

# 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 disclosure 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 in furnishing the squaky-clear image of the bureaucracy of that country. Above all the Governor Bank 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 Abiela Buckman of Ecuador. In Mexico President Carlos Salinas de Gortari was tarnished by his brother's illicit accumulation of huge sums of money. President Ernest 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 Felipe Gonzales of Spain was partly due to bribery scandals involving members of his cabinet. Bribery charges also caused the resignation of NATO Secretary General Willy Claes, a former Belgian defense minister and Czech Prime Minister Vaclav Klaus. The recent overthrow of Zairian President Mobutu Sesi Seiko 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 Milikan 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. The problem may be more acute in developing countries where standard of living is low, where executives are called upon to handle much greater volume of money, are not paid decent wages and who have not been able to increase their management know-how in order to use money efficiently without leakage and waste.

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 1998 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 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.

Corruption until very recently used to be tolerated with a mixture of apathy, cynicism and denial. Conventional wisdom saw corruption as a chronic characteristic of human behaviour that in any event was not of debilitating proportion in the developed world. Although admittedly widespread in the Third World endemic corruption was not seen as impeding rapid growth in countries such as Indonesia, South Korea, Malaysia and Thailand. Some economists even saw bribery as grease for the wheels of progress in over regulated societies. Happily this mental landscape is changing and intolerance of corruption is growing both in developed countries in the West and the developing countries in the East.

This new force stems from the convergence of several political and economic pressures. The post-Cold War era has brought an opening of governmental process, freer news coverage and increased independence of prosecutors and judges. The rising material and educa-

tional levels of the citizens of the most developing countries aided by information technologies are generating increased calls for publicly accountable politicians and civil servants. More independent newspapers are being created, more vocal non-government organizations are being established and pressures are mounted for independent judicial system. On the economic side impediments to investment and other dysfunction of public officials. This corruption is becoming more vivid before public eyes. With the growth of global economy transnational companies are also increasingly recognizing that common morally defensible standards are essential in the long run for doing business.

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.

Until 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

media in the countries they operate. 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 Inter-American, 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 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 on procuring orders but also 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

neering work was first done by USA by passing "Foreign Corrupt Practices Act (FCPA)" in 1987. This law makes it criminal offence for US firms to pay bribes abroad. Under this law in 1994 Lockheed Corporation settled a FCPA case with the US Department of Justice with a fine of \$24 million. Since passing this law US has also been persuading the OECD countries not to allow bribes given by their national companies to be tax deductible. Many other countries like Namibia, India, Philippines, Uganda have recently come forward to fight corruption with concrete steps. The Chinese authorities last year in their investigation found that each of Macao's 38 outlets in Beijing was subject to 31 miscellaneous fees for purposes as unlikely as river dredging, flower displays on public holidays and the spiritual well being programme of president Jiang Zemin. Only two of the levies had legal basis according to the report of Control Risk, a UK based consulting firm. There have been upsurge of public revulsion in other countries as well. The sharp fall very recently in National Powers share price in the wake of corruption allegations in Pakistan will lend some weight to the argument that the public image of companies can be put at risk for corrupt practices. The most important land-

and secure support for its international operation. Transparency International's establishment reflects a judgement by many experts that if there was a time to strive and make a difference in this front it is now. In part it is due to the political development of the emerging countries themselves, but it is also a reaction to the greed of the 1980s which saw corruption so massive and widespread that it became patently visible threat to the economic growth and political development. The end of cold war also contributed momentum to this movement because it forced western aid agencies to focus more on the economic impact of aid and therefore corruption's impact than on the earlier priority of winning political friends in the East-West confrontation.

What are the policy implications of the above discussion for Bangladesh? They seem to be the following:

Bangladesh government should structure an anti-corruption programme, which is at once clear, effective and credible to the public. Actions taken so far in this regard have been episodic, erratic and arbitrary in nature lacking in any hard core of conviction. With the change of every regime some politicians of the past regime and some businessmen/industrialists have been hauled up and sent to prison on corruption charges and then after a lapse of time set free and some of them have even been taken in the embrace of the ruling party and inducted once again in important positions including cabinet ministers. Furthermore, the members of public are not to see high government officials or businessmen/industrialists/bankers put to jail on corruption charges although some of them are well known for taking bribes. All these have only generated a sense of cynicism about the government's intention and efficacy of political system itself particularly when the public observe that corruption charges are framed and investigated by people who have some honourable exceptions to corrupt themselves. This process should come to a stop. It may therefore be advisable for the government to invite Transparency International to structure independently an anti-bribery programme for us. This has already been done by the World Bank at the initiative of Wolfensohn who is leading today a determined drive to weed out corruption and bribery and try to establish certain sound principles of business ethics. Such a programme, among other things, may contain the few elements viz. taking out corruption charges and their investigation from administration and entrusting it to an independent body insulated from political and administrative pressure as has been recently done in India, to substantially reduce the control points in the economy which now only create black income from graft, bribery and corrupt practices since someone at a control point is in a position to hold up a proposal. Such control points in our country have only proliferated over the years. Finally, no anti-corruption programme will be successful if it is not transparent, non-discriminatory and have a consensus of public opinion behind it. It is therefore essential that such programme should be placed before the Parliament for discussion and approval.

\* Business chambers, banking and auditing firms should build up their code of conduct on the lines one by International Chamber of Commerce. Government has to exercise its power of authority and persuasion in this regard. Bangladesh Bank and Securities and Exchange Commission may play a very significant role in these matters.

The chapter of Transparency International in Bangladesh should be more effective, operational and visible. It should be manned at the top by persons of unquestionable integrity of character, honesty of purpose and proven record of public service. Such people even though dwindling in number, are still available in our society. Such a step would give institutional character to anti-corruption drive. Sensitive stories of corruption, which can not be published on Bangladesh because of some constraints or our present ethos, should be published abroad through its help. Similarly case of suspected illicit money kept abroad either as bank balance or real estates should be investigated through it who has well developed intelligence service in this area.

\* Banking sector. In Bangladesh has recently launched a movement to eradicate corruption and improve the ethical standards of its employees. It is understood a programme of action has been chalked out for this purpose under the leadership of Mr. Lutfur Rahman Sarker, former Governor of Bangladesh Bank and Dr. Moinul Islam, Director General of Bangladesh Institute of Bank Management. This programme when implemented is expected to enable people to locate and identify bank officials who are corrupt, the pockets and modus operandi of corruption in banking, improve the ethical standards of new entrants in banking profession, heighten the public awareness of the gravity of the problem through roundtable conference, articles in newspapers, programmes in TV, Radio and through annual lectures in "Ethics in Banking" through the medium of Nurul Matin Memorial Fund set up in BIBM for this purpose. Such a conference has been held in May 1998 with the President of Bangladesh as a guest speaker. It is also understood courses on ethics in banking are being introduced in BIBM and Banking Diploma examination of the Institute of bankers and a committee consisting of a Deputy Governor of Bangladesh Bank and a few managing directors of commercial banks are working on framing a voluntary code of conduct. This is a very welcome move and I have no doubt the new Governor of Bangladesh Bank Dr. Faruk Hossain will know very well for a very long time will provide leadership to this movement in order to improve the image of banking profession in the eyes of the public.

To sum up, Bangladesh cannot isolate herself from the growing anti-corruption campaign without harming her larger national interest. We must build up this movement by creating peer pressure and demonstrating that honesty is not only the best policy but also economically paying proposition. Happily, people in Bangladesh are becoming more vocal against this menace and are publicly voicing their protest against corruption.

The writer is a former Governor of Bangladesh Bank

## Is Independence Really the Timor Answer?

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 an Indonesian observer thought that 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 operator of cementing his hold on power, had in one fell swoop moved from international acclaim and left his critics floundering.

It was a momentous change in policy and one his predecessor and mentor 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 fighting 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 Suai Catholic church. In the fighting, scores were injured and at least nine people killed.

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 Indonesian 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-recipients 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."

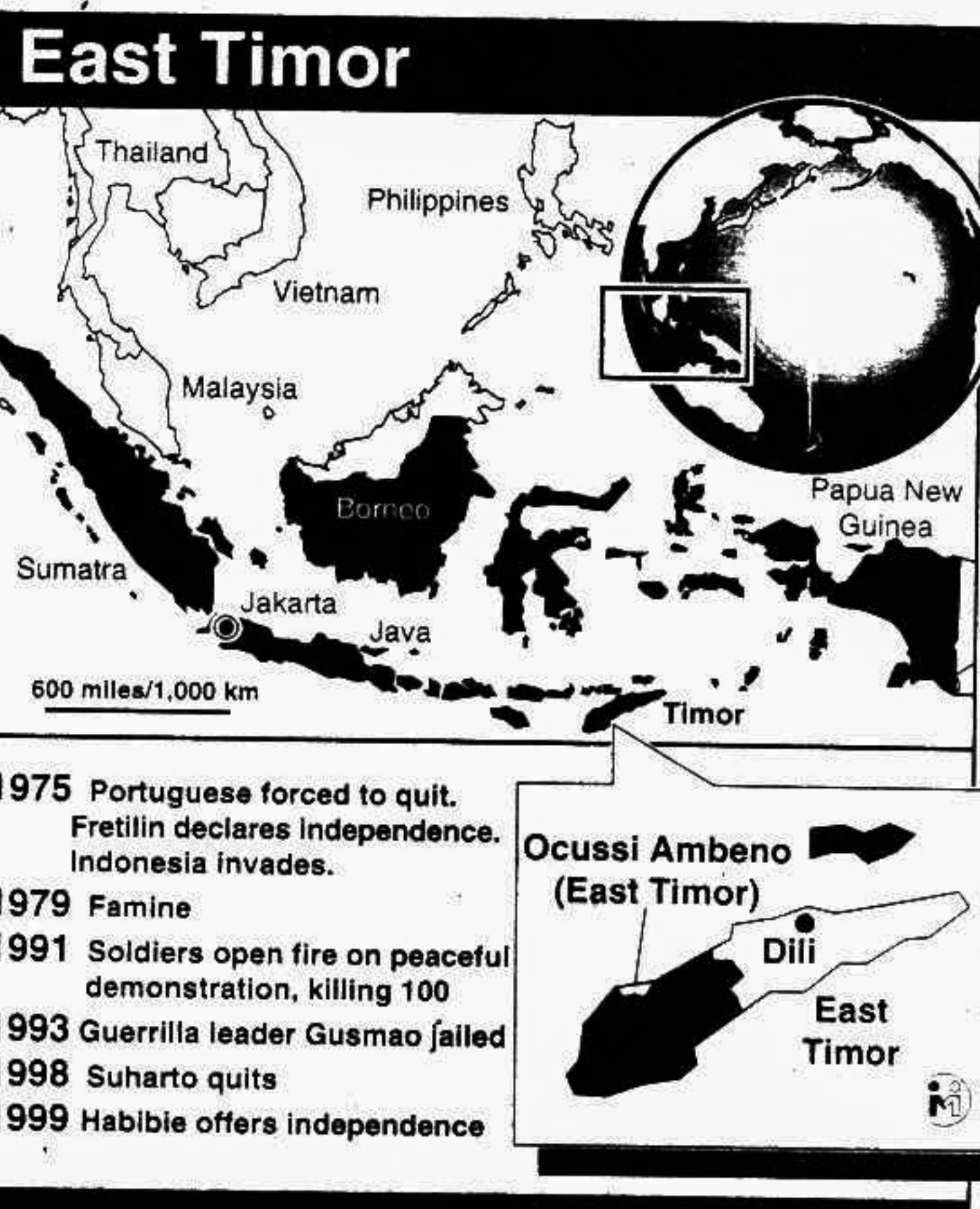
"The Indonesians have divided us. We need time to placate the people, time in which we can prepare a peaceful environment for a referendum on our future."

His words mirror those of Timorese leader Xanana Gusmao, the former rebel commander jailed in 1992 for crimes against the state. He has already rejected 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 out.

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



power would result in a blood-bath between polarised groups similar to the civil war that racked East Timor in 1975 just before the Indonesian invasion.

In an interview, Florentino Sarmiento, a moderate Timorese parliamentarian, urged leaders in Jakarta to reconsider their approach: "Our wounds are too old, too deep. People are crippled. There is no tradition in which people can accept their differences."

Another headache facing those searching for a viable and peaceful solution to the dispute is the parlous state of the territory's economy, due largely to the long instability created by the conflict. Western observers in the province say an independent East Timor would become a social and economic basket-case.

In a recent confidential report, a western diplomat concluded the new nation would require long-term foreign assistance in virtually all sectors.

Indonesia meets 95 per cent of the province's financial obligations. Although pro-independence supporters pin their hopes on vague references to the territory's rich supply of resources — oil, timber, marble, coffee and tourism — neither the infrastructure nor the expertise are in place to harvest the bounty.

To add to the problems, mi-

grants from Java and Sulawesi dominate the 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 vocal 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 prospect holds few fears. Said Antonio Benedito 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.

## Glimpses of Egypt's Economic Performance

by M Karim

EGYPT showed splendid economic growth in the last decade, 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 sectors 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 of 10.4 per cent in the growth rate of the private sector products, thus bringing its share of GDP to about 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 2498. Industrial output over the last 16 years has increased from Egyptian Pound 8.9 billion in 1981-82 to Egyptian Pound 111.1 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 1037 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, azut fertilisers 1.5 million tons, cement 4.9 million tons and reinforcing steel about 500,000 tons.

During the past 16 years (1981-97) when production rose to about 5.9 million tons, the 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 1650 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 858,400 feddans.

In the sphere of irrigation and water resources, major projects 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 15 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 stability and enhanced 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 13882 megawatt in 1996-97. Available power during 1996-97 amounted to about 58 billion kw. Power was utilised about 21 billion kw 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 kw. Household usages of electrical power in 1996-97 totalled about 17.1 billion kw. A total number of 10813 hamlets were lighted, reinforcing the network of 141 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 Plan to which the private sector

has contributed Egyptian Pound 14.1 billion with the public sector carrying out the remaining investment estimated at Egyptian Pound 3.6 billion. During 1996-97 about 35 discoveries have been made, of which 20 involved natural gas. A number of 41 agreements has been signed, covering many sites in the Suez canal, the western and the eastern deserts and the Mediterranean Sea over areas estimated at about 350,000 sq km. Oil production in 1996-97 reached about 43,000 tons, reserve of natural gas reached about 10,650 tons, volume of refinery production reached 27.2 million tons. Production of oil sector totalled Egyptian Pound 24.5 billion with an output value of Egyptian Pound 15.9 billion.

Domestic and foreign trade was given priority by the government of President Hosni Mubarak over the past sixteen years. Efforts were therefore made towards increasing quality production, rationalising use of foreign loans and lifting restrictions on exports. The private sector was encouraged to set up marketing and exporting companies to promote Egyptian products abroad. More trade centres have been established by the government in the capitals and major cities abroad to display Egyptian products. As a result of these massive efforts, a current surplus in the trade balance with foreign countries has been achieved reaching around Egyptian Pound 8.5 billion in 1996-97 at a growth rate of 40 per cent. The value of agricultural products has risen to about 1.7 billion Egyptian Pound while the industrial exports have hit a growth rate of 34.8 per cent.

President Hosni Mubarak's tenure has witnessed massive achievements in the socio-economic sectors leading to considerable improvement in the standard of living and level of services. The achievements are spectacular and efforts are on to consolidate the gains facing the new century.