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### Legal Issues Connected with Corruption

Corruption is a significant issue in legal, financial, and political fields, creating a wide range of negative consequences. Corruption is universal, taking place all around the world. However, in most cases, it occurs in the developing countries in regions such as Latin America, Africa, and Eastern Europe due to unstable political and economic environments, a lack of professional ethics, low levels of democracy, inefficient administrative structures, and the lack of the rule of law. Corruption not only lowers public trust in law and justice but also provides a framework for violating human rights. The scale of corruption is large at corporate and governmental levels since it has become increasingly evident in businesses, politics, governments, and public administration. Therefore, corruption is a borderless financial crime that is connected with such legal issues as tax evasion, money laundering, and bribery that are prosecuted by the law and have an adverse influence on social and economic progress.

Corruption and money laundering are closely connected since corruption offenses are committed mainly to obtain a private gain, while money laundering is the process of concealing illegal gains that result from criminal activity. According to Khlif and Amara, money laundering is a particular type of financial crime according to which a subject creates the appearance that money gained from criminal activity was originated from a legitimate source (3). International

law recognizes a clear link between corruption and money laundering that can serve as a funding mechanism for terrorism, blackmailing, drug trafficking, and even nuclear proliferation; however, the United States is the first country in the world that criminalized money laundering in 1977 (Khlif and Amara 5). Both corruption and money laundering are financial crimes that envision the subject's illicit gain in the form of financial resources.

Corruption is often in line with fraud as both crimes assume that the subject is involved in dishonest activities, causing financial or property loss of other persons or entities. Corruption can occur in several forms, including theft, blackmail, conflict of interests, taking or giving bribes, forgery, and embezzlement (Ferguson 8). Also, fraud can involve the theft of personal identity, funds, documents, or property by other persons who are not authorized to use these items for personal gain. In fraudulent and corrupt conduct, offenders use deception, the deliberate falsification of documents, or concealment for personal financial benefit. For example, in 2017, a Brazilian meat-packing company, GBS, was involved in a massive corruption scandal, according to which GBS' CEO, Joesley Batista, concealed important business information about the company's profits during plea bargain negotiations (Bautzer). Later, Batista testified to the Brazilian authorities for a long-running scheme of bribing politicians, including even President Michel Temer, to hide his fraudulent activity and obtain support from state authorities (Bautzer). Thus, this case demonstrates that corruption and fraud are interrelated when it comes to gaining financial benefits and avoiding responsibility for illegal actions.

The Foreign Corrupt Practices Act (FCPA) is the main tool of the United States Department of Justice for combating overseas bribery and corruption. According to the United States Foreign Corrupt Practices Act, bribery is defined as offering, giving, or receiving any item

of value that would influence the actions of a person holding a legal or public duty (Ferguson 8). In common law systems, prosecutors have independent discretionary powers to pursue corruption offenses as violations of criminal law based on the strength of the evidence, the adequacy of remedies and collateral consequences, and the deterrent impact depending on political and economic factors (Ferguson 10). In April 2016, the United States Department of Justice initiated a one-year pilot program that was designed to encourage international corporate businesses to disclose their FCPA violations (The United States Department of Justice). Thus, the United States incentivized foreign companies to commit voluntary self-disclosure that would prevent them from prosecution.

As a result of the one-year pilot program, the United States authorities reported more than 200 voluntary self-disclosure cases for 2016-2017 resulted in a \$519 million fine, but for many entities, this act did not work (The United States Department of Justice). For example, in 2017, the United States collaborated for the first time with Singaporean authorities in the investigation of the Keppel Offshore and Marine Ltd. company, which is based in Singapore, and its US subsidiary for the long-term practice of bribing Brazilian officials (The United States Department of Justice). Having obtained the support of Brazilian law enforcement agencies, American and Singaporean authorities disclosed the bribery and corruption of the company, imposed a settlement of \$422 million, and received \$105 million each, while the Brazilian government obtained the rest (The United States Department of Justice). This case shows that the coordinated actions of foreign authorities can be highly beneficial for a national budget and the maintenance of the rule of law internationally.

Also, tax evasion is a legal issue that is interrelated to corruption practices since these both fall under the category of financial crimes and involve noncompliance behaviors related to money. Tax evasion is the illegal nonpayment or underpayment of tax that is prosecuted by the law and that occurs in highly corrupt environments (Khlif and Amara 4). Adopting new legislation to decrease corruption levels at least at the local level is the key practice for combating tax evasion practices. The lack of government commitment to combat corruption in a country encourages taxpayers to engage in low tax compliance. The practice of misreporting income, credit, or deductions on tax returns is an illegal act that does not conform with tax regulations and implies a high-level tax evasion. Therefore, the prevalence of corruption in a state usually signifies the prevalence of tax evasion since, in a corruptive environment, law enforcement authorities can lack the power to enforce appropriate laws and to prosecute individuals who are involved in tax evasion.

As a result, corruption creates a platform for organized criminal activities such as terrorism, nuclear proliferation, blackmailing, and drug trafficking at the global level and financial crimes, including tax evasion, money laundering, and bribery, at the national level. Corrupt transactions usually extend across several jurisdictions that make the investigation process complicated and time-consuming. A highly corrupt environment in a country lays the foundation for the unobstructed practicing of fraudulent activity and tax evasion. Considering the legal issues that are strongly connected with corruption, it is evident that corruption is a serious side effect of organized crime activity and is interrelated with other financial crimes such as bribery, tax evasion, and money laundering. Thus, the main goal of law enforcement agencies should be making corruption a high-risk and low-profit activity to prevent both developed and

developing countries from practicing corruption.

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