DONALD JOHNSTON

Founding Partner, Heenan Blaikie, former Secretary General, OECD

Dominique Moisi, Special Advisor at Ifri

I have to contradict what you said, that there is no dictator. There is a dictator; I am the dictator in the name of time and justice. We now move to another subject which is really fundamental and at the heart of everything. Donald Johnston, former Secretary-General of the OECD, will deal with the issue of corruption, which is the poison at the root of so many situations.

Donald Johnston, Founding Partner, Heenan Blaikie, former Secretary General, OECD

You asked me what I would enjoy speaking about and I mentioned corruption, in part because I just came from the celebration of the 15th anniversary of the adoption of the Anti-Bribery Convention of the OECD, in which Transparency International played a big role, and because I was the Secretary-General of the OECD at the time, we managed to get it through and were all very enthusiastic at that point. I am pleased to say that they remain enthusiastic. Peter Eigen, the founder of Transparency International, was present, and Mark Pieth, who has chaired the committee for 20 years, was stepping down, so it was a funeral and anniversary at the same time.

I raised this because it is not on the agenda to the extent it should be. Let me give you a few facts. The World Economic Forum has also established a body which Mark Pieth is also very much involved in. They estimate that 5% of the world’s GDP is represented in terms of corruption, and the World Bank, whose statistics are pretty good, say that it is at least USD1 trillion in terms of bribes. All of this stands in the way of social, economic, and political development, not only in the developing markets, although principally there, but also in developed markets. We have a list of countries where corruption ranks very high, and many of them are signatories to the Bribery Convention; the one that perhaps should be there and is not is China.

I have been invited to speak about corruption in two countries in the last year, Serbia and China, who are very concerned. Serbia’s membership of the EU turns in part on this issue, and China has so far refused to sign the Convention; but even if it did it might not solve the problems, because the Convention was meant to get at countries who are on the supply side of corruption and to basically establish a level playing field amongst OECD countries, where most of the bribery originated at that time, 15 years ago. It distorts trade, it undermines governments, and it makes people lose faith in their governments and democracy.

I will give you an example. The university where I spoke in January did a study in China on what Chinese people were most preoccupied with, and they had ten items. Number one was food safety, and number two was corruption. In how many countries would that be at the top of the agenda? You may recall that when President Hu stepped down, he said that corruption could basically destroy the state, destroy the Party and even bring down the government itself, and here is the second largest economy of the world making that kind of statement. It is so systemic that it can actually have a macroeconomic impact, which it does in many countries.

We had a discussion about Africa today, and Mo Ibrahim is on the right track on the demand side, because he is talking about governance. Whenever you see good, clean governance, you do not see that kind of corruption in the public sector. The numbers I gave are simply for public sector corruption, not corruption in the private sector, which we know exists in all our countries. None of us has clean hands, no country; we have had our own incident in Canada, and the US has had them, usually locally or municipal.

I raise this issue to emphasize we will not make much progress moving some countries forward unless corruption is dealt with. Another statistic is that 20-40% of official direct aid, that is aid from the banks, agencies, etc., is basically diverted away from its purpose and ends up in private bank accounts in Switzerland and elsewhere. Other actions are addressing the flow of such funds to tax havens such as the Financial Action Task Force focused on money
laundering and more agreements to reduce or eliminate bank secrecy rules. It has to be attacked on many fronts, but I just want to leave you with the fact that corruption is much more serious than we acknowledge.