



# TRANSPARENCY INTERNATIONAL

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## **There will be no development with corrupt governance – and WTO is the natural universal guardian against corruption**

By Peter Eigen, Chairman, Transparency International<sup>1</sup>  
*World Trade Organisation Symposium, Geneva, Switzerland, 29 April 2002*

While, globally, the WTO has succeeded in stimulating the volume of world trade, corruption has been shown to undermine the presupposed positive effects of trade on development. These findings do not negate the proposition that free trade *can* induce economic growth and development. What they demonstrate, again, is that trade liberalisation does not automatically ensure development. Corruption - apart from being a barrier to free trade itself - debilitates government as a regulator and protector of the common interest, as the key actor in maintaining the social market economy.

The bottom line of the collective evidence strongly suggests that corruption poses a serious, albeit not the only, challenge to the WTO's mission and credo. Reliance on the tried and found-to-be-wanting "more trade more development equation" has proved impossible. New corrective policies, including corruption control measures, urgently need to be designed and implemented to strengthen the WTO's effectiveness for trade-fostered development.

### **Putting corruption on the agenda**

The WTO, in contrast to its global sister organisations, the World Bank, IMF, and most UN agencies, has not identified corruption as one of its concerns, much less controlling corruption as one of its intrinsic responsibilities. And yet the conception of an ameliorating framework for the widespread distortions in international trade, including in public procurement, constitutes a classic task and responsibility of the WTO.

Hence, the plurilateral WTO Government Procurement Agreement (GPA), which has been in force since January 1996, is a key example of this responsibility. And although it contains some basic transparency requirements, it fails to significantly reduce the problem, because it has few signatories. In particular, developing countries have refrained from acceding to the Agreement since it also contains market access or no-discrimination rules, under which importing countries have limited scope for providing preferences to infant or domestic bidders. Because fair non-discrimination rules in procurement are so central to the multilateral trading system and because the existing GPA is inadequate both in substance and number of adherents, work on a new procurement agreement has been ongoing since the first Ministerial in Singapore 1996.

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Hence, one important element of such strategic support for trade-fostered development could be the design of effective WTO policies and commensurate measures to combat and thereby to significantly reduce the incidence and impact of trade-related corruption. The WTO should not hesitate any longer to commit itself to a full-fledged policy and programme of corruption control in global trade transactions.

### **A natural universal guardian**

Furthermore, an enforcement system raises controversial questions: what is to be the role of the WTO in an enforcement system? Is it to be "a global corruption policeman"? Or would a co-operative framework to counter abusive and corrupt practices adversely affecting international markets be more suitable for an intergovernmental organisation? Clearly such and many other key questions will need to be thoroughly considered when designing an anti-corruption system specifically suited to the requirements of the WTO. Preliminary analysis of a variety of international anti-corruption efforts, however, does suggest that a system designed to prevent corruption from occurring in the first place, rather than one relying on penalties after the event, may be considered superior not only for poor countries but for the WTO as a whole.

A no less important lesson to be drawn from international anti-corruption efforts and products is the need for coalitions between government, the private sector and civil society organisations. Indeed, coalitions have been at the back and forefront of the anti-corruption, good governance and accountability movement. Anti-corruption strategies could be conceptualised, specific corruption control tools developed and international agreements forged more or less by virtue of the fact that a broad-based coalition of business, government and civil society organisations reached agreement on what needed to be done and how. For example, the International Chamber of Commerce joined hands with Transparency International (TI) to campaign for the now highly regarded OECD Anti-Bribery Convention. Ever since, TI has been a regular member of the OECD "country inspections" monitoring compliance with the convention. The creativeness and results-orientation of these new coalitions is also evident in such joint products as corporate anti-bribery principles, and the rapid spread of corporate social reporting.

The moral of this tale is twofold. First, there is no need and no justification for the WTO to go it alone in designing its anti-corruption policy and implementation mechanisms. A variety of multi-stakeholder coalitions have demonstrated that they can produce solid substantive results and, most importantly, can be relied upon to ensure a comparatively wider acceptance than unilaterally produced solutions. Second, the existing anti-corruption principles, conventions and agreements constitute an impressive patchwork of heroic efforts attempting to deal with some of the negative fallout of globalisation. Their practical impact on cross-border trade corruption thus far has been limited and will most certainly not be up to the challenges posed by further trade liberalisation and concomitant opportunities for abusive practices. And even though private sector anti-corruption and accountability standards are on the increase, their cumulative effect cannot be expected to go beyond expanding the patchwork.

If globalisation is not to destroy itself, it must be better managed for the benefit of all. Patchwork approaches to global problems may be considered a highly useful field for experimentation, but corruption in international trade and its manifold aberrations demand a holistic approach, one which combines global reach and trade system acumen with social and political sensitivity. The opportunity for entering the battlefield is most propitious: governments are keen to introduce new anti-corruption rules applying to cross-border trade, and the advent of WTO as universal guardian of free and unencumbered international trade should be most welcome to them.

Such a solution cannot be achieved without WTO leadership, resources and the conviction that system reform must not be postponed any longer.