

M R Pridiyathorn Devakula: Economic and financial crimes - challenges to sustainable development

Remarks by Mr M R Pridiyathorn Devakula, Governor of the Bank of Thailand, at the Eleventh United Nations Congress on Crime Prevention and Criminal Justice, Bangkok, 19 April 2005.

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Mr. Chairman

Thank you for allowing me an opportunity to share with you some thoughts on the issue of "Economic and Financial Crimes: Challenges to Sustainable Development".

From the topic of this Plenary Session, I assumed the organizer would probably want an answer as to whether economic and financial crimes are obstacles to sustainable development. The answer is a definite YES. The ultimate objective of managing the development of an economy is the well being of the people. There is little need to elaborate on how activities such as Drug trafficking, Exploitation of natural resources, Exploitation of child labour, Corruption, Misappropriation of funds from banks, Cheque or credit card fraud, Stock price manipulation, and Tax evasion affect the economic well being of the people. The message I would like to highlight today is rather that the consequences of these undesirable activities go well beyond the financial loss and the economic well being of society and the country.

In my opinion, what is more important than economic well-being is the feeling of living in a fair and just society. If drug lords continue to live well on their ill-gotten wealth, corrupt politicians continue to exert influence in the political arena, fraudulent bank executives continue to go unpunished with no loss of status, and stock price manipulators continue to get wealthier at the expense of other shareholders, people would ultimately feel that the society in which they live is unfair and unjust. This places a heavy toll on people's emotional resource and negatively affects their well-being.

Thus, when economic or financial crimes are committed, it is imperative that prompt actions be taken against the perpetrators. Otherwise, people in the society would harbour negative feelings towards the government and the system. If left unchecked, their feelings of resentment and unfairness would accumulate and get bottled up. People would feel alienated, hating their own society and resenting the government.

The feeling that one lives in a fair and just society is as important as, or even more important than the economic well-being. If the public feel void of this social well-being, they will feel thoroughly disheartened, unwilling to be good law-abiding citizens, unwilling to invest, unwilling to contribute to the society they live in.

So, the question is how do we prevent this feeling from deepening such that it erodes the confidence and trust in the democracy and the government. What differentiates a "normal crime" from an "economic crime" is that the harmful consequences of a normal crime, which directly affects people's lives and properties, can be easily felt and observed. This creates fear and the obvious need to fight and prevent them. But common crimes do not involve huge monetary benefits. They are therefore less likely to be compromised in the law enforcement process.

On the other hand, economic crimes generally do not have direct immediate impact on the publics' lives and properties because of their non-violent nature. Hence, such crimes do not receive public attention and could easily be excused as non-priority cases. Furthermore, the enormous financial benefits gained from economic crimes usually made it possible for the perpetrators to exploit their financial powers to intervene in the law enforcement process thus keeping this matter away from public scrutiny.

People who are behind economic or financial crimes are usually quite smart and sophisticated. They tend to make use of their financial resources to build extensive connections in various organizations involved in the law enforcement process as well as the political system. Thus, quite different from fighting common crimes, the authorities combating economic crimes also have to fight the interferences from influential powers, which often times are far more difficult than the investigation itself.

It is clear that in order to effectively fight against economic and financial crimes in any society, a strong political will and full commitment of the government is needed. The government must also recognize

that economic and financial crimes are vicious and destructive enemies of the country, which need to be unreservedly eradicated and prevented in every way possible.

Besides the obvious economic crimes such as drug trafficking and corruption, governments also need to fight against economic and financial crimes in every other shape and form. Any type of such crimes can generate feelings of resentment about an unfair society, not just the drug trafficking cases. Stock price manipulation, insider trading, or tax evasion, which even though do not directly harm people's lives, can still make people feel slighted. This is especially so if these white-collar perpetrators are quite influential or are close friends with politicians or the administrations.

In all these cases, the role model set by the government is the most important element in winning people's confidence that the government is truly and sincerely committed to fighting against economic and financial crimes. If the perpetrators are members of the government, swift and decisive actions taken against them will make society confident in the government's policy on this issue and thus encourage law enforcement officers to fearlessly do the right things.

What I have been talking about so far concerns economic crimes within a country. Things get more complicated and much more difficult to combat when it comes to cross-border economic crimes. These require close cooperation of law enforcement authorities in every country. Today's United Nations Congress on Crime Prevention and Criminal Justice is a good example of the collaboration effort at the international level.

To combat transnational crime, the willingness to collaborate is strong when authorities hold the same view on such crimes. These include crimes such as trafficking in drugs, women and children, as well as trading of illegal weapons. But there are more subtle forms of economic crime where authorities find it difficult to agree on the risks. In such cases, cooperation in combating such crimes would be more difficult. Examples of such cases are when bigger nations exploit the natural resources of smaller nations, which have been a practice for over 100 years since the days of colonization.

Modern fortes of such crimes can be seen in cases where influential businessmen from large countries move into smaller countries under the pretext of technological advancement to exploit the latter's natural resources, which often are claimed for the mutual benefits of both parties. But it is clear that the allocation of such benefits is often not balanced. There is also a case of exploitation of consumers in smaller nations when products which are hazardous to health in bigger nations, have been relocated for production and sale in less developed nations.

An example of this is tobaccos and cigarettes, which come under stringent restrictions on sales and advertisement in bigger nations but have been sold in other nations with highly persuasive but subtle advertisement campaigns aimed at teenagers and women. There are also cases of certain medicines which have been banned in more developed markets and yet can still be found on the shelves of other less developed markets.

There is no way for the authorities of two nations to agree that such dubious practices constitute economic crimes. But it is clear that they are exploitation of smaller countries by bigger nations with more economic clout and technological advancement. These practices still continue to the detriment of the public in smaller nations. Such resentment comes not from the physical harm or destruction of personal properties, but from the feeling that they are living in an unjust world, where the rules favour big nations at the cost of smaller nations.

I do not have any solution to this problem, and I do not foresee any elected leader, whose rise to office have been supported by influential business sectors, to make a move on this issue. I only hope that an internationally neutral body such as the United Nations which is the hope and voice of all nations, big and small, would look at the issue of economic exploitation of bigger nation on smaller nations and set appropriate rules of the game to protect the interests of smaller nations. This would help people feel that they are living in a just and fair world.

Thank you for your attention.