

This Week

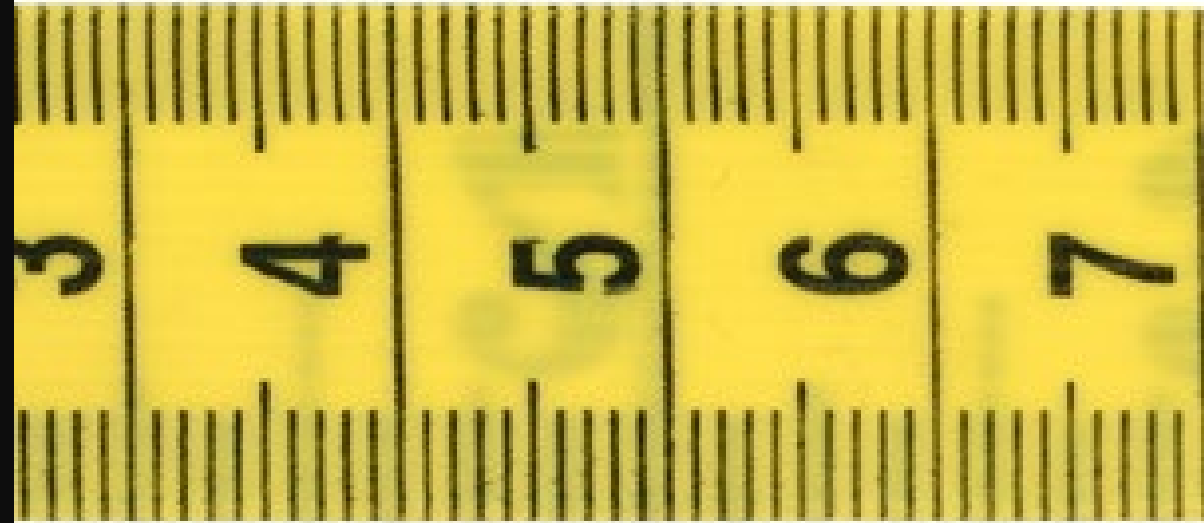
- Where is Corruption Most Prevalent? (Textbook Chapter 3)
- What are the Consequences of Corruption? (Textbook Chapter 4)

Where is
Corruption
Most
Prevalent?



Measuring Corruption

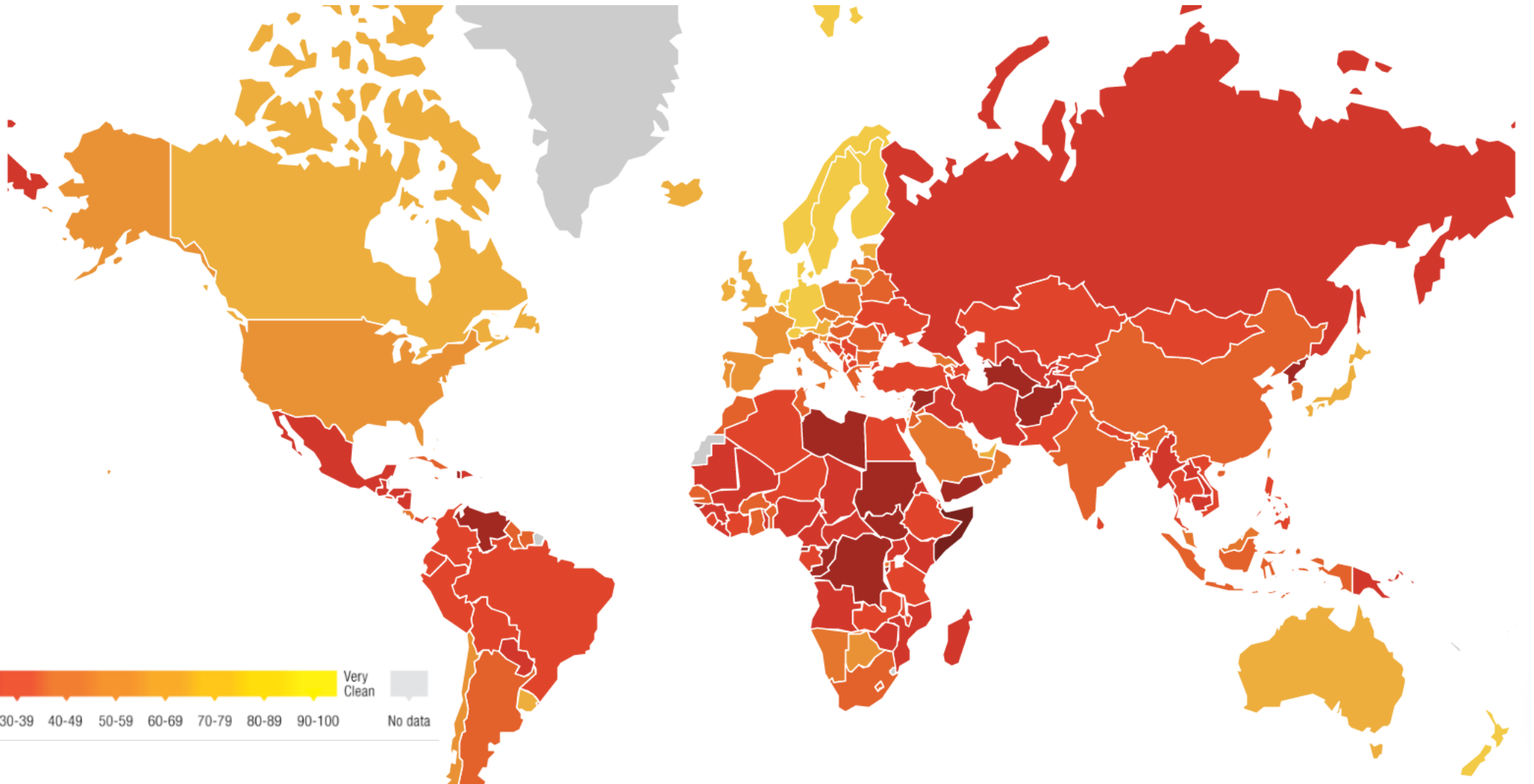
- The global NGO Transparency International issues an annual Corruption Perceptions Index (CPI).
 - The 2019 CPI draws on 13 surveys and expert assessments to measure public sector corruption in 180 countries and territories, giving each a score from zero (highly corrupt) to 100 (very clean).
 - This is a measure of perceptions, not a direct measure of corruption, which happens behind closed doors.
-



Corruption Perceptions Index 2019 | Transparency International | <https://youtu.be/xBYLnMCWqiA>

Corruption Perception Index 2019

Transparency International



Some Countries of Interest On CPI 2019



Ukraine	
Score 30/100 Rank 126/180	↓

Estonia	
Score 74/100 Rank 18/180	↑

Belarus	
Score 45/100 Rank 66/180	↑

Latvia	
Score 56/100 Rank 44/180	↓

Russia	
Score 28/100 Rank 137/180	—

Lithuania	
Score 60/100 Rank 35/180	↑

Mexico		United States		Canada	
Score 29/100		Score 69/100		Score 77/100	
Rank 130/180		Rank 23/180		Rank 12/180	

North America



The Other Side of the Equation

(Bribe Paying Companies)

Top 10 U.S. Foreign Corrupt Practices Act Fines

From FCPABlog.com

Here are the ten biggest FCPA cases of all time based on penalties and disgorgement assessed in the U.S. enforcement documents.*

1. **Airbus SE** (Netherlands/France): \$2.09 billion in 2020.
2. **Petróleo Brasileiro S.A. – Petrobras** (Brazil): \$1.78 billion in 2018.
3. **Telefonaktiebolaget LM Ericsson** (Sweden): \$1.06 billion in 2019.
4. **Telia Company AB** (Sweden): \$1.01 billion in 2017.
5. **MTS** (Russia): \$850 million in 2019.
6. **Siemens** (Germany): \$800 million in 2008.
7. **VimpelCom** (Netherlands): \$795 million in 2016.
8. **Alstom** (France): \$772 million in 2014.
9. **Société Générale S.A.** (France): \$585 million in 2018.
10. **KBR / Halliburton** (United States): \$579 million in 2009.

* Odebrecht / Braskem appeared on the top ten list in late 2016 but were **removed** in April 2017 after the DOJ reduced their overall penalties based on “ability to pay.”

The Ericsson Bribery Scandal

16-year cash-for- contracts campaign in China (41), Djibouti (30), Kuwait (40), Indonesia (40) and Vietnam (37)
from Transparency International



Let's Look More
Closely at One of
the Countries at the
Lower End of the
2019 CPI



Corruption Profile: Equatorial Guinea

Population: 836,178 (July 2020 est.)
Total Land Area: total: 28,051 sq km



Equatorial Guinea

Score

16/100

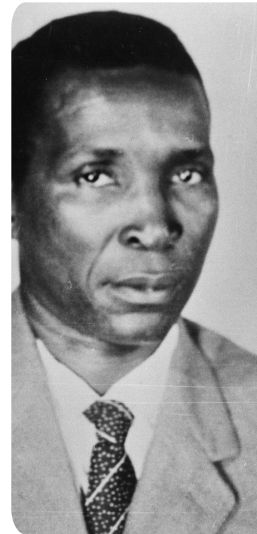
Rank

173/180



Equatorial Guinea: Quick Political History

- 1778 – 1968: Spanish colony in Sub-Saharan Africa.
- 1968: Gained independence.
- 1968 – 1979: Autocratic President Francisco Macias Nguema virtually destroyed all of the country's political, economic, and social institutions.
- 1979: Macias overthrown in coup led by nephew Teodoro Obiang Nguema Mbasogo. Convicted of genocide/murder/corruption by military tribunal. Executed on the day of his conviction.
- Obiang has been president since 1979.
- Obiang's son by his first wife, Teodoro Nguema Obiang Mangue, has been Agriculture Minister, Second Vice President, and, since 2016, First Vice President.



Macias



Obiang



Nguema

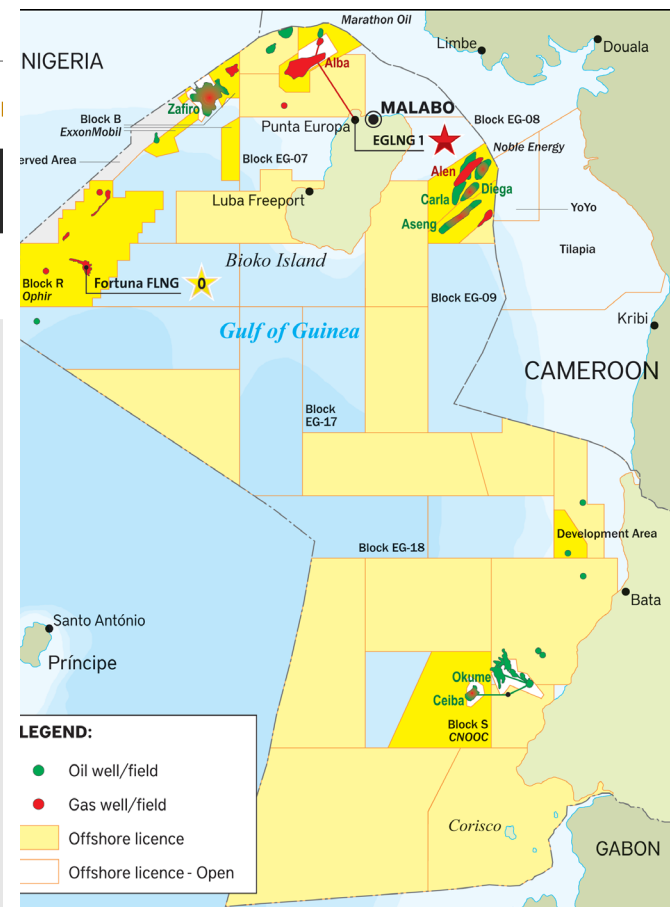
1996: Discovery of Oil Deposits in Gulf of Guinea

Equatorial Guinea Overview

Equatorial Guinea: A Doorway to West Africa

Equatorial Guinea is among the largest oil producers in Africa, with an output of 280,000 bopd in 2016. Oil and gas exports have been central to the country's growth and are expected to continue driving the economy going forward as it diversifies along the oil and gas value chain. As of 2016, the country has estimated reserves of 1.1 billion barrels of oil. The domestic oil and gas industry is relatively young. Large oil reserves were first discovered in 1996. Within a decade, Equatorial Guinea's oil production rose from 17,000 bopd in 1996 to a record 375,000 bopd in 2005. Additional development of existing oil and gas deposits continues along with new exploration and development in other offshore concessions.

Low oil prices have affected the local industry, slowing or halting several operations. Still, Equatorial Guinea is moving forward. In June 2017, the Ministry of Mines awarded several blocks to the winners of the Ronda 2016

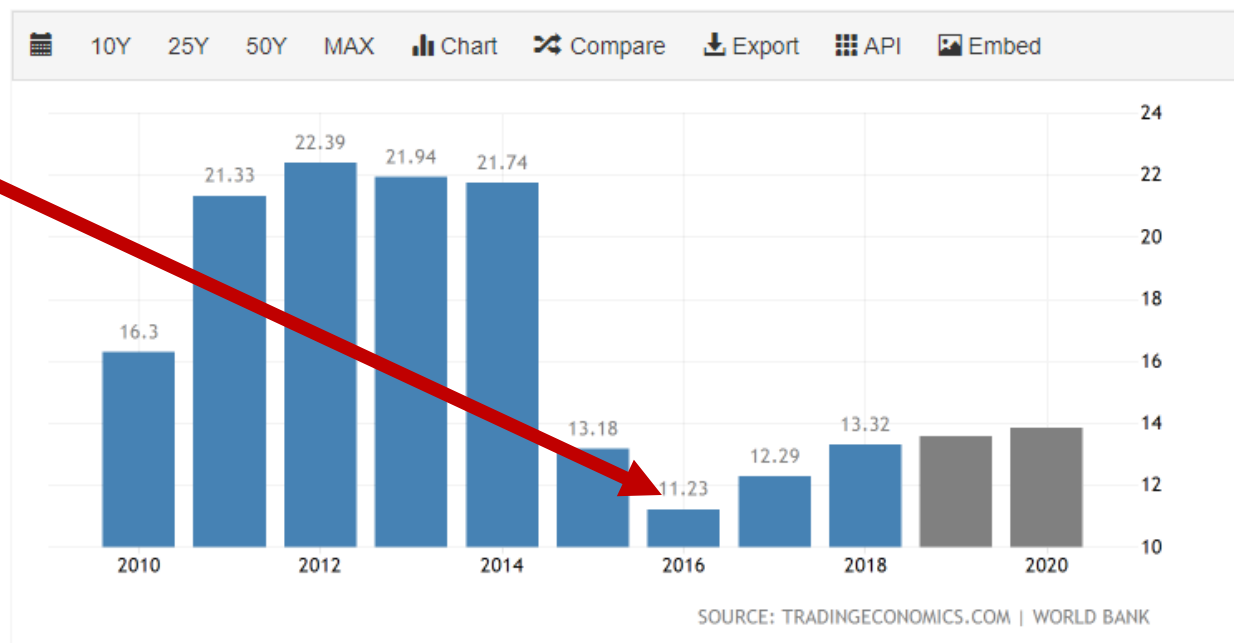


Equatorial Guinea GDP 1962-2018 Data | 2019-2020 Forecast | Calendar | Historical

Summary Stats Forecast Download ▾

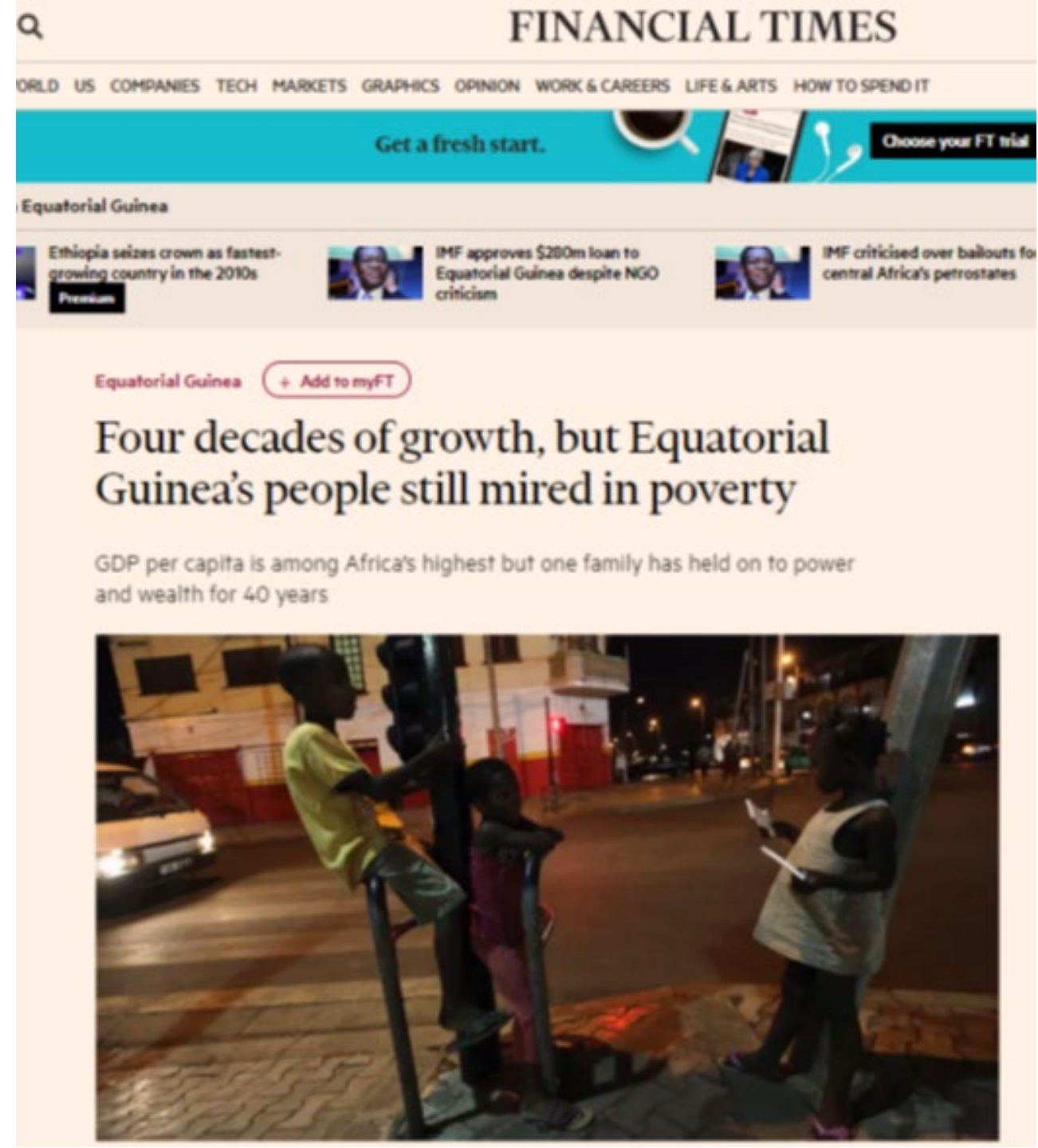
The Gross Domestic Product (GDP) in Equatorial Guinea was worth 13.32 billion US dollars in 2018. The GDP value of Equatorial Guinea represents 0.02 percent of the world economy. Equatorial Guinea GDP - data, historical chart, and calendar of releases - was last updated on February of 2020 from its official source.

Between June 2014 and the end of February 2016, the global price of oil dropped from \$115 per barrel to less than \$35.



Actual	Previous	Highest	Lowest	Dates	Unit	Frequency	
13.32	12.29	22.39	0.01	1962 - 2018	USD Billion	Yearly	Current USD

Despite Increasing Fortunes, Poverty Persists in Equatorial Guinea.





Supercars seized from a dictator's son were just auctioned off for millions apiece

September 26, 2019

By **Natasha Frost**
Travel and lifestyle reporter



NEWS

France fines son of Equatorial Guinea leader €30 million for corruption

The vice president of Equatorial Guinea, who is also the president's son, has been fined for alleged corruption. Authorities previously seized his €107 million Paris mansion and fleet of expensive cars.



A French court on Monday ruled against Teodorin Obiang, the vice president of Equatorial Guinea, in a yearslong embezzlement process launched by a group of anti-corruption NGOs.

Related Subjects [France](#)

Keywords [Equatorial Guinea](#), [Teodorin Obiang](#), [Teodoro Obiang Nguema](#), [France](#), [graft](#)

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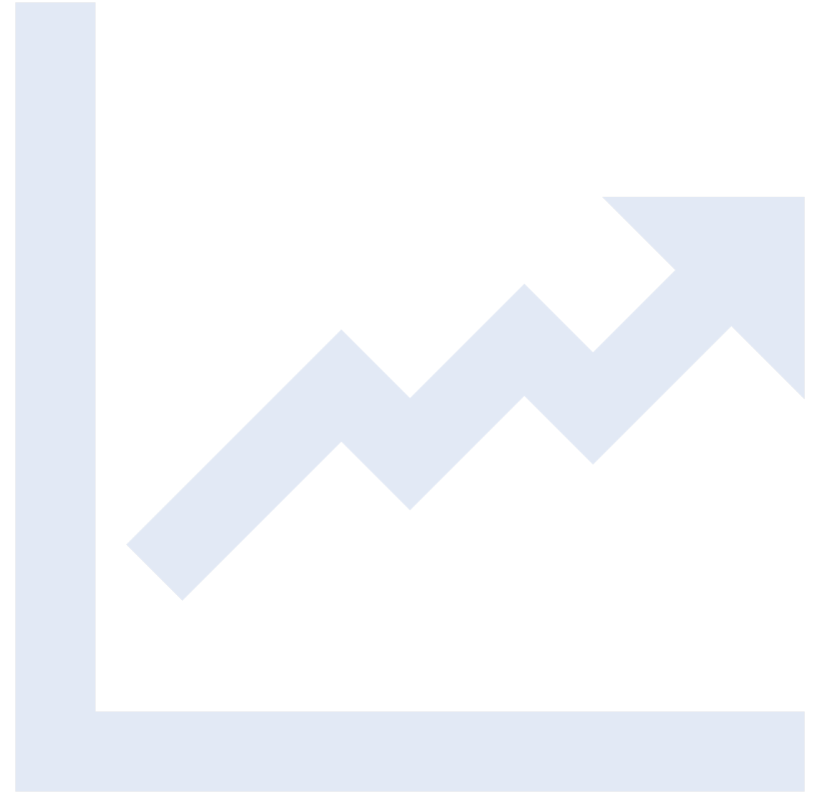
[High death toll in Afghanistan reconstruction efforts](#) 4H AGO

Vice President Nguema's French Connection

- French bank accounts credited with € 66 million by foreign companies based in Equatorial Guinea.
- Convicted by French court in 2017 for embezzlement, money laundering, corruption, breach of trust.
- Yesterday court imposed a € 30 million fine.

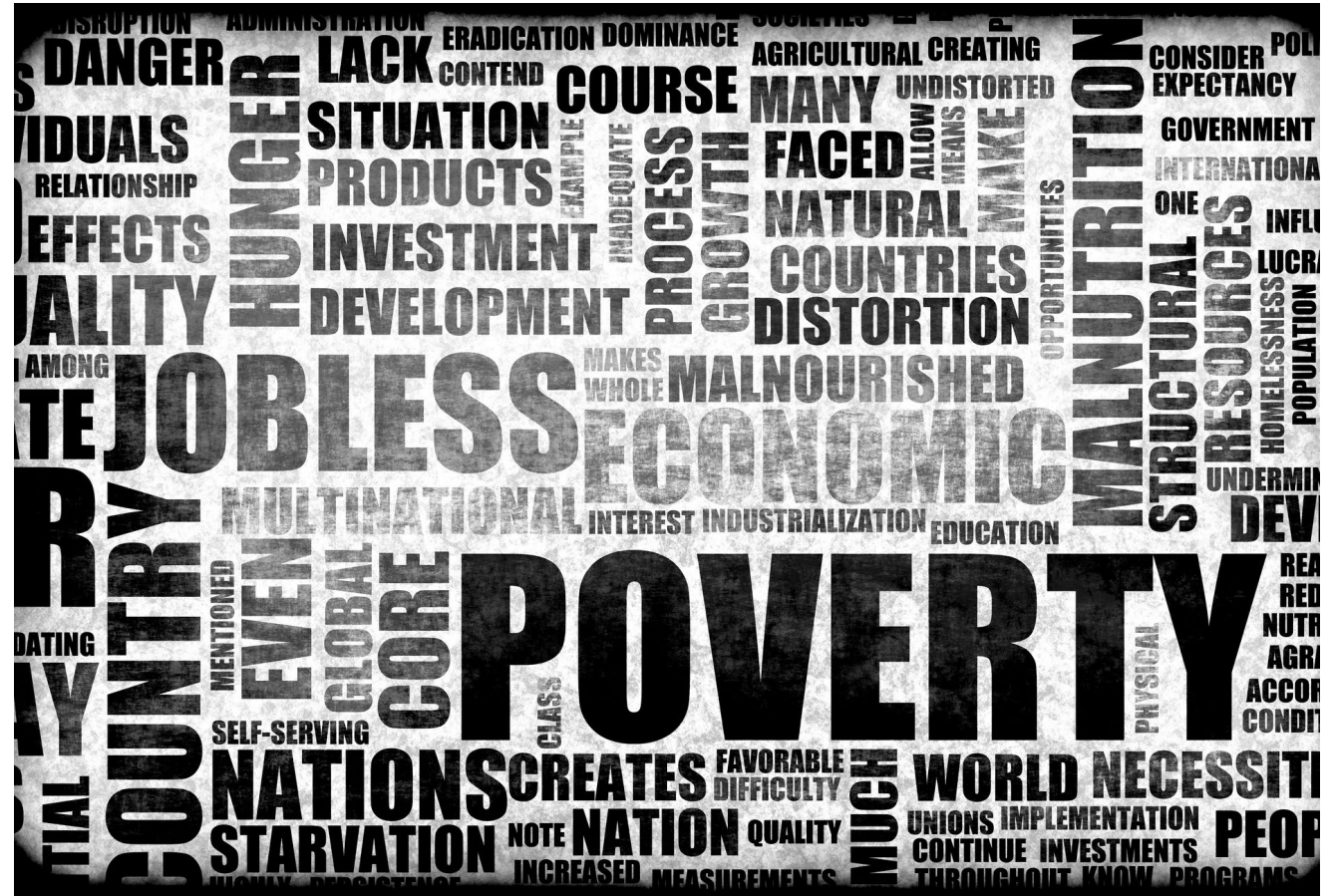


Economic Development and Corruption



Why is Corruption so Prevalent in Poor Countries?

- Generally, there is a clear correlation between the level of a country's economic development & its perceived level of corruption.
- Does poverty “cause” corruption?
- Poverty & corruption reinforce each other in a vicious cycle.
- Little money to pay government officials, so temptation to accept bribes or to embezzle \$ is great.
- If there are few opportunities to get ahead in private enterprise, many turn to government to make their fortune.
- Fighting corruption costs money.
 - Strong courts & law enforcement.
 - Training of civil servants.



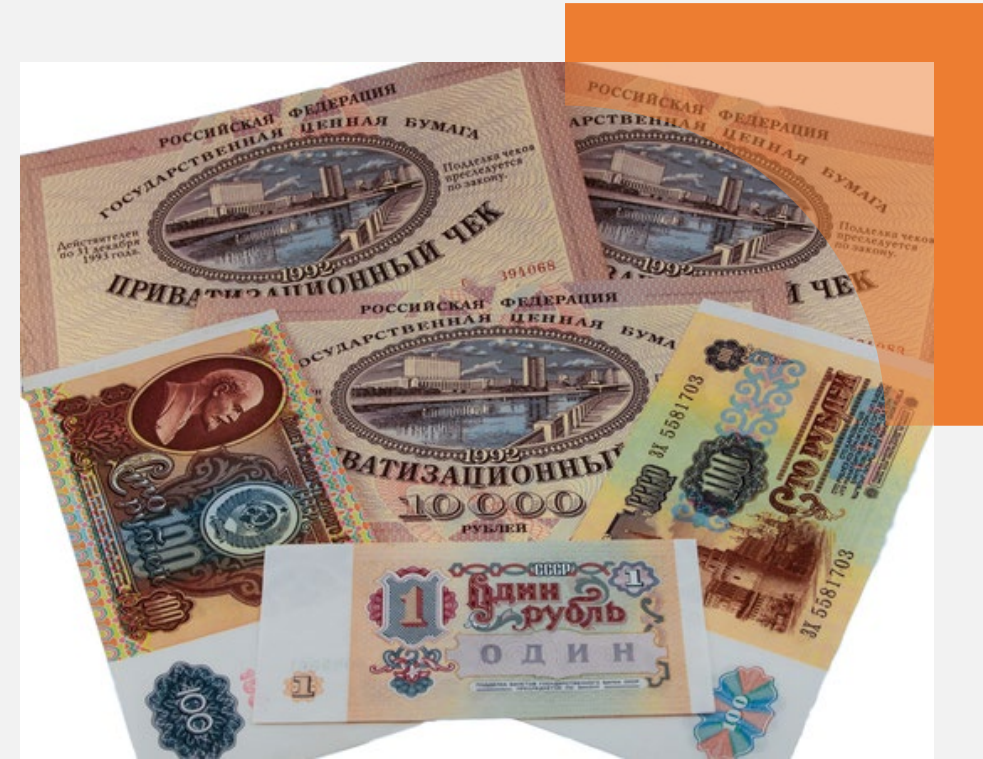
How Countries Can Use Economic Development to Lessen Corruption

- “Virtuous cycle of greater wealth and better government.” Ch. 3, Corruption: What Everyone Should Know.
 - Doesn’t mean increasing wealth automatically leads to less corruption.
 - But greater wealth provides an opportunity to improve.
- Economic policies aimed at improving the lives of everyone, rather than just a few.
- Pay government officials sufficiently to reduce temptations of corruption.
- Spend money wisely to develop institutions.
 - Police.
 - Courts.
 - Specialized anti-corruption agencies.



Explaining the Persistence of Corruption in Developed Countries

- Multiple factors that vary from country to country. Some of them are:
 - Dependence on market for a single national resource (e.g., petroleum).
 - Weak institutions.
 - Sudden changes in governance (although not every country with these changes experiences high levels of corruption).
 - De-colonialization—Government often placed in hands of an elite that intends to hold onto power as long as possible.
 - Privatization of formerly publicly-held state assets, when done non-transparently.
 - History—when corrupt or criminal elements have become entrenched in society before the state matures (e.g., elites in Mexico, the mafia in Italy).



Influence Peddling in Rich Countries

- Argument that countries like USA, Britain have simply “legalized” corruption by establishing a lobbying procedure.
- Of course, there are problems with influence peddling.
- But it’s different from criminal corruption.
 - Registration & disclosure.
 - Open to anyone.
 - Although the ability to make campaign donations obviously favors corporate interests.



Impacts of Corruption



Foreign Direct Investment

- Foreign Direct Investment (FDI).
 - Low-level corruption could be attractive to foreign investors.
 - By paying bribes multinational enterprises (MNEs) can reduce the time for bureaucratic paperwork, skip inspections, reduce taxes, & sometimes receive Government funding.
 - The growing international movement against corruption (see Anticorruption Treaties page of course website) has dramatically increased the risk for MNEs.
 - Grand-scale corruption is more firmly established as an obstacle to FDI.



Economic Corruption Theory

- Discussed last week.
- Nathaniel Leff's work.
- Not taken very seriously today.





Effects on Worker Welfare


- Safety & welfare

Effects on Trust in Government

“... a vicious cycle of political disappointment and cynicism-enabling corruption, which leaves voters feeling ever more disillusioned.”

Ch. 4 of Corruption: What Everyone Should Know



A photograph of an oil pumpjack (jackal) at night, illuminated by a red light. The pumpjack is a large, mechanical structure with a long, curved arm and a counterweight. It is positioned in the lower left of the frame. The background is a dark night sky filled with numerous curved, light blue lines representing star trails, indicating a long exposure. The overall scene is a juxtaposition of industrial activity and natural celestial phenomena.

The Natural Resource “Curse”

Reading for Next Week

-
- Chapters 5 and 6 of Ray Fisman & Miriam A. Golden, CORRUPTION: WHAT EVERYONE NEEDS TO KNOW.

OR

- Sarah Chayes: Corruption and terrorism: the causal link, in *UK Policy Paper Against corruption: a collection of essays*.
(<https://www.gov.uk/government/publications/against-corruption-a-collection-of-essays/against-corruption-a-collection-of-essays#sarah-chayes-corruption-and-terrorism-the-causal-link>).
- Prime Minister Lee Hsien Loong: Success in combating corruption – views on the Singaporean experience, in *UK Policy Paper Against corruption: a collection of essays*.
<https://www.gov.uk/government/publications/against-corruption-a-collection-of-essays/against-corruption-a-collection-of-essays#prime-minister-lee-hsien-loong-success-in-combating-corruption--views-on-the-singaporean-experience>
- Prime Minister John Key: New Zealand: a culture of fair play, in *UK Policy Paper Against corruption: a collection of essays*.
<https://www.gov.uk/government/publications/against-corruption-a-collection-of-essays/against-corruption-a-collection-of-essays#prime-minister-john-key-new-zealand-a-culture-of-fair-play>

