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Corruption: The High Cost of Bad Business

What's the global bill for a year's worth of corruption in international trade? A trillion dollars U.S., say experts, which is just about equal to Canada's entire GDP for 2005.

Every year, in other words, Canada's total economic output barely covers the sum lost to criminals around the world.

Corruption is not only expensive, it's pervasive as well. It can range from small "facilitation payments" for merely signing a form, and "consulting fees" that never result in any consultation, to a million-dollar secret payment guaranteeing a mining license.

But according to Sunny Pal, corporate governance counsellor for the law firm of Lang Michener LLP, all these criminal acts are identical in one way.

"They all," Pal says, "involve the misuse of power or authority for unlawful, private gain. A frequent accessory to such corruption is bribery, in which one person secures the corrupt behaviour of another person in return for some kind of remuneration. But corruption also often exists without bribery, for example, when a person in authority misuses power for his or her own benefit."

Paying the price

The siphoning-off of a trillion dollars every year carries a high price for everyone. To begin with, it's a hidden, unproductive tax on the legitimate global economy and on the international trade of all countries. This in turn retards growth because the lost revenues aren't available for constructive purposes. Also to be taken into account, and probably just as destructive over the longer term, are the social, political and moral costs of theft on such a mammoth scale.

"In this context," observes Pal, "corruption destroys people's confidence in their political and social order. Not only that, it undermines their faith in their electoral

systems—in democracy itself—because they wonder what difference an election makes if it merely puts a different set of thieves into power. And then people may start asking why



they should bother having elections at all. In other words, unchecked corruption can destroy the moral and political fibre of a country."

No legitimate company wants to do business in an environment laced with bribery and the abuse of power, but corruption remains an intractable problem despite concerted efforts to suppress it. The strongest international anti-corruption law is the 1997 OECD *Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions*, signed by 30 OECD countries and

see page 2 - Anti-corruption measures



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