Corporate Culture That Has Less Vertical Power

By Brook Horowitz

The simultaneous visit to Moscow this week of two of the world’s most senior anti-corruption regulators highlights again the attention governments are devoting to fighting corruption and the challenges they face in some of the biggest emerging markets.

Lanny Breuer, head of the U.S. Justice Department’s criminal division, which manages the Foreign Corrupt Practices Act, and Richard Alderman, director of Britain’s Serious Fraud Office, is responsible for introducing and implementing the new Bribery Act, will hear from the business community just how difficult it is for companies to abide by U.S. and British anti-corruption regulators.

The questions for business leaders all over the world are daunting: How do companies create a corporate culture that is impervious to corruption? How can preventative methods, such as anti-corruption training and the endorsement of ethical behaviour, be institutionalized and performed values that encapsulate the company’s brand and identity?

Communicating means not just through line managers but also being personally committed to spreading the word beyond the immediate confines of the company, to suppliers and distributors, third-party agents, competitors, the government and to society as a whole.

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Gazprom’s Imperial Hubris

By Alan Riley

European Union energy liberalization is clearly getting Gazprom hot under the collar. Already the prospect of an EU-inspired forced sell-off of Gazprom’s pipeline assets in Lithuania has provoked outrage in Moscow. Last month, Prime Minister Vladimir Putin was in Brussels seeking a special exemption for Gazprom from EU energy liberalization, branding the move as a major threat of higher gas prices for Europe if it does not get its way.

The EU has no need to entertain such demands. Other energy firms have been forced to liberalize, and the same rules should apply to Gazprom. If a U.S. official had demanded a special exemption for U.S. companies from EU law, it would have been met with intense opposition. Russia’s ex-imperial arrogance should equally be rejected.

Russian officials are openly dismissive of EU energy liberalization and are outraged at the idea that Gazprom’s operations within the EU should be subject to EU competition and liberalization law. EU energy liberalization has already sparked a furor in Lithuania, where government proposals for unbundling the ownership of the partially Gazprom-controlled local gas company have prompted Gazprom to increase gas prices in Lithuania significantly compared with other Baltic states. The Lithuanians reacted by filing an antitrust complaint against Gazprom with the European Commission, alleging that it had abused its market dominance in the local market.

The EU should hold its ground against Russia’s ex-imperial arrogance and Kremlin demands for special exemption from EU law. Ukraine should hold its ground against Russia’s ex-imperial arrogance and Putin’s ex-Kremlin demands for special exemption from EU law. Under threat of prosecution, have backed down and agreed to sell their electricity and gas networks and thus open up their markets.

Why, then, should Gazprom have its own special exemption from EU law? Gazprom can hardly argue that it is being prejudiced economically, as it would be able to sell off its networks, in Lithuania for instance, at full market value. Clearly, it may no longer reap huge monopoly profits, but EU competition law exists in large part to deny businesses the opportunity to do just that.

No one in the EU institutions should look at developing its own huge shale gas resources. Much of the resource base is close to its existing pipeline infrastructure, meaning shale gas would be cheaper to develop than the Arctic Shilkman or the Siberian Yamal fields. A liberalized market structure would encourage development and ensure a rapid build up of production. Then Gazprom too would be able to compete effectively on Europe’s increasingly liberalized gas market.

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