

APRIL 2020

Fighting Corruption for U.S. Economic and National Security Interests

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Daniel F. Runde
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A Report of the CSIS Project on Prosperity and Development

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INTERNATIONAL STUDIES

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Introduction

Corruption plagues governments, economies, and societies around the world. According to the World Bank, half of the world's population expresses distrust in government institutions.¹ Corruption is a major obstacle that hinders development efforts because it diverts funding away from the intended parties. Money that could be used for education, health care, and infrastructure is often stolen by powerful leaders in developing countries. According to the World Economic Forum (WEF), the amount of money lost to corruption globally is \$2 trillion a year.² If the amount of money lost to corruption was counted as a country's gross domestic product (GDP), it would be the tenth-largest economy in the world.³ Much of these losses occur in low- and middle-income countries that desperately need funding in order to provide basic services for citizens. This money could also go a long way toward filling the financing gap for the United Nation's 17 Sustainable Development Goals (SDGs) and preparing countries for global pandemics such as Covid-19.

If the amount of money lost to corruption was counted as a country's GDP, it would be the tenth-largest economy in the world.

In the 1970s, the United States led a global movement to fight corruption and promote the rule of law. Over the years, the movement gained traction around the world, and various indices, such as Transparency International's Corruption Perception Index, the World Bank's Doing Business Indicators, and the Institute of Economics and Peace's Global Peace Index were developed. These indices were able to highlight corruption as a widespread problem and a consistent barrier to economic growth and wealth creation. Corruption often increases transaction costs, which leads to less productivity and more misallocated resources that, among other issues, dampen investment critical to economic growth. A return to a focus on good governance—particularly a leveling of the global playing field for businesses as well as compliance with international standards and U.S. regulations—will help U.S. companies maintain their competitiveness and facilitate investment and capital where it is needed the most.

A number of initiatives led by the private sector and civil society continue to focus on corruption, but it is worth exploring additional ways in which the U.S. government may lead global anti-corruption efforts in the future and, in doing so, promote the rule of law.

The Global Battle against Corruption

Corruption is defined by Transparency International as “the abuse of entrusted power for private gain” and is classified into three categories: grand, petty, and political.⁴ The IMF and World Bank define corruption more simply as “the abuse of public office for private gain.”⁵

Figure 1: Global Firms Corruption Expectations by Activity



Figure 1 was created by CSIS using data from the World Bank’s Enterprise Surveys, which capture the prevalence of different types of bribery in 144 countries. The results are based on surveys of more than 158,000 firms. “Enterprise Surveys: Corruption,” World Bank, September 2017, <https://www.enterprisesurveys.org/en/data/exploretopics/corruption>.

Developing countries bear a disproportionate share of the costs of corruption. Corruption constrains economic growth and prevents countries from becoming self-reliant. Low-income countries with weak governing institutions and poor rule of law are most

susceptible to corruption, resulting in the loss of billions of dollars, which could be invested in basic services for citizens, such as education, health care, and infrastructure. In Transparency International's 2019 Corruption Perceptions Index, the countries that had made the least progress toward addressing corruption were Somalia, South Sudan, Syria, Yemen, Afghanistan, Sudan, Equatorial Guinea, Venezuela, North Korea, Guinea-Bissau, Libya, the Democratic Republic of Congo, and Haiti.⁶ It is not surprising that most of these countries are engaged in active civil wars or conflicts. Examples of corruption in these countries include bribing customs, paying off armed actors, and evading taxes.

The United States, the World Bank, and other international actors have struggled to fight corruption in other countries, as well as within their own institutions.⁷ The United States emerged as a leader on anti-corruption with the passage of the U.S. Foreign Corrupt Practices Act (FCPA) in 1977. This act was the first of its kind in any country and was enacted “for the purpose of making it unlawful for certain classes of persons and entities to make payments to foreign government officials to assist in obtaining or retaining business.”⁸ All U.S. businesses are subject to these anti-bribery provisions, and the sanctions apply to U.S. companies operating abroad as well. American companies and individuals who commit violations abroad can be prosecuted in the United States, forced to pay substantial civil penalties, or suffer significant reputational damage. For instance, in a recent scandal involving Walmart, the company was fined \$282 million after using corrupt practices in Brazil, India, and Mexico.⁹ The difference between American companies and many others is that companies in the United States can be held accountable for violating the FCPA. Companies from other countries are not always subject to such restrictions and are often only subject to the laws of the country in which they operate. However, the FCPA laid the foundation for other countries and multilateral organizations to implement similar legislation.

In 1996, the president of the World Bank, Jim Wolfensohn, famously said, “And let’s not mince words: we need to deal with the cancer of corruption.” President Wolfensohn’s remarks were groundbreaking because he was the first to acknowledge that corruption was occurring within the World Bank.¹⁰ As a result, the World Bank has made fighting corruption one of its top priorities. The World Bank has a list of firms and individuals that they refuse to work with over concerns of corruption.¹¹ The World Bank also helps developing countries root out corruption within their government institutions and societies by helping them reduce red tape at borders and in governmental processes, impose sanctions when appropriate, and deliver public services.¹²

“And let’s not mince words: we need to deal with the cancer of corruption” - Jim Wolfensohn, President of the World Bank, 2016

Many other international organizations have taken steps to fight corruption in their member countries. OECD member and nonmember countries prohibited private-sector bribery through the 1997 OECD Anti-Bribery Convention.¹³ In 2003, the UN General Assembly adopted the “UN Convention Against Corruption,” a landmark international anti-corruption treaty that went into effect in December 2004.¹⁴ A total of 140 out of 186

UN member countries signed on to the convention, which aimed to strengthen anti-corruption efforts by improving international cooperation. This agreement was a major step toward combatting global corruption.

Other countries besides the United States recognize the importance of anti-corruption programs and legislation. For instance, the United Kingdom condemns all types of bribery through the U.K. Bribery Act of 2010.¹⁵ In 2011, eight governments—Brazil, Indonesia, Mexico, the Philippines, South Africa, the United Kingdom, and the United States—formed the Open Government Partnership (OGP).¹⁶ The OGP is committed to helping governments become more inclusive, responsive, and accountable.¹⁷ Since OGP was founded, 79 countries have joined and made over 3,800 commitments.¹⁸ However, U.S. diplomatic support for OGP has been visibly absent under the Trump administration, and many countries have failed to turn these commitments into action.

“Over time, the money diverted from education or health care perpetuates inequality and limits the possibility of better paying jobs and a better life.” - Christine Lagarde, IMF Managing Director, September 2017¹⁹

In many cases, corruption prevents the government from collecting tax revenue and decreases domestic resource mobilization (DRM). Corruption hurts economic growth in countries where the United States has economic and national security interests.²⁰ According to the WEF’s 2017 Global Shapers Survey, corruption and lack of transparency are the two most important factors that contribute to inequality around the world.²¹ In April 2019, the IMF released the report *Fiscal Monitor: Curbing Corruption* at the spring World Bank and IMF meetings. The report found that reducing corruption could increase total tax revenues globally by \$1 trillion or 1.25 percent of global GDP.²²

Box 1: Corruption in Africa

According to a 2013 report by African Development Bank and Global Financial Integrity, Africa lost between \$1.2 trillion and 1.3 trillion between 1980-2009 through illicit financial flows.²³ U.S. policymakers must understand the importance of fostering economic growth in sub-Saharan Africa in order to reduce security concerns and increase employment opportunities for the continent’s growing youth population. Liberia, one of the world’s poorest countries, recently came under scrutiny from the international community when it was reported that \$100 million—representing 5 percent of the country’s GDP—in newly printed banknotes intended for Liberia’s central bank went missing.²⁴ In South Africa, corruption and the failure of members of government to pay taxes cost the country an estimated \$6 billion, money that is desperately needed to provide government services such as housing, education, and health.²⁵ According to the World Bank’s Enterprise Surveys, 12.3 percent of the 158,000 firms surveyed across the world said they were expected to give gifts in meetings with tax officials.²⁶ Losing money to corruption severely limits countries’ abilities to grow and move up the development spectrum.

In order to provide basic services for their citizens and grow their economies, governments in low-income countries need to collect more tax revenues. Weak regulations and a lack of revenue collection services prevent governments from collecting billions of dollars in tax revenue each year. The money saved from eliminating corruption and improving tax collection systems could be used to fill the financing gap for the SDGs and address the negative health, economic, and social consequences of Covid-19.

Developed countries are not immune to corruption either. The World Justice Project's Rule of Law Index 2019 reports that for a second consecutive year, measurements of good governance declined in more countries than those that showed improvement.²⁷ It is difficult to find a country that has zero politicians or tax evaders who take advantage of their power for financial gain. The World Bank estimates that businesses and individuals worldwide pay \$1.5 trillion in bribes each year, making up 2 percent of global GDP and 10 times the value of total official development assistance (ODA).²⁸

*“Corruption is, quite simply, stealing from the poor.”-
Jim Yong Kim, President of the World Bank, at an Anti-
Corruption Summit in 2016²⁹*

A Call for Further U.S. Engagement on Anti-corruption Efforts

Anti-corruption efforts have the potential to support both U.S. economic and national security interests, but the Trump administration’s actions have undercut past bipartisan efforts. Repealing the Cardin-Lugar provision of the Dodd-Frank Act, withdrawing from the Extractive Industries Transparency Initiative (EITI), cutting support for the UN Democracy Fund, and failing to block efforts to end the International Commission against Impunity in Guatemala (CICIG) has weakened the United States’ reputation as a leader on anti-corruption. In a time of great power competition, the United States must set itself apart from its competitors by continuing to promote its democratic values, including good governance and the rule of law.

According to Transparency International’s 2019 Corruption Perceptions Index, the United States is ranked 23rd, in terms of anti-corruption efforts, out of 180 countries that were observed.³⁰ In the 2019 Global Peace Index, the United States fell by four spots to 128th, out of the 163 countries that were observed, and was classified as a “low state of peace.”³¹ The U.S. position has also been declining in the Global Peace Index every year since 2016, indicating an alarming trend for one of the world’s first democracies.³² Given past U.S. leadership on countering corruption, most U.S. citizens would expect the country to rank significantly higher.

Figure 2: Country Rankings in Different Corruption Indices

	United States	China	Guatemala	Rwanda
Transparency International’s 2019 Corruption Perceptions Index (out of 180)	23	80	146	51
Doing Business 2020 (out of 190)	6	31	96	38
Global Peace Index 2019 (out of 163)	128	110	142	79

Figure 2 was created by CSIS using data from Transparency International’s 2019 Corruption Perceptions Index, the World Bank’s Doing Business 2020 Report, and the Institute for Economics and Peace’s Global Peace Index 2019.

Under President Obama, the United States took several important steps toward fighting corruption. In 2010, President Obama passed the Dodd-Frank Act, which included the Cardin-Lugar provision. Section 1504 of the provision requires all oil, natural gas, and mineral companies that are publicly listed in the U.S. to disclose payments to the U.S. and foreign governments.³³ However, President Trump repealed Section 1504 using the Congressional Review Act in 2017, damaging the United States' credibility as a leader on corruption and reducing transparency within major U.S. companies.³⁴

In 2017, the Trump administration also withdrew from EITI, an initiative that requires countries to disclose revenue from the oil, gas, and mining sectors.³⁵ The United States originally joined the initiative in 2014, but the Trump administration withdrew as an implementing country in November 2017, citing that “domestic implementation of EITI does not fully account for the U.S. legal framework.”³⁶ EITI has 51 implementing countries, 24 of which are in Africa.³⁷

A 2018 report by the Carnegie Endowment for International Peace highlights the Trump administration's lack of focus on anti-corruption efforts and offers 10 strategies that President Trump could implement immediately.³⁸ These include launching a rapid response fund, creating a network of reformers, and safeguarding security-sector funding.³⁹ Congress appropriated \$2.42 billion in fiscal year (FY) 2019 and \$2.41 billion in FY 2018 for democracy, human rights, and governance.⁴⁰ With foreign assistance constantly at risk of being cut by the White House, the United States must use existing funds more efficiently. The United States should rethink its global anti-corruption efforts because the United States directly benefits from economic growth and reduced national security expenses in developing countries.

In March 2019, the Trump administration eliminated \$405 million of FY 2018 funds intended for the Northern Triangle countries—Honduras, Guatemala, and El Salvador—and has yet to give any indication of when foreign assistance to these countries may resume.⁴¹ In February 2020, CSIS published a report, *Anti-Corruption in the Americas: What Works?*, discussing why the Trump administration should continue to support the UN-authorized CICIG and the OAS-approved Mission to Support the Fight against Corruption and Impunity in Honduras (MACCIH).⁴² The United States has a history of supporting rule of law efforts and promoting governance through various institutions, including the State Department, U.S. Agency for International Development (USAID), U.S. Trade and Development Agency (USTDA), and the Millennium Challenge Corporation (MCC).

One area where USAID continues to play a major role is in supporting DRM. DRM includes more than just taxation and is broadly defined as any source of revenue to fund government actions, including fees on natural resource extraction, rents, tariffs, and other levies on the trade of goods.⁴³ Improving DRM can help developing countries on the *Journey to Self-Reliance*, which has become a major focus of USAID under Administrator Mark Green.⁴⁴ Part of the *Journey to Self-Reliance* road maps include scoring countries where USAID works on different measures that relate to fighting corruption, such as the efficiency of tax administrations, openness of government, and quality of the business environment. Instead of losing money to corruption, low- and middle-income countries could use tax revenue to improve nutrition, electricity, and healthcare.⁴⁵ DRM programs also help governments link tax revenue to quality expenses to improve taxpayer morale.⁴⁶

Some have speculated that a large portion of U.S. foreign assistance each year is lost to corruption. In January 2017, Senator Rand Paul went as far as to say that 70 percent of U.S. foreign aid to developing countries was “stolen off the top.”⁴⁷ There is no evidence to support this number, and most experts argue forcefully that the proportion is nowhere near 70 percent.⁴⁸ The United States stands to benefit from a safer and less corrupt world.

Improving U.S. Businesses' Competitiveness with Other Countries, Particularly China

U.S. global competitors, such as China and Russia, offer an alternative development model that largely ignores issues of transparency, rule of law, and good governance. Many international companies are taking advantage of weak institutions and governance regulations in developing countries to gain exclusive access to natural resources and avoid paying taxes on exports. Reducing corruption could level the playing field for U.S. companies and help them win more bids for projects in Africa, Southeast Asia, and Latin America.

Reducing corruption attracts foreign direct investment (FDI) in developing countries and would allow U.S. companies to support economic development in emerging markets. If all companies had to abide by the same anti-corruption legislation and there was more transparency in procurement processes, then U.S. companies would have a better chance of winning contracts. Beyond bribes, Chinese companies and others often ignore labor rights, human rights, environmental regulations, and best practices when operating abroad. Reducing the risk of corruption and leveling the playing field for bids would allow the United States to take the relationships built through U.S. foreign aid and pivot to more commercial relationships in order to compete with other global powers.⁴⁹

In a time of great power competition, the Trump administration identifies China and Russia as the United States' two main competitors in the 2017 U.S. National Security Strategy.⁵⁰ At the moment, the United States is struggling to react to China's Belt and Road Initiative (BRI). Similarly, Russia is looking to expand its global footprint, especially in Africa, by hosting a Russia-Africa Summit in October 2019 where 43 out of the continent's 54 heads of state attended.⁵¹ Over 95 percent of the market for American products is outside of the United States.⁵² Therefore, the Trump administration must support efforts to expand the number of countries where American companies can compete around the world. Some conflict-affected states may carry too much financial risk, but other countries—especially those in Africa—offer tremendous opportunities for American investment. The United States must leverage all the economic tools at its disposal to compete with China on the international stage.

According to the Global Infrastructure Outlook, there was a \$400 billion investment gap in such sectors as energy, transportation, telecommunications, and water across 56 countries in 2019.⁵³ Countries such as Nigeria, Ghana, Brazil, and India offer tremendous business opportunities for U.S. companies, and American investment in these countries would increase economic growth and employment opportunities for youth.⁵⁴ U.S. companies are struggling to compete with Chinese companies that have a history of using bribes and corrupt practices during business negotiations.⁵⁵ China ranked 80 out of the 180 countries surveyed for its efforts to root out corruption in Transparency International's 2019 Corruption Perceptions Index.⁵⁶

Andrew Wilson, executive director at the Center for International Private Enterprise, described China's governance as "rule by law not rule of law" at a public event on SDG 16 (Peace, Justice and Strong Institutions) in June 2019.⁵⁷

While the recent passage of the BUILD Act and the new U.S. Development Finance Corporation (DFC) represent significant progress towards responding to the BRI, the United States must further leverage the economic tools at its disposal in order to support U.S. companies operating in middle- and low-income countries.⁵⁸ Many companies would rather focus on increasing operations in Canada and Mexico, but U.S. development agencies must encourage U.S. businesses to enter emerging markets by offering financial incentives. U.S. private-sector investment is crucial to supporting economic growth and, in turn, reducing instability in many of these fragile contexts. China's expansion of its "sharp power" through the BRI hurts U.S. interests both economically and politically.⁵⁹ Chinese influence has even extended to Haiti, a country right in the United States' backyard (See Box 2).

Box 2: Haiti Case Study

China has agreed to invest \$30 billion in infrastructure in Haiti, which is more than the Overseas Private Investment Corporation's (OPIC) total global portfolio in 2019.⁶⁰ Haiti is less than a thousand miles from the coast of Florida and is one of the most fragile states in the Western Hemisphere. Almost 90 percent of Haiti's population is at risk of natural disasters, as seen during Hurricane Matthew in 2016 and a 2010 earthquake.⁶¹ Due to poor governance and rule of law, Haiti ranks 168th out of 180 countries surveyed in Transparency International's Corruption Perceptions Index 2019. Foreign companies and thousands of NGOs have been able to operate in Haiti with little to no oversight.⁶²

The lack of transparency has been a major critique of Haiti's latest administration, in part for its failure to aggressively investigate the misuse of an estimated \$2 billion in funds from PetroCaribe, Venezuela's oil alliance, by the previous administration of Michel Martelly.⁶³ Haiti's current president, Jovenel Moïse, took office in 2017 despite allegations of money-laundering.⁶⁴ Widespread public protests continue to demand his resignation. Haiti also ranks 182th out of the 190 countries surveyed in the World Bank's 2019 Doing

Business indicators and is just one example of the low-income contexts where the United States and China will compete for influence and trade deals.⁶⁵ The United States must help Haiti track foreign assistance and reduce the opportunities for corruption.

In March 2019, CSIS published a study funded by USAID on the corrupt management of customs duties on goods brought in from across the Haiti-Dominican Republic border.⁶⁶ The report showed that corruption occurs on both sides of the border. Over a hundred million dollars' worth of exports illegally enters Haiti from the Dominican Republic, and thousands of Haitian migrants illegally enter the Dominican Republic each year.⁶⁷ Reducing corruption at the border would provide much-needed tax revenue for both countries and would create jobs through cross-border commerce.⁶⁸

There have been several instances of Chinese corruption in Africa, but one of the prominent cases involves a former Hong Kong minister, Chi Ping Patrick Ho. In November 2017, Ho was arrested in the United States for trying to bribe Chad's president and Uganda's foreign minister in exchange for oil rights on behalf of a Chinese energy company.⁶⁹ Ho met with the president of Chad in the middle of the Sahara Desert and offered him \$2 million to secure oil rights for a Chinese conglomerate.⁷⁰ Increased anti-corruption programs, especially in sub-Saharan Africa, would diminish the opportunities for corrupt practices by foreign companies.

Recommendations for the Trump Administration

The United States should renew its commitment to global anti-corruption efforts. First and foremost, in order to improve American credibility, the U.S. government needs to ensure that American companies are not bending the rules in emerging countries, as foreign counterparts may be doing. Developing countries should look to the United States as a leader on efforts to tackle the different forms of corruption. Two areas where the United States can have an immediate impact are procurement training and digitalizing government processes. Over time, the United States should incorporate anti-corruption efforts across development programs and link these efforts to national security interests.⁷¹

The United States should recapture its leadership on global anti-corruption efforts for a number of reasons, but most critically for economic ones. Reducing corruption and improving governance in developing countries opens up markets for U.S. products and levels the playing field for U.S. companies operating abroad. Economic growth in developing countries reduces unemployment, increases stability, and supports U.S. national security interests in the process.

1. Help Developing Countries Strengthen Public Procurement Processes

Corruption in government procurement processes keeps American companies from winning or even bidding on all kinds of projects, ranging from building roads and bridges to installing new software solutions. Ensuring that countries spend taxpayer money more efficiently and fairly will also empower civil society and allow citizens to hold their governments accountable. OECD countries spend 12 percent of GDP on public procurement on average.⁷² However, the World Bank found that public procurement as a percentage of GDP was highest in low-income countries in 2015, making strengthening the procurement process even more important.⁷³

Procurement is an area where the United States and its development agencies can play a major role. Increasing transparency by requiring government officials to acknowledge who bid on projects and why officials chose one over another will dramatically help

U.S. companies compete for government contracts around the world. It ensures that governments are playing by the rules and allowing all companies an equal opportunity to secure projects. Corruption will be easier to root out if procurement systems are more public, open, and in accordance with international standards.

U.S. development agencies, along with the World Bank, should be training thousands of procurement officials in the developing world. USTDA's Global Procurement Initiative has been very successful, but this program will need to be exponentially expanded in order to truly reform procurement processes worldwide. Part of this training should be focused on helping developing countries move away from awarding contracts based on the lowest bid to making decisions based on life-cycle costs. Life-cycle costing (LCC) is an economic assessment based on purchasing costs, operating costs, and end-of-life costs, as well as longevity and warranty time frames.⁷⁴ Choosing projects based off of the lowest bid can end up hurting countries in the long run because many countries do not have the technical expertise to provide continual maintenance, especially those related to infrastructure. The Trump administration and U.S. development agencies should dedicate greater foreign assistance and programs to procurement because it is a non-polarizing way in which developing countries can rapidly reduce corruption and save money for government programs.

The United States should support freedom of information programs that empower journalists and citizens to hold governments accountable. Budget transparency laws could help shed light on how budgets are determined and how expenditures are decided on by governments. Citizens should ask for more transparency in how boards of state-owned enterprises (SOEs) are selected and increase their accountability for expenditures. Additionally, the United States could support programs that teach forensic accounting skills to journalists and civil society to cut down on corruption within government institutions and procurement processes.

In 2018, South African President Cyril Ramaphosa called SOEs “the sewers of corruption” and called for a dramatic increase in the oversight of these institutions.⁷⁵

2. Leverage Technology to Reduce Corruption Within Government Processes

The United States could ensure the effective implementation of the World Trade Organization's Trade Facilitation Agreement (TFA) by leveraging technology and innovation. The TFA is a multilateral trade agreement designed to “unclog the pipes” at customs offices and borders, improve infrastructure, and diversify exports while decreasing corruption.⁷⁶ The TFA entered into force on February 22, 2017 and is expected to boost global trade by \$1 trillion each year.⁷⁷ One of the principles of the TFA is making customs processes electronic, which simultaneously allows for greater speed while reducing the opportunity for bribes. Improving cross-border movement encourages FDI

and leads to economic growth in developing countries. Standardizing regulations and processes would also facilitate the movement of foreign assistance and humanitarian aid between countries, making it quicker and making sure it reaches intended parties.

Other government processes could also be moved online through the use of new technologies. E-filing tax systems have been successful in many countries in Africa, particularly Liberia, and should be replicated.⁷⁸ Eliminating person-to-person contact and having processes moved online cuts down on the opportunities for government officials and other individuals in the approval processes to demand bribes or favors in return for fulfilling requests. Streamlining processes for customs operations, starting businesses, and paying taxes would help eliminate opportunities for corruption.

Politicians and corrupt businessman have fewer and fewer options for hiding their illicit finance. The clearest example of this was the release of the Panama Papers in 2016, in which 11.5 million files were leaked from the world's fourth largest offshore law firm, Mossack Fonseca.⁷⁹ In addition to revealing the secrecy associated with offshore banking, the Panama Papers also highlighted politicians operating in gray areas.

One of the biggest leaks ever, the Panama Papers exposed 140 politicians from more than 50 countries, who were avoiding taxes in their home countries by moving money to 21 tax havens.⁸⁰

Moving government procurement systems and other processes online also represents a business opportunity for U.S. companies. Major U.S. technology companies could provide the software and hardware necessary to make records digital and switch systems to online or mobile devices. The World Bank also has significant expertise in this area and could partner with U.S. embassies. A lack of technology in developing countries can actually help foster corruption. Recently, some countries, particularly those in Africa, have been shutting down the internet for various reasons. Sudan, the Democratic Republic of Congo (DRC), and Chad have been completely or partially offline for all of 2019, and Ethiopia, Algeria, Benin, Eritrea, Mauritania, Liberia, and Somalia have also experienced periods where the internet has been shut down.⁸¹ These internet blackouts represent enormous opportunities for corruption to occur without any domestic or international monitoring mechanisms. Without the internet, it is nearly impossible to collect data and track money, products, and foreign aid moving along global supply chains.

3. Incorporate Corruption Efforts Across Development Programs

The Trump administration could strengthen efforts to tackle corruption in developing countries by incorporating corruption measures into other programming. Using technology to track global supply chains and foreign assistance for health or agriculture would add visibility to development agencies' programs and ensure that aid is reaching

the intended parties. USAID's *Journey to Self-Reliance* offers an opportunity for greater investment in the rule of law and a broader good governance agenda.⁸² The Trump administration should also look to coordinate its corruption efforts across development agencies such as USAID, USTDA, and the MCC and national security agencies such as the U.S. Department of Defense. Measuring the effectiveness of anti-corruption programs and laws is very difficult given that several reforms and actions are being taken at the same time. However, indices such as Transparency International's Corruption Perception Index, the World Bank's Doing Business Indicators, and the Institute of Economics and Peace's Global Peace Index can help monitor progress.

The Trump administration should look to improve its ranking in these measures so that it can set itself apart from its global competitors such as China and Russia. In a recent report on the rule of law, Conor Savoy, a senior associate with CSIS' Project on Prosperity and Development, writes, "Currently, the U.S. government is looking at how it can better offer countries a 'clear choice' between the Chinese model of development and the Western model."⁸³ Part of this choice between a Chinese model and a Western model should be that the Western model includes a commitment to fighting corruption and preventing the exploitation of impoverished people in developing countries.

4. Link Corruption Programs to National Security Discussions

Reducing corruption and promoting economic growth in developing countries is in the United States' economic and national security interests. Countries with stronger economies will have lower unemployment rates, particularly among youth. By contrast, high youth unemployment has been linked to increased migration, instability, fewer consumers for U.S. goods, and weaker partners and allies who can bear the burden of global problems.⁸⁴ In the 2017 U.S. National Security Strategy, the Trump administration writes, "Prosperous states are stronger security partners who are able to share the burden of confronting common threats."⁸⁵ In many instances, developing countries cannot expand and grow their economies without first tackling corruption within their own institutions. The \$2 trillion lost to corruption each year would go a long way toward stabilizing fragile and conflict-affected states, as well as strengthening allies who could partner with the United States to tackle security challenges.⁸⁶

Beyond the economic challenges, corruption also compromises the credibility of governments. Widespread corruption leads to the erosion of trust among citizens and their governments. The lack of trust that arises prevents countries from adequately providing government services and leads citizens to turn to foreign powers such as China and Russia for help. It also increases instability and the likelihood of coups attempts and leads to a rise in extremism, putting countries further at risk. Sarah Chayes, a former U.S. military adviser in Afghanistan and author of *Thieves of State: Why Corruption Threatens Global Security* recently stated at an event in March 2019 that "Religious extremism is a reaction to the corruption that people are suffering from. Syria started out as a revolution against corruption. Migration is simply people fleeing the consequences of systematic corruption."⁸⁷ Many of the most pressing global development challenges facing low- and

middle-income countries today, such as unemployment, migration, and extremism, can be linked back to corruption.⁸⁸ If U.S. development agencies aspire to make significant progress toward addressing any of these challenges, the Trump administration must first renew its global commitment to tackling corruption in developing countries.

About the Authors

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