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### Misunderstanding Corruption and Community: Comparative Politics of Corruption Regulation in the Pacific

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## **Misunderstanding Corruption and Community: Comparative Cultural Politics of Corruption Regulation in the Pacific**

**Mark Findlay**

**Abstract** This paper will take as its empirical foundation the author's experience of corruption and regulation in small Pacific island states. The argument is that notions of corruption and strategies for its regulation suitable for modernized societies, which lack cultural specificity and community engagement, may in fact stimulate corruption relationships in transitional cultures. The other consequence of the imposition of inappropriate definitions and regulation strategies is a profound misunderstanding of communities of dependence. In fact, corruption control can misconstrue and exacerbate economic and political dependence environments, fostering the conditions for corruption which accompany socio-economic development. Two remedies are suggested. First, corruption requires an appreciation which is 'community-centered', while at the same time not being neutralized by disconnected cultural relativity. Second, an enterprise theory of corruption in modernized societies and international political/commercial entities may assist in the relevant translation of global anti-corruption policies in a way which advances good governance in traditional communities. This is so when corruption is conceived as dependant on phases of modernization, and the tensions which arise when the interests of societies at different phases intersect. Corporate citizenship and compliance with anti-corrupt business practices by major corporations with a commercial interest in these transitional economies may be more beneficial than deference to uniform international codes of governance.

**Keywords** Anti-corruption policies · Modernized societies · Pacific island states · Public morality

### **Introduction**

The small island states of the south Pacific provide a unique context for exploring the relationship between corruption and modernization.<sup>1</sup> These are isolated customary societies

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<sup>1</sup>For a wider discussion of this theme see Findlay 1999 pp. 77-93

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where indigenous networks of influence and dependence provide the deep bonds of community life. In their recent and brief post-colonial independence these states have infused transplanted political and economic institutions with these indigenous networks (Dinnen 1997).

In terms of economic development, some of these states are only several generations into cash economies. The majority of the population still relies to some extent on subsistence enterprises, and property and the wealth it brings remains in collective village arrangements. Therefore, clan or tribal loyalties underpin all commercial enterprise in a similar fashion to the mutuality of centuries old subsistence living.

Whether harsh or paternal, European colonization has left the vestiges of foreign governance institutions and trading alliances. Over these, through bi-lateral, regional and international aid regimes, development protocols have required an ascription to commercial practice which exploits and at the same time eschews customary networks of obligation. The influence of donor dependency in the Pacific has tended to weaken indigenous enterprise, and has generated a growing level of reliance on traded commodities instead of traditional self-sufficiency.

Regional and international anti-corruption initiatives, associated with campaigns against money-laundering and resource 'piracy' seem to have little impact.<sup>2</sup> This is not surprising when these small states have been pressured into off-shore financial dealing, and resource exploitation in a climate where domestic market regulation is weak and preferential.

It is also not difficult to appreciate that market regulation against corrupt business practice will be problematic where the reach of state bureaucracy and its regulatory agencies breaks down beyond the principal cities and towns. Even if state regulation were more vigorous and even-handed, contractual and commercial parity between the small dependant state and large business enterprises (often integrated into the provision of aid assistance) is unlikely. Unfortunately for these vulnerable states, corporate citizenship as evidenced in business dealings only seems to reflect a concern for the parent economy and not for the welfare of the trading partner and its market viability.

The modernization project in these transitional cultures comes with a price. Not only have cash economies and state institutions threatened the integrity of indigenous cultures, but an orientalist morality has attached to the financial assistance now essential for the existence of these small nations. Anti-corruption commitments feature in the conditions obliged of these states along with the socio-economic development imposed by donor agencies. Such obligations might be perceived as in the interests of the recipient communities. However, it is when the development strategies facilitate relationships of advantage and dependence, later decried as corrupt, that their further dependant potential seems unjust.

This paper argues for a re-evaluation of corruption in a 'community' context<sup>3</sup>, in order that the corrupting potential of modernization, and even anti-corruption regulation, can be appreciated and accommodated (Findlay 1993). It is not enough, however, to revisit corruption in transitional societies in order that it is explained against the background of indigenous relationships of obligation. The imbalance of influence between small island communities and dominant international development programmes is resonant for conceptualizing corruption and requiring control. To assist this reinterpretation, an examination of

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<sup>2</sup>For a detailed discussion of this, and the impact of aid dependency, see Findlay 2003.

<sup>3</sup>In this respect, I consider community in commercial and market contexts as well.

corruption as enterprise within modernized societies will suggest better ways to acknowledge the corrupting influence of socio-economic development, and even of anti-corruption campaigns. We will suggest that a more realistic focus for commercial probity and corruption prevention is corporate citizenship in a regional or international sense. In weak and transitional economies, major trading partners and corporate investors need to appreciate their place in these relationships of economic dependency, and not simply transfer responsibility for best practice to failed domestic and regional regulatory strategies. Cultural reflection as a foundation for best commercial practice is not therefore an apology for corrupt domestic business practice, but rather a recognition of the role of big business in managing corporate enterprise and relationships away from prevailing opportunities for corruption and unbalanced market advantage.

### **A-cultural Representations of Corruption**

Corruption is a product of the giving and receiving of advantage in illegitimate or exploitative contexts. In traditional cultures, relationships of advantage are the foundation of political and customary power. For instance, in Melanesian societies, the cult of the 'big man' has as much pervaded parliamentary authority as it has corrupt business practice. This means that neat distinctions between corrupt and legitimate political or commercial arrangements in small Pacific island states, is rarely possible.<sup>4</sup>

Any successful culturally-located representation of corruption needs to recognize:

- corruption as a relationship
- corruption as a market reality
- the influence of corruption over profit
- that morality is not an essential consideration for the definition of corruption
- as networks of trust are distinctly culturally relative then what comprises a violation of trust for a corrupt purpose is heavily dependant on the cultural location of the relationship in question.

Corruption is a relationship of power and influence existing within, and taking its form from, specific environments of commercial opportunity. Power and influence as well as opportunity make up the market for corruption, and the market is facilitated by corrupt relationships. This can work in a very similar fashion to the way in which legitimate market influence is constructed and negotiated. What separates legitimate from illegitimate market context is not so much the relationship of dominance and obligation, but the cultural setting in which such relationships are maintained and the purposes for which they operate. For instance, what may be deemed a political bribe in a modernized context may seem to the local population little more than the exercise of clan fealty in a transitional culture. It is the purpose for the behavior and the cultural context of the relationship on which it rests, rather than the behavior itself (giving and receiving advantage) which distinguishes the bribe.

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<sup>4</sup>Two case studies (the collapse of the National Bank of Fiji and the negotiation of false bank guarantees in Vanuatu, are detailed in Findlay 1999: pp. 81–89) reveal where legitimate commercial arrangements and institutions are so easily corrupted through exploitative and illegal relationships of obligation.

An example of the interconnection between authorized frameworks of advantage and corrupt transactions is the way in which politicians in Papua New Guinea (PNG) have applied their parliamentary allowances. On election to the PNG parliament (where single terms of office are very common) a new member is given a financial allowance to be employed in defraying legitimate electoral expenses. PNG is a decentralized and diverse nation with more tribes and languages than can be found anywhere else in the Pacific. In order that a Westminster-style of representative government should function effectively, an electorate allowance system makes good sense. However, these allowances are now a common source of corruption and the reason is apparent. Irrespective of a magnificent leadership code which legislatively enshrines parliamentary probity, and an aggressive Ombudsman, the allowance has degenerated into little more than a means for funding political influence. Many new parliamentarians gain office only through the support of their clan base. Once in office, it is now expected that the organizers of that vote base would be paid for their efforts. The source all too often is the electorate allowance. This reveals the institutionalization of opportunities for corruption, facilitated through customary obligation and funded through seeming legitimate sources of financial advantage.

### **Community-centred Corruption and Regulation**

Communities themselves know what is corrupt and what is not. They recognize when a custom relationship is being exercised for a legitimate purpose or to create a corrupt context of domination and obligation. Therefore, the distinction of what is and is not corrupt is largely community dependant (not mindlessly culturally relative). The growth of an anti-corruption consciousness will depend on the legitimacy of any culturally located distinction situated within any particular community. Where, as in the Pacific, communities are resilient and cohesive, it is appropriate to talk of a common consciousness about community morality. Corrupt business enterprise is clear for communities wherein strong indigenous custom bonds prevail. These meanings will always reflect the representations of corruption that prevail in modernized commercial environments, but in broad theme they would reflect best practice.<sup>5</sup>

This is also not to say that corruption is relative to a point where universal definitions are impossible. The social relativity of crime definitions in general does not prevent recognition of commonality across cultures. It is often the expectation for the outcome of a corrupt relationship which is common culture to culture, while that relationship might also exist in a relative form which in other circumstances is legitimate for that culture. Community expectations about corruption tend to arise through:

- the recognition of corruption as a social/commercial bi-product
- failure to view corruption as a community responsibility in preference for seeing it as an individual predisposition
- dissatisfaction with legitimate social/commercial opportunities

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<sup>5</sup>We mean here by 'best practice' commercial and business arrangements which promote fair competition and emerge from the best efforts at contractual and enterprise parity. Openness is also an essential feature of best practice business arrangements.

- tolerance of an alternative social/commercial morality
- incongruity about control or regulation strategies and media campaigns which rely on an external social/commercial morality
- marginalization as a consequence of rapid socio-cultural transition, where traditional value structures are under strain and enterprise operates in an atmosphere of expediency.

Bearing these initiators in mind, for corruption control to be effective, particularly in transitional cultures, the strategy needs to recognize the social location of the actual and dynamic nature of the relationship said to be corrupt. Control then has to be focused against:

- not breaking down, but repositioning these relationships
- not neutralizing, but rather redirecting the profits which they produce
- not isolating, but supplanting them with alternatively profitable (and more commercially convenient) legitimate relationships
- not destroying, but destabilizing the market in which they rest through deregulation, or the promotion of more equitable access to legitimate wealth creation
- not shaming, but exposing the nature of their operation to community consideration and competition.

Therefore, successful corruption control may require a unique inversion of conventional crime control strategies. The unfair business efficacy of corruption requires exposure rather than its criminality or immorality. In so doing, there is the likelihood that those features of modernization and development programmes that either stimulate or enable corrupt market responses will also be open for critical regulation.

Another inversion might be away from the domestic recipients of some corrupt advantage and more towards the initiator or commercial facilitator of a corruption opportunity. The dependency which features in political and commercial trade and aid arrangements in the Pacific relies on two parties to any corrupt transaction. A more effective and commercially long-lasting approach to corruption regulation would be to influence the corporate conscience of the dominant commercial player rather than penalizing a long line of eager recipients of any bribe or corrupt commission. The attack needs to be against the conditions of opportunity.

False, unrealistic or unbalanced representations of corruption concerning otherwise customary or commercial dependencies tend to alienate local market players who might be unwittingly caught up in corruption, or see it as the only way of weathering the push towards modernization for which they are not evenly prepared. This is exacerbated when the introduced market conditions do not reflect the ideology of freedom and fairness from which they are promoted.

Corruption control if it is not community-centered will usually be the province of the state or international agencies, thereby carrying the prevailing ideologies of modernization. Micro-level controls alternatively tend to conceal the institutional significance of the commercial opportunity of corruption. This needs constant iteration by state and international agencies even if it challenges development imperatives.

The challenge for corruption control advanced by the interests of modernization is to also attack those features of development programmes which tend to corrupt, along with the corruption they produce. For instance, corruption is often anti-competitive and thrives in monopolistic environments. The early stages of modernization tend to sponsor those few players within a transitional market who are ready to exploit the cash economy. This does not

stimulate competition and as a result preferential, corrupt relationships compatible with the enterprise of modernization may be advanced along with it.

### **Corruption/Modernisation Nexus**

In small Pacific states there seem to be common imperatives behind contexts of development and relationships of crime. Often similar forms of relationships also exist as strong structural features of customary social organization, which easily translate into commercial frameworks and enterprise structures.

Global juxtapositions of corruption as 'bad' and modernization/development as 'good' fail to appreciate or to reconcile the commonality of their motivation, and the interests they can serve when commercial enterprise and materialist profit is their context. Both rely on relationships of domination and obligation and, in certain cultural settings, these can be adapted to both outcomes.

The contexts of cultures in developmental transition produce marginalization through crime in a similar way that selective access to wealth creation tends to marginalize. Crime control and the regulation of corruption are also selective and add to the process of marginalization which in turn stimulates crime and corruption.

In small Pacific states, the contextual interaction and interdependence between, (1) customary social structures and modes of development, (2) development and corruption, and (3) corruption and customary social structures (Findlay 1997), are issues which are strangely under-argued in the literature of criminology and development studies. Looking at both economic development and corruption as integral to markets and enterprise where customary structures prevail is a useful predicate to a deeper analysis of corruption and structures of economic influence and development in small states. This analysis is also transferable to any commercial arrangement where the dominant player is happy to use customary or introduced frameworks of influence and dependency to advance an unbalanced and non-competitive commercial 'market'.

It is in this atmosphere of socio-economic development and modernization which followed the retreat of political colonization across the Pacific that concerns for corrupt business practice should be viewed. No matter what aid donors and international financial agencies may prefer, colonial protectionism has not been replaced by a resilient free market and an age of competition. Markets are small and frail. Small Pacific economies have little to trade beyond non-renewable resources. Business enterprise is commonly a one-way commercial street.

### **Enterprise Theory and a Market Model for Corruption Regulation**

An enterprise theory of crime and control (Burchfield 1978) refers to motivations (for crime and control) as economic profit based. Crime here is seen as commercial relationships that foster profit in markets which are criminal<sup>6</sup>, or partially legitimate.<sup>7</sup> Crime control may

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<sup>6</sup>In saying this, these markets may intersect with legitimate business markets often running parallel to the criminal enterprise.

<sup>7</sup>Such as where money from other criminal enterprises is processed through the legitimate financial and business sectors.

form just one, but an important, market regulator which enables particular commercial/profit relationships (legitimate or illegitimate) to adapt and flourish.

Corruption is one of the relationships that enhance the profit outcomes of criminal enterprise. In fact, the nature, organization and influence of the enterprise may be reliant on the networks of dependence and advantage created and maintained by corruption. Also, certain commercial aspirations (particularly where these are ambiguous or polyglot) and incentives for market advantage may act as opportunities for corruption.

In some market contexts, particularly where legitimate markets for similar goods and services are either weak or over-regulated, corruption may make good business sense. In other situations, such as where the enterprise and the market are made up of tight knit communities where legitimate market advantage is hard to engineer, corruption becomes part of the commercial or business culture. This is more likely than not where the enterprise comes in contact with market regulators. Prevailing social connections in any of these commercial contexts may in fact view corruption as a normal or at least tolerable feature of doing profitable business (Findlay 1994).

Efforts at identifying, investigating and controlling corruption would do well to recognize the business advantage promoted by certain corruption relationships, and in particular market contexts. With this understanding it is more likely that control strategies will not simply become another form of market relationship which selectively favors certain corrupt market outcomes while limiting others.<sup>8</sup>

Appreciating corruption as a component of business, and as an important indicator of criminal enterprise (with public-sector collusion), has the potential also to explain the relationship between corruption and modernization. For transitional cultures in phases of rapid socio-economic development, the pressure is to move from customary commercial constructions to those which promote cash economies. The indigenous networks of dependence and advantage are supposed to support the aspirations of free market capitalism, but to do so in contexts where the market is either unable to facilitate strong competition or where it is regulated in an imbalanced fashion by layers of overarching economic dependence (Dauvergne 1998).

Within customary societies rapidly transforming into cash cultures, other motivations may predominate over economic profit (Dinnen et al. 1997). Where the profit motive has taken hold, it may in turn be applied to the advancement of other more important social aims. For instance, in the south Pacific, the culture of the 'big man' as leader and power broker might explain why newly elected politicians employ their parliamentary allowances directly and openly to curry favor with their clan or village power base (Findlay 1999). To the outside observer this might appear corrupt, but within its cultural context it is an expected behavior and is good political 'business'. To attempt to control the practice by a crude or moralist control strategy which does not understand the indigenous network of dependence and advantage, or the manner in which the exposure to cash for office facilitates these, would do little to generate an anti-corruption consciousness in the community. In fact, it might present an opportunity to dismiss corruption control initiatives generally as foreign and culturally inappropriate.<sup>9</sup>

Corruption control in the south Pacific is principally sponsored by the external forces for modernization. They do so by representing corruption as an indication of poor governance,

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<sup>8</sup>For a brief examination of how this works in the case of drug law enforcement, see Findlay 1999: pp. 101–104.

<sup>9</sup>This was the case in the example provided at Findlay 1999: pp. 85–89.



bad leadership, slack financial regulation and even community immorality (Findlay 2003). To remedy this it is one thing to eschew moral arguments about corruption. More effective is the recognition of the position corruption plays within criminal enterprise and from this the perennial relationship between corruption and the current materialist age of modernization. This realization needs to come from within the context of modernized communities (social and commercial) before it can be effectively applied to transitional cultures through the process of modernization.

A case in point is with the recent attempt by international agencies such as the OECD and its Financial Action Task Force (FATF), to isolate Nauru from the global financial community for failing to be strenuous against money-laundering within its offshore banking sector (Findlay 2003). Nauru is a small nation state which, during its colonial occupation, was ravaged to the point of environmental destruction for its phosphate deposits. After independence, it was awarded financial compensation but given little responsible assistance in the management of that trust. Now beyond its extreme dependence on international aid, Nauru crucially relies on revenues from its role as an offshore financial center, in which it was initially encouraged by international commercial agencies and feted by multi-national business as well as organized criminal enterprise for the provision of financial services.<sup>10</sup>

The wealth generated by the financial center operations of Nauru has been the subject of criticism in terms of corruption and cronyism. Beyond this, however, Nauru has become reduced through the pressures for modernization to a position of extreme dependence on a money market economy once recognized, but now decried for its potential to conceal financial transactions and deny financial regulation. In this position of extreme vulnerability to corrupt exploitation, Nauru faces isolation from the legitimate international financial networks for failing to enforce regulations which would have tended to kill off its one lucrative cash economy. Therefore, regulation is likely to increase opportunities and necessities for corrupt relationships within and beyond Nauru, without recognizing and repositioning the profit imperatives for tolerating corrupt enterprise within that dependant nation state (see Findlay 2003: pp. 116–8).

The charge is more than hypocrisy when the international agencies are confronted by the vulnerability of the small Pacific island states. For instance, the FATF is said to honor a uniform concern for international commercial probity no matter what the context. If this is so then its good governance ‘push’ should be seen to be equally directed towards the major American banks which funneled suspect funds to Nauru, as it has been to the agencies of the Nauru financial industry and the government. This has not been the case. The FATF, as with its dealings in vulnerable Asian economies, is exposed as partial in its governance functions.

Having analyzed several case-studies of corruption in the south Pacific (see Findlay 1999: pp. 77–93) the following conclusions can be drawn regarding the intersection between the forces for modernization and transitional cultures:

- the identification of certain commercial relationships as corrupt is culturally relative
- political power, where it is inextricably dependant on complex networks of filial support and custom obligation, will challenge international notions of good governance and financial probity

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<sup>10</sup>It has become apparent that certain US banks were instrumental in applying money from Russian organized criminal enterprise through the Nauru off-shore banking shell to their advantage, despite being exposed by international regulation agencies.

- politics and commerce are inextricably linked in states where modernization is rapid and sporadic
- in transitional cultures, crucial relationships within politics and commerce are influenced and shaped by pre-existing custom obligations
- custom obligations may create opportunities for corrupt relationships to flourish, while in the local context being redefined (and not always in a positive reaction to corruption regulation initiatives)
- the bonds of custom obligation which underpin political and commercial relationships in these transitional cultures may also stand in the way of regulating and controlling corruption
- besides (and regardless of) custom obligation, the public, politicians and the commercial community are sensitized to the dangers of corruption through its potential to undermine national credibility which is essential to economic development
- even so, where global concerns for good governance and commercial probity intersect with custom obligation and feudal loyalties in transitional cultures, the process of criminalization and crime control is problematized
- economic development within unchallenged contexts of custom obligation can simultaneously stimulate corrupt and commercially viable relationships (Findlay 1999: pp. 89).

In order to construct a more effective corruption control strategy for transitional cultures this analysis suggests a four-part approach which is contextually reliant and community sensitive.

1. A culturally relative, and developmentally interactive<sup>11</sup> process for identifying and labeling corrupt relationship.
2. The recognition of the role that international and national corruption regulation agencies may have in promoting corruption within transitional enterprises and markets experiencing the strain of rapid modernization.
3. A reliance on commercial viability in preference to public morality as a measure of the consequences of corruption.
4. The need to globalize the context of corruption in transitional cultures and to recognize the role that rapid modernization against strong indigenous frameworks of obligation, can play in creating further opportunities for corruption to flourish (Findlay 1999: pp. 90–93).

This strategy cannot rest with donor governments and international financial agencies that have been exposed as partial and so proliferate the dependencies that generate opportunities for corruption. The major corporate players in the Pacific who have used these dependencies to their advantage now need to accept the challenge of good corporate citizenship beyond the jurisdiction of their shareholders and on to the markets which have for too long offered easy pickings.

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<sup>11</sup>What I mean here is where the principal influences of dominance and obligation within programmes for socio-economic development within transitional cultures are viewed in terms of the criminogenic dynamics of interaction.

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