ANTI-CORRUPTION HELPDESK

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LITERATURE REVIEW OF THE IMPACT OF CORRUPTION ON FIRMS, EXPORT DECISIONS AND FOREIGN DIRECT INVESTMENT

QUERY

Can you provide recent data and analysis on the impact of corruption on export decisions?

CONTENT

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SUMMARY

There is a large amount of literature on the impact of corruption on firms, export decisions and foreign direct investment dating back to the 1970s. This review does not attempt to provide a comprehensive summary of the field, but rather highlights some recent papers and datasets with pertinent findings.

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1 BACKGROUND

Corruption has a complex and significant relationship with investment patterns and trade flows. Firstly, by reducing overall institutional quality, corruption undermines competitiveness and entrepreneurship, distorts the allocation of credit and drives away foreign direct investments (Rodrik, Subramanian & Trebbi 2004). This, in turn, puts business from countries that face high levels of corruption at a competitive disadvantage.

Second, corruption in customs and in the broader business environment slows down, taxes and reduces trade, while deterring foreign business partners from entering the market. 30% of compliance and legal professionals in a recent survey indicated that they have decided against doing business in a particular country due to high corruption risks (Control Risks 2015).

Indeed, detailed accounts of corruption in African ports describe how firms readily re-route cargo to ports with less corruption, thereby absorbing a doubling of transport costs just to avoid the uncertainty that comes with more corrupt customs practices (Sequeira & Djankov 2014). It is not only private enterprise which suffers; the same study found that bribery reduced government revenue from tariffs by five per cent.

Moreover, where corruption stymies regulatory and governance systems it makes it possible that conflict diamonds, poached ivory, illegally harvested timber, or oil from terrorist-controlled territories is purged of its illicit origins and laundered back into the world market with devastating consequences for health, environment, security, climate. Corruption can turn trade into a financier of terrorism a propellant of global warming, a driver of social inequality and economic conflict.

After a brief overview of the main findings, the following paper provides a summary of recent surveys of businesspeople's attitudes to corruption, and a review of studies on the linkages between corruption, international trade, foreign direct investment and exports.

Overview of findings

Firstly, despite some limited evidence collusive corruption (voluntary bribery) can help firms negotiate barriers to trade in extremely corrupt or bureaucratic environments. There is now a clear consensus that corruption is detrimental to international trade and reduces business opportunities, regardless of firm profile.

Secondly, a survey of existing literature demonstrates that high levels of corruption in host countries leads not only to reduced investment, but also to poorer quality investments in terms of technological sophistication, management expertise, and sustainability of investment.

Thirdly, uncertainty about the size and frequency of facilitation payments has been shown to reduce inward investment and rate of market entry by foreign firms. Particularly in transition countries, corruption has been identified by some studies as the single most important determinant of investment growth, ahead of firm size, ownership, trade orientation, industry, GDP growth, inflation and the host country's openness to trade.

Fourthly, several studies have identified medium-sized enterprises as the most vulnerable to coercive corruption (being compelled to pay bribes). It is speculated that smaller companies are less conspicuous, while larger firms are better placed to rebuff attempts to solicit bribes from corrupt officials or intermediaries. Firms from less corrupt countries operating in highly-corrupt markets overseas are also more affected by corruption, as they lack the knowledge of how to cope with the arbitrary and pervasive dimensions of corruption.

Fifthly, recent work suggests that, given the long germination of most foreign investments, firms are becoming more interested in long term prognosis of a potential market's governance profile than in snapshot assessments of its current corruption levels.

Finally, business surveys (see next section) consistently demonstrate that firms are deeply concerned by corruption in their international

supply chains, with foreign partners and in overseas markets.
Over the last twenty years, firms from countries like the UK, for example, have tended to make fewer investments in highly-corrupt environments relative to multinationals from other third countries with higher levels of corruption. However, these surveys (see Control Risks 2015) also suggest that firms from countries with tough anti-bribery laws and enforcement mechanisms, are increasingly willing to make bold investment decisions as they now feel confident in the compliance programmes they have been required to develop in the last few years.

Firm attitudes towards corruption: business surveys

International Business Attitudes to Corruption Survey
Control Risks (2015)
https://www.controlrisks.com/webcasts/studio/2015-GENERAL/corruption-report/corruption-survey-2015.pdf

This report is based on a survey of legal and compliance specialists in more than 800 companies worldwide. Key findings include:

- 30% of respondents said they believe they have lost deals to corrupt competitors

- Most respondents believe anti-corruption laws improve the business environment (81%), deter corrupt competitors (64%) and make it easier for good companies to operate in high-risk markets (55%)

- For many international companies, compliance with anti-corruption laws has become a competitive advantage. One arresting finding is that companies from the countries with the toughest laws and the highest levels of international enforcement – the US, Germany and the UK – show a greater willingness to take risks than in previous surveys. The report suggests this is because companies from these countries feel emboldened by the robust compliance programmes they have been forced to implement because of tougher laws.

- Of survey respondents, 30% say they have decided not to conduct business in a particular country because of the perceived risk of corruption. Corruption does not deter investors completely but many good companies stay away. The UK is the most risk averse of Western countries (43%), followed by France (38%).

Redefining business success in a changing world, 19th Annual Global CEO Survey
PriceWaterhouseCoopers, 2016
https://www.pwc.com/gx/en/ceo-survey/2016/landing-page/pwc-19th-annual-global-ceo-survey.pdf

55% of respondents to this recent survey of more than 1,400 CEOS in 83 countries reported to be concerned about bribery and corruption as a business threat to growth prospects, a number that is up by more than 25% since 2013.

Overcoming compliance fatigue, 2014 Global Fraud Survey
Ernst & Young (2014)
http://www.ey.com/Publication/vwLUAssets/EY-13th-Global-Fraud-Survey/$FILE/EY-13th-Global-Fraud-Survey.pdf

This survey revealed that 1 in 5 CEOs reported being asked to pay a bribe in a business situation. Worryingly, 57% of businesses in emerging markets report to never or not very frequently conduct forensic or anti-corruption due diligence during mergers and acquisitions.

Survey on Bribery and Corruption: **Impact on Economy and Business Environment**
KPMG (2011)
https://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Documents/bribery-corruption.pdf

This survey of Indian businesspeople found that 51% of respondents felt that corruption makes India less attractive to foreign investors, 90% felt that corruption believed that corruption increases stock market volatility and discourages long-term investment and 99% agreed that corruption undermines a level playing field to the benefit of less competitive firms.

From vulnerable to valuable: how integrity can transform a supply chain
PriceWaterhouseCoopers, 2008
https://www.pwc.com/us/en/supply-chain-management/assets/pwc-sci-112008.pdf

61% of supply chain managers from 59 global consumer and retail companies identified challenges to business ethics (corruption, money-laundering etc.) as the most significant risk to their business. Corruption can lead to supply share disruption and, as this report shows, this can be very costly for companies that can see their average shareholder value plummeting.

2 CORRUPTION AND INTERNATIONAL TRADE

Corruption as an obstacle or "tax" on trade

Does corruption impede international trade? New evidence from The EU and the MENA countries.
Ali, M.S.B. and M. Mdhillat, 2015.
http://www.sesric.org/jecd/jecd_articles/ART15021601-2.pdf

This study provides evidence that corruption negatively influences trade flows and that control of corruption improves trade opportunities. It also suggests a positive effect of openness on the volume of trade.

Corruption and International Trade: An Empirical Investigation of African Countries
Musila, J.W. and Sigue, S.P. (2010)
https://www.researchgate.net/publication/46538353_Corruption_and_International_Trade_An_Empirical_Investigation_of_African_Countries

This paper attempts to estimate the effect of corruption on the flows of exports and imports of African countries. Using the gravity model approach and annual data for the period 1998-2007, they obtain negative and statistically significant correlations between the values of exports and imports and the levels of corruption in Africa and trading partners. Thus, the results support the view that corruption adversely affects international trade. The authors estimate that if a country with Africa's average corruption perception index of 2.8 were to improve its corruption level to Botswana's 5.9, its exports would improve by about 15 per cent and imports by about 27 per cent.

Is Corruption Detrimental to International Trade?
De Jong, E. and Udo, E. (2006)
http://congress.utu.fi/epcs2006/docs/C1_de%20jong.pdf

The paper tests the hypothesis that corruption greases commerce in cases of low-quality institutions. It finds that in general, corruption is detrimental to international trade.
The nature of corruption is also held to be significant: more uncertainty in advance about the bribe to be paid reduces trade.

Does Corruption Hinder Trade for the New EU Members?
Horsewood, N. and Voicu, A.M. (2012)
www.economics-ejournal.org/economics/journalarticles/2012-47/version_1/count

The paper uses a gravity trade model to examine the impact of corruption on bilateral trade using a data set comprising OECD economies, new EU members and developing nations. The level of corruption of both the importing and exporting nations is found to hinder rather than facilitate cross-border transactions, and differences between their ethical standards have a negative impact on trade flows. The model is used to assess the impact on exports and imports of Romania and Bulgaria joining the European Union.

Corruption, institutions and trade
Zelekha, Y. and Sharabi, E. (2012)
http://link.springer.com/article/10.1007/s10101-012-0109-7

This study examines the effects of corruption on trade over time in Israel, whose control of corruption is judged to have declined significantly. The study's conclusions support the hypothesis that the effect of corruption on trade of any given country is significant, stable and negative.

Corruption and Bilateral Trade Flows: Extortion or Evasion?
Dutt P. and Traca, D. (2010)
http://faculty.insead.edu/pushan-dutt/documents/RESTAT_Dutt-Traca.pdf

This paper analyse the impact of corruption on bilateral trade, highlighting its dual role in terms of extortion and evasion. Corruption taxes trade, when corrupt customs officials in the importing country extort bribes from exporters (extortion effect). Only in very high tariff environments (5% to 14% of the observations) does corruption have a trade-enhancing effect where corrupt officials allow exporters to evade tariff barriers (evasion effect).

Transparency in trade agreements

Quantitative Evidence on Transparency in Regional Trade Agreements
Lejárraga, I. and B. Shepherd (2013)
http://www.oecd-ilibrary.org/trade/quantitative-evidence-on-transparency-in-regional-trade-agreements_5k450q9v2mg5-en;jsessionid=cajt33odngpii.x-oecd-live-03

This paper uses a new dataset on transparency provisions in over a hundred regional trade agreements (RTAs) to provide empirical evidence of the political economy determinants of international transparency commitments, as well as the trade impact of negotiating such transparency provisions in RTAs. The study finds that RTAs with deeper mechanisms for enhancing transparency appear to be more strongly trade-promoting than those with shallower commitments on transparency. Transparency in trade agreements thus improves both market awareness (making trade policies better known and understood by foreign suppliers) and predictability of trade policies (by opening the decision-making process).
The findings suggest that the readiness of trading partners to adhere to transparency norms is influenced by the quality of home institutions, which is consistent with a view that strengthening governance and regulatory capacities can contribute to a broader diffusion of transparency practices in international trade.

Transparency and Regional Integration in the Asia Pacific
Helble, M., Shepherd, B. and Wilson, J. (2009)
http://developing-trade.com/wp-content/uploads/2014/11/DTC-Article-Chapter-2009-1.pdf

This paper shows that increasing the transparency of the trading environment can be an important complement to traditional liberalisation of tariff and non-tariff barriers. The results from a gravity model suggest that improving trade-related transparency in APEC could hold significant benefits by raising intra-APEC trade by approximately US$148 billion or 7.5 per cent of baseline trade in the region.

Anti-Bribery Measures

The OECD Anti-Bribery Convention: Changing the Currents of Trade
D'Souza, A. (2012)
http://wp.peio.me/wp-content/uploads/2014/04/Conf3_DSouza-24.11.09.pdf

This paper examines the effects of a watershed anti-corruption initiative – the 1997 OECD *Anti-Bribery Convention* – on international trade flows. Using a large panel of country pairs to control for confounding global and national trends and shocks, it finds that, on average, the *Convention* caused a reduction in exports from signatory countries to high corruption importers relative to low corruption importers. This suggests that by creating large penalties for foreign bribery, the *Convention* indirectly increased transaction costs between signatory countries and high corruption importers.

Corruption and protectionist policies

Can Bribes Buy Protection Against International Trade?
Bjørnskov, C. (2008)
http://ssrn.com/abstract=1452687

This paper explores the question of whether corruption leads to protectionist non-tariff trade policy. At the theoretical level, corruption is shown to exert influence over the formation of trade policies in countries with low press freedom, as well as the implementation of such policy by customs officials.
A set of time-series cross-country regressions support these broad implications, showing that corruption tends to lead to higher non-tariff barriers. Further estimates are consistent with the theoretical considerations in suggesting that the effectiveness of corruption in buying barriers varies with the degree of press freedom.

Corruption and Trade Protection: Evidence form Panel Data
Bandyopadhyay, S. and Roy, S. (2007)
http://research.stlouisfed.org/wp/2007/2007-022.pdf

The paper provides estimates of the effects of corruption and poor institutions on trade protection. The main finding is that corruption and lack of contract enforcement can increase trade protection and have negative effects on trade openness.

Corruption in supply chains

For a comprehensive overview of corruption in supply chains, see previous Helpdesk answers on *Supply Chain Corruption, Customs Transparency and Consumer Protection* and *Fighting Corruption in the Supply Chain*.

Fighting Corruption in the Supply Chain
United Nations Global Compact (2010)
http://www.unglobalcompact.org/docs/issues_doc/Anticorruption/Fighting_Corruption_Supply_Chain.pdf

Businesses face very significant corruption risks in their supply chains. One significant category of this risk stems from instances of collusion between suppliers, and government officials, such as kickbacks, fraudulent billing and various fraudulent purchasing and sales schemes.
According to this report, in countries with high levels of corruption, the supply chain for MNCs very often consists of small and medium size local businesses. These businesses typically have a more direct experience with corruption because they face more opportunities and lack the leverage to resist corruption and influence local institutions for change.

3 CORRUPTION AND FOREIGN DIRECT INVESTMENT

Corruption and Foreign Direct Investment: What have we learned?
Habib, M and Zurawicki, L. (2010)
http://www.cluteinstitute.com/ojs/index.php/IBER/article/view/593

A useful 7 page summary of the evolution of thinking on corruption and FDI since the 1970s, this brief paper includes consideration of corruption relative to other hurdles to FDI.
The survey of existing literature demonstrates that high levels of corruption in host countries leads not only to less FDI, but also to poorer quality investments in terms of technological sophistication, management expertise, origin of FDI and so forth.
An interesting suggestion is that, given the long germination of most FDI projects, it is rather expectations of the evolution of corruption in the future which are of interest to investors, rather than snapshot analyses.

Corruption and cross-border investment in emerging markets: Firm-level evidence
Javorcik, B., and Wei, S. (2009).
https://www.cass.city.ac.uk/__data/assets/pdf_file/0011/76970/Corruption-2008-06-19.pdf

This paper studies the impact of corruption in emerging markets on the mode of entry and volume of inward foreign direct investment using a unique firm-level data set. It examines two effects of corruption simultaneously: a reduction in the volume of foreign investment and a shift in the ownership structure. Corruption makes local bureaucracy less transparent and hence acts as a tax on foreign investors.
Moreover, it affects the decision to take on a local partner. On the one hand, corruption increases the value of using a local partner to cut through the bureaucratic maze. On the other hand, corruption decreases the effective protection of investor's intangible assets and lowers the probability that disputes between foreign and domestic partners will be adjudicated fairly, which reduces the value of having a local partner.
The importance of protecting intangible assets increases with investor's technological sophistication, which tilts the preference away from joint ventures in a corrupt country. Empirical evidence shows that corruption reduces inward FDI and shifts the ownership structure towards joint ventures.

The Effects of Corruption on FDI Inflows
Sadig, Ali Al (2009)
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2264898

This article examines whether a corrupt host country receives greater or lesser FDI inflows after controlling for other determinants of FDI location. Results show that the corruption level in the host country has an adverse effect on FDI inflows: a one-point increase in the corruption level leads to a reduction in per capita FDI inflows by about 11 percent.
However, after controlling for other characteristics of the host country such as the quality of institutions, the negative effects of corruption become much less pronounced.

Corruption distance and Foreign Direct Investment
Qian, X., Sandoval-Hernandez, J. and Garrett, J.Z. (2012)

http://ssrn.com/abstract=2076759

This paper studies the effects of "corruption distance", defined as the difference in corruption levels between country pairs on bilateral foreign direct investment (FDI). They find that corruption distance adversely influences the volume of FDI. Positive corruption distance, the differing corruption levels between investor and recipient countries, is the most prominent factor affectng bilateral FDI.

Is Corruption Good or Bad for FDI? Empirical Evidence from Asia, Africa and Latin America.
Abdul Jalil, Amina Qureshi & Mete Feridun (2016)
http://www.doiserbia.nb.rs/img/doi/1452-595X/2016/1452-595X1603259J.pdf

This article revisits the relationship between corruption and Foreign Direct Investment inflows in a panel of 42 countries from 1984 to 2012. The results suggest that corruption has a positive impact on FDI inflows in the case of Asia and Africa; and a negative impact in the case of Latin America.
This indicates that in countries with a poor governance environment, or in the presence of high regulatory controls, bribery is used by some companies to mitigate the impact of institutional inefficiency. In Latin America, the implication is that international investors avoid making investments in countries where corruption is rife, due to a perception that corruption is a source of inefficiency, uncertainty and risk – all of which are expected to undermine the profitability of investments.

The effect of corruption on investment growth: evidence from firms in Latin America, Sub-Saharan Africa, and transition countries
Asiedu, E. and Freeman, J. (2009)
https://core.ac.uk/download/files/153/6711784.pdf

This paper uses firm-level data on investment and measures corruption at the firm and country level. The authors find that the effect of corruption on investments varies significantly across regions: most notably corruption has a negative and significant effect on investment growth for firms in transition countries.
In fact, among all of the variables (firm size, ownership, trade orientation, industry, GDP growth, inflation and openness to trade), corruption is the most important determinant of investment growth in transition countries.

Corruption and Foreign Direct Investment
Habib, M. and Zurawicki. 2002
http://econpapers.repec.org/article/paljintbs/v_3a33_3ay_3a2002_3ai_3a2_3ap_3a291-307.htm

This study examines the impact of corruption on foreign direct investment (FDI). First, the level of corruption in the host country is analysed. Second, the absolute difference in the corruption level between the host and home country is examined. The analysis provides support for the negative impacts of both. The results suggest that foreign investors generally avoid corruption because it is considered normatively wrong and can create operational inefficiencies.

Investor decision-making in highly-corrupt settings

Asymmetric Effects of Corruption on FDI: Evidence from Swedish Multinational Firms
Hakkala, K., Norbäck, P., & Svaleryd, H. (2008)
http://www.jstor.org/stable/pdf/40043105.pdf?_=1471005964452

This study uses firm-level data from Swedish multinational enterprises to examine the effect of corruption on FDI. The authors establish a causal effect of corruption on FDI and find that firms are less likely to invest in corrupt countries. Horizontal investments (for sales to the local market) are hampered to larger extent by corruption than vertical investments (for sales back to the home country or third countries).
The authors propose this is due to the fact that producing and selling in a country, as opposed to exporting the production to other markets, incurs larger costs to the firm because of greater involvement in the country. The study also finds that larger firms are less adversely affected by corruption, suggesting they are better able to rebuff demands for bribes.

The dimensions of corruption and its impact on FDI decision making: the case of Guatemala
Business and Politics, Godinez, J . and Garita, M. (2016)

This study researches how the arbitrariness and pervasiveness of corruption affect the decision-making process and subsequent operations of firms investing in highly corrupt host locations. The results of the analysis demonstrate that firms headquartered in countries where corruption is high have an advantage when operating in a foreign country with a similar institutional environment.

The reason for this advantage is that these firms possess knowledge of how to cope with the arbitrary and pervasive dimensions of corruption. Firms from countries with lower corruption levels than the host country, however, are more affected by corruption in a highly corrupt host country. Although this study finds evidence that all firms operating in a highly corrupt country might participate in corrupt deals, those headquartered in highly corrupt countries are more likely to be willing to do so.

Who Cares about Corruption?
Cuervo-Cazurra, A. (2006)
http://www.jstor.org/stable/pdf/4540385.pdf

This paper examines the impact of corruption on FDI. The authors argue that corruption results not only in an overall reduction in FDI, but also in a change in the composition of the country of origin of FDI.

A highly corrupt business environment in a host country results in relatively lower FDI from countries which have signed the OECD's *Convention on Combating Bribery of Foreign Public Officials in International Business Transactions*.

This suggests that anti-bribery laws act as a deterrent against engaging in corruption in foreign countries, and by extension firms from signatory countries are likely to limit their investments in countries with high levels of corruption. However, corruption results in relatively higher FDI from countries with high levels of corruption. This suggests that investors who are more exposed to bribery at home are not deterred by encountering corruption abroad.

Entry mode choices of multinational companies and host countries' corruption.
Teixeira AAC, Grande M (2012)
http://www.gestaodefraude.eu/wordpress/wp-content/uploads/2013/10/Entry-mode-choices-of-MNCs-and-host-countries%E2%80%99-corruption-A-review.pdf

This review demonstrates that, in general, when operating in markets with high levels of corruption, MNCs prefer low equity (that is, joint-ventures with local partners) or non-equity (namely exports and contracting) entry mode choices. Nevertheless, the study also reveals that, in some specific cases, such as cultural proximity, even when there is pervasive corruption, MNCs may enter via wholly-owned subsidiaries.

Predictable Corruption and Firm Investment: Evidence from a Natural Experiment and Survey of Cambodian Entrepreneurs
Samphantharak, K. & Malesky, E. (2008)
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1669682

This paper utilizes a dataset of 500 firms in ten Cambodian provinces to examine whether the predictability of corruption is as important to investment decisions as the amount of bribes a firm must pay. The authors find that this is the case; firms exposed to a shock to their bribe schedules by a change in governor invest significantly less in subsequent periods. Furthermore, the amount of corruption is significantly lower in provinces with new governors.

Better the Devil You Don't Know: Types of Corruption and FDI in Transition Economies
Cuervo-Cazurra, A. (2008)
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1059221

This paper argues that it is not the level but rather the type of corruption that affects FDI in transition economies. Pervasive corruption, or corruption that is widely present, acts as a deterrent to FDI because it increases the known costs of investing, while arbitrary corruption, or corruption that is uncertain, does not have such a deterring influence because it becomes part of the uncertainty of operating in transition economies. In transition economies, investors prefer to deal with an unknown evil - the arbitrariness of corruption - rather than a known one - the pervasiveness of corruption.

4 CORRUPTION AND EXPORTS

The effect of corruption on firms' export strategies

The impact of corruption on firm level export decisions
Olney, W.W. (2015)
http://web.williams.edu/Economics/wp/OlneyCorruptionandExporting-July2013.pdf

Using a dataset of 23,000 firms in 80 developing countries, this paper examines the impact of corruption on firms' decisions whether to enter foreign markets.
A heterogeneous firm model demonstrates that corruption decreases the probability that a productive firm in a developing country only sells domestically, since only the more productive domestic firms are able to overcome the additional costs associated with a corrupt business environment.
Corruption is found to increase the probability that a firm will indirectly export and decreases the probability that a firm will directly export. In corrupt environments, the least productive direct exporters now find it more profitable to indirectly export through an intermediary. This indicates that in developing countries where corruption is especially severe, intermediaries provide a crucial link to global markets.

Corruption and firm behaviour: Evidence from African ports.
Sequeira, S., & Djankov, S. (2014)
http://test.nes.ru/dataupload/files/JIE_Corruption%20in%20Ports%202014.pdf

This paper investigates how corruption affects firm behaviour. Firms can engage in two types of corruption when seeking a public service: cost-reducing "collusive" corruption and cost-increasing "coercive" corruption.
Using an original and unusually rich dataset on bribe payments at ports matched to firm-level data, the authors observe how firms respond to each type of corruption by adjusting their shipping and sourcing strategies. "Collusive" corruption is associated with higher usage of the corrupt port, while "coercive" corruption is associated with reduced demand for port services. The results suggest that firms respond to the price effects of corruption, organising production and distribution in a way that increases or decreases demand for corrupt public services, such as shifting operations to other ports, despite higher transportation costs.

Does Corruption Attenuate the Effect of Red Tape on Exports?
Ahsan, Reshad (2015)
http://ssrn.com/abstract=2664932

This paper shows that the negative effect of greater red tape on firm exports is lower for firms in industries and countries where corruption at customs is more prevalent. This suggests that where there is a great deal of red tape in highly corrupt environments, firms more frequently pay bribes to expedite the import and export of their goods.

Family Businesses in Eastern European Countries: How Informal Payments Affect Exports
Bassetti, T.; Dal Maso, L.; & Lattanzi. N. (2015).
http://www.sciencedirect.com/science/article/pii/S1877858515000376

This article investigates the effect of corruption on the export share of family firms in Eastern European countries.
Using the Business Environment and Enterprise Performance Survey and panel data methods, the study finds that family firms are more vulnerable to corruption. A greater export share is positively associated with larger informal payments, suggesting that successful SMEs face greater demands for bribes.

Tariff liberalisation and customs corruption

Displacing Corruption: Evidence from a Tariff Liberalization Program
Sequeira, S. (2013)
http://personal.lse.ac.uk/sequeira/Displacing_Corruption_Sequeira.pdf

Using a dataset of 1,300 shipments, this paper investigates how changes in tariff levels affect the incidence, distribution and level of bribes paid during different stages of the process of importing goods. Reductions in tariff rates were associated with a significant decline (60%) in bribery to customs officials for tariff evasion on imported goods.
However, this also led to a 70% increase in average bribes per transaction, which can be considered the consequence of a displacement from collusive to coercive forms of corruption. This displacement effect has a significant economic impact; firms that experience an

increase in the probability of paying a bribe are more likely to source a higher percentage of their inputs domestically, with serious implications for firm performance.
As this important substitution effect may diminish the long-term impact of trade liberalisation and tariff reduction on bribery, this finding suggests other means should also be employed to tackle corruption among customs officials.

Corruption and export by sector

Exports and Cross-National Corruption: A Disaggregated Examination Economic Systems
Goel, Rajeev K. and Korhonen, Iikka, (2011)
HTTP://PAPERS.SSRN.COM/SOL3/PAPERS.CFM?ABSTRACT_ID=1899665

This paper examines the nexus between a country's export structure and corruption, and finds that aggregate exports and agricultural exports tend to decrease corruption, while fuel exports increase corruption. Manufacturing and ore exports, on the other hand, generally fail to show significant impacts on corruption. The findings also demonstrate that the magnitude of the resource curse is sensitive to prevailing corruption levels.

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