

ANALYSIS

# Global corruption a bigger scourge than terrorism

## Anti-corruption protests growing all over the world, as are legislative crackdowns

By Brian Stewart, [CBC News](#) Last Updated: Nov 20, 2014 8:08 AM ET

While the G20 summit in Australia made headlines over global warming, economic growth and terrorism, much less attention was paid to the giant spectre of global corruption.

That is too bad as this is a problem that is arguably more dangerous to humanity than even terrorism because it siphons off an estimated \$1 trillion from developing countries annually through bribery, money laundering, tax evasion, extortion and other financial crimes.

Recent World Bank estimates suggest that much of the world's direct aid to the poorest countries ends up stolen, perhaps as much as \$40 billion in recent years.

And it has been estimated that up to 3.6 million of the world's poorest die annually from inadequate health care and living conditions directly because corruption has leached away development aid of all kinds.

At its most extreme, corruption causes people to lose faith in government, states to fail and violence to erupt in the form of organized crime and terrorist movements.

Only slightly less malign, it's the dirty grease that keeps many repressive and violent dictators in lavish power.

No country is untouched by corruption, but it is "public enemy No. 1" in the developing world, according to World Bank President Jim Yong Kim, who has to fight to keep his bank's \$30 billion a year in development aid getting to its proper destination.

"Every dollar that a corrupt official or a corrupt business person puts in their pockets is a dollar stolen from a pregnant woman who needs health care, or from a girl or boy who deserves an education, or from communities that need water, roads and schools." Kim says, in calling on the world's economic powers to take steps to end this scourge.

## Baby steps

Which brings us back to the G20 leaders and the pessimism that surrounds its anti-corruption talk, perhaps because it is made up of some of the world's most bribe-infected and non-transparent economies, including those of China, Russia, India and Brazil being among the most often mentioned.

At past conferences, G20 leaders have pledged to act robustly against this scourge, but most action has involved baby steps and future promises.

This time, the G20 nations at least agreed to slowly — over three years — strive to expose those shell companies and trusts that hide billions from tax collection while illicit money is laundered.

Critics have long pooh-poohed the idea of leading economic organizations like the G20 or International Monetary Fund trying to tackle questionable activities by its own people.

But some anti-corruption activists sense a change is in the air. The rise of terrorist mega-financing, as seen in the case of ISIS and al-Qaeda, has captured the international agenda.

"The incentive for G20 nations to make progress lies in their own back yards," writes David McNair, the director of transparency at the ONE Campaign against corruption, noting that watchdogs "have highlighted numerous examples of anonymous firms facilitating corruption, enabling the free flow of terrorist financing and sanctions breaking."

## **Canada stepping up**

So far, it's only a handful of the world's 41 or so developed nations that have started prosecuting companies and executives that bribe foreign officials or facilitate corrupt practices.

But these are highly influential players like the U.K., France, Canada, Germany and Australia who have lined up alongside the very tough U.S. Foreign Corrupt Practices Act, which is rattling boardrooms around the world.

Over the past two years, Canada has enacted amendments to former anti-bribery laws that will permit the prosecution of Canadian companies and citizens on bribery charges, regardless of where the corrupt acts take place.

Limits have also been taken off fines and the potential prison terms have been raised to an eye catching 14 years.

Under a controversial new "integrity framework" any company can be barred from selling products or services to Canada for a full decade if they or their foreign subsidiaries are deemed to have bribed or facilitated business anywhere abroad.

A powerful association of business groups here has recently lobbied the federal government to pull back on these new rules, saying the penalties are far too stringent.

But Ottawa has reason to get tough — of 250 global companies blacklisted by the World Bank under its new fraud and corruption policy, 117 are from Canada, albeit many are affiliates of troubled SNC-Lavalin.

The Quebec construction scandals have also harmed our image overseas.

## **'Name and shame'**

It's believed that 35 Canadian companies are currently under RCMP investigation for bribery abroad, and in January 2013 the highest fine to date, \$10 million, was levied against Grithiths Energy for paying a \$2 million bribe to win land concessions in Chad.

In countries where tough laws are introduced, companies suddenly have every incentive to demand international standards of transparency to make the playing field equal. And so the reform pressure builds.

The other pressure point flows from social media and the unprecedented exposure of corruption it facilitates.

For the first time, people in developing countries are getting solid information about graft, which explains much of the populist anger these days in nations from Ukraine, Hungary, Mexico and Brazil to scores of countries in Africa where public demonstrations denouncing graft are becoming more common.

Adding to this, anti-corruption groups like Transparency International are launching new grassroots campaigns to "name and shame" the excessive spending of ruling families and the like.

It is a message clearly meant to mobilize youth fury against corruption the same way a similar energy was harnessed to fight global poverty a decade ago.

Many despair because this problem seems limitless. But the powerful idea is spreading that the world simply cannot go on like this, rotting at the core.