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Dec 17th 2008 | BERLIN
 From The Economist print edition

The stench of bribery at Siemens signals a wider rot in Europe

AFP



WHEN Siemens, Europe's biggest engineering firm, adopted the slogan "be inspired" in the mid-1990s, bribery was not what it had in mind. But no one can accuse its managers of lacking inspiration when it came to devising novel ways to funnel huge sums in backhanders to corrupt officials and politicians across the globe. On Monday December 15th Siemens pleaded guilty to charges of bribery and corruption and agreed to pay fines of \$800m in America and €395m (\$555m) in Germany, in addition to an earlier fine of €201m.

There is something almost touching about the candour and trust with which Siemens went about a very dirty business. Take the three "cash desks" it set up in its offices, to which employees could bring empty suitcases to be filled with cash. As much as a €1m (\$1.4m) could be withdrawn at a time to win contracts for its telecoms-equipment division, according to America's Department of Justice (DoJ).

Surprisingly, considering their crooked purpose, the cash desks seemed to have operated on an honour system. Few questions were asked, no documents were required and managers who applied for money were allowed to approve their own requests. Until 1999 Siemens openly claimed tax deductions for bribes, many of which were listed in its accounts as "useful expenditure". From 2001-04 some \$67m was merrily carted off in suitcases. "There was no complex financial structuring such as you would find among drug smugglers or money launderers," says Mark Pieth, chairman of the working group on bribery at the OECD, a club of industrialised nations. "People felt confident that they were doing nothing wrong."

Even when they knew there were doing wrong, they could not break the habit. Illicit payments continued for years after Germany outlawed the bribery of foreign officials in 1999, and after Siemens listed its shares on the New York Stock Exchange in 2001, which made it subject to America's tough anti-bribery laws. Instead of counting money in the office, the firm simply wrote cash cheques which were deposited in accounts, kept off its own books, from which nefarious payments could be made. A lot of the dirty work was outsourced to "business consultants". As Siemens half-heartedly clamped down on corruption, its managers took ever more eccentric steps to avoid getting caught. When authorising payments, many managers signed on removable sticky notes.

The sums involved are staggering. Some \$805m was handed over in bribes to foreign officials to help Siemens win contracts over about six years after the firm's American listing, according to the DoJ. And the brazenness

of the firm's bribe-paying points to a rotten corporate culture pervasive across Germany at the time. "The great majority of companies operating in the international market were well aware that German law—and the law of most OECD countries—allowed foreign bribery and even subsidised this," says Peter Eigen, the founder of Transparency International, an anti-corruption campaigning group.

That, at least, has changed. Mr Pieth thinks about half of the 30 biggest German and French companies are being investigated or prosecuted for bribing foreign officials. And Germany has steadily improved its rankings in Transparency International's "Bribe Payers Index", moving from ninth-least corrupt in 1999 to fifth in 2008.

Yet the Siemens affair also shows how far Europe still lags behind America when it comes to prosecuting bribery. Few close to the case think it would have progressed nearly as far had Siemens not invited in a bevy of lawyers from Debevoise & Plimpton, a New York law firm, in the hope of winning leniency from American prosecutors. The lawyers pored over its books and interviewed its staff in the largest-ever private investigation (and at €204m, probably the costliest too) of its kind.

Ellen Podgor, an expert in white-collar crime at Stetson University in St Petersburg, Florida, reckons that confessing all had less to do with minimising the fine Siemens had to pay than with avoiding being barred from doing business with the American government. "The amount of money being paid is not the crucial factor," says Ms Podgor. "The crucial factor is not being doomed." If only European prosecutors could inspire the same dread.

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