Coronavirus and Corruption: How Kleptocracy Threatens the Global Response

TRANSCRIPT

Discussion

- Abigail Bellows, Nonresident Fellow, Carnegie Endowment for International Peace
- Elaine Dezenski, Senior Advisor, Center on Economic and Financial Power at the Foundation for Defense of Democracies
- Paul Massaro, Policy Advisor, Commission on Security and Cooperation in Europe
- Nate Sibley, Research Fellow, Hudson Institute

Disclaimer: This transcript is based off of a recorded video conference and breaks in the stream may have resulted in mistranscriptions in the text.

A video of the event is available: https://www.hudson.org/events/1816-video-event-coronavirus-and-corruption-how-kleptocracy-threatens-the-global-response52020

About Hudson Institute: Founded in 1961 by strategist Herman Kahn, Hudson Institute challenges conventional thinking and helps manage strategic transitions to the future through interdisciplinary studies in defense, international relations, economics, health care, technology, culture, and law.

Hudson seeks to guide public policy makers and global leaders in government and business through a vigorous program of publications, conferences, policy briefings, and recommendations.
Nate Sibley:

Hello, everyone, and welcome to the latest in Hudson Institute's series of online events exploring the global coronavirus pandemic and its implications for US policy. My name's Nate Sibley. I'm a research fellow at Hudson's Kleptocracy Initiative, where we conduct policy research into corruption emanating from authoritarian regimes.

The idea behind today's discussion is that the coronavirus response is reshaping almost all aspects of the global economy, and its dark underbelly of illicit financial flows, fueled by crime and corruption, is presumably no exception—though much of the media focus obviously and quite rightly have been on the immediate government response to stabilize the economy and contain the spread of the virus.

But when democracies and dictatorships alike are doing that, spending trillions of dollars while sidestepping some very important and hard-won safeguards to promote competition and prevent corruption, there is an obvious vulnerability to a resurgence of global kleptocracy. And so, we thought we would discuss the implications of that today.

Those of us who follow news in this area are already seeing a flood of new reports relating to bribery, embezzlement, other forms of self-dealing by government officials and prominent business figures, and not only in countries that traditionally struggle with rule of law. This presumably will only get worse as some kleptocratic authoritarian regimes exploit the crisis to further crack down on internal opposition and, therefore, media and public scrutiny of their financial dealings.

And then, taking a step back, unlike previous crises of this nature, the coronavirus has exploded amid another major geopolitical shift, which is the escalating confrontation between the US and China. In recent years, China's foreign investment and infrastructure spending, primarily the Belt and Road Initiative, have become a sort of byword, a conduit, for corruption across the developing world. So, the coronavirus pandemic will presumably have some pretty serious implications there as well.

On the other hand, there are potentially reasons to be cautiously optimistic. The shutdown has affected kleptocrats and their professional enablers as well. There have been reports of dirty cash piling up in Europe and the United States because criminals can't launder it into shell companies and offshore banks and so on and so forth. But, that won't last forever, and when the shutdown ends, they could be unleashed into a global environment that is much more conducive to corruption.

So, on that note, I'll just introduce our guests quickly. Today I'm joined by some experts who have some excellent experience and insights into this problem. First up will be Abigail Bellows, who is a nonresident fellow at the Carnegie Endowment for International Peace. Abigail spent five years in the US government, advising on anti-corruption issues to the undersecretary of state for civilian security, democracy, and human rights at the State Department. She also served as a special assistant to the chairman of the Joint Chiefs of Staff.

Elaine Dezenski is a senior advisor at the Foundation for Defense of Democracies' Center on Economic and Financial Power. She's the founder and CEO of an international risk advisory firm and previously held senior positions at the World Economic Forum and INTERPOL, as well as serving as Assistant Secretary for Policy Development at the US Department of Homeland
Security. And, I should mention that last week, she published an excellent report with FDD, entitled Below the Belt and Road: Corruption and Illicit Dealings in China’s Global Infrastructure.

Last, but not least, we will have Paul Massaro, who is the policy advisor with responsibility for corruption in environmental issues and the Congressional Commission on Security and Cooperation in Europe, otherwise known as the US Helsinki Commission, which has been pushing a really exciting, interesting, and hopeful anti-corruption legislative agenda in the past year or two.

So, on that note, I guess, away we go. If you could maybe kick us off by giving an overview of how is corruption affecting the coronavirus response? And, maybe in the longer term, what will the implications of this be for the fight against global corruption?

**Abigail Bellows:**

Well, thanks, Nate, for having me, and it's great to be with you, Paul and Elaine. I'll focus first on the implications of corruption for the pandemic and its response, and share some recommendations for how the US government could approach this issue, and then turn to how the pandemic might in turn influence long term levels of corruption in various countries.

First, we know from past health crises like Ebola that endemic corruption compounds the severity of an outbreak. I'll highlight some of the ways in which this plays out. At the community level, citizens who can't afford to pay bribes may be locked out of access to testing and treatment, which can accelerate the virus's spread. Those who can bribe their way out of a quarantine probably will do so, as we've seen in some instances in Uganda, as well as instances in the border between Pakistan and Iran. And government attempts to convey public health messages are likely to fall flat in places where trust in the state has been lowered because of years and years of corruption.

Then, at the elite level, the pandemic is setting off a flurry of procurement spending, which faces serious risks for diversion and collusion in places where there's already a lot of corruption. In Romania, in Slovenia, normal bidding processes have already been bypassed due to the emergency, which has led to reports of shady dealings at minimum.

At the same time, government workers who would normally be monitoring that sort of spending are themselves home and trying to figure out how to exercise oversight from their living rooms, which makes it quite difficult. Even the civil society groups and media watchdogs that would normally be shining the light on these sort of potentially corrupt dealings are themselves scrambling to adapt to all the logistical challenges of the pandemic, as well as in some cases, facing new restrictions on civic space in places where governments have taken advantage of this emergency to further clamp down on freedom of expression and association.

In that context, it's predictable to some extent that there's going to be leakage of international aid flows and domestic spending. Just one example that we've seen so far is that in Bangladesh, the food aid program that was designed to support workers who are displaced by COVID-19, there's already been reports of 600,000 pounds of rice going missing from this program. Not coincidentally, 50 officials have been implicated in trying to resell that rice on the open market for their own personal benefit and, of course, depriving the citizens of the food that they need.
And then, a final implication of corruption on the pandemic is that those who have long benefited from corruption, oligarchs who have accumulated a lot of stolen assets, are now deploying those assets in Russia and elsewhere to buy up ventilators and arrange for private healthcare, which then further drains resources from the public health system. So, those are some of the ways that entrenched corruption is like a preexisting condition that makes the virus and the pandemic so much worse when it hits a country.

I should say that in Africa and other parts of the Global South, there may be some effects that counterbalance these negative impacts. For example, if there's a lot of local capacity for contact tracing and experience with past infectious diseases, then we may not see the pandemic have quite the ravaging effect that it might in another place. But, it still doesn't take away from the seriousness with which corruption might worsen the pandemic.

So, what can the US government do to mitigate the effects of corruption on pandemic response? Some of the actions Paul will talk about later, including passage by Congress of an anti-corruption action fund to allow more rapid support to countries where there's an opportunity for progress. But, even within existing authorities, state and USAID could expand support to civil society and media watchdogs, whose role is more important than ever in preventing a corruption free-for-all around the world.

The US could also scale up support for justice systems and independent commissions that monitor corruption so that they can sustain their work during this time, to try to prevent and detect these crimes of opportunity during the pandemic. In addition, it's important for USAID and the international CDC arm to step up investments on health governance. So, not just the treatment of the pandemic, but the actual financial and logistical systems and personnel systems that undergird how all of the health infrastructure operates in countries around the world, and help these countries design emergency procurement systems that are both fast and transparent.

In addition, at the local level, US diplomats and public diplomacy officers can try to “name and fame” officials who are exercising integrity in how they respond to the pandemic. So, more of a positive approach to elevate those who are doing a good job in acting with honesty and avoiding corruption during this time.

Finally, it's important for the US to make sure that all of its assistance on the pandemic meets the highest standards for mitigating corruption risk. So, what does that mean? That means publishing specific budget allocations. It's giving to countries online in local languages so that citizens can track them. It means expecting recipient governments to publish their own use of those funds in detail and the beneficial owners of the contractors that they're working with to disperse those funds.

It means whistleblower protections and corruption reporting channels. In countries where there's a lot of history of corruption, it could mean not providing any budgetary assistance in-face, but actually having all in-kind support. For example, in Mozambique, where there is a long history of challenges with corruption, the government requested 700 million dollars in budget support. USAID and other donors have decided to ... instead of providing direct cash, actually procure the medical supplies that Mozambique needs directly, and then just transfer those medical supplies in-kind to the country. So, that sort of approach can reduce the risk of money going missing when donors are providing it.
These are the kinds of standards that the US should be applying it its own assistance, but also encouraging actors like the IMF to take on more of those protections as well, in response to calls from civil society. These actions will go a long way towards saving lives, protecting taxpayer dollars, and helping prevent some of the most devastating impacts that corruption could have during the pandemic.

And then, I'll share, finally, about some of the ways that this pandemic period might impact governance conditions and corruption in the medium to long term in various countries. First, I'll share the bad news. There's plenty of reason to think that the pandemic could do lasting damage to the conditions for governance in many places. We have a situation in which law enforcement is distracted with implementing quarantines and curfews, so they're likely going to be paying less attention to financial crime.

We have the possibility of massive theft of public resources while nobody's looking, which could help bad actors learn new behavior that then they take into the future. And, if citizen trust is lower during this time, that could fuel even more disenchantment with democracy and the further emboldening of authoritarian populist leaders, which is a disturbing trend we had seen even before the pandemic.

At the community level, if people get into the pattern of pairing bribes to access health services, that's a pattern that could then be even harder to undo later and create new positive social norms. On the current trajectory, there's a lot of negative scenarios of how the pandemic could impact anti-corruption conditions. But, it's also plausible that, at least, in some places, the crisis could be good for anti-corruption. That's really if actions taken during this time establish new precedents that raise the bar on governance longer term.

So, what could that look like? Perhaps, in places where they didn't have an emergency procurement system, this is the catalyst for creating one, and then they have one in the longer term, which they can rely on when the next climate emergency happens, or whatever the next crisis is down the line.

At the local level, if healthcare providers realize that denying access to somebody who can't pay a bribe could actually endanger the safety of everybody during a pandemic because they become a spreader of the disease, then maybe we'll see bribe amnesties for coronavirus testing in certain places that then citizens could use as a wedge to push for further reform and reducing bribery in the health system overall.

And, more broadly, the high stakes of this moment could help prompt new forms of cooperation, whether it's between governments and civil society, or within civil society between elite and grassroots actors, or between those working on governance issues and working on health issues. There's many ways in which new coalitions might form during this time because of the emergency conditions we're in. Disrupting some of those longstanding silos could be really good for governance progress over the long-term.

So, that's the hopeful, optimistic scenario, and with targeted action in a quick and responsive way, I think the US government can help tilt us towards that positive trajectory. Back to you.
Nate Sibley:
That was a really comprehensive look at the issues we're facing. I mean, the thing that struck me ... And, I asked you to talk about lots of things that the US government should be doing. What is the US government actually doing? Has it done anything extra? We've heard the USAID has sent out now, I think, two tranches of ... What is it? 250 million dollars or something in additional aid ... probably more than that, I think. Has the US government taken any steps beyond what it normally does, its normal safeguards for these things, so far?

Abigail Bellows:
It's possible that there's actions that I'm not aware of, but I'm not aware of actions along the lines of what I referenced that have been taken in particular, other than the increased aid that you referenced.

My understanding is that, in general, USAID is pretty cautious about giving governance assistance that's in the form of money. So, they have a whole protocol for government-to-government budgetary assistance, where there is a risk-mitigation system and a whole assessment that needs to be done to make sure that appropriate safeguards are in place. That's why they sometimes tilt towards these sort of in-kind support, like the Mozambique case that I mentioned, which, I think, is really laudatory, really setting a model that other countries can follow.

But, in terms of rapid response to anti-corruption risk and opportunity more generally, I think, overall, USAID and the Department of State are somewhat hamstrung in their ability to be adaptive and responsive, which points to the need for the kind of more rapid-response assistance that Paul is going to discuss further.

Nate Sibley:
I was just thinking back when you mentioned the Ebola crisis. Sometimes it sounds like anti-corruption campaigners ... sort of nag on the corners of the major event that's happening, and it gets a bit tiresome for people who are trying to get the job done, getting that money to wherever it is.

But, thinking back to the Ebola crisis, I remember reading the Red Cross alone lost five million dollars that we know about, of its 100 million dollars that it was handling in West Africa. I mean, to the average person, it's like, "oh, okay. Well, it's only five percent, so that's an acceptable loss." But, think about how many lives five million dollars saves in West Africa. It's not like five million dollars being spent in the US even, is it?

Are you following the news on this? Are you seeing the same sort of scale of misappropriation that happened during the Ebola crisis, but on a global scale now? Or, are we still in the dark a bit? It's just happening so quickly.

Abigail Bellows:
Well, we don't know exactly what's happening beyond the anecdotal level at this point, given how early it is. But, already, the starting point was very disturbing. Some of the studies that the World Bank has been involved with indicate that 80% of non-salary payments within the health system ... procurement of supplies, for example ... don't reach the local level. Up to 80% in
many countries. And so, it shows just how devastating corruption can be in a health system that is already debilitated, is already on the back foot due to all these years of graft.

I think some of the lessons that we've learned from the Ebola crisis are really applicable here. One of the big ones was that because corruption had so undermined trust in government for so many years, in places like Liberia and Sierra Leone, citizens actually didn't believe that Ebola was happening at the beginning. They thought it was a ploy from the government to try to get more money from Western donors. That meant that harmful burial practices persisted for far longer than they would've because people didn't follow the public health guidance coming from the government.

What really turned the tide was the involvement of community-level actors, traditional authorities, religious leaders, elders, people who already were trusted by citizens who were able to amplify and echo and translate the messages around public health that the government wasn't really able to convey in a way that was credible. I think we're seeing the need for those vertical partnerships between the grassroots and the elite actors more than ever during this time to help mitigate some of those harmful effects that corruption has had over generations in certain places.

Nate Sibley:
That's fascinating. Thank you so much, Abigail. That's a really, really great way to set the scene and highlight some of the more serious risks we're facing at the moment.

Elaine, as I mentioned at the start, it'd be one thing if the world was at peace and happy with each other, with the coronavirus hitting. But, we're in the middle of a major confrontation between two superpowers. We learned in recent months and years about how China's foreign investment, particularly through the Belt and Road Initiative since 2013, has become a major source of corruption [while often also] in a beneficial way, reshaping the infrastructure projects across Eurasia.

And so, I wonder if you could just talk about what coronavirus means for the Belt and Road Initiative, particularly from a corruption point of view. Feel free to talk about your excellent report that you released last week as well.

Elaine Dezenski:
Thanks, Nate, and thanks to Abigail for such a great presentation. I love this conversation because I think we can get to some of these issues from a systemic perspective, looking at the local level, at the national level, and to the global level as to what's happening right now, how things might be shifting, and ultimately, where the opportunities might be. Even though we're talking about a topic that is difficult and sometimes feels too big to solve, I think there's room for some optimism right now, in terms of what can be done around a broader anti-corruption strategy, and one that I hope the US will actually take up and lead.

Let me go back to your question and the report which just came out, as you mentioned, which is really a deep look at corruption and illicit practices that have taken place within a variety of Belt and Road projects over the last five or so years. The BRI was launched officially in 2013 although there are projects within this construct of the BRI that have been around longer than that. From a corruption perspective, from an investigative perspective, it's really been over the
last, I would say, two and a half years where we've seen some really tangible evidence of what's happening within the frame of BRI, in the form of influence peddling, corrupt practices like bribery, and other forms that have really eroded the viability of some of these projects, but also given us a view into how Beijing is using BRI as a tool for broader global influence.

And so, this is complicating things in terms of the US-China relationship, but it also, I believe, presents an opportunity because now we have a very clear sense of how corruption has impacted these projects, and the importance of infrastructure, which is only becoming more important as we think about the eventual recovery from COVID.

I feel that we're going to need not only an infrastructure type of bill here in the US, but there will be a massive push for infrastructure globally as a way to get people back to work, to speed up economic recovery. I mean, this is almost a certainty. And so, that puts more pressure on these types of programs, whether it's BRI or what other countries may do more on a bilateral basis.

When pathways have been sewed that allow for corruption and illicit dealings, certainly, they're going to be leveraged even more as we go into a rather precarious time. We have a lot of emerging economies that are going to be looking for additional ways to fund not only infrastructure, but general economic recovery. So, we need to pay attention to what's happening here.

From a US perspective, I think what BRI offers us is a case in how not to do things when it comes to taking on a global infrastructure challenge, and perhaps a wonderful opportunity to offer something better. So, my report is really focused on that. What can the US do to counter this multi-billion-dollar effort on the part of China? It's not so much about matching spending, but it is how we spend and where we spend.

And, what is the governing framework that encapsulates everything that we do? To be fair, we haven't always done it well. We have examples in Afghanistan and Iraq where we missed the opportunity to control corruption and graft on a big scale. And, the outcomes were in some ways very similar to what has happened with some of these BRI cases that I talk about in Kenya and Eurasia, Sri Lanka ... which actually show some indication of public backlash and anti-corruption control, in terms of regime change, in places like Malaysia and whatnot.

I think we're likely to see more of these types of stories coming out because we'll have projects coming to fruition, additional projects through the BRI. So, that should give more ammunition. But, again, going back to what the US can do, it's really about doubling down on the existing governance frameworks that we've been fighting for over the last two to three decades.

We need to double down on supporting the multilateral engagement that creates the framework, whether it's working through the development banks, strengthening the work of the UN through the UN Convention Against Corruption, that we see the framework. But, we have to go even one step beyond that because it is about rewriting the rules of the game. I think the fear is that we're going to lose out on the rules of the game if we allow them to continue to be eroded in the context of this global infrastructure competition, which is really what I think it's become.

How can the US double down even further? Well, we now have opportunity through the new US Development Finance Corporation to take an equity stake in projects. That's really in direct response to the BRI. It's not so important how much money we spend, as I said, but it's more important that we use our funds strategically and maybe in our own backyard, looking at Latin
America and other regions where we have an opportunity to work with partners in a more effective way, and where we can bring global standards and certifications to our projects.

So, again, in some ways I think BRI has offered us a bit of a gift to take a step back at this particular time. We know infrastructure spending will be needed. We know there's a better way to do it, and now we have the opportunity to craft a better framework.

At the end of the day, I think BRI spending may slow because of COVID. It's a formula based on spending foreign reserves, so to the extent that Chinese foreign reserves are on the downward trend, which, they are, I think that may be hastened a bit by the current economic uncertainty. That will limit its ability to spend at the same rate.

Having said that, though, I worry about the influence that has already been bought and what that means, particularly as China looks to push out BRI health-related infrastructure and assistance, and may be able to use some of the existing relationships, particularly with compromised governments, to be able to achieve broader objectives.

So, we need to be very mindful of that, and I think we need to continue to point out these cases. Abigail talked about naming and shaming. We also do need to do some naming and shaming around some of these egregious practices.

Nate Sibley:

No, I couldn't agree more. Personally, just from my reading of the news recently, it seems like there's a real shift in global opinion against some of the sort of Wolf Warrior diplomacy ... whatever they call it. I can't imagine that's going to pan out well for the CCP when it comes to trying to start new BRI projects or maintain existing ones in a fruitful way, with people that they've really annoyed in some cases, and treated quite badly.

I wonder if you could talk a bit more about the Development Finance Corporation, newly formed under the auspices of the BUILD Act. You mentioned new global standards and certifications. If you could drill down on that a bit more ... If you were a DFC official, and you were sent to meet with a foreign government to discuss a new project, what are some of those standards and certifications that you should be ... not insisting on, but offering them?

One of the big problems, to my mind, is that the success of the spread of the BRI on the back of bribery and embezzlement and corruption and so on, was because they were dealing with local elites who don't want these global standards and certifications. They want to take bribes and embezzle. How do you circumvent that as a US diplomat, going over with a new package of global standards and certifications?

Elaine Dezenski:

That's right.

Yeah. Great question. Let's dig into this a little bit. The US Development Finance Corporation has announced ... It's kind of been a soft launch, but a launch of a program called the Blue Dot Network. The Blue Dot Network is about bringing together like-minded partners around a
framework for delivering high quality infrastructure. The basis for that is the identification and application of probably, eventually, around a dozen standards related to infrastructure quality.

These standards will run the gamut from sustainability and human rights, labor practices, to addressing corruption risks as well. And, that process of identifying the existing global standards that can be applied is still in early stages, I would say. In the paper, I talk about one particular standard that I think is quite useful in terms of the anti-corruption agenda, and it's the global standard which was released just a few years ago from ISO, the International Standards Organization, called 37001. It's an anti-bribery management system.

Why do I think standards like that could be very useful? Number one, because they're applicable across both the public sector and private sector. As we think about a process for certifying projects that involve many different entities, we need to get to the supply side and the demand side. If we can look at standards that have a common framework across organizations, whether they sit in a public or private sector, I think that's a very good systemic way to think about how these certification programs can be helpful.

I know there's talk about using existing standards that might be more aligned with the FCPA. The ISO standard is actually quite aligned with that, so that's another leg up, actually, for Western firms and other firms that have adopted FCPA-like certification and its standards within their organization.

So, behind this, of course, is the idea that we should be promoting partners within this infrastructure space that are willing to take that step, are willing to come forward and be part of creating this network of integrity around how these projects are delivered. That's the responsibility of both the private sector and the public sector.

There's another aspect to this which I want to talk about because no matter how much money China spends or the US might spend on an infrastructure program globally, the global unmet need for infrastructure will not be met unless private capital is brought into this equation. This is something that has been a topic within the sustainable development goals conversation, but it also has to be part of how the US thinks more strategically about deploying capital. The DFC can take an equity stake in projects, but that's not really enough. That's enough to bring down the risk for some of these projects, but in order to attract the right capital, the private and institutional investors need to be onboard.

So, here, we're talking about all kinds of private and institutional capital. A lot of it, I'm talking pre-COVID, but a lot of it was really on the sidelines. It was not deployed in the context of some of these infrastructure projects because the risks were too high. Part of that is because the governance risks have remained high, and corruption is a big part of that.

The idea is to mitigate risk on any number of fronts, including the governance side, which can then allow private capital to be deployed within these projects. That is a much more effective way to have reach. It's a much more effective way to leverage what the US can bring to the table. We're going to need that even more in the post-COVID environment as public organizations are strapped to find capital for these kinds of things.

Nate Sibley:

That's great. Thank you so much, Elaine. This is turning out to be a much more optimistic conversation. I thought it'd be about how corruption's going to destroy the world after COVID,
but we're getting a lot of good ideas about how, actually, there are opportunities to push back against global kleptocracy.

Someone who's been working on that in Congress is, last but not least, Mr. Paul Massaro, who is just going to give us an overview of some of the things that have been going on on the Hill in a year of unprecedented interest in this issue.

Paul Massaro:

Yeah, definitely. Thanks so much, Nate. And, thank you, Elaine and Abigail. Wonderful presentations. I really want to echo everything you're saying.

I also, like Nate, am really excited about the optimistic things we're hearing here. BRI is an opportunity, and COVID is an opportunity. That's the way I see all of this as well. I mean, corruption, to me, was a preeminent national security threat before COVID, and now it's become an even greater national security threat.

I also see this as the opportunity to focus on it because corruption, unlike so many other things, is this corrosive, destructive thing that kills you over time. It hollows out your institutions. It takes down your governments, and then, before you know it, you don't have independent rule of law. You don't have independent judiciaries. You have all this major bribery and all this other stuff going on, and you wake up one day, and you're not a democracy.

I think that this gives us an opportunity to stand back and say, "There's a really important moment to focus on this and do something about it." As you say, Abigail, with the emergency procurement systems and stuff like that, or thinking about BRI and putting people back to work for infrastructure, things like that, I think that we really need to be focusing on opportunities and focusing on corruption as a threat that's only become greater due to COVID. Now is the time to take it down.

Before I get into talking about the bills, I just want to say a few words on the Helsinki Commission since I think that we are one of these maybe niche agencies, lesser known. The Helsinki Commission is a congressional commission as Nate said. It's bicameral and bipartisan. It's led by nine senators and nine representatives. We've been around since '76, so kicking since the Cold War.

We take a very long-term view on foreign policy. We're about promotion of human rights, democracy, and the rule of law. We see these things as the key aspects of national security. In the long-term, if you want to really promote national security, you need democracy, rule of law, and human rights all around the world. You need the global framework to be based on these things. You need to promote those who are promoting these things in their countries, ensure they are protected and so on and so forth.

I am a member of our staff. We have staff that cover everything ... the regions, international religious freedom, military security, and then, I cover, as Nate said, international anti-corruption policy. One of our big roles is developing legislation that looks five years into the future rather than to the next election or the next five minutes, or everything that the committees, God bless them, have to do every single day in the trenches.

And, we've actually had some big successes here. I think a very well-known one is the Magnitsky Act, which changed things forever in US-Russia relations and, really, in the way that
we promote human rights around the world. We also developed the Trafficking Victims Protection Act back in the day.

Right now, the Rodchenkov Anti-Doping Act, another program of ours ... another proposal of ours, rather, that would criminalize doping in international competitions ... That is one step from passage. It's passed the House. It's passed Senate Committee, and it's just one step from passage in the Senate, to be sent to the president.

So, we've got a real record here. This is something we do a lot of good work on. That's how we came to the anti-kleptocracy issue. We've got a nice fact sheet that you can look up online, on four particular bills that we've introduced and have been working very hard on over, pretty much, this whole last Congress, to fight kleptocracy and to elevate the fight against corruption in US foreign policy ... and US law enforcement, really.

I'll start by speaking about the CROOK Act. The CROOK Act is the one that Abigail referred to just a second ago. It essentially is our comprehensive US foreign policy approach. The key item is the creation of this anti-corruption action fund. Now, this fund would essentially be financed through a surcharge on FCPA violations above 50 million, and take five million dollars, about, from each of those and then put them into this fund, which is a no-year fund, sits around until there are opportunities. And then, it can be activated all at once to help reformers in the first 100 days, let's say, as we expect a lot from our president in the first 100 days, and so on and so forth. We'd want to help these guys before they run out of political steam. We're looking at probably 16 million dollars a year, about, if we go by the last 10 years of FCPA criminal enforcement.

The other two big things that this bill would do is create an inter-agency group on anti-corruption, led by the Secretary of State, and it would mandate an anti-corruption point of contact in every US embassy around the world. So, that's the CROOK Act. There's a lot of good, normative stuff in there about framing and fighting illicit finance, and all of that's very important as well. But, I think those are the three really important, operative pieces of it.

Moving right along, the second bill is called the Kleptocrat Exposure Act. What the Kleptocrat Exposure Act is ... It's an amendment to the Immigration and Nationality Act to enable the Secretary of State to reveal the identities of individuals whose visas have been banned for reason of human rights abuse or kleptocracy.

Now, this is useful always. We see a lot of situations where the Department of State may say ... like recently with regard to Xinjiang, in the genocide against the Uyghurs, that is being perpetrated by the CCP as we speak, really, and probably is also getting worse because of COVID. They said, "We ban the visas of these 50 people," and that was it. They didn't give us the names of those people, identities of those people. We don't know who they're working with. We don't know which business they're involved in and things like that.

That's a problem, and that's a problem now more than ever as we have all of this procurement going on, all of this money flowing around. If a visa is banned for one of these individuals, it's very good to provide this information publicly, both for business reasons ... also so we stand in solidarity with the victims of kleptocracy around the world, give that information to civil society and press and so on and so forth.

And then, very interestingly, also, because our allies would like that information, and they'll see it, and perhaps countries that have an issue with, say, golden visas or something like that,
places like Malta or Cyprus, may say, "These guys have been banned from the United States. Maybe we won't give them a visa. Maybe we won't give them a passport."

There's a lot of reasons why something like this would be very helpful. It's discretionary. It is not mandatory that the executive branch do this, but to give them the option to do it, I think, is really, really meaningful.

The next bill is a bill called the Foreign Extortion Prevention Act, FEPA. The Foreign Extortion Prevention Act is our take on the companion piece to the FCPA. What it would do is criminalize the demand side of bribery.

Now, Elaine, I think this fits squarely into a lot of the recommendation of your report. This is the question of what do we do to fight the demand side of bribery? What do we do when we have US companies competing with Chinese and Russian SOEs that are subsidized by their states and encouraged to take advantage of corruption in the countries that they operate in? They go in, and they say, "Bribe everybody. We want you to do that. Spread kleptocracy."

How do we fight that? I think that we've seen the DOJ, in the past years, actually indicting individuals for demanding bribes, but they've had to indict them under other laws that are not built for this particular purpose. They indict them under anti-money laundering. They indict them under mail and wire fraud, and they're harder, right? So, they mention in the indictment, even in the recent Venezuela indictment, we saw these guys demanded bribes, but the crime is money laundering. The crime is mail and wire fraud. We should just make that a crime. It's a problem. So, that's FEPA.

And then, finally, we have the Justice for Victims of Kleptocracy Act. The Justice for Victims of Kleptocracy Act is something that the Hudson Institute ... In fact, the Kleptocracy Initiative really helped out with the development of ... It was an idea that originated there. And, in fact, I wanted to say generally that the Kleptocracy Initiative has been extremely influential on the Hill, off the Hill, all over the place.

When I got this job, one of the first people that sat down with me, talked with me about the national security threat of corruption ... And, honestly, back then, back in that world, back pre-2016-ish, the idea that corruption was a national security issue was not a common thing you'd hear. You'd walk into a room, and you'd say, "Oh, national security experts, what about corruption?"

They'd be like, "Ah, get out of here!"

Now you walk in, and they say, "Well, duh. Thank you, Captain Obvious." But, it's because of the work of the Kleptocracy Initiative that we got to that point. So, I just want to say thanks for everything, but also, specifically, on JVOK. I think they've been very influential ... Thank you for the discussions and advice and thoughts that led to that sort of stuff.

So, JVOK ... more of a messaging piece than a lot of the others, but still, potentially even more influential, and that what it would mandate is a consolidated website created by the Department of Justice on which we would list by country the amount of money stolen, hidden in the United States, and recovered by US law enforcement. We'd say, "Money stolen from the Ukrainian people, hidden in the US, and recovered by US law enforcement, here it all is. Money stolen from the Venezuelan people, hidden in the USA, and recovered by US law enforcement, here it all is."
Now, the nice thing about this is DOJ already makes this public. It's just not all put in one place. They say it in a press release, like recently with the 49 million or so went back to Malaysia in some capacity. They went in that asset recovery action. So, it's sitting in these asset recovery funds doing nothing, and we're not going to return it to where it's going to be stolen again. That'd be crazy. So, we want to say, "We're going to give this back to you. We want to give it back to you, but we can't give it back to you so long as your leaders are essentially kleptocrats." So, those are the four bills.

And then, finally, I just want to talk really quickly about some other stuff that's on the horizon. So, the REPEL Act, the Rejecting Enemy Payments Through Enforcement and Leadership Act, is something the commission's been developing, hasn't been introduced yet. But, we've gotten a lot of insight and input from the anti-corruption community in town.

So, listing three things really need to be done on the horizon that are included in REPEL, but just really important to COVID response, I feel, to ensure that this money that may get stolen abroad does not come to the West. And, that's anti-money laundering obligations for gatekeepers, like lawyers, accountants, auditors, investment advisors, so on and so forth, ensuring that they are a part of the anti-money laundering framework.

Two, make Section 311 of the Patriot Act easier to enforce so that you can say, "This bank is a money laundering concern. Get them out of there." And then, third is the creation of a cross-payments database, which is called for in 2004, or an across borders payments database. So, that's also something I know Treasury's worked on in the past, just we need to get it done.

And then, finally, I would be remiss if I did not bring up the Corporate Transparency Act and beneficial ownership transparency, which was important a few months ago, is more important than ever right now. Let's get that done, too. That's all on Congress's plate. That's all us. So, hopefully, the Senate will be able to include that, either in a package in response to COVID, or in NDAA, or on its own. But, that desperately needs to get done.

Nate Sibley:
This is the law that would tackle the abuse of US shell companies to facilitate money laundering.

Paul Massaro:
That's right. That's right. I know we've talked that one to death. I just wanted to make sure it got in there because you all have been excellent on that as well.

Nate Sibley:
Paul, thank you very much for that, but we're actually coming about right to the end of our time now. I could talk to any of you and all of you all day about this. But, I just wanted ... I've had my fair share of questions. Any final really, really quick burning questions you have for each other that I missed out?

Paul Massaro:
So, your problem is that we all talk to one another offline, too, like every day.

Nate Sibley:
We all know what we’re all up to! Well, I want to thank you all for those incredible insights. It is, as you've all mentioned, a huge topic which you could pick any thread of and spend a good few years trying to deal with it.

One thing that struck me about this is, as I mentioned, if you follow the corruption news, it's relentless doom and gloom at the moment … But, actually, in terms of where we are in the US, in terms of new policies, new laws to try and deal with this, I think we're in a better spot than ever.

This could, in the best-case scenario of a very, very bad situation, be the tipping point where the US finally reasserts global leadership on anti-corruption, anti-money laundering, in a really spectacular way. That would be great for democracy, for capitalism, for everything that we believe in and try to export around the world, in alignment with our values.

I want to thank you all very much for joining me.

**Abigail Bellows:**
Thank you.

**Paul Massaro:**
Thanks, Nate.

**Elaine Dezenski:**
Thanks, Nate.

**Nate Sibley:**
Log into Hudson.org/coronavirus anytime to get all the latest insights and events with our scholars on these issues during these troubled times. Okay. Thanks very much.