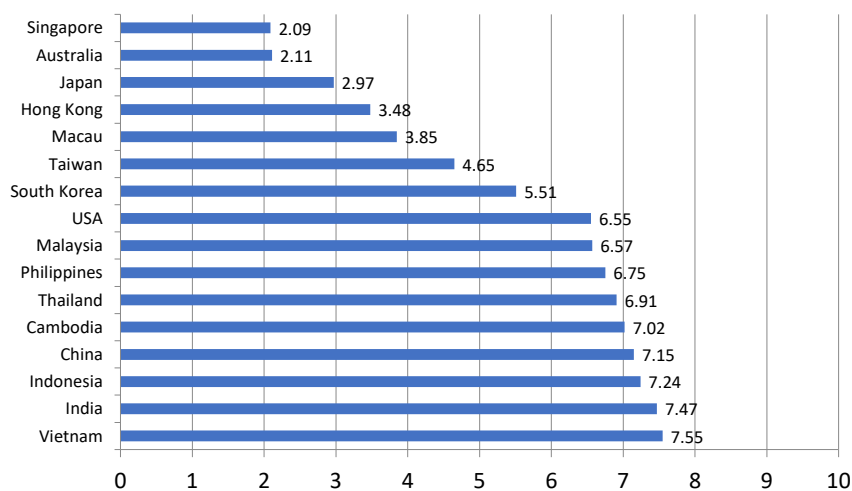# CORRUPTION IN ASIA -- 2024

A Report by Political & Economic Risk Consultancy, Ltd.

Perceptions of Corruption in Asia, the US and Australia in 2024

Country	Score
Singapore	2.09
Australia	2.11
Japan	2.97
Hong Kong	3.48
Macau	3.85
Taiwan	4.65
South Korea	5.51
USA	6.55
Malaysia	6.57
Philippines	6.75
Thailand	6.91
Cambodia	7.02
China	7.15
Indonesia	7.24
India	7.47
Vietnam	7.55

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

REGIONAL OVERVIEW

Annual review of corruption in Asia – 2024

Corruption has increased over the past 12 months in almost all the countries covered by this report. However, perceptions of the problem do not mirror reality. Executives in some countries consider the corruption problem less this year than one year ago, while executives in other countries rate the problem more severely.

There are two reasons why actual corruption

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has increased in most countries in the past year despite efforts by many governments to toughen anti-corruption laws and expand the power of official agencies charged with fighting graft. First, technological changes have increased online crime rates in every country. Some abuses include false websites, phishing, fake invoices, confidence fraud, extortion, personal data breaches, and credit card fraud. Those behind such crimes are coming up with more forms and variations faster than policing authorities can crack down on the abuses. Second, the problem of corruption in Mainland China is being exported more to several other countries in the region. In both cases, the cross-border dimensions of corruption are increasing, and the dollar amounts are enormous. These can be more difficult to monitor and stop than traditional types of corruption like election fraud, bid rigging, and bribery that often occur within an individual country's borders.

Many instances of money laundering and concealment of criminal proceeds involve cross-border transactions and are examples of how corruption in China contributes to other countries' problems. Some of these offshore countries include places where perceptions regarding corruption are already high, and problems originating in China are making the issues in these countries look worse. They include Myanmar, the Philippines, and Cambodia.

In other cases, China's corruption has resulted in Mainland Chinese involved in money laundering or other crimes drawing countries like Australia and Singapore into their schemes precisely because these jurisdictions have reputations for higher standards. Money laundering typically occurs through money transfers, legitimate businesses like real estate, and various investment portfolios. From the perspective of players involved in this kind of corruption, they frequently seek the cover provided by these more favorably-rated jurisdictions, provided those behind the graft can sneak their assets under the radar of the watchdogs in these countries. The rise of cryptocurrencies has made it easier to avoid detection. However, such practices still violate the laws in the destination countries by involving disguises such as false identities, misstatements of the origins of the funds being transferred, and forged documents.

It has been one year since we last surveyed how corruption is perceived in 14 Asian countries, the US, and Australia. This year, perceptions of corruption are higher or worse in eight of the 16 countries and territories covered here, while they are lower or better in the other eight. Perceptions are most critical in Vietnam, while Singapore retains its top ranking, or the place where corruption is perceived to be the least problematic.

It is important to emphasize that our survey measures perceptions, not the reality of corruption. They are not the same thing at all. Some of the most pernicious kinds of corruption go undetected for years because corrupt people have somehow legalized their practices or made ordinary people accept the behavior as an integral part of the system. Out of sight, out of mind does not mean it is low or insignificant. Other kinds of corruption are exaggerated by politically motivated purges or politicking that involves extensive mudslinging in which candidates accuse their rivals of being corrupt, often without any hard evidence.

Still, perceptions are important. Companies decide where to and not to invest based on how they perceive corruption, not how it exists. At the same time, due diligence and compliance processes are usually drawn up based on what managers or industry regulators perceive needs to be monitored. If they cannot monitor it or, as in the case of China, are threatened with committing serious crimes if they try, they would typically not go ahead with an investment and might even withdraw one if it already exists.

Just as the results of our survey are not particularly useful in measuring actual levels of corruption in any one country, it makes no sense to use the results to compare corruption levels between countries. The audience being surveyed for each country is different. Residents of one country rate that country, not the others covered here. Those residents have different biases, depending on their cultures, access to information, and comfort with freedom of speech. At no place in this report do we say or hint that Singapore is the least corrupt country and Vietnam the most corrupt. What our survey sheds light on are, first, perceptions as they existed in January-March 2024; second, how those perceptions

have changed over the past year; and third, perhaps why those perceptions have changed and how different biases might come into play.

Altogether, we received 1,801 responses, at least 100 from every country except Cambodia, from which we got responses from 89 executives, and Macau, from which we received 95 responses. All respondents were senior or middle executives of companies or professionals in the countries they evaluated. We relied on face-to-face interviews with new subjects and e-mails to respondents who had replied to previous surveys.

We conducted the survey in the first three months of this year when we asked the following three questions:

1. On a scale of zero to ten, with zero representing a situation in which there is no corruption (the best grade possible) and a ten is an extremely serious problem of corruption (the worst possible), how do you grade the problem of corruption in the country in which you are working?

2. Compared with one year ago, has corruption (a) decreased, (b) stayed the same, or (c) increased in this country?

3. What aspects or implications of corruption in this country stand out to you as particularly important?

Please note that we intentionally did not define "corruption." It can mean different things to different people. We wanted to draw out some of those differences with the responses to the third question. After reading the responses, it is clear that many people do not confine their interpretation of "corruption" to the strict definition of abuse of public office for private gain or to provide an unofficial good or a service to a third party to influence specific actions. Many respondents considered lying by politicians, fake news in the media, crimes involving cryptocurrencies, online scams, different types of fraud, and cheating to be classified as forms of corruption. They could well be correct, and if the official anti-corruption agencies in specific jurisdictions refuse to go after such cases because it

is not within their mandate, they risk creating a false impression of corruption being either lower than people think is the case or intentionally ignored by governments for some other reason.

Some of the points that stood out in this year's survey included the following:

1. The fastest-growing area for corruption relates to online abuses, which cover a wide range of crimes and add to the cross-border nature of the problem for every country. Technologies involved in cyber fraud have become cheaper and more available, making it easier for scammers to trick authentication systems. New factors like the manipulation of digital information, cryptocurrency, and online frauds create new ways for corruption to occur that add to policing challenges.

2. Hong Kong and Singapore suffered bigger deteriorations in their scores over the past year than any of the other jurisdictions. Singapore's score was 14.2% higher and Hong Kong's 10.5%. This was due to their roles as international financial and business centers and attempts by foreign interests, especially from Mainland China, to transfer assets to these bases. Despite the reputations for the professionalism of both Hong Kong and Singapore's anti-corruption agencies and monetary authorities, criminals and other would-be system gamers are trying to use the latest technology and other stealth techniques to disguise their identities to gain the credibility a presence in these bases offers.

3. Singapore and Hong Kong are responding by tightening screening procedures. However, this requires cooperation with local banks, professional offices, and other local companies that are adding to compliance complications, which, in turn, are adding to costs and, in some cases, slowing processes like the time it takes to screen new clients. It is unclear if the deteriorations in scores were due more to increased cross-border corruption or to the added inconveniences this is causing to legitimate businesses due to the tougher screening requirements. The answer is probably that both contributed to the perception that

problems resulting from corruption have increased. However, the ability of Singapore and Hong Kong to remain as highly rated as they are shows these are not places where the authorities are becoming less committed in their anti-corruption policies.

4. Macau has the most improvement in perceptions. This year's score was 10.7% better than last year's. Unlike Singapore and Hong Kong, Macau is not an international business center. It is a gaming destination for Mainland Chinese. Beijing's anti-corruption crackdown has forced Macau authorities to broaden their fight against corruption by making it much more difficult for junket operators to help Mainland Chinese get their assets out of China. The profile of the typical gambler from the Mainland has changed radically over the past three years. While criminal elements from the Mainland might have fled to other countries like Cambodia and Myanmar in recent years, and even to Singapore and Malaysia, they are less evident in Macau, which is one of the few examples of a place that has seen its corruption decline because of China's crackdown.

5. Taiwan and South Korea are examples of places where the evolution from more authoritarian political systems to multi-party democracies has been accompanied by reforms that have significantly reduced systemic corruption. Controversial links between business and politics are more prominent in Korea than Taiwan, but petty corruption has been largely eliminated. Both have set up and strengthened institutions responsible for fighting corruption. However, both democratic systems have reached the point where rival political parties use accusations of corruption against the other for political gain. These accusations could start hurting perceptions, as is happening in the US.

6. The politicization of corruption could be approaching a destabilizing extreme in the US. It is polarizing the population, eroding the credibility of institutions, including the judicial system, FBI, and media, and fortifying a general perception that the problem of corruption is increasing so much that the system of democracy could be vulnerable. A decade ago, perceptions of corruption as a problem in the US were much lower than in Taiwan and Korea. They were closer to or on par with Japan. However, the most recent score for the US is much worse than any of these other countries. The score is 9.7% worse than last year and the worst ever recorded in our surveys for the US. It is even worse than the score before the previous Biden-Trump election.

7. The two communist countries covered, China and Vietnam, have mounted high-profile anti-corruption campaigns. However, even after years of implementation, it is unclear if the results of these campaigns have been favorable or unfavorable for these countries. It is also unclear if corruption has been reduced or pushed further underground. What is clear is that the scale of the problem was massive in both countries and led to imbalances that will be difficult to fix. In the case of China, it seems to have contributed to the exportation of corruption to other countries. In contrast, in the case of Vietnam, it has prompted many officials to become so cautious that they have been withholding approvals of infrastructure and other major projects until they can be confident they will not become targets of government investigators.

8. The Philippines, Indonesia, Malaysia, and Thailand are still graded moderate-to-poor for corruption, but all have registered improvements in perceptions compared with last year. The most notable feature of all these countries is how difficult it has been to change the structural features of corruption that involve a relatively small number of elite retaining control of political power in ways that have given themselves, their families, and friends certain economic advantages, including preferential treatment in business and legal matters.

9. Some of the biggest corruption scandals in the past year have involved private sector companies. Not even including the enormous amount of corruption by invisible actors taking place through online scams, significant scandals have been tied to family conglomerates in India,

real estate developers in China and Vietnam, cryptocurrency fraudsters in South Korea and the US, and car dealerships and insurance companies in Japan.