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Point-Counterpoint

Understanding Corruption from a global perspective

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In the present-day world, corruption has received widespread attention in the development discourse both at national and international levels. A good number of initiatives are already existent particularly at the international level, which are geared towards curbing corruption. These initiatives are mainly spearheaded by Organisation for Economic Cooperation and Development (OECD) countries. Whatever the initiatives undertaken so far, the trend, which is common in the perception about corruption, is that the developing countries are involved in corrupt practices. This construction of idea and perception have led us to think about the causalities of corruption within the local context. But there is no denying the fact that whatever the practice at the local level, be it good or bad, is shaped and influenced by global policies.

Unfortunately, the global perspective is hardly taken into account. As a result, the supply side of corruption which is characterised by bribe-paying and promoted by global policies and stakeholders gets muted while the demand side of corruption characterised by bribe-takers becomes more pronounced in the corruption perception. Therefore, it is of paramount importance to gain understanding about the morphology of corruption from the perspective of demand and supply.

Corruption is not country-specific

At first instance, there is no denying the fact that corruption is pervasive irrespective of geographical location. However, the magnitude of corruption appears to be higher in case of developing countries and therefore, these countries have to give higher toll/and or are blamed profusely. On the contrary, the corruption of the developed countries does not surface prominently. This happens because, it is the level of economy of the developed countries that gives the edge to offset the toll and thereby to compensate resultant negative consequences of corruption while the developing countries, given the level of predominantly transitional economy, cannot afford this consequence. And this feature of corruption about developing countries gets prominence primarily through what is known as Corruption Perception Index (CPI) prepared by Transparency International.

Indeed, the amount of corruption attached to these countries is a cultural construction in the sense that the CPI is usually developed on the basis of perception of the business executives and the world economic elites at large and hence the corruption perception gets biased against the developing countries. David Hall has succinctly pointed out this perception bias in his report entitled *Privatization, Multinationals and Corruption*. The way he argues on this bias is that 'TI produces a league table of countries that are perceived as corrupt

by business executives. Fairly enough, TI itself has articulated the aspect of criticism about the CPI for being 'unjustly biased against developing countries' under the heading of 'special feature' of its own newsletter published in December, 1998. In reality, the developed countries like USA, UK, Germany France, Belgium, Japan etc. are not free from corrupt practices. This can be substantiated with a cross-country analysis made by a scholar working with Transparency International which indicates that the countries like Singapore and New Zealand, which are posited at the upper end of the honesty index are not free from corruption when it comes to the question of business dealings.

However, my intention here is not to overlook the corrupt practices that are existent in the developing countries. Rather, I would like to simply divert the preconceived notion of corruption to the developed ones at first instance. Now, the question may arise along the dichotomy of givers-takers and argument could go like this: why the developing countries receive bribe and get involved in corrupt practices regardless of whether developed or industrialised countries are corrupt or not? This is the major turning point from which I would like to proceed with the argument that to what extent the nation states or developing countries will be able to refrain themselves from receiving bribery depends greatly on the state of rights and sovereignty that an individual country is exposed to. Before that, I would like to shed some light on the conceptual understanding about corruption.

Governance and corruption

There are many complex ways of defining corruption and this complexity arises because of various features of it which are very much context-specific. In one context, it may feature with gift while in other context, it may appear as concessions, bribery, contract, incentives, commission etc. Therefore, instead of searching for a universal definition, corruption could be understood from the perspective of its characteristic feature and the situation that creates avenue for its incidence. It is widely recognised that one of the important characteristic features of corruption is that it is directed towards private gain through abuse of public office. Another important aspect of understanding is that it takes place in such a condition where governance fails and this failure of governance or bad governance paves the way for misuse of decision-making power towards corrupt ends. In this regard, the failure of governance is usually referred to the public officials of the country where corruption takes place. This is further reinforced by the common belief that the developing countries are engaged in corruption when the incidence of corruption is analysed along the north-south dichotomy.

This notion of corruption about the developing countries indeed stems from the conventional approach and is maintained from the perspective of administration and bureaucracy. However, this notion is more apparent than real in the sense that corruption has become an international phenomenon in an age of globalisation where the economic behaviour in general and the corrupt practice in particular in developing countries are inextricably linked to global governance system. Therefore, it is important to review this preconceived notion of corruption keeping the dynamics of global governance in perspective.

Who rules the corrupt game?

As I mentioned before, conventional knowledge about "administrative

corruption" is ingrained in the mindset leading towards the belief that the site of corruption is the national government and precisely the developing countries. But this provides us with an incomplete picture because the perspective of corruption has been developed around the bribe-takers while the role of bribe-givers in the corruption web has remained absent. However, my intention here is not to elaborate the role of bribe-giver, but to situate them in a global context so as to uncover another dimension of corruption which has become prominent under the aegis of global governance and eventually examine as to whether the developing countries are corrupt or it is the actors steering the wheel of global governance which has compelled them towards corrupt practice.

Indeed, the global governance has emerged in the wake of globalisation in order to tackle the problems caused by its process. The global governance system emerged from three major streams: (i) multilateral and inter-state organisations such as UN, WTO, the IMF and the World Bank etc.; (ii) large corporations constituting corporate governance; and (iii) non-government organisations which are called Transnational NGOs such as Amnesty International, Oxfam etc. Of these three variants of global governance, the large corporations of the industrialised world which are also termed as 'global private sector governance' play a dominant role in terms of setting the rules governing the conduct of business across the borders. The magnitude of dominance of the private sector global governance can be better understood from its small fraction i.e., the International Chambers of Commerce (ICC) that enjoys unrivalled authority in making rules in favour of large corporations based in the industrialised world. Therefore, the needs of those companies who have become more global in their operations, production networks, and commodity chains are reflected well by the global governance system. This landscape of global governance system gives these companies namely, transnationals and multinationals, the leverage to avoid state or inter-state regulation, create their own tier of private-sector 'governance', 'standard setting', 'codes of best practice' or self-regulation where possible, undermining the priorities and consent of the affected states, precisely the developing countries.

From the above it is evident that the developing countries are dominated by the global rules set predominantly by the corporate governance. It implicates that corrupt practice in the developing countries has more to do with the corporations. This may pose a question, however, how the corporate governance rules the corrupt game? The answer lies in the way the multinationals often bind the state with the global rules. And one of the most prevalent ways of binding is characterised by the method, which is called 'state capture'. The objective of this 'state capture' is believably realised as they say, 'purchase' of public laws, rules, and regulations by way of bribing mainly politicians and bureaucrats in the developing countries. However, this process is not as smooth as it is perceived in all cases. In case of country with strong resistance to bribery, the multinationals justify their approach capitalising on the argument that the anti-bribery laws of developing countries are dead letters that mean nothing.

Global policies

The global policies that have been dominantly in operation during the last two decades or so around the world are known as Structural Adjustment Programmes (SAPs). The major areas under the SAPs policy package include privatisation, economic liberalisation, downsizing public services and decentralisation. It is to be noted here

that within the overarching objective of poverty reduction, all these policies are envisioned towards curbing corruption targeted to specially the developing countries. And their effectiveness in terms of reducing corruption of these countries has also been justified by the architects of these policies such as the IMF and the World Bank. However, the justifications have been proved to be ineffective which can be substantiated from much of the empirical evidence from the World Bank itself suggesting that far from reducing corruption, such policies in some cases have increased it. Amongst these, policies, I would like to draw on privatisation and economic liberalisation as representative of global policies in order to provide a snapshot view about how these policies are linked to corruption.

With regard to privatisation, it is to be noted here that the process is followed by contracts and concessions. These contracts and concessions are indeed the routes through which corruption takes place. One of the documents of the World Bank authored by Roser-Ackerman (1995) states that 'a firm may pay to obtain a low assessment of the public property to be leased or sold off, or to be favoured in the selection process'. The document also mentions that the 'firms that make payoffs may expect not only to win the contract or the privatisation auction, but also to obtain inefficient subsidies, monopoly benefits, and regulatory laxness in the future.' And needless to mention that in almost all the cases of bidding procedure under contract system, it is the multinationals, which tend to bribe the government of the host country to get the contracts or concessions. In this circumstance, the governments and or the politicians of the host country are commonly alleged for involvement.

However, what remains behind the scene is the influence of multinationals having economic power. There are ample evidences where the multinationals exerted pressure on 'host' to win the contract and in case of resistance from the government, the multinationals were supported by their own governments. Simply, the weapon used by the western governments to assist their multinationals is the global policy attached to the IMF loan to be approved in future. The case of Pakistan can be referred to here. Information articulated in a briefing paper entitled *Exporting Corruption: Privatization, Multinationals and Bribery* authored by Susan Hawley maintains that in the face of court battle around the alleged corruption against 21 western companies, Pakistan was warned by the British, US, Japanese and Canadian governments that 'its clash with the power companies would put off other investors. The IMF, meanwhile, went so far as to make a new package of loans at the end of 1998 conditional on the government's dropping the charges against the companies'. In the Philippines, following the challenge made in the court against privatisation awards made to some western companies, the entire business community of the OECD countries insisted on the court for not ruling against western business interest. Lack of respect to the local court decision is more prominent in case of India where Enron Corporation sought arbitration in London defying the decision of the government of Maharashtra to end or renegotiate energy deal with it.

Like privatisation, economic liberalisation also has created avenue for corruption. It has weakened and in some cases made the regulatory framework of the country of operation redundant which has in effect paved the way for corruption. And this corruption is manifested in the form of money laundering which is fostered under the aegis of one of the variants of privatization policy i.e., privatisation of banks. Indeed, the process of privatisation of bank came out as a creature of the

western governments in the 1980s, who, given the lack of opportunity to lend to the third world, started to pursue wealthy individuals in the Third World to place their wealth in private bank accounts which are to a considerable extent headquartered in the leading industrial countries. Gradually, this setup turned into the conduits of bribery and corruption in the sense that the exchange of currencies and asset, which promotes *inter alia*, "economic liberalisation", became unquestionable in the age of globalisation. Referring to Susan Hawley's above-mentioned report, Shomeshwar Singh in his report entitled *Privatization and 'Reforms' Spread Corruption* catalogues 'private banking services and offshore financial centers as the major conduits and repositories for bribes and corrupt gains'.

The corruption morphology

In the light of the global policy paradigm and their implications on bribery and corruption, I would like to refer to the morphology of corruption from the perspective of demand and supply in order to uncover the reality as to which one of the two is dominant in the entire corruption web. As discussed before, the prevailing notion blaming developing countries of corruption offsets the perspective of the bribe-givers and hence the supply side of corruption is indeed reinforced by the 'double standard' approach. Such as, the global governance institution like the World Bank refers to voluntary standards of behaviour for corporations and investors while, in case the developing countries are found to be corrupt, the same institution refers to the sanction by curtailing its level of support to these countries.

The above descriptions substantiate the fact that it is the global policy pressure which, even in case of resistance, compels developing countries to get involved with corruption. It implicates the fact that it is the supply pressure followed by policy sanction, which is more dominant rather than the demand from the governments of the developing countries. A very short profile of the volume of money paid by the industrialised countries will spell out the extent of supply side corruption. According to Hawley's report, a conservative estimate of bribes paid by these countries run to the tune of US\$ 80 billion per year. The report provided by the magazine *World Business* says that the bribes paid by German companies alone were over \$3 billion for the year 1996. Similarly, a report from the Confederation of Construction Specialists indicates that the cost of illegal payments for contracts to the UK construction industry is estimated at £539 million each year.

Conclusion

The article intends to surface out the supply side corruption, which usually gets lost in both the praxis and practice and anti-corruption initiatives. However, having sketched out the perspective of supply side of corruption or the bribe-payers, I do not rule out the existence of corruption at the local level and actions to be undertaken to curb it. Instead, I endorse the view that it should be taken on board as a national issue of concern and the necessary social forces have to be mobilised to tackle the problem. But my major concern is getting away with the preconceived notion of corruption where the developing countries are usually referred. There has been an ongoing efforts towards anti-corruption initiative followed by OECD convention held in 1997. However, a little breakthrough has been observed in the mindset of westerners, particularly among the corporations. Working only at the national level will not be meaningful unless the global level initiatives are strengthened.

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