

### **Problem Lab: Anti-corruption**

While a definition of corruption: “the abuse of entrusted power of private gain” by the Transparency International (TI) has been widely used; in broader terms, the legalistic conceptualization of corruption concerns itself with behavior that deviates from, or violates vital principles of social and economic life for personal profit.

Arguably, corruption is embedded in multifarious aspects of society, and thus endemic in all countries—whether large or small, and wealthy or poor—but it is in the developing world that its impacts are most deleterious. Indeed, the prevalence of corruption is regarded as a common cause of poor governance and economic underperformance that impedes sustainable development, for example in many Asian and African countries. Accordingly, the United Nations Convention against Corruption (UNCAC) recognizes that it “undermines democracy and the rule of law, leads to violation of human rights, distorts markets, erodes the quality of life, and allows organized crimes, terrorism and other threats to human security to flourish.” It not only renders policies ineffective and undermines legitimacy of governments, but also discourages foreign direct investment (FDI), diverts necessary and scarce resources away from productive pursuits, further exacerbating inequality and injustice.

It is worth noting that while corruption is an age-old problem, the global anti-corruption movement, on the other hand, is a relatively new phenomenon, which resulted from two interrelated trends: the end of the Cold War and waves of democratization in late 20<sup>th</sup> Century. In the course of the early 1990s, with the U.S. and Europe freed from the inhibitions of the Cold War, a new view of corruption as an impediment to sustainable growth and development emerged. Increasing interdependence across countries in areas of trade, investment and military assistance paved the way for negotiations toward a global pact against corruption.

Additionally, high profile corruption scandals particularly in South Korea, Italy, Brazil, Venezuela, Mexico, Spain, and Ecuador in the 1990s also increased the attention placed on corruption. From this, governments, international agencies, NGOs, aid donors and transnational corporations became naturally concerned about global aspects of corruption, ranging from the spread of criminal networks, illicit financial flows, drug trafficking and human smuggling to the creation of unfair conditions for trade and finance. Essentially, the proliferation of international efforts to curb corruption has been nothing less than commitments to promote economic development, increase country competitiveness, improve social conditions, and reduce extreme poverty.

In light of the Association of Southeast Asian Nations (ASEAN) economic integration that is currently underway, the discussion of corruption has become as pertinent and crucial as ever. While economic openness could promote healthy competition that helps eradicate drivers of corruption, greater regional economic integration also poses a number of risks that, if left unaddressed, could adversely worsen the problem. The increase in the quantity of cross-border transactions could generate more corruption. This will not only foster heavier illicit flows of goods, people and capital, but will also call for a stronger regional response to the borderless crime, in particular systemic corruption.

The complexity of the phenomenon makes it impossible to provide a comprehensive account for the causes of corruption. Drivers of corruption in Southeast Asia are as follows:

- *Political-economic explanation:* corruption is considered the outcome of rational individual choices, and its spread is determined by the structure of expected costs and rewards. This involves the calculation of risks of being punished and the probability of getting caught, which depend in part on the effectiveness of the country's legal system and its sanctions.
- *Socio-economic explanation:* individuals are pushed toward corruption by attributes of their internalized values and by social pressures. They consider the moral cost of corruption, that is, the utility that is lost because of the illegality of an action. Individuals will suffer higher moral costs when, from the perspective of their own ethical standards and those of their peers, corrupt behavior involves a violation of values—such as commitment to public service or to business ethics—that have been deeply internalized and constitute shared criteria of judgment. Moral costs in fact mirror social norms and ethical preferences and beliefs, as reflected in the esprit de corps and the “public spiritedness” of officials, the political and civic culture, the political identity, the public's attitudes toward illegality, and business ethics.
- *Neo-institutional approach:* once a certain organizational texture and “cultural adaptation” to corruption has developed, governance structures and enforcement mechanisms provide internal stability to illegal dealings in specific areas of public activity, reducing uncertainty among partners in relationships which appear more lucrative and less morally censurable. The co-evaluation of economic incentives and cultural values is path dependent. The heritage of corruption in the past procedures increasing returns in subsequent periods through neutralization of moral barriers, creation of more profitable opportunities in formal procedures and decision-making processes, thereby providing organizational shields and mechanism of protection against external intrusion by the authorities and internal friction among corrupt actors.