

## **Welcome Speech Chairman of Executive Board TI-Indonesia**

Ms. Huguette Labelle-Chairperson of TI

Mr. Peter Eigen-The Chair of Advisory Board

Distinguished guests, participants, and colleagues,

Let me first begin by saying that Transparency International Indonesia is pleased and honoured to host the 2007 Annual Membership Meeting of Transparency International and hope the confidence you granted TI-Indonesia will be rewarded through a productive meeting.

Transparency International has gone a long way since its creation in 1994, and has become the catalyst of civil society efforts in the global struggle against corruption.

Corruption is not a domestic problem anymore and has global implications, which entails a transnational approach to anti-corruption strategies. Unlike prosecutors or anti-corruption agencies, corruption crimes do not know the limitations of borders and jurisdictions.

Globalisation has created new opportunities for transnational crime and money laundering.

International financial centres and multinationals are part of the corruption web, and international cooperation has to be part of the solution.

A 2002 UNODC study estimated that between \$600 billion and \$1.8 trillion is the amount of money that is illegally laundered throughout the world each year, a substantial portion of that money being derived from corruption (USD 1 trillion paid in bribes each year, without mentioning the embezzlement of public funds). The amount of money

extorted and stolen each year from developing countries is over 10 times the approximately \$100 billion in foreign assistance being provided by all the governments and civil organizations in the world (UNODC).

International cooperation and mutual legal assistance on asset recovery is therefore a key issue for Indonesia and other developing countries suffering from endemic corruption, as no other development program could possibly yield so much for them.

Tracing and recovering such stolen money requires cooperation between countries where corruption crimes occurred, and international financial centres where the proceeds of such crimes is being hosted.

The example of the failed negotiation on the extradition treaty between Indonesia and Singapore is a good illustration of both the necessity and difficulty of international cooperation.

The financial crisis allowed corrupted bankers and financial agents to loot up to USD 13.5 billion from the Indonesian central bank's recapitalization lifeline to 48 ailing banks<sup>1</sup>. According to Indonesian authorities, the recipient banks, many owned by cronies and relatives of the ousted strongman Suharto, used much of the money for currency speculation, loans to affiliated business groups and repayment of subordinated loans and securities transactions instead of guaranteeing creditors' deposits. Many of those responsible for such wrongdoings sought refuge in Singapore.

The Indonesian Embassy in Singapore already confirmed that around 200 Indonesian citizens who are indebted to the republic of Indonesia or even facing jail term are residing in Singapore<sup>2</sup>. Negotiations on the terms of an extradition treaty – linked to a defense treaty - that would allow repatriation of Indonesian assets stolen in the last 15 have not succeeded yet, mainly because of political interference.

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<sup>1</sup> Asia Sentinel, 2007

<sup>2</sup> Yunus Hussein, Chairman Financial transaction Report & analysis center in Jakarta

Indeed, despite the claim of Singapore's Prime Minister Lee Kuan Yew that out of the \$720 billion in funds handled by Singapore, Indonesian money represents only 2 or 3 percent<sup>3</sup>, the US\$87 billion figure reported by consulting companies Merrill Lynch and Capgemini actually amounts to 12% of the total 720 billion.

This highlights the conflict between Indonesia's need to recover stolen assets and the relative dependency of the Singaporean financial sector on Indonesian money, as the outflow of such funds could have serious consequences on the Singaporean economy.

On the other hand, cooperation with Australian and Hong Kong authorities might allow Indonesia to recover up to USD800 million looted from the Bank of Indonesia's Liquidity Fund.

Cooperation between victim and hosting countries is a great challenge but an indispensable condition to any attempt to recover stolen assets, and global efforts to fight corruption should focus on developing and enforcing a framework for mutual legal assistance in transnational corruption cases.

Section V of the UNCAC is major step forward in this regard.

The recognition of the global nature of corruption by international institutions and development agencies led to the development and endorsement of numerous anti-corruption conventions and charters. Unfortunately, the signing up of treaties is often limited to a declaration of commitment and unfortunately rarely goes beyond rhetoric.

The UNCAC is the first convention providing legally binding provisions.

Therefore, the UNCAC is carrying formidable promises for the anti-corruption movement, and it is up to the civil society of signatory states to hold their governments accountable and ensure effective monitoring of the convention's implementation.

However, the recently developed focus on international cooperation should not overshadow the responsibility of individual states, where public sector and judicial

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<sup>3</sup> Todayonline.com, 25 April 2007

corruption impose an unbearable cost to their citizens, especially the poor who cannot afford bribes to secure access to decent public services or legal protection.

Despite the establishment of anti-corruption agencies and special courts for corruption crimes in many developing countries, corruption remains high, corruption remains “the single greatest obstacle to economic and social development” (World Bank).

This is especially true for Indonesia, whose CPI score remained stagnant despite the efforts of the Commission for the Eradication of Corruption (KPK), while economic growth and investment failed to take off, as a consequence of omnipresent corruption.

Civil society mobilization is needed now more than ever as local communities in corrupted countries cannot afford to lose the fight against corruption. It is our responsibility, as the leading coalition in this fight to develop the foundations of national and international civil society monitoring and advocacy efforts; and to supervise the implementation of international agreements and national anti-corruption strategies by the three pillars of corruption eradication, namely the executive, the parliament, and law enforcement institutions.

With this note, let me end and wish you a very productive meeting.

*T. Mulya Lubis*