

## Transparency and Anti-Corruption Efforts in East Asia: An Observation

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### Abstract

The four selected countries (or economies) in East Asia, namely Japan, Taiwan, South Korea, and China, are marked with disparate pictures of transparency and corruption situations. In terms of well-known transparency or lack of corruption indicators such as the Transparency International's Corruption Perception Index (CPI) and the World Bank's Control of Corruption feature in its Worldwide Governance Indicators, Japan is shown to have the most transparent or corruption-free picture, followed by Taiwan, South Korea, and China. It is true that each of these countries or economies had gone through many years and various episodes of corruption incidence involving, for example, former prime ministers of Japan and former presidents of Taiwan and South Korea, but in the last 10 years or so, these East Asian economies have succeeded in getting concrete and meaningful starts in their anti-corruption policies and actions in their respective economies. Even in China where the record of corruption is still high in comparison with the other three East Asian economies, the present China's leaders have shown serious interest and resolve in their fights against corruption, which have resulted in the punishment of several high-ranking officials. In all, these four East Asian economies could be said to have set good examples for other countries to follow with respect to transparency and anti-corruption efforts.

**Keyword:** Role of government, Transparency, Corruption, East Asia, MK

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## 1. Introduction

Transparency and anti-corruption activities have become desired administrative and development goals in most countries nowadays, including countries in East Asia. The main reason is obvious: corruption is seen as an abuse of power by state officials for private gain; therefore, corruption is, by definition, always a private gain at the expense of a public loss. As such corruption brings in, not only the lack, or loss, of efficiency in the country's or society's allocation of resources, but also the negative effects of the maldistribution of income as a result of corruption. By promoting transparency and greater efforts in combatting corruption, a country can expect to gain greater social wealth and development, and a fairer or more equal distribution of income.

Countries in East Asia are marked with disparate pictures of transparency and corruption situations. If by East Asia is meant China (with its two special administrative systems: Hong Kong and Macau), Japan, the two Koreas, Taiwan and Mongolia, then we have somewhat contrasting situations. Japan is the most developed country in terms of economic achievement, followed by Korea and Taiwan. China is still listed as a developing country but is moving fast towards a devel-

oped, industrialised economy. Mongolia had emerged from one of the least-developed economies (in U.N. classification) about two decades ago and is picking up in its economic development too. Each of these East Asian countries is facing different levels of transparency and corruption, and trying to cope with its own situation either to retain the level of transparency, or to bring in more transparency as the case may be. The main purpose of this short paper is to look at the transparency (or lack of corruption) of some of these East Asian countries now and make some observations on the prospects of their anti-corruption efforts in the future. Four countries will be selected for the above purpose. They are, alphabetically, China, Japan, Korea, and Taiwan. In the next section, Section 2, we will assess transparency or corruption situations in these countries, with some comparison with similar situations in other countries in South East Asia. Section 3 discusses anti-corruption frameworks and institutions in these countries, especially addressing the reason for the existence, or non-existence, of a specialized anti-corruption institution or organisation. Finally, Section 4 makes an observation on the future prospects of anti-corruption efforts in these East Asian countries.

## 2. Corruption Situations in Selected East Asian Countries

Although transparency and lack of corruption are strictly not the same, it can be argued that it can be used interchangeably. Transparency can be understood as a condition whereby the public sector and its officials announce or advertise their policy intention and actions to the public openly without hidden agendas or motives (supply-side transparency), and the public are provided with opportunities and facilities to acquire all information related to such policies (demand-side transparency). Under these transparency conditions, where the public officials cannot clandestinely set out to do something that creates personal gains at the expense of public benefits, and the public are capable and able to acquire all the facts about what these public officials have done, it is believed that the chance or likelihood of corruption or corrupt practices by public officials can seldom take place. It is in this connection that transparency and the lack of corruption can be regarded as the same phenomenon.

But corruption can be something not easily identifiable. It is true that corruption is an act of a state official in his or her official capacity that leads to or results

in personal gains beyond formal or official compensation, the actual corrupt practices may be manifested in various forms ranging from straightforward giving or receiving of bribes, to owing a debt of gratitude that requires repayment at a later date, and the gains that may be in the most explicit forms of money or things of value to the generation of favours or assistance that are difficult to quantify. Therefore, it is difficult to measure levels of corruption in any country accurately, if at all. There are several ways in which transparency experts and anti-corruption practitioners can get around these problems, and one of these is to measure the “perception” of corruption among these experts and anti-corruption practitioners rather than actual corruption.

Two of the most well-known measures of corruption perception that we will be using in this paper are the Corruption Perception Index (CPI) constructed and published every year by the Transparency International (TI), an international anti-corruption, non-government organization based in Berlin, Germany, and the Control of Corruption Indicator as part of a broader Worldwide Governance Indicators Program established by Daniel Kauffmann and associates at the World Bank.<sup>1</sup>

<sup>1</sup> Information on Corruption Perception Index is available at the Transparency International website at <http://www.transparency.org>, and the information on the Control of Corruption Indicator can be found at <http://info.worldbank.org/governance/wgi/index.aspx#home>

On Corruption Perception Index, researchers at TI Berlin built their “perceptions” of corruption of almost 200 selected countries from reports and studies of various international organisations such as the World Bank, the Inter-American Bank, the Asian Development Bank, and so on. Although the number of data sources used for their calculation is not the same for all countries, at least three sources must be available before calculation is made. The scale of corruption perception has changed from 0 to 10, that is, from complete lack of transparency (full of corruption) to full transparency (devoid of corruption). In other words, the closer the index to 10 shows greater transparency, and closer to zero shows greater corruption. In 2012, TI researchers changed their method of calculation and used the base of zero to 100 rather than zero to 10 for increased transparency. For comparison purpose, it may be necessary to change the base of these indices in 2012 and 2013 to the base of 10.

Table 1 shows the score of Corruption Perception Index for the four selected East Asian countries, China, Japan, Korea, and Taiwan. Its associated Table 2 shows the rankings of these countries from the total world samples in respective years. From Table 1, it may be seen that the latest information (in 2014) shows that Japan has

the highest transparency score 76 (out of 100), followed by Taiwan at 61, Korea at 55, and China at 36. This is to be expected as Japan has reached its developed state long before the three others. Looking back all the way to 2006, Japan’s score has slipped somewhat from its peak of 8.0 (or 80 in the new scale) in 2011, whereas both Taiwan and Korea have improved their transparency. If this trend continues, Korea looks forward to catch up with Taiwan in its transparency level in a few years’ time. Until 2013, the best performer among the four East Asian countries was China which saw its CPI increase from 3.3 in 2006 to 40 in 2013. However, the CPI for China in 2014 has slumped to 36 from 40 in 2013. The recent corruption news in China could have some negative effects on the perception of corruption in this country among world economic experts.

The remainder of Table 1 also shows the CPIs of ASEAN countries for comparison with the four East Asian countries. The general picture of corruption in ASEAN is still very bleak, with only Singapore, Brunei and Malaysia showing CPI scores over 50. The new members of ASEAN, namely Cambodia, Lao PDR, Myanmar, and Vietnam, are seen or perceived as among the least transparent or most corruption-prone in the world.

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**Table 1** Corruption Perception Index in Selected East Asian and ASEAN Countries: Score

Country	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>East Asia</b>									
China	3.3	3.5	3.6	3.6	3.5	3.6	39	40	36
Japan	7.6	7.5	7.3	7.7	7.8	8.0	74	74	76
Korea	5.1	5.1	5.6	5.5	5.4	5.4	56	55	55
Taiwan	5.9	5.7	5.7	5.6	5.8	6.1	61	61	61
<b>ASEAN</b>									
Small, advanced members									
Brunei					5.5	5.2	55	60	
Singapore	9.4	9.3	9.2	9.2	9.3	9.2	87	86	84
<b>ASEAN-4</b>									
Indonesia	2.4	2.3	2.6	2.8	2.8	3.0	32	32	34
Malaysia	5.0	5.1	5.1	4.5	4.4	4.3	49	50	52
Philippines	2.5	2.5	2.3	2.4	2.4	2.6	34	36	38
Thailand	3.6	3.3	3.5	3.4	3.5	3.4	37	35	38
New, less advanced members									
Cambodia	2.1	2.0	1.8	2.0	2.1	2.1	22	20	21
Lao PDR	2.6	1.9	2.0	2.0	2.1	2.2	21	26	25
Myanmar	1.9	1.4	1.3	1.4	1.4	1.5	15	21	21
Vietnam	2.6	2.6	2.7	2.7	2.7	2.9	31	31	31

**Note:** The CPIs for 2012 and 2013 are rescaled to base on 0 to 100.**Source:** Transparency International, Corruption Perception Index, various years

While Table 1 shows the magnitude of a country's level of transparency or lack of corruption, Table 2 shows relative rankings of these countries in comparison with one another. In this table for the four East Asian countries, Japan was ranked 15 from the top behind Denmark and New Zealand in 2014, followed by Taiwan at rank 35, and Korea at rank 43. China, at rank 100, is not in the same league as the other three East Asian countries. In comparison with 2013, the rank of China has dropped many places in 2014, that is, from 80 to 100. It may be noticed that China's rank has slipped in the last several years, from rank 70 in 2006 to the present rank 100 in 2014.

In addition to the CPI, many anti-corruption researchers and practitioners use the Control of Corruption Index calculated by the World Bank as a measure of the existence of corruption among various countries in the world. Daniel Kaufmann and associates at the World Bank (Kaufmann et al., 1999a, 1999b, and 2010) devised a technique to measure the scope of governance for 150 economies around the world for 1996 and continued on every year until 2012 when the number of economies used reached 215. The Worldwide Governance Indicators (WGI) project reports aggregate and individual governance indicators of these economies over the period 1996–2013,

for six dimensions of governance:

- Voice and Accountability
- Political Stability and Absence of Violence
- Government Effectiveness
- Regulatory Quality
- Rule of Law
- Control of Corruption

According to Kaufmann et al., these aggregate indicators combine the views of a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. They are based on 31 individual data sources produced by a variety of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms.

In this paper, we are going to look at only one dimension of the above governance indicators: control of corruption. And the indices for control of corruption for our four East Asian countries from 2006 to 2013 are shown in Table 3.

As can be seen from this table, the control of corruption index ranges in value from -2.5, indicating weak governance, to +2.5, indicating strong governance. The mid-point value is of course, 0. So, the sign and the size of the index indicate how well these countries control corruption in their respective countries. In 2006, for example, Japan had the highest control of corruption

**Table 2** Corruption Perception Index in Selected East Asian and ASEAN Countries: Ranking

Country	2006	2007	2008	2009	2010	2011	2012	2013	2014
East Asia									
China	70	72	72	79	78	75	80	80	100
Japan	17	17	18	17	17	14	17	18	15
Korea	42	43	40	39	39	43	45	46	43
Taiwan	34	34	39	37	33	32	37	36	35
ASEAN									
Small, advanced members									
Brunei					38	44	46	38	
Singapore	5	4	4	3	1	5	5	5	7
ASEAN-4									
Indonesia	130	143	126	111	110	100	118	114	107
Malaysia	44	43	47	56	56	60	54	53	50
Philippines	121	131	141	138	134	129	105	94	85
Thailand	63	84	80	84	78	80	88	102	85
New, less advanced members									
Cambodia	157	162	166	158	154	164	157	160	156
Lao PDR	111	168	151	158	154	154	160	140	145
Myanmar	160	179	178	178	176	180	172	157	156
Vietnam	111	123	121	120	116	112	123	116	119
Total	163	180	180	180	178	183	176	177	175
Countries surveyed									

**Source:** Transparency International, Corruption Perception Index, various years

**Table 3** Control of Corruption in Worldwide Governance Indicators

Country	2006	2007	2008	2009	2010	2011	2012	2013
East Asia								
China	-0.57	-0.59	-0.54	-0.54	-0.60	-0.55	-0.48	-0.35
Japan	+1.32	+1.21	+1.31	+1.37	+1.57	+1.57	+1.61	+1.65
Korea	+0.28	+0.52	+0.37	+0.48	+0.40	+0.46	+0.47	+0.55
Taiwan	+0.53	+0.50	+0.48	+0.60	+0.72	+0.87	+0.72	+0.68
ASEAN								
Small, advanced members								
Brunei	+0.23	+0.24	+0.54	+1.02	+0.89	+0.88	+0.64	+0.72
Singapore	+2.19	+2.25	+2.25	+2.25	+2.21	+2.12	+2.15	+2.08
ASEAN-4								
Indonesia	-0.81	-0.58	-0.56	-0.82	-0.75	-0.68	-0.66	-0.62
Malaysia	+0.25	+0.28	+0.02	-0.03	+0.13	+0.05	+0.30	+0.41
Philippines	-0.81	-0.70	-0.75	-0.77	-0.80	-0.70	-0.58	-0.40
Thailand	-0.34	-0.36	-0.42	-0.28	-0.32	-0.29	-0.34	-0.33
New, less advanced members								
Cambodia	-1.23	-1.09	-1.20	-1.16	-1.23	-1.22	-1.04	-1.01
Lao PDR	-0.32	-1.28	-1.21	-1.26	-1.21	-1.19	-1.04	-0.90
Myanmar	+0.23	-1.57	-1.56	-1.67	-1.68	-1.68	-1.12	-1.07
Vietnam	-0.74	-0.64	-0.73	-0.53	-0.63	-0.61	-0.56	-0.53

**Note:** Estimate of governance (range from -2.5 (weak) to +2.5 (strong) governance performance.

**Source:** World Bank, Worldwide Governance Indicators

index among the four East Asian countries at +1.32, compared with +0.53 for Taiwan, +0.28 for Korea, and -0.57 for China. It may be noticed that the control of corruption improved across the four countries from 2006 to 2013, with Japan, Taiwan, Korean, and China achieving the Control of Corruption Indices of +1.65, +0.68, +0.55, and -0.35, respectively. Notice also that the relative ranking or position of these four East Asian countries with regards to their anti-corruption situations as indicated by this World Bank's Control of Corruption Index is the same as that of the Transparency International's Corruption Perception Index, that is to say, Japan is shown to be the most transparent, followed by Taiwan, Korea, and China in that order.

Again the remainder of Table 3 shows the Control of Corruption Indices of ASEAN countries for comparison. Here a similar picture emerges. Only Singapore, Brunei, and Malaysia have achieved positive (with plus signs) control of corruption capability, whereas the remainder of ASEAN countries were still struggling to get out of their negative (with minus signs) images of their control of corruption capability.

### 3. Anti-Corruption Efforts in These Countries

In this section we will discuss the framework or institutional structures of each of selected East Asian countries on their fights against corruption in their countries. We will start with Japan, the country with the most transparent public sector administration in the group, followed by Taiwan, Korea, and China.

#### Japan

While Japan is now seen as the most transparent country in East Asia today, it was involved in one of the most scandalous corruption cases in the world in the early 1970s. This is the so-called Lockheed Bribery Affair where the Lockheed Corporation of the US paid about 500 million yen to Mr Tanaka, then Prime Minister of Japan in 1973, in exchange for his favour in coercing Japan's All Nippon Airways (ANA) to buy 21 TriStar L-1011, flagship commercial aircraft of Lockheed company instead of the DC-10 from its competitor, McDonnell-Douglas Corporation, also of the US. This payment came to light when the then President of Lockheed company informed the US Senate Sub-

committee on US Corporations Overseas Operations in February 1976 how his company paid the money to Mr. Tanaka and several other people related to its plane sales. Mr. Tanaka was arrested a few months later in Japan, and was put on trial for receiving bribe and was found guilty in October 1983. He appealed but was dead in 1993 before the appeal court had reached its verdict. A few years later, another scandal erupted, involving several politicians in the ruling government party accepting shares of a human resources company named Recruit-Cosmos.

Several scholars have argued that the above Japanese corruption cases must be scrutinized under special socio-cultural situations unique to Japan. Harumi Befu (1975), a Japanese-American anthropologist at Stanford University, for example, said that the more he learned about bribery, the less he could distinguish it from mundane and daily gift-giving. To Befu, to establish whether a gift is a bribe or not, one has to take into account the past relationship between the giver and the receiver. If they have long been friends and associates and have been in a gift-giving relationship and the gift involved in a bribery case was not

too out of ordinary in comparison with the past gifts they have exchanged, then the prosecutor would have a hard time convincing the judge that the gift constitutes a bribe. In analyzing the situations surrounding the Lockheed Bribery Affair, Chalmers Johnson (1986), an American expert on Japan, also cautioned against a simplistic condemnation of this type of “bribery”, saying that it is not simply for personal gain or enrichment, but, “structurally”, this is “a part of the system” to enable their political party to perform its role well. In other words, corruption of this type may be tolerated as long as meritocratic bureaucracy and the growth of the country are not affected.<sup>2</sup>

Apart from these two “corruption” cases in Japan, there are not many other cases worth mentioning in the same degree of seriousness. It seems safe to say that corruption in Japan, if any, is of political variety rather than bureaucratic variety. This could be a main reason why Japan has received the best CPI score in East and Southeast Asia, not counting Singapore which is a unique, small city state and Hong Kong which is a special administrative region of China, not a full-fledged country. With few ordinary corruption cases, Japan

<sup>2</sup> Nevertheless, the separation between acceptability of political corruption and the integrity of the Japanese bureaucrats is an illusion because politicians often give various “gifts” to these bureaucrats as well. See also Mitchell (1996).

is perhaps not under pressure to initiate a special anti-corruption agency to cope with corruption problems as we have seen in many countries throughout the world.

On the institutional structure relevant to fighting corruption in Japan, it relies on the traditional administrative agencies such as the police to arrest and investigate any official wrongdoings, and the prosecutors to process the litigation in courts. The current Penal Code of Japan which has been in force since 1907 still has adequate and effective coverage against corruption. For example, Article 197 in Chapter XXV, Crimes of Corruption stipulates that

(1) A public officer or arbitrator who accepts, solicits or promises to accept a bribe in connection with his/her duties shall be punished by imprisonment with work for not more than 5 years; and when the official agrees to perform an act in response to a request, imprisonment with work for not more than 7 years shall be imposed.

(2) When a person to be appointed a public officer accepts, solicits or promises to accept a bribe in connection with a duty to be assumed with agreement to perform an act in response to a request, the person shall be punished by imprisonment with work for not more than 5 years in the event of appointment.

Two additional laws that have desirable effects on anti-corruption situations are the National Public Service Ethics Law (Law no. 129 of 1999) and the Unfair Competition Prevention Law (of January 2005). The first law has the objective of ensuring people's trust for public service, deterring activities that create suspect or distrust against the fairness of performance of duties by introducing necessary measures to contribute to retaining ethics related to the duties of national public services officials, acknowledging the national public service officials are servants of the whole people and their duties are to fulfill public service entrusted by the public. And the three Ethics Principles of Japanese public servants are as follows:

## II. Ethics Principles

(1) Employees shall not give unfair, discriminative treatment to the public, such as giving preferential treatment to any party of the public with respect to information gathered in the performance of their duties, and shall always engage in their duties with fairness, recognizing that they are servants of the whole nation and not of any group thereof.

(2) Employees shall always distinguish between public and private affairs and shall not use their duties or positions for

private gain for themselves or the organization they belong to.

(3) Employees shall not take any actions that create public suspicion or distrust against the fairness of public service while performing their duties, such as receiving a gift from entities influenced by their duties

Among specific requirements for Japanese public servants are mandatory report on receipt of a gift (of value greater than 5,000 yen), and mandatory report of exchange of stocks and income. As for the second law, the main purpose is “to provide measures for the prevention of unfair competition and for compensation for damages from unfair competition, etc. in order to ensure fair competition among business entities and the full implementation of international agreements related thereto, and thereby to contribute to the sound development of national economy”. This law has several concrete regulations on prohibition of bribery of foreign public official. For example, Article 11-(1) stipulates that “No person shall give, offer or promise any pecuniary or other advantage, to a foreign public official, in order that the official act or refrain from acting in relation to the

performance of official duties, or in order that the official, using his position, exert upon another foreign official so as to cause him to act or refrain from acting in relation to the performance of official duties, in order to obtain or retain improper business advantage in the conduct of international business”.

### Taiwan

In Taiwan, according to Business Anti-Corruption Portal, a web-based information on business corruption in various countries managed by a business group called Global Advice Network (GAN) based in Copenhagen, Denmark, corruption does not appear to be very problematic for doing business in this country or economy. However, it reports that the Transparency International’s Bribe Payers Index 2011, had shown Taiwan ranked 19th out of 28 nations, indicating that the perceived likelihood of Taiwanese companies engaging in bribery abroad is relatively high. Moreover, the Business Anti-Corruption Portal believes that government procurement is not considered transparent, and it is widely suspected that contractors pay officials under the table.<sup>3</sup> Elsewhere, the corruption picture in Taiwan

<sup>3</sup> See <http://www.business-anti-corruption.com/country-profiles/east-asia-the-pacific/taiwan/snapshot.aspx>

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does not appear to be too pleasing. The Political and Economic Risk Consultancy Ltd., a company well-known for its calculation of PERC Index which shows corruption's impact on the business environment in Asia Pacific countries, gave Taiwan a score of 5.31 in March 2014 which is worse than Malaysia's 5.25 but substantially better than Korea's 7.05, and China 7.10.<sup>4</sup>

Perhaps no other image of corruption in Taiwan is clearer than the incident concerning the money laundering and misuse of public funds charges involving campaign financing of former President of Taiwan, Chen Sui Bian who allegedly wired a large amount of leftover campaign fund to banks in Switzerland and Cayman Islands. Taiwan's prosecutors believed otherwise and charged that Chen and his wife together embezzled NT\$104 million (US\$3.12 million) from a special presidential fund, and received bribes of US\$11.73 million in connection with a government land procurement deal and a separate construction project.<sup>5</sup> Following a long court battle lasting several years, the former Taiwan President was found guilty of corruption and money laundering by the Supreme Court of

Taiwan and sentenced to 17 and a half years in jail, and Chen made history as Taiwan's first former head of state to be jailed.

Right at the heel of the above event, three high-court judges were in July 2010 detained on charge of corruption to fix the outcome of a high-profile case.<sup>6</sup> As the *Economist* conjectures, these latest developments merely confirm long-held suspicions of graft in Taiwan's insular and inscrutable judiciary. And probably as a result of these high-profile corruption cases, the Taiwan President, Mr. Ma Ying-Jeou, was under great pressure to make some drastic policy moves. Together with the Taiwan legislature (the Legislative Yuan) they were able to pass a new law called the Ministry of Justice Anti-Corruption Administration Act on April 1, 2011. This nine-article Act establishes a new agency under the Ministry of Justice (MOJ) called Agency Against Corruption (AAC) that will be responsible for formulating, promoting, and coordinating Taiwan's anti-corruption policies; investigating and prosecuting corruption cases; and supervising the ethics divisions of government agencies. The Act also calls for the formation of a review committee,

<sup>4</sup> See <http://www.asiarisk.com/subscribe/exsum1.pdf>

<sup>5</sup> Information retrieved from [http://en.wikipedia.org/wiki/Chen\\_Shui-bian\\_corruption\\_charges](http://en.wikipedia.org/wiki/Chen_Shui-bian_corruption_charges)

<sup>6</sup> *The Economist* (2010), "Corruption in Taiwan: Confirming the Worst Suspicions", July 22, 2010.

comprising 11 to 15 members, to provide the agency with professional advice. The members, who will serve without pay on a two-year appointment, will be selected from representatives of the fields of law, finance, and construction, as well as from among scholarly experts and government officials.<sup>7</sup>

The opposition party, the Democratic Progressive Party (DPP), of course had its own idea of anti-corruption law and agency, saying the government merely wanted to apply temporary relief of corruption rather than completely eradicate it. Moreover, this ACC is a part of the government's Ministry of Justice, therefore, lacking independence to investigate corruption by high-ranking officials or politicians, and its works overlapped with those of the prosecutors and the Ministry of Justice Investigation Bureau. On this last reservation, the government argued that there is no overlapping redundancy as the new ACC would focus on fighting corruption within government agencies, while the Investigation Bureau deals with economic crimes such as corporate fraud, embezzlement and racketeering.<sup>8</sup> Since this law and its new anti-corruption creation have just started to work, they should be given some time to do their jobs.

## Korea

As the second OECD country in Asia (after Japan), Korea has been trying very hard to exhibit its trait of developed, industrialised country with relatively little corruption problems. Its success in the last two decades or so has been quite noticeable, as we can see in the increase in CPI scores as well as its better rank in global transparency or lack of corruption. However, as the Business Anti-Corruption Portal has observed, Korea's transition to democracy in 1987, with its economy dominated to a significant extent by large conglomerates or chaebols, a number of corporate corruption cases have come to light in recent years indicating that illicit business behaviour is still common in South Korea.<sup>9</sup> Several sources indicate that large conglomerates have been involved in tax evasion and corruption. Nevertheless, in contrast to some East Asian economies, Korea has performed well in combating corruption in business:

- In September 2011, the Act on the Protection of Public Interest Whistleblowers came into force and is designed to protect whistleblowers in both the public and private sectors and equally extends to reports on foreign bribery.

<sup>7</sup> Information from [http://www.loc.gov/lawweb/servlet/lloc\\_news?disp3\\_l205402627\\_text](http://www.loc.gov/lawweb/servlet/lloc_news?disp3_l205402627_text). See also *Taipei Times* (2011), "Legislature approves law on setting up anti-corruption unit", April 2, 2011.

<sup>8</sup> *Taipei Times* (2011).

<sup>9</sup> See <http://www.business-anti-corruption.com/country-profiles/east-asia-the-pacific/republic-of-korea/snapshot.aspx>

- To improve the national integrity systems and eradicate corruption, the Korean government has pursued an extensive anti-corruption agenda, digitalising public services through a sophisticated e-governance and establishing one-stop shops to reduce opportunities for bribery;
- Many businessmen and officials, including former ministers and former presidents, have been found guilty of corruption in recent years, sometimes for offences committed years earlier.

Looking back to the beginning periods of Korean economic development in the early 1960s, the military government had absolute power and many chaebols or conglomerates were handpicked to lead industrialization and commercialization of Korea. While its leaders, especially President Park Chung Hee, were not known to be abusing their powers to enrich themselves, they had established a tradition of these chaebols contributing to privately established foundations run by these government leaders.<sup>10</sup> According to Lho and Cabuay (2005), top-level government officials did not feel guilty about accepting millions of dollars in the form of bribes and kickbacks as they believed that their efforts contribute

to the overall benefit of the nation. In their words, “this act of impudence, which started during the Park Chung Hee regime, has been passed on to different administrations despite the recent democratic process and has conditioned the public to adopt a sense of social deference for public incumbents”, and “this deference towards public officials has also conditioned the power elite to become accustomed to receiving bribes and kickbacks”.<sup>11</sup>

The financial crisis in the late 1990s did bring about impetus for change in the fight against corruption in Korea. Kim Dae Jung who was President during this period believed that the major cause of this financial crisis was due to the overall corruption in Korean society.<sup>12</sup> His efforts resulted in developing the Korean Comprehensive Anti-Corruption Programs which emphasized three basic strategies, namely,

- (1) Identify root causes of corruption instead of relying solely on punitive measures for those that commit corruption;
- (2) Create a systematic approach; and
- (3) Win the hearts and minds of the public to support anti-corruption mechanisms.

<sup>10</sup> See Lho and Cabuay (2005), p.87.

<sup>11</sup> Ibid, p.87.

<sup>12</sup> Ibid, p.87.

As a result, the Anti-Corruption Bill focusing on 10 major areas including tax and law enforcement reform for anti-corruption research measures, was passed into the Anti-Corruption Act in 2001. It must be said that the IMF which provided Korea with \$57 billion aid package during the 1997 financial crisis helped bring about effective fight against corruption by demanding a restructuring of Korea's corporate and financial sectors.

The Anti-Corruption Act of 2001 created a very active Korea Independent Commission Against Corruption (KICAC). However, in an effort to streamline overall anti-corruption operations, the Korean government decided to amend the 2001 Anti-Corruption Act and changed it to the Act on Anti-Corruption and the Foundation of the Anti-Corruption & Civil Rights in 2008, and merged the three anti-corruption bodies, namely the KICAC, the Ombudsman, and the Administrative Appeals Commission into one organisation called the Anti-Corruption and Civil Rights Commission (ACRC). Some have criticized this move as diluting the resoluteness on the fight against corruption of the former KICAC, but the government explains that the new anti-corruption organisation is more balanced and provides more comprehensive coverage of anti-corruption activities.

Apart from this new Anti-Corruption Act, and the existing Criminal Law the part that deals with corruption in the public sector, Korea also has effective Public Service Ethics Act, Act on Prevention Bribery of Foreign Public Officials in International Business Transactions, and Act on the Protection of Public Interest Whistleblowers, as mentioned earlier.

Despite all these great anti-corruption efforts, Korea is still facing daunting prospects of its war against corruption. In the past few years, we have seen several episodes of large public corruptions that defy our appreciation of government's anti-corruption efforts. For example, in 2013 alone, we have seen a former national intelligence chief of South Korea being arrested on bribery charges, over 100 officials being indicted for involvements in fake safety certifications in nuclear reactors, tax evasion by executives of large Korean conglomerates, and the match-fixing in the Korean football teams. The fight against corruption in Korea is going on.

### **China**

The change of government in China under the leadership of President Xi Jinping in 2013 has brought about what can be construed as the biggest anti-corruption campaign since the rule of Mao Zedong.

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This does not mean that such campaign was non-existent before—it did, but the emphasis made by Mr Xi was quite unusual. It started with his bid to cut extravagant expenses related to the activities of party and government officials that he made during the National Party Congress when he was appointed the President of China. His guideline for official behavior has become known as Xi Jinping's Eight Rules or Rules of Eight Points.<sup>13</sup> But more than this, there are several significant events related to his campaign against corruption in China. Consider the following events:

- In 2012, before he became the General Secretary of the Communist Party of China (CPC), and President of the People's Republic of China, Xi, as a member of the CPC Politburo Standing Committee, had a part in expelling Bo Xilai, a well-known member of the 17th Central Committee of the CPC Politburo for his misbehavior while Party Chief of Chongqing, and his arrest and trial of corruption in 2013, resulting in Bo's life imprisonment.
- One year on in his role as the CPC General Secretary, Xi managed, in July 2014, to expel three high-ranking Chinese

officials from the Communist Party for taking bribes. These three officials were known to be top aides of Mr. Zhou Yongkang, former CPC Politburo Standing Committee member and security chief of China who was charged with corruption later.

- In the same month, Xu Caihou, former Vice Chairman of the Central Military Commission was also expelled from the Party for accepting bribes.

It seems that Xi is not afraid of catching “tigers” of corruption in the field of many “flies” of corruption. It may be noticed that the fight against corruption in China takes concerted efforts between party politics and the general administration of the Chinese government through its State Council and related ministries. For example, in the above cases, the role of the CPC came first in the fight against corruption in China in the form of expulsion of alleged or suspected corrupt high-ranking officials from being members of the CPC. Then appropriate measures on the government level may follow. The most important organization in the CPC that deals with corruption issues among members of the CPC is the Central Commission for Discipline

<sup>13</sup> These “eight rules” include no welcoming banner at official reception, no red carpet, no floral arrangement, no grand reception, no street control for official security, no ribbon-cutting ceremony, not foreign study trip without approval from the Central Committee, and no organized reception at the airport.

Inspection of the Communist Party of China which, in the structure of the CPC, assumes the same position as the Central Committee of the CPC, attesting to its highly important status. This organisation was set up as early as 1927 before the CPC has the control of the country, and is charged with “rooting out corruption and malfeasance among party cadres”.<sup>14</sup>

Beyond the internal disciplinary procedures of the Central Commission for Discipline Inspection of the CPC, the management and control of public corruption fall within the jurisdiction of the Ministry of Supervision, one of several ministries under the State Council of the People’s Republic of China. Whereas the Central Commission for Discipline Inspection of the CPC is the instrument of disciplinary actions and controls of party members, the Ministry of Supervision is the equivalent instrument for Chinese state officials. It was established as the **People’s Supervisory Commission** in October 1949 after the founding of the People’s Republic of China, but took on the present name **Ministry of Supervision** in September 1954. In April 1959, it was abolished but was reestablished in July 1987 by the Sixth National People’s Congress.

This led to successive local supervisory authorities being created at the provincial and local levels. On May 9, 1997, the Ministry of Supervision was legislated to enforce the Law of the People’s Republic of China on Administration Supervision of the government agencies.

The Ministry of Supervision has the power to inspect government administrative organisations on the implementation of state laws, investigate violations of these state laws, recommend to relevant departments on how to deal with such violations, and punish state officials on their wrongdoings. This Ministry is effectively an anti-corruption agency, administrative control office, and an ombudsman office rolled into one. However, if the case involves criminal prosecution, the case may be referred to the Supreme People’s Procuratorate Office for further actions. (Information from Asian Ombudsman Association (AOA) Fact Sheet, Ministry of Supervision, People’s Republic of China, April 8, 2010).

In September 2007, the Chinese government established the National Bureau of Corruption Prevention as a separate organisation from the Ministry of Supervision (with most of its staff from this Ministry).

<sup>14</sup> Kahn, Joseph (2006). “Chinese Officials Vow to Press Political Shake-Up, Saying Corruption Is Focus”. *The New York Times*, 27 September 2006.

The establishment of the NBCP was partly in response to the requirement of the UN Convention Against Corruption of which China has acceded to as a state party, and partly in response to greater emphasis on corruption prevention activities. In order to synchronise the anti-corruption work on both the corruption suppression and corruption prevention activities, the Minister of Supervision is also appointed the Director of the NBCP. The anti-corruption activities of the Chinese government have become stronger as a result.

#### **4. An Observation on Future Prospects**

This paper has shown that, with exception of China, the three East Asian countries or economies, Japan, South Korea and Taiwan, are doing quite well in their anti-corruption efforts as perceived by regional and international experts. China may do less well among the four East Asian countries as its CPI in 2014 was the lowest at 36 out of 100, and its transparency rank was 100 out of 175 countries. But the change from 2013 to 2014 may be seen as an aberration from a continuing trend of improvement in its transparency. This is obvious from rising CPIs from 2011 to 2013 shown in Table 1. Arguably, the fall in transparency and the rise in corruption perception rank in 2014

could be an expected outcome of a flurry of corruption cases against high-ranking officials and Communist Party members. As long as the Chinese leaders, especially the Chinese President and Secretary General of the Chinese Communist Party, Xi Jinping, are astute and adamant against corrupt practices at all levels of Chinese government, it is possible that the trend will go towards China improving its CPI score and its transparency ranking.

As for Japan, despite its high-profile corruption cases in the 1970s and 1980s, Japan as the most developed economy in East Asia has reached a state of development that corruption in the old genre (the so-called “Iron Triangle” or corrupt practices between politicians, government bureaucrats, and business companies) is less likely to occur today. True, the two types of “corrupt practices” namely the “Kansei Dango” or government-led bid-rigging on public projects, and the “Amakudari” or the practice of government officials retiring into well-paid positions in businesses they used to regulate still exist today, but it is safe to say that their prevalence is much less today compared to, say, 10 to 20 years ago. This sentiment is shared by two experts on corruption in Japan, Yoshida Daisuke and Park Junyeon (Yoshida and Park, 2013, p. 142.) who said: “...bribery is now widely

understood in Japan to be impermissible, and corruption is no longer as prevalent a feature of the Japanese political-business landscape as it was 20 years ago". Anti-corruption efforts in Japan should continue to improve in the future.<sup>15</sup>

The contrast between Japan and South Korea is that Korea is a late industrialised country, but the speed with which Korea is catching up with Japan in its economic development is quite extraordinary. This rapid economic transformation of the Korean economy also has positive impacts on the corruption situations in South Korea. More than two decades ago, Korea was still known to be a fairly corrupt newly industrialised country (with CPI of 4.29 in 1995, even lower than Malaysia). But since then the transparency of Korea has continued to improve, reaching the score of 55 in 2014 (and indeed surpassed Malaysia since the early 2000s). The two highly-visible corruption and abuse of power cases against former presidents of South Korea (Chun Doo-hwan and Roh Tae-woo) in 1995 can be seen as a strong indication of the seriousness of the Korean government in its fight against corruption and abuse of power. If these anti-

corruption efforts continue, Korea should catch up with Japan also in its transparency level in not too distant future.

At present, the transparency level in Taiwan is higher than in Korea, with its 2014 CPI score of 61 and its transparency rank of 35. In general the corruption situations in Taiwan as reflected in these numbers are not serious. Yet, there is an isolated incidence about Taiwan that can be a serious cause for concern. The 2013 Transparency International's Global Corruption Barometer reported that 36 per cent of the people surveyed in Taiwan said that they had paid off someone in the judiciary. This was worse than the world's average, and the news was grave enough for the Taiwan government to send two written protests to TI in Berlin. However, a truer picture about the prospects of corruption in Taiwan could be seen from the statement made by a spokesman of TI Berlin after the publication of 2013 CPI Report that although there were several corruption cases in Taiwan over the past year, the country had made great progress through the efficient work of the newly established Agency Against Corruption. However, although Taiwan's improved rankings in

<sup>15</sup> However, bribery by Japanese companies to officials in foreign countries to facilitate bidding process or in exchange for contracts is still to be found. OECD news released in January 2012 stated that "Japan is still not actively detecting and investigating foreign bribery cases and, as a result, the enforcement of Japan's anti-bribery law remains low" See Yoshida and Park (2013), p.145.

recent years deserve recognition, it was still facing some challenges such as corruption in the judiciary and political contribution systems, vote-buying and bribery.<sup>16</sup>

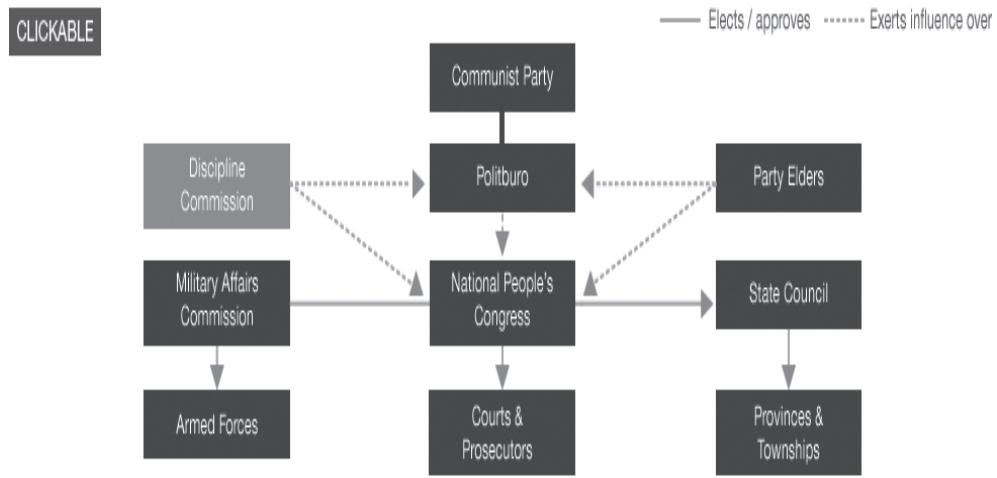
In all, the four selected countries of East Asia have shown their serious efforts to fight corruption in their respective countries. Global concerns about corruption, and subsequent concerted attempts to address

these concerns in international arenas by such international organisations as the World Bank, IMF, OECD, and even the overall UN system itself have helped increase the stimulus of the fight against corruption in East Asia such that future prospects of corruption in the region can only be seen in good lights.

#### Box 1: How China is ruled: Discipline Commission

On October 8, 2012, BBC News Asia (<http://www.bbc.com/news/world-asia-pacific-13904439>) published an article entitled: “How China is Ruled: Discipline Commission” pointing out the importance of the Central Commission for Discipline Inspection of the Communist Party of China and explaining how it works. This article is reproduced here:

##### Flow chart explaining how China is governed



<sup>16</sup> See *Taipei Times*, (2013), “Taiwan improves one spot on global corruption index”, December 4, 2013, p.3.

“Party members suspected of corruption, bad management or breaking with the party line are liable to be hauled before discipline inspection commissions, set up to deal with internal party discipline and to monitor abuses.

When ousted leader Bo Xilai’s case rocked China in 2012, it was the Central Commission for Discipline Inspection which sealed his fate.

As economic reforms have gathered pace, corruption has become probably the single most damaging issue for the party’s standing.

As a result, there have been consistent campaigns to root out corrupt officials and give maximum media coverage to a few, high-profile punishments.

For example, China’s railways minister Liu Zhijun was forced to quit in 2011 under investigation for allegedly embezzling more than 800m yuan (£75m; \$121m).

More often, powerful party members are able to protect themselves, their families and proteges from any enquiries or public criticism. And because it is the party which investigates the party - it is not prepared to tolerate outsiders monitoring its members’ behaviour - the commissions are always prone to interference from higher up.

Discipline inspection commissions do have privileged access to information about people. Their control over networks of informers and personal files makes them particularly feared.”

The author stressed that party members suspected of corruption, bad management or breaking with the party line are liable to be hauled before discipline inspection commissions, set up to deal with internal party discipline and to monitor abuses, and the celebrated cases in point are the ousting of Bo Xilai in 2012, and the dismissal of Liu Zhijun from his post of China’s Railway Minister in 2011 on charge of embezzlement of state funds.

It should be noted that there are two levels in which corrupt officials who are also members of the CPC are dealt with in their crimes: one is on the party level (which usually comes first) and the other is on the state level. The internal disciplinary procedures on the party level is known as “Shaunggui” or “Double Designation” where party members attend questioning sessions at a designated place for a designated duration which often result in a confession of wrongdoings.

Gan Yisheng, secretary general of the party’s Central Discipline Inspection Commission, told a news conference in Beijing recently that: “Any party member who violates

party discipline, no matter how high or low his rank, will be thoroughly investigated and seriously dealt with.”

In 2013, BBC News China reported that Yu Qiyi, a former chief engineer of a state-owned company who had been detained in connection with an investigation into a land deal, spent 38 days in detention and suffered internal and external injuries due to torture. He died on April 9, 2013, one day after his head was held in a tub of icy water by six investigators attempting to extract a confession. These six investigators were later tried for intentional assault. (See <http://www.bbc.com/news/world-asia-china-23956167>)

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