

Corruption, culture, clans - and coping



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INTERVIEW WITH LARS JOHANNSEN

Beneath the poor rating given to Ukraine by Transparency International and the World Bank lies a complex story.

“A numerical score is one thing; the real world another”. This is the first caveat that Lars Johannsen, Associate Professor and expert in corruption and Eastern Europe, points to, when asked to comment on Ukraine’s poor rating. “You need to distinguish between different kinds of corruption and the World Bank and Transparency International does not”, he explains. “One can compare, but the Transparency International score has only got one dimension – a lot of complexity put in to a single figure. Because of this a lot of information is lost making a comparison of Ukraine’s score with the scores of other Eastern European countries undergoing transition more relevant than say with African countries”. Among the transition economies, unfortunately, Ukraine is below-par.

Grand corruption

So, corruption in Ukraine may be totally different from corruption in Nicaragua or the Comoros, even though the three countries share the same score. Nevertheless, corruption in Ukraine is a cause for concern for most Western European businesspeople. What exactly are the specifics of Ukrainian corruption and how does one distinguish between different kinds of corruption?

According to Lars Johannsen, corruption is the misuse of public office for private gain, and there are two main types: grand and petty corruption. Grand corruption typically occurs at parliament level when big money mixes with big politics. In Ukraine the line between politics and business is blurred because the business people have become politicians and visa versa. “The Ukrainian economy is run by clans. These are conglomerates of different economic and political interests that compete with each other” explains Lars Johannsen. “The clans and the competition among them represent a sort of political pluralism, but the system is not transparent - at all - and this leaves room for corruption”.

Petty corruption

In contrast to grand corruption, there is the petty corruption – the small bribes and services paid by ordinary Ukrainians who are somehow dependent on the good will of public office holders. “Parents may bribe officials to get their kids accepted into a college, house owners may have their gas meters tampered with, or business owners may use bribes to speed up administrative processes” says Johannsen.

These offences appear harmless when compared to grand corruption, but according to Johannsen, they are not: “When you look at any individual case of petty corruption, it’s not serious. However, when you have a countless number of cases happening every single day, petty corruption becomes a huge problem. When people begin to accept that they have to bribe officials in exchange for services, corruption becomes part of the culture”. The bribes that seem rational and harmless in the short run will thus affect the business environment negatively in the long run. “As people come to accept corruption as a fact of life, their language and habits change – a bribe becomes ‘a gift’ and so on”. Accordingly, Lars Johannsen’s prediction

is that the longer it takes for Ukraine to find a cure for corruption, the harder it will be to heal the patient.

Torn between East and West

Lars Johannsen’s prediction is supported by the experience of other Eastern European countries. In general, the post-Soviet countries that made the necessary economic reforms early on have performed the best and are now ahead of Ukraine on the corruption indexes. “Ukraine is still on its way to creating a mature market economy. Unfortunately, there has been a lack of reform consensus, because Ukraine is still torn between East and West. In fact, this rift is the basis of the aforementioned political and economic clans” says Johannsen and points to the constant shifts in the country’s political leadership as an example of this schizophrenia.

Finding a cure

Lars Johannsen, however, is not pessimistic: “The vital issue is the lack of consensus among stakeholders. Things will change once the clans start to believe that they are better off with a less corrupt system, because then reforms will be implemented”.

A promise of EU-accession could probably change the interests of stakeholders, but according to Lars Johannsen EU-membership is completely unrealistic in the near future because of the lack of will in both Ukraine and the EU. The recent accession to the WTO, however, could move Ukraine in the right direction. Not only because it encourages further integration with Western Europe, but also because it will lead to some legal reforms. “Exceptions and additions reduce transparency. The less complex the customs system, the less scope for petty corruption”, states Johannsen.

Awareness campaigns could be another way to combat corruption in the short run: “people who are familiar with the law and know their rights are less likely to end up bribing an official”, he claims, before adding that the system could also increase the protection of ‘whistleblowers’ – the officials, employees or citizens that report corruption.

Coping with corruption

The above solutions all hold some promise. For the moment however,

Ukraine remains troubled by corruption, and businesses must do their best to cope. Lars Johannsen is reluctant to give specific advice, because, as he says, he has never done business in Ukraine. He has, however, traveled in the country several times, and one thing he has learned is that you need to know the basics of Ukrainian laws and traditions. The line between a gift and a bribe can be thin, and one can get enmeshed in corruption unintentionally. “That’s why it might be a good idea for foreign businesses to contact someone with local knowledge and language skills”.

Despite all the complexities, Lars Johannsen underlines that one can in fact do business in Ukraine without engaging in corruption – “it just takes a bit longer to get what you want”. He adds that with the right assistance and efforts, one can learn how to avoid misunderstandings and cope with challenges. “The Danish, the Germans and the English also have different languages and different customs. Nevertheless we have learned how to do business with each other”, concludes Lars Johannsen with a smile

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Lars Johannsen



Lars Johannsen is Associate Professor at The Institute of Political Science at the University of Aarhus. His research focuses on political and economic development in Central and Eastern Europe and on specific subjects such as corruption, democracy and European integration. Johannsen has lived and often travelled in Eastern Europe, and thus combines theoretical knowledge with first-hand experience.