



Values in EU Trade Policy - Targeting Corruption

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Ladies and gentlemen,

Thank you to the OECD for putting this impressive and vital event together.

Will Rogers, an American magazine columnist among other things, once wrote:

"It's awful hard to get people interested in corruption...
... unless they can get some of it."

So while I'm delighted to see so many people here today interested in corruption - I hope you're all here for the right reasons! I'm sure you are... really.

Because tackling corruption is one of the most important issues we face today.

Its devastating effects are well known.

Education is held back when funds are embezzled or unqualified people are appointed.

Healthcare is held back when funding goes missing and counterfeit treatments are used.

Economic growth overall is held back by the useless tax that corruption represents. The precise costs are naturally difficult to quantify but a common estimate puts the loss at as much as 5% of world GDP. A recent study commissioned by the European Parliament suggests a figure of up to a trillion euros for the EU alone. Transparency International found that 30% of companies they surveyed believe they had lost business or access to certain markets because competitors had paid bribes.

And it's the poor who are hurt the most. In countries with widespread corruption the poorest pay the highest share of their income in bribes, making it a regressive tax.

But perhaps the most fundamental impact of corruption is that each grubby transaction undermines the very idea and hope of good government. Instead of serving the needs of the widest number, as it should, the system instead serves the needs only of those willing to pay and to receive. And that contributes to cynicism about political systems, fuelling instability around the world.

These are the general effects.

But today we have a specific purpose: fighting corruption in global trade.

From the EU's perspective, trade policy is an economic policy aimed at using open markets to create opportunities for consumers, workers and entrepreneurs.

But we also believe trade policy has broader objectives, supporting development, human rights, labour rights and the environment, and defending high regulatory standards in a global marketplace.

This is laid out very clearly in *Trade for All*, a communication we adopted last October, which sets out our broad strategy for the coming years.

Corruption in trade is doubly pernicious as it undermines both these economic and values-based goals.

- When corruption means bribes to customs officials that hurts both small exporting farmers in developing countries and companies and their workers in Europe. Businesses consistently cite corruption as one of the biggest problem problems they face at the border, particularly in developing countries.
- When an international company bribes its way to a government procurement contract that gets rid of a level playing field. But local people also suffer because their government doesn't get the best value for money.
- When corrupt regulatory authorities enforce quality, safety, environmental or financial rules in a discriminatory way that's hurts international traders. But it's also downright dangerous for people as well as. We know that internationally traded cough syrup sold in Panama but made in China got through various checks with false documents. Because it contained a cheap but poisonous substitute for a key ingredient 100 people died.

The question for policy makers of course is what we can do about it?

We've already done a great deal over the past twenty years.

We have strengthened our efforts to target **corruption in general**.

- We are better coordinated internationally thanks to the OECD's Anti-Bribery Convention, the UN Convention Against Corruption is just over a decade old and ongoing work in the G20.
- And many of us have also been working hard at home. In my previous role as the European Union's Home Affairs Commissioner, I made fighting corruption within the European Union a priority. We instituted reporting by the Commission on the detailed situation on corruption in Member States - against some considerable resistance at the time. It showed that over half of EU citizens believed that corruption was getting worse and that 8% of people had actually experienced it directly in the previous year.
- That complemented EU and national measures covering both corruption itself and addressing it through key flanking measures on anti-money-laundering, more transparency in procurement procedures and customs also using electronic procedures where possible, stronger reporting and accounting requirements.
- We have also taken major steps forward when it comes to **fighting corruption in trade**.
- That's particularly the case with the World Trade Organisation's Trade Facilitation Agreement.

The agreement, signed by the over 160 members of the WTO will streamline and increase transparency in customs procedures, and build capacity in customs administrations. Clear, simple and transparent procedures make it harder for officials to use discretionary power for nefarious ends.

I'm proud to say that the EU played a major role in reaching this deal. But I'm also aware that it is still too soon to be too proud. What we need now is for countries to ratify the agreement so that it can enter into force. As of today, 71 countries have ratified it, including the EU. It's important that everyone does, so that the benefits of this deal - including the economic ones, which are substantial - can reach the people who need them

- The European Union has also been working on our own trade policies:

Under what we call the GSP Plus scheme, we offer improved access to our market for countries that ratify and implement the UN Convention Against Corruption, along with 26 other international conventions

Furthermore, in our bilateral free trade agreements we address some broader good governance issues that promote integrity in international trade. For example we target ask partners to put rules in place to prevent money laundering in our requests on financial services. And our approach to trade facilitation include rules on transparency, integrity and accountability of customs procedures.

Finally, our new Union Customs Code will move the EU to fully electronic customs procedures by 2020, increasing integrity in the system. Decisions about which containers are risky will be based on data, reducing the scope for any individual official to game the system. Electronic procedures are also more transparent making it easier to scrutinise behaviour.

But for all the progress made, I think I speak for everyone in this room when I say that the problem of corruption in trade is far from solved.

That's why we announced a change in our policy last autumn in the *Trade for All* strategy. We will aim to include ambitious anti-corruption provisions in our future bilateral trade agreements, starting with TTIP. The goal is to strengthen the fight against corruption pursued already through international conventions. We're now working on an EU approach that would have four characteristics:

First, the basic model will be that all our future FTA partners - as well as the EU itself - commit to enacting the legal tools needed to act effectively against the kinds of corruption linked to international trade.

Second, we should be comprehensive, not piecemeal. Many countries have anti-corruption laws and policies. But we need to be sure that we are targeting both sides of the transaction.

It's important to criminalise those handing out bribes, be it at home or in other countries. We have seen this in practice, with major European companies receiving billion euro fines for corrupt practices around the world.

But we also need to get serious about those demanding or accepting a bribe or misusing their power and influence. That's particularly important when it comes to international trade since each trading partner will likely only host one side of the problem.

Third, the commitments should apply widely. Certainly, we don't want to overreach. Any future corruption rules should be focused on what's actually covered by the free trade agreement.

But within that limit we need to think broadly and beyond borders and goods as befits a 21st century trade policy. This means horizontal anti-corruption provisions need to apply to all

matters covered by trade agreements –the award of a public contract, a license or authorisation as well as when a when a container passes customs controls.

We need to tackle cases like when the official who extorts money from an importer to get perishable goods fast-tracked at the border. We also need to tackle people who avoid paying customs duties by bribing customs officials to provide them with fake clearance documents. But we also need to tackle the authorities who demand vast bribes in exchange for telecoms licences.

Finally, both are trade and corruption in the 21st century are global and borderless and so are the money flows that underpin them, as the Panama Papers have revealed. We need to address the problem of anonymous shell companies and offshore accounts. The EU approach should therefore also help address disclosure of beneficial ownership, transparency and reporting.

As I have said, we still need to work out the details of these and many more issues within the EU. But I believe an ambitious approach like this is certainly feasible.

Ladies and gentlemen,

An astute observer once noted that in Ancient Rome one could have everything... at a price.

The problem we are trying to tackle is therefore an old one and a difficult one.

But that shouldn't undermine our determination to act.

Because we know that effective anti-corruption policies can and do work. Transparency International cites major progress made in countries like Indonesia, Georgia and Kenya, for instance. And certainly in many developed countries certain forms of corruption, at least, like petty bribery and the purchase of offices have disappeared over the last century.

So we need to be ready and willing to act, including on trade policy.

The kinds of measures that the EU is currently applying and reflecting on for the future have major potential:

- They put the influence that comes with being the largest market in the world at the service of solving one of the world's most challenging problems.
- They strengthen the hand of courageous politicians, officials and campaigners who are working for clean government around the world... giving them more tools to act in favour of the broad societal interest.
- And they help make trade agreements even more effective at delivering the growth and jobs that all countries - developed and developing - vitally need.

Those are results that are certainly worth having.

So I would ask everyone here –

... whether in government or outside it... whether based in the European Union or in one of our trading partners ...

– for your support as we seek to put this approach into practice in the coming months and years.

It will be long effort but I have confidence we can succeed. As Shakespeare wrote, "Corruption wins not more than honesty." So let's all make sure we are on the winning side!

Thank you.