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ECONOMIC ANTI-CORRUPTION MEASURES: FOREIGN EXPERIENCE

The article analyses the most efficient economic anti-corruption measures applied in foreign countries. The experience of the USA, Scandinavian countries, New Zealand, and Singapore is used. The paper highlights interdependencies between the country corruption level and the level of economic development as well as between the country corruption and competitiveness levels. Conclusions and proposals are made on the possibility of application of foreign experience in fighting corruption in Ukraine and Russia.

Keywords: corruption; economic development; economic measures; anti-corruption fight; foreign experience.

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ЕКОНОМІЧНІ ЗАХОДИ З ПОДОЛАННЯ КОРУПЦІЇ: ЗАРУБІЖНИЙ ДОСВІД

У статті проаналізовано найбільш ефективні економічні заходи протидії корупції, що використовуються у зарубіжних країнах. Використано досвід США, скандинавських країн, Нової Зеландії, Сінгапуру. Виокремлено взаємозалежності між рівнем корупції в країні та рівнем економічного розвитку, а також між рівнем корупції в державі та рівнем конкурентоспроможності країни. Сформульовано висновки та пропозиції щодо застосування досвіду зарубіжних країн у сфері протидії корупції для України та Росії.

Ключові слова: корупція; економічний розвиток; економічні заходи; протидія корупції; зарубіжний досвід.

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ЭКОНОМИЧЕСКИЕ МЕРЫ ПРОТИВОДЕЙСТВИЯ КОРРУПЦИИ: ЗАРУБЕЖНЫЙ ОПЫТ

В статье проанализированы наиболее эффективные экономические меры противодействия коррупции, используемые в зарубежных странах. Использован опыт США, скандинавских стран, Новой Зеландии, Сингапура. Выделены взаимосвязи между уровнем коррупции в стране и уровнем экономического развития, а также между уровнем коррупции в стране и уровнем конкурентоспособности страны. Сформулированы выводы и предложения по применению опыта противодействия коррупции зарубежных стран для Украины и России.

Ключевые слова: коррупция; экономическое развитие; экономические меры; противодействие коррупции; зарубежный опыт.

Problem statement. Among the most acute social problems facing the contemporary Russian society top priority belongs to corruption (the abuse of entrusted power for private gain – by the definition of Transparency International, 2009). Due to changes taking place in economy, management system, and social sphere, corruption is changing significantly which precludes its consideration from the point of view of traditional economic and regulatory legal approaches. Growth of corruption links causes economic regress, reduction of investments in real economy and reduces effectiveness of economic reforms being implemented. These just start the list of eco-

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conomic risks originating from corruptive behavior. Also, in the opinion of S.S. Stefanishin (2005), "corruption facilitates expansion of illegal economy since business transactions with participation of corrupted civil servants cannot be challenged in the public court and besides they rarely are subject to taxation at official rates. And if people pay less taxes the state has less opportunities to provide services needed for further economic growth". This opinion can be confirmed by numbers. For the purposes of this study GDP indicated in the Rating of the Countries of the World on GDP Level and Corruption Perception Index developed by the international non-governmental organization "Transparency International" were compared. The value of GDP was calculated using the World Bank method with confirmed evaluation of its amount at nominal value expressed in USD based on current prices without inflation adjustment, and Corruption Perception Index was calculated so that the minimum value of the Index corresponded to the country highest corruption level. Based on the results of the above comparison it can be concluded that there is a negative correlation between the level of economic development and the level of corruption in the country (Figure 1).

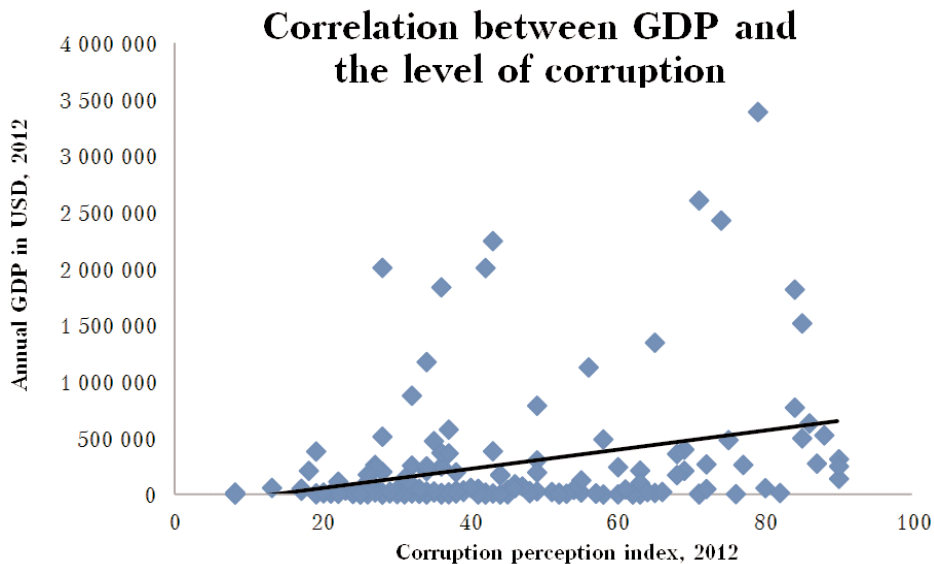


Figure 1. **Dependence of economic development on the corruption level,**
constructed by the authors

This problem is topical for Ukraine, too. V.N. Dremin (2009), looking into corruption spread in Ukraine, points out that "corruption has high profile pre-sence in the structure of social relations, it has taken systematic form and in many cases has replaced official regulatory relations which manifests in recombinant branching network of financial and other material financial gains and services". According to the analysis of 2012 data Russia takes the 133rd rank and Ukraine – the 144th in the "Transparency International" rating, thus leading in disposition of business people to give bribes when conducting business abroad. The least affected by corruption according to the above rating are Finland, New Zealand, Denmark, Sweden, and Singapore, taking respectively the first 5 top positions in the above rating. At the

present stage of development of Ukraine and Russia it seems necessary to study the experience of foreign countries effectively using economic anti-corruption measures. Certainly, counteraction to corruption is to be conducted in a systematic way, however in our opinion, only analysis of corruption in close link with economic processes makes fight against corruption effective.

Latest research and publications analysis. It is important to note that there are relatively few studies focusing on economic anti-corruption measures. Among researchers looking into economic anti-corruption measures, one should point out J. Henderson, S. Cave and M. Petrie (2003), K. Isaksson (2014), M.B. Kristensen (2012), R. Locher (2012), V.V. Luneev (2005), S.V. Maximov and Y.G. Naumov (2006), V.N. Meshkantsov (2006), V.S. Ovchinskiy (2001), B. Rothstein and M. Tegnhammar (2006), S.C.T. Simon (2006), S.S. Stefanishin (2005), S.S. Sulakshin et al. (2009).

The research objective is to analyze major approaches of foreign countries to application of economic anti-corruption measures, to ascertain possibility of application of a set of developed economic mechanisms for counteraction to corruption in the post-soviet states.

Key research findings. Prior to presentation of the results, it should be noted that corruption is considered by the authors as a peculiar indicator of certain inefficient actions of state, leveling down preceding transformations in social and economic sectors. That is why the majority of economic anti-corruption measures are primarily linked with economic recovery of state as a whole. It is impossible to minimize corruption risks using only legal arrangements without using economic, market and financial levers. Also it is necessary to take into account close links between corruption and "shadow economy" (Schneider, Buehn and Montenegro, 2010) which encourages us to look for special methods effective both for fighting corruption and for reduction of the level of "shadow economy". In this regard rather interesting is the "Doctrine of State Policy of Counteraction to Corruption and Shadow Economy in the Russian Federation" developed by a team of authors in the Center for Problem Analysis and State Management Design that considers anti-corruption activities in a single complex with the counteraction to the "shadow economy". Besides, we must not forget that Ukraine and Russia carried out the modernization of economic activity that contributes to proliferation of corruption and complicates the fight against it, since the time of state reforms is always accompanied by corruption growth (Satarov, Levin and Tsirik, 1998). In the course of the undertaken study the following peculiarities in the application of economic anti-corruption measures were identified:

1. Identification of mutual interaction between the level of corruption and socioeconomic situation in the country. The cornerstone of policy e.g. in the Scandinavian group is to be focused on general socioeconomic development of the country which inevitably results in reduction of corruption. Growth of income, of living standards, and confidence in future facilitate the implementation of high ethical principles in relations between different groups – those are the prerequisites for establishment of ethical principles in civil service without pressure, bans and penalties. White colors in bad standing who do not fit for the new values system, are gradually leaving state bodies or change their work in such a way that corruption is out of question. It is worth noting that today business people in Scandinavian countries are not

always willing to work with business community members who do not wish to comply with high ethical principles in work and consider it acceptable to give bribes to officials for reaching their goals (Isaksson, 2014; Rothstein and Tegnhammar, 2006). Russian business people face difficulties in cooperation and partnership in Scandinavian countries because they have to comply with high ethical standards. There is an interesting statement placed by the author of the article on a business portal: "It is common knowledge that our businessmen often appear abroad as a sleek but roguish dealer with manners of staying out late merchant. While the Swedes would like to meet a hard-working representatives of hi-tech, transparent and fair business".

2. Drive for optimization of state regulation of economy. Finland is one of the most striking examples of commitment to such attitude. "Transparency and openness of the process of making decisions by civil servants, openness and availability of the majority of regulatory enactments and by-laws" is conducive for such commitment (Bocharnikov, 2007). In Denmark also transparency of governmental agencies activities and private companies is considered as a strong point in counteraction to corruption. However, experts (Kristensen, 2012) evaluating Danish anti-corruption system point out insufficient access to information in the state sector since the law presumes placement of a wide range of documents in blocked access and in the practice of Danish administrative culture such provisions can be applied to deny a legal right to public access to such documents and the terms of documents publication are not observed. Swiss business sector is characterized by a very liberal legal regulatory system complemented with self-regulation standards (Locher, 2012).

3. Implementing the principles of corporate management and best management practices from private sector to state administration bodies. In line with New Zealand anti-corruption strategy a flexible corporate management and personnel management system have been introduced in the country and an administrative reform has been implemented. In New Zealand there is practically no such notions as "manpower limit" or "register of posts". There are no limitations in payment for labor. Salaries are fixed based on the principle of competence and in accordance with final results of work. Financing of a state body including its payroll depends on its specific goals. The salary level of civil servants is higher than that in private sector. Along with high salary a civil servant in this country in the absence of conflict of interests and by permission of the supervisor is entitled to do business which is forbidden by law in Russian Federation (Henderson et al., 2003).

4. Attention to direct foreign investments and activities of transnational corporations. Singapore's experience in application and implementation of economic anti-corruption measures is interesting – the key factor is openness of economy to direct foreign investments and transnational corporations as well as activities of state affiliated companies (Simon, 2006). Consolidation of international positions of state and expansion of possibilities to advance national interest improves the domestic image of the country (Semchenko, 2013) which also contributes to corruption reduction. In this connection, for the purposes of the study the indices of country corruption level and country competitiveness were compared. To evaluate the level of corruption the above mentioned "Corruption Perception Index" was applied. To evaluate the level of competitiveness, the "Global Competitiveness Index 2012–2013" was used (published on September 5, 2012 by the analytical group of the World Economic Forum).

The comparison shows that there is a negative relationship between the level of corruption in the country and the level of its competitiveness (Figure 2).

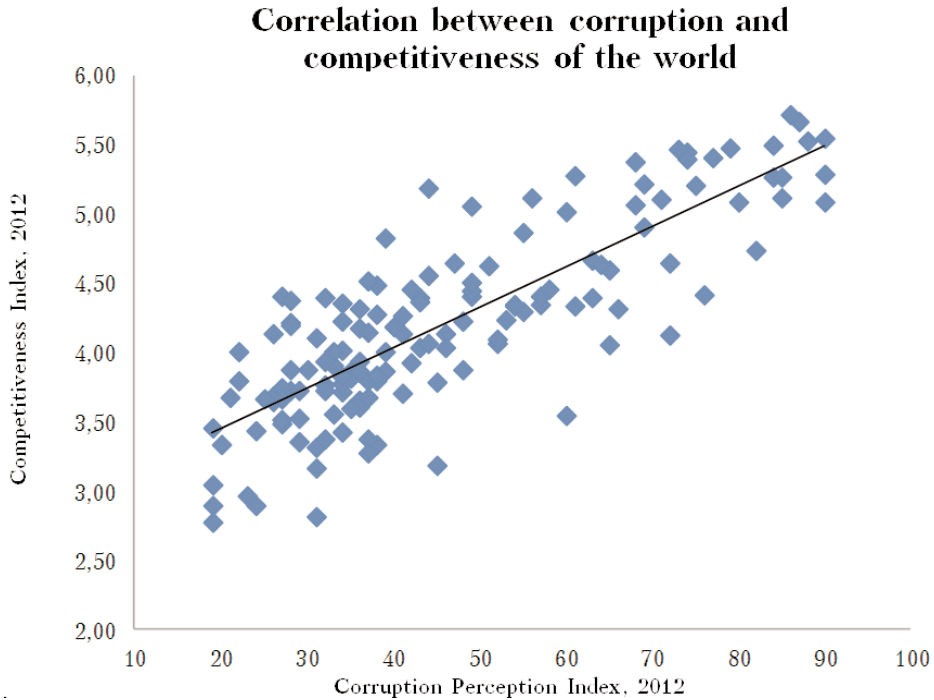


Figure 2. **Corruption and competitiveness of the countries,**
constructed by the authors

5. Focused attention to manifestations of corruption in international commercial relations. Study of anti-corruption policy of the most successful in this regard countries – primarily Asia-Pacific Region (the USA, Singapore, Australia) shows that a fairly significant role in formation of interrelations between organizations, governmental bodies and other authorized entities is played by the provisions of OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions dated November 21, 1997. Specifically, many private companies operate based on the code of ethic established in this international statute and, which is equally important, not only declare its provisions but also enforce observation of the regulatory prescriptions of the Convention within their companies. It is worth mentioning that the provisions of this Convention emerged to a large extent as a result of declared and already accepted practice of cooperation between the states based on national legislation. For example, Foreign Corrupt Practices Act of the USA of 1977. The law was primarily designed as preventive with regard to business community since it established tough sanctions for violation of its provisions. In this connection to avoid the effect of this Act entrepreneurs have to introduce internal control systems in their companies (to prevent corrupt practices), and to choose foreign counter agents with consideration of their compliance with the Act, i.e. pay attention to their reputation and methods of transaction preparation. It is remarkable that

international corporations, e. g., those having regional headquarters in Singapore also work at developing markets of Asia in accordance with such strict anti-corruption laws as Foreign Corrupt Practices Act 1977 in the USA, Hong Kong Prevention of Bribery Ordinance of 1971 and the later UK Bribery Act of 2010.

Following the results of the analysis of the studied peculiarities of applying economic anti-corruption measures in a range of foreign countries that proved effective, we can make the following **conclusions and recommendations**:

1. Both Russia and Ukraine should pay necessary and sufficient attention to the issues of counteraction to bribery of foreign public officials in international business transactions. For example, Russia has ratified the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and made appropriate amendments in its criminal legislation (Federal Law of 04.05.2011, #97), but the statistics shows that foreign bribery prosecution in Russia is still on the agenda.

2. Optimization of state regulation of the economic sector. "Overregulation" of economic activity is perilous for the development of competitive relations, for the growth of share of small and medium-sized businesses in certain market segments which can contribute to the reduction of "merging" government institutions and businesses which results in corruptive legal relations. Being aware of the need to change the level of regulation of economy, the Verkhovna Rada of Ukraine in the National Anti-Corruption Strategy adopted in 2011 emphasized the reduction of the administrative pressure on business as well as application of public property and budget funds among the major aspects of state anti-corruption policy. Such attention on the level of statutory regulations to the said problem also confirms the need of practical actions in this area.

3. General economic recovery is an important and necessary anti-corruption tool. Without using mechanisms linked with this process, reduction of corruption is impossible and activities on reforming of civil service, implementation of legal, social, institutional and other anti-corruption measures shall not be effective.

4. An efficient economic measure is to increase the level of transparency of operations of state bodies and other organizations. The process of making decisions concerning distribution and redistribution of physical and financial resources and public funds, observation special-purpose financing, public contracts standards and other key areas of state administration need new approaches to their management.

We also think it necessary when analyzing foreign experience in application of economic anti-corruption measures to dwell upon the use of financial resources to fight corruption. In the opinion of T.Y. Khabrieva (2013) voiced at the II Eurasian Anti-Corruption Forum (June, 2013) currently the issues of applications of financial resources to fight corruption are investigated insufficiently, in particular, "currently we have the situation when corruption, like finance has no borders and is not always linked even to a specific state. In the contemporary world there is a single financial market, a very complex hi-tech aggregate where every single moment a huge amount of transactions is conducted, including cross-border transactions ... this is why it is necessary to ensure harmonization of applied measures of legal nature and other measures, both financial and economic".

Therefore, based on the investigation of major peculiarities of applying economic anti-corruption measures by foreign countries it shall be recognized that both Russian Federation and Ukraine need a wider study of foreign experience in this area. The experience of the considered countries shows interesting approaches to combating corruption, demonstrating efficiency of the applied measures. However, looking into foreign experience it is necessary to assess the applied measures in terms of their potential adaptation to Ukrainian and Russian conditions or development of brand new approaches on their basis.

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