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India Raids Ex-Minister's Home as Corruption Focus Moves Beyond \$11 Bribes

By Mehul Srivastava - Dec 9, 2010

News photographers climbed walls and passersby gawked as officers from India's [Central Bureau of Investigation](#) searched for clues yesterday in a \$31 billion probe at the government-issued bungalow of ex-Telecommunications Minister [Andimuthu Raja](#) in New Delhi.

In Mumbai, packaging company [Uflex Ltd.](#) completed a [33 percent](#) two-day slide after Chairman [Ashok Chaturvedi](#) was convicted in a separate land allotment investigation carried out by the CBI, India's federal anti-corruption agency.

The high-profile cases may bolster the graft-busting credentials of an agency that lists an \$11 bribe as one of its most important convictions and was criticized by the Supreme Court for inaction in the telecom probe. Corruption and bureaucratic inefficiency help make India the [riskiest country in Asia](#) for investors, according to this year's survey by Hong Kong-based [Political & Economic Risk Consultancy Ltd.](#)

"Without convictions, and a powerful and effective anti-corruption agency, corruption remains a low-risk and high reward proposition in India," consultant [Jon Quah](#) said in a telephone interview from Singapore, where he works with Asian governments and the [United Nations](#) on corruption-related issues. "If the incumbent government is not committed in curbing corruption, the 'big fish' or rich and powerful are usually protected from investigation and conviction."

In the past month, federal investigators have ensnared eight executives at the nation's biggest life insurer, a brokerage and three state-run banks in a housing-loan probe and detained organizers of the \$4.6 billion Commonwealth Games for misappropriation of public funds.

Household Names

Still, the CBI has yet to secure convictions of political leaders in any of the cases that are household names in India including the so-called Fodder Scam, a 25-year probe into the theft of \$215 million from the animal husbandry budget of Bihar state, and the 24-year investigation into the Bofors defense contract in which then-Prime Minister [Rajiv Gandhi](#) was investigated, according to S. S. Gill, a retired Indian civil servant, and the author of the Harper-Collins 1999 book "Pathology of Corruption." Gandhi was posthumously [cleared of bribery charges](#) by the Delhi High Court in 2004.

“In all of these famous cases, there hasn’t been a conviction of a single major political or national figure,” wrote Gill. “There cannot be a stronger indictment of the Bureau.”

More Corrupt

Some 74 percent of Indians believe that the country has gotten more corrupt in the past three years, and only a quarter feel that the Singh government has been effective in fighting graft, according to [Transparency International’s 2010 Global Corruption Barometer](#). Indians consider political parties to be the most corrupt institutions in the country, the report, released in Berlin today found.

CBI spokesman R. K. Gaur did not respond to a list of e- mailed questions. CBI officials declined to comment on details of documents they described as “incriminating” seized from Raja’s two residences yesterday and from 12 other locations, including the houses of his former personal secretary, three other ex-officials in the telecommunications department and a managing director of a Chennai-based export agency.

The CBI raids on Raja, an ally of Prime Minister [Manmohan Singh](#)’s Congress Party, fall short of opposition lawmaker demands for an all-party probe into the telecom case that has stalled parliament for a month, blocking legislation on land reform, mining and banking.

‘Lacked Transparency’

Raja, 47, has denied any wrongdoing in the 2008 sale of mobile-phone licenses that “lacked transparency and was undertaken in an arbitrary, unfair and inequitable manner,” costing India as much as \$31 billion, according to the Comptroller and Auditor General of India.

[Telenor ASA](#), based in Fornebu, Norway, and Emirates Telecommunications Corp., the United Arab Emirates’ largest phone company, were among operators that purchased stakes in Indian companies the auditor said weren’t qualified for the licenses.

The investigations checked gains in the world’s best performing major stock market this year, sending the Sensitive Index [down](#) 7 percent since reaching a record on Nov. 5. While India is Asia’s second fastest-growing economy, growth could accelerate by as much as half a percentage point if it reduced corruption to [South Korean levels](#), according to a 2007 [analysis](#) published by the [Washington-based Cato Institute](#), a policy research group favoring free markets.

‘Investors Aren’t Dumb’

“Investors aren’t dumb - it’s not like they don’t know these things (corruption) are happening in India,” said [Samir Arora](#), founder of hedge fund Helios Capital Management Pte. in Singapore. “But other than in telecom, the scale of these investigations has not shaken the overall super confidence in India - ten guys in ten companies taking \$10,000 bribes doesn’t really mean anything.”

Prime Minister Singh vowed Nov 21 that any wrong-doers would “be brought to book,” while declining demands from opposition lawmakers for a deeper probe. The Supreme Court yesterday asked the government to form a special court because of the magnitude of the alleged offense.

“With these investigations, you get a lot of political theater,” said Michael Johnston, a professor of political science at Hamilton, New York-based Colgate University, who has studied corruption in Asia. “In Indian politics, more pieces are in motion, things are changing so rapidly, and the political picture gives a lot of leverage to minor and regional parties.”

Conviction Rate

The CBI, with a 2010 budget of \$83 million, has a conviction rate of as high as 70 percent, “comparable to the best investigation agencies in the world,” according to its website. Those included a telephone lineman in Mumbai who was sentenced to 3 years rigorous imprisonment for taking a \$11 bribe to install a phone line, and a Union Bank of India clerk who was sentenced to jail for two years for accepting a \$109 bribe, according to an Oct 2009 listing of important convictions.

India spent about 28 cents per capita fighting corruption in 2005, while Hong Kong spent \$12.14, said Quah, a former National University of Singapore professor.

The CBI had 9,636 cases pending trial at the end of 2009, yet more than one-third of the positions in its prosecution department were vacant, according to its 2009 annual report.

Even if investigations drag on and don’t necessarily result in convictions, the publicity and temporary arrests of the accused are helpful, Paramjit Bawa, the Chairman of Transparency International India, said in an interview.

“Being put behind bars, even if for a little while, is a punishment in itself,” said Bawa. “You were once on a high pedestal, and now you’ve toppled from it by a process of law.”

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