is in a certain position, to misuse their power by making decisions that are not in compliance with their duty, but with personal advantages and those from other people who are affected by the person's decision. This is called bribery. Another form of corruption is wrongful decisions, which are made to benefit relatives or people that for example have the same political or religious view. This is called nepotism.

Corruption occurs in every society. Depending on culture and tradition, nepotism and bribery play different roles. As long as the corruption stays in the private sector, it is rather harmless for the state and the society. But when large corporations are being corrupt, this definitely harms a large amount of people.

General Overview

Like stated in the introduction, corruption occurs everywhere. According to Transparency Internationals "Corruption Perceptions Index" from 2010, "nearly three quarters of the 178 countries in the index score below five, on a scale from 10 (highly clean) to 0 (highly corrupt)".[1]

As I already mentioned, corruption is something that already happened centuries ago.

In 1748 there were riots in Groningen, in the Netherlands. Farmers attacked the major, because members of the municipal government were exempted of paying taxes. They were angry because not long before that, the taxes had been increased.

Today, corruption occurs on a much higher and larger scale as back then. Millions of dollars and euros are used to bribe people. There have been many scandals of well-known companies and politicians, who have been accused of corruption or who have even been proven to be corrupt.

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[1] Corruption Perceptions Index of 2010
http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results

One clear example is Siemens. This German corporation bribed foreign officials with millions of dollars, in order to receive large orders in other countries. The problem in Germany partly originates from the fact, that until 1998, German companies were allowed to bribe in other countries. This was even stimulated by various tax measures. It was possible for companies to deduct the money from the tax money.

Another example is the HGV manufacturer MAN, which was also part of a big corruption scandal. A former high chief of the concern confessed that MAN paid 9 million euros in bribes in order to receive an order of 84 million euros.

As you can see, these are two shocking examples of two well-known companies. But this is just the peak of the iceberg. There is much more corruption on this world and the worst thing is that innocent people have to pay for this. An example: A hospital needs new materials. They need new X-Ray machines, new beds, new hard rate monitors etc. They give out orders to different companies. One company pays a bribe and gets the orders to supply them with new high-tech X-Ray machines. Now no one has looked at the actual quality of these X-Ray machines, or if there are other companies that produce better ones. This may be small side effects, but the can turn into serious problems if things don't turn out like they should.

Added to that, there is the problem with the development aid. Instead of giving development aid to the people who need it, corrupt government officials enrich themselves with it. This happens in many Lower Economically Developed Countries (LEDCs), and that is the main reason why Transparency International was founded. Peter Eigen, a former Director of the World Bank in Eastern-Africa, founded Transparency International in 1993 because he saw the corruption happening while he was working for the World Bank. In his eyes, corruption was, and still is, one of the main reasons of the low success of development projects. He came to the conclusion that development aid cannot work, when corruptive structures between rich and poor countries and within individual countries are not broken down and made transparent. Because the World Bank forbid him the political activeness within the country where he worked, he came to the idea to found an independent NGO which exclusively was dedicated to fight corruption. Now transparency International is one of the biggest NGOs against corruption.

The other part of the issue is miscommunication. With all the large multinational corporations, communication hasn't become easier. The hierarchical structure is often too big and complex, to get information easily from one specific person to another specific person. At many points, mistakes can be made. The bureaucracy, the huge amount of paper work, the large amount of people that have to deal with it: Someone always can make a mistake which leads to miscommunication. The larger the companies get, the likelier these scenarios are. The problem is that if the miscommunication evolves to a larger problem, this could affect many of the employees.

Major Parties Involved

Basically every country is involved, either by having corruption in the country itself, or by having ratified one of the major anti-corruption treaties.

Transparency International:

Transparency International is a non-governmental anti-corruption organisation, which operates worldwide. It was founded 1993 in Berlin by the former Director of the World bank in Eastern-Africa, Peter Eigen and his colleagues from all around the world.

Siemens:

Siemens is one of the well-known companies which have been accused of corruption. Investigations revealed that over a long period, a system of bribes existed at this corporation.

MAN:

Another well-known company, which paid bribes to many governments and business partners in order to receive many large orders for busses and HGV's.

Timeline of Key Events

Date	Description of the Event
1977	The US Congress passes the Foreign Corrupt Practices Act, which criminalizes the bribery of foreign public officials by American firms.
1993	Founding of Transparency International.
1997	The OECD Convention against Bribery of Foreign Public Officials is adopted.
1998-1999	Two anti-corruption treaties by the Council of Europe, The Council of Europe Criminal Law Convention on Corruption (adopted the 4th of Novermber in 1998) and The Council of Europe Civil Law Convention on Corruption (adopted the 4th of November in 1999)
2000	The establishment by the General Assembly of an ad-hoc group which should independently form a treaty against corruption.
11th of July 2003	The African Union Convention on Preventing and Combating Corruption is adopted.

31. Okt. 2003   United Nations Convention against Corruption.

14. Dez. 2005   UNCAC entered into force.

Previous Attempts to Resolve the Issue

Inter-American Convention Against Corruption:

The Inter-American Convention against Corruption (March 1996, Caracas, Venezuela) was the first international convention to address the question of corruption. It recognized the wide spread of corruption all over the world, and it realized that corruption could only be fought against if the states would fight together.

The two main goals of the Convention are found in Article two. Firstly, states should promote and strengthen the development of the mechanisms that are needed to prevent, detect, punish and eradicate corruption. Secondly, the Convention stated that states should cooperate better to ensure more effective measures and actions to prevent, detect, punish and eradicate corruption.

United Nations Convention against Corruption (UNCAC):

One of the major steps against corruption was the United Nations Convention against Corruption. This convention was held on the 31st of October in 2003 and it was the first worldwide treaty on combating corruption. Currently, the convention has been ratified by 154 parties, which all agreed to punish various forms of corruption. On the 14th of December in 2005 the Convention entered into force.

By ratifying the Convention, states are required to implement anti-corruption measures in both the public- and the private sectors. This means for example an active involvement of the society in the fight against terrorism, but also an elimination of bank secrecy laws and an independent judiciary.

OECD Anti-Bribery Convention

The OECD Anti-Bribery Convention of 38 countries which aims to reduce corruption in developing countries. They establish legally binding standards to criminalize the bribery of foreign public officials. The Convention was signed in December 1997 and came into force on February 1999. The OECD monitors whether the countries implement the laws and regulations of the convention, the convention doesn't have the authority to implement it themselves.

Possible Solutions

Like I already stated, in my eyes it is impossible to fully stop corruption. But to achieve a minimum amount of corruption, cooperation in all sectors is needed. Businesses, governments and all other involved parties need to become transparent. Countries like Germany should finally adapt themselves in order to fulfill the requirements to ratify the UNCAC. Furthermore, Anti Corruption Agencies should be established like stated in the UNCAC. "The United Nations Convention against Corruption requires the establishment of such agencies, unless they already exist in some form, in two specific areas: preventative anti-corruption bodies (Article 6) and bodies specialized in combating corruption through law enforcement (Article 36)."[2]

Appendices

I. United Nations Convention against Corruption
    <http://www.unodc.org/documents/treaties/UNCAC/Publications/Convention/08-50026_E.pdf>

II. UN ANTI-CORRUPTION TOOLKIT
    <http://www.unodc.org/documents/corruption/publications_toolkit_sep04.pdf>

III. Transparency International <http://www.transparency.org/>, National Integrity System country reports
    <http://www.transparency.org/policy_research/nis/nis_reports_by_country>

IV. The United Nations Convention against Corruption: A Primer for Development Practitioners <http://www.u4.no/themes/uncac/introduction.cfm>

V. Institutional Arrangements to Combat Corruption - A comparative Study (UNDP)
    <http://regionalcentrebangkok.undp.or.th/practices/governance/documents/Corruption_Comparative_Study-200512.pdf>

VI. African Union Convention on Preventing and Combating Corruption <http://www.africa-union.org/Official_documents/Treaties_%20Conventions_%20Protocols/Convention%20on%20Combating%20Corruption.pdf>

VII. Inter-American Convention Against Corruption
    <http://www.oas.org/juridico/english/Treaties/b-58.html>

VIII. OECD Anti-Bribery Convention <http://www.oecd.org/dataoecd/4/18/38028044.pdf>

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[2] UN Anti-Corruption Toolkit, Tool 3, Page 89,
http://www.unodc.org/documents/corruption/publications_toolkit_sep04.pdf

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Wikipedia: <http://de.wikipedia.org/wiki/Siemens#Korruptionsaff.C3.A4re_und_Skandale>, <http://en.wikipedia.org/wiki/Transparency_International>, <http://en.wikipedia.org/wiki/Political_corruption>, <http://de.wikipedia.org/wiki/Korruption>

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