

Higher Per Capita Income Key to Tackling Corruption

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SEOUL (Bernama) -- In the summer of 1993, Chung-Lyol Lee was driving with his family to Gyeongju, the capital of the ancient kingdom of Silla that used to rule much of the Korean peninsula, when a policeman pulled up and asked him to stop for speeding.

Lee got out and showed his licence to the policeman who, in turn, asked, "Why are you showing me the licence," thus hinting that he wanted money". This was the brief narrative provided by the economist to highlight the corruption menace in South Korea when Malaysian National News Agency (BERNAMA) editor-in-chief Datuk Zakaria Wahab asked him how he viewed the corruption problem in Malaysia.

"That was then, now if you pay bribes (in South Korea) you are in big trouble. South Korea's battle against corruption is still on and nobody is spared," said Lee, who is the director-general of the Korea Institute of Southeast Asian Studies that contributes to Southeast Asian research and civil diplomacy through education.

Lee was interviewed by Bernama during a recent media trip to Seoul sponsored by the Korean Culture and Information Service.

In 1998, South Korea was ranked 43 in the Transparency International's Corruption Perception Index (CPI) with Malaysia faring far better at 29 out of the 85 countries in the list. However, in 2017 South Korea was ranked 51 and Malaysia was behind at 62 out of the 180 countries listed.

For Malaysia, corruption has reached a worrisome level. Prime Minister Tun Dr Mahathir Mohamad himself had mentioned that corruption in Malaysia is a major problem. Malaysia's

Anti Corruption Commission deputy chief commissioner Azam Baki admitted that corruption in Malaysia is a serious problem but still under control.

CHANGE OF REGIME SPURS WAR AGAINST CORRUPTION

South Korea's war against corruption went into high gear after the party that led the country since independence was ousted by the opposition under Kim Dae Jung in 1997, paving the way for greater economic and democratic reforms.

Since then, there was no letting up in the war against corruption with Lee illustrating one by one how almost all of South Korea's past presidents, including the most recent Park Geun-hye, or their children fell from grace due to corruption and or other shenanigans while in office. Even top officials of major corporations have made headlines for corruption.

Today, South Korea is one of the major economies of G20 and it is a highly industrialised and high-income nation and a good development model to be emulated by other nations, including Malaysia.

Lee, who is also the dean of the College of Public Policies at Korea University's Sejong campus, drew parallels between South Korea and Malaysia where a change in the ruling regime for the first time since independence had ignited a serious discourse in tackling corruption and introducing reforms.

While there is a lot to be done to tackle corruption in Malaysia, Lee, who has a PhD in economics, said based on his observation, the country has to first and foremost free itself from the middle-income trap where low-income growth fuels corruption.

He noted that Malaysia's per capita GDP only witnessed a small increase from USD7,000 in 2000 to USD9,806 in 2017. In comparison, South Korea's per capita GDP almost tripled

from USD11,948 to USD29,743 during the same period that helped the country to tackle corruption.

“I feel Malaysia should work to double the per capita GDP to around USD20,000 if the country is to move forward and fight corruption effectively,” he said, adding that the per capita GDP of nations should double every 10 to 15 years driven by higher productivity and the change in the economic structure.

NEW ECONOMIC ROAD MAP NEEDED

However, in doubling the per capita GDP the country will need a new economic road map.

“For the (existing) USD10,000 per capita GDP, Malaysians are probably assembling cars made by others. To double the figure, the country has to make its own cars and to go further the country has to do more things by itself. So doubling the per capita GDP each time can only be achieved with a change in the economic structure.

“As long as you have money it is alright to venture into construction, production and investment but ask yourself if they are sustainable and competitive in the global market and whether Malaysia is ready to compete,” said Lee.

While Malaysia is keen on foreign direct investments, they might not bring the desired results for the country.

“For example, the largest Samsung handphone production factory located in Vietnam provides employment for more than 100,000 people. Though the company’s most sophisticated handphone is produced in Vietnam, it adds very little value to the country’s economy because most of the components come from outside. Vietnam only assembles the phone and it does not benefit in terms of technological development or downstream

activities.

“We have to change the country’s economic model not only to move up the income ladder but also to survive in difficult economic conditions. Korean auto manufacturer Daewoo Motor Co Ltd closed shop during the Asian financial crisis as it assembled cars using foreign technology and components while its peers like Hyundai and Kia survived because they had developed their own technologies and were able to stand on their own feet.

So what can Malaysia do? Lee said it is up to Malaysia to decide which sectors it should venture into to move up the income ladder by looking at its own resources and competencies. He observed that Malaysia already has built its strength in certain areas like commodities, Islamic finance and the halal industry which can be developed further.

When told that Malaysia is looking to tap into the digital economy, he said Malaysia with a population of 31 million has good potential for digital commerce but asked if the country is really ready for it.

Citing the Malaysian e-hailing company GRAB as an example, he said: "You can use GRAB’s e-hailing service in much of Southeast Asia and major corporations have shown interest in working with the company.

“However, I am surprised that the company started by two young Malaysians have now relocated to Singapore. You woo companies from all over the world to invest in your country but in your case your own company finds it fit to relocate elsewhere. Why is this? If you provide a better environment and opportunities they don’t have to move elsewhere. Grab is now a global company that originated from Malaysia,” he said.

MAKING MALAYSIANS INNOVATIVE

Lee also said that apart from the need to establish a new economic structure, a change in the people's mindset is crucial in transforming the country's economy.

Greater democratisation and freedom for South Koreans since the 1990s spurred young Koreans to think differently and become more innovative, which contributed to the country's economic rise.

The rise of South Korean behemoths like the Samsung Group, LG, Hyundai, POSCO, Lotte, among others, is a testament to the South Koreans' innovativeness and their willingness to compete at the global stage. And not to mention the K-Wave culture that has captured the world's imagination.

Hence, in eradicating corruption in Malaysia one has to see the bigger picture. It is not going to be easy as the people in authority are always exposed to graft. Despite its strict anti-corruption measures, there are still cases of bribery in South Korea.

For Malaysia, mending its economy will be a good start in tackling the corruption menace and achieving the Malaysia Baharu (New Malaysia) dream.

Edited by Rema Nambiar

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