BUSINESS ETHICS.
CORRUPTION PERCEPTION ANALYSIS

Alexandra ZAMFIRACHE[1]

Abstract: *This paper examines corruption from the perspective of business ethics. It is known that corruption negatively affects the development of countries in several ways: it reduces growth, chases away foreign investors and channels investments, loans and aid funds, the so-called White Elephant Projects. Corruption has a very high price for the poorest, who are denied access to basic goods and services, and this paper shows that the poor suffer the most from corruption. Based on the annual index provided by Transparency International, it can be observed that, in general, some of the richest countries in the world (like: Finland, Denmark, New Zealand, Canada, Iceland, Singapore and Sweden) consistently record a low level of corruption.*

Key words: *business ethics, corruption, bribery*

1. Introduction

Ethics in international economic affairs is that part of business ethics whose object of activity is moral issues that arise at the international level. According to a widespread understanding, international business ethics refers to the ethical dimension of any business relationship between two or more countries or between private partners in different states (emphasis is placed on the moral duties of transnational corporations) (Frederick coord., 2001).

The central theme of the debates on ethics in international economic affairs is represented by multinational companies. The more the countries around the world in which a company operates, the stronger and more impossible to ignore the cultural challenge that managers face it is.

Ethics in international management must take into account both the universal values, generally valid worldwide, and those specific to a particular culture or part of the world in which the company operates.

The range of ethical issues raised by multinational corporations mainly concern issues such as bribery and corruption, the exploitation of the labour force of minors in poor countries, or environmental pollution.

Agencies operating in the world market face many ethical dilemmas. An example is the way in which they carry out their activity (according to the legislation of a certain foreign

[1] *Transilvania* University of Braşov, Alexandra.zamfirache@unitbv.ro, ORCID ID: 0000-0002-6141-443X

country), come into conflict (more or less flagrantly) both with the laws of the country of origin and with the set of moral values that the corporation states them in its code of ethics. In specialized papers, which deal with issues related to ethics in international affairs (Frederick coord., 2001), there are, in principle, eight categories of issues of general interest (Popa and Filip, 1999):

1. Bribery and corruption;
2. Problems aimed at employment and staffing issues;
3. Marketing practices and consumer protection;
4. Impact on the economies and development of host countries;
5. Effects on the natural environment;
6. The cultural impact of transnational operations;
7. Relations with the governments of the host countries;
8. Relations with the countries of origin.

The most common problem for multinational companies is, undoubtedly, corruption due to its universal character, which is analysed in this paper.

2. Literature Review

Defined in a general sense, corruption is a deviation from moral norms. In a more precise sense, the term refers to the incorrect or illegal conduct of a person who is in a position of authority or power, for the purpose of obtaining personal gain in monetary or other form. Usually, the category of acts of corruption includes: bribery, nepotism, fraud, embezzlement, use for personal purposes of resources that do not belong to that individual. Corruption occurs where there is a poor-quality government, violent conflict or where state control and its regulations cannot be implemented in an effective way.

In international affairs, corruption raise a particular concern: In a prudent estimate, the total amount paid as bribes in international affairs is estimated at $ 80 billion a year - about how much the United Nations considers that it is necessary for the global eradication of poverty in the world today.

The costs of corruption for the EU economy are estimated at EUR 120 billion per year, not much less than the annual budget of the European Union. The total economic costs of corruption cannot be easily calculated. The figure is based on estimates of institutions and specialized bodies such as the International Chamber of Commerce, Transparency International, Global Compact of the United Nations (UN Global Compact), World Economic Forum or the publication "Clean Business is Good Business" in 2009 which says that corruption accounts for 5% of global GDP.

In the business environment, corruption creates uncertainty, slowing down processes, and can lead to additional costs. Thus, the business becomes less attractive for the business environment, the level of private investment and competitiveness decrease accordingly, and the economy cannot reach its full potential (European Commission, 2011).

According to the 2015 Flash Eurobarometer survey on Business attitudes towards corruption in the EU, the results show that:

➤ 40% of EU companies say that corruption is a problem for them in their business;

> ➢ 71% of companies say corruption is widespread in their country;
> ➢ 44% of respondents say that the only way to succeed in business is to have political ties;
> ➢ 34% of the companies that participated in public tenders or public procurement procedures in the last 3 years considered that corruption prevented them from winning a contract;
> ➢ 68% of companies agreed that favouritism and corruption obstruct business competition in their country;
> ➢ 4% of the enterprises stated that they were asked or expected to pay bribes in order to receive certain public services or authorizations in the last 12 months.

Bribery is a common practice in all countries, bearing different names, such as: na leva (Russia), hongbao (China), hanagusuri or zoushuuwai (Japan), ne mul (Korea), rishwat (India), kitu kidogo (Kenya), dash (West Africa), baksheesh or arr-aam (Middle East), mordida (Mexico), diego (Argentina), pajada (Honduras), jeitinho (Brazil), Schmiergeld (Germany), bustarella (Italy), grease (USA), bribery (UK), mită or bacşiş (Romania).

Bribery and corruption create an uncertain business environment and these issues have very costly implications for multinationals that do not want to bear the "additional costs."

According to World Bank assessments, widespread corruption can reduce a country's growth rate by up to 1% in comparison with other countries at the same level of economic and social development, but with a reduced corruption.

Immoral practices, especially bribery and corruption, trigger real costs of time, money and social welfare, borne not only by companies and governments, but also by individuals.

Corruption negatively affects a country's development in many ways: it reduces economic growth, it chases away foreign investors and channels investments, loans and aid funds in the so-called White Elephant Projects - absurdly grandiose projects that bring huge benefits to those managing the money, but not any good to the citizens (Iamandi, I. E., Filip, R., 2008). In addition, corruption has a very high price for the poorest, who are barred from access to basic goods and services; certainly, the poor suffer the most from corruption.

The Organisation for Economic Co-operation and Development (OECD) and the United Nations are considered the leading multinationals in the fight against corruption. OECD Convention on Combating Bribery of Foreign Public Officials is the main international convention dealing with the fight against bribery and corruption in international business. Each country has certain regulations regarding corruption among national officials, but the Convention obliges its signatories to adopt national legislation that criminalizes the bribery of public officials abroad. All members of the OECD, as well as four other non-member countries (Argentina, Brazil, Bulgaria and Chile) have signed this convention.

To combat this practice, generally recognized as immoral, a non-governmental organization called Transparency International was set up. Its primary purpose is to prevent and combat the phenomenon of corruption at international level, through research, documentation, information, education and awareness of public opinion.

Originally founded in Germany in May 1993 as a non-profit organization, Transparency International is now an international non-governmental organization. It annually monitors and publishes the Global Corruption Barometer and the Corruption Perceptions Index, and comparative lists of global corruption levels. The organization is headquartered in Berlin, Germany.

In order to have an overview of the data presented, this paper is carried out on the official statistics recorded on corruption.

3. Methodology

The official information was taken from the EUROSTAT database and the Corruption Perceptions Index (Transparency International, 2021)

The Corruption Perceptions Index is a ranking published annually by Transparency International (TI) that measures "the perceived level of corruption in a country, established by expert assessments and opinion surveys.

The following steps are followed to calculate the CPI (Transparency International, 2021):

1. **Select data sources -** each data source that is used to construct the CPI must fulfil a selection of criteria.
2. **Standardise data sources to a scale of 0-100** where a 0 equals the highest level of perceived corruption and 100 equals the lowest level of perceived corruption.
3. **Calculate the average -** for a country or territory to be included in the CPI, a minimum of three sources must assess that country. A country's CPI score is then calculated as the average of all standardised scores available for that country. Scores are rounded to whole numbers.
4. **Report a measure of uncertainty -** the CPI is accompanied by a standard error and confidence interval associated with the score, which captures the variation in scores of the data sources available for that country/territory.

Statistical methods, based on official data, like time series, were used in order to analyse the situation of the main corruption aspects.

4. Analysis Results

For the year 2020, the CPI scores 180 countries and territories by their perceived levels of public sector corruption, according to experts and business people. The scale is from 0 to 100, where 100 is very clean and 0 is highly corrupted.

The results are shown in the map below, where red means 0-9, and yellow 90 to 100.
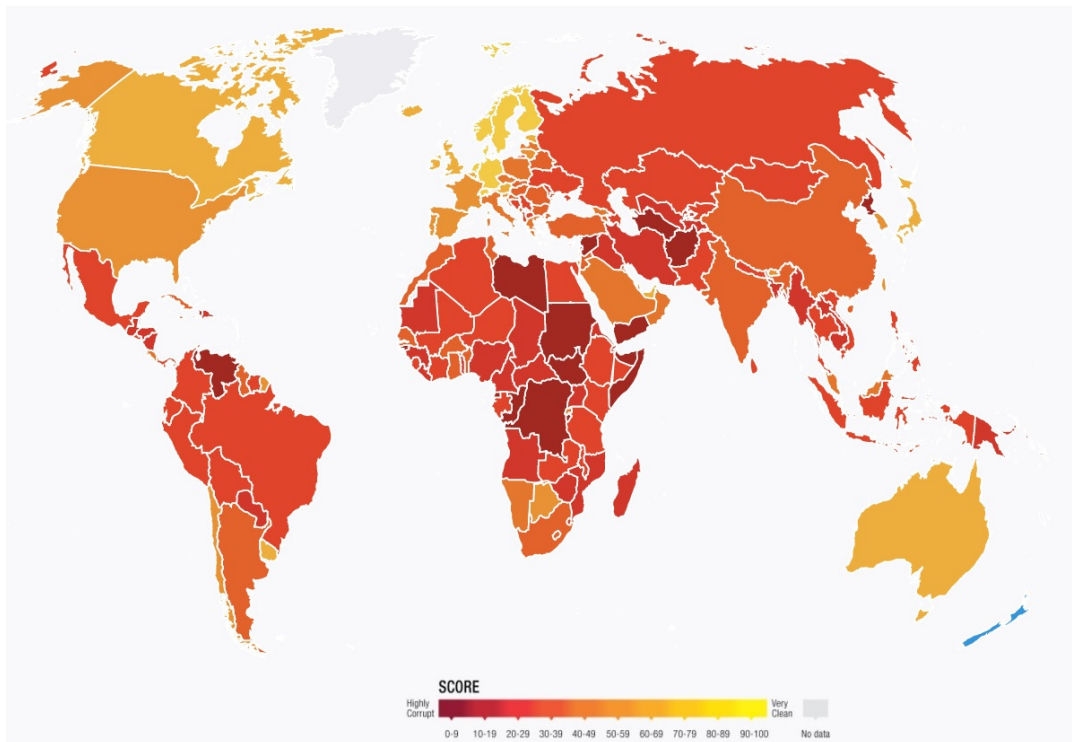
Fig. 1. *The corruption worldwide map in the year 2020*

Source: Transparency International, Corruption Perceptions Index
https://www.transparency.org/en/cpi/2020/index/nzl

From the data analysis, it can be observed that the ***top countries*** in the world on the CPI are:

1. ***Denmark*** with a score of 88;
2. ***New Zealand*** with a score of 88;
3. ***Finland*** with a score of 85;
4. ***Singapore*** with a score of 85;
5. ***Sweden*** with a score of 85;
6. ***Switzerland*** with a score of 85.

At the opposite pole, the ***bottom countries*** are:

• 180 place – ***South Sudan*** with a score of 12;
• 179 place – ***Somalia*** with a score of 12;
• 178 place – ***Syria*** with a score of 14;
• 177 place – ***Yemen*** with a score of 15;
• 176 place – ***Venezuela*** with a score of 15.

The paper continues with a graphic representation of the CPI, but this time, for European Countries.
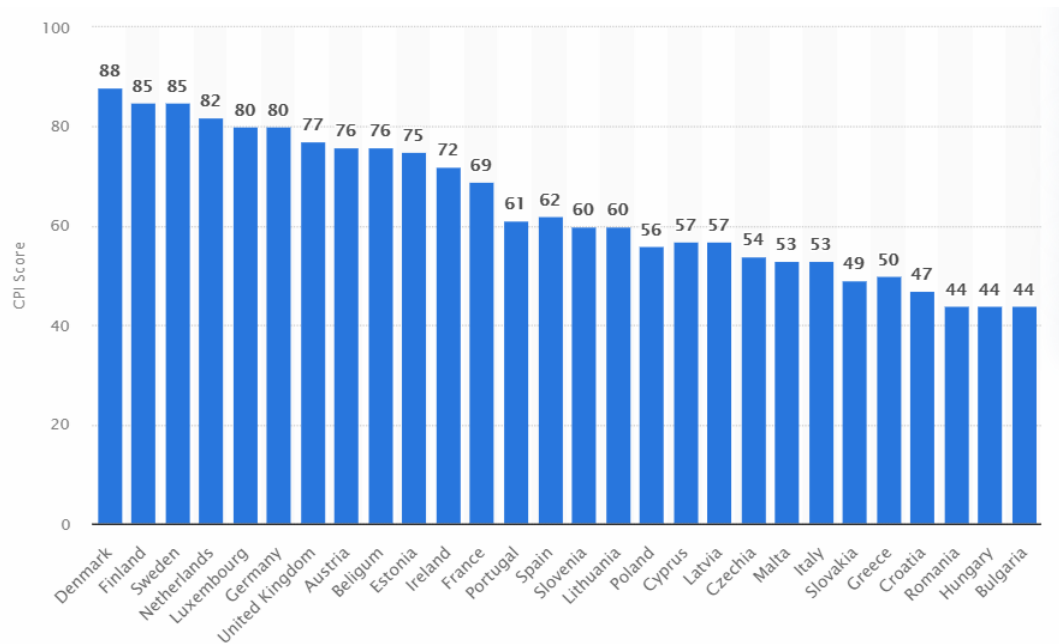
Fig. 2. *CPI countries in the European Country in 2020*

Source: Statista. (2021). Politics & Government. *Corruption perception index score of countries in the European Union 2020* available at https://www.statista.com/statistics/873736/corruption-perception-index-european-union/

   The representation of CPI, for the countries in the European Union, as of 2020, shows that Denmark is the least corrupted country in the European Union. The other Nordic countries in the EU, Finland and Sweden, also have high scores and are second and third in this statistic, respectively. Romania, Bulgaria and Hungary have the lowest index score of all EU countries (44 each).

   Corruption is a widespread problem in Romania which developed during the transition from a communist to a democratic regime. The years following the Romanian Revolution in 1989 were characterized by an institutional and legislative vacuum which caused serious dysfunctions, not only in the criminal justice system, but also at a political level. Nowadays, corruption is seen as part of the business culture in Romania, since people still find it acceptable to either do a favour, or to give a gift or money to obtain something from the public administration. Apart from the political and institutional environment, corruption problems have also been constantly reported in the healthcare system (Statista, 2020).

   In 2020, Romania obtained a score of 44, occupying the 69th place in the general ranking (out of the 180 countries monitored), being among the last three EU countries (along with Bulgaria and Hungary, which also obtained 44 points).

   For a better representation of the data, Figure 3 presents the evolution of the Corruption Perception Index for Romania, along with the average regional score for the European Union.
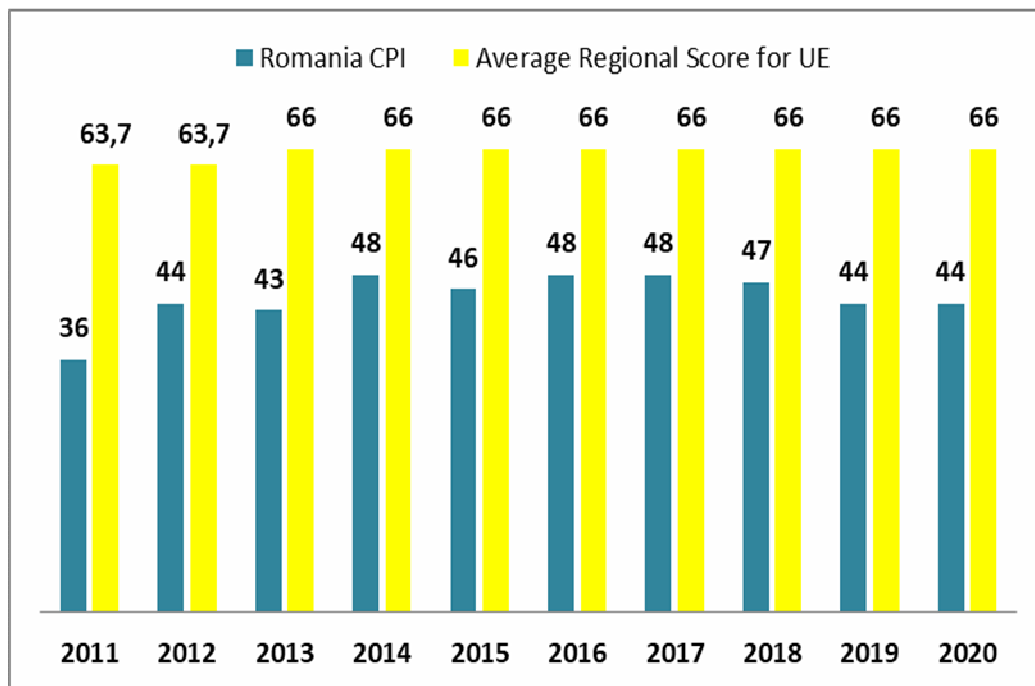
Fig. 3. *The evolution of the Corruption Perception Index for Romania compared to the average regional score for European Union*
Source: *Made by the author based on the information from Transparency International*

Comparing Romania's corruption perception index with the average regional score for the European Union, we find that, in 2011-2020, our country's index was always below this average, with values between 36 and 48 (the lowest value 36 was recorded in 2011).

In what follows, we provide a presentation of official statistical data on the place occupied by our country in ranking corruption in countries around the world.

Table 1

Statistical Data on CPI for Romania, average regional score for European Union and Romania's Rank

Year	Media UE	Romania CPI	Rank Romania
2009	64,5	38	71/180
2010	64	37	73/178
2011	63,7	36	75/183
2012	63,7	44	66/176
2013	66	43	69/177
2014	66	48	57/176
2015	66	46	58/168
2016	66	48	57/176

Year	Media UE	Romania CPI	Rank Romania
2017	66	48	59/180
2018	66	47	61/180
2019	66	44	70/180
2020	66	44	69/180

As regards the official statistical data on the place occupied by our country in the corruption ranking of Countries around The World, Romania's average rank for the period 2009-2020 is 65.4 / 177.8. This means that Romania is a little above half.

Romania's position in this ranking can be first seen as the rank compared to the countries of the world, where our country ranks 69th out of 180 in 2020. Then it can be compared to the EU average, where the CPI for Romania is 44, being among the last places in the EU, which had an average of 66. Regarding the evolution of this indicator, it can be observed that there is no certain trend, which makes it difficult to give a forecast. This is also difficult because the main causes that fuel corruption in Romania are: lack of political will, weakness of state institutions and tradition (Manole and Erdniç, 2014). At the same time, a poor implementation of the measures taken over time to reduce the size of corruption was found, which led to a low efficiency of these measures (Radu and Gulyas, 2010). Corruption leads to an inefficient allocation of resources at the national level, diminishes the efficiency of the administrative system, slows down economic growth and contributes to the decline of the political system (Iamandi and Voicu-Dorobanţu, 2007).

5. Conclusions

Since 1995, Transparency International has been publishing the annual Corruption Perception Index. The methodology for calculating the index is based on a number of country-specific investigations, and the composite that can be obtained in the end is between 10 - "very clean" and 0 - "highly corrupted". In the last few years, Romania has started to obtain values over 40 (for example, for 2013, the score recorded by our country was 43, occupying the 69th position out of 177 countries investigated, and in 2020 it was placed 44th, the same score being obtained by neighbouring countries Bulgaria and Hungary). In general, some of the richest countries in the world - Finland, Denmark, New Zealand, Canada, Iceland, Singapore and Sweden - consistently score over 9 out of 10 possible in terms of the integrity of their government officials, indicating very low levels of corruption in those countries. Countries with two or less points are the poorest countries in the world: Angola, Azerbaijan, Kenya, Indonesia, Madagascar, Nigeria, Paraguay and Bangladesh.

For Romania, corruption is a widespread problem. Our country developed during the transition from a communist to a democratic regime and the years following the Romanian Revolution in 1989 were characterized by an institutional and legislative vacuum which caused serious dysfunctions (not only in the criminal justice system, but also at a political level). Nowadays, corruption is seen as part of the business culture in Romania, since people still find it acceptable to either do a favour, or to give a gift or money to obtain something from the public administration (Statista, 2020).

All these things have affected the economic development of Romania and it is necessary to renounce them. Among the proposals offered to reduce corruption are: national standards for criminalizing corruption, substantial legislative reforms, institutions responsible for enforcing legal provisions to operate in an effective and impartial manner. At the same time, there is a need to develop rigorous external and internal mechanisms for administrative verification. But we should not forget that change is a slow process, and it always has to start with each of us.

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*** Transparency International – *The global coalition against corruption*, https://www.transparency.org/en/