

## The Complex Relationship Between Anti-Corruption Measures and Industrial Development Levels in Singapore, Hong Kong, Malaysia and Thailand

<sup>1</sup>Agina Toiganbayeva, <sup>2</sup>Daniel Zirker and <sup>3</sup>Zere Kenzhebayeva

<sup>1</sup>Kazakh Ablai Khan University of International Relations  
and World languages, Kazakhstan, 050022, Almaty, 200 Muratbayev str

<sup>2</sup>The University of Waikato, New Zealand, Te Whare Wānanga o Waikato,  
Gate 1 Knighton Road, Private Bag 3105, Hamilton 3240, New Zealand

<sup>3</sup>Kazakh Economical University named after Turar Ryskulov,  
Kazakhstan, 050035, Almaty, 55 Zhandosov str

**Abstract:** Both Singapore and Hong Kong have progressed from mid-levels to the highest levels of industrial and consequent socio-economic development in the past two decades. Malaysia and Thailand, while not equalling the development levels of the former two political entities, have nonetheless also made striking progress. While Singapore and Hong Kong have implemented impressive anti-corruption agencies and measures over this period, Malaysia and Thailand have not. Singapore and Hong Kong have risen markedly in Transparency International's Corruption Perception Index. On the other hand, Malaysia and Thailand remain relatively low and have even dropped in the CPI rankings. Nevertheless, their scores in the UN's Industrial Development rankings are high and have even risen over the same period. What is the relationship between advanced industrial development and anti-corruption successes? Does a marked reduction in corruption contribute to the advancement of economic development, or is the converse relationship possibly apposite? This paper, a macro-analysis of current literature, explores these two contrasting causal possibilities.

**Key words:** Corruption • Industrial development • Modernization • Developing countries • Standard of living • Anti-corruption policy • Anti-corruption legislation • Independent regulatory agencies

### INTRODUCTION

Should Asian countries concern themselves with combating corruption before embarking on rapid industrial development? It has become orthodoxy over the past 20 years to aver that significant progress in combating corruption must preclude significant socio-economic development in developing countries. This is necessary, the argument goes, primarily for several reasons: first, international investment tends to be restrained in corrupt systems, we are told; second, the accumulation of a surplus necessary for establishing an infrastructure that can support the jump to a modern, industrialised system depends upon plugging the "corruption leak" [1]. Finally, corruption is said to undermine the rational bases of effective industrial planning. The arguments for

effective policing of corruption, if only to promote development, are convincing, albeit uncompromising in their conclusions.

A thorough examination of the literature of this subject, however, raises an important question. On the road to modernization in the contemporary framework, is it arguably mandatory to reduce corruption levels significantly before progress in industrial development can be attained? The literature of modernization per se is limited, of course. It tends to take an isolated and a historical view of change processes [2]. If we adopt a broader context, that of development, it is possible to examine several relatively recent cases of industrial development in Asia, thought by many observers to represent paradigmatic cases of modernization/industrial development in the contemporary era. Some authors, we

note, have argued that corruption can actually be a positive and contributory factor to industrial development. As J.S. Nye argued in 1967 “corruption has probably been, on balance, a positive factor in both Russian and American economic development. At least two very important aspects of British and American political development--the establishment of the cabinet system in the 18th century and the national integration of millions of immigrants in the 19th century--were based in part on corruption. As for corruption and stability, an anthropologist has suggested that periodic scandals can sometimes “lead to the affirmation of general principles about how the country should be run, as if there were not posed impossible reconciliations of different interests. These inquiries may not alter what actually happens, but they affirm an ideal condition of unity and justice” [3].

Of course, Nye’s comments were made long ago and perhaps an objective assessment of the overall impact of development would be very different today. Nevertheless, of the four political entities that we are briefly examining include two cases, Singapore and Hong Kong have dealt forcefully with corruption while developing (in the sense of industrial development) impressively, including a significant increase in the standard of living of their residents and Malaysia and Thailand, while developing at a less impressive rate, have not proceeded very vigorously in anti-corruption policies.

Today, the first two cases, Singapore and Hong Kong, have implemented very high levels of anti-corruption policing and look down on their Asian neighbours that have not come to grips with the problem. As Professor Quah noted in a 2006 article, for example, that “a comparison of prosecution rates in Hong Kong and the Philippines found that a civil servant committing a corrupt offense in Hong Kong was 35 times more likely to be detected and punished than his counterpart in the Philippines. In 2000, Senior Minister Lee Kuan Yew of Singapore lamented the soft, forgiving culture” of the Philippines: only there, he said, “could a leader like Ferdinand Marcos, who pillaged his country for over 20 years, still be considered for a national burial” [4].

Some observers have noted that many Asian traditions, such as that of gift-giving, severely complicated the establishment of proscriptions against corruption, [5] although traditionally poor salaries of civil servants in less developed Asian countries, ranked by Professor Quah as the first of five basic causes of corruption in Asian countries, probably provides the clearest cause of Asian corruption, while introducing the “need” v “greed” corruption distinction, so basic to most

understandings of corruption in developing countries. The five major causes of corruption, in Quah’s estimate, that have afflicted Asian countries that have not yet achieved, or are in the process of achieving, higher industrial development levels are: first, poor salaries (as per above); second, “the expansive role of governments in national development throughout Asia [which] increases opportunities for administrative discretion and corruption, especially among poorly paid civil servants”. Third, the relatively low likelihood of apprehension and punishment of corruption in Asian countries with lower levels of development; fourth, the importance of family and (as noted above) gift-giving in most Asian cultures; fifth, as Quah noted and perhaps most important in developing Asian countries, is “a lack of political will, combined with ineffective anticorruption strategies” [6]. Corruption is a very pejorative condition by all accounts. Nevertheless, the damage that it is capable of inflicting on an industrial development process is not necessarily significant, as we will now see.

It is difficult to identify a clear causal relationship between anti-corruption efforts and standard-of-living, as a brief comparison of the UNDP’s Human Development Index (1980-2011) and Transparency International’s Corruption Perceptions Index reveals. Perhaps even more significantly, it is difficult to establish an inverse relationship between success in industrial development and corruption, as identified in Table 1:

Table 1 suggests that although performance in the elimination of corrupt practices seems to have related closely to standard of living, the significant spread of corruption between 1998 and 2011 does not seem to have hindered the competitive industrialization process in Malaysia and Thailand. To the contrary, the industrial growth of those two countries may well have benefitted from corrupt practices, a conclusion that was reached more explicitly via cross-country regression analyses in Rock and Bonnett’s (2004) interesting macro-analysis.

It is clear that both Singapore and Hong Kong implemented anti-corruption legislation relatively early in their industrial development processes. Malaysia and Thailand, two countries that have made rapid, if less impressive, recent strides in industrial development, however, did not adopt same approach. For one thing, their anti-corruption strategies have never been effective, as Quah noted “Malaysia’s anticorruption strategy...has not been especially effective. The absence of political will was demonstrated in September 1998 when Deputy Prime Minister Anwar Ibrahim was arrested and subsequently convicted and imprisoned for six years on

Table 1: Comparing Scores in the HDI, CPI and CIP

	UNDP Human Development Index, 1980-2011 International Ranking [7]	Transparency International's <i>Corruption Perception Index</i> (CPI), 2011 International Ranking [8]	Transparency International's <i>Corruption Perception Index</i> (CPI), 1998 International Ranking [9]	UN Industrial Development Organization (UNIDO), World Competitive Industrial Performance Ranking (CIP) 2000 and 2005 [10]
SINGAPORE	26 <sup>th</sup>	5 <sup>th</sup>	7 <sup>th</sup>	1 <sup>st</sup> and 1 <sup>st</sup>
HONG KONG	13 <sup>th</sup>	12 <sup>th</sup>	16 <sup>th</sup>	13 <sup>th</sup> and 11 <sup>th</sup>
MALAYSIA	61 <sup>st</sup>	60 <sup>th</sup>	29 <sup>th</sup>	16 <sup>th</sup> and 13 <sup>th</sup>
THAILAND	103 <sup>rd</sup>	80 <sup>th</sup>	61 <sup>st</sup>	25 <sup>th</sup> and 26 <sup>th</sup>

corruption charges. This apparent enforcement action in fact illustrated the manipulation of the powerful anticorruption agency as a weapon against political foes. The government lacked the will to enforce the anticorruption laws impartial.”

Thailand is even more striking in this regard. Again, in Quah's estimate “Thailand's introduction of a new constitution in 1997...enhanced its ability to curb corruption. An independent commission replaced a “paper tiger” agency that lacked authority to punish corrupt civil servants and could only send reports to the prime minister. But Thailand's anticorruption efforts were adversely affected by the commissioners' resignation in May 2005 after a court found them guilty of abusing their powers by awarding themselves salary increases” [11].

It is clear that the passage of anti-corruption legislation is not, in itself, sufficient to curb corruption [12]. The major divide between Singapore and Hong Kong, on the one hand and Malaysia and Thailand on the other, does not seem to clarify the relative attainments of industrial development, moreover. Is it possible that strong leadership, usually (but not always) associated with effective anti-corruption legislation, is even more important in the establishment of rapid industrial development in the contemporary setting than anti-corruption efforts? If this is the case, then it may follow that it may not have been the anti-corruption efforts that were prime facilitators of industrial development of Singapore and Hong Kong, but rather the presence of strong leadership. If this, then, is the case, there may be a relatively weak arguments for sequencing anti-corruption measures, at least in Asian countries, before committing them to rapid industrial development.

If we pursue the sequencing question a bit further, we may want to explore the utility of the most commonly used practical approach to combating corruption, the establishment of independent regulatory agencies, in this case, dedicated Anti-Corruption Agencies (ACAs), as a strategy to enhance subsequent industrial development. In her careful macro-analysis of the literature of anti-corruption agencies (with special reference to Central Europe), Agnes Batory argues that

the motivation and commitment in setting up such agencies in the first place ultimately determines whether or not they will be successful. Additionally, although such agencies must be independent to be effective “...ACAs proved unable to produce results in island-like isolation from the rest of the public sector, engulfed by systemic corruption and/or incompetence. Many of the agencies eventually fell victim to the same structural problems—principally, capture—as other public (law enforcement) agencies had done in the past...”

It is clear that such agencies must be powerful and independent to be successful. However, the motivation of government to sequence ACAs early in the industrial development process may not fit with their stated *raison d'être*. In fact, early sequencing may be counterproductive and governments may wittingly or unwittingly slip into a political (rather than policing) motivation. After surveying a broad range of literature on the subject and examining in detail the experiences of Latvia, Slovenia and Poland, Batory concludes that “...governments create powerful ACAs not so much to bind their own hands, but rather in the expectation that they can punish electoral opponents. Whether or not this happens seems to be largely determined by the integrity and zealotness of the agency's leadership, which leaves rather a lot to chance. If further research finds that the patterns observed in the new member states of the EU in CEE apply beyond that region, then ACAs should only be created where a lasting consensus can emerge among politicians to delegate—in other words, in countries that probably do not need an anticorruption agency in the first place” [13].

It would seem, then, that even the practical question—can early sequencing of anti-corruption efforts in Asia be assured of some modicum of success—is unanswerable. It depends....

## CONCLUSIONS

Rock and Bonnett, after conducting a number of cross-country regressions, conclude that corruption can hurt the development processes in small, developing

countries. This would, on the surface, suggest that any country aiming to accelerate its industrial development, would be well advised to focus on sequencing such that anti-corruption efforts were placed chronologically before standard industrializing strategies (import substitution industrialization, cluster building, etc.). However, after conducting four series of cross-country regression analyses, Rock and Bonnett have a relatively surprising conclusion as regards larger developing countries, particularly in Asia: "...corruption tends to slow growth and/or investment in most developing countries but increase growth in the large East Asian newly industrialized economies" [14]. Our own comparison of human development indicators, the Corruption Perceptions Index and the UN Industrial Development rankings yields consistent, if not entirely comparable, conclusions. While programmed limitation and elimination of corruption is arguably vital to the health of a mature industrial society, the idea that such policies must predate significant industrial development in countries with rapid industrial development processes appears to be wrong, at least in the case of Asia.

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