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# [Global corruption report 2001] West europe and north america

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# West Europe and North America

**Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Malta, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States**

*By Paul Lashmar*

## Introduction

West Europe and North America include many of the world's most economically powerful countries, with close and well-established economic and cultural links. Together they contribute nearly 70 per cent of world exports. But the responsibility to the rest of the world that such power brings, not least in the area of preventing bribery, is often not fulfilled. And at home too, corruption afflicts many countries, not least in political party funding.

The extent of public sector corruption, particularly common in the contracting and execution of public works, varies markedly between countries and institutions. In Scandinavia and Canada, it appears to be negligible. Observers report much higher levels of corruption in a number of other countries, including Belgium, Greece, Italy and Portugal.[1] But recent cases of corruption involving senior politicians in Germany and prosecutions of police and state officials in the US reveal corruption in countries that had a relatively clean reputation in the past. Turkey, where democracy is fragile, has set about the task of tackling corruption, but, as was evident in its 2001 economic crisis, it has a long way to go.

Private sector companies from right across the region have been identified with the bribery of foreign officials, usually in developing or transition countries. Until recently many governments in West Europe and North America implicitly condoned bribery for foreign contracts, the US being a notable exception since the passage of the Foreign Corrupt Practices Act in 1977.

Approaches are changing in both the public and private sectors. Some intergovernmental institutions and their member states are emerging as leaders of international anti-corruption efforts. According to the OECD, 'corruption has moved to the top of the global political agenda and its dramatic impact on economic development and its corrosive effect on political stability and democratic political institutions has become increasingly obvious'.[2] Business leaders are also increasingly taking steps to prevent bribery as part of a wider trend to incorpo-

rate ethical standards in corporate codes of conduct. But it is clear that the increasing attention given to corruption is only a beginning, as more stories emerge of corruption by politicians and public officials within West Europe and North America – and of bribery abroad by companies from the region.

## News review

Eva Joly is one of a group of active investigating magistrates in the recently created financial unit of the Paris tribunal. She has run the investigation into perhaps the most prominent and far-reaching corruption case in the region – the Elf Aquitaine affair. With its allegations of corruption at the highest levels of French political life, the case has been at the centre of media attention in France over the last 18 months. Some US $350 million of the then state-owned oil company's funds were reportedly diverted for corrupt purposes.[3] Judge Joly has shown great determination in seeing that those involved are brought to justice. This year Roland Dumas, French foreign minister under the late president François Mitterrand and later head of the Constitutional Council, was found guilty of taking bribes. Released on bail to appeal against his sentence, Dumas made sweeping public allegations against the political establishment, and said that French justice was 'protecting those still in power'.[4]

Numerous corruption cases in France received heavy media coverage in 2000–01. Allegations against President Jacques Chirac were rekindled after a property developer said in a video recording that he had handed over illicit payments in Chirac's presence when he was mayor of Paris.[5] Mitterrand's son, Jean-Christophe, was meanwhile investigated for money laundering and illegal arms trafficking to Angola while serving as his father's African affairs advisor in the early 1990s. The investigation snared several senior politicians close to the late president.[6] In March 2001, the voters of Paris handed the city administration over to the Socialist Party for the first time, partly because the administration of outgoing mayor Jean Tiberi had become embroiled in allegations of corruption.[7]

In the latest twist in a long tale of party financing scandals linked to Germany's Christian Democratic party (CDU), former chancellor Helmut Kohl escaped prosecution in March 2001 but was forced to pay a US $142,000 fine. Kohl admitted accepting US $1 million from secret benefactors for his party while he was chancellor, breaking rules on the funding of political parties, but he denied accusations that his political decisions were affected by the donations.[8] Kohl continues to refuse to identify the donors.

The election of Silvio Berlusconi as Prime Minister of Italy raised the vexed question of just how important corruption is to Italian voters. Berlusconi was

elected in May 2001 with a comfortable majority in spite of numerous spent or pending legal actions concerning the media magnate's business and political probity. Elsewhere in Italy, while direct mafia activity has receded since the spectacular *Mani Pulite* ('Clean Hands') trials of the 1990s, public sector corruption continued to be rife. In September 2000 Massimo Guarischi, Chairman of the Lombardy regional assembly budget committee, was charged with rigging public contracts, along with eight businessmen.[9]

Privatisation and public-private finance initiatives are key sources of high-level corruption in the region. Spanish anti-corruption public prosecutors began an investigation in March 2001 into the allegedly fraudulent sale of the telephone installation company Sintel. The action was taken after unions accused the former management of embezzling millions of pesetas from the sale.[10]

Evidence has been mounting that Cyprus has evolved into a money laundering centre for both Russian mafia and Balkan despots. Much of the US $4 billion allegedly diverted from Serbia by the family of the former dictator Slobodan Milosevic is reported to have passed through Cyprus.[11] Concern also arose about the role of Greek banks in channelling money sent abroad by Milosevic.[12]

Corruption remains a pervasive problem in Turkey, hindering attempts at economic reform and entry into the EU. In February 2001, the government of Prime Minister Bulent Ecevit came under attack when he was accused by President Ahmet Necdet Sezer of 'dragging his feet' in the fight against corruption.

While petty corruption among the police in most developed countries has diminished, the massive amounts of money involved in the narcotics trade are a prime cause of corruption in many police forces. The head of the UK's National Crime Squad revealed that 61 officers were expelled from the elite crime fighting squad in the first three years of its existence. Seven were accused of corruption, including taking bribes and dealing in drugs.[13] Although the UK's new Freedom of Information Act, passed in November 2000, was criticised by campaigners for not going far enough, it may have some impact in limiting the scope for corruption across the public sector.[14]

There are few reports of public sector corruption in Scandinavia, but in April 2001 the World Bank put seven Swedish companies and one Swedish individual on its blacklist of entities disbarred from tendering for World Bank-financed contracts. The bans are linked to the sacking of several employees of the World Bank in December 2000 after it was alleged they took kickbacks for steering contracts in the direction of firms paying bribes.[15]

Regional institutions are playing an increasing role in the fight against corruption. Within the Council of Europe, which links West and East European countries, the anti-corruption strategies of a number of states are being examined in a

## From corruption to crisis: a turbulent year in Turkey

Recent events in Southeast Asia and Russia underlined one basic rule of the globalised economy: economic crisis is often bound up with corruption. Now Turkey has shown that it is no exception.

A package of IMF monetary reforms was introduced in Turkey on 1 January 2000. It did not include the structural changes needed to end irresponsible public spending, but observers at the time were upbeat. There was optimism that Turkey might see an end to 20 years of high inflation.

As inflation and interest rates fell, the issue of corruption was far from the public's mind. The warning signs came in November 2000, when several banks declared bankruptcy and were taken over by the government. Investigations revealed that the capital of at least five of them had been 'drained' by the owners and deposited in offshore accounts.

Turkey's economic woes intensified in February 2001 and were still not over as the *Global Corruption Report 2001* went to print. Perceptions of a crisis in government led to massive investor withdrawal, followed by a currency devaluation and liquidity crunch. A key factor in this was public awareness of the government's difficulties in the fight against corruption.

Prime Minister Ecevit declared during a press conference on 19 February that there was a crisis at the highest level of the state. He was reporting on a confrontation at a National Security Council meeting in which President Sezer had pushed for an intensification of the fight against corruption.

The Prime Minister had argued that the fight against corruption was not his responsibility. President Sezer apparently responded by throwing the constitution at the Prime Minister (literally, according to news reports), arguing that in fact he could and should take action against corruption with the agencies under his control.

This incident crystallised a divide in public life on the issue of reform. Some institutions and individuals are struggling for the change in political attitudes needed to fight corruption. President Sezer is one of them. A handful of ministers, the majority of the army command, and sections of the business community that promote integration within the global economy are also calling for serious anti-corruption measures.

The role of civil society in the fight against corruption was given greater prominence with the publication in February 2001 of a survey of corruption in Turkey carried out by the Turkish Economic and Social Studies Foundation (TESEV).[1]

Pressure from the international community is strengthening. The World Bank, the IMF, the US and the EU have all called for far-reaching changes to Turkey's political and administrative structures. The government announced a new economic programme on 19 March 2001 to meet the conditions set by the countries that are lending currency through the IMF.

The measures include making the central bank independent of government, an accelerating programme of privatisations (notably of Turkish Airlines and Turk Telecom), and deregulating key industries, including electricity distribution.

Turkey's candidacy for membership of the EU also provides pressure for reform. For negotiations to open on Turkey's accession to the EU, it must first carry out a series of reforms, many of which correspond to the conditions of the IMF loan.

**Turkish Economic and Social Studies Foundation (TESEV)**

1 TESEV, 'Corruption in Turkey,' February 2001, <http://www.tesev.org.tr/eng>.

programme of evaluations undertaken by GRECO (the Group of States against Corruption), one of the Council's principal anti-corruption initiatives.[16] The Council has a range of legal instruments against corruption. The Criminal and Civil Law Conventions on Corruption define common principles and rules and seek to improve international cooperation in the fight against corruption. Signing is optional for member states.[17]

On the issue of corruption the EU showed little leadership until recently. It failed to take all possible regulatory measures to curb trans-border corruption, relying rather on the work of the OECD. But under the presidency of Romano Prodi, the EU put transparency and the elimination of corruption in its own institutions at the top of its agenda, following the collective resignation in 1999 of the European Commission in the wake of a series of accusations of nepotism and mismanagement. The European Anti-Fraud Office (OLAF), first established in 1999, is currently being expanded through a major recruitment drive, although in a newspaper interview in early 2001 Franz-Hermann Brüner, its Director General, said that the limited independence of OLAF from the Commission was a constraint on its effectiveness.[18] The EU is also giving the fight against corruption greater prominence in external relations, through the Cotonou Agreement, for example, that governs relations with African, Caribbean and Pacific (ACP) countries.[19] The Agreement includes articles that specifically address the fight against corruption. These reflect a growing concern among EU governments that aid should work to strengthen governance in developing countries. New procurement rules have been introduced into EU aid, which include the exclusion from future EU-financed contracts of companies convicted on bribery charges.

Concern with corruption abroad is shared by the US government. The International Anti-Corruption and Good Governance Act, signed into US law by former president Bill Clinton in October 2000, introduced a new formal goal to US foreign development policy: 'the promotion of good governance through combating corruption and improving transparency and accountability'. Under the Act, anti-corruption programmes will be integrated as a component of US aid to developing countries.[20]

Public sector corruption continues to rear its head within the US, often in local administrations. In April 2001 the long-standing mayor of Providence, Rhode Island, was indicted on federal corruption charges as part of a major FBI investigation into Providence City Hall that had already resulted in a number of convictions.[21] In another investigation, the mayor of Camden, New Jersey, was convicted of fraud and soliciting bribes from figures in organised crime.[22] Meanwhile, a vast network of corruption has been exposed in the Los Angeles Police Department (LAPD). Although a high-profile trial of police officers ended in

## Fighting corruption as a priority for international development

I welcome this first *Global Corruption Report*. To those already involved in the fight against corruption, I hope it provides fresh inspiration. Among those who are not yet engaged, I hope it promotes a conviction that action is necessary and feasible. Too often, corruption thrives because of a climate of despondency, because people believe nothing can be done. The experiences documented in these pages provide the evidence that strategies to tackle corruption can be implemented successfully.

Corruption casts a long shadow, but it is the poor of the world – the one in five of humanity who live in abject poverty – who pay the highest price. Poor people are most directly affected by petty corruption – the dishonest policeman, the official who will not provide a service without a 'tip'. But they also suffer the consequences of grand corruption, which diverts substantial resources away from the public good and into the pockets of the corrupt few.

Of course, corruption is not confined to the developing world and it is clear that businesses in developed countries often fuel corruption overseas. Developed countries have a responsibility to root out sources of corruption in their jurisdictions, and to be ready partners in assisting the tracking and reclaiming of funds looted from developing countries.

I do not have any illusions about the scale of the task in bearing down on corruption. But the prospects for progress have never been better. Poor people are demanding action. Governments are increasingly aware of the costs of corruption to trade and investment. Corrupt leaders are being exposed and chased from office. Many players are now engaged: international organisations, business, governments and civil society all have contributions to make.

Helping build the systems for effective management of public finances, law enforcement and democratic accountability is essential to enabling developing countries to crack down on corruption. Too often in the past, OECD governments were ready to blame governments for the fact that they lacked the capacity to do what was needed. The reality is that there are those who abuse positions of power in all political systems. In all our countries there has been a history of corruption. The difference between industrialised and developing countries is not moral commitment, but systems that constrain, catch and punish corrupt behaviour. Development agencies must be more committed to help put such systems in place and to enter into long-term partnerships to help build such capacity as a potential for successful development.

Transparency International was the first and loudest voice to challenge corruption in international development and trade and to demand action from governments. I applaud its achievement. Never has the challenge of corruption been so openly debated. Never have we better understood how to tackle it. We must all commit ourselves to action to curb this corrosive force for which the poor of the world pay the biggest price.

**The Rt Hon Clare Short, MP**
**UK Secretary of State for International Development**

acquittal in December 2000, the original investigations led to a series of reviews of previous arrests and prosecutions and to the appointment of an independent monitor to oversee the LAPD for a five-year period.[23]

## Political donations and corruption

During 2000–01, many of the allegations of corruption in West Europe and North America centred on donations to political parties. France, Germany, the UK and the US were among the countries affected. In some cases the scandals dated back to the 1980s, but that in no way diminished their significance.

Efforts have been made in a number of countries to reform legislation so as to reduce the potential for corrupt political donations, but incidence of this problem is expected to rise, rather than fall.[24] In the TV age, where advertising is the key to campaigning, the cost of standing for election has been rising rapidly. There has been a fall in individual contributions to parties as a result of the declining role of the traditional activist. Parties seek more funding from taxes, but there will always be constraints on this source. So parties turn to rich donors and corporations, who often see their contributions as a means of securing political influence.

The Elf Aquitaine investigation was the most prominent case during 2000–01 of corruption linked to political funding. According to political scientist Dominique Moisi, political corruption worsened in France in the 1980s under Mitterrand, as a result of both decentralisation and the steeper funding required by the 'Americanisation of political campaigning'.[25] The Elf Aquitaine affair spread from France to Germany where it was alleged that millions of dollars were paid by Elf in 'commissions' relating to the privatisation of the Leuna refinery in eastern Germany in the early 1990s.[26]

Meanwhile, also in Germany, a series of party financing scandals has gripped the Christian Democratic party (CDU) in the last few years. A presidential inquiry into reform of Germany's party funding laws, the Rau Commission, was established in January 2000 in response. Most political parties submitted recommendations to the Commission, but TI-Germany described them as 'piecemeal and full of loopholes' and submitted its own set. As of May 2001, Chancellor Gerhard Schröder's Social Democratic party had yet to come forward with proposals of its own. Major reform is unlikely to occur before the 2002 federal elections.[27]

In Ireland, in January 2001, journalists watched parliamentarian Liam Lawlor light a bonfire in his back garden to burn allegedly confidential financial documents.[28] Lawlor had just spent a week in Mountjoy Prison for refusing to cooperate with the Flood Tribunal, which investigated the planning process relating to land in County Dublin and improper payments made to politicians. Lawlor was allegedly at the centre of a web of bribery involving politicians that stretched back 20 years. Meanwhile the Moriarty Tribunal, running since 1997, continued its investigation of illegal payments allegedly made to former prime minister Charles Haughey and former minister Michael Lowry.

In the UK, the Labour government suffered from repeated allegations that

## Elf Aquitaine: grand corruption goes to court

The investigation into the activities of French oil company Elf Aquitaine had far-flung international ramifications in 2000–01. The year saw Elf's former chairman in court, along with former foreign minister Roland Dumas. Allegations relating to the company emerged from Angola and Germany, shedding more light on the role played by multinational corporations in perpetuating corruption abroad.

Political and oil industry officials were incriminated in illegally profiting from the company's public status and through its overseas subsidiaries; covering their tracks with banking secrecy; and using slush funds to achieve political ends.

The complex trial opened in Paris in January 2001 amid intense media attention. The accused included Dumas, his former mistress and Elf lobbyist Christine Deviers-Joncour, former Elf chairman Le Floch-Prigent and his close associate, Alfred Sirven. The first two were accused of taking bribes and, in the case of Dumas, misuse of public funds; the latter two with misuse of corporate funds. On 30 May, Dumas was sentenced to six months in prison and a fine of FFr1 million (US $130,000). The other defendants all received prison sentences and fines.

The court refused on technical grounds to include additional allegations about Elf's supposed intervention to secure the purchase by Taiwan of six French frigates.

The German Leuna refinery affair revealed further evidence of Elf's unscrupulous activities. In June 1991, the Treuhandanstalt – the body in charge of privatisation in former East Germany – announced its intention to privatise the network of Minol service stations and the refinery. The final agreement, signed in July 1992 between the Treuhandanstalt, Thyssen (an intermediary registered in Liechtenstein) and Elf's refinery management division, involved an investment of more than €2.59 billion (US $2.19 billion). But in a report of 14 September 2000, investigating Swiss judge Paul Perraudin said that the deal was based on political rather than economic factors.

A third area of intrigue concerned Elf's African activities. The investigation showed that between 1990–97 more than €91.4 million (US $ 77.1 million) was transmitted to the Swiss accounts of the Elf Aquitaine group's 'Mr Africa'. The sums, entered into balance sheets under the rubric 'execution of Elf group commitments', appear to have been used as secret payments to presidents in francophone Africa and Angola.

The tangle of clandestine bank accounts that investigators had to sift through, and the plethora of secret funding protocols, meant that it took ten years for the Elf affair to come to trial. Judicial cooperation with Switzerland, the single most important destination of the illegal money, was crucial. After international requests for assistance, the judges identified several recipients of transfers from the Swiss accounts of Alfred Sirven. Since September 1997, Judge Perraudin has been responsible for an investigation into 'unfair management and money laundering' relating to capital distributed by Elf between 1989–93.

The quest for the truth about Elf's activities encountered many obstacles. Sirven avoided arrest for five years and was only placed on Interpol's 'wanted' list after 1999. Vital documents disappeared from the premises of the financial squad in charge of the investigation in April 1997, and computer memories were also 'visited'. Meanwhile, the investigating judges have still not been able to convince customs authorities to send them archives that contain the record of Elf commissions paid abroad between 1989–93.

As for Leuna, German prosecutors have been far from zealous. Law officers in Magdeburg, which has jurisdiction in the case, have still not launched an official investigation, and the German authorities waited until March 2001 before suing for damages.

**Yves-Marie Doublet**

political donations had resulted in improper influence despite its early promises of transparency. Legislation was passed in 2000 that introduced new restrictions on party funding and that required greater transparency from parties in declaring the source of their donations.[29]

There have been continuing attempts to reform the US campaign financing system, with a range of options advocated. Critics liken the current system to a legal 'money laundering' operation that exchanges cash for influence. Its defenders argue that limits on political donations violate free-speech rights and endanger political parties. According to academic Michael Johnston, while the influence of individual campaign donations is often 'too small to draw much attention', the volume of funds in the system may 'collectively add up to a corrupting influence upon American politics'.[30]

Perceived political corruption has contributed to growing popular disillusionment with the established parties and with 'money-driven' political systems.

Of particular concern are the unlimited 'soft money' donations from corporations, unions and wealthy individuals to national parties that circumvent the spirit of campaign laws. The escalating scale of soft money donations has led to calls for change from many quarters. In March 2001, Senators McCain and Feingold proposed a bill to reform US laws on political donations. At the core of the McCain-Feingold bill is a ban on 'soft money' contributions. As the *Global Corruption Report 2001* went to print, the Senate had passed the bill, and the House was preparing to consider it.[31]

With political corruption exposed as never before, the issue of political donations has emerged as one of the most controversial areas in the democratic process. Unless major reforms in laws affecting political funding are undertaken, politics will remain vulnerable to accusations that undue influence can be wielded by wealthy individuals and corporations. Perceived political corruption has contributed to growing popular disillusionment with the established parties and with 'money-driven' political systems. Declining levels of voter turnout are eloquent testimony to this.

## Outlawing bribery of foreign officials

In the past, the extent of bribery of foreign officials by companies based in West Europe and North America seeking to win contracts in other parts of the world was a matter of pure speculation. Recently that has begun to change, as court cases and surveys make clear that Western companies have long been a key source of corruption in developing countries.

The US Department of State wrote in a June 2000 report that it had a list of 'foreign firms on which credible information exists indicating that they have been engaging in activities that would be prohibited by the [OECD Anti-Bribery] Convention'.[32] In a typical year, 1998, the US intelligence community found that some 60 'major international contracts' valued at US $30 billion went to the biggest briber, according to then secretary of commerce William Daley. 'This was in just 12 months,' said Daley. 'Corruption, obviously, is big business.'[33]

Recently, a number of prominent court cases caught the public's attention. One allegation that emerged from the Elf Aquitaine case is that the company paid bribes to senior African politicians and officials over a 25-year period.[34] In Lesotho, the case of a government official charged with receiving bribes put the spotlight on the international construction companies alleged to have paid the bribes to win contracts in the multi-billion dollar dam project. Accusations were made against a dozen of the world's leading construction companies – from Canada, France, Germany, Italy, South Africa, Switzerland and the UK – though the companies denied paying the bribes.[35]

Since 1977, the Foreign Corrupt Practices Act (FCPA) has exposed US businesses to prosecution when they bribe foreign officials. Under the FCPA, the US Justice Department considers some 25–40 cases a year. Many of the largest US corporations have developed detailed FCPA compliance programmes that include staff training. However views differ as to the efficacy of the FCPA and the adequacy of resources available for investigations. In Transparency International's Bribe Payers' Index, which measures perceptions of the frequency with which bribes are paid by companies from the 19 leading exporting countries, the US appears in the middle of the ranking. And of the world's leading exporters, the US government is perceived to be the most likely to engage in 'unfair practices' to benefit its businesses.[36]

Since the OECD Anti-Bribery Convention came into force in 1999, most West European countries have made the bribery of foreign public officials a criminal offence, and the US too has had to adapt its legislation to come into line with the Convention. In part because of the Convention, most Western governments have now also eliminated the practice whereby companies were able to claim tax deductions on bribes paid abroad. Fifteen countries that signed the Anti-Bribery Convention previously allowed tax deductibility, but 13 of those have since revised their legislation.

But OECD members differ in the speed with which they have introduced corrective legislation and effective enforcement systems: it will be some time before the full effect of the Convention is felt.[37] Furthermore, the Convention contains a major loophole. It does not bar multinational companies from making contribu-

tions to foreign political party officials, and that may prove to be a key means to gain influence.

There is also pressure for change in the area of export credit insurance. These funds insure companies against some of the political risks of operating abroad – and are provided either by the state, or privately but with state support if losses are made. Hidden bribes or semi-legal commissions have traditionally been covered, with the illegal commission quotient sometimes reaching as high as 30 per cent. In response to a Transparency International initiative, OECD member states announced in Paris in December 2000 that they agreed to measures to deter bribery in this area. The measures called for export credit agencies in all OECD countries to obtain written statements from companies applying for coverage, that they had not and will not engage in bribery.

These legislative changes are having a perceptible impact. Western companies, increasingly conscious of their public image, have incorporated anti-bribery mission statements and compliance procedures into their company codes and regulations. But a dramatic change of corporate practices is unlikely to occur unless anti-bribery legislation is supported by determined investigation and vigorous prosecution.

## Curbing money laundering

Last year saw notable developments in the crackdown on money laundering.[38] Although it is the war against drugs that propels this campaign, rather than corruption, money laundering is also essential to the bribery process. In almost all cases of international corruption, those bribed need to deposit the proceeds in offshore financial centres or in countries with relaxed banking regulations.

Offshore centres that act as money laundering conduits cannot work effectively without the cooperation of banks in major financial centres that are able to reinvest the cash. In February 2001, a report was published by the minority staff of a US Senate committee that highlighted a number of money laundering cases and accused major financial institutions of absorbing large sums through correspondent relationships with foreign banks without due diligence on the real owners of the cash.[39]

Investigations into the accounts of the family of former Nigerian president Sani Abacha by the Swiss Federal Banking Commission and the UK Financial Services Authority revealed that a large share of the money travelled through private accounts in British retail banks.[40] This confirmed a suspicion, heightened by the 1999 Bank of New York scandal, that the reporting of suspicious transactions is still poor in the City of London. In March 2001, the UK government published

a Proceeds of Crime Bill that will broaden existing anti-money laundering legislation and establish an agency for the recovery of criminal assets.[41]

The most encouraging signs of change occurred in Switzerland, where the heads of the big Swiss banks have come under pressure to open their books if accounts are suspected of being connected to serious crime. The impetus for greater transparency came from the belief that large sums of money, deposited in accounts by Holocaust victims, were being withheld from their heirs by Swiss banks hiding behind secrecy laws. In 1995, the government overcame its longstanding reluctance and allowed these allegations to be investigated. Pressure on the banking system mounted over the money stolen by the late president Ferdinand Marcos of the Philippines. Though some funds were returned, campaigners say the bulk is still secreted in accounts in Switzerland or Liechtenstein.[42] The Swiss government extended the Holocaust precedent and now requires banks to act where there are clear moral and legal issues at stake. The decision in the case of Sani Abacha was encouraging. Crédit Suisse, the main bank involved, faces a probe from the authorities. But the Swiss have so far promised to return only about 10 per cent of this money.[43] Switzerland also froze US $80 million tied to Vladimiro Montesinos, former head of Peru's secret service, after investigators launched a probe into money laundering.[44]

The OECD and the Financial Action Task Force have recently put strong pressure on the more notorious tax havens.

The OECD and the Financial Action Task Force have recently put strong pressure on the more notorious tax havens to overhaul their laws in order to make themselves more transparent and cooperative. Blacklists have put those centres with lax regulation in the spotlight, but pressure from other quarters may weaken this initiative. With the arrival of the Bush administration in the White House, there have been conflicting messages on the issue. In May 2001 the US Treasury Secretary Paul O'Neill indicated that he 'had cause to re-evaluate' US participation in the OECD working group that targets 'harmful tax practices', but Attorney General John Ashcroft seems to have taken a more supportive stand.[45]

There is also a growing realisation within the banking sector that self-policing must be seen to work if the big banks want to enhance their credibility and avoid tough new regulations. In October 2000, Transparency International and 11 of the world's largest commercial banks announced an agreement to establish a set of global anti-money laundering guidelines.[46] Known as the Wolfsberg Principles, they are designed to encourage banks to ensure that they have deeper knowledge of their private banking customers.

## Conclusion

Most surveys of bribery in government suggest that corruption is relatively low in West Europe and North America, but the picture is far from uniform. There is a significant level of public sector corruption in many countries, often in local government, and sometimes in political party funding. But the form of corruption that appears everywhere in the region is usually exposed only in other parts of the world: the bribery of foreign public officials. Bribery by West European and North American companies of public officials in developing countries has long existed, but its extent is only now being recognised and documented. Legislative changes to combat the practice are spreading, but their impact will only be felt if they are backed by determined investigation and prosecution.

A spate of scandals related to the funding of political parties and politicians demonstrates only too well that where there is power and influence to be gained, there is also money to corrupt. As the cost of political campaigning rises, payments to political parties to influence political decision making are also on the rise. This is a dangerous trend that undermines democratic institutions.

Corrupt money, wherever it is from, needs to be laundered and it seeks out weak points in networks of financial control. A number of these weak points are in West Europe and North America, including some of the most important financial centres in the world, such as Zurich and the City of London. But pressure is growing to tighten controls, and also to return corrupt funds when they have been identified.

The capacity of the private sector to reform itself must be noted. In the fight against the bribery of foreign officials, there is a growing tendency of businesses to introduce and enforce codes of ethics. In the fight against money laundering, the Wolfsberg Principles are an important step. The key to future progress in fighting corruption may be the power of consumers to influence corporate behaviour.

1 See TI's 2001 Corruption Perceptions Index, on p. 232.
2 OECD, *No Longer Business as Usual: Fighting Bribery and Corruption* (Paris: OECD, 2000).
3 *Guardian Europe* (UK), 31 May 2001.
4 *The Guardian* (UK), 19 June 2001; BBC News, 18 June 2001.
5 *Financial Times* (UK), 29 March 2001; Reuters, 20 June 2001. Allegations against Chirac have not been taken to court because of the high degree of legal immunity enjoyed by the office of the presidency in France. However, in June 2001 a bill was passed in the National Assembly (the lower house) seeking to limit this immunity in future. Reuters, 20 June 2001.
6 *The Guardian* (UK), 21 April 2001.
7 CNN.com, 19 March 2001.
8 BBC News, 2 March 2001.
9 *The Guardian* (UK), 2 December 2001.
10 *El País* (Spain), 14 March 2001.
11 *La Repubblica* (Italy), 26 June 1999.
12 *Financial Times* (UK), 27 March 2001.
13 *The Independent* (UK), 30 April 2001.

**14** The Act will not come into force for central government departments until April 2002.
**15** In all, 68 firms and individuals were on the blacklist by May 2001. The complete list is available at <http://www.worldbank.org/html/opr/procure/debarr.html>.
**16** Evaluation reports are at: <http://www.greco.coe.int>.
**17** As of June 2001, the Criminal Law Convention on Corruption had been ratified by nine countries – of which only Cyprus and Denmark are in the West Europe region – and the Civil Law Convention by three. The conventions have been open for signature since 1999: <http://www.legal.coe.int/economiccrime>.
**18** *Süddeutsche Zeitung* (Germany), 1 March 2001.
**19** The Cotonou Agreement, signed in June 2000, replaces the Lomé Convention.
**20** US Microenterprise Self Reliance and Good Governance Act of 2000.
**21** *The Washington Post* (US), 4 April 2001.
**22** *The Washington Post* (US), 22 December 2000.
**23** Associated Press, 7 November 2000; *Philadelphia Inquirer* (US), 24 December 2000.
**24** For more on efforts to address corruption in political party financing, see p. 186.
**25** *Washington Post Foreign Service* (US), 25 March 2001.
**26** *The Economist* (UK), 27 January 2000; BBC News, 24 January 2001.
**27** TI-Germany: <http://www.transparency.de/html/09dokumente/dok0.html> and <http://www.transparency.de/html/09dokumente/vorschl_rau.html>.
**28** *Irish Independent* (Ireland), 24 January 2001.
**29** UK Political Parties, Elections and Referendums Act 2000.
**30** Michael Johnston, 'International Corruption via Campaign Contributions,' paper presented at a TI workshop on corruption and political party funding, La Pietra, Italy, October 2000: <http://www.transparency.org/working_papers/country/us_paper.html>.
**31** *Washington Post* (US), 26 June 2001.
**32** US Department of State, Bureau of Economic and Business Affairs, 'Battling International Bribery 2000,' June 2000: <http://www.state.gov/www/issues/economic/bribery_index.html>.
**33** NBC News, 21 July 2000.
**34** Global Witness, press release, 17 February 2000.
**35** *Business Report* (South Africa), 10 June 2001; *The Guardian* (UK), 19 June 2001. The companies alleged to be involved include: Acres International of Canada; Alstom, Dumez, Spie-Batignolles of France; Lahmeyer International of Germany; Impreglio of Italy; Group Five of South Africa; ABB of Switzerland; Kier International, Sterling International, Sir Alexander Gibb & Co. and Balfour Beatty of the UK.
**36** For details of the Bribe Payers Index, see p. 237 in the data and research section.
**37** For a report on the state of implementation of the Anti-Bribery Convention, see p. 197.
**38** For more on the subject, see the report on money laundering, p. 204.
**39** Minority Staff of the US Senate Permanent Subcommittee on Investigations, 'Report on Correspondent Banking: A Gateway to Money Laundering,' 5 February 2001.
**40** BBC News, 9 March 2001.
**41** *Financial Times* (UK), 6 March 2001.
**42** See the 'Missing Marcos Billions' website: <http://www.marcosbillions.com>.
**43** BBC News, 21 July 2000.
**44** BBC News, 20 April 2001.
**45** *The Washington Times* (US), 11 May 2001.
**46** The participating banks are ABN AMRO Bank, Barclays Bank, Banco Santander Central Hispano, S.A., Chase Manhattan Private Bank, Citibank N.A., Crédit Suisse Group, Deutsche Bank AG, HSBC, J.P. Morgan, Société Générale, and UBS AG.