



Global Enforcement Report 2014

TRACE
International
Report
June 2015

Introduction

Almost every country in the world has statutes and regulations prohibiting the payment of bribes to their own government officials. Anti-bribery conventions sponsored by the United Nations, the Organisation for Economic Co-operation and Development, the Organization of American States, the Council of Europe and the African Union require signatory countries to establish binding standards for the criminalization of bribery of foreign public officials in international business transactions. Virtually every country in the world has ratified one of these international conventions and many have enacted laws that prohibit the payment of bribes to foreign government officials.

Despite the global denunciation of bribery, little information is publicly available on enforcement of these anti-bribery regulations. This can make it difficult to recognize trends concerning the extent to which countries are enforcing anti-bribery laws or where bribery is most prevalent, even though such information is critical to promoting transparency in global business. TRACE publishes the Global Enforcement Report (“GER”) annually in an attempt to provide this essential information. The GER 2014 provides an updated summary of international anti-bribery enforcement trends, based primarily on the cases and investigations tracked in the TRACE Compendium, TRACE’s online database of transnational corruption cases. The TRACE Compendium contains summaries of enforcement actions, investigations and declinations involving the alleged bribery of government officials that crosses at least one border. Neither the TRACE Compendium nor the GER 2014 include matters involving domestic companies bribing domestic government officials. The alleged bribe must have a cross-border component and must involve a government official or an employee of a state-owned entity.

The GER 2014 offers both graphic and textual analyses of investigations, declinations and enforcement actions concerning the bribery of government officials from the enactment of the U.S. Foreign Corrupt Practices Act (“FCPA”) in 1977 through December 31, 2014. Whenever TRACE obtains new or improved information regarding an investigation or enforcement action, or when the status of an enforcement action changes, the TRACE Compendium is updated accordingly. The GER 2014 thus reflects several updates to the data reported in earlier editions of the GER. The TRACE Compendium and the GER 2014 cannot provide a precise and objective measurement of global anti-corruption enforcement. Instead, they are meant to provide general information on trends in international anti-corruption efforts on a broad scale.

The GER 2014 focuses on three distinct anti-bribery enforcement events undertaken by government authorities: investigations, enforcement actions and declinations. An **investigation** is an ongoing investigation by a government authority into allegations of bribery of government officials by a foreign company or individual. TRACE recognizes that investigations into allegations of bribery are sometimes dropped due to insufficient evidence, or for security or political considerations; they may be closed without any resolution; or they may continue indefinitely with no other action ever being taken. However, unless publicly available information indicates that action was taken, either through an enforcement action or a declination, such an investigation is considered an ongoing investigation for the purposes of the GER 2014. An **enforcement action** is an adjudication of allegations of bribery of government officials by a foreign company or individual. That is, there must be a final resolution that involves fines or penalties, a guilty plea, a sentencing or a settlement of charges. A **declination** occurs where an investigation is terminated but there is no enforcement action. That may mean a finding after trial that a company or individual is not guilty, or an authority deciding not to bring charges.

The TRACE Compendium and GER 2014 also include allegations of bribery against individual employees or representatives of companies (including employees of local subsidiaries of international companies). When a company and its employees or representatives face multiple enforcement actions involving substantially the same conduct, only one enforcement action is counted in the

GER 2014. If a company does not face an enforcement action but its employees or representatives do, the enforcement action is counted as one enforcement action. Enforcement actions involving third parties count as one enforcement action for that third party. Finally, while multiple different authorities in one country may be responsible for enforcement actions, only one enforcement action is counted against a company or individual.

Glossary of Terms

Below is a glossary of terms used in the GER 2014:

Investigation – An ongoing investigation by a government authority into allegations of bribery of government officials by a foreign company or individual that has not been resolved by either an enforcement action or a declination.

Enforcement Action – An adjudication of allegations of bribery of government officials by a foreign company or individual that is a final resolution of charges.

Declination – Termination of an ongoing investigation by a government agency without any enforcement action.

Bribery of Foreign Official – Improper payments made by a foreign company to a government official who is not a citizen of the government undertaking the enforcement event.

Bribery of Domestic Official – Improper payments made by a foreign company to a government official who is a citizen of the government undertaking the enforcement event.

Key Findings

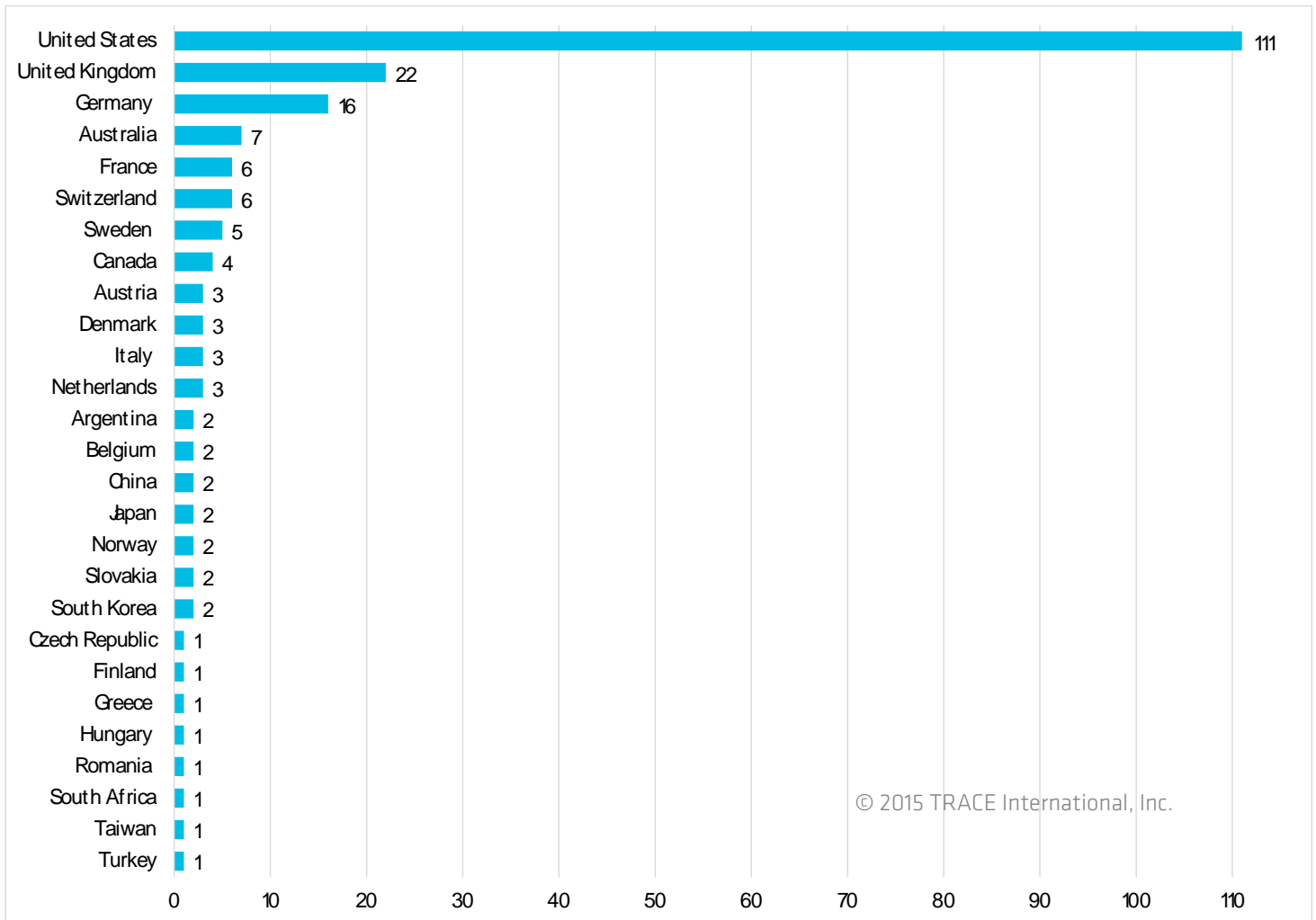
A number of developments and ongoing trends can be drawn from the GER 2014:

- > Non-U.S. enforcement actions have more than doubled since 2012, and in 2014 non-U.S. enforcement actions concerning bribery of foreign officials outnumbered U.S. enforcement actions. (*See Figure 3.*)
- > Whereas almost 40% of all U.S. investigations concerning bribery of foreign officials involved non-U.S. companies or individuals, only 24% of U.S. enforcement actions concerning bribery of foreign officials from 1977 to 2014 involved non-U.S. companies or individuals. (*See Figure 4, Figure 5.*)
- > Companies or individuals from Europe made up approximately 66% of U.S. investigations and 82% of U.S. enforcement actions concerning bribery of foreign officials from 1977 to 2014 that involved non-U.S. companies or individuals. (*See Figure 4, Figure 5.*)
- > The vast majority of non-U.S. investigations (93%) and non-U.S. enforcement actions (96%) concerning bribery of foreign officials from 1977 to 2014 were conducted by OECD members. (*See Figure 6, Figure 7.*)
- > More than twice as many countries investigated bribery of their domestic officials as have brought enforcement actions concerning bribery of domestic officials from 1977 to 2014. (*See Figure 8, Figure 9.*)
- > Since 1977, Chinese and Iraqi officials have been at the center of most enforcement events, followed by officials in Nigeria, India, Russia, Brazil and Indonesia. (*See Figure 10.*)
- > The Extractive Industries face the brunt of all investigations and enforcement actions concerning bribery of domestic and foreign officials. (*See Figures 11 through 14.*)

Figures and Analysis

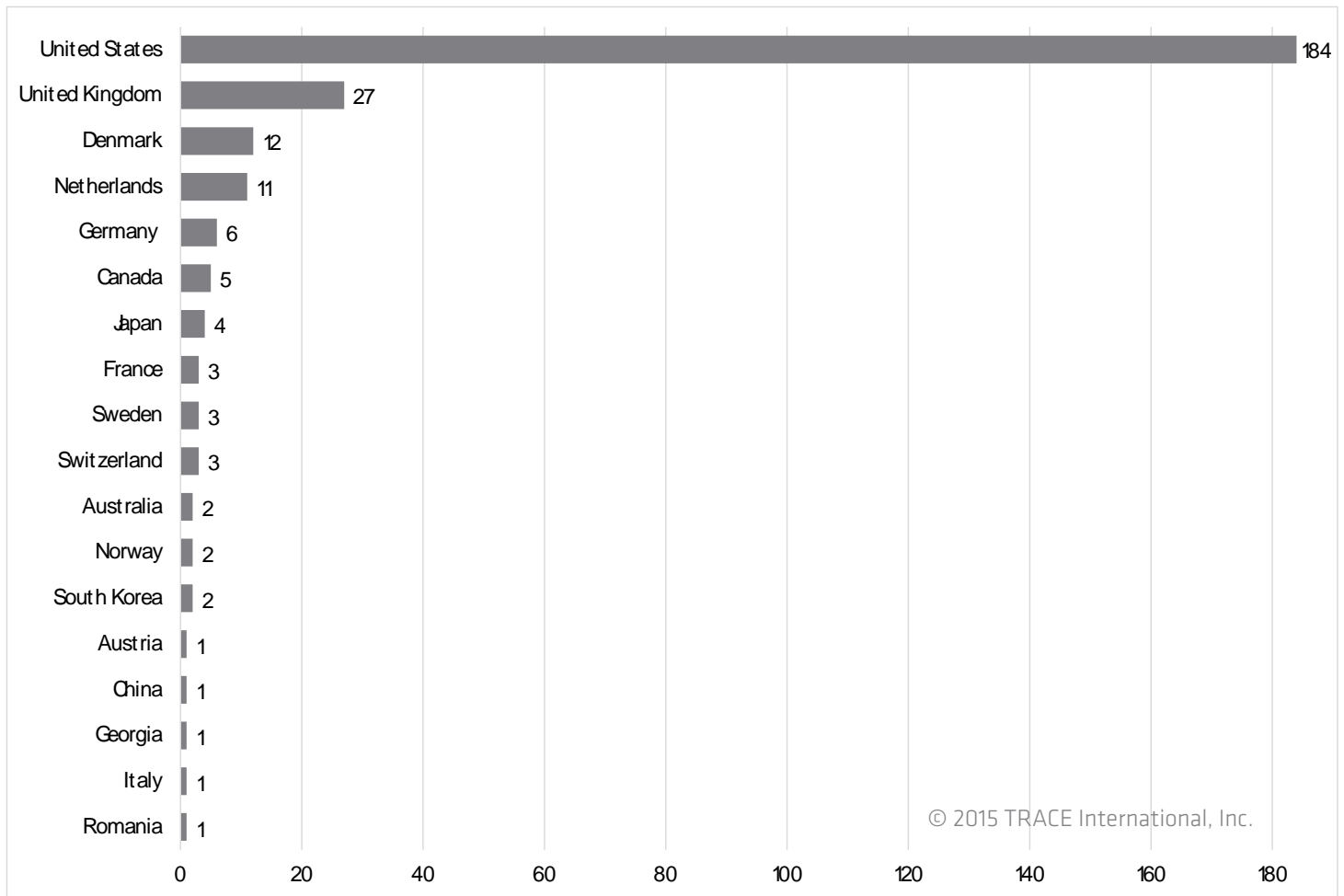


Figure 1: Investigations Concerning Bribery of Foreign Official by Country



There were 211 investigations concerning alleged bribery of foreign officials being conducted by authorities in 27 countries as of December 31, 2014. The United States was conducting 111 investigations, which was approximately 53% of all ongoing investigations concerning alleged bribery of foreign officials and five (5) times as many as the United Kingdom, which was conducting the next-highest number of investigations. However, there was not as much disparity between the United States and Europe as a whole, which was conducting 78 investigations.

Figure 2: Enforcement Actions Concerning Bribery of Foreign Officials by Country



From 1977 through 2014, 18 countries pursued 269 enforcement actions concerning alleged bribery of foreign officials. The United States maintained the strongest enforcement record during this period, with 184 enforcement actions. This is approximately 70% of the total enforcement actions concerning alleged bribery of foreign officials taken to date, and almost seven (7) times as many as the country with the next highest total (the United Kingdom).

Figure 3: Enforcement Actions Concerning Bribery of Foreign Officials

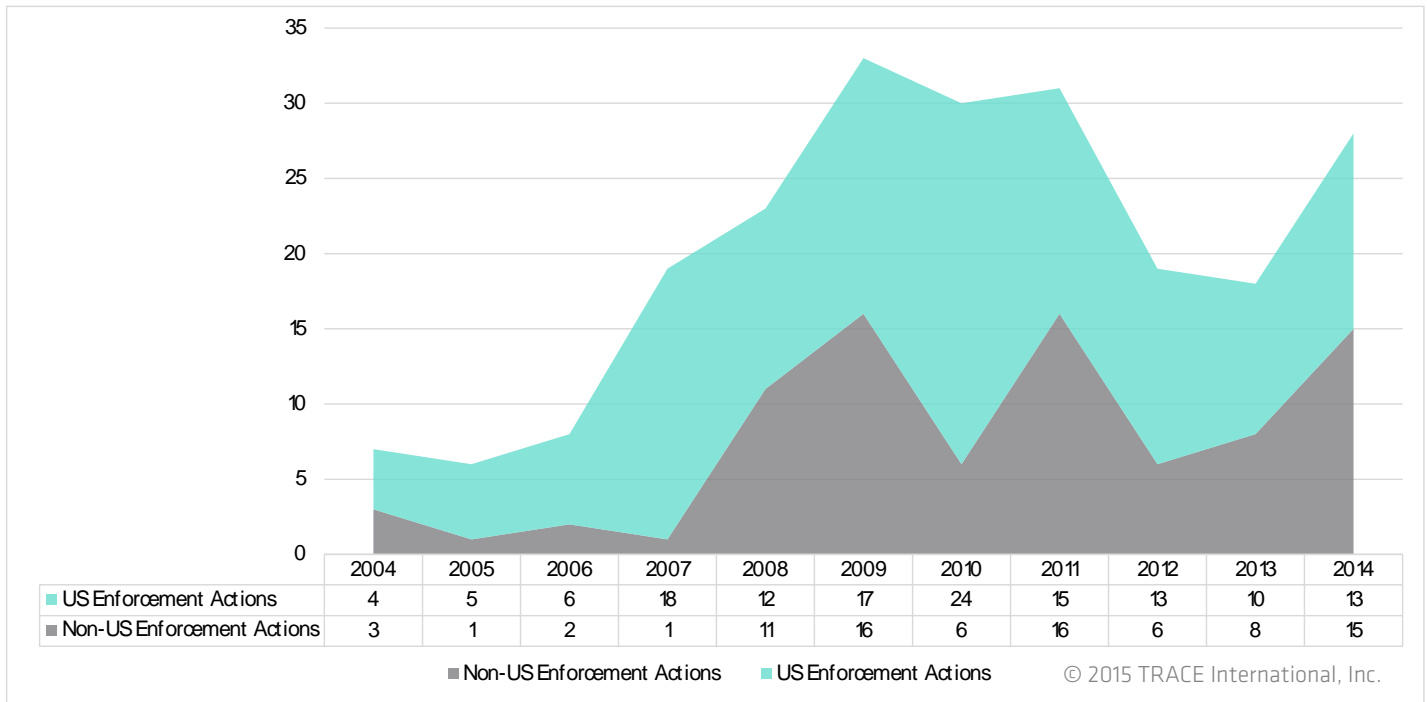
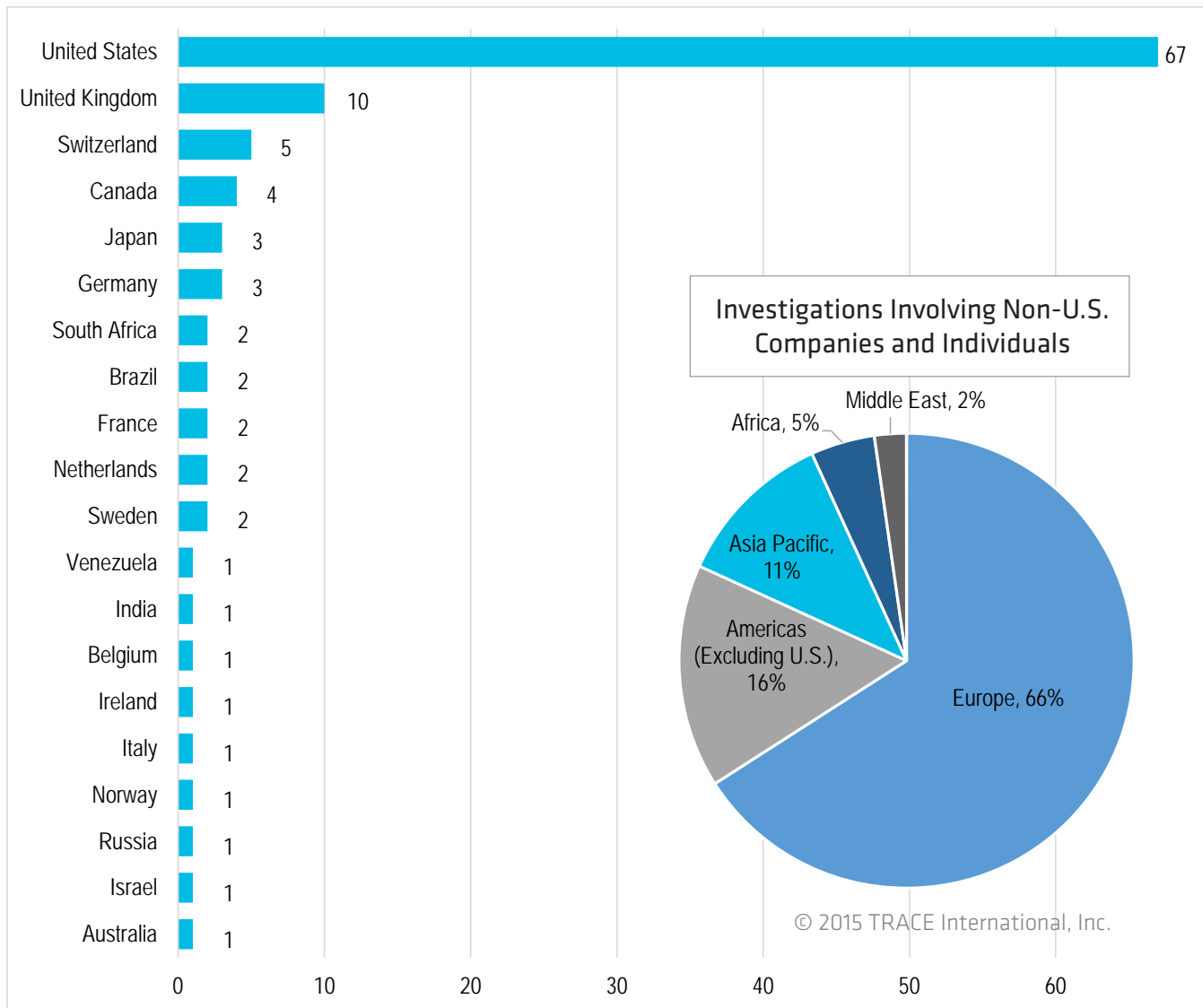


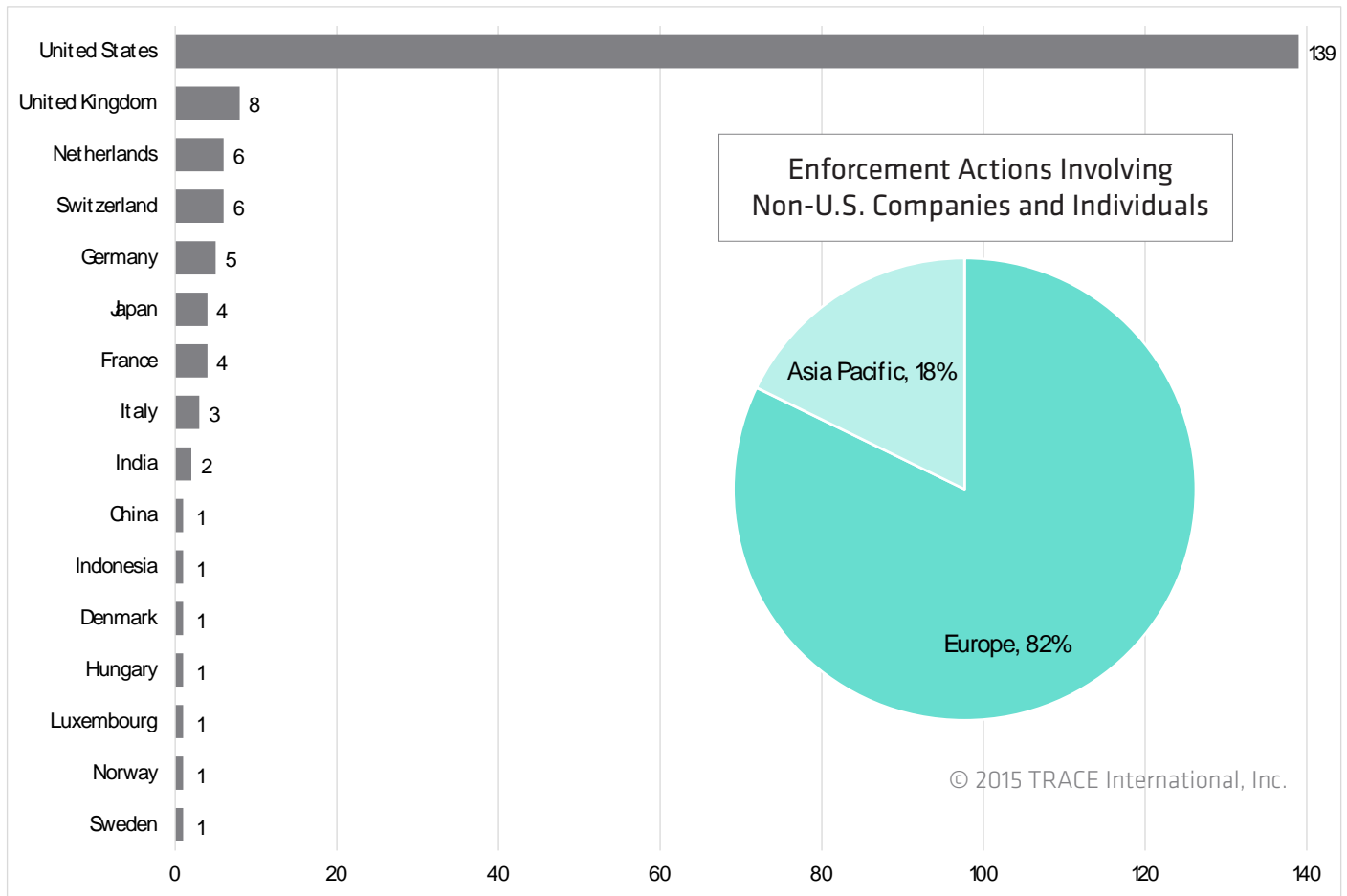
Figure 3 modifies the analysis in Figure 2 to examine enforcement actions concerning alleged bribery of foreign officials undertaken from 2004 through 2014. The number of such enforcement actions brought by the United States increased in 2014, but was the same number as 2012. For all other countries, however, there were almost twice as many enforcement actions concerning alleged bribery of foreign officials in 2014 than 2013.

Figure 4: U.S. Investigations Concerning Bribery of Foreign Officials by Company Headquarters or Individual Citizenship



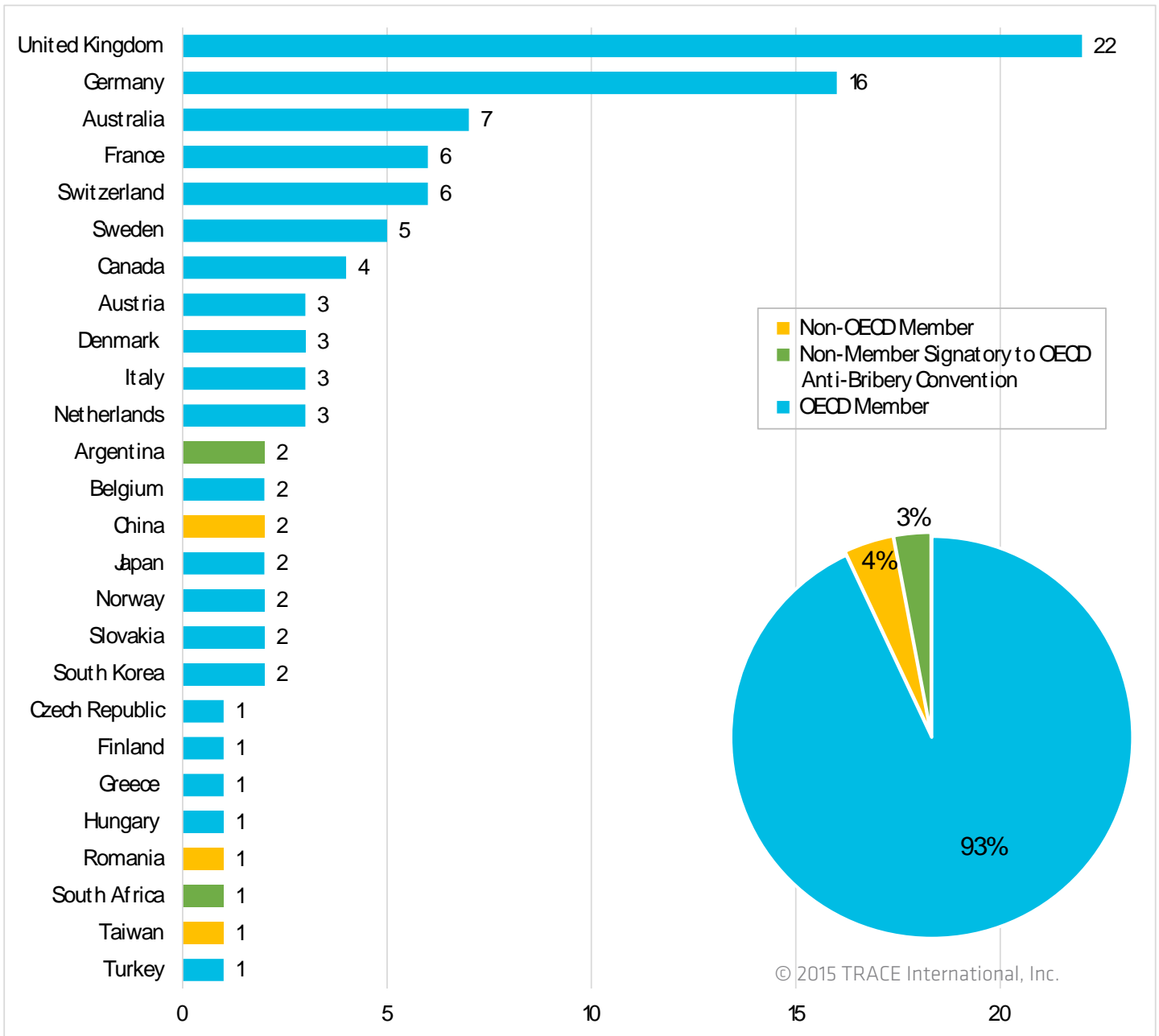
The United States was conducting 111 investigations concerning alleged bribery of foreign officials as of December 31, 2014. There were 44 investigations concerning alleged bribery of foreign officials involving companies headquartered outside of the United States or individuals with non-U.S. citizenship, representing approximately 40% of all such investigations being conducted by the United States. Of the investigations concerning alleged bribery of foreign officials being conducted against non-U.S. companies and individuals, the highest number involved companies or individuals in the United Kingdom, followed by Switzerland and Canada. Companies or individuals from Europe made up approximately 66% of U.S. investigations concerning alleged bribery of foreign officials conducted against non-U.S. companies and individuals, followed by the Americas (North and South America, excluding the U.S.) with approximately 16%, Asia Pacific with approximately 11%, Africa with approximately 5% and the Middle East with approximately 2%.

Figure 5: U.S. Enforcement Actions Concerning Bribery of Foreign Officials by Company Headquarters or Individual Citizenship



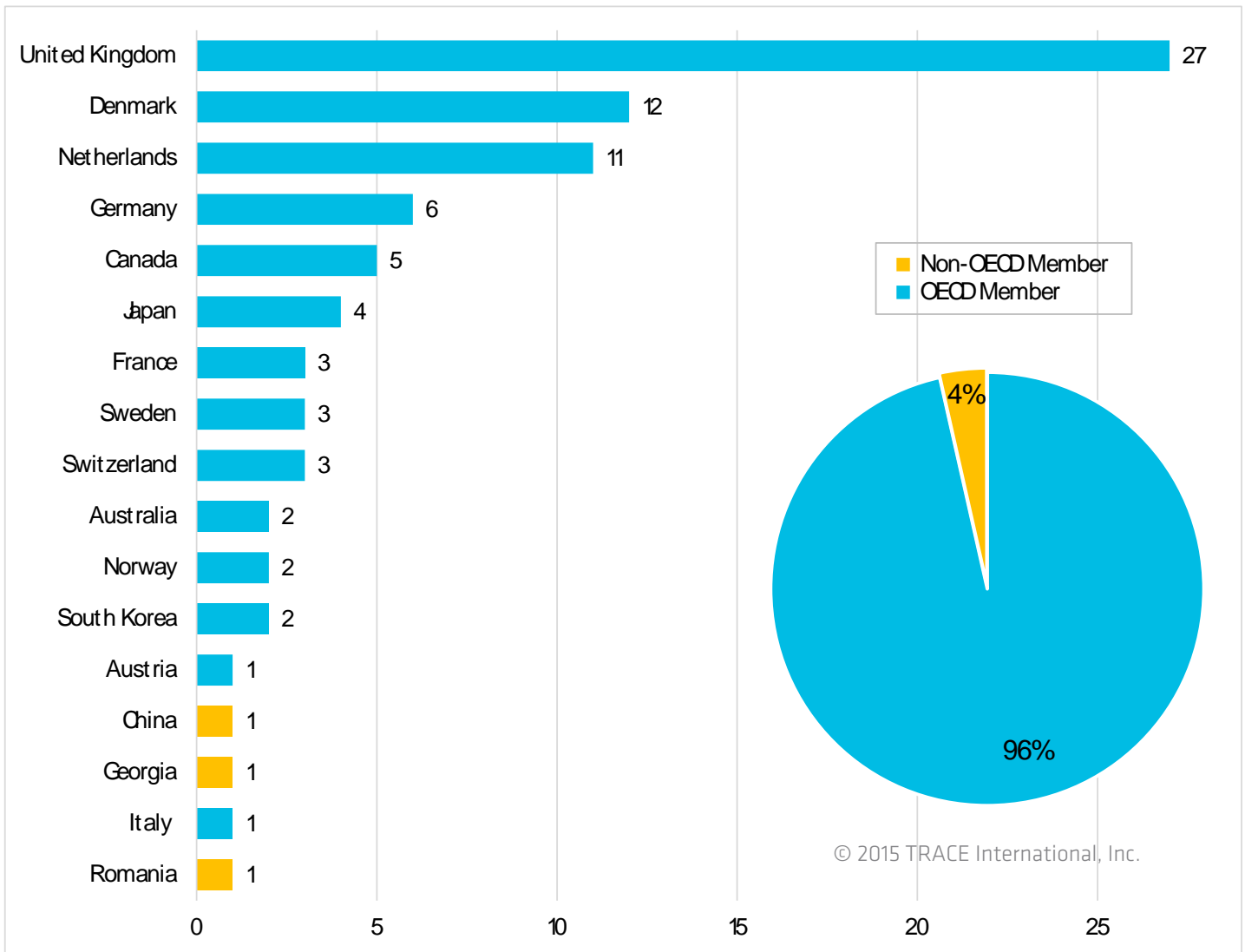
The United States has undertaken 184 enforcement actions concerning alleged bribery of foreign officials from 1977 – 2014. A total of 45 of these enforcement actions have involved companies headquartered outside of the United States or individuals with non-U.S. citizenship, representing approximately 24% of all foreign bribery enforcement actions initiated by the United States. Of the enforcement actions concerning alleged bribery of foreign officials undertaken against non-U.S. companies and individuals, the highest number involved companies or individuals in the United Kingdom, followed the Netherlands, Switzerland and Germany. Companies or individuals from Europe make up approximately 82% of U.S. enforcement actions concerning alleged bribery of foreign officials undertaken against non-U.S. companies and individuals, followed by Asia Pacific with almost 18%.

Figure 6: Investigations Concerning Bribery of Foreign Officials by Membership in the OECD (Excluding the United States)



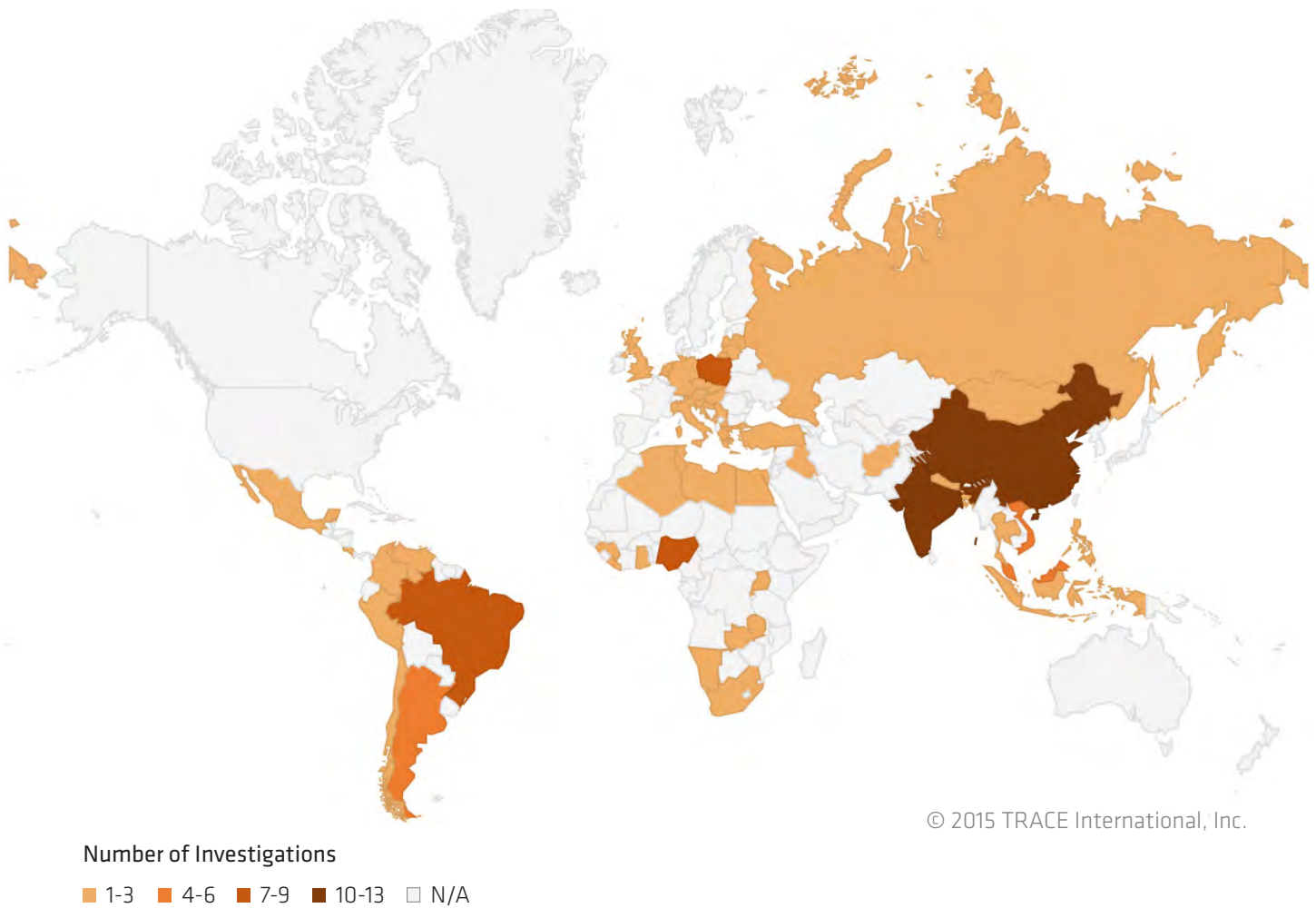
There were 100 investigations concerning alleged bribery of foreign officials being conducted by 26 countries (excluding the United States) as of December 31, 2014. A total of twenty-one (21) of these countries are members of the Organisation for Economic Co-operation and Development (“OECD”), two (2) are non-member signatories to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (the “Anti-Bribery Convention”), and three (3) are not members of the OECD. Over 90% of ongoing investigations concerning alleged bribery of foreign officials were being conducted by OECD members, with the United Kingdom conducting almost 24% of such investigations, followed by Germany with 17% and Australia with 7.5%. Non-OECD members were conducting 4% of ongoing investigations concerning alleged bribery of foreign officials and non-member signatories to the Anti-Bribery Convention were conducting 3% of such investigations.

Figure 7: Enforcement Actions Concerning Bribery of Foreign Officials by Membership in the OECD (Excluding the United States)



There have been 85 enforcement actions concerning alleged bribery of foreign officials undertaken by 17 countries (excluding the United States) from 1977 – 2014. OECD members constitute 14 of the countries; three (3) are not members of the OECD. More than 96% of enforcement actions concerning alleged bribery of foreign officials have been undertaken by OECD members, with the United Kingdom having brought almost 33% of such enforcement actions, followed by Denmark with more than 14% and the Netherlands with approximately 13%. Non-OECD members have brought 4% of all non-U.S. enforcement actions concerning alleged bribery of foreign officials.

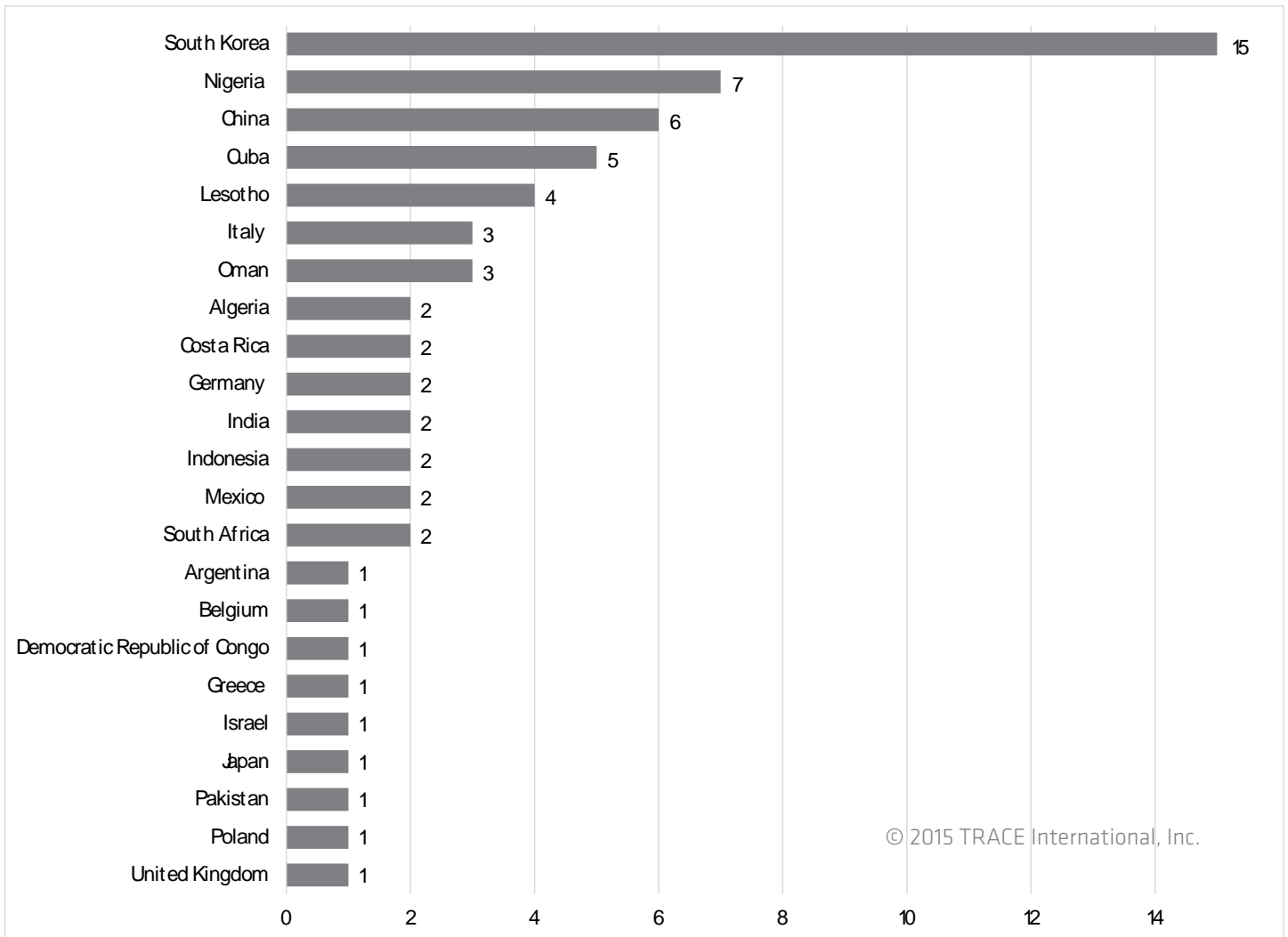
Figure 8: Investigations Concerning Bribery of Domestic Officials by Country
(Excluding the United States)



China was conducting the most investigations concerning alleged bribery of domestic officials as of December 31, 2014, followed by India, Brazil and Nigeria. Of the eight (8) countries conducting four (4) or more investigations concerning alleged bribery of domestic officials, four (4) are in Asia, two (2) are in Latin America and there is one (1) each from Europe and Africa. Of the 45 countries conducting one (1) to three (3) investigations concerning alleged bribery of domestic officials, 18 are in Europe, 12 are in Africa, seven (7) are in Asia, six (6) are in Latin America and two (2) are in the Middle East.

This data does not include U.S. investigations concerning alleged bribery of U.S. officials or investigations involving citizens or domestic companies alleged to have bribed their own government officials. Please note that there may be investigations that are not included in the data as the data on investigations is derived from publicly available sources. Countries that require less disclosure of government investigations by companies may be underrepresented.

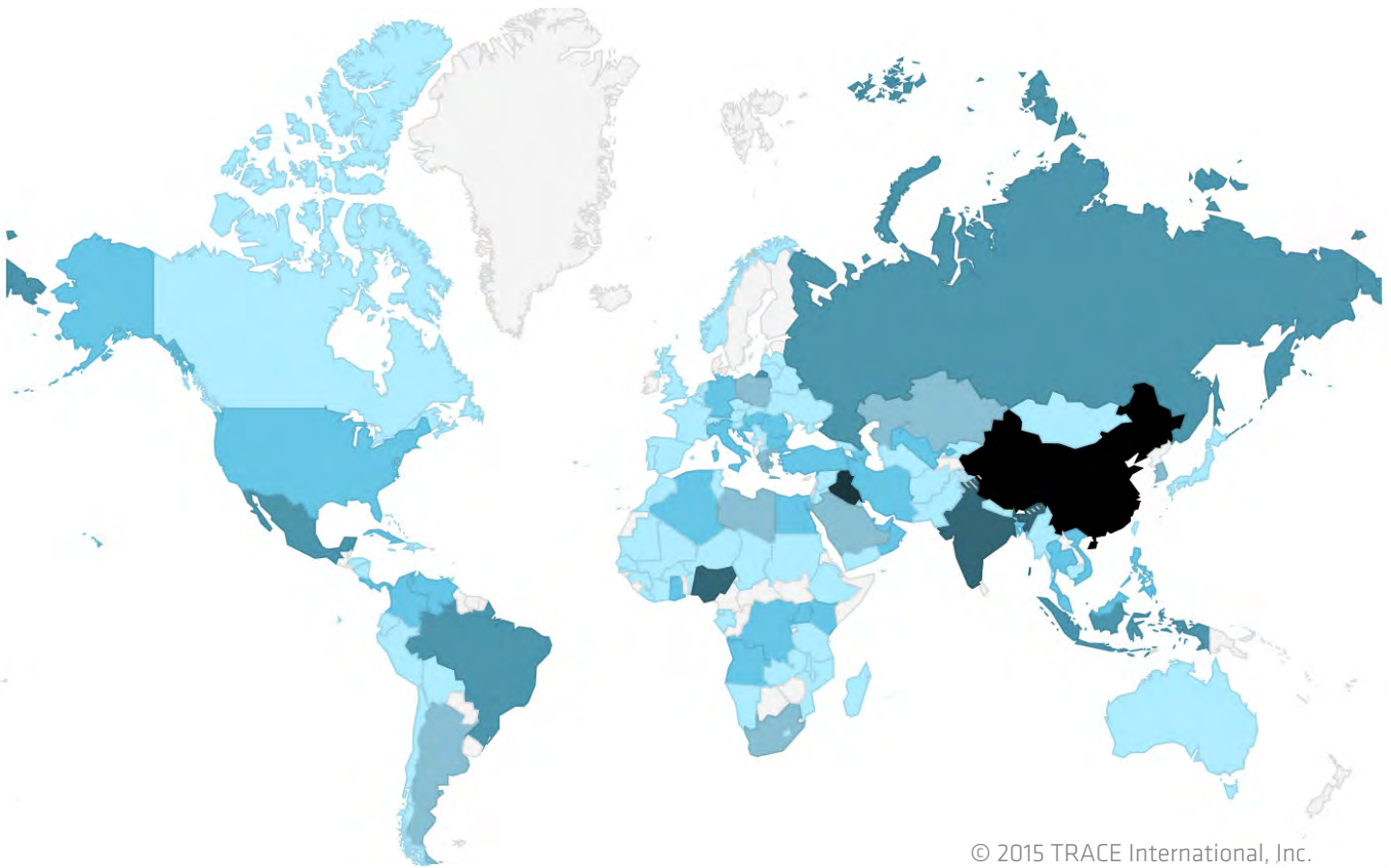
Figure 9: Enforcement Actions Concerning Bribery of Domestic Officials by Country (Excluding the United States)



There were more than twice as many investigations as of December 31, 2014 as there have been enforcement actions concerning alleged bribery of domestic officials from 1977 – 2014. South Korea has brought the most enforcement actions concerning alleged bribery of domestic officials, followed by Nigeria, China and Cuba. Six (6) of the 23 countries that have brought enforcement actions concerning alleged bribery of domestic officials are located in Europe, four (4) are in Asia, four (4) are in Africa, four (4) are in Latin America and two (2) are in the Middle East.

This data does not include U.S. enforcement actions concerning alleged bribery of U.S. officials or enforcement actions involving citizens or domestic companies alleged to have bribed their own government officials. Please note that there may be enforcement actions concerning alleged bribery of domestic officials that are not included in the data as data on enforcement actions is derived from publicly available sources. Countries that require less disclosure of government enforcement actions by companies may be underrepresented.

Figure 10: Prevalence of Bribery
1977 - 2014



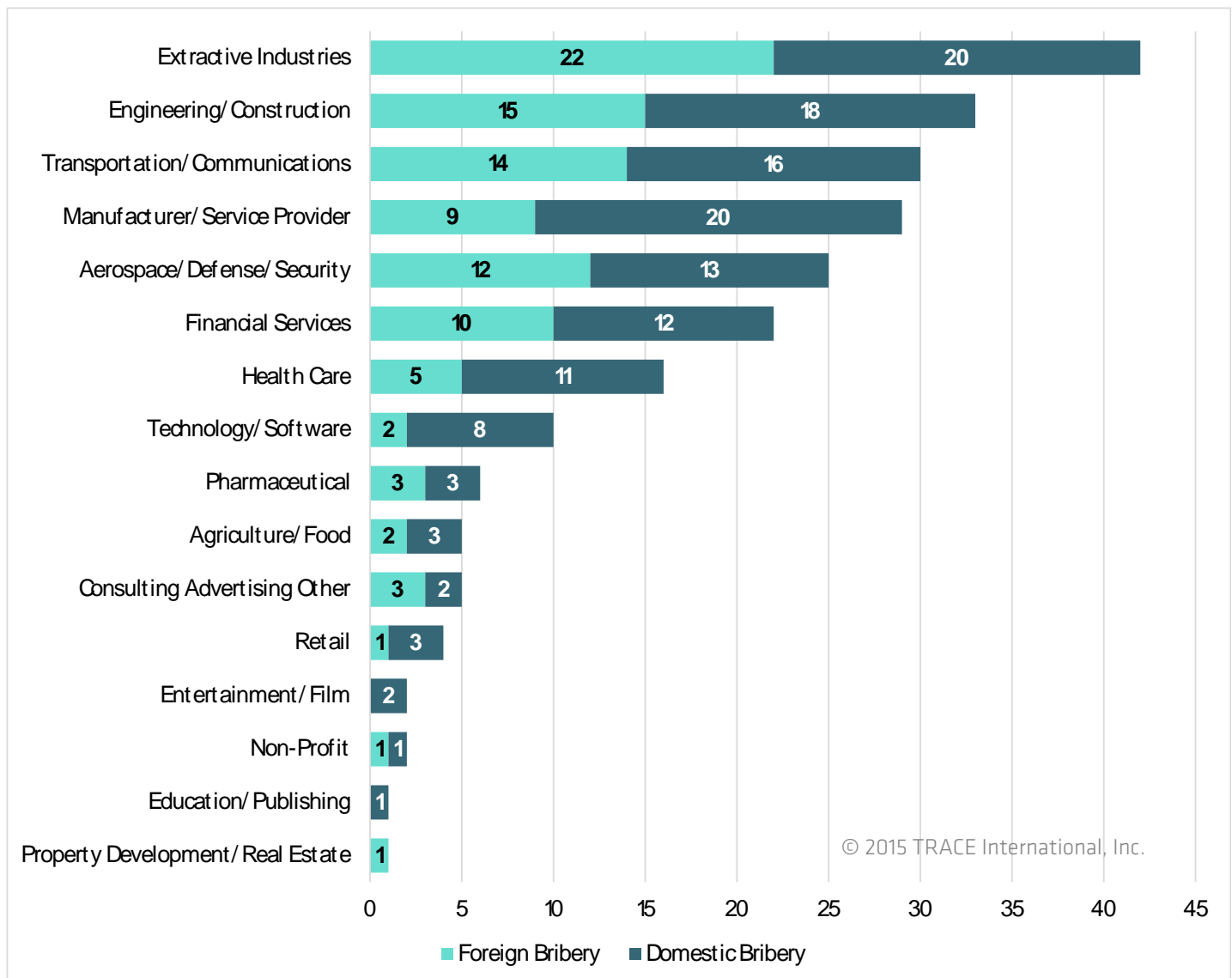
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Number of Enforcement Events

- 1-4
- 5-14
- 15-24
- 25-34
- 35-54
- 55-74
- 75+
- N/A

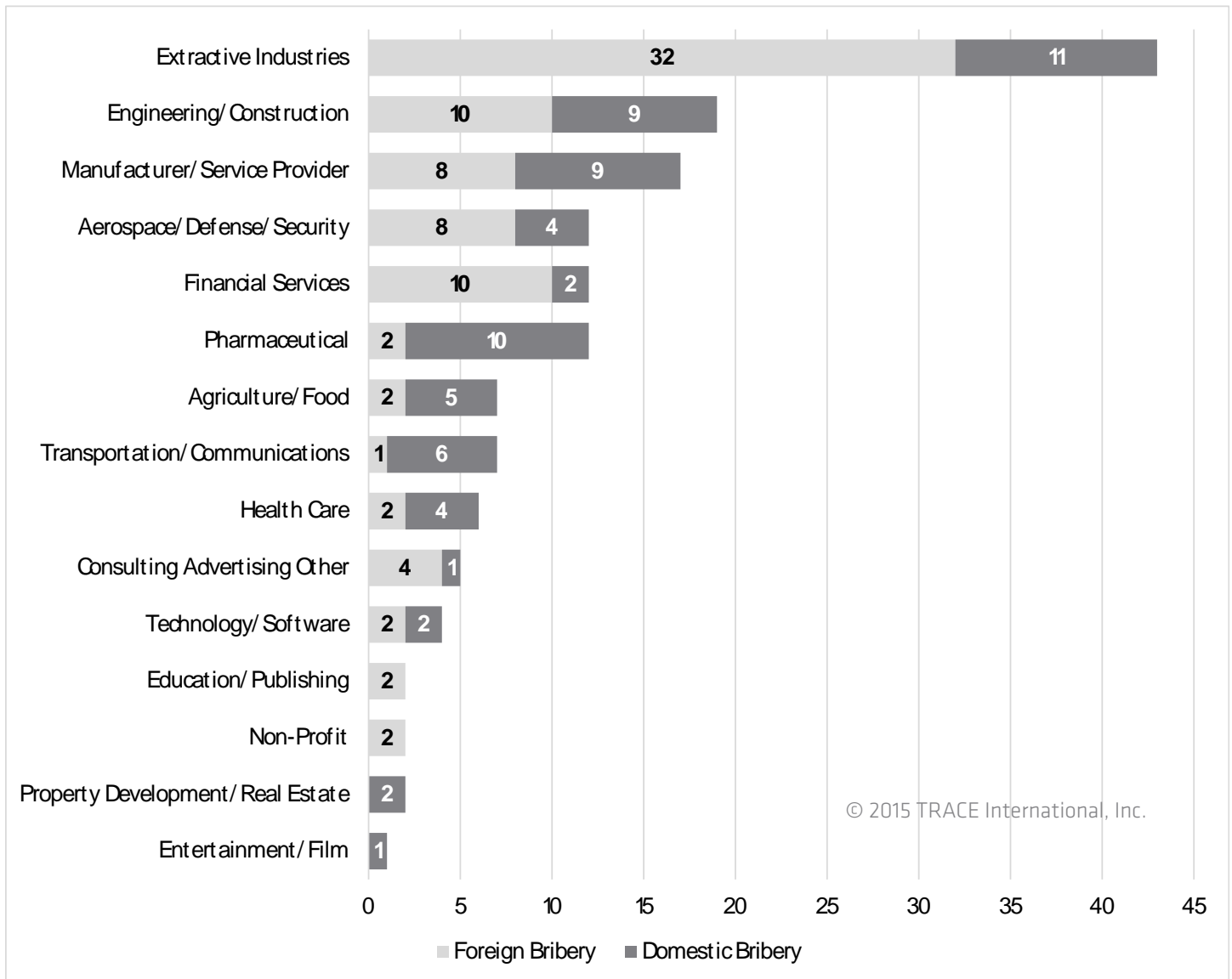
This Figure shows the prevalence of alleged bribery of government officials. Each country indicated on the map has a corresponding number of enforcement events concerning the alleged bribery of that country’s government officials. China surpasses every other country, with Chinese officials being the alleged recipients of bribes in 90 different enforcement events. Iraq has the next-highest number of enforcement events, followed by Nigeria, India, Russia, Brazil and Indonesia. For countries with more than 15 enforcement events, five (5) are in Asia, three (3) are in Africa, three (3) are in Europe, three (3) are in Latin America, and two (2) are in the Middle East. There were 66 enforcement events where the nationality of the government officials who were allegedly bribed is unspecified. This is because the information is taken from publicly available resources, and there may be instances where companies do not specify information about where any alleged bribery took place.

Figure 11: Total Investigations Concerning Bribery of Domestic and Foreign Officials by Industry (Excluding the United States)



This Figure shows the industries that have experienced the most investigations of alleged bribery of foreign or domestic officials, excluding investigations being conducted by the United States, as of December 31, 2014. The Extractive Industries represent the highest number of bribery investigations, with 18% of all non-U.S. investigations, followed by Engineering/Construction with 14% and Transportation/Communications with almost 13%.

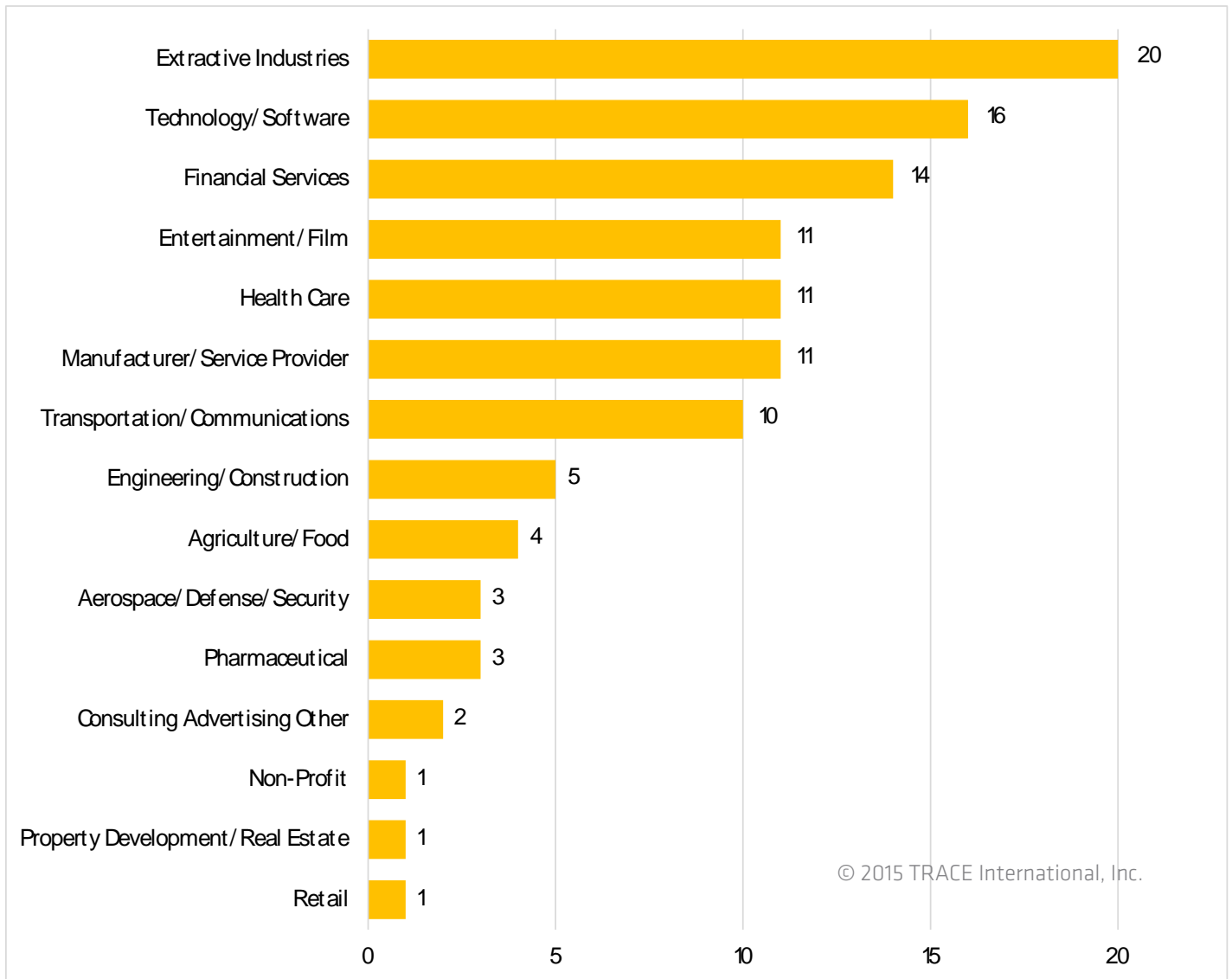
Figure 12: Total Enforcement Actions Concerning Bribery of Domestic and Foreign Officials by Industry (Excluding the United States)



This Figure shows the industries that have experienced the most enforcement actions concerning alleged bribery of domestic or foreign officials, excluding enforcement actions brought by the United States, from 1977 – 2014. The Extractive Industries represent the highest number of bribery enforcement actions, with 28% of all non-U.S. bribery enforcement actions, followed by Engineering/Construction with more than 12% and Manufacturer/Service Provider with 11%.

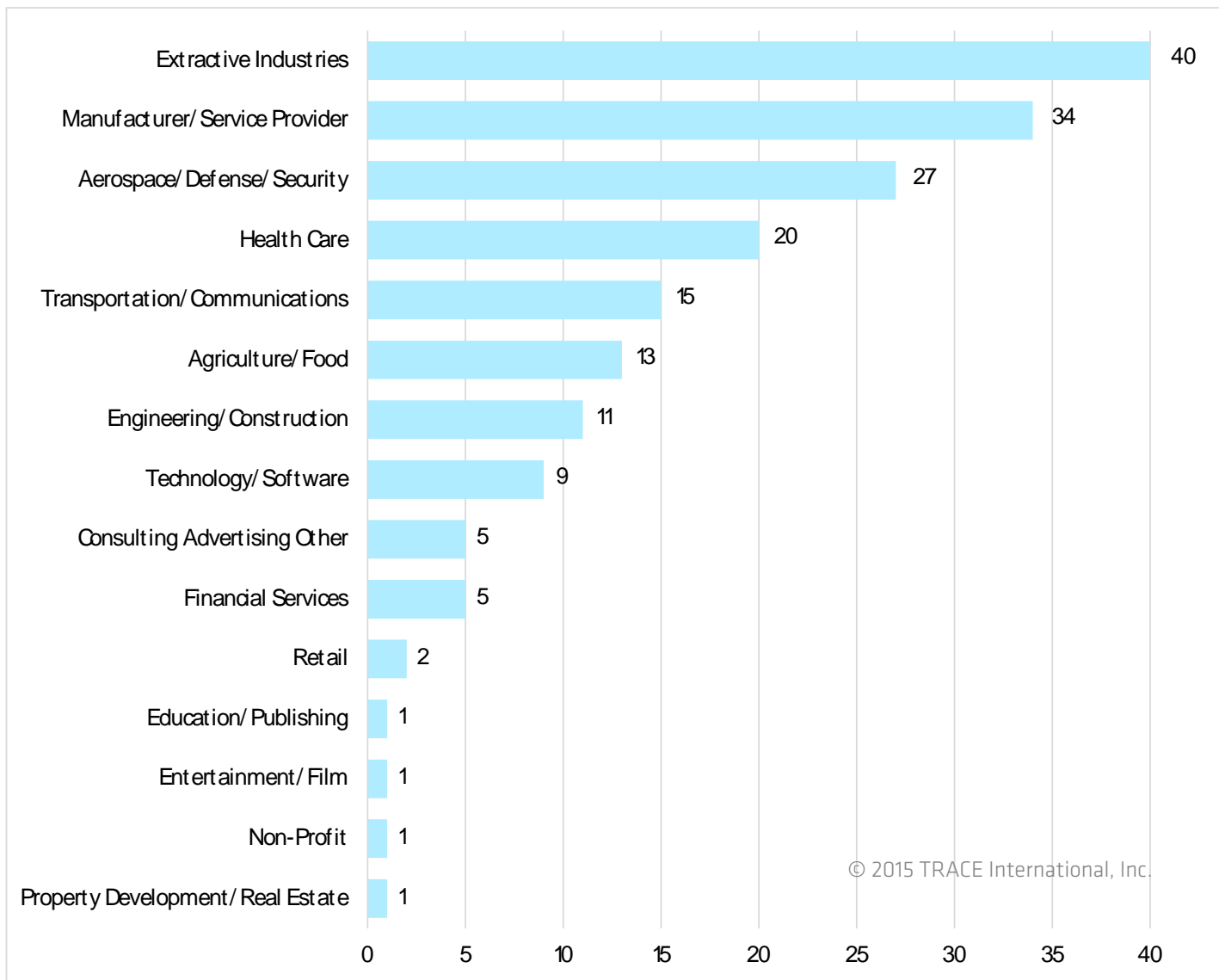
There have been more non-U.S. enforcement actions concerning alleged bribery of foreign officials than domestic officials. However, some industries face a higher risk of enforcement actions concerning alleged bribery of domestic officials than foreign officials, including Manufacturer/Service Provider, Pharmaceutical, Agriculture/Food, Transportation/Communications, Health Care, Property Development/Real Estate and Entertainment/Film.

Figure 13: U.S. Investigations Concerning Bribery of Domestic and Foreign Officials by Industry



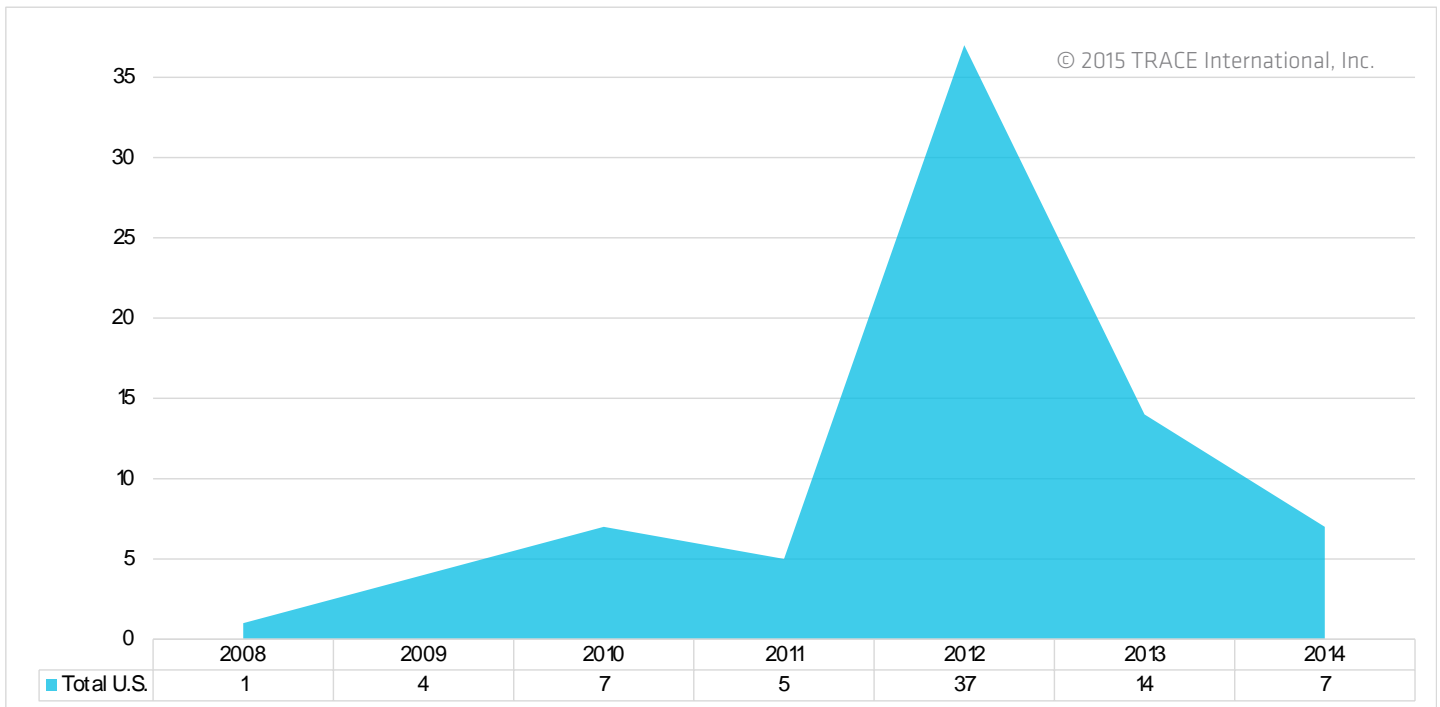
This Figure shows U.S. investigations concerning alleged bribery of domestic and foreign officials as of December 31, 2014, separated by industry. The Extractive Industries faced the most investigations, with approximately 18% of all U.S. investigations, followed by Technology/Software with 14% and Financial Services with 12%.

Figure 14: U.S. Enforcement Actions Concerning Bribery of Domestic and Foreign Officials by Industry



This Figure shows U.S. enforcement actions concerning alleged bribery of domestic and foreign officials from 1977 - 2014, separated by industry. The Extractive Industries have seen the most enforcement actions, with approximately 22% of all such U.S. enforcement actions. That is followed by Manufacturer/Service Provider with 18% of all U.S. enforcement actions concerning alleged bribery of domestic and foreign officials and Aerospace/Defense/Security with approximately 15%.

Figure 15: U.S. Declinations Concerning Bribery of Foreign Officials
2008 – 2014



Since 2008, there have been 75 instances where the U.S. Government has declined to bring an enforcement action after conducting an investigation of alleged bribery of a foreign official. There were half as many declinations in 2014 as there were in 2013, and significantly less than the 37 declinations in 2012.

All information on declinations is taken from publicly available resources, and there may be instances where companies do not disclose knowledge of a declination.

About the Global Enforcement Report

TRACE's annual Global Enforcement Report provides graphic and textual analyses of all known enforcement events—including investigations, enforcement actions and declinations—since the first bribery cases were prosecuted in the United States following the enactment of the U.S. Foreign Corrupt Practices Act. Data from the GER is based primarily on the cases and investigations tracked in the TRACE Compendium, TRACE's online database of transnational corruption cases. TRACE cannot know or accurately estimate how many enforcement events may be underway but not made public or not included in a major international publication. The analyses exclude purely domestic matters involving local companies bribing local government officials, reflecting only enforcement events for an alleged bribe with an international component that involve an alleged payment to a government official or an employee of a state-owned entity.

The GER 2014, TRACE's fifth annual compilation, provides anti-bribery enforcement data from 2014, as well as summarizes 38 years of anti-bribery enforcement activity. The complete GER 2014 is available here: www.TRACEinternational.org/about-TRACE/publications.

About TRACE

TRACE International and TRACE Incorporated are two distinct entities with a common mission to advance commercial transparency worldwide by supporting the compliance efforts of multinational companies and their third party intermediaries. TRACE International is a non-profit business association that pools resources to provide members with anti-bribery compliance support while TRACE Incorporated offers both members and non-members customizable risk-based due diligence, anti-bribery training and advisory services. Working alongside one another, TRACE International and TRACE Incorporated offer an end-to-end, cost-effective and innovative solution for anti-bribery and third party compliance.

For more information, visit www.TRACEinternational.org.

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