

Introduction

by **William Cole**

Asian Perspectives on Corruption: Challenges to Economic Growth and Governance is part of an ongoing series of seminars sponsored by The Asia Foundation. Convened on October 26, 1998, at the Carnegie Endowment for International Peace in Washington, D.C., the seminar featured speakers from three of the countries seriously affected by the Asian economic crisis — Thailand, Korea, and the Philippines. Dr. Pasuk Phongpaichit from Thailand is with the Political Economy Center at Chulalongkorn University in Bangkok, and has conducted groundbreaking research on issues of corruption and transparency in Thailand. Dr. Kim Myoung-soo is Dean at the College of Social Sciences at Hankuk University in Seoul, Korea. He is a Member of the Committee for Policy Analysis and Evaluation in the Office of the Prime Minister, and has been working with the South Korean government on issues of corruption and transparency for the past decade. Maria Lourdes Mangahas is the Editor-in-Chief of The Manila Times, and Executive Director of the Philippine Press Council. She is a Nieman Fellow at Harvard University.

Corruption/anti-corruption efforts are as old as civilization. The history of the past few centuries is replete with astounding cases of graft and bribery, often to a degree it affects historical events in the unfolding of political dynamics in various countries and various places. A long history of slow and painful progress in getting corruption under control in this country has been a fascinating one. And a look at the *New York Times* on almost any day will give you the sense that the task is never really complete. Against this back drop, it's interesting that we are only now

beginning to come to grips with the challenges of corruption as a factor in development — and that has been an accelerating focus, obviously, on this topic over the last two or three years. What's driving this collective focus on such an old problem? First, with rising prosperity increasing democratization, the middle class in civil society has become a powerful source of demand for greater accountability. The press is freer and more sophisticated in many countries. Consequently, the legitimacy of political leaders increasingly depends on how bad the public thinks the corruption problem is and how serious they think politicians are in addressing the problem.

Second, the rapid rise of economic globalization has increased competition for foreign investment in developing countries. Major corruption increases costs and, more importantly, substantially increases risks. So international markets are another factor driving this new focus on corruption.

Third, the globalization of information, media, and telecommunications facilitates the emergence of standards of performance in governance for public officials and politicians. The public in many countries demands greater adherence to those emerging international standards.

Fourth, the increasing commitment of funding for counter-corruption efforts by the UNDP, the World Bank, regional banks, in addition to bilateral assistance programs from agencies such as the United States Agency for International Development (USAID), have dramatically increased the resources available to address counter-corruption reforms. Equally important, that lending has helped to focus both governments and development experts from all sectors on this problem.

Finally, a loose alliance between and among international development organizations, domestic civil society, and international investors presents a powerful new sense of triangulating forces that are driving governments to begin to get a handle on the problem and address it seriously. These various developments were obviously underway long before the economic crisis touched off in Asia in mid-1997. Despite its devastating effects on the lives of so many people in the region, the crisis appears to have created new opportunities for counter-corruption reforms. The crisis is creating new dynamics for governance reform in East Asian countries in particular. In part this is because a broader segment of the public now sees corruption as intolerable — and that includes the business class. In many countries, business tends to deal with corruption as a factor in the environment. But under the crisis conditions it is increasingly something that is a major burden and the business community has now weighed in on the anti-corruption efforts in many places, Thailand being one example. I think it is also in part because the crisis has led to a loosening of press constraints in many countries, so that a larger segment of the public is involved and their voice is heard now more than ever.

As we look across the region the changes have been striking and, in many cases, unexpected in terms of degree and the change in the political dynamics locally. In the new pro-reform government in Thailand, for example, counter-corruption issues have been as important or more important than the actual economic dimensions of the crisis.

The new pro-reform government in Korea has taken

advantage of popular demand for an end of money politics and the end of arrangements between big business and the bureaucracy to undertake reforms. In Indonesia we have seen the fall of one of the longest standing leaders in Asia. The public, driven largely by the devastation caused by the crisis, demanded an end to collusion and nepotism. So changes are clearly going on in Asia.

Many of the basic issues still remain, however, and questions that resonate worldwide are particularly important in Asia. Can you undertake counter-corruption reforms in bits and pieces or does it take wholesale transformation of the system? If political commitment to serious reform by top leadership is a critical factor in the success of any corruption effort, how can civil society and foreign organizations best engage to ensure political commitment at the top? Since the issue is transparency and accountability, how important is political reform as a precursor to the success of more technical administrative and judicial reforms in counter corruption? Finally, what are the roles of civil society in this process given the breadth of the terms of the society?

Our three distinguished Asian speakers today represent points of view from three of the countries most effected by the crisis: Thailand, Korea, and the Philippines. I think they will give us some unique insights into what the counter-corruption process looks like within their countries. They also represent a range of very insightful analytical perspectives that will help us move a little closer towards answering some of these questions I've just mentioned. 🗣️

Thailand

by **Pasuk Phongpaichit**

I come from Thailand and I have completed studies on corruption and its relationship to development, democracy, and the economy. Is Thailand more corrupt than other countries and other societies? I'm not so sure. Comparisons are difficult. My guess is the situation in Thailand right now is about the same as it was in the United Kingdom around 1900, and in the United States in the 1920s. Is Thailand more corrupt than other Asian countries? I doubt it. But Thailand differs from most other societies, particularly Asian societies, in that we are reasonably democratic. That means that people like me can do research about corruption as a way of trying to do something about it. In other less democratic countries, researching corruption might not be so easy. I may be the only person at this gathering who is currently being sued by two ex-prime ministers as a result of my work on corruption in Thailand, but at least I'm here. Today I'd like to share with you some of my thoughts about corruption problems and issues in Thailand, and what I have learned from my research.

When we deal with corrupt politicians and bureaucrats, those who make and keep the laws, it is difficult to imagine how this problem can be overcome by making more laws. Politicians are reluctant to pass effective anti-corruption measures. Bureaucrats find excuses not to enforce them. Rather than talking about laws and policies as tools for combating corruption, I think a more important task is to look for mechanisms to expose the corrupt and make them subject to public scrutiny and sanctions. In many Western countries the legal system serves as such a mechanism. However, throughout developing Asia, the legal system is

weak. Legal systems are part of the problem rather than the solution. Another part of the problem is that the habit of corruption is ingrained and has some historical rationale. There's a pre-industrial government system. The ruling elite used to live on informal taxes levied on people and businesses. The personal influence of powerful people was pervasive. The powerful could be above the rule of law. These habits and practices have carried over into the modern period. In such a situation, reform can only come about when the public or groups in civil society — those who are affected by negative effects of corruption and the use of influence by powerful people — bring pressure to bear on the government to change.

Our group of academics at Chulalongkorn University has been doing research on corruption among politicians since 1991, with financial assistance from The Asia Foundation. Our first book, "Corruption and Democracy in Thailand" was published in 1994. We did not start on the study with the aim of rousing public opinion, but the study created a small furor; it is still being regularly quoted in the local press, has just been reprinted by popular demand, and has led to further studies and more anti-corruption measures. The same group has just completed another study, "Guns, Girls, Gambling, Ganja — Thailand's Illegal Economy and Public Policy." In this presentation, I'd like to draw some lessons from the experience of doing research on corruption.

In the first study on corruption and democracy in Thailand, we were interested in why corruption had become a political issue of political debate, particularly since the 1980s. To tackle this problem we did proper research:

document research on the historical roots of Thailand's political corruption, on the amounts involved over recent decades, on the political background, and on the legal framework. We also did survey research based on surveys, focus groups, and questionnaires on people's perceptions and definition of corruption, attitudes towards it and opinions about reform. In one of our surveys we had asked respondents to name political parties which they most associated with corruption. After that we held an open seminar, and the results were reported in the newspaper. The head of the political party which ranked first on the survey question, threatened to sue us for defamation in all of the 77 provincial courts of Thailand. The party also threatened to cut off research funding when it next got into power. (This was the party that fell from power in 1996 after two no-confidence debates peppered with corruption charges.) The story went straight to the front page and stayed there for several days. We were besieged by radio phone-in and television talk shows. More importantly, many organizations came out to support us. Eventually the head of the political party had to back down.

An important finding of the corruption study is that the Thai public itself is confused about what corruption is. The people associate "corruption" with cases involving a large amount of money, such as businessmen paying gift checks in the amount of millions of baht to politicians, and those cases that have large negative effects on society, such as commission fees on arms purchases by the Defense Ministry. But when it comes to smaller things like paying \$3 to \$4 US dollars to bribe public traffic policemen not to impose a fine for breaking the law, or to make a clerk in the district office

speed up services, many people do not consider the practice corruption — we do actually use the word "corruption" in Thai as "corruption." But they would not call giving money to the police corruption. They would call it "tea money" or "under the table money" or a "gift of goodwill" which is a translation from the Thai word *sin namjai* or a "return for a favor." In the English usage, these phrases imply corruption, but in Thai they do not convey the same serious offense. *Sin*

namjai, "gift of goodwill," or "return for a favor," connotes the least serious form of unofficial payment to officials. Why? It is part of our culture to give gifts to people who do us a favor and the local phrase *sin namjai* or "the reward for favor" implies a traditional form of gratitude typically applicable within the context of a patron-client relationship. To describe

payments, which are, without doubt, morally wrong, possibly also criminal, and socially destructive, the actual word "corruption" has been inducted into the Thai from English. And of course we have different words for bribery and kickback. There are also various connotations as to the severity of those words.

In the patron-client relationship in traditional Thailand — that is, before the revolution in 1932 when the absolute monarchy was replaced by constitutional monarchy — the concept of "public office" was absent. Government service was associated with the duty of officials to the King rather than to the public. Government officials were also allowed to levy informal taxes on the people. The public confusion over the issue of corruption has allowed government officials to exploit the situation to their advantage. A license or a permit to do something comes with an official and unofficial

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price tag. Bribes can be arranged to win a bid in a government contract and so on. Politicians in powerful positions can acquire land that ordinary citizens could not, and they can acquire it legally as well.

Apart from showing the confusion of the public on the issue of corruption, the corruption study at the same time mobilized popular involvement in debates over this issue. Our work has contributed to the rise in public consciousness about the extent of corruption in our society, because we also estimated the need for reform and the amount of money involved in different regimes. More importantly, the research findings and recommendations have provided input for the anti-corruption measures in the new Constitution which was passed in 1997. The popularity of our study shows the special role of economic researchers when they do work on corruption as compared to journalists or nongovernmental organizations.

In 1996, we did another study on the six major illegal economies of Thailand, namely: drug trafficking, trading in contraband arms, trafficking in people in and out of Thailand, trading smuggled diesel oil, prostitution, and illegal gambling. We estimated that the total amount of money involved in these activities was 8 to 13 percent of Thailand's GDP in the years 1993 to 1995. The research findings revealed overlapping transactions between the different Thai illegal businesses on the one hand, and bureaucratic and political corruption on the other. Many people are involved in both spheres. Many who generated

the super profits from illegal or criminal businesses invest in buying political protection often by direct methods of acquiring important positions in the bureaucracy. Some politicians, backed by illegal business friends, invest in buying candidates. Some of the Members of Parliament are involved in illegal business. The same people are often involved in dispensing protection for illegal business and more legitimate rent-seeking activities. While there are many businessmen who seek rent without transgressing the line of criminality, ultimately the two spheres are closely enmeshed. The findings show that to isolate corruption from the illegal economy is too narrow. The link between the illegal economies and corruption has several implications for analyzing the topic of corruption, rent-seeking and governance in our country. First, it raises the scale of the problem. Second, it re-emphasizes the importance of looking beyond the economic impact of these activities to understand the political and economic consequences. Thus, the study on illegal economies shows that we cannot talk about building good governance by eliminating corruption alone without considering the close relationship between the practice of political and bureaucratic corruption and the involvement in the illegal economy. In other words, anti-corruption measures alone are not enough. How to control and manage illegal economic activities must come into the picture, as well as the need for reform of the judiciary and politics. 🌐

Korea

by **Kim Myoung-soo**

I am greatly honored to be here and present my views on corruption in Korea. Actually, I am not an expert in this field, but I did some research related to this area indirectly. My major area has been policy and program evaluation, public auditing, and especially government auditing. As time permits, I will try to cover four areas in my presentation: 1) how serious corruption has been in our society; 2) how corruption works to bring our economy down to this crisis; 3) what the current Korean administration has been doing to turn the economy around generally and to combat corruption in particular; and 4) what else is needed to combat corruption.

To begin with, I'd like to extend my sincere thanks to The Asia Foundation for inviting me and for giving me this wonderful chance. It has been a kind of taboo for a long time in Korea to talk openly about corruption because it is a rather sensitive topic, and because it has been so pervasive throughout the society that everybody seems to have been a party to this phenomenon. So when you raise the issue with somebody, they might question your integrity and honesty. But time has changed and people have changed. That I dare to talk about it today points to the significant change in public sentiment toward corruption in Korea.

Let me briefly present how Korean people perceive corruption. Based on my survey of students, the following acts of public servants point to corruption. I'll mention four categories. First, appointing one's relatives or friends to government positions without considering their ability to carry out the job. Second, using public funds for their personal needs no matter how small the amount might be. The third is illustrated by an official receiving \$700 from a

business executive who said that it's just rice cake money, no strings attached. Last, asking a public servant to do a favor for a customer regardless of due process. It is okay though for a public servant to receive a package of three handkerchiefs as a small gift from a customer, sometime after he or she has provided services? And is it okay if he or she accepts an offer from a customer to have lunch together, likewise, after the service has been provided?

On the other hand, business executives and politicians see corruption quite differently from the students. One company executive once told me that if a business executive gave a politician more than \$2,000, then the money was a bribe. That sum could not be offered without receiving something in return. But politicians seem to think and argue that amounts more than \$20,000 can be a political contribution without any favors sought by businesses. I need to do more detailed research in this area. However, whichever way politicians want to define corruption, people have begun to see it with different lenses than those of the past. People now include many undesirable acts of public officers in the category of corruption, which had generally been accepted in the past. People have become less tolerant of corrupt behavior than in the past. They have come to apply stricter standards of conduct to politicians and public servants.

And now I'll go through the relation of corruption to the economic crisis today. My opinion is that the economic crisis resulted from a combination of policy failure on the part of governments, mismanagement on the part of financial institutions, the unhealthy financial position of big businesses, the unhealthy consumption behavior on the part

of the general public, and collusional relations between politicians and the business bureaucrats. Everybody is responsible in part for the crisis. However, I believe that collusion between politicians and big business has been most harmful and was a major factor in bringing our economy into the current crisis. In a recent survey, the largest proportion of respondents pointed out that collusional relationships between politicians and businesses were to blame for the current economic crisis. The finding was buoyed by the fact that about 87 percent of respondents believe that politicians are the most corrupt, followed by public bureaucrats.

Let me describe the process. Both national and commercial banks in Korea were controlled by the government. The ruling elite often used their influence to ask the banks to lend money to companies, irrespective of their financial health. It was known that the government elite and bank executives involved in the process were paid for the roles they played. Those companies might not have been able to make ends meet, nor pay their debts back to the banks, which in turn forced financial difficulty. Then the Bank of Korea stepped in to save them through special financing. Korea's economic difficulty was inevitable.

Corruption has bad effects on society, causing not just cynicism among people, but also impeding the healthy development of society. It also increases the level of mistrust in the government and, therefore, corrodes the legitimacy of the regime. Corruption is unfair because the benefits are enjoyed by a corrupt few while the cost is eventually borne by the general public. Thus corruption obstructs social

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justice and becomes a factor in social instability.

Furthermore, corrupt politicians and bureaucrats bring about inefficiency in governance for they are more concerned with accumulating wealth than governing with fairness, efficiency, and effectiveness.

Now let me present measures the current administration has taken. Actually counter-corruption campaigns are not new. Each new president of Korea launches an anti-

corruption drive. I think the past Kim Young-Sam administration launched one of the strongest anti-corruption campaigns. I only hope the current Korean government's campaign will join the previous measures taken in the past and show progress gradually.

First, Kim Dae-Jung believes that without controlling corruption economic recovery is impossible to realize. His strategy is to focus on political corruption first and then move

down to administrative corruption. At present, such moves are underway. Perhaps you are aware that many big political figures have been indicted and many bureaucrats have been caught in various irregularities.

Second, the current government will introduce two new laws and amend an existing law to control corruption both inside and outside Korea. The government will enact an anti-corruption bill, which includes such clauses as the protection of whistle-blowers and prohibition of money laundering. The government has debated whether or not to establish a special unit as independent counsel for dealing with corruption cases involving high-ranking public officials. The government also has decided to enact a bill to prevent

the bribery of foreign public officers in international business transactions on the recommendations of the OECD. It is expected that the government will submit the bill soon to the National Assembly for its consideration. The essence of the bill is to criminalize bribery abroad and to punish not only those individual business people for bribery, but also their legal representatives and individuals who worked for them and contributed to the bribery. They are going to amend the political fund law in such a way as to allow the punishment of politicians who received a contribution of more than 1 million won (more than \$700 US dollars), unless the money was received from an official sponsor organization. The essence of the amendment will be to distinguish a political contribution from a bribe.

Third, the current government is determined to increase the competitiveness of businesses and of the country by restructuring chaebols, big businesses, and financial institutions, and by cutting collusive links among politicians, businesses, and bureaucrats. Businesses will use their funds for economic purposes only, and not for buying special favors of the government with bribes.

Fourth, regulatory reform is on the way, too. In relation to this, cabinet ministers were given a presidential directive to reform (either remove or improve) existing regulations by 50 percent by the end of 1998.

Lastly, the government recently created the Council for Counter Corruption under the Prime Minister to study the root causes of corruption and to propose measures to fight corruption. It is a 12-member body, which includes six members from government and six civilian members. Representatives of important nongovernmental organizations (NGOs), including the People Solidarity for Participatory Democracy (PSPD), which led shareholder revolts, and the Coalition for Economic Justice (CEJ), are represented in the council.

These measures will definitely contribute to controlling

corruption in Korea but I think some other forces and factors are also needed. First, peaceful change of power helps bring corrupt practices to light. It helps expose the dark side of politics and it helps cut a collusive link between the regime and businesses. In this respect it is noteworthy that two government agencies were found to be involved in illegal activities in the December 1997 presidential election. These two cases would never have been exposed to the public if there had been no change of power.

Second, democracy is an indispensable factor that can lead anti-corruption policies to success. I believe the Freedom of Information Act and the Administrative Procedure Act, effective on January 1, 1999, will greatly contribute to enhancing democracy in our society and resolving many corruption problems, too.

Third, combating corruption is not an easy task; it seems to me too difficult a task for the government alone to handle. The government needs to work in partnership with nongovernmental organizations concerned with combating corruption in society. Currently in Korea, the PSPD and the CEJ, which I mentioned earlier, are the most powerful NGOs working to counter corruption.

Fourth, international cooperations are essential, too. Corruption is no longer just a domestic issue; it does harm to the well-being of the general public of a nation, it also harms the well-being of the international community. Therefore, it is natural for international organizations to show their interest in controlling corruption. I think you know what such international organizations as the OECD and the World Bank have been doing to control corruption.

Fifth, political will is also very important, maybe the most important in controlling corruption. Our history of fighting corruption tells us that one of the most effective weapons is the will of the political leaders of the country to control corruption. It is they that have to admit the fact that corruption widely exists and it is they that have to

understand the seriousness of corruption and commit to control it.

And lastly, citizen awareness is important. We all know that the general public has been a party to corruption. This solemn fact attests to the importance of citizen awareness in controlling corruption. Before blaming others they have to make up their minds not to engage in any corrupt practices; they have to understand that they can play a significant part in controlling corruption; if they determine not to

compromise with corruption and to live with self-esteem, corruption will find no ground for it to thrive.

Let me conclude my presentation with the following short statement. Corruption has been so pervasive that we cannot afford to lose time in controlling it. Corruption has the potential to rise up anytime the grip on it is loosened. So we must frankly admit its existence, understand the ill effects, and continue to take the necessary actions as it develops. 🌀

Philippines

by **Maria Lourdes Mangahas**

I am a journalist from the Philippines, so I will try to give you details about specific cases that have occurred in that country. Twelve days after the restoration of democracy in the Philippines, focus shifted away from the democratization of political structures, and more on to the effectiveness of government performance, accountability of governmental institutions, and the transparency of government agencies. Such a shift is not surprising. Filipinos have realized that democracy in itself does not ensure that government officials and institutions are immune from the virus of corruption that plagues authoritarian regimes. Moreover, although checks and balances are provided by the Constitution, they have proved to be too fragile and fallible. More often than not, officials and institutions are held accountable not by countervailing government agencies, but by civil society and the media. Corruption, of course, is an issue as old as governance itself. Filipinos tend to be cynical about corruption in government, and think that it is inevitable. They are not shocked that public officials are corrupt, although they may sometimes marvel at the magnitude of the thievery. No one denies that corruption is an important issue, but many Filipinos feel there is very little that can realistically be done about the problem. So the real question in our minds is: after democracy has been restored, how do you make it work? How do you make sure that it delivers the right results? The transition is still unfolding in the Philippines, and the reforms are not quite complete in politics, in the judiciary, and in our democratic institutions.

Corruption derives largely from a political culture driven by personal friendship, personal gain, and patronage. Politicians mock the law on total and truthful disclosure of

their assets and liabilities, as well as their conflicts of interest. There are numerous laws on corruption that are not being followed. Corruption rears its ugly head in the absence of stringent safeguards that would make the awarding contracts and public funds transparent and not subject to official discretion. Excruciatingly slow efforts of the courts to prosecute cases nurture corruption. Even the judiciary and anti-graft prosecutors themselves are now haunted by incessant charges and talk of corruption. It is exacerbated by contractors and investors so eager to engage in special deals by all means fair or foul, as long as they won't be caught, and despite costly bribes, commissions and kickbacks. Corruption festers because there has hardly been a firm determination of the guilt of the biggest grafters, nor a demonstration of political will to send the biggest crooks to jail. Last month, even in the loan case that the government won — the Golden graft case — Mrs. Marcos was exonerated by the Supreme Court in absentia. And when cases are actually filed or uncovered, the lack of evidence of secret bribes, and the willingness of journalists to fudge the facts because they are on the payroll of the accused, sometimes guarantees the defeat of anti-corruption efforts.

It is said that in the Philippines corruption has become a self-perpetrating culture. Our rating in Transparency International's perceptions index is moving on a roller-coaster track. It shows we are improving in one year, we're going backwards the next year, and then we're improving again the year after that. In January/February 1998, a survey of 427 expatriate business executives working in Asia, noted that corruption in the Philippines has declined

again, although it gained a bit in 1997. Last year, we ranked number six in the corruption rankings for Asia, behind Singapore, Hong Kong, Japan, Malaysia, and Taiwan, but ahead of Thailand, South Korea, Vietnam, China, India, and Indonesia. This year we slipped to rank number eight; China and South Korea have overtaken us.

In December 1997, a representative of the Philippines' largest power firm and largest television network, gave a member of Congress a brown envelope containing a thick wad of crisp 1,000 peso bills. The Congressman passed on the money to a member of the Lopez family which owns the power firm, and it was accepted. The money was supposed to buy the silence of the lawmaker on an infrastructure project that was expected to yield revenues of about \$1.5 billion in 25 years for the firm awarded the negotiated contract and toll-way franchise. Congress is supposed to approve all franchises in the Philippines, but Congress passed this contract, leading lawmakers to comment that the deal was marked by criminal subterfuge and falsification, but still the contract has been awarded and the project is underway.

In 1996, Ramos' Health Secretary, a former Congressman, invited a sales representative of a multinational drug company to jog with him near his home. The sales representative jogged in his leather shoes, and the Health Secretary told him that he needed a new car in exchange for signing a contract for supplies. Romero's Health Department had a budget of 9.2 billion pesos then, of which about one-third is supposed to go to supplies and medicine. In a story we filed at the Philippine Center for Investigative Journalism (PCIJ), we learned that Romero's personnel had often called suppliers of medicines and drugs to tell them that they should fork out as much as 40 percent of their contract costs to be able to get the Secretary's signature. Romero, a party mate of Ramos and one of the three Congressmen to first declare support for Ramos'

presidential bid in 1992, later resigned after he was caught offering a bribe to a Senator's staff member who was then scheduled to conduct hearings on anomalies in the Health Department. However, in May 1998, Romero was voted back into the House of Representatives. He won in a close race against the alleged leader of a kidnap-for-ransom gang, a candidate personally endorsed by now President Joseph Estrada.

Huge payoffs to some justices of the Supreme Court, including the Chief Justice himself, have also been documented by the PCIJ. The reports have been confirmed in confidence by members of the Bar and the Bench in the Philippines. All lawyers and judges fall under the disciplinary powers of the Supreme Court, hence their reluctance to speak on record. Still lawyers, litigants, and former justices of the Supreme Court interviewed by journalists said that this is by far the best Supreme Court that money can buy. The former President of the Philippines Stock Exchange, a top lawyer himself, affirmed that "some former justices can still be paid to pursue cases" as incognito intermediaries to the high court. A retired Supreme Court Justice said that a top Filipino Chinese businessman, embroiled in a tax evasion case in the high court, had offered to give him double what he gave to other justices. The two other justices had been given, according to this third justice, money equivalent to their retirement pay, or about 2.5 million pesos each. There is greater concern now about the integrity of the Supreme Court owing to its enhanced oversight powers under the Constitution to rule on or even to overturn decisions made by the Executive Branch. This new provision in the Constitution was in reaction to the excesses of then strongman Ferdinand Marcos. Over the last three years, however, the Supreme Court, has started to rule even on the validity of contracts awarded in a fair bid.

The Office of the Ombudsman, the Philippines chief graft buster, has been visited by charges of graft and

corruption, incompetence, and inefficiency. Corruption charges against the Ombudsman have involved investments. He has been caught several times giving less than the full story about his personal wealth and acquisitions. The latest story from the PCIJ involved the Ombudsman's cases. First he downgraded charges of multiple murder filed against three generals accused in the rub out in May 1995 of 11 suspected kidnap-for-ransom gang members, but approved the filing of murder charges against the 11 co-accused — all enlisted men. The Ombudsman's decision came in November 1995; a month later, at Christmastime, the Ombudsman's office received 10 television sets from a businessman who contacted his family. The businessman said he represented a group of Chinese businessmen who wanted to help one of the accused generals. The Ombudsman readily admitted to receiving the television sets (of which eight were raffled off to his officer personnel at the Christmas party), but he insisted that he paid for them. Next a Congressman said that the Ombudsman had bought a 10 million peso house in an upscale subdivision of Crescent City. But the Ombudsman's statement of assets and liabilities for 1995 showed a net worth much less than the value of the house. The Ombudsman said he sold another house in another city to buy the Crescent City property. The deed of sale of the house bore the signature of the Ombudsman's wife, who at the time was living in Australia and had not been to the Philippines since 1983. The wife later denied in writing and on the telephone that she had ever signed the deed of sale. A motion to impeach the Ombudsman, a Constitutional officer, was filed in the House of Representatives; it did not pass. The Ombudsman was later found to have hosted a party for members of Congress, during the impeachment proceedings, at an expensive restaurant supposedly to celebrate the birthday of a member— that birthday had occurred a month earlier.

Concern has been raised about the backlog of cases as

well as the high dismissal rate of cases filed by the Ombudsman. The Ombudsman's predecessor left a total of 14,652 graft cases. The new Ombudsman, however, has made this record worse because of the high dismissal rate in excess of 50 percent of cases he files in court. From July 1988 to July 1997, for instance, 3,120 individuals accused of corruption were exonerated, while 955 other accused had their cases terminated before trial, for a total of 60 percent. Only 518 accused, or less than 8 percent of the total, were convicted and not one of them could be called a big fish. The cost of graft and corruption, however, is not entirely known to our Ombudsman. In 1995, at the Conference in Manila with Transparency International, he learned that the Philippines might have lost \$418 billion to corruption over the last 20 years, or more than our total external debt at the time, which stood at \$41 billion.

Another story that keeps coming back in the Philippines media is pork-barrel spending. This is quite an important policy task for the new president because of his promise to scrap it all together. Pork-barrel spending continues to cut a huge dent in the limited resources of the public treasury amounting to millions of pesos and distributed nearly equally to all the members of the House and the Senate. Pork barrel spending has been used to bankroll pet projects of legislators, often high-impact public works projects that they build "in aid of reelection." The former budget secretary of President Ramos, in a moment of candor, revealed that 45 percent of pork barrel funds might have been lost on commissions that lawmakers get under the table from their favorite contractors. Of course, last week, the new President Estrada was reported to be eating his humble pie and serving pork in slices bigger than last year's. This year lawmakers will get 30 million pesos each compared to 18 million pesos that they received in 1997.

I would not be totally forthright with you if I skip a discussion of how corruption also prevails in most sections

of the Philippine media — print and broadcast. Corruption remains endemic — almost systemic — in all levels of the organization, in newspapers, television, and radio networks in the Philippines. The bribe givers and the bribe takers have evolved into a culture all their own, so that there's something called “smelly” money and another called “blood” money. Public relations agents and publicists of the government and the private sector have significantly eroded editorial discussion. Enterprise stories are rare and there is an apparent breakdown of discipline in many newsrooms. In the hands of the unscrupulous, press freedom has become largely the freedom to sell stories, the freedom to market the news as a commodity, and the freedom to turn the mass media into mass mediocrity. Many of the corporate intramural squabbles have been fought and won by the guys who offer media the bigger bribe. It has become more clear by the day as the financial crisis enters the sixth month, that corruption exacerbates the misery of people. So what can be done?

I think there are lessons everywhere in the world, as well as in the Philippines, that certain things are important right now. People are crying out for lessons and examples. We must make it so that corruption does not pay for both sources as well as recipients of bribes, for crooks and the demand on the supply side, and especially for the biggest grafters. Several areas seem important. One is exposing cases in the media by building evidence, nurturing a culture of integrity and public awareness of the issue, and making

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sure that laws are enforced, involving key professionals and nonprofit organizations. We may apply the principle of sunlight as we've tried in the Philippines. We have had some success in reporting on cases and bringing out the fine print and the new tricks by which people make dishonest deals. We must document the methods and the treachery of crooks in government, as well as in the private sector. However, the mass media must also go through a process of capability

building. A large number of the stories in the Philippines have been single-source stories with largely superficial reportage. A freedom of information act might help to give more teeth to disclose all contracts involving public funds.

A code of conduct for various professions with direct and real power to keep deals honest might also be important. We are trying this out in the media. Perhaps also engineers, lawyers, accountants, auditors, and people who have some power to, for example, stop money laundering or to make contracts more above

board, could help bring in their own initiatives.

Prosecution of key, high-impact cases is important to give the public reason to have faith in the judicial process. The exoneration of Mrs. Marcos, I think, has had a very telling impact on the faith that people have in the judicial and in the Ombudsman. Perhaps the best business practices could also be adopted. We've proposed this to our business sector in the Philippines. Some of the businessmen have become too desperate; they were telling PCIJ that perhaps investigative journalists would want to assist in entrapments

— pay for a camera that businesses could use for hidden camera operations. We're suggesting businesses to try to censure bad practices and celebrate good practices.

And finally, I think, the most important thing is the tone of the talk. The President, key officials of the Legislature and the Judiciary, the Justices of the Court, must apply the laws evenly, consistently, and severely when needed. A

congressman who was accused of corruption in the martial law days, is reported to have said that it's not really corruption; some people are just smarter than others. So I think it's important to tell these "smart" people that those concerned about the impact of corruption are probably more patient than others. 🗣️

Questions and Answers

Panelists:

William Cole, Director, Governance and Law Programs, The Asia Foundation

Kim Myoung-soo, Dean, College of Social Sciences, Hankuk University of Foreign Studies, Seoul

Pasuk Phongpaichit, Professor of Economics, Political Economy Center, Chulalongkorn University, Bangkok

Maria Lourdes Mangahas, Editor-in-Chief, *The Manila Times* and Executive Director, Philippines Press Council



My question is for our speakers from Thailand and the Philippines. You've talked about corruption, and in the case of Dr. Pasuk you talked about the illegal economy, but much of what you were talking about, trafficking in arms and people and so forth, is organized crime. Also our speaker from the Philippines was talking about kidnapping-for-hire and the politicians. Could you both address this issue a little bit more in terms of the relationship between corruption and organized crime in your countries? Is there a dividing line, or do the two support each other? And a further question for Dr. Pasuk: you estimated that corruption in your economy was 8 to 13 percent. The IMF estimates illicit economy is about 2 percent of the global economy. How much is corruption a significant factor when the illicit economy is 4 to 6 times higher than international norms? What impact do you think that particularly has on Thailand?

Dr. Pasuk: The relationship between corruption and organized crime is much more obvious in the case of illegal gambling, trafficking in people, and the protection rackets, of course. What we find in Thailand is that the people who

run protection rackets and contraband arms and drugs are related, and those activities involve some personnel in the military and police. The military and police somehow divide up their territory in the area of the protection racket. I have not conducted a proper study on organized crime as such in Thailand, but I believe that it's quite different than it is elsewhere. If we talk about organized crime in Thailand, it's different from the organized crime we think of as the mafia in Italy. It's probably not as severe as in Italy, but it certainly has strong links to some big chaps in the military and in the police. As to how they're linked to corruption — these people need protection, and the Minister of Interior, and various other ministers, can give them protection. In return, they provide the funding for elections. For instance, in one election, one of the illegal gambling figures publicly came out to say that he was supporting one of our major political parties, whose leader was an ex-army general. Regarding the estimation, I don't know how the estimation was done globally. In Thailand, we went case by case on a micro basis, and we estimated the average amount of money involved in each of the illegal activities and expressed it as a percentage of GNP.

Ms. Mangahas: I think money politics has driven political campaigns in the Philippines, and a good number of politicians have had to raise money from illegal gambling lords in many provinces, as well in the national capital region. As you may know, there seems to be a connection with illegal gambling, illegal guns, and drugs in the Philippines. Although on the national level it does not seem that the parties in power would be so intrinsically connected.

It seems like individual party members would have their own deals with local gambling lords. I think, however, that the important facet of this is how syndicates can get contraband out of the government.

Dr. Pasuk: May I just add, that my estimation of the illegal economy includes illegal gambling, whereas in most other countries, gambling is often legal. And so I think in the world calculation that may be absent, where as in Thailand, gambling money is huge and it weighs heavily on this estimation. Regarding the implications, the large size of the illegal economy suggests that the issue of corruption is a very difficult problem. The aim of most people who work on corruption is to talk about reducing it to a tolerable level and to stop it from obstructing the law and justice, economic policymaking, and general running of society.

Dr. Cole: If I could focus the questions a little more. Given your research, is it possible to conceptualize an assistance program or efforts by local civil society and local reformers that deal only with the legal economy, or do you have to deal with this bigger package that includes the illegal economy?

Dr. Pasuk: We have to deal with the illegal economy. If people talk about anti-corruption measures, one thinks in terms of the judiciary, and the military. Right now in Thailand, all these issues are being discussed much more openly, particularly as a result of our study and as a result of actual cases. The protection rackets within the military and police are being revealed more and more by the media and by whistle blowers. But to get the reform in this area going, I think it's going to be very difficult and it will take some time. There has been a lot of pressure from the public for police reform. The police are trying to do quiet reform internally. And the Prime Minister has now moved the police from being under the Ministry of Interior to under him

directly. But we have not seen any results yet.



Someone mentioned that the Asian financial crisis offers an opportunity to address corruption. But at the same time it is also likely to perpetuate corruption. We have a situation where governments can no longer even pay their officials. In the Philippines this has been particularly acute. One of the reasons why kidnaping-for-ransom gangs have been so pervasive is this suspicion that at the local level, police officials are involved in order to supplement poor pay. When budgets are contracting the need to supplement pay is going to be even greater. What is anyone doing to address this aspect of the problem, or can it be addressed?

Dr. Pasuk: I agree that this crisis provides opportunities to do something about corruption. The pattern of corruption has changed with the crisis. For instance, politicians used to be able to get kickbacks from big projects, but now there are no longer big projects so the numbers are becoming less. As a result, officials go down to regular projects that affect ordinary people. The budget in areas such as public health and education, affect the little people a great deal. In Thailand, we found that a lot more whistle blowers are coming out because when corruption happens in those areas, it affects the little people and they are the ones who come out to tell the media and television about it. Therefore, the crisis should be an opportunity for government to do something. However, the crisis has concentrated government efforts into solving the economic problems and so the political will to cope with anti-corruption issues is not currently there. However, civil society, and people in general, are becoming more involved and they will keep pushing and pushing. Let's hope that all these pressures will lead to some changes. It's going on right now. Every day in the newspaper we read about all of these cases going on, and

people are very persistent about it. Three ministers in Thailand have been forced to resign through public pressure in the last few weeks because of their corruption scams. This never happened before.

Ms. Mangahas: I think the key point is that people are less tolerant of corruption at a time of crisis, when their incomes have been cut severely, and joblessness is on the rise. I think also that the government is constrained to undertake belt-tightening measures at least, so no more trips abroad, etc., cuts of the pork barrel, supposedly. But also I agree that it compels civil servants, especially those low on the salary scale, to try to resort to ways that are corrupt. Some proposals have been made to increase the salaries of public servants and that's actually been done in the Philippines over the last two years. But it's never enough. I don't know what level of salary would prevent corruption. One Senator proposed that in the Philippines we should pay our civil servants above the level of corruption and they will probably be more honest. But this is a problem that cuts across income groups; better paid public servants are actually sometimes the ones who can be more corrupt. There's never a limit to greed.

Dr. Kim: In Korea, corruption has been named public enemy number one, so every new president launches an anti-corruption drive. Without doing that he would not get support from the public, so he has to address this issue. Under these circumstances, it is unlikely that public employees would dare to attempt to commit grand

corruption. Petty corruption cases may still occur. On the other hand, we cannot spend all our energy on this issue. Especially in the past and even today, when the government wages a campaign against corruption, they make noise and that intimidates public bureaucrats. They just do not move. When they move they think they may make mistakes, so they simply do not move and maybe just stay still. In my opinion the process of counter corruption should be a

continuous, but quiet one. We have to make institutions and organizations work and we have to strengthen our current legislation regarding this issue. That way we can work very quietly and maybe much more effectively.

Dr. Pasuk: A little bit more on Thailand. You asked whether there have been some changes in the anti-corruption area. Actually, despite the fact that the government has no political will

really, there have still been many changes as a result of the new Constitution. For example, under a provision in the new Constitution, 50,000 people can submit a petition for the removal of the cabinet members for their improper conduct or for their corruption. There is no enabling law in place yet, and yet the idea is now being used. There was a scam in the Public Health Ministry recently, involving the Minister himself. He refused to admit it, so an NGO group organized a rally among the people to collect 50,000 names to present to the Senate and before it was completed, the Minister was forced to resign. The second thing that is happening is that the drive for a new anti-corruption law, which would define the work of the new national counter-

People are less tolerant of corruption at a time of crisis, when their incomes have been cut severely, and joblessness is on the rise.

— Maria Mangahas
The Manila Times

corruption commission and the new anti-corruption measures, is already underway. It must be passed within November 1999. Under this new law, politicians and high bureaucrats will be subject to it. The new law also takes into account the issue of conflict of interest, which is a big issue and has never been addressed. Third, a draft of a law prohibiting collusion among contractors in the bidding process is being prepared. Fourth, a new election law, which aims to ensure fair elections, has already been passed. This law will make a difference in future elections because there will be an independent election commission that can request a new election if improper conduct is uncovered. More-over, the counting of votes will be done altogether, instead of by constituency as was done before. This should help prevent corruption or buying of votes. Finally, some progress has been made in the area of financial frauds. Three auditors have been sued by the government for improper conduct, and five financial directors and managers have been sued by the Bank of Thailand for improper financial practices. The Bank of Thailand is intending to do more of that. So despite the fact that the government is paying a lot of attention to the economic crisis, a lot of things are also going on to fight corruption.

Q I'm particularly interested in issues involving local government. I know that in the Philippines and perhaps in the other two countries, over the past five or six years there has been a very widespread decentralization movement. I'm wondering if there have been any studies or research on whether or not there is more corruption at the local government level (and this is sometimes used as an argument against decentralization). In Thailand and Korea, are there any differences noticed between corruption at the central government level and the local government level?

Ms. Mangahas: Actually, the local economy code was passed in the Philippines in 1994. So far we have about four years of experience with it. The results have been largely uneven. In some areas, where you have a vibrant nonprofit community and there are many NGOs working on specific policy sectors — like health, children's welfare, or the environment, there have been great strides in checking on contracts in these specific areas. The NGOs have been assertive in demanding a role in local development councils. There is a provision in the law saying that regional development councils, provincial development councils, and town development councils, should have representatives from NGOs. So in some places the law has been quite successful here. There have been studies by the Philippine Business for Social Progress along this line. Some local government units have been very good in making public contracts more transparent and delivering basic services more efficiently. In other areas, however, the code has been a problem because it empowers local government units to enact new taxes and collect taxes directly from businesses in their own territories. There have been reports of a decline in tax collection and some regressive impact of the code. It really depends on the quality, consistency, and maturity of the leadership you have both in the public sector as well as in civil society. It depends, as well, on developing a culture that's not tolerant of corruption and that makes sure that the mechanisms can work to the public's advantage.

Dr. Kim: Compared to the United States, our country is very small, but in 1995, we had elections in local governments to elect chief executives and legislators. Even though I have not done any research on the relationship between decentralization and corruption, I cannot agree with the idea that decentralization increases corruption at the local government level. In Korea, the provincial and local governments are overseen by the Ministry of Governmental

Administration and Home Affairs, the Board of Audit and Inspection (counterpart of the United States General Accounting Office), and by their own legislature. Petty corruption may thrive. I am not sure, but that's possible. But not grand corruption. Grand corruption occurs where money is and we have much more money at the central government level than at the local government level. Local governments are very weak financially, so even if corruption occurs there, the scale or size of the corruption will be much smaller than at the central government level.

Dr. Pasuk: In Thailand, I have not conducted a study on the problems in local government, and I have not seen any study specifically on corruption as such. There are, however, a lot of studies on the problems on local governments. Corruption at local government level tends to involve kickbacks on construction contracts. For every construction contract at the local government level there will be kickbacks. As to the size, in terms of total amount involved – it should be much less than at the central government; but in terms of percentage of the total outlay, it would be no different than at the central government level.



I'd like to ask a question from a businessman's standpoint. When you go into one of the countries (and I've got three decades of dealing with Asian governments), you don't go in to go to court. You go in to win a project, and you try to design it based on the government goals and you try to be up front. Unfortunately, corruption intervenes and in many cases you lose the contracts. That leaves you in a situation where you have to go to the courts, but if the corrupt individuals are powerful enough to get the contract, they're powerful enough to effect the outcome of the judiciary. You also endanger your own position in the country going after other projects because you identify yourself as somebody who is a whistle blower

and a troublemaker. It's been my experience that the most effective way to handle this is not institutional reform. I have little faith in institutional reform because it's systemic. And the most effective thing we've found is visibility leads to a newspaper. But more importantly, I think what the governments need is an NGO-based corruption clearing-house, which can have a watch-dog effect outside on the government. There is nothing more disturbing to the officials or to the powerful business interests that are doing the corruption than to be exposed. And the exposure in many cases is not going to come from government officials because they're worried about their own future and patron-client bonds are strong enough to inhibit honest open dialogue. So that's more of a remark and a suggestion based on my experience. Even though Kim Dae-Jung's doing all the right things, coalition politics change, governments change, and the next government could scrap all of the reforms.

Dr. Kim: I think the government knows that and is really worried about what is happening. Let me just say the current government is doing their best to make the atmosphere more attractive to foreign investors. Running one-stop shops is one example. If you want to invest in certain areas, then you contact the Ministry in charge, and they can provide you with the needed assistance. And they intervene much more quickly than before. I have already mentioned the role played by such NGOs as the PSPD and the CEJ to control corruption in Korea.

Dr. Pasuk: I entirely agree with you. At the moment, the Asian Coalition in Bangkok is trying to help the consumer protection group to expand activities into the anti-corruption area. NGOs also need financial support, particularly these kinds of NGOs. They find it difficult to get people to work for them, unlike the paying NGOs. It's easier to get someone to work for a child abuse NGO or for an

environmental issue. But Organizations like the World Bank and the Asian Development Bank that have money need to help and work with NGOs in the corruption field.

Ms. Mangahas: I agree very much with the proposal. I think one other area that should be segregated in the Philippines is one-stop shops, both to make the process more efficient and faster for investors, and also because of the fiscal incentives.

There was a recent World Bank study, and media studies have also corroborated this, that found that one-stop shops sometimes give their personnel discretionary power in what sort of incentives to give. As a result, a lot of money goes down the drain in the discretionary incentives given and that costs a lot of people's taxes.



Dr. Kim mentioned the issue of political legitimacy. Will the

panelists discuss the issue of political legitimacy in relation to corruption? We know in Korea that every government that has come in has conducted ritual purges on the basis that the previous regime was corrupt. But have regimes been actually thrown out at the local level and national level on the basis of corruption? What does this in fact mean for the political process?

Dr. Pasuk: This is a big issue in Thailand because we have had enough of money politics. We were enthusiastic about the establishment of a democratic system in Thailand in the mid-1980s, but since then money politics has brought certain people to power — all of them are crooks and terrible kinds of people. This has provoked a reaction from

the public as seen in the campaign for the new Constitution in Thailand. (The Asia Foundation has an English copy of the Constitution.) In fact, it has many provisions for counter corruption. There has also been an outburst of corruption scams, which are related to the economic crisis, so that at the end of 1997, the Democrats were actually put into power. The New Aspiration party was pushed out of power by the people who went out on the street to get

General Chavalit to resign over the issue of mismanagement of the economic crisis and corruption inside his party. The result was that he had to resign and then call an election, which brought in Chuan Leekpai. And why was Chuan brought in, given that while Chuan himself is not corrupt, some of his party members are? In this case it was because Chuan's Democrat party is the only party that has any credible economists who can cope

with the economic crisis, and so they were brought into power by the public. Now, however, there is a big corruption scam and I think this will bring the government down in the next year or so, if Chuan does not try to do something about it. The awareness of the people on the issue of legitimacy of the politicians is very strong right now. And people want a new election because they want to test the new election law and find out whether we will get better people in the new election.

Ms. Mangahas: This is really a very embarrassing topic — that is, corruption in one's own country. But consider the election of Mrs. Marcos, for example, as a congresswoman, less than eight years after the fall of her husband. Now she

Awareness of the people on the issue of legitimacy of the politicians is very strong right now.

— Pasuk Phongpaichit
Chulalongkorn University

has stepped aside, but her son is governor of her husband's home province and her daughter is a congresswoman of the province. This tells you that people really have short memories in the Philippines, as well as in the United States. All politics is local; but fighting corruption is a goal that's universal, and it is diminished when voters choose people like Imelda Marcos, who they think gave them so much. Likewise, they elect drug lords or kidnap-for-ransom gang leaders or people with less than honest private lives. So I think the legitimacy of somebody who in recent memory has had a very corrupt term in office could be questioned. But I guess you come back to the reality that president after president or leader after leader, resurrect all the creatures of the old so long as it will make pushing legislation easier. So coalition politics is really the norm. Politics is addition they say, so you never bring down an ally who could help you or give an extra vote to pass legislation. At the same time, the country is in transition. I don't know how many more decades we have to wait for maturing of the political process in the Philippines. Maybe good will later on be the dominant trend rather than bad.

Dr. Kim: Since I raised that issue in my paper, I'd like to comment on it. I think you can make an inference from what I say now. After President Park Chung-Hee was shot by the NSP Chief in 1979, there were many demonstrations organized by union members and laborers wanting to get their share from the growing economy. Today, as the economic crisis hits our country, the society seems to be

rather unstable. I think every time you change the government you see some instability in society. The reason for this in Korea is that the big businesses, the "chaebols," are not respected by the people. You have lots of money. You should be respected by ordinary people because you must have worked much harder than ordinary workers. But in our country that isn't so. People think the chaebols have accumulated their wealth not by hard work, but by

preferential treatment from the government. So these days, people think the ordinary workers were hit the most, rather than big businesses, who are much more responsible for this crisis than ordinary workers. That's why people show an aversion towards collusive links among businesses, politicians, and bureaucrats. That's why our people have named corruption as public enemy number one.

People think the chaebols have accumulated their wealth not by hard work, but by preferential treatment from the government.

— Kim Myoung-soo
Hankuk University



First of all if I could thank all of you for very informative

presentations. For those of us who have worked in the field for years, it's striking that there's always so much more to learn. I wanted to revisit the issue of the business sector and you have begun to answer my question to some extent by talking about the chaebols. At Transparency International, we've been trying to bring the business sector into the NGO community to try to build a coalition, because business as you pointed out is as much a part of the problem as part of the solution. What is your sense of the prospects for mobilizing the private sector to try to address some of these problems? Are the professional associations (such as

businesses, lawyers, and accountants) looking at the issue? Are they mobilized at all? And given that, as you said, NGOs need financial support and they need the expertise that the private sector can bring, what are the prospects for a partnership?

Dr. Pasuk: Actually, I have been trying to get the business sector in Thailand to be involved in our work and to participate in helping us think of ways to solve the problem. We invited representatives of the various associations to come to a meeting, but only one came. And this one sat quietly the whole time and we had to press him to speak. He said that to businessmen corruption is lost opportunity and costs — and that's all he said. We interpreted that to mean that if the opportunities for business are greater than the cost, then they will go ahead with it. They don't want to have to spend time being sued by the government. When the crisis came, however, we found that the businessmen were more willing to talk to us informally. We did a survey on the level of corruption by asking a sample of businessmen whether they paid bribes to anyone and how much. We got some cooperation with our questionnaires. But to get them to sort of participate officially, even to provide financial support — no. They don't want it to be found out that they are involved in that kind of corruption.

Ms. Mangahas: In the Philippines, we're trying it, although in all these professions you will find people who are being compromised and who will find it difficult to even speak the first word about corruption in their ranks. In the media, we know that it's such a big problem, so we started to work with our editors to tell them that it was alright to talk about it now. But of course building that rapport involves letting them know that you are not singling them out; this is not a holier than thou exercise; we must have a community of journalists believing that this should be our project. The

alternative option is to abdicate and default to the guys who are corrupt. We think the business community — and there are organizations in the Philippines that have been formed over the last few years that have been articulate about political reforms — wants governments to address the issue. For example, clean and honest elections can work to foster business confidence in the country. Therefore a good number of businessmen are involved with projects that support such goals — honest elections, good government, tracking of the passage of laws, and who is voting on what issues and how among the congressmen. So we're thinking that it should be a combination of peer recognition of good examples and censure of bad examples. I think it is also important to appreciate that there should be a full accounting of the errors of everyone, both the bribe givers and bribe takers, so that businessmen get the real data. As a journalist, I think they know more than they'll admit. They talk about it in whispers and in little circles — there should be a way to have all the companies implicated in ill-gotten wealth cases from the Marcos era. Nothing has really been done — there have been compromise agreements; there have been settlements; and taxpayers continue to pay interest on onerous loans that have been provided for contracts that are bad. So these corrupt companies still continue to win business in the Philippines. I'm not blaming them. They do give us jobs. But the point is that there is a way to move forward and leave this behind completely so that lessons are drawn and every businessman or corporation is committed to making things above board and honest. I've read about examples of engineers in the United Kingdom who passed a code with provisions allowing employers to stop contracts or to rescind contracts if it's ever found out that any of their contractors or representatives are offered a bribe. Or for example, there is a whistle-blowers code in Britain to protect civil servants who know details or could give evidence of corrupt bills. I was thinking that if professional groups

could come to an agreement about this, little by little, maybe things can improve.

Dr. Kim: I think you are right in the sense that it's very difficult to bring in business people and make coalitions with NGOs. The reason is that usually businesses are on the strongmen's side, while NGOs are usually working for the weak. In Korea, I've observed that the chaebols (big businesses) run their own research institutes, and that they are supporting the government by doing the government's research work. Then when they bid on a contract, the chaebols come with a small amount of money to do the study and win the contract. They may sacrifice something by doing the research project, but they may receive other more profitable work afterwards. However, if they support the government, they do not usually support NGOs. In other cases, NGOs may shy away from their support. NGOs think that if they get this support from businesses, they might not be able to be neutral. That is one aspect. It is much easier, however, for NGOs to form coalitions with professionals. In Korea, many academicians do work for NGOs. For example, I'm a lifetime member of the PSPD and I'm not that active, but they invite me when they need me to talk or to present this kind of paper, or to participate in a discussion in this kind of forum. For me, it would be much more comfortable if we could obtain outside funding to do research into corruption. If I have to do my own research with my own research team in this field, I will not be that welcomed in our society.



Will the panelists summarize some of the current international efforts to combat corruption in the region? Where else, aside from funding for NGOs and academics, do you see more roles for international assistance in fighting corruption?

Dr. Cole: I think that the major international organizational input is the OECD agreement, which affects Korea as a member but does not affect the other countries. In some respects, Asia is behind other regions. In Latin America, there is the OAS agreement on governance that potentially can have a very real effect. That agreement is also being copied in some ways by the Organization of African States. There is not a comparable process going on in East Asia or in South Asia. Potentially ASEAN is the group that would be the equivalent of the OAS. ASEAN, however, is based on a fundamental principle of noninterference. They're tinkering around the edges but it would be highly unlikely to see ASEAN take an initiative like the OAS agreement. What has been important is the support of the World Bank. Support has not yet developed in terms of specific lines of assistance and work, but more in targeting the issue and talking about the issue. The ADB is a little bit less involved. The ADB has focused on it, but not nearly as sharply and it has been a little bit reticent to come out and really talk about corruption directly. Of course, the term that's usually used in international financial institutions is "good governance" — which covers a host of things, but the term is often used as a euphemism for corruption.

The Asia Foundation is a very different kind of organization. We are a grantmaking organization that works very closely with a wide range of partners. The Foundation has had offices in 13 countries for over 40 years — so we have a range of contacts that go from prime ministers to local activists in rural communities. The Foundation supports political and economic reform, and efforts at "good governance." We see all of the processes of reform in long term. We are an organization that depends on our counterparts to take the lead. Often, we can be helpful in providing small grants, and working as a trusted convener. We often convene groups which would not otherwise be talking to each other. The Foundation often

puts people from different countries working on a topic like corruption together, so that Asians can constructively discuss issues that are important to their political and economic development. We support research, as in the case with the Political Economy Center at Chulalongkorn, and sometimes training and institution building. We do, however, stay away from partisan politics.

Dr. Pasuk: On international assistance for fighting corruption, apart from supporting the NGOs that serve as clearinghouses on corruption, as a gentleman mentioned earlier, you can also try to support NGOs that do anti-corruption training to raise the consciousness of the little people. There is some of this going on in several Latin American countries and it is quite successful.

Ms. Mangahas: I think the area in which the international community could help would be to articulate consistently and completely its position that corruption is something reprehensible and bad. We appreciate the reluctance to give statements that would suggest that they are interfering with the internal affairs of the countries they are supporting. For instance, in regards to the new language of the World Bank about maximum transparency and supporting civil society is a first. For the longest while, the World Bank has been supporting governments and giving proposals and financial reforms, but keeping quiet about corruption in political systems and in the business sector. If multinational agencies could be at least consistent and clear, it might help because in communities where multinational organizations have projects, people tend to be suspicious about their motivations — perhaps unfairly — because they come in only with prescriptions. The prescriptions are often difficult to accept because they have economic impacts on the lives of people. These organizations all have a constituency with local communities, and sometimes their recommendations are

quite good, but you just can't sell it to people because people are so suspicious. People are also suspicious because the organizations keep quiet about wrongdoings by the government, and they still give money to the government. So, I think that is the proper way of looking at things. There are artificial economies between economic system and political system; if one part is corrupt than the other part won't work. It's interconnected. It involves whole communities of people whose lives are effected.

I work on corruption issues in the countries of the former Soviet Union. I've been listening to the conversation today with great interest because there's been a lot of attention placed on the world's two most successful anti-corruption models. And I would note that they come from the Asian region — Hong Kong and Singapore. And of course we all know how diverse the Asian region is. I'm wondering if there have been any studies or research, or if your governments have given serious consideration to adopting a model such as those. As you may know, they are very comprehensive programs, holistic approaches to these problems that touch on all the issues that you all have mentioned today. Of course, there are great risks in developing this kind of powerful entity in countries where there's no independent judiciary or rule of law tradition or free and independent media. But there are some countries like Georgia in the former Soviet Union that are attempting to adapt the Hong Kong model in their country. And there is a strong argument and belief among some that there is evidence of a fairly dramatic and bold attempt by a reform-oriented government to address these problems in a comprehensive holistic long-term manner. Then, of course, there are other people in Georgia who are very concerned about what this commission is going to really do. But I just pose the issue for you, particularly because you are from Asia, and these models are being very carefully studied now and your insights into whether they are replicable would be very useful to all of us.

Dr. Pasuk: I've been doing some comparative studies of anti-corruption measures in different countries including Australia, Hong Kong, and the United Kingdom. The Hong Kong model is very impressive, but it's very special, if you look at the way they cope with these problems. The British government had to bring about 2,000 officers from the United Kingdom when all the police went to rot. And it would be very difficult to replicate that in Thailand. I have given this idea to many people in Thailand and they think they couldn't cope with the 200,000 policemen in Thailand going to rot. So I think we have to find our own way of coping with it. I'm too pessimistic about the situation in Thailand and the issue of political corruption there — although everybody is impatient about it. To cope with 200,000 personnel, 80 or 90 percent of whom are involved in some respect with syndicated corruption, is a big undertaking. But as I mentioned, recent changes have taken place. There has been some internal scrutiny among the government. They've gone through the copies of my studies on police corruption. They didn't ask us for the copies, they came and got them. The most recent development was that the Prime Minister has moved the police out of the Ministry of Interior and under the Prime Minister's office. I think that he wanted to do something about the police. How far he gets is another question. I agree in the long term that the whole bureaucratic system in Thailand needs to be downsized, and until that is done, I don't think we can afford to raise government salaries given the current economic situation. The Secretary General of the Civil Service Commission in Thailand is working very closely with The Asia Foundation, the ADB, and the AED, in her efforts to reform the civil service of Thailand through the process of downsizing, including trying to get rid of this problem of buying positions. But objections came from members of parliament and ministers who control those decisions, when she was asking the researchers to help her with raising the

consciousness of the public and trying to create pressure for reforms. I think she has another fight in her before she retires. As the first woman to run the civil service commission, she has said that she wants to make her mark before she leaves, hopefully within five years time.

Dr. Kim: I think the Korean government too has been studying the Singapore and Hong Kong models in this area. When they want to enact a certain anti-corruption bill, they want to include all the good things out of these other countries' models. But the important question is how to implement the changes. To me the most distinguishing characteristic of these two countries, is that they impose very severe punishment on violators. I think that makes sense.

But I would raise some questions. According to the transparency ranking, the U.S. is 17th, Korea is 43rd. I thought I had never observed any wrongdoings by public officials in the United States. I was here from 1971 to 1978, and a number of times since then. I don't know why the U.S. is 17th, not the first. Denmark is the first. So I think now it's your turn to describe what's going on here.



I'm going to answer your question with a question. And it regards a point that was brought up earlier about the consciousness of civil society.

I'm questioning how we draw a line between a gift and a bribe. It is mentioned in Dr. Kim's paper that it's okay to give a gift to your teacher for giving your child a good grade, or it's okay to give a supposed gift to a policeman for not giving you a ticket. That is not punishable by law and that's something that's been entrenched in society for decades, for hundreds, for thousands of years. Then how do you draw that line between what might be wrong in civil society and what might not be unacceptable by a public official? So the question I have in terms of corruption in Asia is, do you really think it will be possible to change the

system without a social revolution within the consciousness of the people — where the word for corruption and the word for gift are not different words? Now I say in the case of the U.S., that although we all know we have political woes of our own on really large scales, the concept of the white envelope never existed as an acceptable practice and so we cannot see corruption as endemic to the system.

Of course, there's still definitely insider trading within the stock market, where you give information to your friends and relatives about which stock to buy, or if you know someone and they might have more information about a contract before it's brought to public bidding. This is consistently being brought up but when the cases are brought to light — if they are brought to light — then immediately they are brought to court.

Dr. Kim: Corruption is defined differently over time and over space. What might not be corruption in one country, might be corruption in Korea. Same in the United States. It evolves as the people change. As people see corruption differently, they will devise other laws or legislation to cope with it. As people's position changes, the concept should change. It will be a long and difficult process to get a clear picture of corruption unless we undertake a systematic study. If we choose to look at a certain point in time, there will be much variation among countries about how they perceive corruption. So we need some kind of comparative study in this area if we want

to get a correct picture of how people in different countries perceive corruption differently.

Dr. Pasuk: You pose this question of whether it is possible to change the system without social revolution. I think we do need social revolution to change the way of thinking. For instance, the concept of public service or public office has never been made to be the norm in Thailand. The

government should make people appreciate that they are operating in public office. For that we need a change in the way of thinking about things; we need to reduce the confusion about corruption and a gift of goodwill, which is our tradition. In the old days, people would bring bananas to the government official from their garden for some favor that the government official would do for them. And to the people it was not a cost. It could have been surplus produce that they brought to the guard. You can allow this practice to operate still if it's a small amount and if you can also establish a kind of proper code of conduct in terms of what level of gift is

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acceptable. Australia is trying to do that — determine what level of gift people can give to government officials for the new year, for example. The counter-corruption commission in Thailand is trying to establish this kind of code of conduct in order to have a norm by which to judge people. I don't think they've been very successful at this attempt.

Ms. Mangahas: I think the concept of improper inducement is something all cultures would accept. And the value of the inducement determines whether it's goodwill or corruption. Let's say if it's a burger that is given to you, that's possibly just goodwill, but if it's a Cartier watch, then the value increases and you cannot just think that it's goodwill. So I think it is very important to look at the culture in which corruption evolves, but also to look at the concept of public service. People think that it's so commercialized. It's been so "commodified" that you are in public office because you expect to have perks and you are supposed to make money. Your relatives almost always expect that you will be able to

buy houses and lots because you are a public official. People also think of government as if it's corruptible and that all officials — policeman, the registration officers for business permits, etc. — would do it if they could get away with. In politics it's deal making. You can offer a chairmanship in the committees that is good, and give it to a political partner, so that you can have a majority in government. So I think in many cultures and for some people it's like an entitlement. People in the media often think they are entitled to all those perks and freebies. But across the board the key thing is improper inducement and the bigger it is in value, then the more it is called corruption. 🗨️

Conclusion

by **William Cole**

We have heard a lot of really interesting ideas here today. I think it will be useful to quickly summarize some of the ideas and points of view introduced. First, I think it's clear from the discussions that the crisis has changed the prospects for reform in Asia. There is an increasing portion of the population that is now intolerant and unwilling to put up with corruption. Second, a greater openness exists on the issue of democratization generally allowing people to express their intolerance for things like corruption. New governments across the region now have to promise reform. The issue has come up so quickly that in the short term ineffective action could lead to cynicism. Government after government purges but nothing really happens. In the longer term, the result of elections and democracy is the education of electorate. So over time we hope changes will materialize. This is exactly the same way democracy developed in Britain and in the United States.

Third, the speakers really focused on the role and importance of civil society. As Dr. Pasuk says, too much hope on purely legal administrative institutional change is misplaced. We've done that for many years. It is really important that civil society be engaged in anti-corruption efforts. The involvement of civil society came out in the discussion in several ways. First, an increased role of civil society means developing political will at the top, involving mobilization, the political dynamics, and more. But civil society also plays a critical role of watch dog (and that includes the press), as you implement reforms. There also seems to be no sharp line between grand corruption and the problem of the illegal economy, which makes the problem more complicated. Corruption already is a complex issue

and anti-corruption must deal with the range of forms. It makes that problem even harder. The complexity also suggests that perhaps although this issue wasn't specifically stated, real reform requires a crisis to focus public attention and to galvanize action. Anti-corruption efforts must involve political reform and it has to take place on a fairly large and systemic way — you have to fix things in a systemic kind of a way, and that is what we have seen with the Thai Constitution. As Dr. Pasuk pointed out, political will, and even personal commitment, at the top leadership level is not there because of the political dynamics. And yet we see tangible products of anti-corruption efforts, the Constitution, and the passage of organic laws. The private sector is part of the problem but it's also part of the solution. The crisis in Thailand really brought out and shifted the willingness of the private sector to get engaged and to be part of the push.

The international community's willingness to withhold investment is critical. In fact, as we think about the role of the business community — and this was brought up by a couple of speakers — we cannot often identify what role business can play and what we can expect from that sector. Business has a different set of interests and a different set of constraints than civil society and government. How can we get business involved in a way that makes sense? It is a heavy risk for them: there are positives and negatives in corruption, and their business is making profit. How do you get the business community engaged in a way that makes sense to the business community? Looking at it from their point of view is real challenge.

The role of the press, as Ms. Mangahas has pointed out,

is also critical. And the success of efforts of the Philippine Center for Investigative Journalism is probably one of the best examples of the ways in which you can quickly improve the capacity of the press to report well and aggressively on corruption matters. Without the PCIJ I don't think the Philippines would have quite the hope that it does over the longer term. At the same time, Ms. Mangahas points out that the press itself is in need of reform. So it is not a silver bullet, but it's a critical factor.

In terms of international organizations, something has changed in the world in terms of this issue of sovereignty and where internationally boundaries lie. Back in the early 1980s, the question of structural adjustment used to be attacked by many as a problem of intervening into the affairs of sovereign nations. For example, could global banks really put pressure on countries to restructure? Wasn't that interfering? Well that debate is long gone. The global community increasingly accepts the notion that governance issues are really matters of international concern and that the problem extends beyond borders. A couple of years ago in Manila there was a conference on governance that several of us attended. One of the speakers there had mentioned that corruption anywhere hurts people everywhere. While one might question the substance of that, the very fact that he could make that statement and

everybody around the room nodded, shows that something different is happening in the world in which corruption is viewed as more than just a domestic issue and focusing on it is not intervening in internal affairs.

Finally, on defining the issue of corruption in comparison to the United States, there is an interesting set of problems there. Someone in the World Bank made the observation yesterday when all is said and done in terms of research, what we're probably going to find is that at the low end, there are probably variations. But on the whole, the commonalities and the way people from very different cultures are going to look at grand corruption and the big problems is going to be pretty similar. There are not going to be any great differences at that large a level.

Regarding the United States, in many ways our history is different. Big government came along late. It really only came along in the 30s. So the country didn't emerge and develop in a context in which bureaucrats had such possibilities for gate keeping and rent seeking. It's just a different history. And then we did not get political corruption — large scale political corruption — under control until after the depression and really not until after World War II. The United States' ability to address big government corruption has come forward fairly late. 🗨️

The Participants

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William Cole is The Asia Foundation's Coordinator for Governance and Law programs. He is responsible for coordinating programs and strengthening strategic focus in the areas of democratic governance and the rule of law across the Asia region. Prior to his current position, Dr. Cole served as the Director of The Asia Foundation's Economic Policy Reform Program in Indonesia.

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Ms. Mangahas has worked for a number of publications over the past 15 years. Her previous positions include: Senior Reporter on the Philippine presidency for *The Manila Times*; Senior Reporter for *The Manila Chronicle*; Manila Correspondent for both *Newsday* of New York and *The Guardian* of London; Copy Editor for *The Manila*

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Ms. Mangahas has edited and written numerous publications including, *Showdown '98: The Search for the Centennial President* (Editor, 1998); *The Philippines and the World in 1997* (Editor, 1996); and the *Code of Professional and Ethical Conduct for Filipino Journalists* (Co-author, 1997).

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Dr. Pasuk Phongpaichit is Associate Professor of Economics at Chulalongkorn University in Bangkok, Thailand, and is consultant for the Thai National Assembly's Special House Committee on the Illegal Economy and its Suppression.

Dr. Pasuk has been affiliated with Chulalongkorn University since 1971. In addition to her teaching responsibilities, she was Director of the Political Economy Center in the Faculty of Economics from 1990 to 1993. She served as an academic member of the Board of the Institute of Labor Studies of the International Labor Organization in Geneva, and has advised various Thai and international institutions on employment and labor issues.

Dr. Pasuk's research interests include: corruption; the illegal economy and public policy; the politics of economic decisionmaking and resource management; trafficking of workers and women into and out of Thailand; foreign investment in ASEAN countries; and Japan-ASEAN economic relations. She has authored numerous books and articles on these topics. Her most recent publication, *Guns, Girls, Gambling, Ganja: Thailand's Illegal Economy and Public Policy* (1998), was written in conjunction with her research group at the Political Economy Center at Chulalongkorn University. Dr. Pasuk's previous published work includes, *Corruption and Democracy in Thailand* (1994), and *Thailand: Economy and Politics* (with Chris Baker, 1995).

Dr. Pasuk holds a Ph.D. in Economics from Cambridge University. She received her bachelor's and master degrees in Economics from Monash University in Australia

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