Global Corruption as a Threat to Good Governance

Overview

As democracy faces threats across the globe from war, public health crises, internal power struggles, and failing economies, one threat spans borders and defies national boundaries: corruption. From government ministers accepting kickbacks and bribes, to militaries paid off to commit war crimes, corruption threatens to undermine and erode democracies from within. With the return of power politics and realpolitik strategies, governments are centralizing power to a degree not seen since the waning days of the cold war. With the consolidation of power and less transparency in the name of national security, the opportunity for governments to participate in corrupt dealings grows ever larger. The governments of the world must consider global corruption as a threat to the integrity of democracies throughout the world: but therein lies the problem. How can leaders in a country be held to a standard of transparency and openness when there are more incentives to be corrupt? With the proliferation of technology and increasing internet penetration rates, especially in the developing world, it is easier than ever to participate in corrupt activities. That being said, it is also easier to account for misspent money, equipment that is missing, and deals that are struck in secret. However, many NGOs and watch groups are focused on the more substantial actions taken by countries and ministers, and not the daily routine deals where most of the corrupt deals take place. Democracies across the world are under assault from all sides. Corruption penetrates even the most well-consolidated democracies and threatens to unravel the weakest amongst them. The security council must consider corruption as the threat to democracy that it is, and take action to halt it wherever possible. Concerning state sovereignty, the council endeavors to take a stance against this and enact global agreements to root out and eliminate corruption.

Historical Context/Background

Corruption is a tale as old as time. For as long as humans organized themselves into some semblance of governance and established a system where there was some measure of wealth and different classes of wealth, corruption has occurred. For the sake of simplicity and conciseness, this issue will focus on corruption in the post-Berlin wall era, and how corruption has undermined the flourishing of democracies since that fateful day in 1989.

After Germany lost the Second World War, Berlin was divided into four zones so that Germany could better be controlled and rebuilt, and to placate tensions between the Western Powers of
France, England, the United States, and the Eastern power of the Soviet Union. This was decided during the Potsdam Conference in the Summer of 1945. In time, the French, British, and American portions of Berlin would be known as West Germany, while the Eastern Portion was East Germany. In 1961 the Berlin Wall was formally built, dividing the two Germanies with a physical barrier and representing the ideological divide between the Western World and the USSR. Fast forward to 1989 when the Soviet Union began to fall apart. Following a decade of military ruin after the failed Soviet invasion of Afghanistan, overspending on military and defense budgets, and Soviet Premier Gorbachev’s policies of Glasnost and Perestroika, the Soviet Union was on the brink of collapse. On November 9th, 1989, East Germany announced that it would allow crossings between the two Germanies, signaling the beginning of the end of the Cold War. From this, former soviet bloc states began to break free, and democracy seemed to win the day and grow across the world, it seemed that nothing could stop this march towards openness and rule of the people. Under this veneer of freedom, corruption bubbled and eroded the progress made.

Source: [https://www.iwm.org.uk/history/what-was-the-berlin-wall-and-how-did-it-fall](https://www.iwm.org.uk/history/what-was-the-berlin-wall-and-how-did-it-fall)

This topic guide will divide the history of corruption into regions of the world, noting significant examples and styles from the post-soviet-era to 2015.

**Africa:** Perhaps no other region on Earth has suffered so much from the effects of corruption than the numerous countries in Africa. As most of the continent was at one time ruled as a colony of Europe, Africa nations have struggled to find their footing as sovereign countries and govern effectively. In the field of international relations and development studies, there is a theory called **Institutionalism.** This theory argues that a country’s current level of development, as measured by its GDP, health-care outcomes, life expectancy, literacy rates, etc, is directly tied to their institutions. Institutions are government offices, agencies, and other organizations that exist in a country that are supposed to benefit and serve citizens. There are **inclusive institutions** or ones that do benefit and help citizens. These are like social welfare offices that provide economic benefits to those in need. When a country has inclusive institutions, this theory argues, they have high levels of development. Some countries have **exclusive institutions** as well. These are agencies and organizations that mistreat the people and are corrupt, benefitting the political and economic elites rather than the ordinary person. Africa is rife with exclusive institutions. This is sometimes attributed to their colonial legacy in which the colonizing country established offices that would steal the natural riches of the land to benefit themselves at the expense of the colony. In other cases, this is due to rampant corruption in government offices. In 2002, the **African Union** reported that corruption cost the continent $150 billion a year. 

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paid to merchants and government officials increased the cost of goods by 20%, which deters investment, reduces development, and further impoverishes the world’s most impoverished continent. In 2009, Transparency International, an NGO that assesses the transparency of governments, and something that will be discussed later in this topic guide reported that in their East African Bribery Index that over half of East Africans polled “paid bribes to access public services that should have been freely available.” Simple government functions like attempting to secure a marriage certificate, open a business, or signing up for utilities is hampered by paying bribes to corrupt officials. Not all countries in Africa are corrupt. Some, like Liberia, Rwanda, Tanzania, and Ghana has made great strides in increasing transparency. However, countries such as Nigeria, Kenya, and South Africa have made only nominal progress. Corruption occurs at both the high state level with government ministers and officials, but more commonly at the every-day level with police officers, nurses, and low-ranking civil servants. In an area where so much of the people are struggling to survive, corruption is holding the continent back.

**Asia:** As a continent, Asian countries are notorious for engaging in low-level, petty corruption. South-east Asia in particular, save for Singapore is a hotbed for the types of activities that hold back and restrain economies. Corruption has materialized to the point where anti-corruption efforts have failed, and the citizenry is complacent in the average dealings. Asia is a highly diverse continent, with many cultures and languages. Therefore, it has been challenging to create a regional policy that wholly addresses the corruption issue. ASEAN, the Association of South-East Asian Nations, is the largest regional intergovernmental organization (IO) on the continent. However, ASEAN has been unable to curb the corrupt dealings of its member-states. Corruption sometimes occurs from organized crime such as the Yakuza crime families in Japan who intimidate and collect payments from businesses and infiltrate county-level governments to collect bribes. In countries with lower standards of labor like Bangladesh and Laos, corruption is prevalent as government officials grant licenses and permits to business owners who participate in less than reputable business practices in exchange for kickbacks and bribes. This is not to say that all public officials engage in corrupt behaviors or practices, but some do. Even those who are taking bribes and other kickbacks are not necessarily bad people. Salaries for public officials in Asian countries are often low, leading to a higher incentive to take bribes. In countries like Pakistan, peacekeeping officials like soldiers and police officers sometimes do not

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receive a salary if there is not enough money, which incentives the opportunity to extort citizens. **Singapore** and **Hong Kong** have successfully combatted most corruption in their countries, by cracking down on the practice at all levels, which have played a significant role in their economic success. In contrast, those countries who remain highly corrupt have driven investors away because of their poor reputation\(^7\). The benefits for reducing corruption in Asia are tangible, “we estimate that a country that improves its governance from a relatively low level to an average level could almost triple the income per capita of its population in the long term, and similarly reduce infant mortality and illiteracy\(^8\).” Asia may be highly corrupt, but they have good role models who can help them solidify legislation and benefit citizens.

**Europe and Australia:** Corruption in Europe is challenging to address because of the vast discrepancies between development levels. Countries like France and Germany are well-developed and fall victim to predominantly higher levels of corruption at the state and federal level whereas countries like Moldova and Hungary are less developed and petty corruption is more common and well-known, although high-levels do also occur. Even within the **European Union**, the hallmark for intergovernmental and supranational (above the state) level cooperation, corruption affects millions of European. The European Commission, the body in the EU that proposes policy and legislation, and helps to set the agenda, reported in 2014 that corruption across the 28 member-states was breath-taking and cost the economy 120 billion Euros, and that was just the low estimate\(^9\). Reports from the commission reveal that a sense of corruption is stronger in Eastern Europe than in Western, but some states like **Spain** and **Italy** still report a higher level of corruption than what was expected. The high levels of perceived corruption across Europe have contributed to the erosion of trust in democracy, and in a time when democracy is receding and weakening across Europe, this threatens to undo the progress made over the sixty-year history of the organization\(^10\). Although much of European law for citizens of the EU is dictated in Brussels, anti-corruption methods usually fall on the member-states, and there are vast differences in the approaches and success rates. Moving further East, the Balkans region and former Soviet states not in the EU also experience high rates of corruption. Five countries, in particular, **Armenia, Azerbaijan, Georgia, Moldova, and Ukraine**, remain highly corrupt and are hindered in their attempts to transition from hybrid regimes or weak democracies into full-fledged, liberal democracies. Also, the EU has a policy called the European Neighbor

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Policy, where it provided resources and financial assistance to countries that border the EU but are not considered potential members for one reason or another. The EU in 2015 was set to donate at least 15 billion in Euros to these nations, but there was a high risk that some of this money would go into the pockets of corrupt business people and politicians, rather than to those who needed it\textsuperscript{11}. As Europe is struggling more than any other area in the world to protect democracy, corruption is a severe threat to this region that has a history of totalitarianism and starting wars. Australia and New Zealand do well in anti-corruption measures, with Australia ranked as the 13\textsuperscript{th} least corrupt country, and New Zealand ranked as the 2\textsuperscript{nd} least corrupt country. That being said, Australia was once ranked as the 7\textsuperscript{th} least corrupt country in the world but has since dropped to 9\textsuperscript{th}, and then 13\textsuperscript{th} where they have remained since 2015\textsuperscript{12}. Therefore, there is room for improvement.

\textbf{North and South America:} The United States is well known for corrupt business and political practices. Although day to day low-level corruption is less common in America, the United States is well known for high-level corruption scandals. The United States was the first country in the world to pass comprehensive anti-corruption laws in the ’70s, but these were primarily seen as insignificant until the 1990s when corruption was first recognized as an issue globally. Corruption does not propose a significant challenge to conducting business in the United States, as the US offers a competitive market with robust anti-corruption laws. The United States also represents low levels of corruption in the judiciary, customs administration, and in accessing and utilizing public services\textsuperscript{13}. South American countries paint a very different tale. For decades corruption has plagued the citizens of South American and Caribbean countries, limiting their ability to take advantage of their abundance of natural resources and strategic locations. In 2015, Latin American leaders reported that the biggest challenge in their region was corruption, not the stagnant world economy, falling commodity prices, and rising populist movements that were common in 2014-15\textsuperscript{14}. Latin America has been rocked by scandals, from the Carwash and Petrobras Scandals in Brazil to meddling in Argentina’s central bank by a former President, to paying bribes to customs officials orchestrated by a former President in Guatemala. Latin America has characteristics of high-level corruption scandals and low-level ones in which citizens must pay bribes to access things that should be provided for free. The prevalence of


organized crime and gang violence across Latin American only execrates the level of corruption, as they work together, which results in reduced economic outcomes and low public confidence in elected and government officials. Organized crime groups exert influence over government officials to deal in less than desirable outcomes and ignore the written rule of law.

**Types of corruption**

There are numerous types of corruption at the government and business level. Some of the more common ones will be explained here so that in further research, the terms are familiar to you.

**Embezzlement**- This occurs when a public official diverts money reserved for official purposes into personal accounts for their use.

**Extortion**- This involved a politician, official, or other actor using the power of their office to force someone else to provide money, special treatment, granting of contracts, or other favors.

**Fraud**- Using the power of a public office to misrepresent, cover-up, falsify documents or reports, to obtain a personal benefit\(^\text{15}\).

**Grand corruption**- Typically occurs at the public sphere’s highest levels and within the top tiers of private businesses. This includes the people and actors who make rules, policies, and executive decisions. It usually includes large sums of money or granting of favors in exchange for money.

**Petty Corruption**- This is also called small-scale or administrative corruption. Typical forms of this include bribery linked to the implementation of existing laws, rules, and regulations. It can also deal with the abuse of powers in daily situations. Usually, there are modest sums of money exchanged in petty corruption examples\(^\text{16}\).

**Nepotism/Cronyism**- The appointing of relatives or friends to government and business positions as a personal favor. Results in inexperienced or incompetent officials that cannot address the needs of citizens.

**Kickbacks**- The process of granting financial benefits to politicians or officials in exchange for the granting of contracts. For example, if a government official grants a multi-million-dollar contract to build a new electric grid in their country, and that government official receives $100,000 from that company, that is a kickback and illegal in nearly every state.

**Laundering**- Money laundering is the process in which money obtained through illegal means is hidden in legitimate businesses. For example, money that is stolen from a government budget is

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\(^{16}\)“Anti-corruption Basics”, *U4*, https://www.u4.no/topics/anti-corruption-basics/basics.
invested in a legitimate pizza shop or used to open several businesses. This laundered money makes it more challenging to track locate where the money went.

**Measures of corruption**

Measuring corruption is a recent phenomenon in terms of global approaches to countering the prevalence of corruption throughout various nations. The bulk of this work is conducted by NGOs, who keep an eye on the world’s governments and keep account of the money provided by citizens. Listed below are some of the most influential NGOs and indexes that report on global measures of corruption.

**Transparency International** - Formed in 1993, Transparency International is the definitive leader in both tracking levels of corruption and creating policy recommendations to address them. Each year they publish the Corruptions Perceptions Index, which lists how corrupt the citizens of a country believe their country to be. This is an essential measurement as citizens within a country tend to have the best perspective on their own government’s actions. This list is vital because it ranks countries, and compares them, which is useful in naming and shaming countries, which helps to encourage countries to do and act better. They also publish a global corruption report on several topics including sports, education, climate change, the private sector, judicial systems, and political corruption amongst other sectors. Their national integrity system assessments also help to diagnose corruption within a country and work to alleviate it. Link: [https://www.transparency.org/](https://www.transparency.org/)

**Doing Business (World Bank)** - This agency of the world bank examines the challenges associated with starting and opening a business in every country. Countries that have an easy time doing business tend to have less corruption overall, as the civil society and government regulations are put in place to assist citizens in opening business. This index ranks and compares countries. There are several indicators used to measure doing business, including starting a business, dealing with construction permits, registering property, enforcing contracts, and others. Link: [http://www.doingbusiness.org/en/rankings](http://www.doingbusiness.org/en/rankings)

**Worldwide Governance Indicators** - This is another project of the world bank group that reports aggregate and individual governance indicators for over 200 countries in the world and covers six dimensions of governance: voice and accountability, political stability and absence of governance, government effectiveness, regulatory quality, the rule of law, and the control of corruption. Link: [https://info.worldbank.org/governance/wgi/#home](https://info.worldbank.org/governance/wgi/#home)

**Involved Actors**

**World Bank** - The World Bank collects data on corruption levels and publishes it so that countries and businesses can assess risk in investment. The World Bank also publishes the Worldwide Governance Indicators and the Doing Boing Business rankings.
Global Integrity- This charity dedicates itself to supporting an open, accountable, and effective governance in countries and communities around the world. This charity is funded in part by the Federal Government of the United States and can be hired by countries or communities to assess their level of corruption and provide recommendations. Link: https://www.globalintegrity.org/

UN Resolutions and Activities

United Nations Convention against Corruption (UNCOC)- Adopted by the UN General Assembly in 2003, this is the only legally binding, universal anti-corruption instrument. It covers five main areas: preventative measures, criminalization and law enforcement, international cooperation, asset recovery, and technical assistance and information exchange. The chapter on preventative measures covers both the public and private sectors as recommendations to those who needed it. The criminalization and law enforcement measures require countries to establish criminal and other offenses to cover a wide range of acts of corruption if they are not already crimes under domestic law. The convention’s asset recovery portion is aimed at returning assets to their rightful owners, including countries from which they had been taken illicitly. Link: https://www.unodc.org/unodc/en/corruption/uncac.html

Conference of the States Parties (COSP) to the UNCOC- The main policy-making body of the UNCOC. It supports states parties and signatories in their implementation of the Convention and gives policy guidance to the UNCOC to develop and implement anti-corruption activities. Link: https://www.unodc.org/unodc/en/corruption/COSP/conference-of-the-states-parties.html

United Nations Global Compact- This is the world’s largest corporate sustainability initiative, which calls to align strategies and operations with universal principles on human rights, labor, environment, and anti-corruption measures. 9,500+ companies based in over 160 countries representing nearly every sector and size comprise the membership of the global compact. It educates businesses on how to address corruption in their country and how to eliminate it. Link: https://www.unglobalcompact.org/

Questions to Consider

These questions are aimed at increasing one’s overall knowledge and ability to conduct in-depth research into this topic. These questions can also guide a delegate in preparing their position
paper in response to this topic guide. You do not have to answer all of these questions, and these are not all-inclusive.

Where does your country rank on the global corruption index? Has your country done better or worse in the past five years? What type of corruption does your country struggle with the most? What type do they do the best with? Are there any regulatory agencies within your country that address corruption? What laws and policies exist in your country to address corruption? What are some ways that corruption has been addressed at the global level? How does corruption undermine good governance and democracy? Is the issue of corruption something that your country views as a serious issue?