

CORRUPTION AND ECONOMIC STAGNATION IN SOUTHEAST ASIA: A LEGAL REVIEW OF THE RELATIONSHIP BETWEEN GOVERNANCE FAILURE AND ECONOMIC GROWTH

**Nazwa Sri Gina Mulyani^{1*}, Cici Ana², Hasna Laksmi Utami³, Zihar
Iftikhar Alyakin Putra⁴, Dedi Mulyadi⁵**

Faculty of Law, Suryakancana University

Correspondence author: 1nazwasriginamulyani@gmail.com,
2deydlinceyclya@gmail.com, ziharalyakin73@gmail.com,
hasnalaksmi5@gmail.com, dedimulyadi53@gmail.com

ABSTRACT

Corruption remains a persistent structural issue that continues to plague the governance system in the Southeast Asia region. The high level of corruption has had a profound impact on governance, directly contributing to economic stagnation in several countries. This study aims to analyze the relationship between governance failure due to corruption and economic stagnation in Southeast Asia and to evaluate the role of law in addressing this issue. This study employs normative and empirical legal methods, utilizing a legislative, comparative, and case study approach. Data were obtained through literature studies and documentation of laws and regulations, the Corruption Perception Index (CPI), governance indicators, and regional macroeconomic data. The study's results indicate that governance failure in Southeast Asia is characterized by weak legal supremacy, low bureaucratic accountability, and ineffective anti-corruption institutions, all of which have a direct impact on the investment climate, national productivity, and long-term economic growth. Although most countries in the region have anti-corruption regulations, their implementation remains weak due to political interference and inequality in the judicial system. Therefore, progressive legal reform, strengthening of anti-corruption institutions, and harmonization of ASEAN anti-corruption regulations are important agendas in promoting clean governance and sustainable economic growth.

Keywords: Corruption, Governance Failure, Economic Stagnation, Economic Law, Southeast Asia.

Article Info:

Received: 8 May 2025

Revised: 30 May 2025

Accepted: 10 June 2025

Publish: 30 July 2025

Tauco:
*International Journal
of Social Sciences and
Humanities*
Vol. 02, No.01 2025
Page 43-52

INTRODUCTION

Sustainable economic growth is one of the important indicators in realizing public welfare and state stability. In the Southeast Asian region, several countries have achieved significant economic growth over the last few decades. However, behind this progress, the problem of corruption is still a serious obstacle that threatens the effectiveness of governance and the sustainability of economic development (Ahmad, 2019).

Based on the Corruption Perceptions Index (CPI) report released by Transparency International, several countries in Southeast Asia consistently rank low in terms of perception of corruption. Indonesia, the Philippines, Vietnam, Laos, and Cambodia, for example, are still categorized as countries with high levels of corruption. This condition has direct implications for weak governance (governance failure), which is characterized by low accountability, transparency, and the rule of law in the management of public finances and resources (Irawan & Wahyudi, 2020).

The phenomenon of governance failure due to high levels of corruption not only impacts the integrity of state institutions but also hampers the investment climate, worsens welfare distribution, and creates socio-economic inequality (Widodo, 2019). Several studies have demonstrated that corruption hurts economic growth, both directly through increased bureaucratic costs and public projects and indirectly by reducing investor confidence and creating legal uncertainty in economic activities (Wibowo, 2021).

In the legal context, various efforts to eradicate corruption in Southeast Asian countries have been undertaken through the establishment of anti-corruption laws and regulations, as well as the development of law enforcement institutions. However, the effectiveness of these regulations is still questionable, considering that the level of corruption in most ASEAN countries remains high, while economic growth tends to be stagnant and uneven (Ahmad, 2019).

This problem is interesting to study further from a legal perspective, particularly to analyze the extent to which governance failure due to corruption contributes to economic stagnation in Southeast Asia and how the role of regulation and law enforcement can contribute to improving clean governance and promoting sustainable economic growth. Thus, this article aims to examine the relationship between governance failure due to corruption and economic stagnation in the Southeast Asian region and evaluate the role of law in overcoming these problems.

METHOD

This study employs a normative legal approach combined with empirical legal analysis. The normative legal approach is employed to examine various legal provisions, laws, regulations, international conventions, and anti-corruption policies applicable in Southeast Asian countries. This approach allows researchers to systematically examine the legal framework that regulates efforts to eradicate corruption and the relationship between legal norms and social reality in the context of governance failure. Meanwhile, the empirical legal approach is applied to analyze secondary data in the form of corruption

perception index figures, governance indicators, and economic growth data from various international institutions, including Transparency International, the World Bank, and the International Monetary Fund (IMF).

The research approaches employed in this study comprise three main approaches: the statutory approach, the comparative approach, and the case study approach. The statutory approach is implemented by analyzing national anti-corruption regulations in several Southeast Asian countries, as well as international legal instruments such as the United Nations Convention Against Corruption (UNCAC). Furthermore, a comparative approach is used to compare the effectiveness of anti-corruption regulations and the level of governance failure in several ASEAN countries with a high corruption perception index, as well as their impact on the country's economy. The case approach involves examining strategic corruption cases that have a significant impact on economic growth.

The types of data used in this study comprise primary data in the form of national laws and regulations, as well as international legal documents, and secondary data, including corruption perception index reports, governance indicators, and economic growth data from various official institutions. Data collection was conducted through literature reviews and documentation studies and then analyzed using qualitative-descriptive analysis techniques to interpret the relationship between governance failure, corruption, and economic stagnation in Southeast Asia.

RESULTS AND DISCUSSION

Portrait of Corruption and Governance Failure in Southeast Asia

Southeast Asia is a strategically important region that plays a significant role in global economic dynamics. Countries in this region are known as emerging markets that have exhibited relatively stable and promising economic growth over the past few decades (Ahmad, 2019). However, behind this progress, the region still faces serious problems in governance and the eradication of corruption. This problem not only affects the political sector but also has a significant impact on economic performance, social stability, and public trust in state institutions (Setiyono & McLeod, 2018). According to the Corruption Perceptions Index (CPI) report published by Transparency International, most countries in Southeast Asia consistently rank low in terms of public perception of corruption levels. In 2024, for example, Cambodia had a CPI score of 24 out of 100, Myanmar 26, Laos 29, the Philippines 34, Vietnam 39, and Indonesia 38 (Audit Agency of the Republic of Indonesia, 2023). Only Singapore consistently scores above 80, placing it at the top of the region. These figures suggest that corruption remains a systemic issue that has not been effectively addressed in most ASEAN countries (Damanik, 2022).

Corruption in Southeast Asia does not only occur in the form of individual bribery or gratification. However, it has also developed on an institutional scale (institutional corruption) involving high-ranking state officials, politicians, bureaucrats, and prominent business people. Some significant cases that have surfaced include the 1Malaysia Development Berhad (1MDB) mega-scandal in Malaysia, corruption in infrastructure projects in Indonesia that implicated

numerous regional heads and central officials, and corruption in the business licensing sector in the Philippines and Vietnam (UNDP, 2020). This type of corrupt practice not only causes state financial losses but also deteriorates the quality of public services undermines the investment climate, and erodes public trust in the government.

This phenomenon indicates governance failure, specifically the government's inability to ensure the implementation of sound governance principles, including accountability, transparency, public participation, and the rule of law. Governance failure in Southeast Asia is characterized by weak internal and external oversight mechanisms for government institutions, minimal transparency in public budget management, and limited public access to information and decision-making processes. In addition, most countries in the region continue to face challenges in establishing an independent judicial system free from political interference.

The weakness of anti-corruption institutions in several countries exacerbates this governance failure condition. For example, although Indonesia has a reasonably active Corruption Eradication Commission (KPK), the effectiveness of this institution has been disrupted several times due to political intervention and regulatory changes that limit its authority. In other countries, such as the Philippines, Vietnam, and Cambodia, anti-corruption institutions often lack adequate independence or are used as political tools by those in power. In addition, protection for whistleblowers remains minimal, which makes the public reluctant to report corruption cases due to fear of being pressured or penalized.

Corruption and governance failure in this region are also closely related to oligarchic power relations. The involvement of political elites and prominent businesspeople in the policy-making process tends to make corrupt practices more structured and difficult to eradicate. Money politics in general elections, misuse of regional budget funds, and the regulation of government projects are real forms of governance failure that are rooted in the weakness of the legal and regulatory system.

The impact of governance failure due to corruption on the economy is significant. First, corruption increases economic costs through illegal expenditures that must be paid by business actors, both in the licensing process and in government projects. This reduces economic efficiency and national productivity. Second, corruption worsens the investment climate by creating legal uncertainty and increasing business risks.

Investors, especially foreign investors, tend to avoid countries with high levels of corruption because they are worried about illegal levies, sudden changes in regulations, or uncertainty in legal protection. Third, corruption and governance failure lead to an unequal distribution of wealth. Economic benefits are only enjoyed by a handful of elites, while the broader community remains in a stagnant or even declining economic condition.

In the long term, systemic corruption and governance failures have the potential to hinder the region's economic growth rate. This condition not only has an impact on state financial losses but also reduces the quality of

development, increases social inequality, and weakens the legitimacy of the government. Therefore, resolving the problem of corruption in Southeast Asia requires a firm and systematic legal approach, institutional reform, and a strong political commitment to improve governance and uphold the principles of good governance.

The Impact of Governance Failure on Economic Stagnation

Governance failure is one of the factors that has a direct and significant impact on a country's economic performance. This condition occurs when the basic principles of good governance, such as accountability, transparency, public participation, bureaucratic effectiveness, and the rule of law, do not run optimally in the government system. In the Southeast Asian region, governance failure is a primary reason why the region's significant economic potential remains underutilized. In some cases, it even triggers long-term economic stagnation (UNODC, 2021).

Economic stagnation is a situation in which the rate of economic growth experiences a consistent slowdown in a specific period, marked by declining national productivity, reduced investment, and increasing unemployment and poverty rates. Governance failure exacerbates this condition by creating an economic environment that is not conducive to growth. One of the real consequences of governance failure is the high level of corruption, which leads to increased economic costs. When governance is weak, corrupt practices tend to spread to various sectors, including bureaucracy, public services, and investment licensing. Illegal costs, such as bribes and gratuities, add to the burden of business actors, ultimately reducing economic efficiency and national competitiveness.

In addition, governance failure, characterized by weak monitoring and accountability systems, renders many state budgets ineffective in funding productive activities. The practice of abuse of authority reduces public funds allocated for infrastructure, education, and health services. As a result, economic growth cannot occur optimally because the basic infrastructure necessary to support economic activities is limited, and the quality of human resources remains low. This is particularly relevant to the context of Southeast Asia, where several countries continue to face development disparities between regions due to poor governance and corruption in the management of regional budgets.

Governance failure also has a direct impact on the investment climate. In conditions where corruption is rampant and legal certainty is weak, investors, both domestic and foreign, tend to be cautious or even choose to move their investments to countries with more stable legal and governance systems. Legal uncertainty regarding asset ownership, a lengthy business licensing process marred by extortion, and the risk of political intervention are the primary obstacles to productive investment. As a result, capital circulation in the country is limited, and opportunities for creating new jobs are reduced, leading to stagnation in economic growth.

Furthermore, governance failure undermines public trust in government institutions. When the public perceives that the law is not enforced fairly, public officials are often implicated in corruption cases, and public services are inadequate, trust in the state decreases. This crisis of trust has a significant impact on decreasing public participation in formal economic activities, increasing

informal economic activity, and raising tax avoidance practices. A further consequence is the weakening of the state revenue base, which means that the government has limitations in funding economic and social development programs.

In the long term, governance failure has the potential to increase social and economic inequality. When governance is weak, economic benefits tend to accrue to political and business elites, while the general public remains economically vulnerable. This uneven distribution of wealth triggers social tensions, increases poverty rates, and widens the welfare gap between regions. This situation is evident in several Southeast Asian countries, where, despite relatively high national economic growth rates, income inequality between regions and individuals is widening.

Governance failure also has an impact on the declining quality of public services. In many cases in Southeast Asia, weak supervision of the education and healthcare sectors has led to low-quality basic services, which indirectly hamper labor productivity and economic competitiveness (Robi & Noor, 2021). Countries with high levels of governance failure tend to have a stagnant Human Development Index (HDI) due to ineffective public services and corruption that erodes social service funds.

Overall, governance failures in the Southeast Asian region have had a significant impact on economic stagnation. This condition is characterized by weak investment growth, macroeconomic instability, low investor and public confidence, and widening development disparities. Therefore, improving governance and eradicating corruption through systematic legal reform, strengthening supervisory institutions, and consistent law enforcement are absolute requirements to restore public trust and create an economic environment conducive to sustainable growth in the region.

Legal Analysis of Governance Failure and Efforts to Overcome It

Governance failures that occur in various Southeast Asian countries cannot be separated from the role of law as a fundamental instrument in regulating power relations, managing public resources, and enforcing justice (Transparency International, 2024). Law, in the context of governance, functions not only as a set of norms that regulate behavior but also as a mechanism for controlling power and protecting public interests. When the law is weak, not enforced consistently, or is used for the interests of certain elite groups, governance failure is an inevitable consequence.

Theoretically, governance failure is often triggered by an imbalance between formal rules and political and economic practices in the field. On paper, most Southeast Asian countries already have anti-corruption regulations, laws, and a state financial supervision system in place for public services. Indonesia, for example, has Law Number 31 of 1999 in conjunction with Law Number 20 of 2001 concerning the Eradication of Criminal Acts of Corruption, the Philippines, with the Anti-Graft and Corrupt Practices Act; Malaysia, with the Malaysian Anti-Corruption Commission Act 2009; and Vietnam, with the Anti-Corruption Law, which is continuously updated. In addition, ASEAN countries have ratified the United Nations Convention Against Corruption (UNCAC) as an international commitment to eradicating corruption.

However, the existence of formal law is not necessarily able to prevent governance failure. Many anti-corruption regulations in this region only function as symbols or political tools to suppress political opponents. In several instances, the implementation of anti-corruption laws has been ineffective due to the limited capacity of law enforcement agencies, their dependence on executive power, and the weak independence of judicial institutions. This condition strengthens the view that governance failure in Southeast Asia is not only a matter of weaknesses in the legal system but also a matter of legal politics and a legal culture that is permissive of corruption (World Bank, 2023).

A legal analysis of governance failure in this region reveals several key characteristics. First, there are weaknesses in the judicial system, especially in terms of the independence and professionalism of law enforcement officers. In several countries, the practice of political intervention in the legal process remains common. Many officials caught in corruption cases can avoid punishment through political lobbying or power plays. This situation undermines the law's effectiveness as a tool for controlling power, leading to legal uncertainty that hurts the economic climate.

Second, the mechanism for monitoring state finances and public services is still weak, both at the national and regional levels. Reports from the Audit Board of Indonesia (BPK) in Indonesia, for example, routinely uncover budget irregularities in various government agencies; however, legal follow-up is often not optimal. Similar conditions also occur in the Philippines and Myanmar, where government financial audits are less transparent and rarely widely published. This weak supervision creates an environment that allows for systemic corruption and inefficient state financial management practices.

Third, laws and regulations in the field of public services have not been able to guarantee accountable and corruption-free service standards. High bureaucratic costs, illegal levies in the licensing process, and abuse of authority in government procurement of goods and services are still chronic problems. Although several countries have implemented e-government policies and digitalization of public services, these efforts have not been able to eliminate corrupt practices due to weak internal monitoring systems and minimal public participation in monitoring public services (Firdaus & Fauziyah, 2022).

To overcome governance failures, legal reform efforts in the Southeast Asian region must be carried out comprehensively and continuously. First, strengthening the independence of anti-corruption institutions is the main agenda. The experiences of Singapore and Hong Kong in building independent and professional anti-corruption institutions have proven effective in reducing corruption rates. Other countries in Southeast Asia can learn from this model, not only in terms of institutional aspects but also in terms of budget, authority, and legal protection for law enforcement officers (Mungiu-Pippidi, 2015). Second, reform of the judicial system is necessary to ensure that the legal process is fair and free from political intervention. Improving the selection procedures for judges, prosecutors, and investigators, increasing the transparency of trials, and external supervision of judicial institutions are crucial steps to increase the credibility of law enforcement. In addition, implementing the principle of public accountability in the legal process, including providing open access to

information on corruption cases to the public, can be one strategy to strengthen public trust. Third, the revision and harmonization of anti-corruption laws and regulations at the national and regional ASEAN levels also need to be considered. Differences in anti-corruption legal standards between ASEAN countries often provide loopholes for corruptors to exploit weaknesses in the legal systems of certain countries. The formulation of regional minimum standards, as seen in the ASEAN Convention on Anti-Corruption, for example, can serve as a binding joint legal instrument and encourage the harmonization of anti-corruption policies in the Region (OECD, 2022). Fourth, increasing public participation in government oversight is a crucial factor in efforts to overcome governance failures. The law must provide adequate space for the participation of civil society, the media, and non-governmental organizations (NGOs) in overseeing the implementation of government policies.

Additionally, the regulations on whistleblower protection must be strengthened to ensure that the public is not deterred from reporting corrupt practices. Overall, governance failures in Southeast Asia cannot be overcome simply by forming new regulations; they require a strong political commitment, institutional reform, and a change in legal culture that is more assertive towards corrupt practices. The law must be an effective tool in controlling power, not the other way around, used as an instrument of power to perpetuate the interests of political and economic elites. Thus, clean, accountable, and transparent governance can be established as a crucial foundation for promoting sustainable economic growth in the Southeast Asia region.

CONCLUSION

Based on the results of the study on the dynamics of corruption, governance failure, and economic growth in the Southeast Asia region, it can be concluded that the high level of corruption that occurs in several countries in this region is closely related to the occurrence of governance failure which has a direct impact on economic stagnation. Although Southeast Asian countries have demonstrated great economic potential and impressive economic growth over the last few decades, the problems of weak governance, rampant corruption practices, and legal uncertainty remain the main inhibiting factors in efforts to create sustainable and equitable economic growth. Governance failure in Southeast Asia is reflected in various indicators, including weak rule of law, low accountability in state financial management, poor quality of public services, and minimal transparency in the licensing process and procurement of government goods and services. This condition is exacerbated by the weak role of anti-corruption institutions, the dependence of law enforcement officers on political power, and the ineffectiveness of internal and external government oversight mechanisms. Legally, various anti-corruption regulations are available at both the national level and through international commitments, such as the United Nations Convention Against Corruption (UNCAC). However, the implementation of the law still faces various obstacles, ranging from political intervention to the weak independence of law enforcement agencies and limited protection for whistleblowers. As a result, corruption continues to occur systematically and has a broad impact on the investment climate, economic

productivity, and public trust in state institutions. Therefore, overcoming governance failures in Southeast Asia must be achieved through a more progressive and consistent legal approach supported by institutional reform and a strong political commitment. Strengthening the independence of anti-corruption institutions, reforming the judicial system, harmonizing anti-corruption regulations at the ASEAN level, and increasing public participation in government oversight are strategic steps that must be implemented immediately. Without serious efforts to improve governance failure, the Southeast Asian region is at risk of experiencing prolonged economic stagnation, with broad social, political, and economic impacts on regional stability.

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