

## Client Alert

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Baker McKenzie FenXun  
A Leading Chinese and  
International Law Joint Platform



For further information, please contact:

Mini vandePol  
+852 2846 2562  
mini.vandepol@bakermckenzie.com

Simon Hui  
+86 21 6105 5996  
simon.hui@bakermckenzie.com

Vivian Wu  
+86 10 6535 3860  
vivian.wu@bakermckenziefenxun.com

### China's ranking declines in Transparency International's latest Corruption Perception Index

Transparency International (TI) has just released its 2018 Corruption Perception Index (CPI)<sup>1</sup>. The CPI continues to be an important gauge by companies in managing corruption risks when conducting businesses in foreign countries.

TI reports that the Asia Pacific region has made little progress in the fight against corruption. With an average CPI score of 44 for three consecutive years, Asia Pacific is on par with the Americas (average score of 44) in its lack of progress and behind Western Europe and the European Union (average score of 66).

Meanwhile, China's global ranking has moved down 10 places and its CPI score has declined by two points in 2018. However, China continues its efforts in ramping up its anti-corruption campaign. In recent months, we have seen significant developments that enhance anti-bribery enforcement by the Chinese authorities. In October 2018, China revised its Criminal Procedure Law to introduce, among other things, a default judgment procedure penalizing defendants who have absconded overseas in respect of bribery and corruption offenses. In late December 2018, the National Development and Reform Commission introduced guidance assisting Chinese enterprises with overseas operations on how to implement compliance management and identify compliance risk in their operations.

### Highlights of the 2018 CPI

The latest 2018 CPI was launched on 29 January 2019. TI's CPI is the leading global indicator of public-sector corruption and offers a snapshot of the relative degree of corruption by ranking countries from all over the globe. The 2018 CPI ranks 180 countries and territories drawing on expert assessments and surveys of business people.

A country or territory's score indicates the perceived level of public sector corruption on a scale of 0 (highly corrupt) to 100 (very clean). A country or territory's rank indicates its position relative to the other countries and territories in the index. While some countries in the Asia Pacific region have moved up in their global rankings, their CPI scores in fact show little improvement.

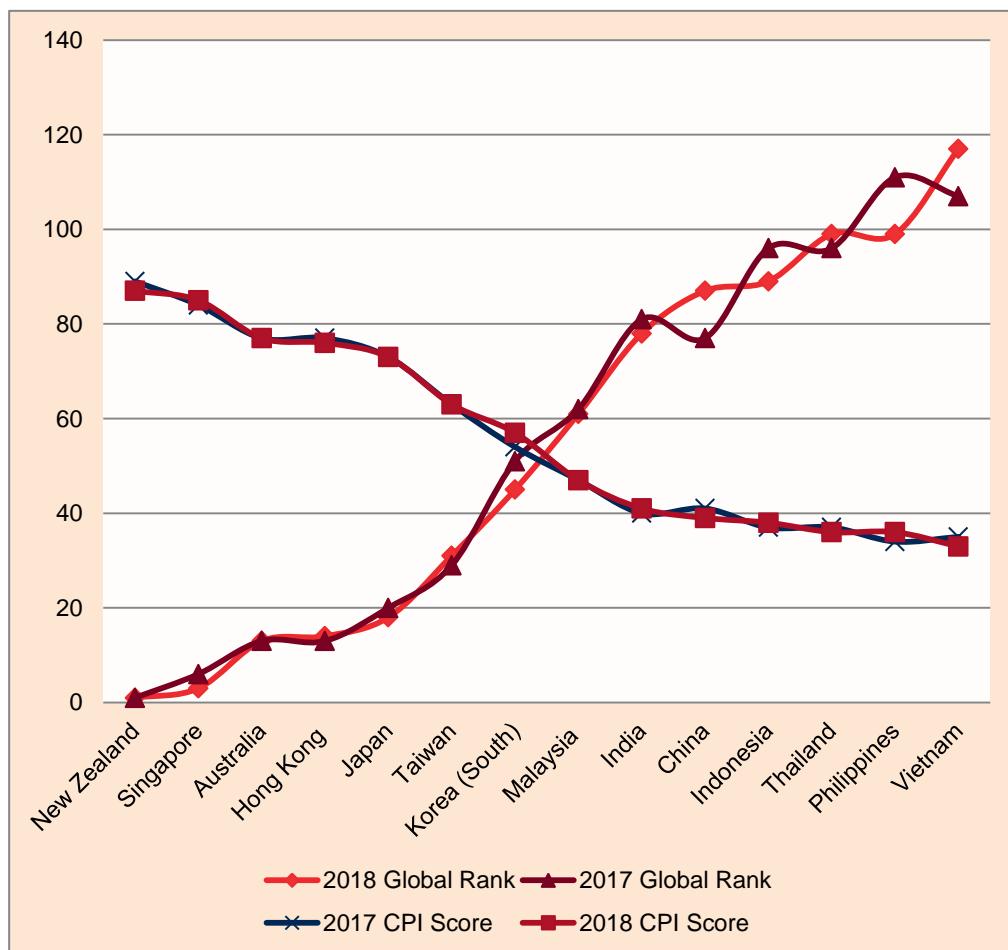
Some highlights of the 2018 CPI:

- China's global ranking has declined 10 places to #87.
- India has moved up three places to #78. Other improvers include Malaysia with one place up to #61. South Korea and Indonesia moved up the rankings with six places to #45 and seven places to #89 respectively.
- Countries which have declined include Hong Kong moving down one place to #14, and Vietnam moving down 10 places to #117.

<sup>1</sup> <https://www.transparency.org/cpi2018>

- New Zealand continues to lead the region and ranks second globally, while Singapore has moved up to third place with Australia maintaining the same rank at #13.

The table below sets out some key jurisdictions in the Asia Pacific showing their 2018 CPI rankings and scores against their 2017 position.



## Actions to Consider

The latest CPI is a good reminder for companies that rely on its data to review their global compliance programs and make regional adjustments accordingly. Companies should continue to pay attention to those countries and regions that score poorly on the index, and identify any compliance risks that may be previously undetected.

Also, companies doing business in China will need to remain vigilant. China continues to strengthen its anti-corruption landscape with a wider scope of commercial bribery and tougher sanctions. We are also seeing increasing third party risks, in particular, where business relationships rely upon external distributors and intermediaries. We recommend that companies regularly review their compliance policies and programs to ensure there are no compliance gaps or potential exposures. We also recommend a detailed review of existing business arrangements involving transaction counterparties and third parties such as agents, distributors, suppliers or other intermediaries.

[www.bakermckenziefenxun.com](http://www.bakermckenziefenxun.com)  
[www.bakermckenzie.com](http://www.bakermckenzie.com)  
[www.fenxunlaw.com](http://www.fenxunlaw.com)

Baker McKenzie FenXun (FTZ)  
 Joint Operation Office  
 Unit 1601, Jin Mao Tower  
 88 Century Avenue, Pudong  
 Shanghai 200121, PRC

Tel: +86 21 6105 8558  
 Fax: +86 21 5047 0020