

The Wall Street Journal

November 27, 2003

STATE OF THE UNION

## Europe's Corruption Gap

By MIKLOS MARSCHALL

When the European Union embarks on its historic enlargement next spring, "Old Europe" will welcome "New Europe" into a modern single market, ending the long journey from the iron grip of communism. Unfortunately, when it comes to corruption, the transition in Eastern Europe isn't yet complete.

Several new member states, the Czech Republic among them, have made only limited progress in reducing the scale of official corruption, as indicated by Transparency International's latest Corruption Perceptions Index (see table0 at bottom of page). In some countries, the problems are getting even worse, most notably in Poland.

Not all the news is bad. Slovenia and Estonia have marked themselves out as less corrupt than EU members Italy and Greece, which suggests Old Europe itself still has a way to go as well. According to the Council of Europe's Group of States against Corruption (Greco) -- which monitors the anti-corruption policies of European states -- corruption in Greece is most prevalent in the allocation of EU funds. The same practice is widespread in the candidate countries.

The problems in the enlargement countries are neither surprising nor impossible to solve. In the new democracies, freedom has brought more opportunities for misuse of power along with dynamic entrepreneurialism. Law and order is fragile, crime is rampant, and the adoption of the EU's *acquis communautaire* (or body of law) is just a starting-point. Once these countries are inside the EU, a very important external pressure for anti-corruption measures will come to an end, providing one more reason for the EU to take anti-corruption measures within its own jurisdiction much more seriously. Among them, the EU should adopt the Greco process of peer review, in which countries evaluate each other's progress on anti-corruption measures.

While petty corruption has been on the decline in the accession countries since 1989, New Europe has seen the emergence of new "grand corruption" schemes -- not so different from the off-the-books accounting of major corporations such as Enron. These include underestimates of inflation or overconsolidation of bankrupt companies, both of which allow for the reallocation of revenues without parliamentary scrutiny. All over post-communist Europe, assets from privatized companies have been siphoned off into the private pockets of company executives, a practice made possible by weak disclosure rules and lax securities regulation.

While legislation on public procurement has been steadily improved, a lack of supervision and an absence of criminal convictions have meant that bribery remains widespread. In Estonia, the legislative framework is in place, but the understaffed Public Procurement Office lacks independence from the executive, making monitoring almost impossible.

In the Czech Republic, the judiciary remains vulnerable to bribery, especially in the commercial courts. In surveys in Slovakia, the judiciary ranks second only to the health service as the sector most prone to corruption. Jana Dubovcová, chief justice of the district court of Banská Bystrica in central Slovakia, rocked the judicial establishment when in April 2001 she personally initiated a survey of corruption in her own court. The results indicated that corruption had been encountered by 30% of respondents, two-thirds of whom had been asked for a bribe directly by a judge.

Her survey prompted the Council of Slovak Judges to call upon the country's minister of justice to dismiss her. He refused. Ms. Dubovcová earned a Transparency International Integrity Award last year for her courage. Poland's judicial system is plagued by a backlog of cases. Protection for

whistleblowers is absent or minimal throughout the accession countries, with the notable exception of Hungary.

Countries in transition must move away from an autocratic top-down system of governance to a system of "horizontal accountability" with dispersed power and individual accountability. Introducing checks and balances into government institutions -- including the legislature, judicial, executive, the auditor general and watchdog agencies -- will help to guard against corruption. This holistic approach to fighting corruption is making gains around the world, even though it is a long-term battle that may take generations.

The candidate countries must work harder to prevent conflicts of interest in public contracting. Legislation is not enough: the enforcement of disclosure requirements on politicians and public officials must be made a priority, and civil society monitoring of public tenders is essential if those in power are to be called to account.

Last but not least, a vital component of success in fighting corruption is a free, pluralistic media. In the Czech Republic, Hungary, Poland and Slovakia, all now members of the OECD, politicians are regularly interfering in the management of public television. But without free access to a wide range of sources of information, formal accountability will not turn transition countries into open, modern societies where public officials and institutions are truly accountable -- and where the rule of law is respected.

The EU as a whole will have a high hill to climb. Until the OECD Anti-Bribery Convention came into force in 1999, it was not a criminal offence for European companies to bribe foreign public officials. In fact in many countries, such as France and Germany, bribes abroad were deductible tax expenses at home. Awareness of the Convention is still alarmingly low, and no convictions have yet been made in any of the 35 signatory countries.

Many who are sceptical of EU and NATO expansion will seize upon corruption scandals as evidence that New Europe is mired in graft. In Lithuania, for example, a parliamentary commission is investigating the president over his suspected links with the Russian mafia. Democracy in the New Europe will also suffer when voters are disillusioned by corrupt politicians and stay home from the polls, or turn to parties at the extremes of the political spectrum. This is another lesson from Old Europe -- particularly from Germany, France, and Italy -- that New Europe would do well to heed.

Mr. Marschall is an executive director of Transparency International, an international non-governmental organization dedicated to fighting corruption.

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## The New Europe

Countries ranked according to Transparency International Corruption Perceptions Index, from best to worst.

Country rank	Country rank in post-enlargement European Union	Country	CPI 2003 score
1	1	Finland	9.7
3	2	Denmark	9.5
6	3	Sweden	9.3
7	4	Netherlands	8.9
11	5	Luxembourg U.K.	8.7
14	7	Austria	8

16	8	Germany	7.7
17	9	Belgium	7.6
18	10	Ireland	7.5
23	11	France	6.9
		Spain	6.9
25	13	Portugal	6.6
27	14	Cyprus	6.1
29	15	Slovenia	5.9
33	16	Estonia	5.5
35	17	Italy	5.3
40	18	Hungary	4.8
41	19	Lithuania	4.7
50	20	Greece	4.3
54	21	Czech Republic	3.9
57	22	Latvia	3.8
59	23	Slovakia	3.7
64	24	Poland	3.6

Note: Malta wasn't included in the 2003 Survey  
Source: Transparency International

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