

## **CORRUPTION IN ASIAN COUNTRIES: CAN IT BE MINIMIZED?**

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### **Summary**

Three decades ago, Gunnar Myrdal identified the taboo on research on South Asian corruption as one of the factors inhibiting the research of his book, *Asian Drama*. However, this taboo no longer exists. According to *Far Eastern Economic Review*, corruption was the biggest story of 1996, the Year of the Rat, as a great deal of "newsprint and television time was devoted to reports and discussions on corruption in government". Furthermore, the financial crises in Thailand, South Korea, Malaysia, and Indonesia in 1997 have highlighted the problems of corruption, cronyism, and nepotism on one hand, and the need for more accountability and transparency in government and banking operations in these countries on the other hand.

Why is corruption such a serious problem in Asian countries? Is it possible to control or to minimize it? It is contended here that the extent of corruption depends on two factors: (1) its causes; and (2) the effectiveness of measures to combat it. Asian countries like Singapore and Hong Kong, which observe this logic, are more successful in combating corruption than other countries.

In the first section following, the different levels of corruption are discussed. Section two describes the anti-corruption strategies employed. The concluding section focuses on Singapore's experience, demonstrating that, while it is difficult to curb corruption, it

is nonetheless possible to do so if a country's political leaders have the will to implement effective anti-corruption measures.

## **1. Levels of Asian Corruption**

In September 1974, the *Far Eastern Economic Review* featured the cover story "Corruption: The Asian Lubricant," which surveyed corruption in 10 Asian countries. The article concluded that:

"If you want to buy a Sherman tank, a Red Cross blanket, or simply speed up the installation of a telephone, there is probably no easier place in the world in which to do just that than in Asia—if you are willing to part with some cash, that is. With pathetically few exceptions, the countries in this region are so riddled with corruption that the paying of "tea money" has become almost a way of life."

This picture of pervasive corruption in Asia is supported by individual portraits of corruption in such countries as Bangladesh, the People's Republic of China, Hong Kong, India, Japan, Laos, Pakistan, Taiwan, and Thailand.

### **1.1 Measuring corruption**

As it is not possible to measure the *actual* extent of corruption in a country, scholars usually rely on the *reported* extent of corruption. Lancaster and Montinola have observed that students of political corruption use written documents (press reports, judicial records, and records from anti-corruption agencies) and survey data to measure corruption. However, as these instruments are not problem-free, they have recommended the use of the Corruption Perception Index (CPI), published by Transparency International (updated annually since 1995), because it is a "robust" index that "captures more than a single indicator" and "combines several measures of political corruption for each country".

According to Transparency International (TI), the CPI is "an attempt to assess the level at which corruption is perceived by people working for multinational firms and institutions as impacting on commercial and social life". The Business International Index (BII) is based on surveys of experts or consultants conducted during 1980-1983 by Business International, which is now a subsidiary of the Economist's Intelligence Unit. The BII ranks countries from 1 to 10 according to "the degree to which business transactions involve corruption or questionable payments".

Unlike the CPI and BII, the Global Competitiveness Report Index (GCRI) is based on a 1996 survey of firm managers, who were asked questions about different aspects of competitiveness in the host countries where they invest. Specifically, 2,381 firms in 58 countries were asked to rate the level of corruption on a one-to-seven scale according to the extent of "irregular, additional payments connected with import and export permits, business licenses, exchange controls, tax assessments, police protection or loan applications".

Table 1 shows the levels of corruption in 13 Asian countries according to the three indices—the BII, CPI, and GCRI. Singapore is perceived to be the least corrupt Asian country by all three indices. This perception is confirmed by the Hong Kong-based Political and Economic Risk Consultancy Ltd., whose 1996 survey showed that Singapore "maintained its reputation as a 'corruption-free' haven in a region in which shady practices are all too common". Conversely, Indonesia and Thailand were perceived as the most corrupt Asian countries on the BII. The CPI ranked Bangladesh as the most corrupt Asian country, and the GCRI identified Indonesia and the Philippines as the two Asian countries with the highest levels of corruption.

Table 1 also indicates the different levels of corruption in 13 Asian countries. What accounts for the variations in the extent of corruption in these countries? To answer this question, it is necessary to examine the anti-corruption strategies employed by seven of these countries to ascertain whether they have observed the logic of corruption control. (Due to limitations on access to data as well as space here, only seven countries are discussed: the PRC, Indonesia, Bangladesh, the Philippines, South Korea, Thailand and Singapore.)

Country	BII (1-10 scale)	CPI 97 (1-10 scale)	GCRI 97 (1-7 scale)
Singapore	1.00	2.34	1.24
Hong Kong	3.00	3.72	1.52
Japan	2.25	4.43	2.07
Taiwan	4.25	5.98	3.22
Malaysia	5.00	5.99	3.97
South Korea	5.25	6.71	4.34
Thailand	9.50	7.94	5.55
Philippines	6.50	7.95	5.56
China (PRC)	N/A	8.12	4.10
India	5.75	8.25	5.11
Indonesia	9.50	8.28	5.56
Pakistan	7.00	8.47	N/A
Bangladesh	7.00	9.20	N/A

Source: Wei, 1998:5

(\*According to Wei, the original BII, CPI, and GCRI were re-scaled so that higher scores imply more corruption. Thus, for all three indices, a higher score means a higher level of corruption.)

Table 1: Perceived Levels of Corruption in Asian Countries

## 2. Anti-Corruption Strategies

The consequences of corruption can be minimized if a government has an effective anti-corruption strategy, and implements it impartially. Specifically, the more effective anti-corruption measures are, the greater will be the probability of reducing corruption. Such effectiveness depends upon two factors: (1) the adequacy of measures undertaken; and (2) the level of commitment of political leaders to the goal of minimizing corruption. In other words, for anti-corruption measures to be effective, they must be properly

designed to attack the causes of corruption, and must be sponsored and upheld sincerely by political leaders. In short, the most elaborate and well-designed anti-corruption measures will be useless if they are not enforced.

		Anti-Corruption Measures	
		<i>Adequate</i>	<i>Inadequate</i>
Commitment of Political Leadership	<i>Strong</i>	Effective Strategy	Ineffective Strategy 2
	<i>Weak</i>	Ineffective Strategy 2	“Hopeless” Strategy

Source: Quah, 1982: 175

Table 2. A matrix of anti-corruption strategies

By juxtaposing the two variables—the adequacy of anti-corruption measures and the commitment of political leadership—a matrix of anti-corruption strategies can be obtained (Table 2).

Four strategies, as shown above, can be used to analyze the anti-corruption efforts of the several Asian countries. To be effective, anti-corruption strategies must minimize, if not eliminate, the causes of corruption. In his comparative study of the control of bureaucratic corruption in Hong Kong, India, and Indonesia, Leslie Palmier identified three important causes of corruption: opportunities (which depend upon the extent of civil servants' involvement in the administration or control of crucial service), salaries, and policing (that is, the probability of detection and punishment). According to him,

“[B]ureaucratic corruption seems to depend not on any one of the [three] factors identified, but rather on the balance between them. At one extreme, *with few opportunities, good salaries, and effective policing, corruption will be minimal at the other, with many opportunities, poor salaries, and weak policing, it will be considerable.*” (emphasis added)

Following Palmier's hypothesis, effective anti-corruption strategies should reduce or remove opportunities for corruption, raise the salaries of civil servants, and ensure a high degree of policing.

## 2.1 “Hopeless” strategies

Given the perceived high levels of corruption of Asian countries, as indicated in Table 1, it is not surprising that the “hopeless” anti-corruption strategy is found in countries such as China, Indonesia, and Bangladesh. Corruption in these countries has been institutionalized; their anti-corruption measures are inadequate and their political leaders are least concerned about minimizing corruption.

### 2.1.1 People’s Republic of China

The high level of corruption in the People's Republic of China (PRC) can be attributed to the low wages of civil servants, the many opportunities provided for corruption during the last two decades of Deng Xiaoping's modernization policy, and the lack of

political will in implementing anti-corruption measures against senior party officials. Although bribery exceeding 100,000 Yuan is a capital offense, the death penalty has not been imposed on senior party officials found guilty of accepting such bribes.

Several public opinion polls conducted during the late 1980s in the PRC indicated that the public had identified corruption as “the most prevailing social crime” and confirmed its resentment. In fact, the corruption issue was an important catalyst for the student demonstrations in the spring of 1989 as “the students' anticorruption banner appealed strongly to the public.”

After the Tiananmen Square incident, the Chinese media “dramatically increased the exposure of corruption cases to highlight the party's determination and efforts to repress corruptions.” The Chinese Communist Party sought to clear its image by introducing new anti-corruption rules designed to (1) strengthen centralized control over certain commodities and production materials; (2) forbid such “unhealthy practices” as gift giving in public affairs and squandering public funds; and (3) punish offenders through the stipulation of disciplinary penalties for embezzlement.

In 1982, the Central Discipline Inspection Commission (CDIC) was re-established to deal with discipline and anti-corruption work. Five years later, the Ministry of Supervision (MOS) was also re-established “in part to curb corruption and maladministration within the civil service.” Even though the MOS had received more than 700 000 reports in 1993, both the CDIC and MOS could not stem the problem of corruption because the “authorities appear[ed] to lack the political will to handle corruption cases among more senior party members”.

In recent years, only two senior party officials have been convicted of corruption. In 1994, Li Yiaoshi, former Vice-Minister of the State Science and Technology Commission, was sentenced to 20 years in jail. On July 31, 1998, the former Beijing party chief, Chen Xitong, became the highest-ranking party member to be jailed when he was sentenced to 16 years for graft of 555 000 Yuan and dereliction of duty.

Considering corruption is a capital offense in the PRC, Chen's sentence is lenient; more junior party cadres have been sentenced to life imprisonment or even death for corruption involving smaller sums of over 100 000 Yuan. The death penalty is generally imposed on officials who accept bribes exceeding 100 000 Yuan, or US\$12 000. In short, party officials in the PRC can “short-circuit corruption investigations by appealing to their protectors in the party hierarchy”.

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