

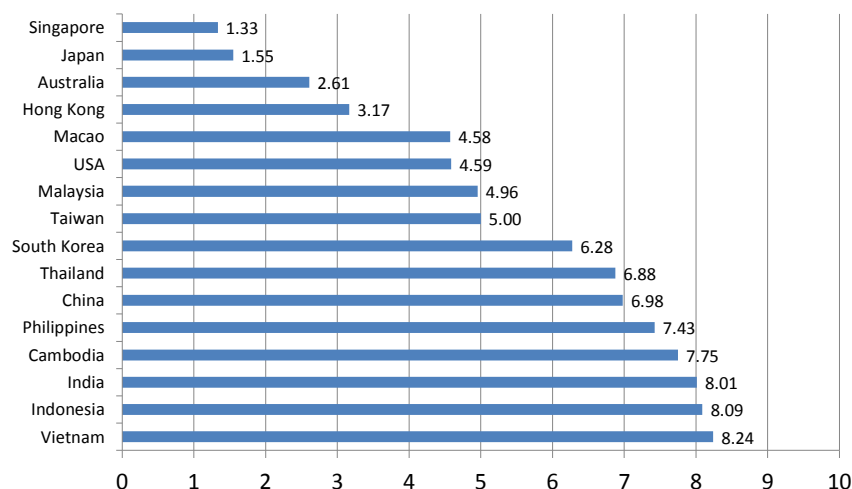
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Perceptions of Corruption in Asia, the US and Australia



Grades are scaled from zero to 10, with zero being the best grade possible and 10 the worst. The question asked was: "How do you grade the problem of corruption in the country in which you are working?"

REGIONAL OVERVIEW ..2	INDONESIA14	SOUTH KOREA.....24
AUSTRALIA6	JAPAN16	TAIWAN26
CAMBODIA7	MACAU17	THAILAND.....27
CHINA.....9	MALAYSIA.....19	UNITED STATES.....29
HONG KONG.....11	PHILIPPINES.....20	VIETNAM35
INDIA.....13	SINGAPORE22	EXCHANGE RATES.....36

REGIONAL OVERVIEW

Annual review of corruption in Asia -- 2015

Perceptions about the level of corruption in Asia have improved compared with one year ago in every country covered by *Asian Intelligence*, with two major exceptions (neither of which is a country in its own right). The biggest improvement has been in Thailand and the biggest deterioration in perceptions has been in Macau. Singapore remains the country where perceptions about corruption are most favorable, while Vietnam has fallen to the bottom of the list. Although perceptions about the level of corruption in Vietnam improved slightly compared with one year ago, the magnitude of improvement was less than in India and Indonesia, which moved up in the rankings.

There are good reasons for both the improvements and deteriorations in perceptions that took place. China, for example, for over a year now has been on a high-profile anti-corruption campaign that has touched all levels of government, major state-owned companies, the military and even foreign investors. On the one hand, the campaign shows how extensive corruption really is in China and it would not have been surprising if perceptions had deteriorated based on these revelations. However, that this did not happen and perceptions, instead, improved indicates that people in China are impressed with President Xi Jinping's efforts to fight graft and feel he is making headway.

However, China's anti-corruption campaign means problems for its two Special Administrative Regions, Hong Kong and Macau. Beijing's has called on both these SARs to support it in its anti-corruption efforts. In the case of Macau, this has caused gaming revenues to plunge and raised the urgency with which the government is seeking new industries on which to build future economic growth. The big deterioration in Macau's perception score is not an indication that the level of corruption there has actually increased; it is a sign that people living in Macau are much more aware of the cross-border vulnerability of Macau to corruption in China and that it cannot simply look at graft that takes place

strictly within Macau's borders as the limits of the problem. Macau will be increasing its monitoring not only of the activities of the casinos but also of financial institutions and other businesses that are involved with the movement of funds. Since the parameters of the fight against corruption are being widened, it is understandable why the perceptions of corruption in Macau have deteriorated. Respondents are including activities in this definition that they were not previously paying a great deal of attention to since they were not considered to be a problem for Macau.

The situation in Hong Kong is similar. Its economy has been adversely affected by China's corruption crackdown in numerous ways. Per capita spending by Mainland tourists has decreased. The SFC has had to step up its monitoring of Mainland companies listing in Hong Kong to make sure they are complying with Hong Kong's standards. However, the main reason perceptions in Hong Kong regarding corruption have deteriorated has less to do with China than with the unethical behavior revealed in scandals involving top government officials and leading local business executives. That said, Hong Kong is prosecuting corruption cases when they are uncovered, and overall perceptions of the level of corruption are still quite good, but the challenge seems to be growing and people are more concerned with the problem than before.

Taiwan is also vulnerable to developments in China, but its links with the Mainland are less extensive than is the case with Macau and Hong Kong, so Beijing's anti-corruption crackdown has not had nearly as big an impact. This could change, however, the more those links grow, and fears of this happening could cause local resistance to cross-strait negotiations to build. At the same time, corruption within Taiwan remains a very sensitive issue that could be politicized more the closer the time comes to the next elections. The new mayor of Taipei, a political independent, has been very popular because of his initiatives to reduce the opportunities

for corruption at the municipal level. He is focusing on shortcomings that both major political parties have tended to gloss over, and this could cause these issues to get a lot more attention in the future, especially if he makes changes that produce positive results – or are seen to do so.

China was not the only country to raise the profile of their anti-corruption efforts. Thailand, Korea, India, and the Philippines have all had campaigns of their own. In all cases, local populations have grown so frustrated with corruption that the issues were politicized and new governments came to power promising to do more to fight graft. Those promises are largely what won the new governments support to begin with. The Philippines has been at it the longest, since its anti-corruption campaign began when President Aquino first came to power in 2010. During his first two years in office, perceptions of corruption actually increased – largely because he put the spotlight on the problem. However, starting in 2013, our survey scores began to improve, and they have done so every year since then. People in the Philippines are impressed with his efforts and his own integrity.

India and Thailand both got new governments around the same time last year. The BJP won the election in India in large part because voters were fed up with the former government's poor record in fighting graft. The new Thai government came to power through a coup based in large part on accusations that the elected government it replaced was too corrupt to be allowed to stay in power. In the case of India, feelings are that the new Modi government has been cleaner than its predecessor and our survey results reflect this, but the recent elections in Delhi in which Mr. Modi's Bharatiya Janata Party was crushed by the Aam Aadmi Party, which focused its campaign almost exclusively on corruption, shows that Mr. Modi still has a long way to go before he really wins people's confidence. Right now his government is considered to be cleaner than its predecessor but it has not sent out a signal that it is really ready to fight corruption at its roots.

Many of the people in Thailand who replied to our survey agreed with the military junta's argument that the former civilian government

allowed corruption to grow too much. The big improvement in perceptions is an indication that they so far believe the new government is really raising the profile of the fight against corruption by giving the Office of the National Anti-Corruption Commission more power and leeway to do its job. The junta's leader, General Prayuth Chan-ocha, who is now prime minister, has promised to root out corruption from all government institutions, and people want to believe he will do that. Given the choice between a flawed, corrupt democracy, and a cleaner system that is more authoritarian, the preference of most respondents is for the latter provided it can deliver on its promises. If it cannot, this will be reflected in a deterioration in perceptions toward corruption in future surveys.

We did not include Indonesia with the other countries where anti-corruption has led to government changes. Even though Indonesia did get a new government last year, the need for cleaner government really became an election issue when the previous government of former President Susilo came to power. It is clear that one of the main attributes a presidential candidate needs to be successful in Indonesia is to be seen as being cleaner than the other candidates. This is more important than money or party organization size. The level of corruption in Indonesia is still large and systemic, with powerful vested interest groups and weak institutions, but the one institution that has maintained a high reputation for integrity is the Anti-Corruption Commission. This is a David vs. Goliath story that might not have a happy ending, but average Indonesians are strongly supporting David and so far the KPK has had remarkable success in fighting graft despite its limited resources and inability to do more than scratch the surface of the problem. There are few if any signs that corruption has actually decreased as a problem, but having a president who is personally not seen to be neck-deep in the problem and a KPK that is still getting some high profile arrests and prosecutions was enough to cause perceptions to improve a bit this year compared with last.

Cambodia did not have a change of government, but it did undergo an election in July of 2013 in which the opposition scored major gains and one of the issues raised was corruption. Although

the government stayed in power, there were numerous large demonstrations in the months that followed the elections. Most were over labor issues, but frustrations with corruption also surfaced. The reason Cambodia's score is better this year is because Prime Minister Hun Sen has gotten the message and has brought some fresh faces into his Cabinet. These ministers have adopted a much harder line against corruption, including banning practices that were previously tolerated and computerizing more filing requirement for business to reduce face-to-face contact with officials. The country's anti-corruption agency has also stepped up its efforts and is working more closely with major foreign investors to fight the problem. Clearly, a lot more remains to be done and Cambodia remains one of the more corrupt countries covered by this report, but perceptions have still improved.

Korea has a special problem with corruption. We say special because perceptions there are worse than in any of Asia's other developed economies and have been for some time. Over the years, various governments from all parties have talked about the need to reduce corruption, but none have acted on their rhetoric effectively, which in itself has added to the public's disappointment and skepticism. The present government headed by President Park Geun-hye has made many of the same promises, but as a result of national scandals like the Sewol ferry disaster, there is even more pressure on her actually to follow through. Judging from the improvement in the latest perception score, she seems to be making some headway, and moves like the new anti-graft law are making a positive impression.

Singapore and Japan have long ranked high in our survey. Both have instances of corruption, but both also have checks and balances that uncover acts and prosecute them. In Japan's case, there are more such acts. In the past year, for example, the Abe government has been drawn into several scandals over political donations and irregularities in the handling of political funds. Overall, however, foreigners in Japan from Western developed economies like the US and EU nations have a more favorable impression of the level of corruption in Japan than they do in their own countries.

In order to have benchmarks against which to measure the scores for Asia, we also surveyed the US and Australia. The scores for Australia match the best for Asia. Although the types of corruption noted most in Australia involved influence pedaling, one of the biggest criticisms that also matched criticisms of Singapore and Japan was that major local companies do not always practice the same standard of ethics in their foreign business that they do at home. This could become a bigger issue the more that the spotlight shines on cross-border aspects of corruption.

This is already an issue in the US, but what is noticeable from the US responses was how critical people are of corruption at home. There was a wide range in scores, but there was a great deal of consensus on the nature of the problems that exist, with political lobbying figuring near the top of the list and, in broader terms, how money can buy votes and steer legislation in ways that undermine the system of democracy and the broader interests of society.

One of the reasons the US section of this issue of *Asian Intelligence* is so much longer than the other countries is because of the detailed responses we received citing specific concerns about dimensions of corruption in the US. We received roughly the same number of responses on each country (at least 100 for every country; 109 for the US; and 1,648 overall). All responses were either collected in face-to-face interviews or in response to e-mails directed to specific people obtained from different national business chambers, conferences, and personal name lists. All respondents provided scores and comments only for the country in which they are currently residing. Respondents for each country include local business executives who are nationals of the countries, academics and expatriate executives. All data was received between January 2015 and late March 2015. We asked the following three questions: First, how do you grade the problem of corruption in the country in which you are working? Second, has corruption decreased, stayed the same or increased compared with one year ago? Third, what aspects or implications of corruption in your country stand out to you as being particularly important?

Most of the responses to the third, open-ended question overlapped with each other and focused on a few broad areas. In this report, we consolidated those responses to the broad points mentioned. In contrast, US respondents generally went into more detail. There was a great deal of overlap, but there was also a lot more information on different aspects of corruption that was not mentioned in the responses from Australia and the Asian countries. We have therefore consolidated the responses from the US where we could, but we also tried to show how a broad spectrum of Americans views different dimensions of the problem. We thought that this not only provided insights into the situation in the US that are interesting but also might stimulate thinking of readers in other countries if the actual corruption they experience might have similarities to what is happening in the US. Therefore, we thought devoting the extra space was worth it.

As we have already noted in the case of Macau, the reason we think this year's score is so much worse than last year is because of developments in China and Macau's links to those problems. Beijing's call for Macau to support its anti-corruption efforts has changed the terms of reference for many residents in Macau of exactly what the issue of "corruption" entails that is relevant for Macau. Similarly, the corruption involved with the US sub-prime crisis was another example of how a problem in the US was actually a problem for the world. With this in mind, it is important to worry not just about corruption as it exists within narrowly defined borders but on a broader cross-border scale. The spread of the Internet, social networking and virtual money like Bitcoins is only going to make this problem bigger and more complicated.

Changes in Perceptions over the Past Decade Regarding Corruption

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Australia	1.67	0.83	0.98	1.40	1.47	1.39	1.28	2.35	2.55	2.61
Cambodia	n.a.	9.10	8.50	8.10	8.30	9.27	6.83	7.84	8.00	7.75
China	7.58	6.29	7.98	7.30	6.70	7.93	7.00	7.79	7.10	6.98
Hong Kong	3.13	1.87	1.80	1.74	1.75	1.10	2.64	3.77	2.95	3.17
India	6.76	6.67	7.25	6.50	8.23	8.67	8.75	8.95	9.15	8.01
Indonesia	8.16	8.03	7.98	7.69	9.07	9.25	8.50	8.83	8.85	8.09
Japan	3.01	2.10	2.25	2.63	2.63	1.90	1.90	2.35	2.08	1.55
Macao	4.78	5.18	3.30	3.75	5.71	4.68	2.85	4.23	3.65	4.58
Malaysia	6.13	6.25	6.37	7.00	6.05	5.70	5.59	5.38	5.25	4.96
Philippines	7.80	9.40	9.00	7.68	8.25	8.90	9.35	8.28	7.85	7.43
Singapore	1.30	1.20	1.13	0.92	0.99	0.37	0.67	0.74	1.60	1.33
South Korea	5.44	6.30	5.65	4.97	4.88	5.90	6.90	6.98	7.05	6.28
Taiwan	5.91	6.23	6.55	5.85	5.62	5.65	5.45	5.36	5.31	5.00
Thailand	7.64	8.03	8.00	6.76	7.33	7.55	6.57	6.83	8.25	6.88
USA	2.83	2.28	1.83	2.71	1.89	1.39	2.59	3.82	3.50	4.59
Vietnam	7.91	7.54	7.75	7.40	7.13	8.30	7.75	8.13	8.73	8.24

Grades range from zero to 10, with zero being the best grade possible and 10 the worst.

The specific survey question asked was: "How do you grade the problem of corruption in the country in which you are working?"

Note, this is slightly different than previous years when the question was phrased: "To what extent does corruption detract from the overall business environment?"

AUSTRALIA

Comments

There was a small increase in the score assessing perceptions of corruption in Australia this year compared with one year ago. This is also consistent with the subjective opinion of the respondents. Just under two thirds felt the problem had remained the same. Another 25% thought it had deteriorated, while less than 13% felt there has been an improvement. The country's overall score is still very favorable, but Singapore and Japan are two Asian countries that scored better.

The magnitude of corruption is perceived to differ depending on which level of government is being evaluated. However, some respondents were more negative and took a more inclusive view of the problem in government. In the words of one respondent: "There are no persons of stature and integrity representing any party. They are all grubby self-serving politicians, most of them former lawyers." What no one said or implied is that Australia has licked the problem of corruption or was even making major headway in reducing the problem to the extent that it exists.

A sampling of the more positive responses:

1. Not sure if I have been too light on assessing levels of corruption in Australia, but it is not all that significant in this country, although levels do exist and as we say "there is no such thing as a free lunch."
2. Occasional political/commercial instances, as well as in the union movement. Together, these instances potentially undermine confidence in an otherwise "clean" environment.
3. Last year's big increase in the number of allegations to the Corruption and Crime Commission in Western Australia about misconduct by public officers is not a reflection of an increase in the problem but of a growing awareness of misconduct issues across the public sector.

A sampling of the more negative responses:

1. Politicians continue to abuse their entitlements claiming for private travel, accommodation outside their electorate, overseas trips, credit card use and so on. When they are found out, they are required to pay back the claims plus a penalty of 25%. I think it should be 300% and a minimum one month jail term. A lot of it probably never comes to light as you have the fox looking after the hen house. There is also dodgy funding of political parties by outside groups seeking favors. It is all very seedy. I think there is also a large degree of underhand dealings in the union movement. In summary, there is a general abuse of power within the ranks. I don't think we have reached the level of Asian and African corruption, but there is less morality than before. Honesty is giving way to greed.
2. There might not be a culture of backroom deals and influence peddling, but such practices happen frequently enough to have tainted the reputations of all major political parties.
3. "Mates rates" deals, travel rewards and similar such favors for local politicians, key stakeholders like some unions, from contractors, property developers and some foreign suppliers and investors. Not widespread but instances are regularly reported, which implies a lot more go undetected.
4. ICAC revelations of political corruption in both major parties, especially in NSW, ranging from manipulation by ministers of government contracts and licenses for personal financial benefit to acceptance of illegal

donations from property developers by political candidates. Moral corruption in Federal government's dealings with refugee issues (offshore detention, attacks on NGO whistleblowers re sexual abuse in Nauru, resettlement deal with Cambodia, a country without experience in refugee resettlement, its own development problems and poor human rights record).

5. Corruption in any jurisdiction undermines confidence, adds to cost, creates sovereign risk issues & concerns and ultimately goes to undermining the very foundations of the market and the economy in that jurisdiction. As we have seen recently in NSW, Australia is not immune from these impacts.
6. Australian companies have lower standards in their foreign business practices than they do in Australia. The government should do more to bring to account Australian companies involved in fraudulent land and business leases in Papua New Guinea.
7. Attempts to smuggle refugees into Australia from foreign countries like Iraq, via Malaysia and Indonesia are not being perpetrated by foreign snakeheads acting alone. There are people in Australia who are also complicit in this problem. It is the same for drugs and other smuggling offenses.

CAMBODIA

Comments

The score in our survey is slightly better this year than last and almost 75% of the respondents to our survey thought the problem had lessened in the past year, while the remainder thought it stayed the same. Very few felt it had deteriorated. The improvement is probably due to the way Prime Minister Hun Sen has stepped up the fight against corruption since July 2013 elections and the increase in demonstrations that followed. The new Anti-Corruption Agency has also had some success working with major foreign investors like Coca Cola to create a system in which the problem of under-the-table payments is greatly reduced. There are only a few of these test cases so far, but they are an indication that progress is being made in making payment systems more transparent. This is particularly the case in Customs, so the process for importing materials is more straight forward and less vulnerable to abuse than was the case a year ago.

In the wake of the last elections, the Prime Minister seems to be responding to public complaints in ways that improve what people perceive to be some of the weakest institutions. For example, he has appointed strong, reform-minded ministers in the ministries of education, commerce and environment. All of these individuals have made a positive impression with their initial reform efforts – so positive that other ministries are being pressured to be seen embracing reform more seriously too. One of the major changes these new ministers is pushing is to automate certain filing processes, reducing the need for business managers to meet face-to-face with officials and thereby reducing the opportunities for illicit payments. Both the Ministry of Economy and Finance and the Ministry of Commerce are automating certain procedures like Customs declarations, new company registration and Certificate of Origin.

Another initiative is to address major institutional shortcomings that have allowed cheating, compromised standards, and created an environment in which illegal payments were taken as an accepted practice. Over the medium-term, these reforms should also help to improve other shortcomings like the low-quality of many types of labor, since higher educational and testing standards should raise the caliber of graduates.

However, there is no magic pill that can fix institutional deficiencies quickly. While several important ministries do have new heads, other important ones are still headed by the same people who have resisted reform all along. It will be important to monitor how these different groups share power in the future, especially in cases where there are overlapping responsibilities. For example, the Education Ministry does not have authority over vocational training, which is the preserve of the Labor Ministry. Thus, while the standards of schools under the Ministry of Education are being raised, this initiative does not cover technical schools and training programs that fall under the Labor Ministry.

Small under-the-table payments and “gifts” to officials are common. However, the actual magnitude of corruption is not particularly large. Research shows that companies spend a lower percentage of sales on informal payments in Cambodia than is the case in many other economies in the region, including Vietnam, Indonesia and India. Secondly, in many vital areas, red tape, which is normally associated with higher levels of corruption, is less in Cambodia than in other economies. For example, the process of seeking foreign investment approvals is relatively straight forward. Moreover, it is easier moving funds into and out of Cambodia than it is in many countries, including China, Vietnam and India. This reduces the incentive for many types of corruption that are prevalent elsewhere. Thus, while it important to recognize that corruption is still a serious problem in Cambodia, it is also important to keep it in perspective. As frustrating as corruption is, the problem has not prevented Cambodia from growing at an annual average real rate of 7.7% for the past two decades, making it the sixth fastest growing country in the world over that time period according to the World Bank.

The country is now at a stage where the government is under pressure to operate more transparently – and in the past year there have been steps taken to do so. Much more remains to be done. Powerful individuals and vested interest groups who are on the receiving end of corruption have a strong personal interest to keep things the way they are, but recent indications are that they are under increasing pressure from the Prime Minister to modify their practices so the institutions of the country can mature and not be undermined by graft. The trend, therefore, is to limit the growth of corruption so it does not undermine the country’s growth prospects or political stability.

A new aspect of corruption surfaced last year thanks to the actions of the new Minister of Education, who pushed strict “no cheating” rules. In 2012 and 2013, more than 80% of the Grade 12 high school students taking the national exam passed it. In 2014, 70% failed. The difference is that in 2014 cheating was not tolerated. This past year’s strict no cheating standards saw just 11 out of 93,000 candidates who sat the exams August 2014 receive the top A grade; 219 students received B’s, and 907 received C’s. This was the first year that students were not allowed to bring mobile phones and cheat sheets into the exam rooms, teachers were not allowed to leak test papers for a fee, and students were not allowed to pool money to get proctors to turn a blind eye to their cheating.

The fact that this was even necessary says a lot about the shortcomings of Cambodia’s education system and the quality of both its teachers and graduates. This means that from an early age, students learn in an environment where paying bribes is not only normal, but expected. In a very real sense, therefore, the attempt by the Minister of Education to eradicate cheating is a critical step in wrestling with the broader problem of corruption in the long-term by attacking the culture of corruption at its heart. However, there is no quick fix to this kind of problem. It will take at least a generation, since the educational mistakes of the past have seriously warped what average adult Cambodians who have been molded by this system consider to be appropriate behavior.

A sampling of the more positive responses:

1. China’s clampdown on corruption and money laundering will affect Cambodia too. If Beijing wants to stop certain practices in Cambodia that facilitate corruption in China, Phnom Penh will not hesitate to comply.

2. Some ministries are leading reform. They include the ministries of commerce, economy & finance, and education.
3. The ministry of commerce is trying to push Cambodia higher on the World Bank's Ease of Doing Business ranking by moving more to electronic platforms and reducing face-to-face time between business executives and officials, reducing opportunities for corruption.
4. The new Budget emphasizes an improvement in efficiency of spending.
5. The anti-corruption agency is entering into special relations with some foreign firms like Coca Cola.
6. Anti-corruption and other reforms will work as long as everyone can see their piece of the pie is growing, but if the economic pie does not grow, resistance to reform will increase and those with the power to be corrupt will use that power to protect their interests. Fortunately, it looks like the pie will keep growing.

A sampling of the more negative responses:

1. Crime is getting worse. Police are terrible. Won't take a tuk-tuk after 10 p.m.
2. Some ministries are not reforming enough. Their leadership is "old school." They include the ministries of agriculture, labor and the Cambodian Development Council. Even in ministries that have new reform-minded ministers, there is a lot of internal resistance to change. The institutions of Cambodia are so weak that they do not deliver what the leadership often is asking for.
3. Education standards are terrible. The whole system is weak. Students can cheat in attending and exams. They are not really trained for the degrees they hold.
4. Decisions and implementation could be more protracted now due to longer discussions that are likely to take place.

CHINA

Comments

China either has the biggest corruption problem in Asia or its government is doing the most to fight the problem. No country even comes close to the number of media reports or column inches devoted to China's corruption scandals, which in itself is a measure of both the scale of the problem and the government's efforts to deal with specific cases. Unfortunately, it is also an indication of the amount of money to be made from corruption in China. The scandals just keep coming despite penalties on those convicted of graft being among the harshest in the world. Indeed, about the only indication that those participating in graft might be cutting back on their abuses due to fear of prosecution is the way gaming revenues in Macau have nosedived since President Xi Jinping extended his "fox hunt" to the SAR late last year. On the other hand, the fall in gaming revenues might also reflect the way those involved with corruption are simply taking more care to hide their activities from investigators, driving it further underground without really reducing the scale of the problem.

Our survey results paint a complicated picture – which is what corruption is in China. Half of the respondents said the problem of corruption has decreased in the past year. Another quarter of the respondents said it has stayed the same, while another quarter said it has increased. Averaging all the individual scores provides a consolidated score that is slightly better than last year. It is also considerably better than the scores

for the Asian countries where the problem of corruption is seen to be greatest, but it is worse than any of Asia's industrialized economies, including South Korea, where views toward corruption are quite critical.

There have been so many senior officials arrested for corruption in the past year that some immediate questions arise. First, just how much money has corruption cost China and its state-owned companies and why hasn't there been more economic fallout than there has? Greed on the scale being described should have left some of the worst effected companies in especially weak financial condition. Second, how badly has the quality of institutions plagued by corruption been hurt by the graft? The military is the most obvious example but it is far from being the only one. The quality of the PLA officer corps must have suffered as a result of the widespread practice of paying for promotions. How much have the PLA's actual fighting capabilities been hurt by this practice? Third, what is the risk that the corruption crackdown might result in heavy capital flight and undermine investor confidence in China's prospects? Closely related to this, what is the risk of either a backlash against the corruption crackdown by those who feel vulnerable or that the crackdown is pushed so far that it seriously weakens the base that underpins the Communist Party? Either way would hurt political stability. Finally, since the legal system is still deficient, as is the entire system of checks and balances, what is the risk that those removed from senior positions on charges of corruption are replaced by new officials who behave exactly the same way and enjoy the protection of the Party's leadership?

It is impossible to answer any of these questions with a great deal of confidence, which is why China's problem with corruption is so serious. The Communist Party leadership has long warned that corruption is a cancer that threatens both China and the Party. They were correct, and it now looks like the cancer has spread very far. Dealing with it requires radical treatment that will have painful side-effects for both China and other countries, since it will affect China's role as an importer, exporter, investment site and source of investment. It will affect its growth potential and exchange rate stability. It might possibly polarize different factions within the Party and government and make the government even less tolerant of whistle-blowing or independent assessments that contradict the official view.

A sampling of the more positive responses:

1. If the government is serious about tackling corruption, then it has made a noticeable start. However, it is too soon to gauge the success.
2. As China's legal system grows stronger and government departments are communicating better with each other more than before, the environment for corruption is becoming more difficult. I find my last years working in China much easier and open book than before.
3. Things are considerably better than a year ago though it is all a question of how long they can keep this campaign up without making a fundamental change in the legal system so that the Party really is restrained by law. This is unlikely to happen anytime soon.
4. There are more real financial controls especially in the banking system. The old days of bank officials taking large sums and no one noticing are over. There's still plenty of corruption in the state sector – oil industry is a good example – but there are more financial controls than years ago.
5. An important factor in the probable decline in corruption over the past year is the continuing slowdown of overall economic growth. Government policies have reduced the expansion of credit, and banks have become much more risk averse as defaults rise. The decline in economic activity reduces opportunities for corruption, as well as payouts. The precipitous drop in Macau gambling revenues reflects the dual chilling effect of the anti-corruption campaign and a softening economy.

6. From the drop in sales of alcohol and luxury goods, the anti-corruption campaign is having an effect. Lots of instructions for delegates at the NPC of how they should limit their official spending (eat in the cafeteria, no tea bags in the hotel rooms, just hot water, etc.).

A sampling of the more negative responses:

1. Notwithstanding Xi's aggressiveness in tackling corruption, his efforts are unlikely to have a lasting impact. Problem is systemic weakness, yet the regime shows no inclination to introduce accountability or checks and balances. Moreover, many of the corruption cases are obviously politically motivated (e.g. Zhou Yongkang, Xu Caihou, Ling Jihua), intended to purge opponents rather than improve governance. This inescapable presumption undermines the credibility of Xi's anti-corruption campaign.
2. The scale and pervasiveness of the Xi anti-corruption campaign (more than 75,000 Party members investigated since 2012, egregious nature of many cases) suggest that whatever assessments observers made in the past on the severity of corruption grossly under-estimated the extent of the problem. A recent Rand corporation study asserted that pervasive corruption has seriously degraded the operational capability of PLA. Rather than condemning this report as Western propaganda, analysts in Beijing welcomed it as a helpful dose of reality!
3. Recent corruption scandals like the one involving Glaxo Smith Kline give the impression that many foreign companies are guilty of lubricating the wheels of corruption in China. My years at a major multinational had proven that things can be done without participating in the corruption, but I know many of my competitors are giving away Rolex Watches, trips to US, and many other means to please the officials to get things done.
4. There is a lot of money being moved offshore. You can see that with the pressure on the yuan. As soon as they relax capital controls, that could speed up. If they don't let the law have a greater say in what the Party is able to do, they won't really get at the heart of the problem. Lots of arrests have made people cautious but there is no institutional change yet.
5. The anti-corruption campaign is more about consolidating power than tackling corruption per-se. That said, it IS having a noticeable impact, ask anyone in the PRC food and beverage sector. However, below the surface corruption still, to a large extent, provides the lubricant to the economy. What we are seeing is adaptation and more creativity and complexity in corruption schemes.

HONG KONG

Comments

The majority of the respondents to our survey (55%) did not notice any change in the level of corruption over the past year, but fewer than 5% said corruption had decreased and more than 40% thought it had increased. This year's absolute score for corruption, at 3.17, was slightly worse than last year's 2.95, but better than the previous year's score of 3.77. The magnitude of the problem has been fairly steady over the past decade, and, as in the past, Hong Kong's latest corruption score is favorable relative to most other economies in Asia. It was again ranked in third position, behind Singapore and Japan. Viewed more broadly, Hong Kong ranked below Australia but above the US.

This year's score for corruption in Hong Kong could have been affected by several developments. One is that there have been a few extremely high profile corruption cases involving improper links between senior

business and political leaders. This has revealed actual facts about improper behavior that has long been suspected but never really acted on before. Another is China's aggressive campaign against corruption, which has helped to keep the issue of corruption in the headlines on almost a daily basis and has invited residents in Hong Kong to make comparisons between conditions in Hong Kong and those that exist just across the border. A third is that, with the number of Hong Kong stock market listings by Mainland companies increasing, there is a growing appreciation of the role of other institutions in Hong Kong than just the Independent Commission Against Corruption for fighting corruption, most notably the Securities and Futures Commission.

A sampling of the more positive responses:

1. Hong Kong's system is really healthy, and with ICAC and the public watching, it is surprising that a few senior officials and business leaders have behaved the way they have. The system is much better than before at catching and punishing them.
2. Police and government servant corruption does not seem to be on the increase and I have not heard anything to suggest it is causing greater concern. The aspects I would have thought which would cause greatest concern would be anything that might cause our leaders on the Mainland to take notice. There is of course always the developers and it is unlikely that Rafael Hui was a one off.
3. There have been more reports in the media and one big case has grabbed the headlines for the past year so the perception is perhaps that it is greater. However, I suspect corruption is no more or less than a year ago.
4. In comparison with the large majority of our near neighbors, we still enjoy relatively miniscule levels of corruption -- both political and economic. The large majority of the population do not get involved at all. There is only really a little low-grade crime/corruption -- triad decorating contracts and the like plus a certain amount of very high-end corruption -- the recent Kwok brothers trial being a good example of what went on and what everyone still believes does go on.
5. HK remains essentially free of corruption (well not evident) at a street level and therefore not endemic as in many societies in the region. At the highest levels, there is a fine line between corruption and patronage and hopefully the HK legal system and rulings on such cases will remain credibly independent.

A sampling of the more negative responses:

1. "Senior citizens" of HK who previously were thought to be above corruption are no longer seen as being above reproach. They have accepted favors from private sector interests they should not have. Some have not paid taxes they should have. Some have been paid and accepted outside payments even while they held office. All have tried to hide their arrangements from the public spotlight, but that is becoming increasingly difficult to do. Since the accusations stretch right up to the level of people who have held the post of Chief Executive, no one is really immune.
2. Senior government servants with a self-centered feeling of importance will lead to others lower down to do things that could be construed as corruption, or to ignore the problem when it involves their superiors.
3. Despite the SHK trial, corruption is being seen by large organizations as a way to achieve a reasonable business advantage and therefore something that is appropriate.
4. Because of the fear of ICAC, I find after coming to Hong Kong, government officials were not daring to make decisions, and actually slowed down the development of Hong Kong as a major international city. They are

too afraid of crossing the line to the point that anything that is beyond the books or letter of the law, they won't do. This has even to do with things that may help the system.

5. The need to stimulate the political party system may also be behind the need to gather more funds from "sponsors."
6. Increasing insinuation of PRC business practices and political culture into HK life: dodgy H-share listings on HKEX (e.g. Hanergy); weakening of free press that is essential watchdog of public interest (e.g. attacks on journalists, pressure on corporates to withdraw advertising); credibility of ICAC questioned. To the extent that crony capitalism was already an endemic problem in Hong Kong, it is being exacerbated by growing Mainland dominance of HK economy.
7. As the process of Hong Kong coming more under the PRC's control, it is becoming less transparent and more corrupt. This is exacerbated by an increasingly inept police force and an ICAC that is becoming more politicized.
8. At this point it seems as if the SFC is all that stands between what could become a very different equity market (HKSx and GEM). The tide is slowly turning in the wrong direction as the Shanghai/HK through train will lead to more and more dodgy PRC listings finding a way onto the HKSx.

INDIA

Comments

India's scores for corruption are bad. Not one of the 107 survey responses had a grade of less than 5 and there were plenty of 9's, but the overall score was still quite a bit better than last year. Moreover, nearly 60% of the respondents felt corruption has decreased compared with last year, while another 35% felt it remained the same. Only about 5% said it had deteriorated.

One of our respondents took the time to give us an excellent detailed analysis of the situation as it exists today. We reproduce it here in its entirety since we could not have said it better:

"Due to India's history with corruption, there's almost a sense of entitlement that has crept into the bureaucracy. While this is not going to disappear anytime soon, the combination of a proactive media and a disenchanting middle class has ensured that fighting corruption remains a mainstream issue. Due to the fear of public scrutiny, law enforcement authorities and government officials seem to have checked themselves and this has what has resulted in a *prima facie* perception within the country that this menace is being dealt with positively.

Many top businessmen and my peers seem to agree that the Modi government is working towards a more transparent model. Time and time again the PM has stressed that corruption is affecting the country's credibility and has called for massive changes. The policy and laws laid out by this government seem to back this up and have definitely brought in a positive change.

The judiciary has also played its part in keeping corruption in check. The Supreme Court has resorted to day to day monitoring of certain high profile corruption cases, while also taking *suo moto* cognizance of matters and reprimanding the executive on its failure to prevent corruption or institute anti-corruption initiatives. Its order, resulting in dismantling of the first-come first-serve principle, has brought about transparency in allocation of spectrum, coal and mining rights.

However, while there seems to be a conscious effort to curb corruption in the upper reaches of the government, the situation on the ground level remains the bleak. Corruption in state-level and local organizations continues to be rampant and one can only hope that the “trickle-down effect” comes into play and the situation at the ground level changes too.”

A sampling of the more positive responses:

1. Broadly, across India, there has been no change. In the central government in Delhi, however, it seems that corruption has stopped (or virtually so) among ministers and the top four or five levels of bureaucrats (secretary, additional secretary, joint secretary and director). Below those levels there is no change.
2. Basic corruption is going down due to the efforts of the government. Some of the services have now become time bound. There is a huge decline of corruption at the top but little below that, and cleaning out corruption at the lower level systems is needed to reduce or eliminate discriminatory power.
3. There should be less corruption in the Delhi state government now that the AAP has won the assembly election, though it is too soon to assess that. When the AAP was last (briefly) in power just over a year ago, rickshaw drivers and others reported far less extortion by the police.

A sampling of the more negative responses:

1. Corruption pervades all levels of government and society and is prevalent in the private sector as well as the government and public sector corps and agencies. It has become a way of life, having expanded since the 1991 reforms opened vast opportunities for accumulation of wealth. Decision-making and project/decision implementation is thus warped and results are unpredictable.
2. The more you deal with the government, the more you encounter corruption.
3. Over the years some major development projects have been held up due to corruption. India can ill afford it and the new government now has the focus on this problem.
4. Delay in approvals. Lack of trust in the system. Delays if you want to do it by the book.

INDONESIA

Comments

The average score for how corruption is perceived in Indonesia is slightly better this year than last, but there was no consensus in the responses on corruption trends. Roughly one third of the respondents said corruption has deteriorated, another third said it has stayed the same, and the final third thought it has improved. No matter how one looks at it, Indonesia is still rated one of the most corrupt countries in Asia.

There was widespread consensus that the Corruption Eradication Commission (KPK) is trying hard and is the one institution in the country that is respected for its integrity. However, there is also a consensus that the KPK is fighting an uphill battle and is not getting the support it needs from President Widodo to prevent its enemies in the police, civil service, judiciary and legislature from reducing its effectiveness.

The Indonesian public is frustrated with the problem of corruption. This is reflected not only in our survey responses but also from the way the public literally jumped to the defense of the KPK when its leadership

was threatened with arrest by the police. Moreover, being seen as “clean” and determined to fight corruption has become a requirement for getting elected president, topping even money and party organization. However, there is still not a political will to stop corruption, and the country’s institutions are not just too weak to do so but also, in most cases, are a central part of the problem.

A sampling of the more positive responses:

1. The political elite might be corrupt to the core but people are not fooled and, despite the country’s many weaknesses, have been able to use their power as voters to prevent those perceived to be more corrupt from being elected president.
2. Despite all the obstacles, the KPK has scored some big victories in the form of prosecutions of high level officials. This has given people hope that the fight against corruption is not doomed to fail.
3. President Widodo will make headway is against some aspects of corruption such as reducing bureaucracy and streamlining somewhat the permits system to attract new investment. These improvements will not be across the board but they are likely to help worthy individual projects, the success of which could help Indonesia’s overall image.
4. Indonesia is really trying to clean up its act. However, with that comes the uncertainty of how the relevant parties should behave, e.g., government, military and public commercial. With this there appears to be “slower decisions” as everyone is acutely aware of how the government is really focusing on catching people involved in corruption.

A sampling of the more negative responses:

1. Indonesia suffers from endemic corruption. There is an overall environment of everyone out to enrich themselves at the expense of the country and others. The problem is so bad that people having the power to be particularly corrupt – either by demanding big payoffs or being in a position to pay off high level influential officials – take pride in being in such an advantageous position.
2. The whole affair involving Budi Gunawan’s nomination for head of the police shows there has not been any real improvement in the fight against corruption or the way things really work in Indonesia. The KPK might have won one little battle but they are losing the war.
3. Police, judges and law makers who are supposed to stop the corruption is where the problem is most serious. The Corruption Eradication Commission is being emasculated by having criminal charges placed against its leaders, who, under law, had to step aside and be declared temporarily non-active while fighting these charges. With this situation, corruption in Indonesia cannot be reduced and lowered -- at least not in the next two years.
4. Most government bodies are considered corrupt but especially the courts (which for corporations raises very real concerns about the rule of law if one is in a dispute).
5. The Anti-Corruption Agency (which historically has been the only agency considered 'clean' and effective in going after corruptors in the country) is at risk of being rendered ineffective as a result of hostile police actions and a non-supportive Parliament and President. This bodes badly for the future of the country.
6. Private sector cases of tenders being manipulated are a real concern as well as rampant kick-backs taking place within purchasing departments.

JAPAN

Comments

Japan is certainly not free of corruption, but much of the analysis of the problem focuses on scandals that happened years ago like the “Lockheed scandal” of 1976 and the Recruit scandal of 1988/89. In fact, a lot has been done to fight and reduce this kind of problem, and today corruption in Japan is less than in most countries in the world. In our survey, only Singapore ranked better, and respondents living in developed countries like the US have a much more critical view of graft in their countries than respondents in Japan had in Japan. There are still examples of bribes and misappropriation of funds by top Japanese officials and of unhealthy links between government officials/regulators and major companies, but not nearly as frequently as before. This could be because corruption has been pushed more underground, but judging from our survey responses, there is a genuine feeling that corruption is not a big problem. The majority of respondents think the level of corruption is about the same today as a year ago, but the average survey score is better both than last year and with most previous years.

While Japan has an excellent reputation for fighting corruption at home, there is a lot more criticism about Japan’s foreign business practices. Specifically, many western governments apply tougher standards on their own companies in the way they conduct their foreign business than Japan does on its companies. This has prompted the OECD, to which Japan is a member, to complain publicly that Japan is not actively detecting and investigating foreign bribery cases and, as a result, the enforcement of Japan’s anti-bribery law remains low. The OECD’s Working Group on Bribery (WGB) argues that implementation of the Anti-Bribery Convention is not given adequate priority by the Japanese authorities, including a lack of targeted resources for the purpose of detecting, investigating and prosecuting foreign bribery cases. In addition, Japan has still not established the legal authority to confiscate the proceeds of foreign bribery, or made foreign bribery a predicate offence for the purpose of money laundering. Japan has not taken concrete steps to ensure that tax inspectors proactively detect bribe payments concealed as “miscellaneous” expenses in their tax returns.

What will be interesting to see going forward is how these complaints – and Japan’s responses – change at all as China increases its role on the world stage as an investor, trader and contractor. China is not a member of the OECD, and its practices are at least as suspect as those of Japanese companies. This is easy to see from a comparison of the reputation of the behavior and standards of companies from each country in areas where they both have a large presence. Cambodia, Myanmar and Thailand are good examples. Western companies are rarely involved in this competition. In the coming years, this competition between Japan and China is likely to increase considerably – especially in places like Indonesia, the Philippines and Thailand, which are aggressively trying to attract more foreign direct investment into infrastructure projects, and China and Japan are seen as the main contenders. In a few cases, like the Philippines and Myanmar, the pendulum already seems to be swinging in favor of the Japanese in part because of previous corruption scandals and other problems involving Chinese investors and bidders for major contracts.

A sampling of the more positive responses:

1. Honor is still highly regarded and it is telling how many people who are involved in scandals commit suicide rather than face the embarrassment of a trial. The concept of honor tends also to make Japanese workers more loyal to their companies and public sector employers, reducing the risk of individuals cheating or trying to profit personally through cutting corners or giving sub-standard service that might hurt the reputation of their employer.

2. Public pressure has also forced legal and regulatory changes that have reduced the freedom with which politicians, bureaucrats and business leaders can channel public funds at will.
3. The government is effective in the fight against corruption.

A sampling of the more negative responses:

1. Every country is corrupt one way or others. Japan is too, just in different ways.
2. I doubt that corruption in the bureaucracy has declined. If anything, the number (although perhaps not the seriousness) of bureaucratic scandals has increased during the last decade. However, rather than being a measure of corruption, these scandals could be due in part to improving policing and progress in exposing practices that previously were kept from public view.
3. One type of corruption that remains deeply entrenched in Japan is government-led bid-rigging on public projects. A related issue is the practice of government officials retiring into lucrative positions in businesses they used to regulate.

MACAU

Comments

There is a contradiction in our survey responses from Macau. On the one hand, over 75% of the respondents noted that there has been progress in fighting corruption in the past year. On the other hand, the average score assessing perceptions of corruption has deteriorated considerably. We strongly suspect based on the responses below that this contradiction is due to a revision of the view of what classifies as corruption in Macau.

Until this year, most respondents were focusing on the existence of corruption in Macau's public sector. They were looking at illicit payments to government officials, document forgery by public servants, bribes to commit illegal acts, and such local problems as payoffs by property developers to change zoning codes. They did not consider China's corruption problem to be Macau's problem, and the casinos were seen as offering a service that was perfectly legal in Macau and doing so in a way that met international standards. Corruption in China was unquestionably fueling the growth of Macau's gaming industry, but this was China's problem, not Macau's.

However, as China last year intensified its crackdown on corruption and President Xi Jinping personally called on Macau in late 2014 to assist him in this fight, it was clear that China's corruption was facilitated by links in Macau, which provided perpetrators with a way to get their money out of the Mainland. Simply threatening those links was enough to cause gaming revenues to fall sharply and share values of listed casinos to slump. This probably caused respondents to our survey to broaden their view of the nature of corruption in Macau. The plunge in gaming revenues is hard evidence of the success of the crackdown, but the deterioration in our overall score for corruption is a sign that people in Macau are now taking a broader view of the kinds of corruption that affect the enclave.

Macau's problem with corruption is not defined only by Macau. Outside forces like China, US, and Hong Kong also have input in setting standards to which Macau must adhere. To the extent that practices in Macau fall short of standards being demanded by these outside bodies, they can pressure for change. The US and Hong Kong have done so mainly by using their authority to influence the behavior of companies and individuals in Macau that have links to their jurisdictions – such as stock market listings. However, only China has the clout to

force the Macau government to change its behavior, which it is now doing. Many critics might say this is a bad thing and a possible violation of the “one-country, two-system” model under which Macau operates as an SAR of China, but when it comes to fighting corruption, this intervention could be a good thing – and something that should not come as a surprise.

The most important policy change is that China has pressured Macau to change its institutional approach to fighting corruption. For years now, the anti-corruption fight has rested on the shoulders of the Commission Against Corruption, a small but dedicated agency that has focused mainly on fighting corruption in the public sector in Macau. However, since China put pressure on Macau to support the anti-corruption fight on the Mainland, other institutions have had to join in the fight. The most obvious is the Macau Monetary Authority, which is monitoring cross-border fund flows much more closely than before and passing on relevant information to China’s Ministry of Public Security. Other bodies include the Financial Intelligence Office. This means there are more local eyes on different aspects of the problem of corruption in Macau now than was the case before and that cross-border dimensions of the problem are the top priority until Beijing says otherwise. A year ago, there was no such urgency in addressing this problem, either in Macau or China.

A sampling of the more positive responses:

1. Local police and the anti-corruption corruption agency are able to act more confidently against graft now that their actions are seen to support President Xi Jinping’s anti-corruption drive. They no longer have to ignore the 800-pound gorilla that has been sitting in the middle of the living room.
2. China’s anti-corruption efforts are making it easier for Macao to deal with its own corruption, especially those links that facilitated money laundering and other corruption originating in Mainland China.
3. In addition to China’s anti-corruption drive, gaming concessionaires and other companies in Macau are being pressured to improve transparency by tougher regulatory requirements on listed companies in Hong Kong and closer scrutiny by the FBI of the US and other regulatory/legal bodies there.
4. Corporate governance is improving. This is a systemic change that will help to reduce corruption in the medium term.

A sampling of the more negative responses:

1. To the extent that corruption exists, it is hurting Macau’s competitiveness and diversification by leading to a concentration of wealth through the “crowding out” of individuals/companies which are not “insiders.”
2. Although overall corruption has decreased slightly, one negative aspect of the policing efforts is that more corruption has been pushed underground. It is harder to see but still there.
3. There has been a great deal of money laundering around the casinos. Much of this is related to the junket system, which is now being squeezed by China’s anti-corruption crackdown. This system itself may or may not be corrupt (it is so nontransparent that one can only speculate) but it definitely caters to many individuals who have acquired their wealth through corrupt means.
4. Relations between top government officials and leading business executives are too close and are causing the same kind of problems that are evident in Hong Kong.

MALAYSIA

Comments

Our survey on Malaysia revealed a contradiction that is difficult to explain. On the one hand, the average score for how corruption is perceived has improved compared with last year. On the other hand, almost none of the respondents (only about 5%) felt this represented the trend of graft. Two thirds said there has been no change in the problem, while most of the remainder said it has increased as a problem.

Corruption in Malaysia has been highly politicized and it is very difficult to distinguish truth from reality. The kind of petty corruption that exists in less developed economies like Cambodia and Indonesia is not rampant in Malaysia. There are scandals involving corruption at very high levels, but there have been very few convictions of this type of graft. Instead, most convictions are of relatively small acts of corruption involving small amounts of money and lower-level officials.

It is tempting to say that the lack of really big convictions shows that those behind the worst corruption in Malaysia are above the law. To some extent that might be true, but a lot of the accusations are by rival politicians or by unnamed bloggers on the Internet who have their own agendas and have normally failed to come up with any hard evidence to back up their charges.

What is clear is that major acts of corruption have happened in the past, and their existence has been revealed more often than not by scandals arising from business collapses during difficult economic times, not by being caught by Malaysian police, anti-corruption officials, or stock market regulatory authorities. When the projects or companies collapsed in the face of adverse economic conditions, it was impossible to hide the abuses that had taken place. The worst example in recent memory was fallout from the 1983 collapse of the Carrian Group in Hong Kong, which resulted in the near collapse Bank Bumiputra and required nearly US\$1 billion in recapitalization by the Malaysian government. It was the biggest bank failure in the world at the time. This was more than 30 years ago and is not particularly relevant to conditions today except that it is a reminder that it is easier to spot corruption in Malaysia (and elsewhere) when economic conditions are adverse.

This is why there is so much attention being given to the financial problems of 1 Malaysia Development Bhd. and if its dealings involved abuse of public funds. The company, which was launched in 2009 by PM Najib Razak, is reportedly struggling to pay off US\$11 billion in debt. The firm's lack of transparency in its dealings has invited all sorts of speculation and is probably one of the factors why many respondents to our survey felt corruption has increased in the past year. Their opinions were not shaped by proven facts but by deepening suspicions. That is all it takes to affect perceptions. The prime minister has denied any wrong doing in the affair and has instructed the country's auditor-general to "independently verify" the financial accounts of 1MDB. The problem with this approach is that it ultimately cannot clear the air of suspicion. If this investigating body uncovers corruption on a large scale, critics will say "we told you so." However, if the body exonerates 1MDB from any wrongdoing critics will say it is an example of how institutions that are supposed to be independent are really not free from political interference.

Malaysia therefore has a credibility problem when it comes to its success in fighting corruption. It might be doing a good job in containing the problem, but it has not convinced the public that this is the case the way, say, Singapore has. If 1MDB proves to be an isolated example where there are deep suspicions this year, the status quo might be preserved. However, the incident has already opened splits in UMNO and could have political implications. If there are more examples of companies with government links facing financial crises in which they cannot meet their obligations, cut corners on projects, or require a government bailout, the negative implications for Malaysia would be more serious.

A sampling of the more positive responses:

1. The government has taken a lot of steps to fight corruption, particularly since 2009, when the Malaysian Anti-Corruption Commission was set up to replace the Anti-Corruption Agency. It has been seeking more feedback and improving transparency. MACC has five independent oversight bodies, whose members include members of parliament from the ruling and opposition parties, representatives of non-governmental organizations, professional groups and former civil servants, established as a check and balance mechanism to monitor the function of the MACC.
2. Corruption is exaggerated by people trying to gain political mileage or to topple leaders and the government.
3. The MACC is giving whistle-blowers better protection. This is making people more willing to report acts of corruption they encounter.

A sampling of the more negative responses:

1. The BN and the Malaysian Anti-Corruption Commission (MACC) are not serious about fighting corruption.
2. The case of 1MDB is reflective of how endemic corruption is, and the unwillingness / inability to fight it effectively and efficiently.
3. There has always been a great deal of corruption linking business and politics, which helps to explain how so many leading politicians, especially in the East Malaysian states, have grown so wealthy.
4. What has increased as a problem in recent years is corruption associated with increased racism and religious chauvinism. It's "jobs for the boys."
5. Sadly, BN elected reps only talk about fighting corruption without practicing what they preach. This type of *sandiwara* has led to serial scandals.

PHILIPPINES**Comments**

The good news is that perceptions regarding corruption have improved compared with one year ago. Moreover, while the majority of respondents to our survey felt that corruption has stayed the same, almost as many said there has been an improvement and almost no one indicated the problem has deteriorated. The bad news is that the improvement in the perception score was small and almost everyone thinks corruption is still a serious problem in the country (the best score we received was a 4). The Philippines may no longer be at the bottom of our ranking of countries, but it is still deep in the lower half.

The depth of public feelings against corruption in the Philippines is reflected by the way President Aquino's popularity has remained relatively high based largely on the public's perception that he has tried to fight corruption. His other accomplishments like tackling infrastructure bottlenecks might be limited, but being seen to attack graft has been enough to sustain his image. He was not even hurt by the pork barrel scandal that happened on his watch. The scam involving some Peso 10 billion was made public in mid-2013 after a whistleblower exposed the operations involving ghost projects that were funded by the Priority Development

Assistance Funds (PDAF). It involved payoffs at almost all levels of government and involving people from all political parties.

As one respondent noted below, many of the same family surnames are repeatedly linked to various corruption scandals. This does not mean the same individual people or that some clans in the Philippines have a greater propensity for corruption than others, but it does imply that there is a culture of corruption based on a system in which families of hacenderos play elite roles in business and politics almost as a matter of heredity. Not only does this oligarchic elite enjoy special entitlements but also individuals and families living on their land or in their provinces have a sense of loyalty that can feed a largely feudal system of patronage that is more obvious in the Philippines than any other country in the region.

A small number of families (250 is the number people like to quote) figure prominently in all levels of government. Most of the same families belong to the country's economic elite, and those few economic elite who have traditionally steered clear of politics themselves take great care to cultivate close relations with those families that do. When a figure with no ties to the traditional elite emerges (such as sometimes happens with movie stars or sports heroes), these people usually use their national recognition as leverage to form an alliance with one of the elite families who can support their political ambitions in exchange for this person's support of the interests of the family.

None of this per se is corruption, but it is a blurry line and, in the case of the Philippines, is frequently crossed. Making matters worse, police, military leaders, and judges are also frequently part of the problem. In the case of the police and military, it is not only a matter of having personal loyalties to clans that can at times take precedence over job responsibilities, but also of corruption that exists within these institutions that has allowed well-placed individuals to supplement their official incomes by participating in corruption. Other institutions like Customs and the Bureau of Internal Revenue have similar systemic problems, while even institutions that play the role of checks and balances in most democratic countries, such as the media, have key players who are closely aligned to clans and their reporting reflects this bias. That said, the Philippines also has one of the most lively social medias in the world. The Internet has broadened points of view and is acting as a gauge of public opinion against corruption and a vent for expressing such views that never existed in the traditional media.

Assuming that President Aquino is making progress in his fight against corruption, the question is will the progress he is making last or will it be undone when he leaves office. The prospects are not particularly good unless he can also strengthen the country's main institutions so they do not have the same deficiencies noted above. That is a tall order in such a short period of time. The cultural proclivities that have led to a high corruption environment have developed over generations. Most Filipinos do not know any other system. This does not mean changing that culture is impossible, but it will take several more administrations with strong leadership bent on fighting corruption and strengthening institutions to realize in the Philippines. So far the country has never had a succession of governments that kept to those standards.

A sampling of the more positive responses:

1. Under Mr Aquino, the Philippines' record has improved. There have been far fewer really big cases than under previous administrations.
2. Systems and processes have become more transparent, making it more difficult to be corrupt.
3. Thanks to the Internet, social media and the widespread use of cellphones, there is a lot more monitoring of corruption and reports of it by people who have actually been victims instead of just by people pushing their own political agendas. This is improving the quality of the fight against corruption.

A sampling of the more negative responses:

1. Corruption is not just a disease in the Philippines; it's a genuine medical problem. At least that's the impression one gets when government leaders convicted of corruption spend most of their time in the hospital instead of behind bars.
2. Patronage politics determines day-to-day operations of the state
3. Mostly in the government functions. When top politicians are corrupt in the public eye, then it's easy for this to trickle down to the Barangay and city officials. If the top government officials along with any government agency maintained high integrity and not embrace corruption then it would set a good example of what the country could do.
4. In the engineering, procurement and construction market, the problem is that not everyone who participates in a particular project is evaluated on a fair basis. Many deals, especially under the former Arroyo government, were influenced by under-the-table deals which only padded the pockets of a few individuals, frequently leaving the Philippines with sub-standard projects.
5. Just look at the surnames of people arrested for various types of corruption in the past year: Enrile, Estrada, Revilla, etc. Nothing changes in the families of the political elite.

SINGAPORE

Comments

Singapore has corruption well under control, judging from our latest survey. The score of 1.33 was not only better than last year but also the best of any country covered by our survey. The vast majority of respondents said they felt the level of corruption had stayed the same compared with one year ago. Major cases of corruption are rare. They are dealt with transparently in the court system, and punishments are severe without being over the top.

There is no single reason why corruption is as low as it is other than to say that the government, since independence, has emphasized the need for good governance and taken a hard line against graft in both the public and private sectors. Government leaders have led by example and not only developed an effective system for policing and prosecuting graft but also for instilling in the population a set of ethical standards. There is little public tolerance for corruption.

One thing that is telling between the responses we received for Singapore and those we received for the US is that, when asked what aspects or implications of corruption in their country stood out as being particularly important, many of the US respondents linked corruption to government lobbying groups and to the misappropriation of taxpayers' funds. Although more Singaporeans pay taxes than is common in many Asian countries and everyone must contribute to the Central Provident Fund, not a single Singapore respondent vented a frustration or concern that his or her taxes were being wasted by corruption. Also, despite Singapore's widening wealth gap, no one expressed a concern that lobbying was corrupting politics or that big money was able to write the laws in ways that protected them from prosecution. While this is telling about why corruption is rated as badly as it is in the US, it also helps to explain why Singapore's grade is as good as it is. Singaporeans really have their own money on the line, just as US tax payers do, and they would be just as outspoken if they felt

it were being wasted by corruption as US tax payers are. Their silence on this issue is probably a measure of the absence of corruption of this type.

As much progress as Singapore has made in keeping corruption in Singapore low, there are still challenges. A number of respondents noted how Singapore is vulnerable to corruption in other countries and how its own dealings with these countries are sometimes helping individuals from these countries to get away with corruption or to protect their assets that could be vulnerable if they are ever caught in anti-corruption campaigns at home. Singapore can argue that its companies do not break any Singapore laws, but their actions still carry risks. There could be lessons for Singapore from what is currently happening in Macau insofar as events can broaden perceptions.

Moreover, new corruption risks are arising from the Internet. People outside of Singapore can now more easily carry out acts of fraud, identity theft and other crimes against Singapore citizens and companies. Moreover, judging from the way some Singaporeans have been caught in international gambling game-fixing syndicates, the Web apparently provides a level of anonymity that gave certain individuals living in Singapore enough comfort to try to carry out crimes in other countries. Judging from the Singapore government's reaction to these scandals, it is cooperating with foreign bodies to put a stop to this type of activity (Singapore Parliament last year issued a ban for online gambling, and in October Singapore extended detention orders that allowed it to hold, without charge, four people accused of being involved in a global match-fixing syndicate). However, cross-border on-line crime, including manipulating of sports, is still something new and a growing problem worldwide. It is also likely to keep growing in Singapore. It would probably cause some people to conclude that some types of corruption in Singapore are increasing. That this was not reflected at all in our survey responses is probably because this is not the kind of problem that any of our respondents have experienced directly or to which they have given a great deal of thought.

A sampling of the more positive responses:

1. Singapore continues to be well run, well planned with well-paid government officials with low corruption.
2. In most instances people in Singapore would be shocked if asked to make an improper payment, and would consider reporting it to authorities.
3. Very small problem in most aspects of life in Singapore.
4. To my thinking Singapore's culture is different from most other Asian countries, where corruption is supported by small "gratuities" and gifts in order to build relationships. This builds a tolerance for corruption. I have never experienced this here.

A sampling of the more negative responses:

1. The way in which you need to deal with the MAS or Ministries. It is not about paper envelopes; it's about who is better connected.
2. I do not encounter corruption on a regular basis in business in Singapore. With that caveat, I believe Singapore has profited from corruption in other countries and, much as Macau has been hurt by China's anti-corruption drive, Singapore could be hurt by corruption crackdowns in a number of countries.
3. Corruption in Singapore is well fought at all levels and when discovered it is acted on and has consequences, but the same standards do not always apply to the way Singapore executives conduct their foreign business and they sometimes help to facilitate corruption in these countries.

SOUTH KOREA

Comments

Perceptions regarding corruption in Korea have improved compared with one year ago. Roughly half of the respondents felt the magnitude of corruption has stayed the same, while another half thought there has been an improvement in the problem. Very few respondents said corruption has increased.

Unlike most countries, where perceptions tend to be grouped around a few numbers, responses for Korea were spread out over a rather wide range. One group concentrated in the three to five range, and another group in the five to seven range. However, in their specific comments, respondents focused on many of the same issues no matter whether their grades were in the lower or higher range, namely: the public's tolerance for corruption is falling; there are two standards, one for the rich and powerful and one for average Koreans; and the practice of companies buying off regulators to turn the other way and of offering officials jobs after they leave the public sector is still too common and unhealthy. The feeling is also widespread that gift giving and cultivating relationships is deeply ingrained in Korean culture and it can be extremely difficult finding a clear line between what is acceptable behavior and what is corrupt.

No matter how one looks at the scores, Korea's ranks at the bottom of Asia's most developed economies in terms of how corruption is perceived. In other words, if we were to average only the top half of the respondents, Korea's score would be worse than those for Japan, Hong Kong, Singapore and Taiwan. And if we were to average only the bottom half of the scores, Korea would be at the more favorable end of Asia's more corrupt countries. However, all of its counterparts would be developing economies. This does not mean the actual magnitude of corruption is nearly as bad in Korea as in places like China and Thailand, but people expect more of the country given its advanced level of economic development and are therefore more discouraged by the incidents that do occur.

One of the most important recent developments was the passage of a new anti-corruption bill intended to fight more effectively the problem of graft among public servants. The new law, referred to widely as the "Kim Young-ran act," will become effective in October next year. It will eliminate the need to prove a direct link between a gift and a favor that followed to secure a conviction. A public official will face criminal punishment for receiving money or favors worth more than one million won (about US\$910) even if they are unrelated to his or her job. Beyond bribes, entertainment and perquisites like expensive meals, golf games and paid vacations are also covered by the law. Moreover, "public service" is broadly defined to include not just politicians and civil servants but also teachers at private schools and employees of media companies. Their spouses will also be covered.

Next on the anti-corruption agenda is a bill to prevent fraudulent use of government subsidies and to recover public finances lost through false claims. The bill, if it goes into effect, will force law-breakers to pay a fine of three to five times the value of the money pocketed.

Passing new laws will still not change the culture of gift-giving and relationship building that figures prominently in Korea. Many fear that the new laws will simply drive these deeply-ingrained practices more underground, making the job of the Anti-Corruption and Civil Rights Commission that much harder. For example, there are reports that one third of the 400 companies listed the Korea Stock Exchange are planning to appoint former government officials as outside directors before the Kim Young-ran act takes effect. That could mean many of the ministers, vice ministers, legislators and civil servants who are still working today have an incentive to profit in ways that will become illegal a year and a half from now.

Still, the government is under growing pressure to show it is making real headway in fighting corruption. Public outrage following scandals like the Sewol ferry disaster prompted President Park Geun-hye to declare war on corruption. The president argues that corruption is holding back the entire economy. Her campaign is to fuel growth through innovation, which she argues cannot happen without greater transparency.

However, many of the owners and senior managers of the country's largest companies are much less concerned with improving transparency than with fostering friendly relations with the government and regulators. This has been a priority not only for their actions in Korea but also abroad. Just last week, for example, government prosecutors raided the headquarters of Korea National Oil Corp. and Keangnam Enterprises for alleged irregularities involving an aborted resources development project in Russia during the former Lee Myung-bak administration. Prosecutors have also reportedly searched the home of Seong Wan-jong, the biggest shareholder of Keangnam and former lawmaker of the ruling Saenuri Party. Seong is said to be a close confidant of Lee Sang-deuk, both of the ex-president.

A sampling of the more positive responses:

1. Public tolerance to corruption is falling and there is higher willingness to throw people in jail for corruption.
2. The public is slowly learning that practices long been resented but accepted as "the way things are done" can actually be illegal and stopped. This is one reason whistleblowing has increased.
3. Westerners interpret corruption as "quid pro quo". In Korea, it is all about maintaining relationships that put you into the 'special' situation where the rules are adjusted for you. Relationship management and personal favors can involve corruption but need not and are such a deeply ingrained part of Korean culture that such practices cannot and should not be eliminated.
4. The new anti-graft law will benefit Korea and help improve transparency.
5. The Park government is serious when it links the fight against corruption to improving the country's competitiveness.

A sampling of the more negative responses:

1. Korea's is a First World economy with a Third World corruption problem.
2. Society is too willing to allow famous / influential / powerful people to do what they wish. I'm ashamed and mad at the chaebol and the families behind them who made this corruption into the status quo.
3. People know what they should do, but there is also an acceptance that special circumstances deserving of an exception also exist. It is quite easy to rationalize that a special circumstance exists whenever there is an advantage to be gained.
4. Contributing to political slush funds and bribes of politicians are and will remain rampant practices.
5. Although most attention is on corruption in the public sector and links between big business and the government, corruption problems in the private sector such as collusion, safety violations, and supply kickbacks are also serious and under-investigated.

TAIWAN

Comments

Perceptions toward corruption in Taiwan have improved not only compared with one year ago but also over the medium term. Our latest survey score is the best in over a decade. Roughly 60% of the respondents said corruption has diminished in the past year, while another third said it has stayed the same. Fewer than 10% thought the problem had deteriorated. This stands in stark contrast to perceptions for the worst years on record, back in 2007 and 2008, when Taiwan's average score was much higher and, at one point, worse even than views in Mainland China. The situation was so bad that the government felt the need to establish the "Agency Against Corruption under the Ministry of Justice" in 2011 to take charge of planning the government's corruption-eradication policy. The results since then have been favorable. Today, Taiwan's score for corruption perceptions is much better than China's and also better than former perceptions in Taiwan.

Improving Taiwan's corruption scores has not been an accident. First of all, the government has made a conscious effort to address the problem more effectively. Some of this effort has been public relations, but other changes have been more substantive. Laws have been clarified and toughened, and there have been more prosecutions and stronger sentences. Secondly, Taiwan's system of checks and balances is working better than before. The multi-party democratic system of government helps ensure that scandals involving politicians are aired publicly, while the executive and legislative branches of government forced the judicial branch to clean up its act when serious abuses surfaced there in 2010. More recently, the public through groups like the Sunflower Movement has been emphasizing ways governance and transparency can be further improved, and politicians are having to respond to these social pressures if they want to be re-elected.

Corruption is still a sensitive topic with the public. Although the government has been responsive to pressure, more can be done, and new ideas for how to make further improvements are having an impact. The Agency Against Corruption is constantly benchmarking Taiwan's practices against other systems like Singapore and Sweden that have a reputation for being effective in fighting corruption, and it is getting some fresh ideas from these systems. Other ideas are being generated from within Taiwan. For example, the recent election of Dr. Ko Wen-je as mayor of Taipei has put the spotlight on different aspects of corruption. Almost immediately after being inaugurated, Dr. Ko ordered amendments to guidelines for municipal civil servants designed to fight corruption and improve efficiency at this level of government. The thrust of the amendments will require officials, including himself, to declare all their family's properties and their sources of income, to establish a municipal-level anti-corruption commission, to order top officials to report their full schedules and to avoid banquets, weddings and other events where "gift giving" is common. This latter requirement is intended to fight corruption and to force senior civil servants and officials to focus on their jobs, not on being "celebrities."

Both the KMT and the DPP might try to take the wind out of Dr. Ko's sails by adopting his more popular policies as their own. However, the changes he is trying to make in areas where his authority does extend are good examples of the types of abuses that are still happening island-wide, i.e., in regions and municipalities controlled by the opposition DPP as well as in regions controlled by the KMT. The closer Taiwan gets to the next general elections, the more the focus is likely to be on transparency issues, governance shortcomings, and institutional weaknesses that, if improved or corrected, would further reduce the risks of corruption.

A completely different aspect of corruption that needs to be monitored closely going forward is the potential for cross-border problems to arise as Taiwan's links with the Mainland grow. Taiwan companies operating in the Mainland are already vulnerable to types of corruption that exist there. There is no indication yet that Taiwan's economy has been hurt as badly by China's corruption crackdown as has Macau, but that risk could increase the more Taiwan becomes dependent on the Mainland for growth.

A sampling of the more positive responses:

1. Corruption seems more prevalent with lower level local government contracts. It is insignificant in central government and private sector.
2. Voters are increasingly fed up with graft and bent on fighting it.
3. Although Taiwan's reputation is still suffering due to bribery scandals involving top judges back in 2010, the courts are cleaning up their act and big improvements have been made, although they are not fully appreciated yet.
4. Corruption has become far riskier than before.

A sampling of the more negative responses:

1. Bribery is still a bigger problem and much more common than is openly acknowledged, especially involving government procurement and construction contracts. It goes beyond simple gift giving and extending favors in order to develop and manage key relationships.
2. Many people who condemn corruption in principle still cultivate personal relations to influence the distribution of public resources in their favor.
3. Corruption in Taiwan is very serious because it is centered on the Taiwan government at all levels and on government-owned businesses, which are very extensive. People generally suspect the judiciary and elected officials.
4. Taiwan's unique legal and court system are still very difficult to work with, especially for foreigners and foreign companies seeking redress.
5. Years of tight controls on cross-Strait business have driven many activities underground in order to avoid official scrutiny.
6. Unhealthy links between legislators and criminals still exist.

THAILAND**Comments**

Perceptions regarding corruption have improved substantially this year compared with last. Not only was the average score much better, but also more than 80% of the respondents felt that corruption has decreased over the past year. The rest said there had been no change, while not a single respondent felt corruption had grown worse.

A score of 6.88 compared with 8.25 a year ago looks like confirmation of the military government's claim that they are suppressing corruption. However, there is not much substantive evidence to explain the changed perception. Prosecution of suspects and convictions for corruption have been rare.

Ironically, the Thai military now being applauded for its suppression of corruption was perceived by our respondents a year ago to be the most corrupt of all national institutions, along with the police.

Nevertheless, the junta has managed to convince the public that they are curbing corruption, which the IMF says has been costing Thailand one trillion baht a year. Losses from corruption recently were at least three times greater than they were in 2000. Losses on construction projects amount to 10%-30% of total costs but losses from inefficiency and mismanagement are reported to cost just as much as graft.

One event that significantly swayed public perceptions was the jailing of a prominent police general for corruption and other offences. The conclusive charge against him was one of lese majesty. Some of his associates and several relatives have been imprisoned for similar offences. This high profile case impressed the public as displaying the military's determination to spare nobody: the police general and family members are close relatives of ex-Princess Srirasm, former wife of Crown Prince Vajiralongkorn. She had been in line to be the next Queen of Thailand when the prince succeeds his father, King Bhumibol.

The indictment of former Prime Minister Yingluck Shinawatra, who is set to go on trial in April, has similarly impressed the public. Alleged corruption is at the core of the charges against her. Her indictment represents a swift change of mind by the NACC, for just prior to her indictment the NACC had declared that there was no evidence that she had engaged in corruption or had allowed it to occur.

For many Thais the case has underlined the politicization of the NACC, which was established 18 years ago but has achieved little. On its watch corruption in both the public and private sectors has burgeoned. According to the junta there are now 8,000 local administrative organizations nation-wide prone to corruption. At the same time Thailand has grown into a hub for international criminals. Since it joined the campaign to bring down Yingluck's elected government, it has had the enthusiastic support of the military in pursuing the Shinawatra family and its associates and demonizing politicians. The NACC is widely seen as less than even handed. Recently the US government accused the Thai junta and NACC of treating Yingluck unfairly.

In the nervous ambience created by the continuation of martial law, the NACC's tough tactics have alarmed bureaucrats and the business sector. Some even talk of a climate of fear stemming from the ongoing investigation of officials, politicians and businessmen who worked on the rice subsidy program of the previous government. Corruption was said to be rampant in the scheme although evidence of that has not been forthcoming. Those now under scrutiny are not only threatened with jail but also demands for damages and the confiscation of their assets. Some of these suspects are officials who had been executing the policies of the elected government as part of their normal duties. Their arraignment would be unprecedented in Thailand.

A sampling of the more positive responses:

1. The military government has set up the National Reform Committee to propose economic, social and political reforms. Measures to curb corruption, cronyism, etc. are top priority. There has been some progress, including proposals to punish offenders more severely and lifetime bans from politics for those convicted of corruption.
2. Overall, I am optimistic about progress in reducing corruption and expect the next general election to be cleaner. However, details of the new election laws and regulations have not been revealed.
3. The political unrest that led to the military coup last May was a reaction to excessive corruption. The message is now clear: an accountable and disciplined government with clear and fair policies that not everyone likes or agrees with but which will move the economy and society forward is far better than a government based on favoritism and patronage where few benefit and economic development stagnates. At the same time, more highly skilled police knowledgeable about the vast, new skills and reach of cyber criminals will still be needed. Thailand still does not have those resources.

4. The anti-corruption campaign has brought more order. Look at the beaches in Phuket, which have been cleared of illegal businesses and structures. We should hope next to see a crackdown on rich property owners and developers who have despoiled coastal areas with construction projects that have never undergone an environmental impact test.
5. Visible examples of corruption have been cleaned up by the military. Bangkok taxis are actually using the meter. Their willingness to use the meter is for me a measure of corruption in Thailand. If they use the meter, they are being kept honest.
6. If the government keeps corruption out of new infrastructure projects, it might not make their political road ahead smooth but it would remove an explosive variable from what will be a tense process. For many years, corruption in infrastructure development has deterred most western firms from tendering for the work.

A sampling of the more negative responses:

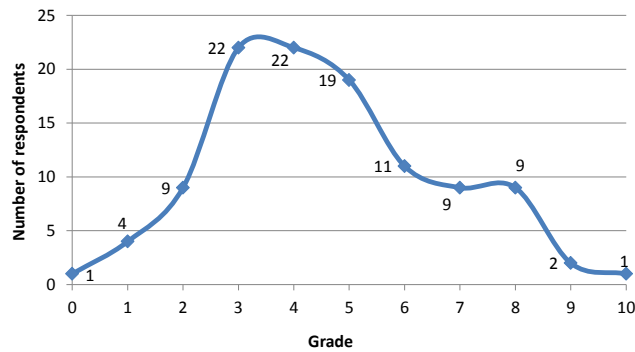
1. Systemic corruption by politicians provided with money by their backers has led to a disastrous misallocation of resources. This vicious cycle must be broken to put the country back on stable development path but that will not occur unless corruption in the national institutions (police, military, judiciary and bureaucracy) is also dealt with. Sections of business are also guilty, particularly in the property market, where corruption and criminality are still endemic.
2. The government is doing its best given that its first priority is to disenfranchise the majority of the population. Many of the large infrastructure projects could be very beneficial but the problem is that whenever Thailand did anything like this in the past corruption occurred on an equally large scale. If that happens this time, corruption could move from the shadows to the center of a heated political process. On the other hand, if the programs were graft free, the military would claim a singular victory. An active watchdog role for the Thai media could help ensure that but unfortunately the press and the broadcast media have neither the skills nor probity to be effective.
3. What I am worried about is that the corrupt Thaksin gang may come back to form a government after the next election although there would probably need to be a revolution for deposed Prime Minister Thaksin Shinawatra to make a comeback.
4. The military and Bangkok elite are cobbling together a constitution designed to make sure that the poor rural majority cannot obtain power through the ballot box. This action is probably more corrupt than anything else that is going on but there is no sign that corruption within the military is being investigated. Every other section of the government is being scoured for crooks.

UNITED STATES

Comments

There was a wide range of perceptions among US respondents to our survey on corruption, and the average score of 4.59 is just that. There were a number of people who had a more favorable view of the problem (although very few who rated it a zero or a one), but an equal number who thought the problem was more serious than that. However, just as in the more favorable direction, there were very few nine and 10 grades on the negative side.

Distribution of Perceptions of Corruption in the US



Part of the reason for this difference could have been where the individual respondents were residing in the US and which part of the US they were using as a reference for their grade. More than one respondent made a similar comment to this person: “I would say the US is about a 6 increasing to an 8 depending on what part of the US you live in or shrinking to a 4 in some really honest places.” Alternatively, as another respondent put it: “In government but outside the Beltway: 6. In Washington, D.C.: 8-9. In non-governmental Mom-and-Pop America: 4.”

There was a large consensus that the trend of corruption has not fallen. Less than 3% of the respondents indicated that they believed corruption has decreased compared with one year ago. On the other hand, 56% of the respondents thought the problem has stayed the same, while more than 40% were of the view that it has increased.

There was also a large consensus on different dimensions of the problem in the US. It did not matter if the respondents had a positive score or a negative score, concerns about the types of corruption that are most evident in the US were similar. Overall, the broad areas of concern related to the problem of corruption in the government, lobbying, abuses by big business, and the types of corruption that are more common at the local level.

Unlike most of the respondents in Asia, US respondents were more willing to cite specific examples of corruption within these broad categories, for example, government procurement, unfairness in penalties, insider trading, and identity theft using the Internet. Most respondents were more critical of the government than the private sector, but there were a number of exceptions who take exactly the opposite view.

The strong feelings expressed by almost all respondents, no matter whether in the positive or negative camp, is that there is not a culture of corruption in the US, and where it exists, people and institutions are fighting it. The big disagreement is over whether or not this fight is being won. Based simply on the number of responses and the strength of the responses, it would seem that the consensus view is that it is not being won and that some of the current trends could do real and lasting damage if they are not brought under control. Many respondents cited the following implications if corruption is not checked: First, the government will have missed opportunities and caused more waste from failing to pick the objectively best candidates for projects or the most optimal goals to allocate assets. Corruption is not only expensive, it can also be dangerous when corners are cut and standards are ignored.

Second, corruption breeds aristocracy. If only those people with certain connections, but not the needed abilities and capabilities, receive opportunities or benefits from the government then we create a system that benefits only those who already have, with little regard for the poor. The playing field is tilted enough as it is through the education and other opportunities that some groups get by birth relative to others. It should not be tilted further by corruption.

Third, the involvement of major corporations in massive fundraising and political campaign donations can breed a form of corruption in which politicians are more responsive to corporate interests than individual citizens or greater society. Democracy suffers and the US Constitution is trampled on, along with any ethical arguments for being a world leader.

A sampling of the more positive responses:

1. Very small problem in most aspects of life in the US.
2. Generally, I have not encountered any serious level of corruption in private industry. The problems are more prevalent in government dealings at all levels: municipal, state and Federal.
3. To my thinking, there is not a culture of corruption in the US. Corruption in Asia, Europe, and the Middle East tends to be endemic, stemming from small "gratuities" for everyday transactions that create a culture of and a tolerance for corruption. I have never experienced this here.
4. I believe that corruption in the USA is well fought at all levels. When discovered, it is acted on and has consequences. However, if we look to corruption in a broader sense, the illegal immigrants being abused at the work place with no legal frame and the lobbying groups with disproportionate resources achieving or maintaining undeserved benefits for specific groups are two areas to be considered.
5. Corruption by public officials has probably decreased because of action by the Justice Department in Virginia and other states where governors and others have been disciplined and charged with corruption in court.
6. The lack of official corruption is often shocking to foreign investors. They are surprised to find that projects can move, at a certain pace, with no cash payments. Usually, with the assistance of attorneys and others zoning and other approvals can be obtained. Such approvals may take long to get (depending on the government agency one is dealing with, or if trade unions are involved) but corruption does not usually play a role in the approval. I suspect that there are elements of corruption in land use and zoning approvals in some places, but have no direct knowledge of them. The same can be said about licensing (permits to sell alcohol in a bar or restaurant, as an example).
7. In most instances, people in the US would be shocked if asked to make an improper payment, and would consider reporting it to authorities. The days of even bribing a traffic police officer are gone because the policeman's actions are monitored by his use of computers in checking license numbers, car data etc., and because of almost universal use of dash cams or body cams.
8. Corruption happens on a daily basis in the US, but that should be expected given the size and breadth of the government, especially at the state and local levels. The US government appears to have enough regulations and enforcement practices in place that curb or deter corruption. There is no turning a blind eye to corruption in the US. For one to engage in corrupt practices a person must do so with the utmost secrecy, which is difficult given the often multilayered review process in the US government, intensive Federal law enforcement efforts, and the existence of a free and vibrant press.
9. Overall, from a business perspective, I still place the US at the top of the list, but political corruption is a significant problem at both the Federal and state levels.
10. It appears nothing overt has changed in our policies that might trigger a rise in corruption. There has been much in the press about celebrated cases, but that might be due to enhanced law enforcement activity against corruption that stems from enhanced law enforcement of FCPA.
11. People can bemoan the 'corruption' of our government by special interests, but it's remarkable how our governments at every level don't become (or at least don't remain for long) little fiefdoms of corrupt officials enriching themselves, above the law -- like Mexico, for example. We have systems of institutionalized

advantage and privilege to remedy, but blatant breaking of the law by elected officials is somehow, against all odds, not our way of life in the US, as it is so many other places.

12. In my neighborhood corruption is very low (say, a 2). This is starting at the local rural America. The potential for corruption increases as we move up the economic & political food chain. People use economic corruption for political gain and/or to further a social agenda.
13. Our standards of full disclosure are likely higher than other countries, due to our expectation that we have a right to know everything that the government (local, state, Federal) is doing. Citizens in other countries do not have as high of an expectation of transparency in their government, so our perception of when things are not perfect or are withheld "without cause" is skewed. However, we still need a better and timelier disclosure of information.
14. The issue in the US is not corruption per se, but over-regulation and control by government entities at all levels. The control issues are not dealt with by payments, as in classic corruption, but by lawyers and consultants. They do not make improper payments; their skill is in dealing with an over-riding bureaucracy. These service providers add a cost to doing business in the US that is probably equal to improper payments in other countries. The one saving grace is that such expenses are usually legitimate business expenses and therefore deductible, whereas improper payments are not. Over-regulation is increasing, but compared to many countries, the US is still a great place to do business.
15. Misinformation provided by the Federal Government, no matter the party affiliation, is discouraging. The inability by lawmakers to provide any meaningful solutions is a continuing joke. Conversely, I would not want to live anywhere else, frustrating.

A sampling of the more negative responses:

1. Regrettably, I feel that corruption in the US has increased incrementally over the past year and considerably over the last ten years or more. Particularly focused on politics, it has become brutally clear just how much money buys people in power off. And on the local level, again, very sadly, I see corruption in "small ways." With the economy squeezing a lot of people, those willing to go into the gray area has increased. Even my son's orthodontist had a bookkeeper who embezzled! Of course, since she is small time she was caught: She is now in jail for US\$30,000 worth of embezzlement while big time politicians get away with - ???.
2. We are getting the best government that money can buy. Lobbyism has warped the democratic political system and turned politics into a game of wink, wink, nod, nod. There is little risk of being convicted of corruption for those with the money, power and best lawyers. Usually they can write the laws and regulations to make what would be illegal legal.
3. Corruption exists at all levels of government – from very small communities to national politicians. Most evident and flagrant at the small community level where property developers, realtors, engineering companies & unions spend large sums of money to literally “buy and pay for” political seats during election time in order to take control of Town Councils, and various commissions --- they “own” the Town Government in order to profit from approval of their development projects. This repeats itself at the state level of government where large corporations and unions do the same in funding the election of individual legislators to carry their banner and support their causes. At the national level, lobbyists, on behalf of huge corporate and wealthy individuals, totally hold the US general population as hostage. From Congress to the White House --- special interest groups and wealthy investors exert huge influence over decision-making.

4. Government corruption/lack of ethics is particularly disturbing to me. I feel like the US is becoming one of those countries OUR country used to criticize heavily (and still does).
5. Governmental corruption, cover-ups, president doing whatever he pleases. Constitution being thrown under the bus.
6. Too many politicians have lost all interest in the US as a whole and increasingly think only of getting re-elected and increasing their wealth. Term limits are a must if we are to correct this problem. I cannot believe that the patriots who created this nation thought we would have career politicians in the House and Senate
7. Dark money in our politics is creating a plutocratic oligarchy.
8. From my own perspective in Illinois, it is the high profile political issues that get all the attention. Three out of four Illinois governors wind up in prison. One of the congressional delegates just resigned over financial irregularities. Compared to other Midwestern states like Wisconsin, the Illinois culture of pay to play seems to make it much harder to do business here than in other states.
9. Large and growing government agencies and programs seem to be particularly susceptible to widespread corruption, both from outside and from within.
10. Corruption in small towns and in silos of public service (e.g. Medicare) seem to be very important because there is often no oversight in small towns and corruption can be far reaching and long lived.
11. The most negative aspect of corruption is the ability it gives wealthy individuals to hold sway over politicians who were elected to represent their broader constituency.
12. "Pay to play" in politics. It is almost impossible to prove quid pro quo, so political donors and lobbyists can buy votes and steer legislation (sometimes even writing the bills themselves) through donations and gifts to candidates and politicians already in office all the while being allowed to remain anonymous. Political votes are bought now more than any other time I can remember in my lifetime.
13. Our current situation in the US, and especially following the ill-fated Supreme Court decision of Citizens United vs the Federal Election Commission, has created a "market election" system. No longer is intelligent discourse or debate about issues the key to influencing voters. It is now about pandering to ideological extremes to gain donations and adjacent PACs so that the marketing, advertising, and messaging is used to increase turnout for your side.
14. Corruption through lobbying is undermining the integrity of the democracy and the electoral process; believability of government in managing the economic future of the country; role of the electorate in interacting with the government.
15. I am concerned about corruption in the justice system at the local level, although am confident that it tends to get uncovered as appeals work their way through higher-level courts.
16. County- and state-level judges in criminal cases involving defendants with the financial resources to pay off judges through their lawyers.
17. I am concerned about the ability of the top 0.1% of the wealthiest Americans to control the tax code in the US to avoid taxation through their political influence. I see the failure of persons operating in the "cash

economy” to pay taxes as a form of personal corruption. While I think that comparatively speaking we have enough checks in our system to limit corruption by crooked police officers, I think the fact that it still exists is an issue that must be addressed. I think the greed and special interests of unions undo the good that was once achieved by collective bargaining in order to garner a living wage for American workers.

18. The question hinges on one’s definition of corruption and how much it is part of the political/socioeconomic system itself. According to most reports, the plutocracy in the US continues to widen the gap between rich and poor. Looking at tax rates over the past six decades, it is clear that since Eisenhower coined the term “military-industrial complex” we have further hardwired corruption into the system itself. In addition to the tax code, I would offer as evidence the Citizens United decision of the Supreme Court.
19. Corruption in the military is not given enough attention. It is corporate welfare on a cosmic scale. It is not at all uncommon for senior officers who retire from the military to form companies to sell things to their former colleagues still on the inside. The National Security Agency’s domestic spying is a form of corruption in itself, and lends itself to corruption. With some 4 million government employees and private contractors engaged in this surveillance, it is highly unlikely that various forms of insider trading and other corrupt practices are not being committed.
20. Millions of dollars has been lost to improper accounting and corruption related to the wars in Iraq and Afghanistan. There have been many prosecutions. As the wars wind down associated expenditures and prospects for corruption will diminish.
21. While corruption in politics is disturbing, I think there are greater implications when it occurs in the business world, i.e. Wall Street, etc.
22. The high level corruption in the financial sector, such as that no banker or stock manager has gone to jail for the 2009 Wall Street collapse that they engineered, is a big reason why upward mobility in the US has dropped to low levels. The rich protect themselves.
23. US corporate management tries to eschew and/or ignore COCOM rules quite often in Asia by winking at their distributor-partners and letting them, with knowledge, bribe government officials for business, and/or encourage Asian sales reps to take or pay kickbacks while securing the sales for the US companies.
24. It seems that corruption has morphed into new areas through the stealing of identities and the use of others financial information through electronic means. This can be done from remote and international locations, which broaden and increase the number of perpetrators. I believe that there is an increasing level of greed in our culture that only fuels the corruption.
25. The stock market is climbing, but many folks -- even owning shares of the right stocks -- are not getting rich because of "legal" insider trading in which certain individuals and banking entities are given access to information on corporate reports, stocks options, and trades before it becomes available to the general public.
26. Corporations have no ethics and have basically “bought” their rights to sell dangerous products while touting them as safe. This is particularly pervasive and concerning in the pharmaceuticals industry, food industry, and GMO-oriented agribusiness. It also is happening in the medical field and in insurance. People can no longer trust that the regulatory agencies are doing their jobs of keeping a check on what they approved and offered.

27. When it happens in large corporations, it gets reported on extensively, which may serve as a deterrent. The amount of small-scale corruption (which can be as simple as paying cash for a service, so as to evade taxes) is probably larger than we think as there is not any way to monitor that.
28. The fact that so many illegal immigrants are able to find jobs in the US is a reflection how many US companies (and even households) are willing to be corrupt by hiring such workers if it supports their profits or saves them money.

VIETNAM

Comments

Vietnam has a big problem with corruption. Its score in our latest survey, although better than last year, was still the worst of any country covered by this report. About the most encouraging development is that none of the respondents to our survey felt the problem had further deteriorated compared with one year ago. Half did not note any change, while the other half said that corruption has decreased.

The government admits that corruption is a big problem. At the end of last year, Prime Minister Nguyen Tan Dung noted that the fight against corruption is one of the government's top priorities. The two solutions he proposed to deal with the problem were not particularly reassuring but they were an accurate assessment of where the problems lay. First, he wants more transparency – in the budget, in handling the country's mineral resources, land and other assets, and in the management of state-owned enterprises. Second, he said, corruption activities need to be dealt with strictly. That, in a nutshell, is the problem. There is little transparency and accountability, particularly when it comes to how state-owned enterprises operate. Moreover, there is no real political will to fight corruption. Lower level bureaucrats thrive on it. There is no indication that senior level party and government officials have grown as wealthy off of the plundering of state assets as has happened in China, but then there is considerably less money involved in Vietnam. However, what is the same as in China is that the Party is above the law and if the government were to attack the problem of corruption systematically, it would be hurting the very base on which its power is built. Therefore, top leaders address the problem on a selective case-by-case basis, making examples of the kinds of behavior they consider to be excessive in the hopes that other bodies guilty of the same kinds of abuses will at least restrain their behavior. Since the consensus view in our survey is that corruption is holding steady or improving, this tactic does seem to be producing some positive results at least in the short term.

A sampling of the more positive responses:

1. The use of on-line services for Customs and licensing will help reduce personal interactions where facilitation payments take place.
2. Corruption is bad, but the government is making some progress. There are better laws on the books. There are more reports on corruption in the media.
3. Foreign governments, donors and investors are helping to raise governance standards and help reduce corruption at the grassroots level through their practices, programs, and interactions with the government.

A sampling of the more negative responses:

1. Corruption in Vietnam is starting to skew the distribution of wealth so badly that average people are becoming much more critical of how this wealth has been earned.

2. Flagrant displays of wealth by people thought to have close government connections have become especially obnoxious over the past few years and are a growing source of resentment.
3. Corruption at all levels produces inefficiencies and whilst it is possible to avoid facilitation payments, in many cases the end-result is that you spend three times as long to get something done.
4. Not surprisingly, where government oversight is large such as ministries of construction, health, education, and culture there is plenty of corruption.
5. Tax is the most impactful because it impacts all businesses and because the methods of tax “extortion” include creating a tax assessment that borders on the absurd, and using that as the starting point for negotiations. Such absurd assessments undermine confidence in the policymaking and enforcement.
6. Corruption among traffic police operates as an unofficial toll. I have personally been physically assaulted by traffic police in Vietnam when taking a video of a shake down.
7. Vietnam’s legal framework still does not sufficiently define all forms of corruption as criminal acts.

EXCHANGE RATES

<i>Currency</i>	<i>3/27/15</i>
Chinese renminbi	6.2150
Hong Kong dollar	7.7535
Indian rupee	62.5221
Indonesia rupiah	13,070
Japanese yen	119.14
Malaysian ringgit	3.6781
Philippine peso	44.770
Singapore dollar	1.3693
South Korean won	1,103.73
Taiwan dollar	31.180
Thai baht	32.570
Vietnamese dong	21,535

Commercial middle rate expressed in terms of US\$1.

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