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Leading exporters undermine development with dirty business overseas

***Foreign bribery by emerging export powers
disconcertingly high***

Berlin/Brussels, 4 October 2006 – Overseas bribery by companies from the world's export giants is still common, despite the existence of international anti-bribery laws criminalising this practice, according to the Transparency International 2006 Bribe Payers Index (BPI), the most comprehensive survey of its kind to date.

The BPI looks at the propensity of companies from 30 leading exporting countries to bribe abroad. Companies from the wealthiest countries generally rank in the top half of the Index, but still routinely pay bribes, particularly in developing economies. Companies from emerging export powers India, China and Russia rank among the worst. In the case of China and other emerging export powers, efforts to strengthen domestic anti-corruption activities have failed to extend abroad.

“Bribing companies are actively undermining the best efforts of governments in developing nations to improve governance, and thereby driving the vicious cycle of poverty,” said Transparency International Chair Huguette Labelle.

Respondents from lower income countries in Africa, for example, identified French and Italian companies as among the worst perpetrators.

“It is hypocritical that OECD-based companies continue to bribe across the globe, while their governments pay lip-service to enforcing the law. TI's Bribe Payers Index indicates that they are not doing enough to clamp down on overseas bribery,” said David Nussbaum, Chief Executive of Transparency International. “The enforcement record on international anti-bribery laws makes for short and disheartening reading.”

“The rules and tools for governments and companies do exist,” said Nussbaum. “Domestic legislation has been introduced in many countries following the adoption of the UN and OECD anti-corruption conventions, but there are still major problems of implementation and enforcement.”

The BPI numbers: No winners

Rank	Country	Average score	Percentage of global exports (2005)	Ratification of OECD convention	Ratification of UNCAC
1	Switzerland	7.81	1.2	X	
2	Sweden	7.62	1.3	X	
3	Australia	7.59	1.0	X	X
4	Austria	7.50	0.5	X	X
5	Canada	7.46	3.5	X	
6	UK	7.39	3.6	X	X
7	Germany	7.34	9.5	X	
8	Netherlands	7.28	3.4	X	
9	Belgium	7.22	3.3	X	
	US	7.22	8.9	X	
11	Japan	7.10	5.8	X	
12	Singapore	6.78	2.2		
13	Spain	6.63	1.9	X	X
14	United Arab Emirates	6.62	1.1		
15	France	6.50	4.3	X	X
16	Portugal	6.47	0.3	X	
17	Mexico	6.45	2.1	X	X
18	Hong Kong	6.01	2.8		
	Israel	6.01	0.4		
20	Italy	5.94	3.6	X	
21	South Korea	5.83	2.8	X	
22	Saudi Arabia	5.75	1.8		
23	Brazil	5.65	1.2	X	X
24	South Africa	5.61	0.5		
25	Malaysia	5.59	1.4		
26	Taiwan	5.41	1.9		
27	Turkey	5.23	0.7	X	
28	Russia	5.16	2.4		X
29	China	4.94	5.5		X
30	India	4.62	0.9		

Source: IMF, international finance statistics, 2005 figures. Available at:

http://ifs.apdi.net/imf/output/93B496BD-DCF8-41F8-B0F5-31C7A0A0793C/IFS_Table_36789.701535.xls

The results draw from the responses of more than 11,000 business people in 125 countries polled in the World Economic Forum's Executive Opinion Survey 2006. A score of 10 indicates a perception of no corruption, while zero means corruption is seen as rampant. Leading the ranking is Switzerland, but even its score of 7.8 is far from perfect. The message: there may be variations here but there are no real winners.

Greater influence, greater responsibility

India, China and Russia bring up the rear in TI's BPI ranking. India consistently scores worst across most regions and sub-groupings. China is the world's fourth largest exporter and ranks second to last in the Index.

"Foreign companies that commit the crime of bribery are undercutting Africa's anti-poverty efforts," said TI's Regional Director for Africa, Casey Kelso. "African countries should prosecute them vigorously. Regional development institutions such as the African Development Bank can help by enforcing debarment programmes that block crooked companies from profiting from development dollars while the poor are left out of the picture."

"With growing influence comes a greater responsibility that should constitute an opportunity for good", said Labelle. "This is the right time for Russia, China and India to commit to the provisions of the OECD Convention against Bribery and contribute

to the vitality of tomorrow's markets. In doing so they will become part of the effort to make corruption history."

The 'good' are not so good

Even high scorers are in major need of improvement. The behaviour of the Australian Wheat Board in the UN Oil-for-Food programme is just one example. In March of this year, German-US motor company DaimlerChrysler admitted that an internal probe confirmed allegations of 'improper payments' made by their staff in Africa, Asia and Eastern Europe.

Turkey, in 27th place, is nearly at the bottom of the BPI. This is a crucial result as the country pursues its bid for European Union membership. The poor score also raises troubling questions about the country's commitment to the OECD (Organisation of Economic Cooperation and Development) Anti-Bribery Convention, which entered into force there in 2003. Of Turkey's peers in Europe, France and Italy, both large exporters, score poorly. Isolating answers of African respondents places Italy and France in the bottom six countries overall.

The United States, which blazed new trails with its Foreign Corrupt Practices Act of 1977, ought to be leading the way, but ranks behind many OECD countries. The United Kingdom has demonstrated minimal enforcement of the Convention, despite scandals implicating firms such as British Aerospace. Transparency International has published periodic reports on Convention enforcement that show progress lagging across the OECD.

In Asia, strong domestic anti-corruption measures at home are not consistently translating into responsible business practices abroad, especially for Singapore, Hong Kong and Taiwan. They are assessed significantly worse by respondents from non-OECD countries – the same divide is evident for the United Arab Emirates – indicating a sharp double standard in business practices.

With the lion's share of its exports going to the United States, Mexico has a high score that stands out regionally, against a poorly-scoring Brazil.

Following the supply chain

It is the subsidiary companies of multinationals that are being ranked by many of the respondents of this survey. But "companies must be ready to take responsibility for actions along their supply chains," said Transparency International Board Member, Jermyn Brooks. "Multinationals cannot be absolved of the corrupt activities of their foreign branches, subsidiaries or agents, and they must conduct due diligence before engaging with joint venture or alliance partners. The purchasing, export, and marketing and sales departments remain the business functions most vulnerable to bribery and corruption."

The cost of a tarnished image 'back home' can be immense. And companies with a culture of bribery overseas face a heightened risk of being undermined by the unethical acts of their own employees. In the long run, it pays for companies to take proper measures to end corrupt practices.

Global standards for global justice

There is an active and growing international framework to address corruption in an increasingly globalised world. Progress has been made, particularly in the adoption of the OECD Anti-Bribery Convention, but its monitoring and enforcement must be more rigorous. Moreover, this progress will be undermined as long as major players such as China, India and Russia remain outside the framework. Major free riders

outside the system are a strong disincentive for OECD-based companies and OECD countries to play by the rules. If the system breaks down, everyone will lose. Voluntary adoption of the provisions of the OECD Anti-Bribery Convention will show that countries take the problem of foreign bribery seriously and could potentially serve as a prelude to full OECD membership.

RECOMMENDATIONS

- The OECD countries must step up enforcement of the OECD Anti-Bribery Convention's prohibition on foreign bribery and commit the necessary resources to monitor one another's enforcement.
- China, India and Russia should voluntarily adopt the provisions of the OECD Anti-Bribery Convention.
- Multilateral development banks must debar companies found guilty of foreign bribery.
- Companies must conduct due diligence when engaging in partnerships or acquisitions, and adopt and enforce strict internal no-bribes policies that include their agents, subsidiaries and branches.
- Developing countries should vigorously prosecute foreign companies found to have bribed on their soil, and must be supported in these prosecutions by the legal and financial cooperation of the host countries.

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*Transparency International is the global civil society organisation
leading the fight against corruption*

Note to editors:

Further analysis on the Bribe Payers Index is available in the Question and Answer sheet and the *BPI Analysis Report*.

Stay tuned for the 6 November launch of TI's flagship **Corruption Perceptions Index (CPI)**, which ranks over 150 countries on the basis of perceived levels of domestic corruption, and the 7 December launch of the **Global Corruption Barometer**, measuring popular perceptions of corruption in domestic institutions such as the police, judiciary and the executive.

9 December 2006 is International Anti-Corruption Day

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