

## Transparency International Anti-Corruption Helpdesk Answer

# Corruption and economic crime

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Historically, corruption has been seen as an enabler of some types of economic crime and organised criminality, for example through payment of bribes to law enforcement agencies or undue influence in decision-making. However, modern forms of corruption – which the paper interprets as usually transnational in nature – are even more intertwined with economic crime. Both sets of crimes share similar drivers, rely on similar mechanisms to move and launder illicit funds, and deprive societies of much needed financial resources, threatening not only economic and social stability of other countries across the globe, but also the rule of law and democracy.

Due to these common characteristics, certain instruments to combat corruption and economic crime could be productively brought into closer alignment. For instance, a public register on beneficial ownership may prevent the use of shell companies to launder proceeds from both corruption and economic crime. Moreover, international cooperation is required in the investigation and prosecution of both corruption and economic crime schemes, as well as for asset recovery purposes. Transparency in political funding may also ensure that political and electoral campaigns are not tainted by proceeds of corruption and economic crime, and could help prevent capture of state institutions.

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## Query

Please provide an overview of the common characteristics between corruption and economic crime. In your overview, please include a discussion on what is meant by “modern forms of corruption”

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## Introduction

Corruption sometimes is mistaken as a synonym of economic crime, despite the distinction between the two sets of crimes. On one hand, corruption is widely defined as the abuse of entrusted power<sup>1</sup> or public office<sup>2</sup> for private gain.

Economic crime, on the other hand, is defined as any “illegal act committed by an individual or a group of individuals to obtain a financial or professional advantage” (Europol no date). It has been defined by some scholars as “fraud in its various manifestations”<sup>3</sup>, as well as including money laundering, bribery and corruption (Grabosky (1998: 44-48). Likewise, Kolham and Mezei (2015: 36-39) list typical forms of economic crime as including capital investment frauds, misleading consumers, fraudulent bankruptcy, tax evasion, credit and insurance fraud, credit card

<sup>1</sup> See <https://www.transparency.org/en/what-is-corruption>

<sup>2</sup> See <https://www.worldbank.org/en/news/factsheet/2020/02/19/anticorruption-fact-sheet>

## Main points

- This paper interprets “modern forms of corruption” as transnational in nature, and potentially involving the use of technology to illicitly acquire, move and dispose of assets.
- It is common for criminals engaged in corruption and economic crime to abuse shell companies as conduits for their illicit activities. There is currently a petition with more than 700 signatories calling for a global standard on public beneficial ownership.
- Evidence shows that international schemes increasingly involve networks of professional individuals and entities who enable both corruption and economic crime.
- Dirty money from corruption and economic crime often finds its way into politics. Hence, ensuring transparency in political funding could prevent criminals exercising influence over politics.

<sup>3</sup> These include insurance fraud, credit fraud, fraud against employers or shareholders or government or clients, telemarketing fraud, credit fraud, forgery and theft of intellectual property. See Grabosky (1998: 44-48).

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fraud, cybercrime, corruption and money laundering.

Thus, while corruption can be described as a form of economic crime, the two phenomena are not synonymous. Economic crime is better understood as an umbrella terms for a wide variety of offences, many of which do not contain the element of abuse of entrusted power that is integral to definitions of corruption.

According to Europol (no date), economic crime is a “low risk and high profits” business, and it has become increasingly associated with organised crime groups. Article 2(a) of the [United Nations Convention against Transnational Organised Crime](#) define an organised crime group as “a structured group of three or more persons, existing for a period of time and acting in concert with the aim of committing one or more serious crimes or offences...in order to obtain, directly or indirectly, a financial or other material benefit”.

Evidence indicate the close relationship between organised and economic crime. For instance, Europol’s latest Serious and Organised Crime Threat Assessment (2017) lists the eight top organised crime threats as including cybercrime, drug production, trafficking and distribution, migrant smuggling, organised property crime, trafficking in human beings, criminal finances and money laundering, document fraud and online trade in illicit goods and services. However, it is also important to note that organised and economic crime are not exactly synonymous. For instance, some small scale economic crime such as corporate theft or fraud, may not involve organised criminal groups.

## Modern forms of corruption

According to the [G20 Working Group on Anti-Corruption](#), the current Italian Presidency will emphasise “modern forms of corruption”, which is increasingly linked to economic and organised crime. However, there seems to be little consensus about what this phrase means or how to interpret it. This paper understands “modern forms of corruption” as (i) transnational in nature, and/or (ii) possibly involving the use of technology to illicitly acquire, move or dispose of assets.

According to Chouglay (2016), “as the world has become ever more connected, so has the concept of corruption”. Economic and political globalisation has resulted in corruption becoming more transnational in nature; as businesses expand abroad to compete in international markets so do corrupt players increasingly conspire across borders. Various scholars have pointed to the complex and serious nature of forms of corruption that involve more than one jurisdiction (Ware and Noone 2005: 30-31; Zagaris 2015; 105; Law, Lamoree and London 2015). These acts have proven difficult to effectively prosecute given the inherent need to coordinate law enforcement actions between agencies based in different countries and operating according to different legislative frameworks.

In one of the largest known cases of such transnational bribery, Siemens — one of Germany’s biggest companies – was implicated in the payment of bribes estimated at US\$1.4 billion to government officials and civil servants in Asia, Africa, Europe, the Middle East and the Americas (US Securities and Exchange Commission 2008; Vernand 2018). Siemens had allegedly put in place a global bribery scheme, which made illicit payments to foreign officials through payment

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mechanisms such as cash desks and slush funds (Department of Justice 2008).

In some circumstances, professional intermediaries are involved in facilitating the transfer of illicit proceeds across borders, making modern corruption even more complex as these “gatekeepers” to the legal financial system wittingly or unwittingly assist in obfuscating the true source of funds using a dizzying array of legal vehicles and jurisdictions (Cooley and Sharman 2017; OECD 2021).

A good example is the Panama Papers, which exposed how prominent figures around the world transferred their tainted funds to offshore jurisdictions. Investigations by [the International Consortium of Investigative Journalists and other media partners](#) showed that more than 214,000 offshore entities appear in Panama papers, connected to people in more than 200 countries and territories, with names of 140 politicians and public officials revealed in the scandal. About 500 banks were also implicated in creation of over 15,000 offshore companies for their customers through the law firm Mossack Fonseca (International Consortium of Investigative Journalists 2017).

The rapid growth and adoption of new technologies such as online payment systems, blockchains and crypto currencies has also enabled the corrupt to remain two steps ahead of law enforcement agencies, who struggle to detect illicit flows in real time (Asia-Pacific Economic Cooperation Anti-Corruption and Transparency Working Group 2019). Such new technologies make it easier for the proceeds of corruption to cross borders at the click of a button, while law enforcement agencies that file requests for mutual

legal assistance with their colleagues in other countries can wait months to hear back (Chouglay 2016). Such evolving “modern forms” of corruption pose a real challenge to anti-corruption efforts around the world.

## Common characteristics of corruption and economic crime

Whilst various studies have analysed the relationship between corruption and economic crime, most have assumed the relationship to be mutually reinforcing, that is corruption enables or facilitates (organised) economic crime, and vice versa (Center for the Study of Democracy 2010; Gounev and Ruggiero 2012; Rose-Ackerman and Palifka 2018; Rahman and Duri 2020).

This paper contends that while that may indeed be the case, it is worth investigating the roots of the problem - in other words the common drivers and enabling factors that allow both phenomena to flourish. This effort can improve the precision of our analysis, for while some types of transnational corruption are increasingly displaying common characteristics with economic and organised crime, other more localised forms of corruption are qualitatively distinct.

Nonetheless, when corrupt networks overlap with organised criminal groups, they are likely to exhibit several common characteristics, underlying mechanisms and consequences. These include i) the use of anonymous legal vehicles such as shell companies; ii) reliance on a series of outwardly respectable professionals such as lawyers, bankers and investment advisors; iii) a tendency to try and co-opt state institutions and political parties

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to reduce the risk of enforcement actions that will damage their interests.

## Use of anonymous corporate vehicles

Corporate vehicles, such as companies and trusts, are targeted by criminals as conduits to launder proceeds of corruption and other economic crime (OECD 2001: 13; FATF 2018: 20). In particular, shell companies are appealing to criminals as they provide anonymity in terms of the true beneficiary of financial transactions while simultaneously guaranteeing control over the company and its resources. They can be used as part of complex structures with a tangled web of companies spread across multiple jurisdictions (FATF 2018: 26, 29).

The use of shell companies is especially common in offshore financial centres, which offer favourable conditions such as easy creation of bank accounts, favourable tax treatment, non-disclosure of information, and reluctance to cooperate with foreign law enforcement authorities (Koligkionis 2017: 1357; OECD 2001: 7-8). The light-touch regulation, low taxes and anonymity offered by the offshore centres make them attractive to criminals in possession of the proceeds of corruption or economic crime (Unger 2017: 22). This is evidenced by financial intelligence centres and law enforcement authorities having regularly identified criminals to be using corporate vehicles and bank accounts established in tax havens (FATF 2018: 79).

The use of shell companies as “getaway cars” by corrupt individuals and organised crime networks has been widely recorded. According to a 2011 World Bank report, which reviewed 213 grand corruption cases from 1980 to 2010 in 80 different countries, at least 150 cases (about 70%) involved the use of a corporate vehicle that wholly or

partially concealed beneficial ownership. About 817 corporate vehicles were involved in these 150 cases, and the estimated total proceeds of corruption amounted to US\$56.4 billion (van der Does de Willebois et al. 2011: 117,121).

Various reports have revealed the common use of shell companies in grand corruption cases. For instance, the recent Luanda Leaks revealed how the Isabella dos Santos, the former daughter of the Angolan president, allegedly shopped for shell companies in Mauritius as she reportedly moved hundreds of millions in public money from Angola (Fitzgibbon 2020). The leaked documents also revealed how the businesswoman and her husband controlled shell companies in the British Virgin Islands, the Netherlands and Malta (Freedberg et al. 2020). The Panama Papers discussed above revealed more than 214,000 offshore entities that were connected to people in more than 200 countries and territories (International Consortium of Investigative Journalists 2017).

Foreign bribery cases have also included the use of shell companies to cover up the bribe payments and kickbacks (Dell 2020: 19). For instance, the Airbus scandal revealed how the European aerospace group for years paid bribes to foreign officials through shell companies (Carolan 2018; Hollinger, Beioley and Shubber 2020). In 2020, a multinational meat and agriculture company J&F, admitted to having created shell companies and opened bank accounts for the shell companies in the United States in order to facilitate payments of bribes and kickbacks to foreign officials in Brazil (US Department of Justice 2020).

Similarly, shell companies are used in economic and organised crime activities. Two decades ago,

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the OECD noted that almost every economic crime involved the misuse of corporate entities as criminals exploit these entities to disguise the origins of their illicit gains (see foreword of OECD 2001). Recent scandals have continued to show the abuse of shell companies for economic crime by organised criminal groups. For example, investigations by the Organised Crime and Corruption Reporting Project on the Russian Laundromat - a money laundering scheme that moved billions of dollars out of Russia - showed how shell companies played a central part in the scheme. The criminals created 21 shell companies in the United Kingdom, Cyprus and New Zealand. These shell companies made 26,746 payments to 96 countries, passing almost without obstacle into some of the world's biggest banks (Organised Crime and Corruption Reporting Project 2017).

A criminal organisation engaged in VAT fraud across Europe had a network of more than 100 companies, mostly offshore, in different European countries and in the US (Europol 2018). The proceeds of fraud were layered in the network of companies before being moved to bank accounts, with the criminal group laundering more than €140 million in two years (Europol 2018a).

In 2020, a joint operation by Europol, Spanish National Police (Policía Nacional) and the US Secret Service dismantled an organised crime group involved in fraud and money laundering. The criminal network set up shell companies in the United States and later opened bank accounts for these companies that allowed them to access debit and credit cards. They then defrauded over 50 financial institutions through these bank

accounts of shell companies, gaining over €12 million (Europol 2020).

Despite the abundance of evidence on the abuse of shell companies by criminals and international commitments aimed at increasing beneficial ownership such as the [G20 High Level Principles on Beneficial Ownership Transparency](#), reforms and implementation of the commitments have been slow. For instance, recent investigations by Transparency International and the Anti-Corruption Data Collective found that approximately 80 per cent of private investment funds in Luxembourg, which is home to the largest number of investment funds in Europe worth more than 4.5 trillion Euros, still hide the identity of beneficial owners (Szakonyi and Martini 2021: 2).

Other research by Transparency International also revealed that only seven out of the 47 countries surveyed had public and central beneficial ownership registers, while 17 countries including key financial centres such as the United States<sup>4</sup> and Switzerland had no central registers in place (Dell 2020: 20).

There are available international commitments that may help in preventing the use of shell companies as conduits for corruption or economic crime.

These include the following:

- [G8 Action Plan Principles to prevent the misuse of companies and legal arrangements](#), which contains measures to ensure the integrity of beneficial ownership and basic company information, the timely access to such information by law

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<sup>4</sup> The United States recently enacted the Anti-Money Laundering Act of 2020, which includes measures on beneficial ownership.

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enforcement for investigative purposes, as well as, where appropriate, the legitimate commercial interests of the private sector.

- [G20 High-Level Principles on Beneficial Ownership Transparency](#), which set out concrete measures that G20 countries will take to prevent the misuse of and ensure transparency of legal persons and legal arrangements.
- Recommendations 24 and 25 of the [Financial Action Task Force](#), which provide that countries should take measures to prevent the misuse of legal persons and arrangements for money laundering or terrorist financing, as well as ensure that there is adequate, accurate and timely information on beneficial owners.
- The [4<sup>th</sup>](#) and [5<sup>th</sup>](#) European Union Anti-Money Laundering Directives, which provide measures for identification and verification of beneficial ownership information. Article 30 (3) of the [4<sup>th</sup>](#) EU Anti-Money Laundering Directive provides that members states should ensure that beneficial ownership information is held in a central or public register.

A public register on beneficial ownership would assist in addressing both corruption and economic crime by ensuring that dirty money is not hidden through shell companies. At the time of writing, more than 700 civil society organisations, renowned academics, businesses, business leaders and public officials have signed a petition asking the United Nations General Assembly Special Session against Corruption, UNGASS 2021, to require all countries to set up central,

public registers of beneficial ownership (Transparency International 2021).

## Transnational and/or organised networks

“Modern forms of corruption” are typically transnational in nature, meaning that they involve more than one jurisdiction. For instance, foreign bribery cases involve transactions in more than one jurisdiction as multinational corporations “export corruption” through bribery of foreign public officials (Dell 2020; Bueno 2017). In addition, there may be an organised scheme in place, or inclusion of various players in the scheme, similar to economic or organised crime.

A good example is the Lava Javo investigation or “Operation Car Wash” in Brazil, which unearthed an enormous transnational scheme involving both corruption and economic crime. At first, the Lava Javo investigation focused on a petrol station in Brasília which was being used for money laundering purposes. It was then discovered that a black-market money-dealer under investigation also had ties to a former director of Brazilian oil giants Petrobras, which had been awarded important government contracts. This led to the expansion of the investigation, which later unearthed one of the largest grand corruption schemes in Brazil (Watt 2017; The Economist 2021).

According to investigators, a network of more than 20 corporations – including Brazilian oil and construction giants, Petrobras and Odebrecht – were involved in bribes and kickbacks in Latin America and Africa (Smith, Valle and Schmidt 2017; Nolen 2019; Pinotti 2020). In 2016, Odebrecht admitted in the US District Court in Brooklyn to having paid about US\$788 million in

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bribes in 12 countries across Latin American and Africa,<sup>5</sup> which helped it to secure more than 100 contracts that generated around US\$3.3 billion in profits for the company (US Department of Justice 2016).

Odebrecht even established a "Division of Structured Operations" which reportedly operated a systematic bribery scheme, and had off-book contact with outside financial operators and other co-conspirators regarding bribes via secure emails and instant messages, using codenames and passwords. A Brazilian petrochemical company, Braskem S.A, admitted to transferring US\$250 million into Odebrecht's secret, off-book bribe payment system, and authorised the payment of bribes to politicians and political parties in Brazil and to an official of Petrobras, helping the company to make approximately US\$465 million (US Department of Justice 2016).

As pointed earlier, the investigation was initially targeted at black-market money-dealers engaged in economic crime but eventually unearthed ties to Petrobras, which was running a transnational corruption scheme. This shows the interlinkages between corruption and economic crime, as two set of crimes may cross paths.

Economic crimes also transcend national borders in an organised manner for centuries, with transnational organised groups engaging in economic crime such as fraud, counterfeiting goods, schemes and scams, tax crimes, money laundering, and even some aspects of cybercrime ((Passas 1999: 399; Pieth 2009).

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<sup>5</sup> These countries are Angola, Argentina, Brazil, Colombia, Dominican Republic, Ecuador, Guatemala, Mexico, Mozambique, Panama, Peru and Venezuela. See

For instance, Europol assisted Italian and Romanian enforcement authorities to disrupt an international criminal network responsible for large-scale misuse of compromised payment card data and money laundering (Europol 2017: 32). In addition, German law enforcement authorities in close cooperation with the United States Attorney's Office for the Western District of Pennsylvania, the Department of Justice and the FBI, Europol, Eurojust and other global partners, took down an international criminal infrastructure platform known as 'Avalanche.' This had been used to launch and manage mass global malware attacks and money mule recruiting campaigns. The network was estimated to have illicitly obtained hundreds of millions worldwide, and it took more than four years of investigation and a network involving prosecutors and investigators from 30 countries to successfully take it down (Europol 2017: 28).

Transnational crime groups in Europe are increasingly involved in VAT fraud schemes. Most of the VAT schemes are carried out by organised criminals groups that operate in different countries and can only be dismantled through international cooperation (Europol 2018a). It is estimated that VAT fraud schemes cost the European Union about 60 billion euros annually in tax losses (Klein 2020).

## Use of professional enablers

Although there are various ways to launder proceeds of crime, it is often the professional enablers who wittingly or unwittingly become involved in the establishment of complex processes or transactions that help criminals and the corrupt to successfully disguise illicit funds

<https://www.justice.gov/opa/press-release/file/919916/download>

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(FATF 2011:19-21; Duri 2020; Levi 2020). These professional enablers are the gatekeepers of the financial system “through which potential users of the system, including launderers, must pass in order to be successful” (FATF 2010: 44).

Criminals may take advantage of the professionals’ specialised knowledge and expertise to identify and exploit legal loopholes, to identify new lucrative opportunities, and to assist in the creation of corporate structures or offshore bank accounts to clean the proceeds of crime (FATF 2018: 11; OECD 2021: 13). In other instances, the personal position or reputation of the professional may minimise any suspicion and thereby the risk of detection of the involved criminal activities by lending some credibility due to presumed ethical standards, or because their profession permits undertaking of transactions or arrangements that avoid suspicion (FATF 2010: 44). They may even falsify documents that further criminal activities of their clients and assist clients in committing fraudulent transactions (OECD 2021: 15-17).

In some cases, criminals even make use of professional money launderers - professional individuals, organisations and networks that are involved in third party laundering for a fee or commission - who provide services to criminals and organised criminal groups by laundering the proceeds of their illegal activities (FATF 2018b).

Revelations about how professional individuals and firms assist in the commission, or cover up of corruption and other forms of economic crime continue to emerge regularly. A classic example is the Panama Papers, which contained details on how professional enablers aided both kleptocrats and organised crime groups to hide the proceeds

of crime. According to leaked information, the law firm Mossack Fonseca worked with at least 14,000 banks, law firms, company incorporators and other intermediaries to establish corporate vehicles for their customers, in many cases without verification of the client’s identities and systemic failure to report suspicious transactions (International Consortium of Investigative Journalists 2017). In addition to the 140 politicians identified in the investigations (International Consortium of Investigative Journalists 2017), it was reported that Europol matched 3,500 names in the files to individuals linked to terrorism, money laundering and organised crime (Pegg 2016).

Details from the recent FinCEN files, the leaked information of more than 2,500 suspicious transaction reports involving US\$2 trillion of transactions, showed that major banks such as JPMorgan Chase, HSBC, Standard Chartered, Deutsche Bank, and Bank of New York Mellon continued being used to move money for suspected criminals despite previously receiving heavy fines for the similar misconduct (Leopold et al. 2020). Concerning is the fact that banks often did not identify and report suspicious transactions to authorities in a timely manner. They also seem to have failed to terminate financial relationships despite identifying numerous suspicious transactions involving the same client. For instance, Deutsche Bank appear to have continued to facilitate the laundering of US\$10 billion of a Ponzi scheme linked to crime bosses, terrorist financiers and drug cartels despite the fact that suspicions had been raised (Warren et al. 2020).

The recent Troika Laundromat investigations revealed how IOS Group, a Latvian-Irish company formation business, created shell companies for its

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international clients and reportedly played a role in multiple high-profile money laundering cases. The company set up at least 35 of the 75 offshore companies implicated in the Laundromat, and provided nominal shareholders and directors in order to hide the identities of the true owners. (Stack, Papakheli and Wrate 2017).

Due to the involvement of transnational networks in corruption and economic crime, international cooperation is required for effective detection, prosecution and recovery of proceeds. For instance:

- Recommendations of the [Financial Action Task Force](#), which require professional individuals and entities that act as gatekeepers of the financial system to carry out anti-money laundering obligations such as customer due diligence.
- Principles 7 of the [G20 High-Level Principles on Beneficial Ownership Transparency](#) which provide application of anti-money laundering obligations to gatekeepers or professional enablers.

## Capture of state institutions

A trait of modern forms of corruption is the tendency to try and co-opt state institutions and political parties to reduce risks that will damage their interests, in a similar fashion implored by organised (economic) crime groups. Both corrupt individuals and organised criminal groups may target various institutions such as the legislature, public procurement offices, central banks, and national security organs, with the main consequence being that the interests of a specific group are placed above public interests (Martini 2014: 2).

Corruption and organised crime may go hand in hand in capture of state institutions. For instance, Prezelj and Vogrinčič (2020: 549) argue that state capture in the Western Balkans include players such as organised criminal groups, businessmen, politicians, the judiciary, the security services, and paramilitary or terrorist groups. The collusion between organised criminal groups and intelligence agencies, military establishments or police services means that organised criminals are untouchable and has reduced the capacity of the state to prosecute organised crime and corruption (Prezelj and Vogrinčič 2020: 551, 555). In such situations, corruption could be the “grease in the wheels” that smoothens interactions between organised criminals and the state, allowing organised economic crime to go unpunished and infiltrate state organs.

Corruption and capture of state institutions by organised criminals can also result in “narco-states” (González 2013). For instance, the Mexican President Andrés Manuel-López Obrador recently blamed past administrations for instilling a culture of corruption that permitted notorious drug trafficking organisations to operate with impunity (Neal 2020), with evidence on senior public officials colluding with drug lords (US Department of Justice 2019). In Italy, capture of local government authorities results in organised groups influencing how public resources are allocated or even who gets political power (Europol 2018; Alesina, Piccolo and Pinotti 2019; Cataldo and Mastrococco 2020).

## Political funding

The need for huge financial resources during political or election campaigns may encourage political parties to welcome all manner of disreputable donors, including organised criminal

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groups (Burcher, Briscoe and Goff 2016:31, 46). These criminal networks are able to pour money into political parties and gain access to establish alliances with politicians and their intermediaries at the national, provincial and local levels. That way, they are able to form partnerships to protect them from law enforcement as well as exploit state power to expand their criminal enterprises (Ishimaya 2020: 9-10).

Corrupting or buying off politicians who can open doors and peddle influence through state institutions is a common substitute strategy that many criminal groups prefer to forms of intimidation such as blackmail or threats of violence that are more likely to draw unwanted attention from the public, journalists and law enforcement (Casas-Zamora 2013: 4).

Hence, working to improve transparency and integrity in political funding can help prevent corruption and organised crime networks from tainting political or electoral campaigns and even capturing state institutions. Article 5(3) of the United Nations Convention against Corruption already requires states parties to ensure transparency in the funding of candidatures for elected public office and the funding of political parties.

## Threat to security, democracy and rule of law

The combination of corruption and economic crime can stymie regulatory and governance systems. Weak governance allows criminals to infiltrate state institutions and co-opt security personnel and establishments (Transparency International Defence & Security 2016: 14). This poses a threat to state security, as officials become complicit or active participants in corruption and criminal

activities, allowing criminals to expand with impunity. In addition, the progressive capture of political power by powerful private actors poses a threat to democracy and national security as individuals or groups shape national policies and laws (Vergara 2020).

Uncontrolled corruption and economic crime provide a conducive environment for criminals to cleanse and launder profits from illicit black markets in human beings, weapons, drugs, conflict diamonds, poached ivory, illegally harvested timber and oil from terrorist-controlled territories. The criminal underworld and authoritarian regimes alike rely on corruption to siphon off their ill-gotten gains, fund their illegal activities or even finance terrorist organisations abroad (Jenkins 2016).

Economic stability is also affected as much needed resources for development are looted, moved across border and stashed in foreign jurisdictions. The government's ability to fulfil its obligations to fulfil the socio-economic rights of citizens and provide a conducive environment for economic growth is undermined. In extreme circumstances, the government may even become illegitimate in the eyes of citizens, leading to severe political and economic instability (OECD 2013: 2).

Overall, both corruption and economic crime pose offer a breeding ground for a multitude of threats to stability, rule of law and democracy. Measures to minimise such threats depend on detecting, investigating and prosecuting both sets of crimes at both domestic and international level (Jenkins 2016).

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## Conclusion

“Modern forms of corruption”, which this paper has interpreted as transnational in nature, and potentially including the use of technology, share common drivers and enabling factors with economic and organised crime. These include the abuse of shell companies, use of professional enablers and co-optation of public officials. State capture is associated with both sets of crimes, and illicit proceeds from corruption and economic crime may end up in coffers of political parties.

Due to these common characteristics, instruments to combat corruption and economic crime may be brought into closer alignment. For instance, a public register on beneficial ownership would assist in addressing both corruption and economic crime by ensuring that dirty money is more difficult to disguise through the use of shell companies. International cooperation by enforcement authorities is increasingly coming to the fore as instrumental in dismantling transnational corruption and economic crime schemes.<sup>6</sup> Finally, greater transparency in political funding may also ensure that political and electoral campaigns are insulated from the proceeds of corruption and economic crime that are likely to undermine elected officials’ commitment to the public interest.

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<sup>6</sup> Commitments on international cooperation include Chapter IV of the [United Nations Convention against Corruption](#), The [United Nations Convention against](#)

[Transnational Organised Crime](#) (see articles 13, 18, 19, and 27).

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