

Brookings World Forum on Governance
Leveraging Private Capital and Political Action in the Fight Against
Corruption

Speech by Senator Pietro Grasso, President of the Italian Senate

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Dear friends,

Good afternoon. I am very happy to be here today and I wish to thank the Brookings Institution, and Ambassador Norman Eisen, for this initiative and for their kind invitation.

1. I am particularly delighted to address this World Forum on Governance focusing on the fight against corruption, an issue to which I have always attached great importance. As you may know, I have devoted 43 years of my life to the judiciary, from 1969 until last year. As a judge, I wrote the judgment in the first mass trial of the Sicilian Mafia, which lasted 3 years from 1986 to 1989, in which 475 mafiosi were prosecuted on 438 charges, including 120 counts of murder. Of these 475 defendants, 19 were given life sentences, and a total of 2500 years' imprisonment were handed down. I later worked with Giovanni Falcone at the Ministry of Justice, later as the Chief Public Prosecutor in Palermo, and lastly as the General anti-Mafia Prosecutor. In this latter capacity I traveled worldwide, coordinating cross-border investigations and concluding cooperation agreements with authorities of other countries. I define it a kind of "penal diplomacy". One year ago I decided to continue to pursue my commitment to fighting crime and fostering citizenship rights in a different way, by standing for election to the Italian Senate, with the idea of putting my experience at the service of Parliament. On my first day as a senator, I tabled a bill to combat corruption, the Mafia, money-laundering, and financial and corporate crime. On my second day, wholly unexpectedly, I was elected President of the Senate, Italy's second highest Office of State (standing in for the President of the Republic in his absence). In this capacity I am duty-bound to act as the impartial guarantor of all political parties and parliamentary groups, which means I can no longer discuss the substance of any issues, and according to practice, I do not even vote on legislation. But, I can assure

you that this has by no means affected the goals that I have pursued throughout my life, and I therefore approach my daily institutional responsibilities by making integrity in the management of public affairs my top priority.

2.1 should like to address the subject of this conference from one particular viewpoint, by exposing the links existing between organised crime, corruption and the ethics of politics, and how they are related to geopolitics. My long international experience has led me to believe that in order to protect our citizens, we must take a new and strategic approach, less focused on the principle of State sovereignty and more on providing a systematic and internationally agreed response. States have traditionally viewed all crime (including organised crime) as purely a matter of domestic policing, jealously considered to be the preserve of national sovereignty, to be addressed using domestic law enforcement and crime prevention instruments alone. A rigid distinction has conventionally been drawn between States' "external security" and "internal security". The former has been viewed as defending the State against threats to the national territory through military instruments and assets, and the latter as a matter of maintaining law and order to prevent and punish crime. We therefore became accustomed to the idea that all we have to do to ensure the security of our citizens at home is to protect our national borders, as if sealing them would prevent any "contagion" from the evils occurring elsewhere in the world. However, in the past few decades, events connected with globalisation have gradually made the borderlines between these two domains - home and abroad - more blurred, to the point of rendering them overlapping. Threats to our democracies have become diverse and dynamic. Terrorism, organised crime, the criminal infiltration of the economy, political, ethnic and religious conflict, and cybercrime are constantly changing shape and form and fall entirely beyond the control of domestic defence and law enforcement instruments. The border has therefore shifted away from States' territorial demarcation lines, and moved further outwards or further inwards. The new borderlines are as likely to be found in our marginalised outskirts which generate alienation, crime, and lone terrorists, as in the remote mountain areas of Afghanistan, the geopolitical black holes of failed States in the Greater Mediterranean, West Africa, Latin America and Asia, or in our own metropolises, banks, and economies infiltrated by the laundering of Mafia capital.

3. It is for these reasons that for many years I have been proposing a geopolitical approach to studying and combating transnational crime, believing that this will convince us that no State - and I mean none at all - can consider itself to be safe, or imagine it can get very far by going it

alone. Links between criminal organisations of all kinds and any geopolitical players occupying positions of power in the international system have the nature of transnational relations, closely bound up with geopolitical factors: geography, climate, political-institutional systems, religion, ethnicity, demography, culture, alliances, conflicts, the economy, transport, communications and the media. Mafias allow themselves to be led by geopolitical factors in their quest for profit, carefully appraising and using every change and trend, while at the same time acting on the world stage as geopolitical players, either directly or indirectly generating geopolitical processes: the mafias therefore create, or resolve, conflicts, control territories, establish and break up alliances, redraw borders, control the economies of whole States, keeping them alive or stifling them.

4.1 believe that it is in terms of the economy that transnational crime can most appropriately be interpreted. This approach closely links corruption, trafficking, tax evasion and illegality in general. For apart from the organisations and individuals that are pursuing ideological ends, including terrorism and subversion (but which anyway often engage in economic crimes for self-funding purposes), criminal organisations are intent on the pursuit of profit (as well as, in some cases, the pursuit of power) and therefore develop a symbiotic relationship with economic and financial variables. Criminals place great importance on the features of illegal goods and services markets, including the location, volume and quality of demand; channels, instruments and modes of handling goods and people (which are all liabilities, depending on natural factors and the effectiveness and efficiency of law enforcement and the judiciary) and the market trends and instruments for laundering and investing their criminal proceeds. Against this background, corruption is a crucial instrument for the mafia: especially in places where it is not possible to resort extensively to violence and intimidation, corruption is the means used by criminals to penetrate the inner workings of society, politics and public institutions.

5. The economic recession which has persisted for several years has darkened the picture still further. On the one hand, the crisis has made governments more reluctant to cooperate and some believe that they are in a position to respond appropriately to the economic repercussions of crime by acting on their own, ignoring that global financial markets make any 'go-it-alone' operation futile and paradoxical. On the other hand, the current international economic situation provides an opportunity for the Mafias and the corrupt to consolidate their positions, and enrich themselves still further. Their access to cash as businesses

are in the grips of the credit crunch has made the takeover of ailing companies by criminals easier. Meanwhile, there has been an exponential worldwide increase in criminal investment in the legal economy in both traditional and new markets (the stock exchange, food, real estate, housing, wind power, catering, public tenders, healthcare, agrifood). The unprecedented tragedy that has affected businesses all over the world is enabling people in possession of huge reserves of illegal wealth to pollute the world economic system beyond repair, with devastating **and** potentially irreversible repercussions. While criminals are increasingly infiltrating the economic fabric of countries, there is a growing dependency on and loyalty to the mafias in the more fragile territories which may eventually become Mafia states or failed states, and illegally procured capital is being legally put into circulation in the legal economy and laundered, thus polluting and undermining the financial systems. The criminal economy is therefore continuing to produce more crises in an infernal self-fuelling process, affecting competitiveness and the markets through unfair competition against legal businesses. Criminal power poses the risk of shrinking the market, making competition a sham, interfering with the mechanisms governing the trade in goods and services, and robbing legal businesses of substantial resources that could be used to make new productive investments.

6. The international community has failed to field appropriate actions in terms of law enforcement and policing, and to address the globalisation of the financial markets. Combating the mafias and corruption today will increasingly be a matter of taking legal action against illegally acquired assets, through forfeiture and the prevention of and fight against money laundering. Yet this is precisely where cooperation between states encounters the greatest difficulties. The economy has always been a traditional area of jealousy, the selfish preserve of sovereign institutions, where international cooperation is still highly unsatisfactory. Banking havens which protect the identity of the owners of wealth also exist in Europe and the Americas. Huge capital resources in Euros are being transferred all the time from Europe to the American continent, or through complex systems or towards Asian capital markets and then back to the West. Cocaine routes, for instance, are circular: cocaine leaves the producing countries (Colombia, Bolivia and Peru) and travels through various channels in the United States and Europe. Most of the proceeds make a full circle return to the producing countries. According to some estimates, about 70% of the proceeds of crime return to the American continent, while the remainder is invested in Europe and used to remunerate the

intermediate links and finance the corruption system. The money-laundering professionals then incorporate front companies in Europe with the sole purpose of continually transferring money to Asia, ostensibly to pay for goods, based on fake invoices, goods which are then sent to America in order to close the laundering cycle. Heroin, on the other hand, follows routes covering the whole of Eastern Europe, the supply source for the rest of Europe, generating insecurity, money laundering and geopolitical risks.

7. The last aspect that I would like to mention before concluding has to do with the very close links existing between corruption, the Mafia, money laundering, tax evasion, illegal employment, and unethical political conduct. The bill which I introduced on my first, and only day as a simple senator, to which I alluded to the beginning of my address, was based on my deeply-held conviction that the interactions between the economy, crime and political ethics require action to promote good governance and combat corruption, action which should be internationally agreed and effective in terms of crime prevention and the imposition of penalties. Corruption hampers development, obstructs the principles of good governance and political ethics and eventually poses a threat to the rule of law, democracy, and the principle of equality and free competition. Combating corruption and related and mutually dependent crimes (false accounting, tax crimes, money laundering) must be made one of the main targets of European and international crime prevention policy. This calls for appropriate and urgently needed new laws and measures to deal with the way politics is conducted, partly because of the proven links between organised crime and corruption. As I mentioned a moment ago this is one of the instruments used by Mafia to expand its power and increase its business activities in socio-economic environments which are difficult to infiltrate through intimidation and violence, and then to move on from managing illegal markets to managing legal markets.

8.1 would like to conclude by speaking as a politician. The reason why I consider this Conference to be particularly important is that it will enable us to look at the whole issue of corruption in terms of the ethical drift of public life. The new politics which I am striving to interpret every day of my life must begin here, from the ethical downward slope which politics has too often and in too many countries taken, in which people find illegality almost normal, numbed as they are by dishonesty, injustice and cynical individualism. I firmly believe that this direction can

be reversed, as long as every country adopts a shared commitment to take serious, well thought-out measures to strike at the underground economy, tax evasion, corporate and financial crime, and money-laundering; to extend and step up financial investigations in order to be able to identify illegally procured wealth; to moralise the way public resources are managed and to prevent the power of crime from becoming entrenched in the socio-economic system by ensuring the presence of the State. It is also necessary - and this is something which concerns everyone - for politics to begin to view public service as a means of fostering the common good, and the good of the weakest in society, rather than bending it to suit partisan interests. I therefore believe in the importance of striking a balance between public funding of political parties (which Italy adopted a long time ago) and private funding. Public funding of politics helps to reduce the distortions which may occur when the interference of lobbies, and hence of private interests in the management of public affairs, is not properly regulated. At the same time, public funding may pose a risk of wrongful use of public resources (as has been the case in Italy), and of increasing opportunities for corruption, particularly when lobbying is not regulated by law. I therefore believe that politics must find the way to reform itself in order to be able to fill the vast void that separates it from the general public and particularly the young: this void is an absence of understanding, representation and ethical legitimation. And this, I believe, is my duty.

Thank you.