

## OPENING REMARKS

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Good morning!

Money laundering is a particular form of corruption which remains a very serious problem in many countries, especially here in Southeast Asia. As the “life blood” of any profit-generating criminal activity, the laundering process allows terrorists, drug-traffickers, warlords, perpetrators of financial fraud, and every other criminal enterprise to perpetuate and to live lavishly from illegal activity. Money laundering is a particularly damaging aspect of corruption in many of the countries around the globe.

We should note too that the problem of corruption exists in each and every nation in the world, but it is in the developing countries that the effects are more devastating. Corruption indirectly impairs the poor as it redirects funds intended for development, giving rise to more injustice and consequently discouraging foreign aid and investment.

According to IMF estimates, the aggregate size of money laundering in the world is about 2-5% of global GDP. On the other hand, *The Economist* has estimated that about US\$500 billion to US\$1.5 trillion is laundered each year through the global banking system.

Early this year, research by Transparency International, a global coalition against corruption, conducted a survey to determine the public’s perception about the causes of corruption and whether or not they believe their governments are effective at curbing the said phenomenon.

Out of 73, 123 people in 69 countries and territories surveyed between October 2008 and February 2009, it was found that:

1. The private sector is perceived to be corrupt by half of those interviewed.
2. The general public is critical of the private sector’s role in their countries’ policy making processes. More than half of respondents held the view that bribery is often used to shape policies and regulations in companies’ favour.
3. Political parties and civil service are perceived on average to be the most corrupt sectors around the world.
4. Globally, respondents perceived political parties as the single most corrupt domestic institution, followed closely by civil service.
5. Aggregate results, however, mask the important country differences. In 13 of the countries sampled, the private sector was deemed to be the most corrupt, while in 11 countries, respondents identified the judiciary.
6. Governments are considered to be ineffective in the fight against corruption – a view that has remained worryingly consistent in most countries over time. Thirty one percent perceived them as effective, compared to the 56 percent that viewed government anti-corruption measures to be ineffective.
7. Results indicate that respondents from low-income households are more likely to pay bribes than those from high-income households when dealing with the police, the judiciary, land services and

the education services.

The figures that were reflected from this study support the notion that the public (or at least a portion of it) believes that governments are not exerting enough anti-corruption efforts.

The U.S. State Department has also reported that some countries in Southeast Asia are deeply involved in the illegal drug trade. The Philippines, in particular, continues to experience an increase in foreign organized criminal activity from China, Hong Kong, and Taiwan. Insurgency groups operating in the Philippines partially fund their activities through local crime, the trafficking of drugs and arms, money laundering through ties to organized crime and smuggling. According to the reports, the proceeds of corrupt activities by government officials are also a source of laundered funds. The Federation of Philippine Industries estimates that lost government revenue from uncollected taxes on smuggled items is over \$2 billion annually, including substantial losses from illegally imported fuel and automobiles. Remittance and bulk cash smuggling are also channels of money laundering.

I am happy to report however that since 2005, through the Anti-Money Laundering Council or AMLC, the Philippines has continued to make progress enhancing and implementing its amended anti-money laundering regime. As of December 2007, there have been 107 money laundering, civil forfeiture and related cases in the Philippine court system that involved AMLC investigations or prosecutions, including 37 for money laundering, 20 for civil forfeiture and the rest pertaining to freeze orders and bank inquiries. The Philippines had its first conviction for a money laundering offence in early 2006.

AMLC's role goes beyond traditional Finance Intelligence Unit responsibilities and includes the investigation and assisting of the Office of the Solicitor General in the handling of civil forfeiture cases. Through the end of 2007, funds amounting to almost 1.4 billion pesos have been frozen by the AMLC, including funds frozen at the request of the UN secretary Council, the United States and other foreign governments.

But there is a lot more that needs to be done to defeat the evils of corruption on a much larger scale. There is a growing need for more co-ordination among relevant international organizations to improve advocacy, and dissemination of information to help foster action against the laundering of criminal proceeds.

UNODC report that indeed there are varied integral problems that hinder the recovery and return of assets. For example, the following factors hinder the successful recovery of assets or render it impossible:

1. The absence or weakness of the political will within the victim country as well as within those countries to which the assets have been diverted;
2. The lack of an adequate legal framework allowing for necessary actions in an efficient and effective manner; and
3. Insufficient technical expertise within the victim country to prepare the groundwork at the national level, such as filing charges against the offenders and at the international level to prepare the mutual legal assistance request.

We need to push our efforts into protecting our financial institutions from the negative effects of money laundering itself by conscientiously adopting anti-money-laundering policies through government financial supervisors and regulators as well as by banks. Doing so would certainly reinforce the other good-governance practices that are important to the development of our countries' economies.

These concerns are what we intend to address in the next two days and I hope that as we all become aware of the global threat of corruption (specifically in the guise of money-laundering) we will be able to construct an integrative framework to fully eradicate it.

Thank you and good morning.