

THE 2018 BRIBERY RISK RANKINGS FOR ASIA PACIFIC

Gut instincts can be good when undertaking an anti-corruption risk assessment on an Asia Pacific business opportunity. But even better is data obtained from leading public interest and international organisations, including the United Nations, the World Bank and the World Economic Forum, analysed by experts in the fields of political science, economics, and corruption studies, and presented in a detailed publicly available matrix.

THE TRACE MATRIX

The 2018 TRACE Bribery Risk Matrix, published online in early December, provides such data in the form of a detailed database that can be used as a basis for a company's decision to approve a deal in Malaysia, conduct deeper due diligence in, say, Vietnam than in Nepal, and allocate scarce compliance resources in, say, China rather than in India. For compliance and due diligence purposes, this kind of data is indispensable and provides an objective foundation for market-wide expectations and risk-based practices, which is good for business and helps promote the anti-bribery and corruption mission in Asia Pacific and globally.

The TRACE Matrix scores and ranks each of 200 countries for business bribery risk, based on data from over 50 sources. It categorises the risk level of each country as: Very Low (i.e., New Zealand, Singapore, Hong Kong, and Australia), Low (i.e., Taiwan, South Korea, Japan, and Bhutan), Medium (e.g., Malaysia, India, Nepal), High (e.g., Vietnam, China, Myanmar, Cambodia), and Very High (i.e., North Korea).

Published and refined since 2014, the TRACE Matrix provides an analytical tool for measuring bribery risks for commercial decision making and developing risk-based compliance solutions. The TRACE Matrix also provides its underlying analysis for those figures. It looks at four risk "domains," including 1) business interactions with government (opportunity), 2) anti-bribery deterrence and enforcement (deterrence), 3) government and civil service transparency (transparency), and 4) capacity for civil society oversight (oversight). These domains are further broken down into nine "subdomains". For example, the oversight domain will look at a subdomain for a free press.

These underlying domain analyses mean that a country such as Vietnam can rank as medium risk for business interaction with the government, enforcement, and transparency but high for oversight which gives it an overall high-risk score. If medium risk for bribery opportunities (domain 1) is within a

Key issues

- The 2018 TRACE Bribery Risk Matrix provides useful data and an objective foundation for risk-based practices.
- The Matrix scores and ranks each of 200 countries for business bribery risk.
- When considering an individual country's risk profile with that shown on Transparency International's Corruption Perception Index, companies may select the risk score most relevant to the investment or opportunity.

company's risk appetite, it would make sense to move forward (with appropriate compliance measures) even if the overall risk score is high.

As the case of Vietnam makes clear, the five risk-level categories and underlying analyses provide a nuanced approach to risk assessment. Transparency International (TI) also scores and ranks countries, based on the perception of public sector corruption. The TI Corruption Perception Index (CPI) differs from the TRACE Matrix in that the latter focuses on business bribery risk, as opposed to the CPI's public sector focus. Moreover, the CPI does not provide the data underlying the scores and ranks and uses fewer data sources. Finally, the CPI uses three categories of risk so that Malaysia, while occupying roughly the same rank on both the Matrix and the CPI, is categorised as medium risk by TRACE and high risk by TI. (The 2018 CPI was published on 29 January 2019).

As illustrated in the chart below comparing the 2018 TRACE Matrix results with the 2018 CPI results for a selection of Asia Pacific countries, despite the different focus, methodology, and details, the two databases make roughly the same assessments at the bottom and top of the list. But there are more Asia Pacific countries categorised as low and medium risk by TRACE, about 20 of 31, as opposed to 9 of 31.

There are other interesting differences, such as China. While both rank China as high risk, TI gives it a better rank and score, just below medium risk, while TRACE ranks and scores it as a higher risk jurisdiction. TI ranks and scores China and India more closely, with China leading, while TRACE has a wider gap between the two, with India leading.

How should companies treat discrepancies between the TRACE Matrix and CPI? The simple approach is to take the lower of the two scores. Companies may also opt to select the risk score that is most relevant to their investment or opportunity, based on the underlying methodology. More sophisticated compliance programmes will factor the TRACE Matrix and CPI outcomes into a blended risk rating based on a bespoke model. In whatever case, the availability of objective and credible data provides a helpful starting point that companies should not overlook.

Asia Pacific Country	TRACE Matrix 2018 Rank	TRACE Matrix 2018 Score	Asia Pacific Country	Transparency CPI 2018 Rank	Transparency CPI 2018 Score
New Zealand	1	5	New Zealand	2	87
Singapore	12	17	Singapore	3	85
Hong Kong	14	17	Australia	13	77
Australia	16	18	Hong Kong	14	76
Taiwan	24	24	Japan	18	73
South Korea	25	24	Bhutan	25	68
Japan	26	25	Taiwan	31	63
Bhutan	46	39	Brunei	31	63
Malaysia	63	45	South Korea	45	57
India	86	50	Malaysia	61	47
Thailand	89	50	Vanuatu	64	46
Indonesia	92	51	Solomon Islands	70	44
Mongolia	98	52	India	78	41
Vanuatu	97	52	China	87	39
Philippines	100	53	Indonesia	89	38
Papua New Guinea	102	53	Sri Lanka	89	38
Nepal	103	53	Mongolia	93	37
Maldives	106	54	Philippines	99	36
Brunei	107	54	Thailand	99	36
Solomon Islands	124	56	Timor-Leste	105	35
Timor-Leste	137	60	Pakistan	117	33
Vietnam	142	61	Vietnam	117	33
Sri Lanka	142	61	Maldives	124	31
China	100	53	Nepal	124	31
Pakistan	106	54	Laos	132	29
Myanmar	152	63	Myanmar	132	29
Afghanistan	166	66	Papua New Guinea	138	28
Laos	180	70	Bangladesh	149	26
Bangladesh	182	70	Cambodia	161	20
Cambodia	190	75	Afghanistan	173	16
North Korea	195	81	North Korea	176	14

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