



# The Trump Administration's Dangerous Indifference to Corruption

By Trevor Sutton April 24, 2017

The Trump administration has already received extensive scrutiny for its unprecedented disregard for long-standing norms on transparency and the avoidance of conflicts of interest—most recently in connection with its refusal to disclose White House visitor logs.<sup>1</sup> Yet the questionable ethics of the president and his appointees are only one part of the story of the Republican Party's hostility to open and accountable government. Since President Donald Trump assumed office, the White House and Republicans in Congress have sent a clear message that the United States has little interest in fighting corruption and promoting good governance beyond America's borders. This message has taken the form of cuts to foreign aid programs; repeal of transparency requirements for the oil and gas industry; disregard for multilateral anti-corruption initiatives; and open skepticism of the Foreign Corrupt Practices Act of 1977, or FCPA. Cumulatively, these actions constitute a sharp reversal from the policies of previous administrations—one that threatens to sow instability and undermine America's national security interests across the globe.

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## An anti-transparency agenda

President Trump and congressional Republicans wasted little time undermining U.S. anti-corruption policy after prevailing in the 2016 national elections. The first significant piece of legislation that the president signed after assuming office was a bill that repealed an Obama-era regulation imposing transparency on the oil and gas industry, a sector that has historically been at very high risk for graft. According to the Organization for Economic Cooperation and Development, 1 in 5 cases of transnational bribery involves mineral extraction, and most cases occur in countries struggling to escape entrenched poverty and weak rule of law.<sup>2</sup> These corruption risks were a key reason that former President Barack Obama and both Democrats and Republicans in Congress supported an amendment to the Dodd-Frank Act that required issuers of U.S. securities to disclose the payments they make to governments for the right to exploit natural resources. This provision, known as the Cardin-Lugar amendment, mirrored a broader global movement for enhanced disclosure of natural resources-related payments: the Extractive

Industries Transparency Initiative, or EITI. It took President Trump and the Republican Congress less than a month to revoke regulations implementing the Cardin-Lugar amendment—via a party-line vote—and now it appears as if the United States has withdrawn from, or at least decided to ignore, EITI as well.<sup>3</sup>

The demise of the Cardin-Lugar amendment is a portent of what is likely to come under the current White House and Congress. At the same time as the repeal bill was making its way to Trump’s desk, mainstream news outlets reported that the administration was planning on suspending a U.S. Securities and Exchange Commission, or SEC, regulation requiring U.S.-traded companies to conduct due diligence into whether their supply chains include so-called conflict minerals—that is, minerals whose sale has enriched political figures and armed groups that engage in human rights abuses, such as militias in the Democratic Republic of the Congo.<sup>4</sup> While the White House has yet to suspend the provision, it now appears it may not need to: The SEC, led by an acting chairman elevated by President Trump, is laying the groundwork for a rollback of the conflicts mineral rule using its own authority.<sup>5</sup>

The future is also cloudy for enforcement of the FCPA, a four-decades-old law that outlaws corrupt payments by U.S. firms and securities issuers to foreign officials. Under former Presidents George W. Bush and Obama, enforcement of the law increased dramatically, especially against foreign firms paying bribes in the developing world.<sup>6</sup> In 2015, the United States accounted for more than 40 percent of global foreign bribery enforcement actions worldwide.<sup>7</sup> This figure reflects a long-standing bipartisan consensus that U.S. companies and companies that wish to do business in the United States should not encourage or facilitate corruption anywhere in the world. Yet, once again, President Trump appears inclined to flout this consensus. He has publicly denounced the FCPA—a historic piece of legislation that transformed global norms—as a “horrible law” that “should be changed.”<sup>8</sup> One likely reason for the president’s hostility to the law is that the Trump Organization—from which the president has refused to divest—may itself be liable of a FCPA violation, according to recent reporting in *The New Yorker*.<sup>9</sup> Furthermore, Trump appears to be recruiting officials with similar views: His nominee for SEC chairman, Jay Clayton, was the lead author of a New York City Bar report that criticized “unilateral and zealous enforcement” of the FCPA and claimed the law had done “lasting harm” to U.S. business interests.<sup>10</sup>

On the level of global diplomacy, the White House is also giving the silent treatment to the Open Government Partnership, or OGP, a global movement in which countries develop and then implement plans to improve transparency, accountability, and innovation in government. The United States was 1 of 8 original members of the OGP and a driving force behind the partnership’s creation.<sup>11</sup> In the five years since the OGP was founded, it has grown 75 member countries and led to real and substantial reforms in governments across all income levels and world regions—including the United States.<sup>12</sup> To date, the White House has not acknowledged the OGP’s existence or signaled

whether it will continue to participate in the initiative. Given the administration's general hostility to transparency and ethics, it seems unlikely that it will commit itself to additional open government reforms through the submission of a new OGP national action plan, which is due in June 2017.

Finally, and arguably most devastatingly, cuts to U.S. foreign assistance in the president's proposed budget would substantially curtail U.S. efforts to improve rule of law and strengthen anti-corruption institutions in dozens of politically fragile countries. Although the draft budget proposed in the past month is short on details, it is hard to imagine the 28 percent cut in foreign assistance would not lead to substantial reductions in U.S. funding for programs relating to rule of law and good governance, which account for about 5 percent of civilian foreign aid.<sup>13</sup> This includes funding for strategically important programs such as the Central America Regional Security Initiative, which aims to improve public safety and reduce police and judicial corruption in a region where entrenched violence has led hundreds of thousands of migrants to seek refuge in the United States.<sup>14</sup>

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## The perils of turning a blind eye to corruption

Cumulatively, these policy reversals signify a head-snapping turnabout in the U.S. government's attitude toward promoting transparent and accountable governance, the gist of which appears to be: Who cares? This is a regrettable and alarming development. Corruption is a vexing and complex challenge that does not lend itself to easy answers or one-size-fits-all solutions, but to ignore it entirely is grossly irresponsible. As previous presidents have recognized, rampant corruption is a deeply destabilizing force that can spawn grave threats to U.S. national security as well as undermine efforts to address existing threats. Corruption fuels transnational criminal activities, such as drug and human trafficking;<sup>15</sup> enables terrorism and human rights abuses;<sup>16</sup> weakens police forces and creates security crises in countries that should be at peace;<sup>17</sup> impairs the effectiveness of key U.S. political and military partners;<sup>18</sup> and delegitimizes and enfeebles fragile states, hastening their descent into chaos and civil war.<sup>19</sup>

Corruption is not the only or most urgent challenge to U.S. national security, of course, but it is a serious and pervasive threat that can be disregarded only at great peril. This is a conclusion that the U.S. security establishment reached through painful missteps over the past 15 years, most notably in Afghanistan, where the United States and its international partners allowed graft to spiral out of control before mounting a largely unsuccessful campaign to contain it.<sup>20</sup> By 2014, Gen. John Allen, the commander of coalition forces in Afghanistan, felt compelled to inform Congress that "the great challenge to Afghanistan's future isn't the Taliban, or the Pakistani safe havens, or even an incipiently hostile Pakistan." Rather, "The existential threat to the long term viability of modern Afghanistan is corruption," Allen said.<sup>21</sup>

The lesson of Afghanistan and other places where weak rule of law and entrenched graft have stymied U.S. security assistance and foreign aid initiatives is that corruption is a problem that can rapidly spiral from a persistent but manageable social ill to a national pandemic that threatens the viability of bedrock political institutions. And once corruption becomes systemic in character, it is extraordinary difficult to reverse, particularly when external actors, such as the United States, try to impose reform through costly interventions.

The most effective way—and arguably the only way—for the United States and other global powers to make the world a more transparent, honest place is to encourage and empower local reformers in countries that have not yet descended into complete kleptocracy. This means, at a minimum, setting a strong moral example by standing up for anti-corruption norms and sanctioning predatory actors who exploit weak rule of law for private gain. While the FCPA is never going to solve another country’s corruption challenges by itself, allowing corporate actors from developed countries to bribe with impunity would send a demoralizing message to those agitating for change. Likewise, pulling out of the OGP, which has given a platform to anti-corruption advocates in dozens of countries at a trivial cost to the U.S. budget, would embolden foreign officials to abandon their own commitments to transparency and accountability.

Beyond standing up for transparency, the United States can also fight corruption by helping ordinary citizens make informed judgments about what is happening inside their own countries. From a public policy perspective, there is nothing to lose and much to gain from compelling disclosure of payments for natural resources. People deserve to know if their government is selling off public goods for bargain basement prices or to entities with questionable capacity to effectively exploit those goods in a way that benefits broader society. To deny them that information is to subordinate democracy to private interests.

Finally, and most critically, the United States advances its own interests when it invests in foreign assistance programs that strengthen institutions and promote rule of law in countries teetering on the brink of social and political collapse. While such investments are not free, they are dwarfed by their returns from the perspective of regional stability and crisis prevention. To take one example, U.S. support for and financing of a U.N.-sponsored anti-impunity commission in Guatemala has contributed to an improving security climate in a country plagued by rampant street violence and corrupt and ineffective law enforcement—conditions that led tens of thousands of Guatemalan migrants to seek refuge inside the United States.<sup>22</sup> While Guatemala still faces steep obstacles on its path to peace and stability, its prospects are more hopeful than they were a decade earlier, when the country was fully under the thumb of clandestine political-economic networks that ran the state for personal enrichment.

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## Conclusion

No country has done more than the United States over the past four decades to forge an international consensus against corruption and in favor of open, accountable government. Abandoning that global leadership role would tarnish U.S. standing in the world and needlessly imperil the security of our nation and the stability of many key partners and allies. Current U.S. National Security Advisor Lt. Gen H. R. McMaster served as director of an anti-corruption task force in Afghanistan from 2010 to 2012—and likely knows these risks well. But McMaster is not the only voice in the room on corruption issues, and to date, President Trump and congressional Republicans seem intent on forging ahead with a regressive, dangerous, and morally bankrupt attitude toward transparency both at home and abroad.

*Trevor Sutton is a Fellow with the National Security and International Policy team at the Center for American Progress.*

## Endnotes

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