

London tops the poll

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Observations on corruption



We may associate the word corruption with Russian oligarchs and African republics run by venal government officials, yet according to the watchdog, Transparency International, the world capital of dirty money is not Moscow or Mogadishu. It is London.

Although this year's Corruption Perceptions Index (CPI) would appear to confirm that corruption is a developing-world problem (out of 179 countries surveyed, the 80 lowest ranked are largely poor African and Asian states), the UK should not be celebrating its relatively high ranking of 13th, according to Anthea Lawson, a campaigner for Global Witness.

"The CPI only tells one side of the story. It does not measure supply-side corruption. Crooked officials could not loot their countries on such a massive scale without easy access to global financial centres willing to take their money."

No financial centre plays a bigger role in supply-side corruption than London. "The City of London has become the number-one home for the fruits of corruption," says Laurence Cockcroft, director of Transparency International UK.

The government is aware of the situation but has declared itself reluctant to stifle economic growth with regulation. When he was economic secretary to the Treasury, Ed Balls trumpeted the City's success, citing as one of its strengths the UK's policy of regulating with a "light touch".

The touch has certainly been light: since signing up to the worldwide OECD anti-bribery convention in 1997, the UK has not brought a single prosecution.

"The gap between rhetoric and reality is just embarrassing now," says Leo Martin, director of GoodCorporation. "One prosecution in the UK would help because, until it happens, a lot of business will say that corruption doesn't matter. At the moment the legislation does not have teeth."

Investigating corruption is painstaking work. Money travels freely from one corner of the globe to the other at the touch of a button, while those chasing it can get bogged down by red tape and national boundaries. But the UK is not just failing to act, it is being actively obstructive.

Tony Blair decided last year to stop the Serious Fraud Office investigation into £1bn of alleged kickbacks paid by BAE Systems to members of the Saudi royal family as part of the £48bn al-Yamamah arms deal. In September, Saudi Arabia signed a new arms deal for 72 Typhoon fighter aircraft worth up to £20bn to BAE.

Meanwhile, the United States has been so frustrated by the Blair decision that earlier this year it launched its own inquiry. The Home Office has refused to co-operate, despite warnings from the OECD that the UK may be in breach of its commitment to the anti-bribery convention.

"There are some extremely angry people out there," says Cockcroft. "Governments that now prosecute bribery will be reluctant to continue enforcement if they believe their competitors win orders through corruption."

Leo Martin believes that corruption has to be tackled by the corporations themselves. The onus cannot rest entirely with the government: "Trying to trace money as it washes into the City would be a silly way round to start. You are better off pushing multinationals who operate in undemocratic countries to set the highest standards of good practice. But you want to have your big stick there and be able to prosecute."

The cross-border global flow of profits from criminal activities, corruption and tax evasion is estimated to be worth between \$1 trillion and \$1.6 trillion per year.

"Gordon Brown has said that failure to make progress on the millennium development goals is an emergency," points out Lawson. "But for every dollar in aid invested in developing countries, ten dollars is funnelled out under the table and into the developed world."