

What are We Going to Do about Corruption?

by A K N Ahmed

Corruption, the abuse of public power for private gain exists on a massive scale in much of the global commerce and trade. It is a factor in many arms deals between nations. It is also a factor in obtaining important government contracts in numerous industrial countries. The opportunities for corruption may further increase as the second Industrial Revolution evolves and global investments and trade mount.

CORRUPTION is not confined to Bangladesh and a few neighbouring countries alone. It is now a global phenomenon and has become an international problem.

In the recent years, a large number of countries are trying to fight this problem. In Asia, the fall of Indonesian President Suharto followed swelling protest against his refusal to undertake reforms and the new government under strong public pressure has initiated investigation of ill gotten money collected by him and his family members and cronies.

Corruption charges played a critical role in the defeat of Prime Minister PV Narasimha Rao of India and his subsequent arrest. Benazir Bhutto and her husband of Pakistan were also arrested on the same ground. In South Korea former Presidents Roh Tae Woo and Chun Doo Hwan were imprisoned following disclosures that they had received enormous bribes from Korean companies. President Marcos and his wife Imelda suffered similar fate in the Philippines. In Japan numerous top level government and business leaders have resigned in the wake of corruption scandals. Very recently a few senior officials of Ministry of Finance in Japan were charged with corruption tarnishing the squeaky-clean image of the bureaucracy of that country. Above all the Governor of Japan had to resign following charges of corruption against a senior officer of that institution.

In Latin America bribery charges resulted in the impeachments of President Fernando Collor de Mello of Brazil and Carlos Andez Perez of Venezuela as well as the resignation of President Atilio Bascaram of Equador. In Mexico President Carlos Salinas de Gortari was tarnished by his brother's illicit accumulation of huge sums of money. President Ernesto Samper of Colombia avoided impeachment over his acceptance of money from the Cali drug cartel but his political authority was eroded and the party lost presidential election.

In Italy the bribery charges brought by magistrates of Milan have overthrown the entire leadership that ruled Italy for more than four decades. The defeat of Feline Gonzales of Spain was partly due to bribery scandals involving members of his cabinet. Bribery charges also caused the resignation of NATO Secretary General Wiley Claes, a former Belgian defense minister and Czech Prime Minister Vaclav Klaus. The recent overthrow of Zairian President Mobutu Sese Seko was fueled by popular resentment over his multi-billion dollar corruption.

In China a member of the Politbureau resigned in a massive corruption scandal. Very recently 600 Chinese government officials in southern China bordering Hong Kong and Macau were hauled up on

charges of corruption and smuggling. During 80's and early 90's a number of executives of Savings and Loan Associations in America were convicted for milking the depositors' money. Mike Milken who made billions and a few other operators in New York money market were thrown into jail for stock exchange scam and corruption. Only very recently a few officials of the World Bank which so far had a very clean image were thrown out on charge of corruption. The instances quoted above while far from exhaustive demonstrate corruption as a world wide phenomenon and what is more important there is increased awareness of the gravity of the problem.

Corruption, the abuse of public power for private gain exists on a massive scale in much of the global commerce and trade. It is a factor in many arms deals between nations. It is also a factor in obtaining important government contracts in numerous industrial countries. The opportunities for corruption may further increase as the second Industrial Revolution evolves and global investments and trade mount.

Corruption is so widespread now that business people and politicians believe they can get away with it. British industrialist Lord Young told the BBC in 1994 that British companies have to bribe in some areas of the world where such payments are accepted as part of the traditional culture. Many European companies assert that they must pay bribes to win foreign contracts. Moreover they claim tax deduction for such illicit payments and they lobby their politicians to ensure that these tax benefits remain in place. European Bank for Reconstruction and Development (EBRD) in its annual report of 1993 stated that the government bureaucracy and prevailing attitudes and practices represent enormous hurdle for the entrepreneurs to surmount.

The activity of rent "seeking" is costing enterprises time and money and this is costing society valuable resources and stresses. These obstacles to the autonomy of private enterprise have long been identified as a major deterrent to inward foreign investment in the region. The phenomenon of bribe seeking and protection rackets are side effects of the introduction of capitalism into a situation of underdevelopment. Even though these comments were directed towards newly emerging capitalist countries of East Europe — Russia included they equally apply to

Bangladesh where we seem to have acquired all the bad attributes of capitalism leaving its good features. The size of the payments made to win contracts varies enormously.

George Moody Stewart, a retired British businessman with decades of experience in Africa and Asia states that under the table payment of 5 per cent to a head of government in the Third World on a large contract used to be typical but recently figures like 10 per cent and 15 per cent are often heard. Many of us of course must have heard that the husband of Benazir Bhutto used to be jokingly termed first as "MR 10 per cent" and later as "Mr 20 per cent. Similar jokes are also current in Bangladesh. One such joke is a person is honest if he does the job by taking bribes and a person is dishonest if he does not do the job even by taking bribes. These jokes reflect not only the sense of cynicism and helplessness of the public but also indicate the extent to which we have lowered the bar of business ethics.

When I look around in our society I am often reminded of what Prof. Harold Laski said in 1928 "Ethics of success is success of Ethics." His comments aimed at Robber Barons dominating the American scene equally apply to Robber Barons emerging in the societies of our subcontinent.

Out of this new perception a number of initiatives are emerging at national and international levels at government and private levels. It is not possible to discuss all of them in this paper for lack of space. Only a few important ones will be discussed below.

* Recently the World Bank and other international financial agencies paid little attention to corruption apparently considering it a political matter outside their purview.

This is no longer so. With the appointment of James Wolfensohn as the President of the World Bank in 1995 the attitude to corruption radically

changed. Similar changes are taking place at other international organizations. The IMF going beyond its traditional focus on monetary and fiscal policy is emphasizing the need for transparency and other steps to curb corruption. The International European and Asian Development Bank are following the World Bank's lead in adopting stricter control over projects financed by them.

OECD countries have signed in 1997 Convention on combating bribery of foreign public officials.

This Convention is now in the process of ratification by the legislature of 34 countries. US Congress has also ratified the convention. This Convention prohibits bribery of foreign legislative, administrative and judicial officials whether appointed or elected.

Officials of government controlled corporations and international organizations are also covered under this Convention. Bribery is prohibited not only in regulatory proceedings such as environmental permits, tax and customs matters and judicial proceedings.

The Convention requires strong penalties, the establishment of accounting and auditing rules to prevent off-the-book accounts and mutual legal assistance including extradition. Once implementing legislation is passed by

media in the countries they operating place at other international organizations. The IMF going beyond its traditional focus on monetary and fiscal policy is emphasizing the need for transparency and other steps to curb corruption. The International European and Asian Development Bank are following the World Bank's lead in adopting stricter control over projects financed by them.

Out of this new perception a number of initiatives are emerging at national and international levels at government and private levels. It is not possible to discuss all of them in this paper for lack of space. Only a few important ones will be discussed below.

* Recently the World Bank and other international financial agencies paid little attention to corruption apparently considering it a political matter outside their purview. This is no longer so. With the appointment of James Wolfensohn as the President of the World Bank in 1995 the attitude to corruption radically

changed. In his speech in the annual general meeting of Bank-Fund in 1995 he included in the first reference to corruption in his presidential speech.

At the 1996 meeting Wolfensohn declared fighting corruption a top priority. In 1997 the Bank adopted a comprehensive programme, including strong controls to prevent bribery in World Bank financial projects and assistance to governments to promote reforms. In 1998 it has cautioned 5 biggest global accounting firms not to lend their signatures of approval to company accounts improperly drawn up. In 1998 it has refused to disbursed sanctioned loans to Kenya because of government failure to tackle corruption. The WB has also taken steps to motivate the journalists to perform its role in holding governments accountable for their economic policies and fighting corruption and cronyism. It is already financing programme for training journalists from the developing world for this purpose apart from persuading the charities and foundations to do more to strengthen news

changed. In his speech in the annual general meeting of Bank-Fund in 1995 he included in the first reference to corruption in his presidential speech.

At the 1996 meeting Wolfensohn declared fighting corruption a top priority. In 1997 the Bank adopted a comprehensive programme, including strong controls to prevent bribery in World Bank financial projects and assistance to governments to promote reforms. In 1998 it has cautioned 5 biggest global accounting firms not to lend their signatures of approval to company accounts improperly drawn up. In 1998 it has refused to disbursed sanctioned loans to Kenya because of government failure to tackle corruption. The WB has also taken steps to motivate the journalists to perform its role in holding governments accountable for their economic policies and fighting corruption and cronyism. It is already financing programme for training journalists from the developing world for this purpose apart from persuading the charities and foundations to do more to strengthen news

mark in the fight to combat corruption has been the establishment of Transparency International (TI) in May 1993 by a group of individuals who had earlier worked for international organization. It is a non-profit organization and based in Germany with 73 country chapters all over the world including one in Bangladesh. The mission of this private organization are:

* Curb corruption through international coalitions assisting governments to establish and implement effective laws, policies and anti corruption programmes.

* Strengthening public support and understanding for anti-corruption programmes that enhance transparency and accountability in international business transactions.

* Encourage all parties in international business transactions to operate at the highest levels of integrity guided by the mandates in TI's standard of conduct.

To achieve these goals its basic operation strategy is to:

a) Establish conditions of like minded organisation and individuals to work with governments and invite TI to assist and design and implement national anti-corruption programme.

b) Establish close ties with the media, participate in public fora and use publicity campaigns to broaden public awareness of the damage caused by corruption, the need to counter it and the means to reduce it.

c) Build national chapters of TI that foster anti-corruption actions in their own countries

* At the national level pio-



Two days of negotiations between Indonesia and Portugal at the UN ended on 8 February with an "autonomy" package that would give East Timor its own parliament. If the Timorese reject the proposal, Indonesia says it will give the former Portuguese colony independence. As a Gemini News Service correspondent explains, some feel Jakarta's offer is merely designed to placate international public opinion and that East Timor is neither politically nor economically ready for independence. Andrew Perrin writes from Sydney

IT was the announcement of Indonesian observers that they would never hear. After 23 years of often brutal rule, Indonesian President B J Habibie offered the troubled territory of East Timor its independence should it choose to reject an autonomy deal in return for accepting Indonesia's sovereignty.

In Jakarta, the decision was hailed as a political masterstroke. Habibie, long seen as a lightweight incapable of cementing his hold on power, had in one fell move won international acclaim and left his critics floundering.

It was a momentous change in policy and one his predecessor Suharto had refused to contemplate. He remained a hardliner on the province until the end.

The decision took most in the international community by surprise, not least the vast majority of pro-independence supporters in East Timor. But rather than an outpouring of relief and joy on the streets of Dili, the territory's capital, the people remained subdued.

In the past two months right-wing groups, armed by the military to demonstrate local support for Jakarta, have led an assault on the sympathisers of the pro-independence guerrilla forces.

Since Habibie's announcement, fighting has already broken out in the south-east leaving 4,000 refugees seeking shelter and safety in a small Catholic church. In the fighting, scores were injured and at least nine people killed.

The dead were not left by the militias to be buried with respect, but dismembered and delivered to family members, or deliberately partly buried. One young victim was buried with his head sticking out of the earth.

The trouble in the territory emphasises the vast gulf be-

tween international diplomatic wrangling over a peace plan for East Timor and the violent reality on the ground.

Many now fear Habibie's offer was merely political brinkmanship, an ultimatum designed to win international support and remove one obstacle to the foreign aid Jakarta so desperately needs, knowing full well that East Timor is not ready, either politically or economically, for independence. The offer shows little sympathy for the plight of the Timorese.

The government is trying to scare us into accepting autonomy," said exiled Timorese activist, and co-recipient of the 1995 Nobel Peace Prize, Jose Ramos-Horta. "They know that for us to be given independence now would be suicide. After 23 years of brutal Indonesian rule there is a culture of violence.

The Indonesians have divided us. We need time to placate the people, time in which we can prepare a peaceful environment for a referendum on our future."

His words mirror those of Timorese leader Xanana Gusmao, the former rebel commander jailed in 1992 for crimes against the state. He has already backed a proposal for a long period of autonomy — up to 15 years — followed by a vote on independence.

Jakarta has refused to contemplate such a solution. Its approach now is that either the Timorese accept the offer of autonomy as a final solution or they are cut adrift.

Indonesia invaded the former Portuguese colony in 1975 and annexed it a year later in a move never recognised by the United Nations. War or famine have killed more than 200,000 Timorese — almost one-fifth of the population.

In the wake of the recent troubles, observers from both sides of the political spectrum believe a quick transfer of

grants from Java and Sulawesi dominate local commerce. "What Indonesia is now saying is that it won't take any responsibility for rebuilding that it is not prepared to put in another cent, which means the international community will have to come in and clean up the mess," the diplomat said.

Despite ongoing civil strife and the continuing economic pressures, it seems unlikely Timor's most influential leaders will accept autonomy without the guarantee that they will have a future act of self-determination.

If Jakarta sticks to its position, the territory will be given independence, perhaps as early as mid-2000, no matter how difficult the future might be.

For some, the prospects hold few fears. Said Antonio Bendito da Silva, the Timorese student leader who, since Suharto's fall, has protested vigorously for an independent East Timor, said:

"We have suffered for 23 years. We have been tortured. We have been killed. We have had our dignity taken from us. If we have to become independent tomorrow, so be it. We will survive. We will be free. And in time, we will prosper."

The writer is an Australian journalist who spent much of 1998 in Indonesia and East Timor.

Egypt showed splendid economic growth in different sectors from 1981 to 1997. After assumption of office in the late 1981 President Hosni Mubarak dedicated his efforts to realise economic and political stability in the interest of development and better living conditions for the Egyptian people.

The past sixteen years witnessed radical reforms in the economic sphere. In 1996-97 the Gross Domestic Product (GDP) was Egyptian Pound 239.5 billion at the rate of 5.3 per cent with a rise of 4.2 per cent in growth rate. The growth rate in the industry sector rose to about 8.4 per cent, followed by the power sector with a growth rate of 6.5 per cent and the construction sector hit a remarkable growth rate of 8.5 per cent.

The production services sector group also performed very well showing an increase in growth rate by about 6.4 per cent. The tourism sector hit a high of 12.3 per cent, the finance sector 9.2 per cent and transport and communications 8.4 per cent. The growth rate of the social services group rose to 6.2 per cent. There was a steady increase to 10.4 per cent in the growth rate of the private sector products, thus bringing its share of GDP to 66.4 per cent.

The private sector's contribution to the economic activities in the field of commodity production and production services shot up to about 68.7 per cent of the total commodity product.

The volume of investments during the past five years (1992-97) has hit about Egyptian Pound 196.8 billion including about Egyptian Pound 50.2 billion of investments implemented in 1996-97.

The private sector share of investments has increased to 51.4 per cent due to facilities made available at the initiation stage of the economic reform.

In the employment sphere in 1996-97 the number of employed workforce rose to 15.8 million. In 1996-97 the unemployment rate dropped to 8.8

per cent of total workforce of 17.4 million.

The industry sector is playing a pivotal role in socio-economic development. The volume of investments in the industry sector rose to Egyptian Pound 35 billion in 1996-97 with an increase of Egyptian Pound 7 billion over the level of the past five years. The number of industrial projects authorised rose to 2,498. Industrial output over the last 16 years has increased from Egyptian Pound 8.9 billion in 1981-82 to Egyptian Pound 118.1 billion in 1996-97. During the past five years (1991-92 to 1996-97) growth in the industrial sector was about four times from 2.9 per cent to 8.4 per cent.

The number of factories which started operating in 1996 in new urban communities rose to 950 in addition to 1,037 others then under construction.

Sugar production increased by 186,000 tons, fodder by about 1.6 million tons, cotton spinning about 91,000 tons, ready made garments 50 million pieces, azot fertilisers 1.5 million tons, cement 4.9 million tons and reinforcing steel about 500,000 tons.

During the past 16 years (1981-97) wheat production rose to about 5.9 million tons, rice production to about 4.9 million tons, beans production to about 230,000 tons, cotton production increased by 1.3 times over its 1991-92 level, sugarcane production rose to about 11.9 million tons. In addition to these, sugarbeet production increased to about 1,650 tons, vegetables production increased to about 3.9 million tons and fruits to about 1.2 million tons. Seventy-one new veterinary units have been established. Sub-soil ploughing covered 2.2 million feddans. Fishing harbours were developed.

Infrastructure works including irrigation, drainage, electricity, highways, utilities and other services have been implemented over an area of 85,400 feddans.

In the sphere of irrigation and water resources, major pro-

jects have been undertaken by the State to develop water resources depending on technical as well as institutional and economic means. During the past sixteen years, 335 wells and 615 industrial establishments were completed. A drainage channel west of Nubariya was completed along with Phase I of Al Salam canal and the related pumping stations and industrial works to serve an area of 200,000 feddans west of the Suez canal.

Over the past 16 years from 1981-97 the State has constructed 2.4 million housing units. It has also enacted the Law No 4 of 1995 allowing free leasing contracts for new vacant housing units in order to ensure stable and balanced owner-tenant relationships according to supply and demand.

During the last five years 1992-97, total investments of about 28.1 billion have been allocated to implement infrastructure facilities or new towns and urban communities.

In the electricity sector new power generation capacities were added reaching 13,882 megawatt in 1996-97. Available power during 1996-97 amounted to about 58 billion kWh. Power use totalled about 21 billion kWh in 1996-97. The electrical power used in street lighting, transport and communication and sanitary drainage in 1996-97 amounted to about 4.6 billion kWh.

Household usages of electrical power in 1996-97 totalled about 17.1 billion kWh. A total number of 10,813 hamlets were lighted, reinforcing the networks of 1,412 villages previously lighted and the replacement and revamping of networks for 400 villages.

Oil industry is among the industries that require renewable investments to maintain productive capacity. Investments carried out in this sector during the last five years 1992-97 totalled Egyptian Pound 17.7 billion, representing 9 per cent of the total investments carried out during the Third Five Year