

TOWARD DEVELOPMENT WITH INTEGRITY

By Emil Salim, Indonesia

What is the relationship between a triangle, as symbol of this conference, and the Indonesian political, economic, and social crisis?

The triangle signifies the relationship between the state, corporate business and civil society. While the Indonesian current political, economic and social crisis is the outcome of an unbalanced power relationship between the state, corporate business and civil society. The state and its bureaucracy is striving for political power, herewith opening the opportunity to acquire private gain. Corporate business is striving for economic power, that makes possible to obtain private financial remunerations. Civil society is reaching for social power in order to obtain social benefits.

The ideal goal of a society is to balance the political power of the state with the economic power of corporate business and social power of the civil society.

Prior to the crisis of 1997, the balance of power in Indonesian society was dominated strongly by the political power of the state, that enables the state to co-opt the economic power of the corporate business and the societal power of the civil society.

Corporate business can only grow if it follows the wishes of the state, and creating thereby “crony capitalists”

Practically most group of the civil society are co-opted by the state. There was no freedom of association, freedom of speech and freedom of expression.

Under the huge influence of the of the state, the economy was dictated by the ruling elite, market price relationship seriously distorted, political check and balances not functioning, social control was absent and corruption flourishing.

With high cost economy and practices of overpricing the currency depreciation affected the Indonesian economy significantly. The economic crisis created huge unemployment that ignited a social crisis and doubled the number of population under the poverty line from 22M (1997) to 50M by 1998. With economic and social crisis came also political crisis. And under pressure of student power, the President resigned in May 1998.

The current President is considered a transitional one, and is expected to serve until the legitimate new President is elected on October 20, 1999.

There is a new popular acronym introduced in the Indonesia political vocabulary, i.e. KKN, the Indonesian version of Corruption, Collusion and Nepotism. KKN was one of the strategic causes that has brought not only the economy but also many of the ruling elite down.

The essence of KKN, namely corruption is positively correlated to:

1. the state dominated market structure where prices are distorted;

2. the discretionary powers possessed by the ruling elite in determining whom to protect economically, what and how to subsidise;
3. lack of transparency and unequal access to information;
4. absence of political checks and balances;
5. absence of free press as social control.

Corruption is also negatively correlated to:

1. the predictability of judicial resolution;
2. the low ratio of civil services to manufacturing and stiff implementation of meritocracy;
3. low benefit-cost ratio in breaking the law;
4. accountability of public officials and standards of monitoring;
5. decentralised economic decision making.

These causal relationships provide guidance for corruption eradication in the triangle model development with integrity. The key-nation is to obtain general balance of power between the state, corporate business and the civil society in a proper triangle development model. It means to reduce the dominating political power of the state over the corporate business and civil society. And since the power gap is too large in the civil society it also means to raise the empowerment of the civil society.

More specially the triangle model development with corruption eradication requires that in the state sector:

1. political power needs to be more widely dispersed by allowing participation of more political parties in a general, honest and fair election, as a prerequisite for a viable democracy with representative government;
2. greater accountability of public officials, civil service reform and a disciplined budget systems must be created;
3. decentralisation needs to be implemented to allow development to take place on the principle of subsidiarity;
4. an oversight agency needs to be strengthened in combination with social control, transparency and a free press;
5. judicial reform must take place.

In the business sector:

1. competition law must dictate the market;
2. open bidding take place in transparent procurement system;
3. equal accessibility to information is assured;
4. no discretionary power of public officials that interfere and distort market mechanism;
5. Responsibilities and accountabilities are broadened to the stakeholders, including groups of the civil society.

While in the society

1. watchdog groups are being organised, such as “Indonesian Corruption Watch”, “Parliamentarian Watch”, etc
2. an “Independent Supervisory Commission” must be created to supervise the execution of the anti-monopoly law. Also a National Consumers Protection Agency is expected to be created under the Consumers Protection Law;
3. the existence of custom (*adat*) law and its institutions in diverse local population needs

to be recognised;

4. protection of "whistle blowers" needs to be enhanced;
5. citizens participation in development must become an integral part of development.

These features of the triangle corner are not complete, but it is sufficient to indicate the major ingredients for action of corruption dictated in the respective state, corporate business and civil society. Corruption is basically a moral issue. It involves unethical behaviour in a person's conduct of life. But this behaviour is strongly affected by the societal accepted norms and values that is influenced by corruption as the outcome of bad governance inducing wrong doings by the state and unethical acts by corporate business.

Efforts in each corner of the triangle in isolation of the others will not be effective. Efforts of corruption eradication in the civil society will be handy-capped if there are no similar efforts by the state or corporate business.

To be effective, corruption eradication requires synergy efforts to activate all features of all corners of the triangle simultaneously, i.e. the state, corporate business and civil society to launch development with integrity. And to be successful, this triangle model of development with integrity needs to be implemented by a new and vigorous civil society.

While this approach is necessary at the national level, it is however not sufficient. As a typical developing economy, the Indonesian economy is suffering a savings-investments gap, an import-export gap and a tax-revenue – public expenditure gap. To overcome this triple economy gap, Indonesia needs to engage itself in foreign trade, foreign investment and foreign aid.

Transportation, information and communication technology has globalise political, economic and societal development. By 2003 the walls around ASEAN member-country's national market will crumble down. The distinction between national and international economies and politics is fading away. Under these circumstances the viability of ASEAN Free Trade Area depends on trust that others will play by the rules of decency in trade. In this context corruption can, will and must not be tolerated because of its destructive effects on competition and the consensus on free trade in ASEAN.

Also important in the international fields is the role of multilateral and bilateral agencies is closing these triple gaps.

The World Bank, the International Monetary Fund, the World Trade Organisation, the United Nation Agencies and bilateral countries can play an effective role in corruption eradication by implementing the following steps:

1. to agree on a multilateral convention to deter and punish transactional bribery including in contracting business, evasion of taxes and custom duties, in not implementing rules of protecting the environment, health and safely and to end tax deductibility of bribes;
2. to implement agreement on transparency and due process in governments Procurement markets;
3. to devote more resources and technical assistance to institutional reforms and capacity buildings in countries to combat corruption;
4. to induce and encourage the whistle-blowers at the national and international level through covenants and agreements;

5. to develops a global network of anti-corruption watchdogs from all countries to improve their respective effectiveness.

At the end a culture of integrity, free from corruption, must sweep all aver the world. Corruption must be wiped out because it is morally wrong and consumes the norms of decency in our society. Corruption must be eradicated, because it strives an unfair competition and monopoly that creates scrupulous unethical businessmen. Corruption must be crushed because it affects the ruling elite that brings misery, poverty and suffering of the people at large.

With a state, corporate business and civil society in a triangle model of development with corruption eradication can we meet the challenge of global integrity 2000 and beyond.