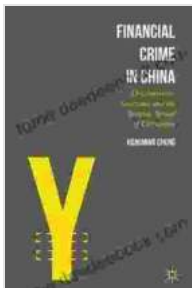


Developments, Sanctions and the Systemic Spread of Corruption

Corruption is a global problem that affects all countries, regardless of their level of development. It undermines economic growth, political stability, and social cohesion. The United Nations estimates that corruption costs developing countries approximately \$2.6 trillion per year. This is equivalent to more than 5% of global GDP.



Financial Crime in China: Developments, Sanctions, and the Systemic Spread of Corruption by Molly Ball

★★★★☆ 4.6 out of 5

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There are many factors that contribute to corruption, including poverty, inequality, weak institutions, and a lack of transparency and accountability. In recent years, the increasing use of sanctions and other economic measures by developed countries has also been identified as a significant contributing factor to corruption.

How Sanctions Contribute to Corruption

Sanctions are economic measures that are imposed by one country on another in order to punish or deter certain behaviour. They can take many forms, including trade embargoes, asset freezes, and travel bans. While sanctions can be an effective tool for achieving political objectives, they can also have a number of unintended consequences, including:

- **Increased poverty and inequality:** Sanctions can lead to a decline in economic activity, which can lead to job losses and lower incomes. This can make it more difficult for people to meet their basic needs and can increase the risk of corruption.
- **Weakened institutions:** Sanctions can undermine the rule of law and other institutions that are essential for fighting corruption. This can create a vacuum that allows corrupt individuals and groups to operate with impunity.
- **Reduced transparency and accountability:** Sanctions can make it more difficult for governments to track and monitor financial transactions. This can make it easier for corrupt individuals to hide their assets and avoid prosecution.

In addition to these general effects, sanctions can also contribute to corruption in specific ways. For example, sanctions can:

- **Create black markets:** When sanctions restrict access to legitimate goods and services, black markets can emerge to fill the void. These black markets are often controlled by corrupt individuals who use them to generate illicit profits.

- Increase the cost of doing business: Sanctions can make it more expensive to import goods and services, which can lead to higher prices for consumers. This can create incentives for businesses to engage in corrupt practices in order to reduce costs.
- Disrupt supply chains: Sanctions can disrupt global supply chains, which can lead to shortages of essential goods and services. This can create opportunities for corrupt individuals to profit from the sale of scarce resources.

Case Studies

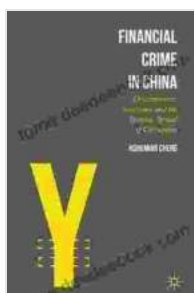
There are a number of case studies that demonstrate the link between sanctions and corruption. For example, a study by the World Bank found that sanctions imposed on Iraq in the 1990s led to a sharp increase in corruption. The study found that the sanctions created a black market for essential goods and services, which was controlled by corrupt individuals. The sanctions also made it more difficult for the Iraqi government to track and monitor financial transactions, which made it easier for corrupt individuals to hide their assets.

Another study by the United Nations Development Program found that sanctions imposed on North Korea in the 2000s led to a sharp increase in corruption. The study found that the sanctions created a black market for essential goods and services, which was controlled by corrupt individuals. The sanctions also made it more difficult for the North Korean government to track and monitor financial transactions, which made it easier for corrupt individuals to hide their assets.

The evidence suggests that sanctions can contribute to corruption in a number of ways. They can create black markets, increase the cost of doing

business, disrupt supply chains, and weaken institutions. This can make it more difficult for governments to fight corruption and can lead to a decline in economic growth, political stability, and social cohesion.

In light of this evidence, it is important for developed countries to consider the potential consequences of sanctions before imposing them. They should also work with developing countries to find alternative ways to achieve their political objectives without resorting to sanctions.

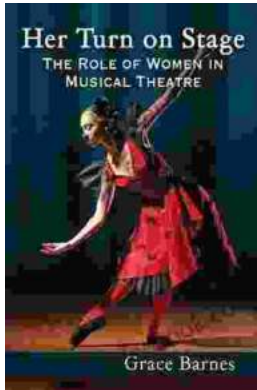


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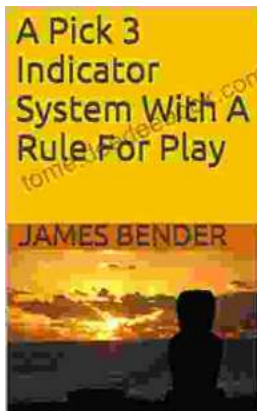
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