

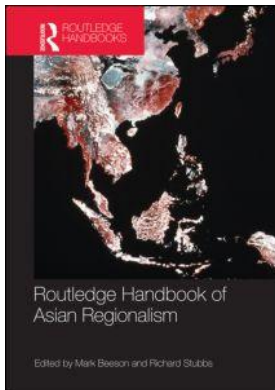
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Corruption in East Asia

Howard Dick

Introduction

There is a widespread perception around the world that Asian countries are corrupt.¹ This perception filters across the media, academia and the aid community. It is fed by corruption indices and the rocky path of governance reform. The perception is not entirely wrong, but neither is it a fact, let alone a useful guide to understanding or policy intervention. First, Asia is as extensive as the Americas and even more diverse in geographies, cultures and historical trajectories. Second, corruption in the region – though pervasive and resented – is not necessarily the fundamental weakness of governance; it may be a symptom rather than a cause. Third, social and political change is a very long-term, complex process in which moral crusades and hasty interventions often have unpredictable and messy consequences.

This chapter seeks to do four things. First, it considers whether any useful broad generalizations can be made about corruption in Asia. Second, it breaks up the broad abstraction of Asia into clusters of countries that have something in common in terms of heritage, system of government or development, to see whether these stories reveal any patterns in trajectories towards clean government. Third, it analyses whether democratic or authoritarian systems are more likely to give rise to prosperity and clean government, taking into account the role of a growing and more influential middle class. Finally, it draws out some policy implications for governance reform. The chapter is a critical essay, not a survey of the literature on the subject. I argue from the perspectives of history and political economy that corruption is only one aspect of necessary social change. An analogy is climate change: it can be diagnosed scientifically but cannot be ‘fixed’ without addressing the social, economic and political systems that generate it.

Definitions and data

Corruption is at first sight a fairly simple phenomenon: the abuse of official position for private or personal gain, typically within the state apparatus but also, as Transparency International (2009a) argues, within the private sector. The clearest example is bribery, which may extend beyond cash payments to perquisites in-kind or ‘gifts’ provided to secure a discretionary favour. Nevertheless, complications soon intrude. Gifts are not necessarily bribery (Verhezen 2009). Where civil service

salaries are low, small payments are often justified as ‘facilitation’. Moreover, ‘corruption’ is only one of several means that people and organizations use to gain advantage. Networking and personal connections are another. In many Western countries lobbying has become a massive industry that is strangling effective representative democracy. In short, corruption is just one colour in a rainbow of informal institutions and behaviours that cut across formal laws, regulations and procedures. Even apparent success in the fight against ‘corruption’ does not mean that the political, legal and economic system necessarily delivers good governance, or that it is fair.

There are two fundamental issues. First, underpinning the apparently simple and universal definition of corruption is the Weberian ideal of the rational bureaucratic state acting in the public interest. From a Western perspective this may seem to be unarguable. However, many countries are still evolving from patronage societies in which the public interest is weakly defined and legal sanctions are weak. In such transitional cases, and in a situation of a small tax base and low civil service salaries, ‘corruption’ may not be quite so cut-and-dried. Attention must be paid not only to deviations from the allegedly universal ideal but also to deviations from prevailing social norms.

Second, by its very nature corruption is hidden from the public gaze. Corruption is made up of deals that involve an exchange of money for favours and are known only to the parties to the deal (Lamdsdorff 2007). Secrecy is the essence of the informal arrangement that allows public servants or politicians to maintain the pretence that affairs are being conducted according to the formal laws and constitution of the state. The compromising deal becomes public only if the deal breaks down through opportunism or the pressure of unanticipated events. Citizens know how corruption impinges upon them in daily life, but otherwise must deduce the extent of the phenomenon from unexplained outcomes and associated rumours. The scandals that blow up when the corruption of those in power comes to public attention are notable not only for their juicy revelations but also for the wave of suppressed anger they engender. Scandals give people a target for their discontent. Nevertheless, trying to measure the extent of corruption from revealed scandals is less reliable than measuring icebergs based only on the proportion that can be seen above the surface.

‘Corruption’ is in the eye of the beholder: all that can be measured is perceptions of corruption in terms of prevailing norms, which are subject to change. Clearly, this is influenced by the ways in which corruption impinges upon those who perceive it. The reporting of corruption in the mass media also plays a part: an anti-corruption drive may cause more cases of corruption to be exposed. As with any campaign on behalf of public morality, the target is a shifting one and the outcomes unpredictable. These are matters to which we will return, but first it is helpful to get an overview from some figures that are available.

The Corruption Perceptions Index (CPI) compiled annually by the non-governmental organization Transparency International (TI 2009b) is the best available ranking of countries by level of perceived corruption. Allowing that corruption is subjective and that cross-country comparisons are partial and statistically fraught, the data shows some interesting results. First, East Asian countries span the entire range – from Singapore, which ranks third after New Zealand and Denmark, to Myanmar, which rank third last, just ahead of Afghanistan, out of the 180 countries surveyed (TI 2009b). Second, these 13 countries of East Asia, omitting a number of small states but including India by way of comparison, fall equally into the top and bottom halves of the scale. In other words, there is no single cluster that would allow for a simple generalization to be made about an Asian ‘model’.

If the corruption ranking is compared with World Bank data on income per capita at purchasing power parity, it can be seen that there is a rough correlation. The member countries of the Organization for Economic Cooperation and Development (OECD) – Japan, Korea, Singapore, Hong Kong and, where data available, Taiwan – rank well ahead of the rapidly

Table 15.1 Corruption index, bribe rate, population and GDP per capita by main Asian Countries (2009)

World rank	Country	Corruption score (ex 10)	Bribe rate (%) ^a	GDP p.c. US \$ 2008 ^b	Population (m.)	Ease of Business (rank)
3	Singapore	9.2	6	37,600	5	1
12	Hong Kong	8.2	7	30,900	7	3
17	Japan	7.7	1	38,400	128	15
37	Taiwan	5.6	na	na	na	46
39	Korea (Rep)	5.5	2	19,100	49	19
56	Malaysia	4.5	9	7,200	27	23
79	China	3.6	na	3,263	1325	89
84	India	3.4	9	1,068	1140	133
84	Thailand	3.4	11	3,900	67	12
111	Indonesia	2.8	29	1,100	227	122
120	Vietnam	2.7	na	1,050	86	93
139	Philippines	2.4	11	1,847	90	144
158	Cambodia	2.0	47	651	15	145
178	Myanmar	1.4	na	na	50	Na

Sources: TI (2009b,c), WB (2010a,b).

Notes: a. Proportion of sample households paying a bribe in past twelve months.

b. GDP per capita at purchasing power parity in current US dollars, 2008.

c. na = not available.

industrializing economies of Malaysia, China, India, Thailand, Indonesia and Vietnam. Countries in the lower half of the corruption range all have incomes per capita at or below US \$2,000, with only India doing better than its very low income-per-capita would predict. It is no surprise that strife-torn Myanmar (Burma) ranks at the bottom, while the Philippines is also well down the list.

Nevertheless, the CPI ranking does not necessarily equate to the impact of corruption. The World Bank's 2009 'ease of doing business' ranking of 183 countries makes an interesting contrast (Table 15.1). Although the same Asian countries show up at the top and bottom of the latter ranking, there are some striking differences in the middle of the range: Thailand, Korea, Malaysia and Vietnam do much better, while India does much worse. These differences relate to the time and cost of dealing with the state bureaucracy and the predictability of outcomes.

How does corruption affect daily life? Transparency International in its 'Global Corruption Barometer' asks a sample of households whether or not they have paid a bribe in the past 12 months (TI 2009c). Households in Singapore (ranked 3 in the World Bank's 'ease of doing business' table) and Hong Kong (ranked 12) report a much higher incidence of bribe payment (6–7 per cent) than Japan (ranked 17) or South Korea (39) at 1–2 per cent. Malaysia (ranked 56), India (84), Thailand (84) and the Philippines (139) all cluster in the range of 9–11 per cent, with the outliers being Indonesia (ranked 111) and Cambodia (158) at 29 per cent and 47 per cent respectively (Table 15.1).

Some insight into these variations can be found in another indicator in the Global Corruption Barometer: 'to what extent do you perceive the following institutions in this country to be affected by corruption' (on a scale of 1 to 5). The answers are available for 11 of our 18 Asian countries, with the most corrupt institution(s) in bold (Table 15.2). These data suggest three distinctive patterns of corruption. First, in Singapore and Hong Kong – the two city-states ranked as least corrupt in terms of public institutions – the nexus of corruption seems to be the private sector. Second, in the democracies of Japan, Korea, Malaysia, India, Thailand and the Philippines,

Table 15.2 Perception of corruption by country and institution, 2009

Country	Parties	Parliament	Officials	Judiciary	Business	Media
Singapore	2.1	1.8	2.2	1.8	2.7	2.5
Hong Kong	3.3	2.7	3.0	2.5	3.9	3.6
Japan	4.3	3.9	4.3	3.2	3.8	3.6
S. Korea	4.3	4.2	3.7	3.6	3.8	3.6
Malaysia	3.9	3.3	3.7	3.1	3.4	2.7
India	4.2	3.6	3.7	3.2	3.4	2.9
Thailand	4.1	3.1	3.6	2.8	3.2	2.8
Indonesia	4.0	4.4	4.0	4.1	3.2	2.3
Philippines	4.0	3.9	4.0	3.4	3.0	2.0
Cambodia	3.0	2.7	3.5	4.0	2.6	2.3

Source: TI (2009c).

political parties are seen as the most corrupt institutions, while in Indonesia the problem shows up even more markedly in parliament itself. Third, in Japan and the Philippines, the bureaucracy is seen to be as corrupt as political parties – in Cambodia the nexus is to be found specifically in the judiciary.

In short, while corruption is universal, there are very different manifestations between countries. There is no definitive linear scale and no linear trajectory. The rest of this chapter will therefore focus on specific countries and seek to tease out from these case studies whether there is anything that can be learned from Asia.

Trajectories, clusters and cases

Corruption is always contextual. People in low-corruption countries with well-established formal institutions and flourishing civil societies tend to forget that these good things are the product of centuries of social evolution. It is salutary to remember that as late as the mid-1940s, all of Europe except for the offshore islands of Britain and Ireland, the enclave of Switzerland and neutral Sweden, was under the sway of totalitarianism, either fascist or communist, with both systems proving themselves to be amoral, murderous and thoroughly corrupt. Only since the fall of the Berlin Wall in 1989 have the countries of Eastern Europe begun to establish social democracies. The expanded European Union is still young and fragile – and good government cannot yet be taken for granted.

While Europe has gradually reassembled itself into a community of democratic nations, Asia remains fragmented into nation states ranging from democratic to totalitarian, from highly prosperous to desperately poor, and from very clean to very corrupt. In the 1940s, when Europe was under the sway of fascist and totalitarian regimes, Asia as far west as Burma had just been released from the straightjacket of colonial rule. The brief period of Japanese occupation was hardly enlightened but it did awaken and quicken nationalist aspirations, ensuring that the re-imposition of colonial rule would be brief and contested. However, with the notable exception of American rule in the Philippines, there was very little tutelage for sustainable social democracy. Then from around 1948 the spread of the Cold War, entrenched by Mao's victory in China and the Korean War, gave rise to a much more brutal political environment in which military and authoritarian regimes were supported as proxies by the rival superpowers. Only after the fall of the Berlin Wall, and with a dramatic policy shift by the United States government, did democracy and human

rights become explicit aims of foreign policy, giving hope, resources and credibility to popular democratic movements.

There were also economic factors. First, newly independent nations after the Second World War inherited and extended a panoply of bureaucratic controls over the market economy. Trade taxes were escalated both to fund national government budgets and protect infant industries, thereby creating huge incentives to corrupt customs officials. Balance of payments deficits and exchange controls led to black markets for foreign currency and all kinds of financial manipulations. Second, the Cold War and the insidious interaction of prohibitions on narcotics corrupted not only local armies and police forces but entire regimes, while ensuring the ongoing support of the United States government (McCoy 2003).

This messy heritage has great import for the quality of government and the prevalence of corruption. As in Europe, government in Asia before the colonial era was patrimonial, mostly through systems of kingship and nobility, though moderated in China, Korea and Vietnam by formal bureaucratic institutions. Colonial rule entrenched patrimony through the institutions of indirect rule, while at the same time concentrating power, wealth and status in the hands of foreign elites. The lesson for aspiring nationalists was that education and military service were the best pathways to upward mobility. Even though nationalism was the populist ideology of independence movements, the model of government was statist and dirigiste, reinforced by communist ideology and/or military rule. In such a system, those in power extract resources while the rest of the population defers to and nourishes them in the hope of favour, even if that amounts to nothing more than to be left alone. The notion of 'abuse of power' is therefore tenuous indeed. Whatever the rhetoric, 'abuse of power' usually translates as simple 'disloyalty'. Corruption is a charge levelled most often against those who have fallen from grace, a weapon against political opponents.

Yet despite this very broad contrast between Europe and Asia, the trajectories of individual Asian countries show marked variation. One old chestnut that can be refuted at the outset is, namely, that British rule paved the way for good government. The Transparency International scale of corruption shows that former British colonies can be found from top (Singapore, Hong Kong) to bottom (Myanmar) of the scale. Nor did American rule establish good government in the Philippines. A more plausible hypothesis is that Japanese rule may have ultimately been a good thing, whether in Japan itself (ranked 17), which successfully resisted colonization, or in its former colonies of Taiwan (1895–1945) (ranked 37) and Korea (1910–45) (ranked 39). As Booth (2007) and others have argued, Japanese colonial rule, though harsh, did lay foundations for economic development in terms of physical infrastructure, agricultural productivity, education and public health. This may also have helped independent (South) Korea and Taiwan later to follow the Japanese model of rapid industrialization.

The following case studies are not presented as a typology. Various authors have tried to classify countries according to levels of corruption and perceived characteristics. Such studies are invariably interesting but also tendentious. The grouping below is idiosyncratic, intended to highlight similarities or to contrast differences arising from either initial conditions or change over time. Ultimately, it is the time path that matters, and here random factors seem to play a more important role than is allowed for in the neat theories of social science.

Singapore and Hong Kong

The success of Singapore and Hong Kong in becoming high-income developed economies owes less to British rule than to their being city-states. Obviously it is much easier to establish good government in a single city than it is in a whole country, especially one as vast as China, India or

Indonesia. Singapore would surely not have done so well had it remained in the Federation of Malaysia, nor would Hong Kong had it been merged back into China in 1998 instead of being allowed substantial ongoing autonomy. Singapore and Hong Kong are truly islands of good government and there may be a lesson here for anti-corruption strategies: to focus on key cities rather than whole countries.

'Corruption was a way of life in Singapore during the colonial period' (Quah 2009: 132). Notwithstanding that corruption had been made illegal since the Penal Code of 1871, the police force in particular lived off the protection of vice. For the skeleton colonial administration, it was far more important to maintain public order than to promote integrity. In a *modus operandi* familiar across Asia from Bombay to Shanghai and Tokyo, governments tacitly relied on secret societies and underworld gangs to keep peace on the streets, and dealt ruthlessly with those who challenged the established order. This changed after 1959 when the People's Action Party (PAP) came to power under Cambridge-educated lawyer Lee Kuan Yew, with the goal of what would now be termed 'good government'. The Prevention of Corruption Act came into force in the following year, greatly strengthening the powers of the Corrupt Practices Investigation Bureau (CPIB). The essence of the CPIB's approach is best described as 'zero tolerance' towards both grand and petty corruption. It was soon established that not even top public servants and ministers were immune from investigation and harsh sanction. At the same time, the police force was cleaned up at street level with attention to both corrupt officers and bribe-payers. For example, truck drivers who had been preyed upon by corrupt officers were given an initial caution but warned that a second offence would lead to their own imprisonment and loss of livelihood (Chua Boon Keng, pers. comm.). In Singapore, corruption was quickly seen to be not negotiable. Supervision of commercial behaviour, however, is still much less rigorous. Singapore's draconian anti-corruption laws do not have extra-territorial effect. There is no sanction against Singaporeans behaving corruptly in neighbouring countries, while Singapore is a safe haven for foreign-corruption suspects and their assets.

In Hong Kong, which remained a British colony until 1998, the 'live-and-let-live' policy lasted a great deal longer. This allowed the well-entrenched Chinese triad gangs to prosper from the narcotics boom of the 1960s that was fuelled by American involvement in the Vietnam War. The rot came to public notice in mid-1973 when Kowloon's respected Deputy District Police Commissioner Peter Godber fled Hong Kong to escape charges of accumulating illicit funds (Lethbridge 1985). The scandal hastened the establishment in 1974 of a powerful Independent Commission Against Corruption (ICAC) reporting directly to the governor. It quickly confirmed the prevalence of 'syndicated corruption' within the police (Lethbridge 1985; McCoy 2003: 404). Notwithstanding a partial amnesty in the face of a police revolt, summary powers of dismissal proved a potent weapon. ICAC triumphed and has since come to be seen as a model for other jurisdictions around the world. Nevertheless, as in Singapore, regulatory and investigative powers over the private sector are still weak and there is no extra-territorial effect.

China and Vietnam

China has the longest and almost continuous system of fighting corruption – more than 2,000 years. Establishment with the empire of a meritocratic bureaucracy necessitated a system of monitoring and accountability in the form of imperial censors (Hucker 1966). Local officials were expected to be omniscient – even the event of natural disaster, let alone political disturbance, would attract attention and disfavour. Beyond this, however, was a system of regular reporting to the capital, occasional inspection with the incentives of promotion and the sanctions of demotion, dismissal, banishment or death. Nevertheless, imperial officials exercised enormous

discretion and it was a risky venture for local interests, individually or in concert, to attempt to report unfavourably upon one who was greedy and corrupt.

A somewhat similar discipline system was developed by V. I. Lenin for the Soviet Union and was taken up by the Chinese Communist Party as early as 1922 (Gong 2009: 65). There is now a set of discipline inspection commissions, supervision bureaus, anti-corruption bureaus, public security bureaus, audit offices and legal courts (Ma 2009: 83). Because state officials must in practice be Party members, this is potentially a powerful system of monitoring and sanction. However, as Gong (2009: 76–77) argues, the Party seeks to impose ‘morality by decree’ to maintain its moral legitimacy rather than to control performance. The countervailing pressure is that the Party is first and foremost a hierarchy of patronage, coordinated through the Central Organization Department (McGregor 2010). Disciplining an official inevitably challenges the standing of higher-ranking officials and Party members within that patronage network and risks bringing other corrupt behaviours to light. Indeed, the very system of recruitment and promotion entrenches corruption (Yan Sun 2009). Hence there is enormous pressure to go softly, unless the damage is so great that an official can be disowned and expelled from the Party, in which case formal legal process may come into play with the ultimate sanction of death (McGregor 2010).

Japan, Korea and Taiwan

Japan’s apparently low corruption rating among Asian countries is deceptive. There is a good deal of corruption but it is much better organized and less opportunistic than anywhere else. Part of the explanation is more than 60 years of conservative hegemony by the Liberal Democrat Party (LDP), its predecessors and successors. Victory of the Democratic Party of Japan (DPJ) in the 2009 election hardly broke that monopoly, as DPJ President Ichiro Ozawa had been until 1991 secretary-general of the LDP and incoming Prime Minister Yukio Hatoyama came from an LDP dynasty. The consequence has been a deeply entrenched form of inter-factional rivalry and corruption known as money politics. The other part of it is a tacit agreement between government, police and the criminal gangs known as *yakuza* as to the tolerable limits of criminality. The common taproot of both forms of corruption is what can be skimmed off the rezoning of land and construction contracts, what McCormack (1996) dubbed ‘the construction state’. This reached a culmination with the bubble economy of the late-1980s, when banks lent recklessly for property, leading to the collapse of the financial system and structural recession in which the huge amount of funds lent to criminal syndicates could not be recovered.

Over the past decade or so, reforms have reduced the scope for corruption without altering the system itself. Electoral reform by the short-lived coalition government in 1994 abolished multi-member constituencies while in 2005 Prime Minister Junichiro Koizumi’s postal-reform bill paved the way for postal savings to become more transparent, which in turn has brought transparency to the so-called ‘second budget’ used to channel postal funds into often dubious infrastructure projects. Japan’s high level of national debt has become a further constraint on infrastructure spending. Both Ozawa and Hatoyama became embroiled in funding scandals but this was not the prime cause of their sudden resignations in mid-2010. The media continue to expose scandals but the political system continues to resist more thorough reform of political funding (Bowen 2003). The culture of ‘funds-for-favour’ between business and government is still deeply entrenched, often referred to as ‘structural corruption’.

Korea has faced similar public pressure for clean government, with periodic disgrace of top political figures and executives of the leading business conglomerates (*chaebol*), between whom there has long been an incestuous relationship. Elections have brought in new governments with a mandate for clean government but they in turn have been corrupted by the entrenched system of

funds-for-favours, deepening public cynicism. Thus three former presidents, Chun Doo-Whan (1980–88), Roh Tae-Woo (1988–93) and Roh Moo-hyun (2003–8) have been found guilty of corruption while anti-corruption reformer Kim Young-sam (1993–8), who had put the two former generals on trial, and Kim Dae-jung (1998–2003) were both embroiled in corruption scandals involving their families. Roh Moo-hyun committed suicide. As in Japan and Taiwan, the structure and dynamics of power frustrate institutional reform. Nevertheless, as David Kang (2002) has argued, a balance of power between political and business elites ('mutual hostages') has ensured that constrained corruption and rent-seeking have still allowed growth and development.

Taiwan is often distinguished from Japan and Korea for its lack of business concentration, but this is somewhat misleading. The concentration of political power and state enterprise under the control of the Kuomintang Party, with its Leninist origins, gave rise to a similar phenomenon that Karl Fields (2002) has described as 'KMT Inc.'. Although as the government of China from 1927 to 1949, the Kuomintang under Chiang Kai-shek had arguably been the most corrupt in the world, in Taiwan this resulted in a developmental state that productively invested economic rents. Eventually the Party ushered in democracy and began to disengage from business, but in 2000 a wave of protest against corruption brought to power the Democratic Progressive Party under Chen Shui-ban. Immediately on leaving office in May 2008, he and his wife were charged and subsequently imprisoned for embezzlement of state funds and laundering campaign funds. Although supporters claimed that the charges were vengeance by the restored Kuomintang government, it would seem – as in Japan and Korea – that corruption is intrinsic to democratic politics.

Malaysia

Ranked 56 in the World Bank corruption chart, Malaysia shows that it is hard to establish clean government in an ethnically divided nation. On independence in 1957, Malay(si)a was, except for a few oil sheikhdoms, the most prosperous colony in the British Commonwealth. The fateful compromise, however, was that the Malays would control the government while the Chinese controlled the economy. This compromise broke down with the race riots of 1969, giving rise the following year to the one-sided positive discrimination of the New Economic Policy that sought to transfer 30 per cent of the economic wealth of the country to Malays. This in turn gave rise to a thoroughly corrupt nexus between the ruling United Malays National Organization (UMNO) and the new Malay business class (Gomez 2002). In alliance with the Malaysian Chinese Association (MCA) and the Malay Indian Congress, UMNO has maintained unbroken control of national government since 1957. Attempts by popular breakaway leader Anwar Ibrahim to gain government through a rival multi-racial alliance have been stymied by his imprisonment for sodomy and, more recently in 2009, by the buying off of coalition members of parliament who had looked to cross the floor. The current prime minister, Najib Razak, has announced his intention to terminate the New Economic Policy but Malaysian politics remains locked in a corrupt stalemate.

Thailand and Indonesia

In both countries, powerful anti-corruption commissions were brought into being after the Asian economic crisis of 1997–8 and its associated political transitions. Thailand had a change of government with a mandate for clean government under a new constitution; Indonesia switched from an authoritarian to a democratic regime. In neither case can the sustainability of reform be taken for granted.

The Asian Financial Crisis began in Thailand in mid-1997. The corrupt Banharn Silpa-archa government was utterly discredited, leading to royal intervention to bring back the 'clean' Democrat Prime Minister Chuan Leekpai. With the support of the International Monetary Fund (IMF), this led to the establishment of an array of independent bodies to monitor and enforce good government: the Constitutional Court, Administrative Court, Office of the Auditor-General, National Human Rights Commission, Consumers' Protection Organization, Environmental Conservation Organization, Ombudsman and, in 1999, the independent National Counter (later Anti-) Corruption Commission (NCCC/NACC). Under the revised 2008 law, the NACC consists of the president and eight other members 'appointed by the King on the advice of the Senate' (NACC 2010). The NCCC had teeth and soon began to have an impact, including in 2000 the dismissal of the powerful minister of the interior.

This liberal democracy of checks and balances was soon under siege. Discontent with the slow pace of economic recovery under IMF tutelage led in 2001 to a convincing election victory by the Thai Rak Thai (Thai Loves Thai) Party of the media-magnate-cum parliamentarian Thaksin Shinawatra, who proceeded to consolidate a highly personalized and corrupt patronage network (McCargo and Pathmanand 2005). Impatient of constraint and criticism, he sought to muzzle both the independent media and the NCCC. His disposal of the family's media conglomerate, Shin Corporation, to the Singaporean government's Temasek Holdings, without payment of the due tax, became the trigger for a street uprising in Bangkok that led to invalidation of the April 2006 election and his overthrow in September 2006 by a palace-backed military coup.

Democracy was restored in 2007 under a new constitution, with strong provisions against electoral fraud and conflicts of interest. Although a reformed party of Thaksin's supporters won the subsequent election in December 2007, street demonstrations in Bangkok by yellow-shirted supporters of the opposition made the incoming government unworkable. The governing party was dissolved by court order and, with royal approval, a new Democrat coalition was formed under Prime Minister Abhisit Vejjajiva. The backlash by rural-based 'red shirt' supporters of Thaksin had by mid-2010 made Thailand ungovernable. In the absence of any elite consensus as to how and by whom the country should be governed, anti-corruption reform has been overshadowed by violent protests and the fear that the polity itself will fracture on the death of the ailing king.

Indonesia became embroiled in the Asian Financial Crisis a few months after Thailand, also leading to IMF intervention and a similar package of reforms. The 32-year-old, military-backed and authoritarian New Order regime of President Suharto was exposed to savage popular anger over corruption and abuse of power. Since 1966 Suharto and his wife had formed alliances with trusted Sino-Indonesian businessmen to establish lucrative rent-seeking franchises and monopolies (Robison 1986; McLeod 2000). When his children began to engage in state-privileged businesses, however, the limits of public patience were sorely tested. Under the slogan of 'Down with corruption, collusion and nepotism (KKN)', a popular movement forced Suharto to resign in May 1998, ushering in a new era of democratic reform (Reformasi). In 1999, parliament passed two laws, one setting up an Audit Commission for the Wealth of Public Officials, the other mandating an Anti-Corruption Commission, which came into being in 2004 alongside a special Anti-Corruption Court, a Constitutional Court, a Judicial Commission, a Human Rights Commission, an Ombudsman, and so on.

Hopes that democracy and decentralization would bring corruption under control were soon quashed. The Corruption Eradication Commission (KPK), as it became known, was set up with wide powers to investigate and prosecute. Despite initial cynicism, it went after 'big fish' and successfully prosecuted district heads and governors, even ministers and parliamentarians. Nevertheless, parliament and the notoriously corrupt but now independent judiciary proved

intractable to reform. Parliament became a bastion of corruption, which also proliferated among the ‘little rajas’ at the now empowered local level. Dick and Mulholland (2011) describe the situation as ‘the state as marketplace’. Matters came to a head in May 2009 when the head of KPK was arrested and later convicted for murder in an alleged love triangle. Two other commissioners were forced to resign over charges that turned out to have been engineered by recalcitrants in the attorney general’s office and the police. The sudden resignation in May 2010 of the clean and reformist Minister of Finance Sri Mulyani suggested weakening presidential support for the anti-corruption campaign. Before leaving to become vice president of the World Bank, she pointedly remarked that ‘she could no longer exist in a political system in which ethics had become an exotic virtue’ (Jakarta Post 20/5/10).

Philippines

The first country in Asia to achieve postwar independence in 1946, the Philippines did so with the benefit of 40 years tutelage in democratic institutions, 11 years of self-government (albeit interrupted by the Japanese occupation), a strong and independent judiciary, a well-trained and effective civil service, and a free press, all based on the American model. The new republic also seemed to have bright prospects for economic development. Yet today the Philippines is still a very poor and highly corrupt polity, which has become an arena for contending powerful families, at times descending into warlordism. This became brutally apparent in 2009 in the province of Manguindanao, when a convoy carrying the family and supporters of a rival political candidate along with 32 journalists was stopped and the occupants brutally massacred by followers of the ruling Ampatuan clan, who enjoyed the support of President Arroyo-Macapagal, having delivered her an overwhelming vote in the previous election. While this was certainly an extreme case in a remote province torn by Muslim rebellion, it nonetheless illustrated the dynamics of electoral politics and power in the Philippines. Provincial governors wield enormous power, even of life and death, and the national bureaucracy, despite some very good people, has very little real power or resources. A free press regularly and courageously brings to light cases of corruption, but political alliances and a corrupted judiciary ensure that there are few convictions and little fear of sanction, while journalists themselves are routinely killed – 68 since 1992 – a toll worse than Russia (CPJ 2010). Despite much fine democratic rhetoric, the state is all but dysfunctional.

Cambodia and Myanmar

These two countries are the most extreme cases, best described after Global Witness (2009) as ‘one-party kleptocracies’. Property rights are created, validated and cancelled not at law but by arbitrary state fiat. Corruption is ubiquitous and without sanction.

Cambodia is still rebuilding its state institutions after the genocidal rule of the Khmer Rouge (1975–9) and struggling to wean itself from dependence on foreign aid. In an economy where the US dollar is the default currency and the local riel is almost worthless, entrepreneurship brokered by state officials and military leaders focuses on any activities that can earn hard currency – from legal tourism, textiles and ship registration to the allocation of mining rights to illegal trafficking in narcotics, gems, timber and prostitution (Global Witness 2009). A desperately underfunded and predatory state apparatus takes its cut wherever it can.

Myanmar has become notorious for the military regime’s brutal suppression of the democracy movement and the imprisonment of Aung San Suu Kyi and other dissidents. The last survivor among Asia’s once numerous military dictatorships, its armed forces (Tatmadaw) have remained tenacious in the face of Western boycott, through a combination of Chinese patronage,

resource exports (including oil), foreign investment, tourism and the narcotics trade from what used to be known as the Golden Triangle (Selth 2002). Amidst an ongoing crisis of regime legitimacy and civil war, in which civil society simply does not exist, corruption is not the foremost problem.

Democracy and authoritarianism

Running through the above case studies is the contrast of democracy and authoritarianism. Each type of regime has very different institutions that affect the pattern of corruption and the nature of reform but with no clear relationship to outcome. Amidst all the diversity of Asia, it is impossible to say whether one type of regime is more or less conducive to good government as measured by the prevalence of corruption. It all depends. Singapore is the outstanding case of a low-corruption, one-party regime, but it has not been replicated, not even in adjacent Malaysia, with one-party hegemony and the same British colonial inheritance. Lee Kuan-Yew's combination of British public school and Chinese Confucian values has clearly been decisive, along with his ruthlessness and longevity. The closest parallel to Singapore is the city-state of Hong Kong, where the corruption commission ICAC was introduced by a British governor and has been maintained under Chinese auspices under the guided democracy of the People's Republic. The ICAC model has been copied in Australia but not elsewhere in Asia.

At the other extreme of size, China's authoritarian rulers know that their legitimacy depends upon keeping some check on corruption. However, most of the corruption associates with the Party that controls all parts of the state from top to bottom. Since corruption is endemic, the best that can be done is to impose exemplary punishments. While the number of cases is quite staggering, as yet no province or city (apart from Hong Kong) could be described as 'clean'. Indeed, this would run counter to the very system of patronage by which the Party hierarchy functions, a very Marxian contradiction. Nevertheless, as long as material prosperity is maintained, in a culture of *guanxi* some exemplary punishments may be enough to ensure that corruption is not *perceived* to be excessive. Much the same could be said of Vietnam's one-party state, even though it is a poorer country and with a higher level of perceived corruption.

A different kind of dilemma confronts the developmental states of Japan, South Korea and Taiwan. In all three countries democracy is well entrenched, albeit in the form of 'money politics' with a high degree of collusion between ruling parties, the bureaucracy and big business. The outcome is a well-organized form of corruption and patronage that accepts constraints but is all but impervious to political reform. Governments may change but the dynamics remain much the same. This situation could be described as sustainable, except for the evidence that the corrupt consensus prevents the necessary structural changes, both economic and political. The dilemma is most stark in Japan but it shows up also in South Korea and Taiwan and makes for an uncertain future. Something similar could be said of Malaysia, albeit less democratic and with racial complications.

In both India and the Philippines, democracy looks to be secure, yet neither country seems likely to find a low-corruption trajectory of development. Indians may take some comfort from the fact that corruption is hardly worse than in China, while the loosening of regulatory controls over the past two decades has released entrepreneurial energies that are at last driving economic growth. Whether a well-entrenched, independent but corrupt judiciary is a blessing or a curse in a highly litigious society remains to be seen. The Philippines clearly does suffer from too much politics and too much corrupt law, both of which inhibit the entrepreneurial drive of a much smaller business class and make the Philippines much more dependent upon remittance income from offshore employment.

Thailand and Indonesia, once lauded as the new ‘Asian tigers’, are muddling along, less secure in their more recent transitions to democratic institutions. Thaksin and Suharto’s attempts to build developmental states, one democratic, the other authoritarian, both proved abortive. The challenge is now to find another pathway to a functional state. The limitations of anti-corruption reforms through extraordinary commissions have been exposed in the context of endemic corruption throughout the ruling elite.

For Cambodia and Myanmar, it is proving even more difficult to find a pathway to prosperity and good government. Amidst besetting problems, it is almost irrelevant as to whether that pathway be democratic, authoritarian or hybrid. More important is that the path be stable and deliver some modest benefits of peace, security and development, including (at least) better government.

In both democratic and authoritarian countries, perhaps the most dramatic socioeconomic change over the past one or two generations has been the phenomenal increase in the level of urbanization, especially in capital cities, and the associated rise of a middle class. In the mid-twentieth century when the new nations of Asia became independent, the level of urbanization outside Japan was of the order of 10–20 per cent (UN 2010). It now stands at around 50 per cent. Apart from the obvious effect of mass rural–urban migration, this has involved a subtle shift in the nature of society. In the villages, families are tied into networks of patronage, loyalty and obligation. In the cities, by contrast, personal networks are more transient. Anomie is a prevailing condition. All this translates into very different relationships with the state. Urban populations are by nature formless, restless and volatile. The notable exception is the middle classes, whose salaries are drawn either from the state itself or from business and professional organizations that stand in defined relationships with the state. Their number has burgeoned with economic growth and prosperity.

The rising middle class is ambivalent about clean government. On the one hand, it tends to believe in good government as a general principle and be willing at some risk to come out in street rallies against rulers or governments that are seen as hopelessly corrupt. On the other hand, as civil servants and clients of the state, the middle class are themselves party to and beneficiaries of corruption in its various forms. Moreover, they have proven adept at distorting government taxation and spending to their own benefit. In many countries there is little responsibility when it comes to paying tax but no reluctance about enjoying large public subsidies such as for fuel use or power. While justified in terms of the benefit to the poor, the reality is urban middle-class welfare: there are much more targeted and effective ways of providing assistance to the rural and urban poor. The willingness to support tough measures against state corruption therefore has a lot to do with how secure the middle class feels itself to be in enjoyment of its privileges, not least a Westernized lifestyle with modern consumer durables.

Conclusion

Corruption is endemic to Asia, as indeed to most other parts of the world. Quite simply, it is part of the way things are done. It is not like some rash or ailment that can be cured by a well-targeted dose of reform. Endemic corruption cannot be brought under control by legal enforcement unless there is broad support, at least within the elite, for moving towards a less corrupt society. Elites are typically fractious in the contest for power, wealth and status. In any transition, whether from colonial rule to independence, from authoritarian rule to democracy, or from a poor rural to a prosperous urban society, elites may – by a sometimes bloody process of trial and error – forge what Burton and Higley (1987) refer to as an ‘elite settlement’ that will maintain order and prosperity (at least for the elite). A low-corruption consensus may be desirable but it is not

a first-order constraint. On the contrary, a high level of corruption may be the glue that holds the elite consensus together. Only after the basic rules have been embedded and are being observed in stable constitutional form does the *quality* of that consensus come to matter.

History does suggest a general, if erratic trend, towards better government. As Britain experienced in the nineteenth century, a country can make considerable progress in quite a short-time if elite norms change and that change is reflected and reinforced in both parliamentary behaviour and the legal system. Since 1945 Western Europe as a whole has emerged from the darkness of Nazi occupation, while Eastern Europe is at last emerging from the drab tyranny of communism. Yet even where good government looks to be established, there is no justification for complacency. The British parliament has been shamed by widespread abuse of expense accounts and associated frauds; the American government has yet to address widespread fraud in defence expenditure, especially in Iraq and Afghanistan. The banking systems of both countries and many others in Europe have been crippled by massive financial engineering that has shaded into fraud and pulled the whole world into economic crisis. In 2010 the profligacy and corruption of some European countries destabilized the whole euro zone. In the absence of transparency and accountability, greed and lust for power ensure that the boundaries of acceptable behaviour soon become elastic.

Although corruption is endemic across Asia, there are some grounds for optimism. Asia straddles the spectrum from rich, developed democracies to poor, unenlightened despotisms, but a popular demand for better government is manifest. In the short-term, elections, one-party governments and business leaders invariably disappoint, and even powerful extraordinary agencies seem overwhelmed. Yet despite obvious exceptions, such as Thailand, this does not mean that the quality of government is actually deteriorating. As in China, economic growth allows the amount of corrupt transactions to increase but, by analogy with taxation, the *rate* of corruption may still be falling. In such a situation, 'perceptions' are unreliable and a gradual long-term trend towards better government may be underestimated.

Another problem with perceptions is that expectations of reform are usually unrealistic. Anti-corruption reform cannot go much faster than reform of government itself, which is a slow and uneven process. The Asian Financial Crisis of 1997–8 triggered a good deal of social engineering that sought to control corruption through the redesign of formal institutions. Bodies such as Thailand's NACC and Indonesia's KPK have had notable success if measured in terms of successful prosecutions of high-ranking figures. China has arrested and prosecuted a much larger number. Whether these efforts have had much impact on the underlying incidence of corruption is doubtful. The networks, hierarchies and dynamics of power, especially the insatiable political demand for funds, the business need for favours, and the usual scramble for wealth and status, are powerful temptations despite the risks of exposure, imprisonment and, in China, even death. Big leaps in terms of ideal formal institutions are likely to fail. However, whatever the system of government, any progress towards transparency and accountability is progress towards better government and is likely to become self-reinforcing. Reformers might better direct their efforts not to pushing on the string of legislative reform but to building reform coalitions and achieving islands of good government in key arms of government such as finance (taxes and expenditures), police, and the courts. It may also be more effective to target cities or provinces rather than whole nations. Even so, marked changes to the status quo are likely only in the wake of crises, the wider ramifications of which make for unpredictable outcomes.

Nevertheless, in Asia as in Europe, the demand for better government and social justice is one of the driving forces of modern history. In Asia over recent decades there has been a trend, perhaps now weakening, towards more democratic, if not as yet less corrupt forms of government. Yet despite the forceful arguments of Amartya Sen (1999) and many others, it would be premature to

assume that democracy will necessarily be the model for the future. In Asia there are no core prosperous and democratic countries like the six of the original Common Market that set a standard, however imperfect, for democratic government. In that vacuum, China's authoritarian system with its amazing record of economic growth, as also Vietnam and the prosperous, one-party, city-state of Singapore may well be seen as viable alternatives to weak, corrupt and unstable democratic regimes.

Note

1 I am grateful to Sofie Schuette and Peter Verhezen for their comments.