Observer

Bribes don't pay

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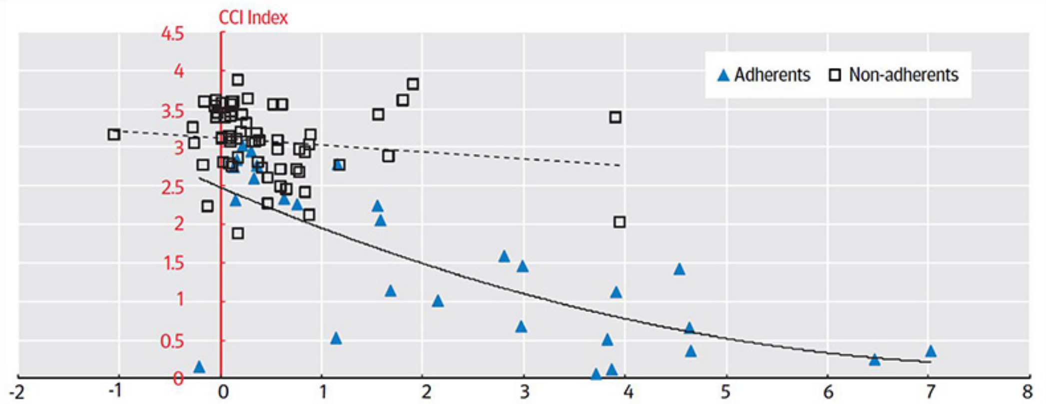
Bad investment

Corruption and foreign direct investment of adherents versus non-adherents to the OECD anti-Bribery Convention, 2012-2015



Note: The dotted line shows a linear trend while the solid line shows a quadratic one

Source: *OECD Business and Finance Outlook 2017* StatLink http://dx.doi.org/10.1787/9789264274891-en

Anyone looking for proof that international agreements work should look at the OECD Anti-bribery Convention. One reason is investment. In fact, countries that adhere to the convention (currently 43) invest more abroad than those that have not joined.

Corruption wastes resources that could otherwise be invested abroad–each year individuals and companies pay bribes roughly of the order of France's GDP, around US$2 trillion. However, bribes don't pay, as the clear correlation between lower levels of corruption and higher foreign direct investment (FDI) outflows suggests in our graph. The vast majority of countries adhering to the OECD Anti-bribery Convention are less corrupt and invest much more abroad than non-adhering countries, and therefore are more likely to benefit from foreign sales and scale economies. These countries are not all OECD members, as the convention's reach extends beyond the area of the organisation, to incorporate eight non-OECD countries among its adherents, such as Bulgaria, Colombia and South Africa.

Joining the convention means committing to several rules, such as criminalising the offering of bribes to foreign public officials, and committing to co-operate in monitoring and promoting the full implementation of the convention. The OECD is determined to continue its efforts on implementation, as called for in the 2017 Ministerial Council statement. As the graph shows, such efforts could improve countries' positions as investors. Unlike bribes, anti-corruption measures pay by freeing up resources for investment.

OECD (2017), *OECD Business and Finance Outlook 2017*, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264274891-en