

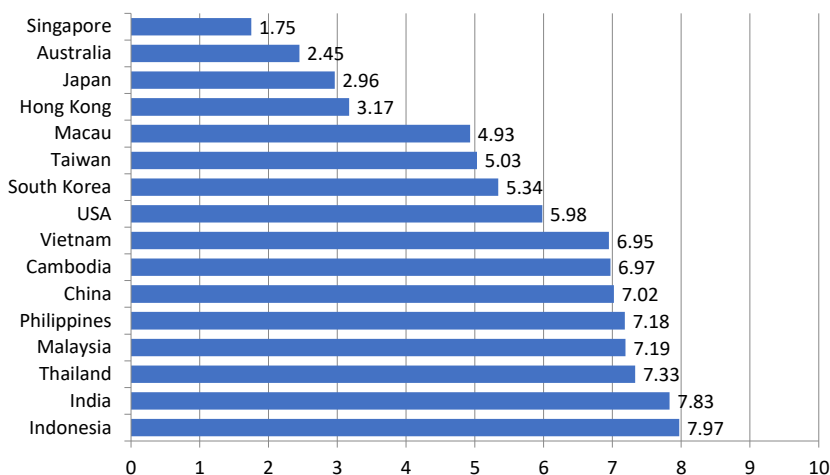
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Perceptions of Corruption in Asia, the US and Australia in 2022



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

Annual review of corruption in Asia - 2022

Corruption thrives in a crisis. Such periods give scammers the opportunity to exploit people's generosity, compassion, and fear. Governments

spend huge amounts of money very quickly and often with even fewer safeguards than usual. Daily life is so disrupted that the opportunities for graft rise even while the risks of being caught and punished fall. Social media and cryptocurrencies have made it easier for those acting corruptly to trick customers into making payments directly to them and avoid the monitoring of the traditional banking and financial system. These new "tools" are used by both people

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acting corruptly and enablers like lawyers, accountants, and agents who are willing to apply their skills to the benefit of the “dark side”.

It's happening during the COVID-19 pandemic, and even before this crisis is over a new one has emerged from Russia's invasion of Ukraine. Both crises are bringing out the best and worst of humanity. The best has been the way healthcare workers have accepted increased personal risks to care for the sick. Neighbors are helping neighbors with unsolicited acts of kindness, and countless numbers of people have been protecting the elderly and others most vulnerable to infection in their communities by being disciplined about safe behaviors. Complete strangers in countries bordering the Ukraine have opened their doors to refugees, and donors around the world are showing their generosity by digging deep into their pockets to help in the relief efforts.

In contrast, the worst of humanity has been exposed by those in the public and private sectors who have tried to sell fake masks and medical supplies, and those who have used their personal connections to win lucrative government contracts to provide testing and vaccination programs but never really delivered on these contracts and pocketed the money. In the past month, as the situation in Ukraine deteriorated, fraudsters have already set up websites, fake charities, and blogs and are resorting to telemarketing and crowd-sourcing campaigns to take advantage of people's generosity. It is not a matter of if but how extensively fraudsters will pioneer ways to use cryptocurrency to launder funds and hide the money they have scammed.

Of course, the pandemic has been so disruptive that it has reduced the scope for certain kinds of corruption. For example, governments have had to slow major infrastructure building programs, limiting the opportunity for bid rigging. It is no coincidence that the pandemic has been accompanied by a slump in online gaming industries in countries like the Philippines and Cambodia that previously focused on Mainland Chinese gamblers, or that the business of selling illegal employment visas and residential permits plummeted with the closure of borders to international travel. It is also possible that the crackdown on Russian oligarchs will reduce

the ability of these people to act corruptly in the short term (except to find enablers who will help them hide their wealth and assets).

Some countries, including several of the more autocratic regimes in Asia, have shown remarkable political leadership in mounting effective national vaccination campaigns in which their populations willingly participated, and the leaders personally intervened with their strong power to reduce corrupt practices by those in positions to exploit the health crisis for personal gain. In contrast, leaders in other countries like the Philippines and Indonesia were much less effective and, in a few cases, have pursued policies that seem to be intentionally opaque. Leaders used the crisis as an opportunity to grant themselves sweeping powers that curtailed civil liberties and could be used to stifle dissent, political opposition, and whistleblowers who wanted to expose some of the corruption taking place.

For well over three decades now, we have been surveying business executives in Asia about how they perceive the problem of corruption in the countries in which they are working. Our respondents are a mix of expatriates and local nationals, although the latter tend to work for major international companies and banks, or else are in professional services like lawyers and accountants. We always ask the following three questions:

1. On a scale of zero to 10, with zero representing a situation in which there is no corruption (the best grade possible) and a 10 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 being particularly important?

We intentionally did not define “corruption” since we realize it can mean different things to different people, and we hoped to draw out some of

those differences with the responses to the third question.

We also realize that there are shortcomings with this survey. The audience could be bigger and wider, but it is the best we could do with the time and resources allowed. Perceptions are certainly not the same thing as reality, but they are still important. Companies base decisions on where to and where not to invest on how they perceive corruption, not how it actually exists, while due diligence and compliance processes are usually drawn up on the basis of what managers or industry regulators perceive needs to be monitored rather than on, with the benefit of hindsight, they realize they should have been guarding against.

Although the natural inclination is to rank countries based on perception levels, it is important not to read too much into such orderings. There are biases that make such comparisons really of little value, or at least they have to be qualified. What our survey shows is that perceptions toward corruption in Singapore are more favorable than in any other society covered by our survey, while perceptions in Indonesia this year are the most negative of all the countries covered here. One cannot say, based on our numbers, that the actual level of corruption in Singapore is less than in Indonesia, certainly not that it is 78% less in Singapore, which is the figure arrived at by dividing Singapore's latest score by Indonesia's score.

On the other hand, our survey is useful for plotting how perceptions about corruption in any given country have changed over time, as well as the direction of change over the medium term. They are useful in noting if a change in government has been accompanied by an improvement or deterioration in how corruption is perceived, and the comment section of our survey is very useful in highlighting which specific concerns are at the forefront of people's minds, how those concerns are changing with time, and what aspects of corruption are not on their personal radar screens.

Our most recent survey was conducted in February and the first 11 days of March. There were a total of 1,675 responses, with at least 100 responses from each society, except for Cambodia,

from which we had 62 responses, and Macau, from which we had 78 responses. All respondents were senior executives of companies or professionals in the countries they were evaluating. The total number is in line with last year but slightly less than in previous years mainly because the COVID-19 pandemic prevented us from conducting many face-to-face interviews or to take advantage of conferences to survey large groups of people at once. We had to rely mainly on telephone calls and emails, and the majority of respondents came from the list of people who replied to surveys on corruption in years prior to the pandemic.

We present the detailed findings from our latest survey in the country entries that follow. The first portion of each entry is our attempt to summarize the responses, to interpret what might have been the main factors and developments behind people's thinking, and to look at some issues shaping how perceptions might change in the coming year or how they could affect the political situation. The second portion of each entry gives a sampling of specific responses that reflect more positive opinions about levels or trends of corruption, while the third portion gives a sampling of responses that reflect more negative opinions of corruption levels and trends. In the case of almost all countries, there was a great deal of overlap in the specific comments. We tried to point this out in the first summary section and, for the sake of space, consolidated the quoted responses to give readers the flavor of thinking rather than be repetitive.

Our latest survey on corruption in Asia showed that perceptions have not changed very much in the past year. The average perception score for the Asian countries covered by this report (i.e. excluding the US and Australia) was 5.83, three points better than last year. Six Asian countries scored better than average, while eight scored worse. Australia scored much better than the "average" for Asia, while the US scored slightly worse.

Perceptions in Singapore are still the most favorable of all the countries covered. Other countries in this low-risk group include Japan and Australia. On the other hand, Indonesia's relatively ineffective response to the pandemic, and the damaging impact this had on the reputation of its

president for not doing enough to prosecute abuses, might have been one reason why it fell to the bottom place in the perception ranking. However, Indonesia had plenty of company – a lot more than Singapore had at the other end of the scale. Other countries that received very poor grades included India, the Philippines, Malaysia, Thailand, and Vietnam.

In years past, Cambodia would also have been in this group of countries where corruption is perceived to be a huge problem. To be sure, the latest survey score for the Kingdom is still very poor, but the more significant feature regarding Cambodia this year is how much its score has improved, and it is clear from the survey responses that one of the main reasons for the better score is because people were impressed with how well Cambodia's national vaccination program was implemented once Prime Minister Hun Sen, after a slow initial start, threw his support behind the campaign and got the cooperation of the entire population. Moreover, despite Cambodia's formidable institutional weaknesses, respondents were impressed with how the prime minister used his personal power to prevent some departments and officials from acting as corrupt as they might have liked.

Two countries where perceptions regarding corruption seem to have been driven recently by factors other than the pandemic are China and the US. The actual levels of corruption in these two countries in terms of the dollar-amount of the problem are probably by far the largest of any of the countries covered in this report. That is because the sizes of these two economies – first and second in the world – are so much larger than the other countries. Corruption exists in every country, and even in places

like Cambodia, the Philippines, Indonesia, Thailand, and Vietnam have a much higher percentage of their total economies that would classify as "corruption" than is the case in China and the US, the dollar-size of the problem would be larger in China and the US.

China is an interesting example because the deterioration in its score indicates that people are growing less impressed with Xi Jinping's high-profile crackdown on corruption and seem to be more concerned with how the cases never seem to end and that many of those arrested on charges of corruption in the past year have been officials associated with fighting graft. It hard to be optimistic about the success of the fight against corruption when those in charge of the fight are shown to be ethically challenged themselves.

The US stands out as the country covered by our survey where the problem of corruption has been most politicized. What was noticeable from the responses was how many could be divided along political lines, with each side of this line blaming the other for being extremely corrupt. The only thing the two sides had in common was their scores. Both sides showed the same degree of pessimism. Both sides also blamed political lobbying, the manipulation of news, and the treatment of blatant lies as truth and actual facts as lies for contributing to the environment of corruption. While it is unclear exactly what corruption costs the US in dollar terms every year or even if it is increasing or decreasing, it is clear that it is an issue that is contributing to the polarization of society and has become so highly politicized that it is weakening confidence in some critical institutions and even in the health of the system of democracy.

Changes in Perceptions over the Past Decade Regarding Corruption

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Australia	2.35	2.55	2.61	2.67	2.47	2.50	2.43	2.10	2.15	2.45
Cambodia	7.84	8.00	7.75	7.75	7.80	8.13	7.50	8.00	7.31	6.97
China	7.79	7.10	6.98	7.50	6.55	7.08	7.24	7.09	6.83	7.02
Hong Kong	3.77	2.95	3.17	3.40	3.67	4.38	4.73	4.15	3.95	3.17
India	8.95	9.15	8.01	8.13	6.86	7.25	7.50	8.05	7.76	7.83
Indonesia	8.83	8.85	8.09	8.00	7.63	7.57	7.29	7.67	7.70	7.97

Japan	2.35	2.08	1.55	3.00	2.92	3.55	2.78	2.81	2.75	2.96
Macau	4.23	3.65	4.58	6.15	6.34	6.50	5.90	5.74	4.85	4.93
Malaysia	5.38	5.25	4.96	6.95	6.64	6.78	6.23	7.38	7.05	7.19
Philippines	8.28	7.85	7.43	7.05	7.00	6.85	6.96	7.03	7.09	7.18
Singapore	0.74	1.60	1.33	1.67	1.60	1.90	1.85	1.73	1.68	1.75
South Korea	6.98	7.05	6.28	6.17	6.38	6.63	6.16	5.54	5.45	5.34
Taiwan	5.36	5.31	5.00	6.08	5.34	5.75	5.37	5.15	5.25	5.03
Thailand	6.83	8.25	6.88	7.67	6.75	7.13	7.02	7.10	7.29	7.33
USA	3.82	3.50	4.59	4.61	5.15	5.54	6.07	6.45	5.84	5.98
Vietnam	8.13	8.73	8.24	7.92	7.16	7.90	7.20	7.12	7.01	6.95
Total average	5.73	5.74	5.46	5.92	5.64	5.96	5.76	5.82	5.62	5.63
Average excluding Australia and USA	6.10	6.13	5.73	6.25	5.90	6.24	5.98	6.04	5.86	5.83

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 the exact same question we asked since 2015, but it is slightly different from the survey question asked in prior years when the question was phrased: "To what extent does corruption detract from the overall business environment?"

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