COST OF CORRUPTION / BENEFITS OF INTEGRITY

Annex G

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COUNTRIES' COMPETITIVENESS VS. CORRUPTION

CORRUPTION
- one of the main (many?) factors suffocating emerging economies

WORLD COMPETITIVENESS (Annex G.1)
- ranking by IMD Lausanne

CORRUPTION PERCEPTION INDEX (Annex G.2)
- ranking by TI / Göttingen University

COMPETITIVENESS AND CORRUPTION (other factors as well) (Annex G.3)
- highly competitive clean countries
- uncompetitive corrupt countries

HOW MUCH DOES IT COST? – WHO PAYS FOR IT?

HIDDEN COSTS – HIDDEN POSSIBLE BENEFITS (Annex G.4)
- easy to assess (?)
- corruption "tax" estimate – a conservative assessment
- National Accounts – statisticians' efforts

EVERYBODY PAYS
- the small, the big
- now, in the future

WHAT MAY BE DONE?

EVERYBODY KNOWS THESE DAYS *
- taking part (at last)
- information society – acting society

WHERE THE PRESSURE COMES FROM
- suffocated chances
- cash drain, brain drain, people drain

INTEGRATION AND INTEGRITY
- a chance to be "forced" into (more) integrity
- is (economic) power identical with integrity?

WHY WE (MAY CHOOSE TO, PREFER TO) DO SO LITTLE (Annex G.5)
- pains of freedom – Popper (again)

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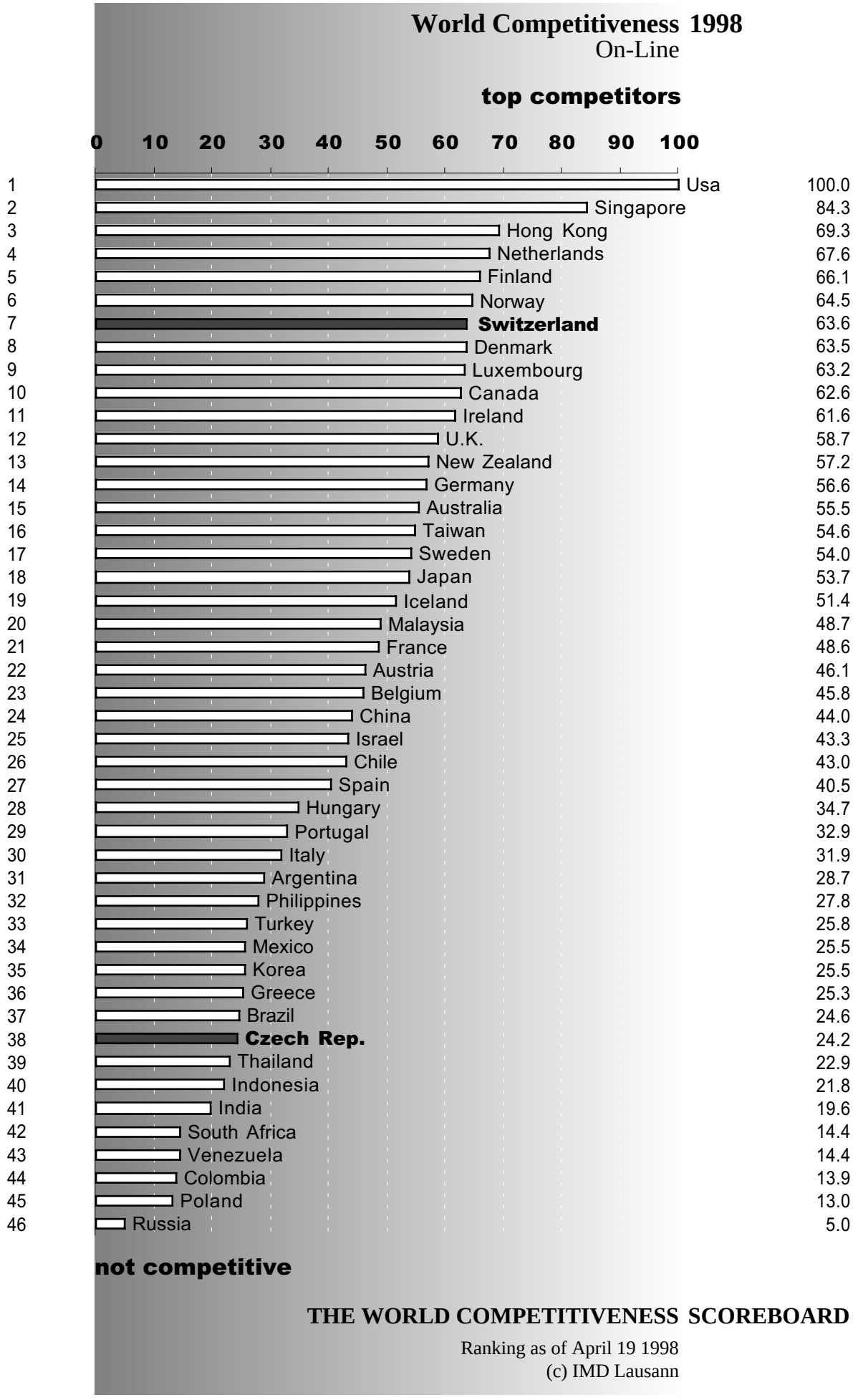
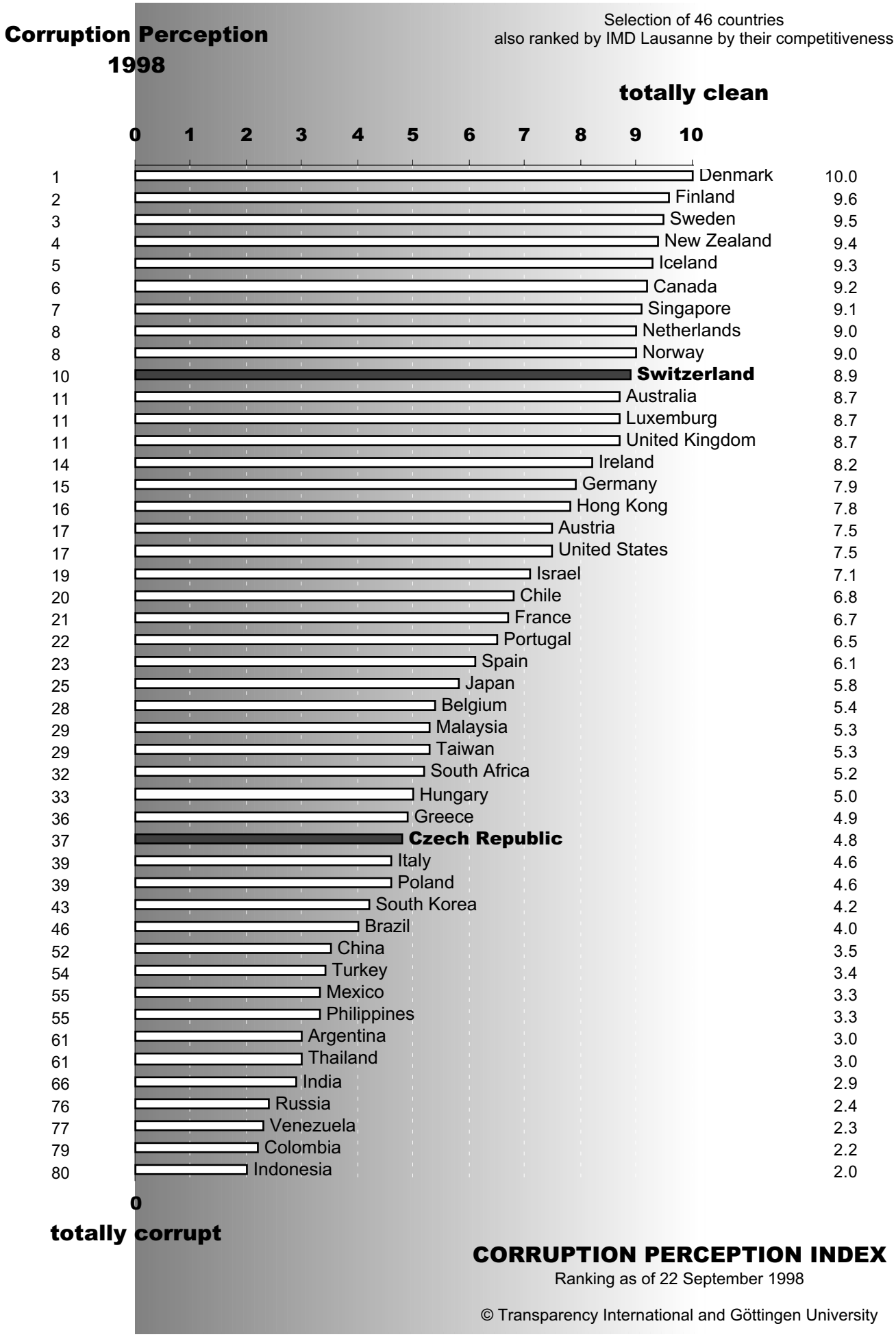
* SOME OF WHAT WE KNOW – AND WHAT WE HAVE JOINED IN (Annex I)
  - Déclaration d'Avignon, Avignon, Oct.98
  - Convention on Combating Bribery, Paris, Dec.97
  - Protection of the European taxpayer, Brussels, Apr.97
  - L'Appel de Genève / The Geneva Appeal, Geneva, Oct.96
* MEDIA'S ROLE – JUST A FEW EXAMPLES (Annex J)
  - Ein Staatsanwalt gibt Gas, Weltwoche, Oct.98
  - Business Views on Combating Corruption, CIPE, Aug.98
  - L'atlas mondial de l'argent sale, L'Express, May 98
  - Rundschau, Swiss TV, Apr./May 98

Annex G.1


World Competitiveness 1998
On-Line
top competitors
0 10 20 30 40 50 60 70 80 90 100
1 Usa 100.0
2 Singapore 84.3
3 Hong Kong 69.3
4 Netherlands 67.6
5 Finland 66.1
6 Norway 64.5
7 Switzerland 63.6
8 Denmark 63.5
9 Luxembourg 63.2
10 Canada 62.6
11 Ireland 61.6
12 U.K. 58.7
13 New Zealand 57.2
14 Germany 56.6
15 Australia 55.5
16 Taiwan 54.6
17 Sweden 54.0
18 Japan 53.7
19 Iceland 51.4
20 Malaysia 48.7
21 France 48.6
22 Austria 46.1
23 Belgium 45.8
24 China 44.0
25 Israel 43.3
26 Chile 43.0
27 Spain 40.5
28 Hungary 34.7
29 Portugal 32.9
30 Italy 31.9
31 Argentina 28.7
32 Philippines 27.8
33 Turkey 25.8
34 Mexico 25.5
35 Korea 25.5
36 Greece 25.3
37 Brazil 24.6
38 Czech Rep. 24.2
39 Thailand 22.9
40 Indonesia 21.8
41 India 19.6
42 South Africa 14.4
43 Venezuela 14.4
44 Colombia 13.9
45 Poland 13.0
46 Russia 5.0
not competitive
THE WORLD COMPETITIVENESS SCOREBOARD
Ranking as of April 19 1998
(c) IMD Lausann

Annex G.2


Corruption Perception 1998
Selection of 46 countries
also ranked by IMD Lausanne by their competitiveness
totally clean
0 1 2 3 4 5 6 7 8 9 10
1 Denmark 10.0
2 Finland 9.6
3 Sweden 9.5
4 New Zealand 9.4
5 Iceland 9.3
6 Canada 9.2
7 Singapore 9.1
8 Netherlands 9.0
8 Norway 9.0
10 Switzerland 8.9
11 Australia 8.7
11 Luxemburg 8.7
11 United Kingdom 8.7
14 Ireland 8.2
15 Germany 7.9
16 Hong Kong 7.8
17 Austria 7.5
17 United States 7.5
19 Israel 7.1
20 Chile 6.8
21 France 6.7
22 Portugal 6.5
23 Spain 6.1
25 Japan 5.8
28 Belgium 5.4
29 Malaysia 5.3
29 Taiwan 5.3
32 South Africa 5.2
33 Hungary 5.0
36 Greece 4.9
37 Czech Republic 4.8
39 Italy 4.6
39 Poland 4.6
43 South Korea 4.2
46 Brazil 4.0
52 China 3.5
54 Turkey 3.4
55 Mexico 3.3
55 Philippines 3.3
61 Argentina 3.0
61 Thailand 3.0
66 India 2.9
76 Russia 2.4
77 Venezuela 2.3
79 Colombia 2.2
80 Indonesia 2.0
0
totally corrupt
CORRUPTION PERCEPTION INDEX
Ranking as of 22 September 1998
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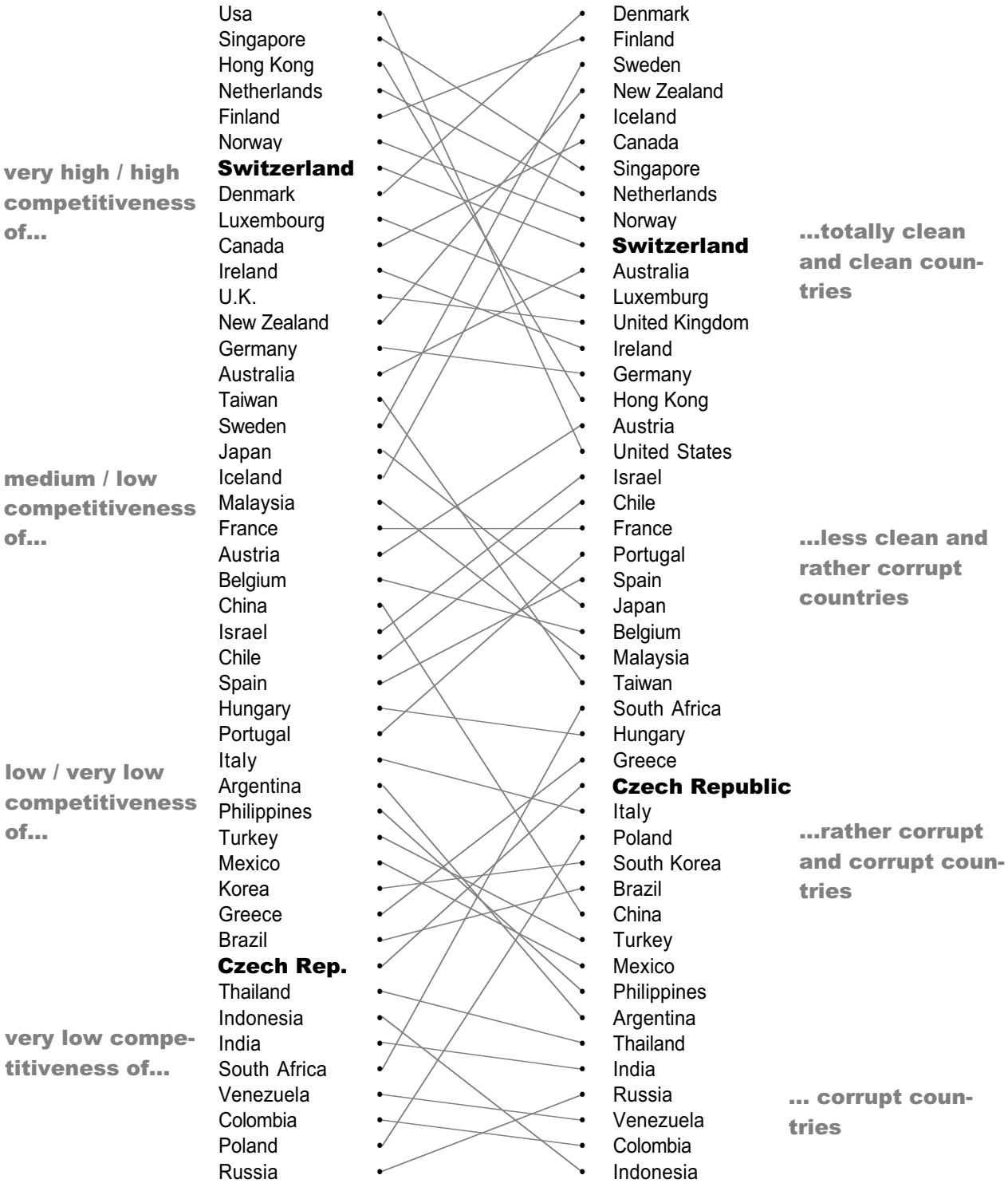
Annex G.3

COMPETITIVENESS AND CORRUPTION



WORLD COMPETITIVENESS SCOREBOARD
COUNTRIES' RANKING 1998
© IMD Laussane

CORRUPTION PERCEPTION INDEX
COUNTRIES' RANKING 1998
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Annex G.4

HOW MUCH DOES CORRUPTION COST ? -- WHO PAYS FOR IT ?

CORRUPTION "TAX" ESTIMATE

CZECH REPUBLIC		1990	1991	1992	1993	1994	1995	1996	1997
Nominal GDP	$ bn	32.3	25.4	29.9	34.3	39.7	50.3	56.6	52.9
corruption "tax" estimate p.a.	*/	**3.2**	**2.5**	**3.0**	**3.4**	**4.0**	**5.0**	**5.7**	**5.3**
cumulative since 1990		**3.2**	**5.8**	**8.8**	**12.2**	**16.2**	**21.2**	**26.9**	**32.1**
Exports	$ bn	5.9	8.3	8.4	13.3	14.9	25.1	27.6	27.1
corruption "tax" estimate p.a.	*/	**0.6**	**0.8**	**0.8**	**1.3**	**1.5**	**2.5**	**2.8**	**2.7**
cumulative since 1990		**0.6**	**1.4**	**2.3**	**3.6**	**5.1**	**7.6**	**10.4**	**13.1**
Imports	$ bn	6.5	8.8	10.4	13.3	14.9	25.1	27.6	27.1
corruption "tax" estimate p.a.	*/	**0.7**	**0.9**	**1.0**	**1.3**	**1.5**	**2.5**	**2.8**	**2.7**
cumulative since 1990		**0.7**	**1.5**	**2.6**	**3.9**	**5.4**	**7.9**	**10.7**	**13.4**
Foreign direct investment flow	$ m	na	na	100	600	700	2'500	1'400	1'300
corruption "tax" estimate p.a.	*/			**10**	**60**	**70**	**250**	**140**	**130**
cumulative since 1990				**10**	**70**	**140**	**390**	**530**	**660**
GDP per capita PPP	$	9'526	8'721	8'951	9'273	9'794	10'531	11'211	11'566
corruption "tax" estimate p.a.	*/	**953**	**872**	**895**	**927**	**979**	**1'053**	**1'121**	**1'157**
cumulative since 1990		**953**	**1'825**	**2'720**	**3'647**	**4'627**	**5'680**	**6'801**	**7'957**
Average yearly wage	$	2'191	1'542	1'972	2'395	2'874	3'694	4'277	4'001
corruption "tax" estimate p.a.	*/	**219**	**154**	**197**	**240**	**287**	**369**	**428**	**400**
cumulative since 1990		**219**	**373**	**570**	**810**	**1'097**	**1'467**	**1'894**	**2'295**
GDP	% change	-1.2	-11.5	-3.3	0.6	3.2	6.4	3.9	1.0
Industrial production	% change	-3.3	-21.2	-7.9	-5.3	2.1	8.7	2.0	4.5
Budget balance	% of GDP	na	-1.9	-3.1	0.5	-1.2	-1.8	-1.2	-0.5
Unemployment	%	0.8	4.1	2.6	3.5	3.2	2.9	3.5	5.2
Inflation	%	9.7	56.6	11.1	20.8	10.0	7.9	8.7	9.9
Trade Balance	$ bn	-0.7	-0.5	-1.9	-0.3	-0.9	-3.7	-5.9	-4.6
Current-account balance	$ bn	-1.0	0.3	-0.3	0.1	0.0	-1.4	-4.3	-3.2
Foreign exchange reserves	$ bn	1.1	3.9	0.8	3.9	6.2	14.0	16.1	15.0
Foreign debt	$ bn	6.4	6.7	7.1	8.5	10.7	16.5	20.8	22.0
Discount rate	%	na	9.5	9.5	8.0	8.5	9.5	10.5	13.0
Exchange rate	/ $	18.0	29.5	28.3	29.2	28.8	26.6	27.1	31.7
Population	m	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3

***/ "collection" of corruption "tax" at country "going rate" of 10%, corruption assessed as rather a part of most business transactions**

sources: WIIW, EBRD, Eesti Pank, FT, ING Barings, JP Morgan, Nomura, Reuters, national statistics
www.bcemag.com (all data, except corruption rate estimate*)

Annex G.5

"THAT'S CLASSICAL POPPER!"

closed society	**conflicts of opening**			open society
		people act		
stable, predicta-ble	deterministic	<–>	voluntary	hope, innovation
		social structure		
harmony	homogenity of interests	<–>	plurality of interests	plurality
		people are		
stable role structure	in a hierarchy	<–>	equal	equal chances
		protection of		
safety, order	collective	<–>	individual	individuality, freedom
clearness, sense	error free	<–>	trial and error	tolerance, learning

"nothing for free"

D. Geber, S. Boerner: Abschied von der offenen Gessellschaft?; Frankfurt/Main, New York; Campus 1995
based on Karl. R. Popper's Open Society and Its Enemies