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Transparency Fails Defense Manufacturers

By Howard Amos

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All nine Russian companies that featured in Transparency International's Defense Companies Anti-Corruption Index scored badly. **Sergei Porter**

Russia's top nine defense companies show little or no evidence of anti-corruption systems and compare badly to their international peers, according to a report released Thursday by Transparency International.

None of the Russian producers of military hardware included in the research, which surveyed 129 of the biggest arms companies in the world, responded to requests from Transparency International for information.

The Defense Companies Anti-Corruption Index graded those firms it included from A to F. Seven of the nine Russian participants were categorized as F, meaning that they show almost no evidence of ethics or compliance systems.

RTI Systems, controlled by billionaire Vladimir Yevtushenkov's Sistema, and Gorky Automobile Park, a division of the vehicle manufacturer GAZ Group, were ranked as E, revealing very limited evidence of ethics or compliance systems.

Of the 129 companies worldwide, 36 percent fell into the F category. Of all those surveyed, 34 satisfied enquiries from Transparency International seeking additional information.

GAZ Group was the only Russian company included in the report to respond to a written request for comment from The Moscow Times Thursday — and it questioned the accuracy of the exercise.

"GAZ's car factory is not a defense business so we didn't take part in this rating of defense businesses and consider the inclusion of the Gorky Automobile Park to be incorrect," a spokesman said in e-mailed comments. "There are doubts about the accuracy of the rating because a lot of the biggest Russian defense businesses are not there."

All the Russian firms in the index are among the top 100 global defense companies, said the report's lead author, Transparency International director Mark Pyman.

The poor showing by Russian companies was a surprise, he added. "International governance standards are well known to Russian companies."

One of those that received an F, Russian Helicopters, even attempted an initial public offering in London valued at about $500 million last year. Spokesman Roman Kirillov did not answer repeated calls to his cell phone Thursday.

"It's difficult to say why we ended up on the list," said Konstantin Poltoranin, a spokesman at RTI Systems, which received an E. "It is state companies that are more secretive."

Alongside Russian Helicopters, the local companies assigned an F rating were Almaz-Antey, Sukhoi, TRV Corporation, KBP Instrument Design Bureau and United Engine Corporation.

Russia is the second-largest arms exporter in the world, after the United States, and then-Prime Minister Vladimir Putin said last year that the Kremlin would spend at least $620 billion on defense through 2020.

Just one company in the research, U.S.-based Fluor Corporation, received the top A grade ranking.

The index, which will be repeated in 2014, was principally compiled by comparing information on company websites to 34 questions devised by Transparency International covering the basic capabilities that firms in this field should have in place.

The results can be used by executives to challenge their staff and as a way of validating the claims of business partners, Pyman said.

"Anti-corruption systems are not rocket science," he added.

Transparency International will release a similar index taking in the defense ministries of 83 countries in January.

But some experts criticized the scope of the exercise.

"Transparency International does a great job ... [but this is] a perception of transparency," said Ruslan Pukhov, director of the Center for Analysis of Strategies and Technologies. "There is no direct linkage between democracy and not being corrupt."

The report was something that reinforced stereotypes, he warned, like "all Ukrainian girls are whores, all French women are [expletive(s)] and all Russians are drunkards."

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