

Report

CORRUPTION

IN RUSSIA:

AVOID THE TRAP,

FIGHT AGAINST

THE SCOURGE

La Russie se situe aujourd'hui 127ème rang par mi les pays les plus corrompus, entre le Pakistan et le Bangladesh et loin derrière les pays les moins corrompus, selon le classement de Transparence internationale. Malgré l'implication de ses coûts pour l'économie (certains analystes parlent d'un coût de 15% à 20% du PIB russe occupée par le marché parallèle), le Gouvernement russe opte pour une position d'inaction, voire de création de climat favorable au développement de ce fléau. L'ampleur de la corruption en Russie est clairement disproportionnée par rapport à son niveau de développement économique. Les analystes estiment qu'une économie moins corrompue en Russie pourrait donner jusqu'à 0,5 à 1% de point de croissance supplémentaire, ce qui est un gain important pour un pays qui a connu une stagnation économique pendant plusieurs années.

et profiterait aux entreprises étrangères. Les données récentes montrent que la corruption en Russie est un fléau pour le développement et la démocratie en Russie. Les entreprises étrangères qui ont des affaires en Russie ont des difficultés à faire des affaires et à protéger leurs intérêts. La corruption est aussi un piège. Un piège pour les entreprises étrangères qui veulent faire des affaires en Russie. La corruption est un fléau qui touche la Russie aujourd'hui. Il s'agit d'une violation générale des droits de l'homme, car elle crée une inégalité explicite et implicite entre les citoyens du même pays. La corruption en Russie est aussi un piège. Un piège pour les entreprises étrangères qui veulent faire des affaires en Russie.

prises françaises et européennes qui souhaitent investir, avoir des relations commerciales ou des échanges de biens et services. Le présent document est adressé à tous les décideurs qui souhaitent s'en servir : organisations européennes, États, entreprises, ONGs, administrations, associations, agences, universités... Vous appelez à une action collective pour lutter contre la corruption en Russie. C'est possible!

RUSSIE

LIBERTÉS

association Russie-Libertés
www.russie-libertes.org

English version – November 2014

Preface

"For many years, corruption has been perceived as a Russian domestic problem. Western people have often accepted this state of affairs. They turn a blind eye to misappropriated money deposited by corrupt civil servants on Swiss banking accounts or used to buy villas in Chelsea. At the same time, corruption has been used to fund the regime and its authoritarian and aggressive abuses.

Today, corruption in Russia has become a threat not only for Russian citizens but also for the whole Europe.

Russian government has always been reluctant to investigate corruption abuses on its own territory. Russian anti-corruption activists are involved in a difficult battle. European governments and companies can and must act in order to efficiently contribute to the fight against corruption in Russia. The future of Russian transition toward democratic and peaceful rule of law depends on their action.

"Russie-Libertés" presents a list of proposals which should be carefully considered and implemented at the French and European level."

Sergei Guriev

*Professor of economics at the Instituts d'études politiques (Sciences Po) in Paris
and former Rector at the New Economic School (NES) in Moscow*

Why this report?

Corruption in Russia is a major plague and a human rights violation. It is also a trap and a risk factor for French and European companies. In the current context of tensions at the European level, it is important to fight this plague that feeds the system and its abuses.

This report answers the following questions: What can companies do to fight corruption in Russia? What can France do? What can European States, institutions and organisations do?

Introduction

Russia ranked **127th in the 2013** Transparency International corruption perception ranking¹, **among the most corrupt countries**, between Pakistan and Bangladesh in the ranking and far below the least corrupt countries. According to various estimates, corruption is costing Russia between 15%² and 50%³ of its gross domestic product (GDP). In spite of the gravity of the problem and its negative impact on the economy, the Russian government has failed to act. Quite the contrary: it has even created a favourable environment for corruption abuses. The extent of corruption in Russia is clearly disproportionate to its level of economic development.

During the Medvedev presidency in 2012, a working group had been set up to design an "open government" in Russia. The group presented a list of proposals on how to fight corruption to then President Medvedev in March 2012. However, almost nothing has been done and the situation has deteriorated in some areas. According to some analysts, by adopting some minimal anti-corruption measures the Russian government could spur economic growth by 0.5 to 1% which in turn would bring around 2% of GDP to the state budget⁴. Such measures would increase consumption, improve business environment and benefit foreign investments.

Last years' events show that corruption is detrimental for growth, development and democracy in Russia. Private companies that pay bribes are nothing but weakened by such practices. Moreover, "silent" victims such as consumers and

¹ <http://www.themoscowtimes.com/news/article/russia-places-127th-in-world-transparency-rankings/490786.html>

² Independent report. « Putin. Corruption », Moscow 2011.

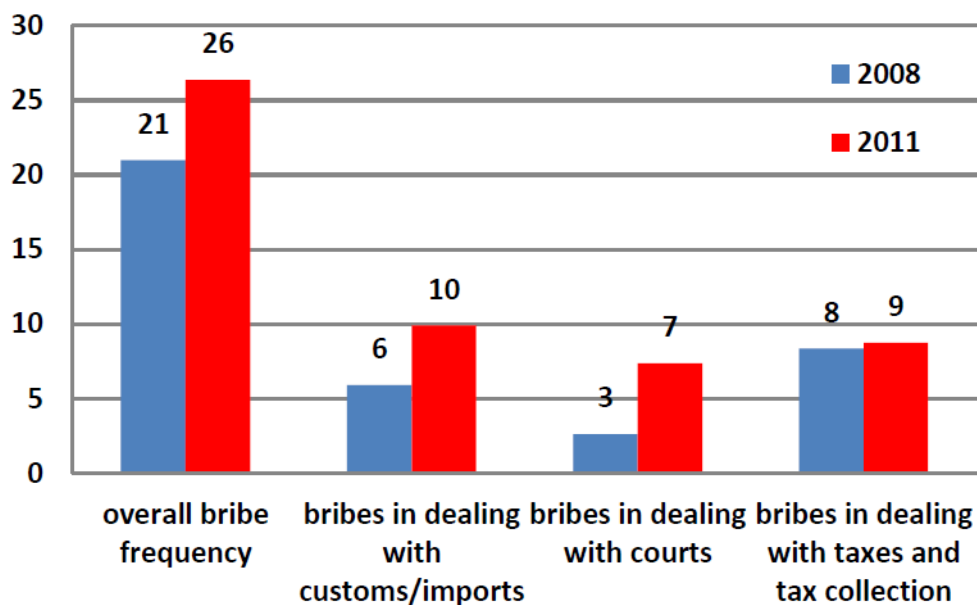
³ <http://newsland.com/news/detail/id/580475/>

⁴ Sergei Guriev, Professor of economics at the "Instituts d'études politiques" (Sciences Po). Seminar "Corruption: what is to be done?" organized by Russie-Libertés on December 4th, 2013 at Sciences Po, Paris.

taxpayers also suffer from corruption. Corruption has therefore a negative impact on every economic activity and poses risk to companies, especially foreign ones. After the OECD anti-corruption convention had been signed 15 years ago, a lot of reports pointed out that Russia's corruption problems worsened (Transparency International reports, World Bank reports, etc.).

Corruption is among the main obstacles to economic development in Russia (see Table 1 and 2). The latest World Bank data show that corruption in Russia is second in the ranking of companies' main concerns. Even though fewer companies have made "parallel payments" since 2008, they have paid more money in bribes. Indeed, bribe's share in companies' revenues increased from 4.5% in 2008 to 7.3% in 2011⁵.

Table 1: Unofficial payments "to get things done"⁶ (percentage of respondents reported payments are needed at least frequently)



⁵ <http://www.worldbank.org/content/dam/Worldbank/document/eca/RER29-ENG.pdf>

⁶ <http://www.worldbank.org/content/dam/Worldbank/document/eca/RER29-ENG.pdf>

Table 2: ranking of main regulatory obstacles to doing business in Russia⁷

<i>Regulatory obstacles to doing business</i>	<i>2008</i>	<i>2011</i>
Level of tax burden	2	1
Corruption	3	2*
Access to financing	8	3
Political instability	4	4
Inequalities in the level of education	1	5
Communication	9	6
Transport	10	7
Electricity	5	8
Tax administration	11	9
Informal competition	14	10

At the beginning of President Putin's second mandate, corruption deepened. As power is in the hands of the few people close to Putin, civil servants can abuse their position at every level. Corruption is at the core of **the Russian regime and its abuses**.

Today, anti-corruption efforts are not sufficient. The anti-bribery charters signed by many European companies constitute "soft laws"⁸ and are not legally binding. It is urgent to address this issue. The struggle against corruption is a very technical fight because corruption practices are increasingly complex, abstruse and disguised. The legal instruments that are already in place could be improved. Measures should be adopted to prevent and prosecute corruption abuses. NGOs

⁷ <http://www.worldbank.org/content/dam/Worldbank/document/eca/RER29-ENG.pdf>

^{*}In 2011 corruption was 2nd important preoccupation

⁸ William Bourdon, lawyer and president of association SHERPA (seminar "Corruption: what is to be done?" organized by Russie-Libertés on December 4th, 2013 in the Instituts d'études politiques (Sciences Po) in Paris.

have to oversee this process, draw the attention of business players and society to it, and contribute their expertise to the fight against corruption. This report addresses some of these issues.

Our suggestions

1. Strengthening the commitment of European companies working in Russia

It is difficult to blame European companies, including French ones, for entering the Russian market in order to pursue the legitimate goals of conducting economic activity like in any other country.

It is however necessary to admit that the post-Soviet area and Russia in particular, are distinct due to the historical and geopolitical context. Therefore, the common political, legal, economic and social pillars, take on a whole new meaning. It is easy to find a law both non-transparent and arbitrary, which provokes rampant corruption and almost the total absence of consumer rights protection.

Foreign companies in the Russian market working with direct sales or as part of a joint venture may well try to adapt to the local customs, no matter how absurd they seem. This method comes as the most intuitive and appears to be the most effective in the short term, taking into account that Russia is an important market that needs to be conquered quickly and that can be the source of relatively high returns which cover possible additional costs. However, it would most likely be a strategic mistake as the greed of the corrupt officials is constantly expanding, which inevitably leads to cutting down profits. Above all, the economic environment, which has been reduced to the mere consumer market and is only powered by oil profits, is likely to worsen dramatically at the slightest change of the economic situation.

Being more proactive is a possibility for foreign companies operating in Russia, especially for those with on-site production systems with high value-added. Such

activity could show the company's willingness to contribute to the development of social dialogue, transparency and cooperation between businesses consistent with European standards, within the company and within the immediate surroundings of this particular business. Such an approach would improve company's public image, place its activity within both international laws and laws of the country of origin and, above all, would allow creating an economic network that ultimately lays ground for a revival of the real economy in Russia.

Codes of conduct that promote working ethics and correct behaviour in order to avoid passive or active corruption already exist in many French and European companies, especially those with strong international presence. These codes of ethics and conduct appear to be the main tools for securing the commercial interest and business activities. We suggest that such regulations should be extended in order to spread the basic principles that control the conduct of business, the relationship between employees and employers as well as the relationship between businesses and the State in the West. Thus, business actors become the representatives of fundamental economic and social values forged in the course of several centuries of European history but separated from the post-Soviet territories during the twentieth century.

Hence, three main factors can be identified:

- Social dialogue

European companies must commit to creating favourable conditions for the development of modern and independent trade union structures, in particular, under control of the European Trade Union Confederation (ETUC) and International Labour Organisation (ILO). This may include financial and logistical support as well as making working hours similar to those of the companies' countries of origin. Not only would this type of action allow to create a real social

organisation (unlike artificial unions inherited from the Soviet era), but it would also teach local employees self-managing and self-organisational skills as well as responsibility.

- Transparency and independent control

In addition to correct financial accounting, respect for international and local laws (as long as they do not contradict international standards) and audits carried out by professional firms, **companies must allow non-governmental organisations to evaluate their business**. This would achieve two goals:

- possible public denunciation of involvement in the corrupt networks of the State agencies responsible for control and monitoring of economic activity (tax administration, customs administration, prosecutors, law enforcement, local executive office etc.);
- support for independent non-governmental organisations on the Russian territory, currently under serious threat.

- Inter-company alliances

Responsibilities the European companies would take on to demonstrate good management skills as well as innovative management standards of their businesses would only have an impact in the context of a broad participation of foreign economic actors on the Russian market. It is, therefore, essential that a greater number of companies respect the standards as defined above in order to achieve the critical mass that would make these conditions necessary not only for the companies themselves but also for their business partners and local subcontractors.

To encourage swift and massive development of this ecosystem we recommend the **creation a “favouring clause”** (i.e. creating favourable conditions for economic activity) for business partners, suppliers, distributors and subcontractors in order to favour companies that follow the same policy and have taken a formal, public and verifiable commitment.

Clearly, such measures can be demanding and may at first seem counterproductive considering the current neglected market situation and mostly unscrupulous competition. But it is also obvious that without such a proactive and collective approach the situation of the lawless and free-for-all area will get even worse. Economic activity will be inevitably affected as profits from levies linked to widespread corruption and other similar expenses will increase. In contrast, following our recommendations would mean an eventual gradual consolidation of business practices, the emergence of a well-informed consumer society and, as a result, a stable perspective and relatively secure development and growth in the medium and long terms.

2. Strengthening French and European anti-corruption legislation more efficiently

When it comes to corruption, French criminal law allows for the punishment of a wide range of illicit actions. For instance, the French penal code (*Code pénal*) forbids not only corruption itself (whether it is active⁹ or passive corruption¹⁰) but also related offences such as active¹¹ and passive¹² trading in influence, favouritism¹³, embezzlement or misappropriation of property by a public official¹⁴ or money laundering¹⁵. Because of its extra-territorial effect, French criminal law punishes both offences committed on French territory and those committed in a foreign country, as long as one of the acts constituting the offence has taken place in France. (art. 113-6 of the *Code pénal*).

Nevertheless, low sentencing figures (since 2000, only 33 procedures have been initiated and 5 final sentences pronounced, of which only one offender has been a legal person¹⁶), slow procedure (23 of the 33 cases are still ongoing¹⁷) and criticism from international organizations (such as the OECD and Transparency International) testify that France is one of Europe's black sheep when it comes to its stance on the fight against corruption.

In most cases, the act of corruption is committed in a foreign country by a representative of a local subsidiary when he makes a donation (or a pledge) to a public official, as payment for some preferences granted on the local market. Yet, in France, “no one is criminally liable except for his own act”¹⁸. This provision

⁹Art. 435-3 of the *Code pénal*

¹⁰Art. 435-1 of the *Code pénal*

¹¹Art. 435-4 of the *Code pénal*

¹²Art. 435-2 of the *Code pénal*

¹³Art. 434-14 of the *Code pénal*

¹⁴Art. 432-15 of the *Code pénal*

¹⁵Art. 324-1 of the *Code pénal*

¹⁶Phase 3 Report on the implementation of OECD anti-bribery convention in France, page 10.

¹⁷Information up to date as of November 12, 2012.

¹⁸Art. 121-1 of the *Code pénal*.

allows a French parent company (or a group holding) to escape criminal liability for acts committed by its subsidiary. Today, the only way to hold a parent company liable for acts of corruption committed by its local subsidiary is through the concept of complicity, as set forth in article 121-7 of the penal code. This provision states that “An accomplice to a felony or a misdemeanour is a person who knowingly, by aiding or abetting, facilitates its preparation or commission. It is also any person who, by means of a gift, promise, threat, order, or abuse of authority or powers, provokes the commission of an offence or gives instructions to commit it.”

However, the concept of complicity loses its value when it comes to international corruption. Prosecution for complicity in an offence committed in a foreign country is an impossible task given the stringent conditions imposed by French law. Indeed, article 113-5 of the penal code states that an accomplice of a felony or misdemeanour will be prosecuted under French criminal law only if (1) the offence is punishable both by French law and the foreign law, and (2) the offence was established by a final decision of the foreign court. The French case law has adopted a narrow scope regarding the application of this article, and is especially strict as to the requirement of an offence being established by the final decision of the foreign court¹⁹. However, leaving an offender in the hands of the Russian judicial authority - which is far from being flawless itself - is not sufficient.

Given the above, we have formulated the following three recommendations. Their aim is to facilitate prosecution of French and European companies for acts of corruption committed on the Russian territory:

- Implementation of a secondary and joint liability of parent companies for acts committed by their local subsidiaries.

¹⁹Cass. Crim., January 29, 2008, n°07-82.872

The secondary and joint liability of a parent company for acts committed by its local subsidiary has already been implemented for concealed employment. Indeed, article L. 243-7-3 of the Code of social security (*Code de sécurité sociale*) states that if a case of concealed employment has been reported in a subsidiary, the parent company is compelled to a secondary and joint payment of social contributions and fees due by the subsidiary. Such a provision appears to be very useful when it comes to corruption, as it would prevent the parent company from escaping liability by hiding behind its insolvent subsidiary which has no financial means to pay a penalty. Moreover, it would help to prevent the parent company escaping conviction for complicity if the required conditions to establish complicity are not met. Implementation of an article similar to the one contained in the code of social security within the commercial code would allow for recourse through the financial solidarity of a parent company in case of conviction of its local subsidiary.

- Removal of the offence reciprocity requirement

Article 113-6 of the penal code states that French penal law applies to an offence committed by a French citizen abroad only if “the conduct is punishable under the legislation of the country in which it was committed”. Similarly, according to article 113-5 of the penal code, the same condition applies to prosecution in France of an accomplice of a felony or a misdemeanour committed abroad. Yet, given that Russian penal law and French penal law are not identical when it comes to corruption, this reciprocity requirement makes judicial liability of the offender very difficult to assert. For instance, unlike the French code, the Russian penal code does not punish a proposal or a promise of a bribe to a public official. Article 291 of the Russian penal code is limited to the effective “payment” of the bribe, which

requires acceptance of the bribe by the public official²⁰. Hence, the requirement of reciprocity prevents prosecutions against French companies for offering or promising donations or other benefits to a public official as payment for some act within the exercise of his public authority. In addition, as indicated above, the requirement of reciprocity makes it difficult to prosecute a parent company for complicity. Finally, although the Russian Federation signed the OECD Convention on combating bribery of foreign public officials in international business transactions on February 13, 2012, recent events demonstrate that Russia does not respect international agreements, and cast doubt on the future of the OECD convention's implementation in Russia. Thus, our second recommendation is **to remove the reciprocity requirement from the French penal code**.

- Toughening of criminal sanctions

The penalties applicable to natural and legal persons convicted of corruption of foreign public officials are enumerated in articles 435-14 and 435-15 of the French penal code. The maximum penalty is €150,000 for a natural person and €750,000 for a legal person. These amounts are hardly dissuasive given the advantages that an act of corruption can give. This is particularly true for large French or European companies, especially in the aviation and arms industries²¹. For such companies, €750,000 is trivial compared to the benefits generated or expected from corruption; this is all the more true when such a loss can easily be provided for in company accounts, allowing the company in question to decrease profits and therefore taxes. By way of comparison, the Foreign Corrupt Practices Act, in force in the United States, punishes a natural person with a fine of up to

²⁰ « Giving a bribe to a public official, foreign public official or a public official of a public international organisation - whether personally or through an intermediary - shall be punishable by a fine of fifteen- to thirty-fold amount of the bribe or deprivation of liberty for a term of up to two years with a fine of ten-fold the amount of the bribe. »

²¹Phase 3 Report on the implementation of the OECD anti-bribery convention in France, page 29.

\$2,000,000 for each offence. We recommend **doubling current fines** for natural and legal persons to €300,000 and €1,500,000 respectively.

- Create a framework for a European CSR and protection of “whistle blowers”

Corporate social responsibility is more and more important at both the European and global level²². Investors are sensible to the respect of CSR norms and information brought by CSR reports. Nevertheless, in Russia, CSR is still too feeble and lots of companies fail to publish a CSR report. It is possible to reinforce control by civil society and investors’ demands in order **to make CSR compulsory** for every company working in Russia and for Russian companies which make business with European companies or receive European investments.

Russian current affairs show that those who reveal corruption abuses are often threatened. Hence, ecologist Evgeny Vitishko, co-author of a report on the Sochi Olympic Games²³ has recently been sentenced to 3 years in jail. So it is of utmost importance to put in place a legal framework of protection of Russian “whistle blowers” based on the French law that combats fiscal fraud²⁴ but also **encourage European states and NGOs to welcome Russian “whistle blowers”** on the European Union soil.

²² <http://www.developpement-durable.gouv.fr/La-RSE-au-niveau-communautaire-et.html>

²³ <http://russie-libertes.org/2014/03/15/russie-libertes-rejoint-le-mouvement-international-pour-la-liberation-de-lecologiste-russe-evgueni-vitichko/>

²⁴ http://www.lemonde.fr/economie/article/2014/02/06/lanceurs-d-alerte-la-france-adopte-enfin-une-legislation-protectrice_4361322_3234.html

3. Give a new direction - « against-corruption » to the Russian and European organizations

- What cooperation structures?

There are numerous organizations promoting trade cooperation with Europe in Russia. They include organizations supported by the state or private structures; their aim is to improve economic exchange between Russian and European companies.

The aim here is to give a new competence to these organisations, make them participate in the fight against corruption. This will benefit their members as well as local markets involved. It is a real reorientation of different organisations in a new strategic direction.

There are a lot of independent non-profit associations. Generally, their aim is to promote European companies in Russia. Such associations work to improve business climate and companies' integration into new markets and territories.

They often organize meetings, round tables, and conferences with ministers or trade unions' representatives. Topics of discussions are diverse, from tax legislations to energy efficiency. Sometimes, these associations organize committees or working groups to analyse some important topics, monitor changes in the Russian legislation including corruption legislation. But, usually, this is the only setting in which corruption is discussed.

Another example that we can take are governmental agencies, such as the French agency for international development of companies – Ubifrance. These are State structures, under the supervision of the French Minister of Economy and Finance. For instance, Ubifrance plays a very important role in supporting the activities of French companies in Russia. It accomplishes various tasks from

market research to creating client database, to companies' project financing. However in the anti-corruption field their role is limited to some publications and country briefings that are very general, only stating the facts.

These structures play a role of support, consult, and conduct market research. Thus, they can be considered as partners of European companies in specific countries. Moreover, it can be said that they convey the image of European economies by promoting know-how, technological and economic progress of their countries. That's why, it should be essential for these structures to go further than their primary role of "information source", to be really involved in the questions of corruption risks and implement initiatives that aim at fighting corruption. Thus, they can **help European companies to limit their risks**, to keep their integrity, to conquer new market shares securely and promote an image of a fair company, in close relation with their customers.

- What role for European structures?

Support of transparent companies.

First of all, members of these different international structures should be carefully selected according to strict criteria. Their activities should be analysed by independent auditors. For instance, the selection of members can be based on such criteria as:

- Their financial structure. Diversification of assets and capital investments from founders or associated managers.
- Customers' portfolio. If it happens that among their customers there are organizations or individuals that are involved in a lawsuit or in a corruption scandal, this should be justified, or this company and individual should be removed.
- Tenders in which they had participated and under what conditions.

Consulting their members on the fight against corruption.

Promotional structures of European companies should actively provide information and “made-to-measure” consulting on how to avoid paying bribes. Mandatory seminars have to be organized for members where some current events would be presented and some business cases decoded. The organization has to emphasize problems that companies involved in corruption schemes have faced. Long-term losses generated by it are much more important than short-term benefits due to crooked or sharp practices. They have also to publish free reports on corruption and make them available to all members.

Moreover, they have to offer professional legal consulting services. So, if a member company faces difficult situations linked to corruption, it can have a tailor-made professional advice.

Trainings of the teams of managers

It is essential to organise trainings which would provide advice on best anti-corruption practices. It might be through inter-company training forums organized each year, or through a made-to-measure service provided inside of the concerned company. In the first case, it can be global trainings on best management practices in general. And in the second case, the trainer could adapt his message to a concrete situation of the concerned company and on the specific market/product it is operating with.

- What benefits?

Thanks to these actions and to an active part in the fight against corruption, organizations for development of European business in Russia will give

guarantees to their members that their business network is fully upright and transparent. The business climate between members will be positive and based on **confidence and risk control**.

It will be easier to promote its members. Actually, these structures will be able to guarantee to its foreign counterparts or partners that companies are willing to work in a healthy environment. Prices indicated by its members would not be distorted by any secret contracts or unjustified margins. Concerning Russian companies, they will also benefit from working with these structures because they give access to a network of very competitive partners, a network that works only on the basis of free trade principles.

At the same time, European structures such as European Bank for Reconstruction and Development (EBRD) should reinforce their transparency. For instance, EBRD should ensure **a fully transparent tracking system of its investments and flows** in order to avoid traps as tax havens or covert financing systems. Also, we suggest implementing a stronger citizen's supervision that can be held by independent European and Russian NGOs. They could be put in charge of supervising sources of funding, flows and projects financed by organizations such as EBRD. In the financial sphere, relationships should be fully transparent.

The cooperation between NGOs is also very important. European NGOs could share their considerable experience regarding corruption prevention and struggle against tax evasion with Russian counterparts. As part of this cooperation, it is possible to set "levels of alert" and "red lines" in legislation and in practice. NGOs need to strengthen efforts to share their knowledge and experiences in order to encourage Russian civil society, which lacks appropriate tools to combat overwhelming corruption, to act more efficiently.

This cooperation might for instance concern environmental protection, as business that harms the environment is often linked to corruption. When European companies are involved, the cooperation between NGOs make even more sense because European NGOs can easily take legal actions.

4. Implementation of reinforced sanctions against perpetrators of corruption

In December 2012 the United States enacted a law called "Magnitsky Act". Under this law, the individuals (in particular, Russian police, justice officials and public treasury officials) involved in the assassination of a tax lawyer Sergey Magnitsky in prison on November 16th 2009, and anyone responsible for serious violations of human rights in Russia, are denied visas to enter the United States; their property ownership and their bank accounts are frozen. Certain steps were also made towards a similar act at the European level; they are, however, modest and imprecise. This is why, in order to fight corruption and its consequences more efficiently and beyond the existing laws, we recommend that a **"European Magnitsky Act" is adopted as an EU Directive** for the implementation of all member states.

- Criteria and individuals in the "European Magnitsky Act"

- Entrepreneurs, civil servants and other individuals directly involved in corruption cases in Russia and abroad;
- Officials investigating corruption cases unjustly and with the intention of burying the cases;
- Members of their families who are not financially independent.

- Possible sanctions

- Ban on entrance to the EU territory;
- Ban on any economic activity on the territory of the EU or in relation to the companies headquartered on the EU territory;
- Ban on possession of any type of property on the EU territory (real estate, stocks and shares, etc.);

- Freezing all accounts and assets on the EU territory.

Such measures are justified by their indirect effect and prevention: the EU citizens and economy would no longer be affected by corruption practices; the measures would make people realise that they should not take advantage of illegal money.

It is obvious that the lists of individuals concerned must expand and vary depending on pending cases and cold cases. The goal is also to allow free and independent prosecution for corruption or corruption-related cases. Furthermore, **the adoption of the "FATCA" law on the European level**, which requires banks to declare all their accounts and be transparent with the European tax administrations, would also make the fight against corruption more efficient.

5. Award a « Stop corruption » label to most transparent European companies.

- Why a label?

A label is a distinguishing mark given to a company thanks to its belonging to a group or to a concept. Nowadays, a lot of international labels exist in different fields like sustainable development or social norms or labels of origin. So a label is a positive mark for the concerned company and is used as a promotional tool by companies regarding its partners or customers.

A label, as a price tag, is clearly identified by the company that has it. It is used as a marketing and communication tool, but not only. In our consumer society, competition in the consumer market is very tough, and such a visual recognition could play an important role for a company whose aim is to gain new customers and market shares.

So, a **« stop corruption » label** seems to be a potentially effective tool. It can be either an official label managed by a state organisation or a collective label managed by an independent organisation under NGOs control.

- Which companies are concerned by a « Stop corruption » label?

Membership in a « Stop corruption » club is voluntary: companies willing to have the label should send their application to the administration or association in charge of the label and if they are accepted they would receive a permission to label their goods or services accordingly.

Its usage can be studied by a supervisory body duly authorized by the administration or association in charge of the label. This supervisory body will be

assigned to define not only clear and precise criteria for the selection of companies eligible to have the label, but also, it will have to draw up a detailed set of principles that companies with the label will have to respect. Indeed, control is not only needed when a company is joining the label group but as well, throughout all its membership period.

This supervisory body should be created at the European level. And now, for instance, the possible creation of such structure is currently being considered under the name of « **Tax inspectors without borders** »²⁵. The independence of the supervisory body will ensure its reliability.

Another kind of supervisory power might play an important role throughout the company's activity. It is a so called civil control. Actually, if a trial or just a rumour about corruption on a company manager is revealed, the label should be immediately withdrawn.

- How would a « Stop corruption » label benefit European companies?

Russian society is yearning for a healthier lifestyle, but also, more transparency and honesty. Ecolabels have already been introduced on the market. Russian consumers are more and more sensitive to such recognitions. This is why a label against corruption would play an important role in establishing objective criteria not for the quality of products or services but for the quality of company management. This is a new kind of consumer goods selection. Companies getting this label will have a better brand image. They will be able to use it as a selling point and develop customer loyalty.

The use of a « Stop corruption » label will undoubtedly help them show **a transparent final product price to their customers**. Companies will be able to post their prices without any filters and customers will appreciate this honesty.

²⁵ <http://www.pascalcanfin.fr/08/12/2013/transparence-un-engagement-pour-le-developpement/>

Even without talking about moral values, a consumer always wants to know where his money goes. Thus, a product certified with a « Stop corruption » label will ensure that the money will not end up in the pockets of corrupt officials.

Conclusion

Corruption is a major plague that afflicts Russia today. It constitutes a breach of human rights contributing to inequality between Russian citizens. Corruption in Russia is also a trap for French and European companies that trade and invest in Russia.

In order to fight this plague and avoid falling into this powerful and organized trap, we propose several powerful, effective and diverse tools. This document has been written for those concerned with corruption: European organizations, States, companies, NGOs, administrations, universities, etc.

Thanks to this work, we hope to contribute in building a free, democratic and open Russia. A transparent country, fully integrated into the world trade system, and respectful of its citizens and partners. A country that lives in the 21st century and by 21st century rules. It is possible!

Working group

This report is the result of a cooperative work realised by a working-group within Russie-Libertés. **Nina Berezner, Alexei Goldvasser, Nicolai Kobliakov, Margarita Lukashova, Jonathan Morice, Iuliia Popova, Alexis Prokopiev, Anne Rio, Adrien Zakhartchouk and Anton Zykov** belong to this group.

We want to particularly thank **Sergei Guriev**, professor of economics at the Instituts d'études politiques (Sciences Po) in Paris and former Rector at the New Economic School (NES) in Moscow and **William Bourdon**, lawyer and president of association SHERPA. They help us writing this report and took part to the seminar "Corruption: what is to be done?" organized by Russie-Libertés on December 4th, 2013 in the Instituts d'études politiques (Sciences Po) in Paris.

English translation by a group of volunteers. November 2014.

You can find us on the internet:

www.russie-libertes.org

Facebook: <https://www.facebook.com/RussieLibertes>

Twitter: @Rus_Lib



www.russie-libertes.org