COST OF CORRUPTION / BENEFITS OF INTEGRITY

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COUNTRIES' COMPETITIVENESS VS. CORRUPTION

CORRUPTION

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

WORLD COMPETITIVENESS

ranking by IMD Lausanne •

CORRUPTION PERCEPTION INDEX

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

- 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

pains of freedom – Popper (again)

* 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

- 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 J)

(Annex G.5)

(Annex G.4)

(Annex G.1)

(Annex G.2)

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	Russia									

not competitive

THE WORLD COMPETITIVENESS SCOREBOARD

Ranking as of April 19 1998 (c) IMD Lausann

Corruption	Perc 98	eption	1			â	also rank			n of 46 countries isanne by their co	ompetitiveness
									tota	lly clean	
	0 1	2	3	4	5	6	7	8	9	10	
1										Denmark	10.0
2		1	1		1	1.1	1			Finland	9.6
3	1	1	1	1	1					Sweden	9.5
4	1	1	1		1					New Zealand	9.4
5	1	1	1		1					celand	9.3
6	1	I	1		1					anada	9.2
7	1	L	1	1	1	1	1			ngapore	9.1
8	1	I.	1	1	I	1	1	1.1		therlands	9.0
8	1	1	1	1	1	1.1	1.1			rway	9.0
10					1					vitzerland	8.9
11	1		1	1	I				⊐ Aust	ralia	8.7
11	1		1	1	I	1	1		⊐ Luxe	mburg	8.7
11	1		1	1	I	1	1			ed Kingdom	8.7
14	1		1	-	1			Ir	eland	-	8.2
15	1		1	-				🗆 Ge	rmany		7.9
16						_		⊐ Hon	ig Kong	1	7.8
17	1							Austria	а		7.5
17								United	States	6	7.5
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20	_						🗆 Chile	;			6.8
21							⊐ Franc				6.7
22				_			Portug	al			6.5
23							pain				6.1
25		1			1	🗆 Japa					5.8
28		1				Belgiur					5.4
29		1				lalaysi	а				5.3
29		1	1	1		aiwan					5.3
32		1	1	1		outh Af	rica				5.2
33					- Hu	ngary					5.0
36					Gre						4.9
37						ch Re	public	•			4.8
39			· · · ·		Italy						4.6
39					⊐ Polan						4.6
43	1				South Ko	orea					4.2
46				Bra							4.0
52				China							3.5
54		1		Turkey Mexico							3.4
55				Philippi							3.3
55				gentina							3.3
61	l l l l l l l l l l	1		ailand							3.0
61			Indi								3.0
66			Indi Russia								2.9
76			Venezu								2.4
77 79			Colombi								2.3 2.2
79 80			Idonesia								2.2
ou			aonosia								2.0
	0										

totally corrupt

CORRUPTION PERCEPTION INDEX

Ranking as of 22 September 1998

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COMPETITIVENESS AND **CORRUPTION**

© V J ROTT Zurich

	Usa Singapore Hong Kong Netherlands Finland		Denmark Finland Sweden New Zealand Iceland	
very high / high competitiveness of	Norway Switzerland Denmark		Canada Singapore Netherlands Norway	
	Luxembourg Canada Ireland		Switzerland Australia	totally clean and clean coun-
	U.K. New Zealand		Luxemburg United Kingdom	tries
	Germany Australia		Ireland Germany	
	Taiwan Sweden		Hong Kong Austria	
medium / low	Japan Iceland		United States Israel	
competitiveness of	Malaysia France		Chile France	less clean and
	Austria Belgium		Portugal Spain	rather corrupt countries
	China Israel		Japan Belgium Malausia	countries
	Chile Spain Hungary		Malaysia Taiwan South Africa	
	Portugal Italy		Hungary Greece	
low / very low competitiveness	Argentina Philippines		Czech Republi Italy	
of	Turkey Mexico		Poland South Korea	rather corrupt and corrupt coun-
	Korea Greece		Brazil China	tries
	Brazil Czech Rep.	7/ 🕅	Turkey Mexico	
very low compe-	Thailand Indonesia India		Philippines Argentina Thailand	
titiveness of	South Africa Venezuela		India Russia	corrupt coun-
	Colombia Poland		Venezuela Colombia	tries
	Russia		Indonesia	

WORLD COMPETITIVENESS SCOREBOARD COUNTRIES' RANKING 1998

© IMD Laussane

CORRUPTION PERCEPTION INDEX COUNTRIES' RANKING 1998

© Transparency International / Göttingen University

HOW MUCH DOES CORRUPTION COST ? -- WHO PAYS FOR IT ? © V J ROTT Zurich 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" estimat	· · ·	3.2	2.5	3.0	3.4	4.0	5.0	5.7	5.3
cumulative since	-	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" estimat	e 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" estimat	e 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	v \$ m	na	na	100	600	700	2'500	1'400	1'300
corruption "tax" estimat	e 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. */			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	1'825 1'542	1'972	3'647 2'395	2'874	5'680 3'694	6'801 4'277	4'001
Average yearly wage corruption "tax" estimat	\$ e p.a. */	2'191 219	1'542 154	1'972 197	2'395 240	2'874 287	3'694 369	4'277 428	4'001 400
Average yearly wage	\$ e p.a. */	2'191	1'542	1'972	2'395	2'874	3'694	4'277 428	4'001
Average yearly wage corruption "tax" estimat cumulative since	\$ e p.a. */ 1990	<u>2'191</u> 219 219	1'542 154 373	<u>1'972</u> 197 570	2'395 240 810	2'874 287 1'097	3'694 369 1'467	4'277 428 1'894	4'001 400 2'295
Average yearly wage corruption "tax" estimate cumulative since	\$ e p.a. */ 1990 % change	<u>2'191</u> 219 219 219 -1.2	<u>1'542</u> 154 373 -11.5	<u>1'972</u> 197 570 -3.3	2'395 240 810 0.6	2'874 287	<u>3'694</u> 369 1'467 6.4	4'277 428 1'894 3.9	4'001 400 2'295 1.0
Average yearly wage corruption "tax" estimate cumulative since GDP Industrial production	\$ e p.a. */ 1990	<u>2'191</u> 219 219 219 -1.2	1'542 154 373	<u>1'972</u> 197 570	2'395 240 810	2'874 287 1'097 3.2	3'694 369 1'467	4'277 428 1'894	4'001 400 2'295 1.0 4.5
Average yearly wage corruption "tax" estimat cumulative since GDP Industrial production Budget balance	\$ e p.a. */ 1990 % change % change	2'191 219 219 -1.2 -3.3	1'542 154 373 -11.5 -21.2	1'972 197 570 -3.3 -7.9	2'395 240 810 0.6 -5.3	2'874 287 1'097 3.2 2.1	3'694 369 1'467 6.4 8.7	4'277 428 1'894 3.9 2.0	4'001 400 2'295 1.0
Average yearly wage corruption "tax" estimate cumulative since GDP Industrial production	\$ e p.a. */ 1990 % change % change % of GDP	2'191 219 219 -1.2 -3.3 na	1'542 154 373 -11.5 -21.2 -1.9	1'972 197 570 -3.3 -7.9 -3.1	2'395 240 810 0.6 -5.3 0.5	2'874 287 1'097 3.2 2.1 -1.2	3'694 369 1'467 6.4 8.7 -1.8	4'277 428 1'894 3.9 2.0 -1.2	4'001 400 2'295 1.0 4.5 -0.5
Average yearly wage corruption "tax" estimate cumulative since GDP Industrial production Budget balance Unemployment	\$ e p.a. */ 1990 % change % change % of GDP %	2'191 219 219 -1.2 -3.3 na 0.8	1'542 154 373 -11.5 -21.2 -1.9 4.1	1'972 197 570 -3.3 -7.9 -3.1 2.6	2'395 240 810 0.6 -5.3 0.5 3.5	2'874 287 1'097 3.2 2.1 -1.2 3.2	3'694 369 1'467 6.4 8.7 -1.8 2.9	4'277 428 1'894 3.9 2.0 -1.2 3.5	4'001 400 2'295 1.0 4.5 -0.5 5.2
Average yearly wage corruption "tax" estimat cumulative since GDP Industrial production Budget balance Unemployment Inflation	\$ e p.a. */ 1990 % change % of GDP % %	2'191 219 219 -1.2 -3.3 na 0.8 9.7	1'542 154 373 -11.5 -21.2 -1.9 4.1 56.6	1'972 197 570 -3.3 -7.9 -3.1 2.6 11.1	2'395 240 810 0.6 -5.3 0.5 3.5 20.8	2'874 287 1'097 3.2 2.1 -1.2 3.2 10.0	3'694 369 1'467 6.4 8.7 -1.8 2.9 7.9	4'277 428 1'894 3.9 2.0 -1.2 3.5 8.7	4'001 400 2'295 1.0 4.5 -0.5 5.2 9.9
Average yearly wage corruption "tax" estimate cumulative since GDP Industrial production Budget balance Unemployment Inflation Trade Balance	\$ e p.a. */ 1990 % change % of GDP % % %	2'191 219 219 -1.2 -3.3 na 0.8 9.7 -0.7	1'542 154 373 -11.5 -21.2 -1.9 4.1 56.6 -0.5	1'972 197 570 -3.3 -7.9 -3.1 2.6 11.1 -1.9	2'395 240 810 0.6 -5.3 0.5 3.5 20.8 -0.3	2'874 287 1'097 3.2 2.1 -1.2 3.2 10.0 -0.9	3'694 369 1'467 6.4 8.7 -1.8 2.9 7.9 -3.7	4'277 428 1'894 3.9 2.0 -1.2 3.5 8.7 -5.9	4'001 400 2'295 1.0 4.5 -0.5 5.2 9.9 -4.6
Average yearly wage corruption "tax" estimat cumulative since GDP Industrial production Budget balance Unemployment Inflation Trade Balance Current-account balance	\$ e p.a. */ 1990 % change % of GDP % % % \$ bn \$ bn \$ bn	2'191 219 219 -1.2 -3.3 na 0.8 9.7 -0.7 -1.0	1'542 154 373 -11.5 -21.2 -1.9 4.1 56.6 -0.5 0.3	1'972 197 570 -3.3 -7.9 -3.1 2.6 11.1 -1.9 -0.3	2'395 240 810 0.6 -5.3 0.5 3.5 20.8 -0.3 0.1	2'874 287 1'097 3.2 2.1 -1.2 3.2 10.0 -0.9 0.0	3'694 369 1'467 6.4 8.7 -1.8 2.9 7.9 -3.7 -1.4	4'277 428 1'894 3.9 2.0 -1.2 3.5 8.7 -5.9 -4.3	4'001 400 2'295 1.0 4.5 -0.5 5.2 9.9 -4.6 -3.2
Average yearly wage corruption "tax" estimate cumulative since GDP Industrial production Budget balance Unemployment Inflation Trade Balance Current-account balance Foreign exchange reserves	\$ e p.a. */ 1990 % change % of GDP % % % \$ bn \$ bn \$ bn	2'191 219 219 -1.2 -3.3 na 0.8 9.7 -0.7 -1.0 1.1	1'542 154 373 -11.5 -21.2 -1.9 4.1 56.6 -0.5 0.3 3.9	1'972 197 570 -3.3 -7.9 -3.1 2.6 11.1 -1.9 -0.3 0.8	2'395 240 810 0.6 -5.3 0.5 3.5 20.8 -0.3 0.1 3.9	2'874 287 1'097 3.2 2.1 -1.2 3.2 10.0 -0.9 0.0 6.2	3'694 369 1'467 6.4 8.7 -1.8 2.9 7.9 -3.7 -1.4 14.0	4'277 428 1'894 3.9 2.0 -1.2 3.5 8.7 -5.9 -4.3 16.1	4'001 400 2'295 1.0 4.5 -0.5 5.2 9.9 -4.6 -3.2 15.0
Average yearly wage corruption "tax" estimat cumulative since GDP Industrial production Budget balance Unemployment Inflation Trade Balance Current-account balance Foreign exchange reserves Foreign debt	\$ e p.a. */ 1990 % change % of GDP % % % \$ bn \$ bn \$ bn \$ bn	2'191 219 219 -1.2 -3.3 na 0.8 9.7 -0.7 -1.0 1.1 6.4	1'542 154 373 -11.5 -21.2 -1.9 4.1 56.6 -0.5 0.3 3.9 6.7	1'972 197 570 -3.3 -7.9 -3.1 2.6 11.1 -1.9 -0.3 0.8 7.1	2'395 240 810 0.6 -5.3 0.5 3.5 20.8 -0.3 0.1 3.9 8.5	2'874 287 1'097 3.2 2.1 -1.2 3.2 10.0 -0.9 0.0 6.2 10.7	3'694 369 1'467 6.4 8.7 -1.8 2.9 7.9 -3.7 -1.4 14.0 16.5	4'277 428 1'894 3.9 2.0 -1.2 3.5 8.7 -5.9 -4.3 16.1 20.8	4'001 400 2'295 1.0 4.5 -0.5 5.2 9.9 -4.6 -3.2 15.0 22.0

*/ "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*)

"THAT'S CLASSICAL POPPER!"



"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