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Robert Lawrence Kuhn – Corruption in China (GSK)



HOST: We've reported on Bo Xilai, the rising star of Chinese politics who was charged with corruption and abuse of power. Well, China's drive against backhanders, kickbacks, doesn't just stop there. There's the much-publicized case of GlaxoSmithKline, the British drug giant singled out and accused of paying huge bribes in China. The charges against GSK raise a particular question, not only about those taking bribes, but about those who give them. For more analysis let's speak to Dr. Robert Lawrence Kuhn in New York. He has advised the Chinese government on numerous economic, industrial and business matters. Thank you very much for being with us, Robert Kuhn. Let us just deal with this question of corruption in China. Is there a sense in which it is inevitable, given the pace of change and rapid growth in the country?

KUHN: Corruption is endemic in China and the new leaders are determined to root it out. What we see in the Glaxo case is the confluence of three specific aspects. One is a general problem of corruption. Second is a desire to tame foreign companies that may have excessive power in the Chinese market and to facilitate Chinese companies. But the most important issue here is reform of the healthcare system. The Chinese people are demanding changes in healthcare. And corruption is not just a problem in healthcare in China; healthcare in China is founded on corruption. That is the problem and it has increased costs tremendously. The cost of healthcare in China today is getting close to 400 billion dollars. It'll be one trillion dollars by 2020. And a big problem is very high costs. So, the Chinese government knows corruption is endemic in China's healthcare, and they're starting with a foreign company, which enables them then to go after Chinese doctors and hospitals - which we've seen right after the Glaxo announcement. So, Glaxo is not being made a scapegoat - because they are no doubt guilty - but they are the first efforts of the government to completely change their healthcare system.



HOST: OK; let's leave the Glaxo case aside for a moment. What interests me is what it says about corruption. Quite often you hear people label countries as corrupt, whether it's China or the Congo Republic in Africa, and there's much less focus on the other side of corruption. For everyone who takes a bribe, there's somebody giving it. And that person often comes from New York or London or Paris.



KUHN: That's a very good point. I was just in India; India is a full democracy, yet corruption is rampant there. In fact, there may be more corruption in India than in China. So we cannot blame one system or another. Corruption is part of the human system of doing business. But, the problem in China is, indeed, on both sides, because everybody is participating in it. And foreign companies are, indeed, guilty in terms of what they are doing. And by focusing on foreign companies, the government is in effect saying, "Foreign companies, you claim to work at a higher standard, well, help us set the standard." Xinhua News Agency in the Glaxo case said foreign companies should set a better standard for all of us to follow. Observers didn't focus on that; that's a very significant point.



HOST: And, Robert, it isn't just things like having to pay for a driving license or something like that. It could be much bigger stuff. Again, foreign companies involved, paying less than they should in tax by fiddling around with their pricing system and so on. That's corruption too, isn't it?



KUHN: Well look, there are different definitions of corruption. I like to say in China, perhaps the definition is more narrow than we have in the open democracies in the West. But what is the difference between corruption and being an efficient business person? There are certain standards that are set and we, as human beings, need to work together in setting those standards.



HOST: Okay, Robert Kuhn, I'm afraid I'm going to have to stop. We could talk more, but we've run out of time. Thank you very much.