

February 10, 2020

The Honorable James E. Risch
Chairman
U.S. Senate Committee on Foreign Relations

The Honorable Bob Menendez
Ranking Member
U.S. Senate Committee on Foreign Relations

RE: CROOK Act (S. 3026)

Dear Chairman Risch and Ranking Member Menendez,

On behalf of Transparency International, we urge you to adopt the CROOK Act with expediency. Transparency International U.S. is part of the largest global coalition dedicated to fighting corruption. With over 100 national chapters around the world, the organization partners with businesses, government, and citizens to promote transparency and accountability and curb the abuse of power in both the public and private sectors.

Because of the unique threat that corruption poses to both democracy and economic growth,¹ Transparency International has long worked with governments and businesses to develop and advance anti-corruption reforms. For example, a recent review by Transparency International's Anti-Corruption Helpdesk demonstrated corruption's negative impact on investment, taxation, public expenditures, and human development,² and the U.S. government explicitly recognizes corruption's impact on democracy.³ Completing the circuit, Freedom House has written how "stable, transparent governments built on respect for human rights and the rule of law tend to foster environments that

¹ The relationship among corruption, democracy, and economic growth has been a point of focus for the U.S. government and U.S. civil society. *See, e.g.*, "Anticorruption Fact Sheet," U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, <https://www.state.gov/anticorruption/> (accessed Feb. 3, 2020); "Democracy is Good for Business," Freedom House, August 3, 2015, <https://freedomhouse.org/blog/democracy-good-business> ("[D]emocratic governments seeking to bolster the global economy and develop new markets should press their counterparts not just for lower barriers to trade and less red tape, but also for strong and accountable democratic institutions").

² Transparency International, "The Impact of Corruption on Growth and Inequality," Mar. 15, 2014, https://www.transparency.org/whatwedo/answer/the_impact_of_corruption_on_growth_and_inequality. *See also* Freedom House, *supra* note 1 ("[D]emocratic governments seeking to bolster the global economy and develop new markets should press their counterparts not just for lower barriers to trade and less red tape, but also for strong and accountable democratic institutions").

³ *See, e.g.*, U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, *supra* note 1.

are conducive to the establishment and unfettered operation of private enterprises.”⁴ Simply put, democracy is good for business, and one of the gravest threats to both is corruption.

The CROOK Act (S. 3026) is a uniquely compelling approach to combatting corruption because it explicitly recognizes these relationships. In the near term, the Act imposes a new sanction on the world’s most egregious money launderers, while in the long term it invests the proceeds of those sanctions into programs that can help disrupt their emergence.

Specifically, the Act levies a \$5 million “surcharge” on companies and entities that incur criminal fines and penalties in excess of \$50 million under the Foreign Corrupt Practices Act.⁵ The proceeds of these surcharges are deposited in an “Anti-Corruption Action Fund” that then repurposes them into “prevention payments” that are used to strike at root causes of corruption across the world; namely, into efforts that prevent and fight public corruption, support rule of law-based governance structures, or supplement existing U.S. foreign assistance or diplomacy.

For governments, these payments can provide stability to existing democratic institutions, and capacity for new reforms. For businesses, they can incentivize investment, lower costs, and promote growth. We see the Act as a true win-win for American interests, and as a rare opportunity for the U.S. to supplement its short- and long-term anti-corruption investments—investments that, over time, will inure to generations of Americans at home and abroad.

Transparency International applauds Senators Cardin and Wicker for their leadership on the Act, and urges you to prioritize its passage. If our office can assist in any way, please don’t hesitate to contact our Advocacy Director, Scott Greytak, at sgreytak@transparency.org or 614-668-0258.

Sincerely,

Gary Kalman
Director

Scott Greytak
Advocacy Director

⁴ See Freedom House, *supra* note 1.

⁵ 15 U.S.C. § 78dd-1, et seq.