

THE KLEPTOCRAT'S PLAYBOOK

A Taxonomy of Localized and
Transnational Tactics

The Kleptocrat's Playbook: A Taxonomy of Domestic and Transnational Tactics

Acknowledgments: The Kleptocrat's Playbook was developed by a team of International Republican Institute (IRI) and the Hudson Institute experts that included Nate Sibley, Gia Rowley, Utpal Misra, and Anna Downs, under the editorship of Eguiar Lizundia. Corina Rebegea, Eric Hontz, and Kenneth Barden provided substantive feedback and critical inputs. We are grateful to the multiple IRI colleagues who also provided valuable insights and the National Endowment for Democracy for its support of this initiative.

Copyright © 2021 International Republican Institute. All rights reserved.

Permission Statement: No part of this work may be reproduced in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system without the written permission of the International Republican Institute.

Requests for permission should include the following information:

The title of the document for which permission to copy material is desired.

A description of the material for which permission to copy is desired.

The purpose for which the copied material will be used and the manner in which it will be used.

Your name, title, company or organization name, telephone number, fax number, e-mail address and mailing address.

Please send all requests for permission to:

Attn: Department of External Affairs
International Republican Institute
1225 Eye Street NW, Suite 800
Washington, DC 20005
info@iri.org

This publication was made possible through the support provided by the National Endowment for Democracy (NED). The opinions expressed herein are those of the authors and do not necessarily reflect the views of the NED.

TABLE OF CONTENTS

List of Acronyms	v
Executive Summary	1
Introduction	2
What is Kleptocracy?	3
The Rise of Global Kleptocracy	4
Measuring Kleptocracy	5
Why Kleptocrats Engage in Corruption	6
What Kleptocrats Target	7
A New Framework	8
Localized Kleptocracy Tactics	9
Political and Legal Tactics	10
Expanding and Entrenching Patronage Networks Through Bribery of National Public Officials and Private Actors	10
Co-opting Key Institutions	11
Abuse of Functions	11
Trading in Influence	12
Economic and Financial Tactics	12
Embezzlement, Misappropriation or Other Diversion of Property by a Public Official	12
Purchase of Positions	12
Coercive and Violence-Based Tactics	13
Suppressing Scrutiny and Silencing Dissent	13
Organized Crime	15
Obstruction of Justice	16
Extortion	16
Enforcement of Social Norms Around Corruption	16
Branding and Narrative-Based Tactics	17
Image Management	17

Localized Responses to Kleptocracy	17
Focus on Systemic Corruption Risks	17
Prioritize the Fight Against Corruption and Other Illicit Finance	18
Asset Forfeiture and Recovery	19
Strengthen Anti-Money-Laundering Systems	19
Promote Transparent Ownership of Companies, Real Estate and Other Money-Laundering Vehicles	20
Limit Financial Vulnerabilities to Foreign Influence	22
Empower Anti-Corruption Actors Within and Outside Government	23
Modernize Law Enforcement	23
Promote Transparency and Accountability	24
Protect and Incentivize Whistleblowers	24
Support Independent Media and Civil Society Networks Against Kleptocracy	25
Curb Visa Loopholes	26
Transnational Kleptocracy Tactics	27
Political and Legal Tactics	27
Strategic Corruption	27
Lawfare	28
Economic and Financial Tactics	29
Bribery of Foreign Public Officials and Officials of Public International Organizations, Including through Fraudulent International Procurements	29
Laundering the Proceeds of Crime and Concealment	29
Economic Capture	31
Coercive and Violence-Based Tactics	32
Transnational Campaigns of Repression	32
Branding and Narrative-Based Tactics	32
Reputation Laundering	32
Development Narratives	33
Transnational Responses to Kleptocracy	34
Criminalize Foreign Bribery and Solicitation of Bribery	34
Sanction Corrupt Actors	34
Democratic Solidarity Against Authoritarian Kleptocracy	35
Build a Network to Defeat a Network	36
Address the Role of Transit and Destination Countries	37
Recommendations	39

LIST OF ACRONYMS

ATI	Access to Information	OPA	Open Central Africa
CCP	Chinese Communist Party	PEP	Politically Exposed Person
CPI	Corruption Perceptions Index	PRC	The People's Republic of China
CRS	Common Reporting Standards	PSC	Persons of Significant Control
CTA	Corporate Transparency Act	PWYP	Publish What You Pay
GDP	Gross Domestic Product	REML	Real-Estate Money Laundering
EITI	Extractive Industries Transparency Initiative	SLAPP	Strategic Lawsuits Against Public Participation
FATCA	Foreign Account Tax Compliance Act	SOE	State-Owned Enterprise
FATF	Financial Action Task Force	STAR	Stolen Asset Recovery
FinCEN	Financial Crimes Enforcement Network	TBML	Trade-Based Money Laundering
FSI	Financial Secrecy Index	TI	Transparency International
GFI	Global Financial Integrity	UNCAC	United Nations Convention against Corruption
ICAR	International Centre for Asset Recovery	UNODC	United Nations Office on Drugs and Crime
ICIJ	International Consortium of Investigative Journalists	UNSC	United Nations Security Council
IRI	International Republican Institute	UWO	Unexplained Wealth Order
IVTS	Informal Value Transfer Systems	1MDB	1Malaysia Development Berhad
KARI	The Kleptocracy Asset Recovery Initiative		
NED	National Endowment for Democracy		
OECD	Organisation for Economic Co-operation and Development		

EXECUTIVE SUMMARY

Transnational kleptocracy emerged as a global phenomenon during the mid-1900s, when large-scale movements of financial, security and development assistance across borders increased exponentially. Along with the proliferation of cross-border financial and economic flows, kleptocracy has taken on an increasingly global nature as new technologies expand global opportunities for corruption. Kleptocratic tactics — combined into strategies — enable corrupt elites to target and capture public finances, commodities, natural resources, development and security assistance, the private sector and strategic assets. In doing so, kleptocrats seek to amass vast amounts of wealth for personal gain, and to consolidate and entrench political power in their home countries, and occasionally in foreign countries over which they wish to exert their influence.

To date, no single resource has systematically catalogued the suite of transnational and domestic tactics that kleptocrats deploy to strategically expand opportunities for public-resource theft and to suppress civil society efforts to expose and counter kleptocracy. Without an evidence-based understanding of kleptocratic tactics, reform-oriented actors are less able to anticipate, identify and address wholesale kleptocratic strategies, and journalists and activists face continued disruption of investigation and oversight efforts. The International Republican Institute (IRI) has developed *The Kleptocrat's Playbook* to fill this gap. This Playbook is a comprehensive repository describing the full gamut of tactics kleptocrats use to amass wealth and evade accountability, and presents an original definition of kleptocracy based on research into transnational kleptocratic tactics.

The Playbook categorizes kleptocratic tactics into types by their nature as (1) political and legal based, (2) economic and financial based, (3) coercive and violence based, or (4) branding and narrative based. These tactics may be contained to the domestic realm, such as building in-country patronage networks, or may take on a transnational nature, using illicit funds and extortion to co-opt foreign political and business elites or to silence their scrutiny. This Playbook uses case studies to contextualize these tactics through real-world examples, connecting the practical to the theoretical and demonstrating how these tactics are combined into kleptocratic strategies.

In addition to detailing various tactics kleptocrats use in localized contexts, the Playbook highlights legal, political, financial and civil-society-driven strategies that can be used against kleptocrats and to build resilience among civil society and other actors seeking to expose and combat grand corruption. These strategies include localized responses and solutions that require multilateral coordination and are contextualized using additional real-world case studies. The Playbook also proposes responses that are not yet widespread, but which have the potential to be potent tools to fight kleptocracy.

The Kleptocrat's Playbook aims to equip civil society organizations, policymakers, and practitioners with the analytical framework to understand kleptocracy and a proven set of approaches to counter kleptocrats at home and abroad. This document and the case studies within it can be used to build resilience among those groups most frequently targeted by kleptocrats.

INTRODUCTION

For decades, policymakers have overlooked the threat to security, prosperity and democracy posed by transnational corruption and global kleptocracy. These threats have destabilized fragile states, created fertile breeding ground for terrorist groups and organized crime, and deprived billions of people of any hope for a safe or prosperous future. The corrosive effects of transnational corruption can also increasingly be felt within democratic societies, especially in major financial centers that have too often acted as conduits for illicit financial flows from the post-communist and developing worlds.

Kleptocracy is the economic lifeblood of authoritarian regimes, whose members routinely engage in corrupt practices for the purposes of self-enrichment and to sustain political support through patronage networks. In recent years, it has become increasingly apparent that powerful authoritarian regimes such as China and Russia also routinely use bribery and extortion as tools of foreign policy.

However, there are concrete, achievable and immediate steps that democracies can take to crack down on transnational corruption, support those fighting against kleptocracy and transform this urgent vulnerability into an advantage that can be pressed against the enemies of democracy.

In recent years, bold investigative reporting, energetic civil society campaigns and ambitious law-enforcement actions have blown open the secretive world of global kleptocracy. Thanks to these efforts, we possess a clearer understanding of the pervasive nature of this threat and the methods through which authoritarian regimes and their proxies commonly engage in corrupt practices, whether for illicit self-enrichment, to entrench and expand domestic patronage networks, or to project malign influence beyond their borders.

The urgent question for democracies is what can be done to protect their own institutions from the corrosive effects of transnational corruption, support those engaged in anti-corruption efforts worldwide and ultimately turn the tide against

authoritarian regimes by directly targeting the corruption that sustains and empowers them.

The International Republic Institute's recent [Anti-Corruption Toolkit for Civic Activists](#) provides a blueprint for leveraging research, advocacy and the media to push for effective reform. IRI's *The Kleptocrat's Playbook* builds on that work by cataloguing the full spectrum of tactics that kleptocrats use and highlighting established and emerging best practices from around the world that policymakers and civil society actors should prioritize in the fight to promote democracy by combating corruption.

It is aimed at a broad readership, ranging from senior decisionmakers in wealthy democratic societies to frontline anti-corruption campaigners in countries that continue to struggle with poor governance and weak rule of law. A complicated and pervasive transnational challenge like global kleptocracy requires a similarly diverse response. Those engaged in the fight against corruption — at any level — must become as well versed as kleptocrats in the roles that different countries play, the vulnerabilities that facilitate corruption, and policy remedies to those vulnerabilities.

But first, it is necessary to establish a clear and consistent understanding of how kleptocracy works, and the ways in which kleptocrats seek to expand opportunities for corruption within their own authoritarian societies and on a global scale. That is the purpose of this Playbook, which is based on observations drawn from a variety of recent transnational corruption cases around the world, as well as discussions with anti-corruption experts, law-enforcement officials and many others who provided invaluable insights.

The Playbook is structured as follows. It first defines kleptocracy, explores its rise during the late 20th century, details how it works and how to measure it, and examines what kleptocrats target, in order to create an innovative framework of understanding and taxonomy of modern kleptocracy. Second, the Playbook explores localized kleptocratic

tactics using four category types: (1) political and legal based, (2) economic and financial based, (3) coercive and violence based, and (4) branding and narrative based, and includes case studies to demonstrate how these tactics combine into kleptocratic strategies. Third, the Playbook outlines domestic or country-level responses to counter these tactics, including focusing on systemic corruption risks, prioritizing the fight against corruption and other illicit finance, protecting democratic institutions and empowering anti-corruption efforts. Fourth, this Playbook looks beyond national kleptocracy to its global elements and defines transnational kleptocratic tactics using the four category types described above. Fifth, the Playbook outlines transnational counter responses, including criminalizing foreign bribery and solicitation of bribery, sanctioning corrupt actors, creating democratic solidarity against authoritarian kleptocracy, building a network to defeat a network and curbing immigration loopholes. The Playbook closes with final strategic recommendations for the international community to counter kleptocracy and support anti-kleptocracy activists around the world.

What is Kleptocracy?

The word “kleptocracy,” meaning “rule by thieves,” first appeared in the 1800s, but its use only became widespread following the release of the Panama Papers in 2016.

Most people associate the term with avaricious Cold War-era despots or the extravagance of Russian oligarchs, but these characterizations are increasingly outdated as we learn more about the serious and pervasive threat posed by transnational corruption. Promulgating an accordingly expanded understanding of “kleptocracy” is not an academic exercise but is essential for informing policymakers’ approach to one of the defining challenges of the 21st century.

Although legal definitions of corruption often focus on government officials — including that of the U.S. Department of Justice, which defines public corruption as “a breach of the public’s trust by government officials who use their public office to obtain personal gain” — Transparency International (TI) defines corruption more broadly as “abuse of entrusted power for private gain.” TI further differentiates three main types of corruption:

1. **Petty corruption:** Everyday abuse of entrusted power by public officials in their interactions with ordinary citizens, who are often trying to access basic goods or services in places like hospitals, schools, police departments and other agencies.
2. **Political corruption:** Manipulation of policies, institutions and rules of procedure in the allocation of resources and financing by political decisionmakers, who abuse their position to sustain their power, status and wealth.
3. **Grand corruption:** The abuse of high-level power that benefits the few at the expense of the many and causes serious and widespread harm to individuals and society. It often goes unpunished.

Kleptocracy is widely conceived as synonymous with systemic political corruption and grand corruption. Given that these are only possible on a sustained basis in countries that lack democratic accountability and rule of law, kleptocracy is also strongly — even symbiotically — associated with authoritarian forms of government. It is no coincidence that the world’s most corrupt governments rule the world’s least free societies; thinking about kleptocracy as the “economics of authoritarianism” is a valid way to approach the problem.

But it is the transnational element of contemporary kleptocracy that is its defining feature and what ultimately distinguishes it from the kind of political corruption that has afflicted human societies throughout history. It is not only inseparable from the problem, but a root cause of it.

Kleptocracy, then, can refer simultaneously to **specific types of criminal activity** involving high-level corruption; an **authoritarian governance system**; and a **systemic transnational threat**. A working definition that encompasses all of these manifestations of kleptocracy might be *systemic transnational corruption involving political, business or criminal elites and their professional intermediaries for the purposes of illicit self-enrichment or furtherance of political objectives*.

The Rise of Global Kleptocracy

Most narrative accounts of the rise of transnational corruption and global kleptocracy begin during the era of decolonization or at the end of the Cold War, when political elites throughout the developing and post-communist world assumed control of vast national resources while simultaneously gaining access to an increasingly interconnected global economy.

Economic engagement and development assistance from democratic countries were predicated on the assumption that democratic transitions would naturally flow from increased commercial ties with market capitalist economies and integration into the world economy. But in many countries, non-democratic regimes operated from the outset without clear distinctions between public office, private business and organized crime — and saw no need to change course so long as they continued to be courted by naive or unscrupulous international partners. Some argue that the reform agenda promoted by multilateral institutions is, in part, responsible for these predatory practices. For instance, European Union accession offered corrupt politicians in former Soviet republics increased access to resources.¹ This problem was particularly acute in countries whose wealth primarily derived from valuable natural resources, especially the oil, gas and mineral extractives industries. Though national circumstances vary widely, the “resource curse” follows approximately the same story from Moscow to Caracas, with political competition over control of narrow but lucrative revenue streams resulting in the formation of corrupt patronage networks, rising factionalism and extensive human-rights and environmental abuses.²

At the same time, many smaller jurisdictions that did not possess an established, diverse market economy or abundant natural resources saw new opportunities for economic development as globally connected financial centers. To develop a thriving

professional-services sector and attract investment from around the world, their governments offered minimal regulation with limited oversight, taxes sometimes as low as 0 percent, and in many cases fast-track pathways to citizenship for foreign investors. But these policies, ostensibly designed to draw in corporate investment and private wealth, were also highly attractive to those seeking financial anonymity to launder the proceeds of corruption. Foremost among these was the promise of discretion in financial dealings: the ability to transfer and hold funds anonymously, far from the prying eyes of tax authorities and law-enforcement agencies at home or abroad. Tainted funds often passed only fleetingly through such secrecy havens, which came to act instead as economic conduits between countries of origin and major financial centers where investments and extravagant displays of wealth could pass unnoticed.

Global cities such as Dubai, London, Miami and New York welcomed this influx of new wealth and investment with open arms. Preoccupied by the war on terrorism throughout the 2000s, global law-enforcement agencies and security services paid little heed to the wealthy foreign officials and jet-setting businessmen buying up high-value real estate, leading luxury lifestyles and ingratiating themselves with high society through philanthropy and political donations.

All these factors combined not only facilitated rising levels of corruption across the developing and post-communist world but *incentivized* it to an unprecedented degree. Major advancements in financial technology — including online accounts and payments, electronic trading platforms and cryptocurrencies — have made it possible, as never before in human history, for political elites to move vast sums of stolen money across borders at the click of a button. Their ability to do so anonymously, thanks to policy failures and legal loopholes, assured they could also do so with impunity.

1 See, among others: Knack, Stephen. “Aid Dependence and the Quality of Governance: Cross-Country Empirical Tests.” *Southern Economic Journal*, vol. 68, no. 2, 2001, doi.org/10.2307/1061596; and Asongu, Simplice A. “On the Effect of Foreign Aid on Corruption.” *Economics Bulletin*, vol. 32, no. 3, 2012, ideas.repec.org/a/ebl/ecbull/eb-12-00172.html. However, the evidence is mixed and inconclusive.

2 According to Natural Resource Governance Institute, the resource curse “refers to the failure of many resource-rich countries to benefit fully from their natural resource wealth, and for governments in these countries to respond effectively to public welfare needs.”

This kleptocratic “cycle” — whereby funds are misappropriated from jurisdictions with poor rule of law, laundered through offshore secrecy havens, and hidden and enjoyed in major financial centers — is by now well established and understood by policymakers in most democratic societies. What they arguably continue to underestimate is the scale of the problem and the extent to which many other policy challenges they face are fueled and exacerbated by this darker side of globalization.

Measuring Kleptocracy

It is impossible to place an accurate figure on the scale of kleptocracy worldwide, for obvious reasons. The sums involved in cases where kleptocrats have been caught by law enforcement, or reported in the media when their schemes are exposed through investigative journalism, are often substantial. But they likely represent nothing more than a snapshot of the problem.

Despite the limitations of a data-driven approach and the different scope of each of these case studies, they illustrate a global challenge of almost unimaginable scale, involving the loss of many trillions of dollars each year.

Public perceptions of corruption are another important indicator, and Transparency International’s [Corruption Perceptions Index](#) (CPI) is undoubtedly the most widely referenced study taking such an approach. But as the name indicates (and TI itself is at pains to stress), the CPI does not pretend to offer a comprehensive analysis of contemporary transnational corruption; instead, it measures populations’ perceptions of public-sector corruption within their own countries. This is perhaps why the population of Switzerland, a country whose secretive banking sector has become almost synonymous with harboring stolen loot, currently perceives its own country to be the third least corrupt in the world.

Given the role of secrecy havens and financial centers in facilitating contemporary kleptocracy, it is helpful to consider national rankings like the CPI alongside those that help to measure the role of professional and legal services, as well as other transnational actors such as the Tax Justice Network’s [Financial Secrecy Index](#) (FSI). This index assesses jurisdictions using key indicators



CALCULATING THE COST OF KLEPTOCRACY

Due to its illicit nature, it is difficult to calculate the cost of kleptocracy, but the following studies have produced some astonishing estimates:

1. The World Economic Forum has [estimated that \\$1 trillion is paid in](#) bribes and a further **\$2.6 trillion** is otherwise stolen worldwide each year.
2. Global Financial Integrity, a Washington, D.C.-based think tank, [found \\$8.7 trillion](#) had gone missing from records of trade between developing countries and advanced economies between 2008 and 2017.
3. An academic study [suggests](#) that funds equivalent to **10 percent of world gross domestic product (GDP)** are being held in tax havens, varying greatly by region of origin — from a few percent in Scandinavia and about 15 percent in Europe, to 60 percent in Arabian Gulf countries and some Latin American economies.
4. A 2012 [study](#) put total private wealth held offshore at up to **\$32 trillion**. More recently, Organisation for Economic Co-operation and Development (OECD) countries were collectively able to identify around **\$11 trillion** in unreported offshore assets through information-sharing mechanisms under the Common Reporting Standard.
5. The International Monetary Fund has suggested that if countries with the most corrupt governments were able to collect taxes with the same efficiency as those with the least corrupt governments, global tax revenues would increase by more than **\$1 trillion** annually, representing around twice the funds needed to meet the United Nations (UN) Sustainable Development Goals.

including the efficacy of their anti-money-laundering regimes and anti-corruption laws, as well as their relative importance to the global economy. The FSI consistently ranks developed Western nations high on its list of worst offenders, with the Cayman Islands, the United States and Switzerland ranked the three worst in the world in 2020 for financial secrecy and the attendant risk of facilitating transnational corruption.

These studies and indexes undoubtedly help illustrate the scale and nature of contemporary transnational corruption. But without further context, they tell us little about the real-world impact of kleptocracy.

Successive generations of policymakers have made the mistake of partitioning corruption as an economic-development issue: an unfortunate but inevitable obstacle to well-meaning poverty-alleviation efforts. But the key to measuring kleptocracy lies in being able to identify the extent to which it creates and exacerbates other threats to security, prosperity and, ultimately, democracy.

One of the easiest ways to do this is simply to begin listening to populations who suffer under corrupt authoritarian regimes. From the origins of the Arab Spring to the streets of Moscow, Havana and Caracas today, protestors in unfree societies could not have made themselves clearer that the corruption of their ruling class is among their top concerns. However, policymakers in democratic societies have yet to place anti-corruption at the heart of efforts to engage and support them.

How Kleptocracy Works

Before exploring how kleptocrats are able to maximize opportunities for corrupt practices, it is important to understand their motivations for doing so and the methods they commonly use.

Why Kleptocrats Engage in Corruption

The word “kleptocrat” tends to conjure associations with greedy public officials embezzling public funds or extorting bribes from the private sector. But just as opportunities for corruption have expanded in recent decades, so too have the reasons for engaging in it. While greed undoubtedly remains the most straightforward and widespread explanation,

corrupt practices are also harnessed in pursuit of non-pecuniary ends.

There is a world of difference, for example, between the Equatoguinean princeling who crudely extorted and embezzled from his impoverished home country to sustain a [hedonistic lifestyle](#) in Europe and the United States, and the People’s Republic of China (PRC) officers who [secretly offered](#) to bankroll the 1Malaysia Development Berhad (1MDB) heist in exchange for securing strategically significant infrastructure deals with the Malaysian government. They are both undeniably kleptocrats engaged in deeply harmful corrupt practices, but their reasons for doing so could not be more different.

Without downplaying the culpability of those involved, it is important to remember that engaging in corrupt practices is often the only path to social and economic advancement in societies with poor or nonexistent rule of law. The line crossed by would-be kleptocrats into criminality is not necessarily as clear cut as it would be for citizens in strong democratic societies, though the potential harm caused by their actions should be just as apparent to them. It is also important to note that the exact opposite might be said of the unscrupulous professional intermediaries who facilitate transnational corruption.

Recognizing that individual motivations vary widely from case to case, there are broadly three, often overlapping reasons for engaging in corruption:

- **Illicit self-enrichment:** The most obvious and widespread reason for engaging in corrupt practices remains simply the illicit acquisition of personal wealth.
- **Domestic power and prestige:** Authoritarian regimes are invariably sustained through the development and maintenance of patronage networks that support the regime in return for privileged access to resources, economic opportunities or political advancement.
- **Foreign influence:** Regimes built on domestic corruption have no qualms about using corrupt practices as tools of foreign policy. Less powerful regimes may do so to shield themselves from international scrutiny and enhance their legitimacy and prestige in the eyes of the international community. But



THE 1MDB SCANDAL

In 2009, former Malaysian Prime Minister Najib Razak established the 1Malaysia Development Berhad (1MDB), a sovereign wealth fund intended to generate revenues to promote development and economic security in Malaysia through overseas investments. The Malaysian businessman Low Taek Jho (aka “Jho Low”) was brought on as an adviser to the fund from the outset. [According to the U.S. Department of Justice](#), between 2009 and 2015, more than \$4.5 billion was siphoned from 1MDB and transferred to offshore bank accounts and shell companies. Hundreds of millions of dollars from the fund were spent on jewelry, artwork, movie rights, gambling, parties and a yacht. Some of the diverted funds were also used to fabricate a return on investment from the original fund.

After the scandal was exposed by journalists in 2015, the Malaysian Anti-Corruption Commission opened an investigation into Prime Minister Najib Razak. He attempted to [halt investigations](#) and maintain his position by firing the attorney general, Deputy Prime Minister Muhyiddin Yassin and four other ministers critical of 1MDB. He also refused to cooperate with investigations that were opened by the United States, Singapore and Switzerland. Within a year, Razak [appointed a new attorney general](#) who declared his innocence and put the case to rest, saying the \$681-million transfer into Razak’s bank account was a gift from the Saudi royal family and was not embezzled from the 1MDB fund.

Najib eventually lost his prime minister position after being defeated in 2018 by former mentor and Prime Minister Mahathir Mohamad, who became an outspoken critic of Razak during the 1MDB scandal. Upon Mahathir’s election, [the investigation was re-opened](#) and Razak’s house was searched, revealing \$273 million worth of jewelry and handbags belonging to his wife. Jho Low’s whereabouts remain unknown, but he is believed to be in China.

powerful authoritarian regimes such as China, Russia and Iran also increasingly engage in “strategic corruption,” defined as the deliberate and systematic use of corrupt practices to co-opt other countries and international institutions in pursuit of political objectives.

What Kleptocrats Target

Closely linked to the question of why and how kleptocrats engage in corrupt practices are the types of funds and assets they typically target for misappropriation or other misuse. As always, neat categorization is of limited use, and there is often significant overlap in any given corruption scheme.

Public finances: Certain types of public expenditure have proven to be especially vulnerable to embezzlement and kickbacks: particularly the infrastructure, health and defense sectors. This is primarily because of the large amounts of money involved in these areas of government spending, the potential loopholes created by the relative complexity of the systems and contracts involved, and the fact that stealing indirectly from taxpayers makes victims less likely to notice immediately. This issue assumed new urgency during the COVID-19 pandemic, as the rushed procurement processes and massive fiscal-stimulus packages that characterized government responses created new corruption risks and exacerbated existing ones. In consolidated kleptocracies, central banks and currency reserves are effectively at the regime’s disposal, as the ongoing looting of Venezuela’s remaining gold reserves perhaps best demonstrates.

Commodities and natural resources: Certain sectors have historically proven especially vulnerable — or inclined — to corrupt practices, notably the oil, gas and mineral extraction industries that exemplify the “resource curse.” Whether controlled by the state — through a state-owned enterprise (SOE) — or by the private sector, the vast revenues generated by these sectors often disincentivize the emergence of more diversified economies, and control of these resources consequently becomes the only viable pathway to wealth. Foreign extractives companies that are not subject to strong foreign bribery laws in their home countries frequently exacerbate this problem by funneling bribes and kickbacks to local officials. Unlike the embezzlement of public

funds, diversion of these payments takes place behind closed doors and may have no obvious effects on the general public. Indeed, revenues from extractives industries can render authoritarian regimes even less dependent on tax revenues and, accordingly, less accountable to the population.

Development and security assistance: Large influxes of cash from wealthy countries and international organizations often provide a tempting target for would-be kleptocrats. In fact, most donors now impose stricter oversight requirements on development financing and assistance, making corrupt leakage relatively rare. Nevertheless, a recent [World Bank report](#) found a correlation between increases in aid payments and transfers to offshore bank accounts, suggesting that misdirection of development assistance remains a problem.

Private sector: Any kind of business can become prey for kleptocrats through extortion, embezzlement or other corrupt practices. Demanding bribes from private companies is the most common form of graft, alongside embezzlement of public funds in countries suffering from systemic corruption. Whatever form it takes, systemic corruption introduces uncertainty, raises the cost of doing business and ultimately deters private enterprise, further concentrating economic power in the state and increasing corruption risks.

Strategic assets: Not all motivations for engaging in corrupt practices are acquisitive, or even financial in nature. In particular, the proxies of powerful authoritarian regimes engaging in “strategic corruption” are not trying to steal anything for themselves, but to co-opt local elites in less powerful countries for political advantage. The [acquisition](#) of a strategically important Sri Lankan port by the PRC through underhanded means, for example, was reportedly undertaken primarily for security considerations, though it also provided economic benefits.

A New Framework





To date, there has been no comprehensive description of the various domestic and transnational tactics employed by kleptocrats to siphon off state resources for private gain and to maintain and perpetuate their hold on power.

Cataloguing the multiple tactics that perpetuate kleptocracy is necessary to understand the full scope of the kleptocratic challenge to democracy and to develop both domestic and international strategies to prevent and mitigate their effects. Several of the tactics cataloged here are part of the “autocrat’s playbook,” presented through the lens of the kleptocracy conceptual framework, which emphasizes how the analyzed behaviors both advance and result from transnational and systemic grand corruption.

The taxonomy below categorizes kleptocratic practices based on their tactics, whether political and legal, economic and financial, coercive and violence based, or branding and narrative based, as well as their geographic scope. These categories emphasize the full range of kleptocratic practices and the different purposes they serve, as well as how they are used in combination to form corrupt strategies. Some kleptocratic practices are well documented, such as embezzlement or use of patronage networks, while other practices such as strategic corruption and reputation laundering have received less attention — both because transnational corruption is emerging as a research area and because of the conflation of motifs that often characterizes these practices. Yet these methods are just as potent in entrenching kleptocratic networks and perpetuating their power and access to illicit funds.

The comparison between localized and transnational kleptocratic practices illustrates how strategies evolve when deployed on the global stage. Strategic corruption, for instance, is a weaponized form of patronage projected internationally, multiplying the victims of kleptocracy in the process. Similarly, some tactics span categories. The use of organized crime, for instance, is both coercive and violence based and economic in nature. For the purposes of the analysis, we have categorized the below tactics based on their most salient features.

Taken together, this taxonomy offers the most comprehensive examination of kleptocratic practices to date. Understanding the intersections between practices under the different categories will better position lawmakers, practitioners and civil society to address kleptocracy both at home and abroad.

Scope	Localized	Transnational
 <p>Political and legal</p>	<ul style="list-style-type: none"> Expanding and entrenching patronage networks through bribery of public officials and private actors Abuse of functions Trading in influence Co-opting key institutions 	<ul style="list-style-type: none"> Strategic corruption Lawfare
 <p>Economic and financial</p>	<ul style="list-style-type: none"> Embezzlement, misappropriation, or other diversion of property by a public official Purchase of positions 	<ul style="list-style-type: none"> Bribery of foreign public officials and officials of international organizations, including through fraudulent international procurements Money laundering Economic capture
 <p>Coercive and violence based</p>	<ul style="list-style-type: none"> Suppressing scrutiny and silencing dissent Enforcement of social norms around corruption Organized crime Obstruction of justice Extortion 	<ul style="list-style-type: none"> Transnational campaigns of repression
 <p>Branding and narrative based</p>	<ul style="list-style-type: none"> Image management 	<ul style="list-style-type: none"> Reputation laundering Development narratives

LOCALIZED KLEPTOCRACY TACTICS

Contemporary kleptocracy may be defined by its transnational nature and the integral role played by professional intermediaries in tax havens and financial centers, but major corruption schemes

inevitably begin with specific acts of bribery, embezzlement or other illicit activity in the kleptocrats' country of origin. Key to confronting the challenge posed by transnational corruption

effectively is understanding how kleptocrats expand opportunities to engage in such corrupt practices within their own societies.

Typically, the objective of these activities is self-enrichment, strengthening the kleptocrat's local political status through patronage networks or usually some combination thereof. This is by no means a step-by-step guide, as measures pursued by autocratic and authoritarian-leaning regimes at various times and in various ways will differ according to their unique circumstances. However, this section defines localized kleptocratic tactics in order to help anti-corruption practitioners and activists understand how these tactics are combined into overall corrupt strategies.



Political and Legal Tactics

Expanding and Entrenching Patronage Networks Through Bribery of National Public Officials and Private Actors

Control of state institutions and the private sector is invariably achieved through nepotism and cronyism, installing supporters in influential positions where they can enact the regime's will while exploiting opportunities for self-enrichment. These individuals, in turn, both rely upon and reward their own clientelist networks, sitting at the apex of patronage networks that often extend throughout authoritarian societies. The installation of family members, political allies, business associates and other supporters in key institutions or positions is a form of influence peddling and represents both a kleptocratic tactic and objective.

Corrupt patronage networks have most often grown out of competition between different groups for access to economic opportunities in countries with few, but significant, sources of revenue: the "resource curse." Unscrupulous political leaders can easily exacerbate and exploit tensions between different groups — be they ethnic, geographic or otherwise — in order to secure their support. This support is rewarded by preferential access to government jobs, control of key economic sectors or some other lucrative outcome. This has the effect of warping populations' civic priorities, as they vote

for (or otherwise support) whoever seems most likely to secure them a handout.

Bribery is the corrupt activity most closely associated with kleptocracy. It involves the offering, giving, solicitation or acceptance of an undue advantage (usually, but not always, financial) to a public official in return for them acting or refraining to act in the course of their official duties. It is important to note that the United Nations Convention against Corruption (UNCAC) definition includes both "active" bribery (the giving of bribes) and the misleadingly named "passive" bribery (the acceptance of bribes).

In democratic societies, the question of *who* can legally be bribed is fairly straightforward: an individual either holds public office or they do not. The distinction is often less clear in authoritarian societies, particularly personalistic regimes where ruling families and their associates may perform quasi-public functions on an unofficial basis. A Swedish court recently ruled that Gulnara Karimova, the daughter of Uzbekistan's former ruler, could not legally be bribed because she was not, strictly speaking, a public official. Yet Karimova was undoubtedly one of the most influential people in Uzbekistan, wielding massive political influence as Islam Karimov's then-heir apparent and allegedly controlling vast commercial interests, including the country's entire telecommunications sector. She allegedly used this controlling position to extort hundreds of millions of dollars in bribes from foreign companies hoping to do business in Uzbekistan.

The other significant feature of kleptocratic patronage networks is their propensity to blur the lines between public, private and criminal sectors. It is entirely possible — indeed, quite normal — for a kleptocrat of significant standing to be at once a senior government official, a major shareholder in a state-backed business and an organized-crime kingpin, reflecting the many groups that helped them rise to prominence and, undoubtedly, expect their share of the spoils. Corruption within the private sector can be just as corrosive and harmful as graft by public officials when it damages economic activity, undermines competitions and market incentives and deprives governments of tax revenues.

It is also worth bearing in mind that, while we tend to characterize kleptocrats as corrupt public officials, the distinction between the public and private sector is often blurred or nonexistent in societies with poor rule of law. It is not uncommon for officials to maintain significant private assets and investments, giving rise to conflicts of interest — or conversely, for powerful business figures to exert undue influence in the political arena.

Co-opting Key Institutions

Authoritarian regimes rise, stand and fall upon their ability to seize and retain control of key state institutions. Doing so also has important implications for their propensity and capacity to engage in corrupt practices. As mentioned, the abuse of institutions for political power and personal gain is often mutually reinforcing.

Obviously, control of the security services and law-enforcement agencies not only provides the means for political coercion, but also ensures that corruption allegations are simply never investigated. An interesting [illustration](#) of the importance of this principle to those in power comes from the expletive-laden behavior of President Jair Bolsonaro of Brazil on discovering his limited ability to influence the investigation of corruption allegations against his sons: “If one cannot change the law-enforcement official, one changes the boss. If not his boss, then the minister.”

The benefits of exercising influence over and through the legislative branch are equally obvious. Kleptocrats can simply introduce laws conducive to their corrupt activities, or at least attempt to weaken legislation that threatens their interests. Of course, the degree to which this is possible varies according to circumstances. In an authoritarian one-party system like the PRC, the National People’s Congress exists primarily to rubber-stamp the will of the Communist Party. In a vulnerable democracy such as Ukraine, by contrast, the *Rada* is the central stage for the constant struggle between reform-minded politicians and those installed by the oligarchs to stymie progress.

From the point of view of enabling kleptocracy, the nominal independence of and key role played by judiciaries potentially makes them among the most difficult and important institutions over which to

wield influence. A tame judge can not only reject legal challenges to regime conduct, but can also be used to issue criminal and civil judgments against its opponents. This both provides the pretense of legitimacy for such actions and carries the benefit of legal rulings that may be recognized and enforced by other jurisdictions, allowing the regime to pursue its opponents overseas.

The ability to control or intimidate the media is also a critical element in expanding opportunities for kleptocracy, as discussed further below.

Exercising influence over financial institutions is one area that may or may not coincide with attempts to increase political control. In countries suffering from systemic corruption, there is no need to steal from a bank when you can simply buy or wrest control of one and use it as a personal piggybank. This is alleged to be the relationship between Vladimir Putin’s inner circle and the U.S.-sanctioned [Bank Rossiya](#), for example.

It would be entirely possible to continue endlessly in this vein. For example, attacking the academic independence of universities is often political opposition, but in the longer term it also results in less inquiring minds who are accordingly less likely to notice or protest corruption. The important point is that control of key institutions not only creates opportunities for political control and corrupt practices, but also strengthens the mutually reinforcing relationship between them.

Abuse of Functions

This is a broad category that involves public officials directly using and abusing their powers — as opposed to merely their influence — in breach of the law to obtain some advantage for themselves or others. As with influence peddling, abuse of functions is simply part of the governance model in most authoritarian regimes that set aside rule of law when it suits them. The recent arbitrary detention, prosecution and imprisonment of Alexei Navalny and thousands of other anti-corruption activists in Russia is a good example of how the levers of state can be twisted to achieve the political objectives of corrupt rulers. As discussed further below, however, regimes often prefer to maintain the veneer of democratic institutions to conceal or legitimize illegal activities.

Trading in Influence

This involves not only public officials but any prominent person unduly using influence derived from their position to obtain benefits for themselves or others — often, but not always, as the result of a bribe. Influence peddling is a consistent feature of governance in kleptocratic regimes, where public office is routinely exploited to ensure that political or legal decisions safeguard the kleptocrats' personal interests, or to reward their families, associates, kinship groups or other members of their patronage network. It is also one of the most common forms of political corruption within democratic societies, particularly where laws governing legitimate lobbying activities are not well defined.



Economic and Financial Tactics

Embezzlement, Misappropriation or Other Diversion of Property by a Public Official

Along with bribery, embezzlement is the activity most closely associated with kleptocracy. It involves the misappropriation or diversion of funds, or of any other thing of value entrusted to the public official by virtue of their position.

While it is not uncommon to encounter bribery cases involving millions of dollars, several recent embezzlement cases concern the theft of *billions* of dollars. Notably, the 2015 1MDB scandal involved the alleged siphoning of \$4.5 billion from Malaysia's national development fund in a scheme linked to then-Prime Minister Najib Nazak. More recently, U.S. law enforcement accused Ukrainian oligarch Ihor Kolomoisky of abusing his position as a major shareholder in PrivatBank, Ukraine's largest bank, to funnel \$5.5 billion in fraudulent loans. These funds were allegedly funneled through PrivatBank's Cyprus branch into assets and investments worldwide, including commercial real estate across the United States. With embezzlement on such a grand scale, this may turn out to be the biggest money-laundering case of all time, which Kolomoisky strongly denies.

Kleptocrats do not limit their illegitimate diversion of funds to national resources. Kleptocrats often

employ international humanitarian or development funds to cement their power through kickbacks on projects that then flow both up and down the chain of command. In Afghanistan, millions of dollars aimed at aiding the Afghan people ended up in the pockets of Afghan government officials at all levels. The U.S. government largely [turned a blind eye](#) to the kleptocracy that its multi-billion assistance fueled, given the priority given to geopolitical and stability considerations. The unwanted entrenchment of kleptocratic dynamics in Afghanistan resulting from flooding the country with foreign aid illustrates the different ways the West enables corruption, even when concurrently working to strengthen democratic institutions.

Purchase of Positions

In many countries that undergo political transitions — including post-Soviet republics such as Russia, Ukraine and Georgia — positions in government ministries or law enforcement are available for purchase, often through devised systems resembling pyramid schemes. Attaining one of these positions through bribery is not done merely for status; buying a position often serves as a financial investment because the individual obtaining it is able to supplement their income by extracting bribes from citizens, selling other positions and supporting organized crime.

For example, [the Russian Ministry of Interior Affairs](#) sold high-ranking positions to law-enforcement officials, including in 2007 when the price of being promoted to a general was found to be \$200,000. This represents a lucrative practice not only for Ministry of Interior Affairs officers who made the sale, but for the individual purchasing the position, as that \$200,000 would eventually be regained and supplemented through separate corrupt schemes such as extracting bribes, renting out lower-level conscripts to be used as labor by businessmen, or participating in organized crime. Lower-level positions were also sold; the cost of becoming a police officer in the North Caucasus and Dagestan was between \$1,000 and \$3,000 in the 2000s, with traffic-police positions selling for a higher sum of \$7,000. At that time, 37 percent of surveyed officials reported paying bribes for their positions.

In [Ukraine](#), the buying and selling of positions in the executive branch of government was relatively

frequent during the transition to independence. In [Georgia and Armenia](#), higher-level officials across ministries would sell positions to subordinates. In turn, these law-enforcement officers or government officials generated personal wealth for themselves, while also kicking a portion of their illicit funds up to their superiors, creating a pyramid structure that extended through the highest ranks of government. [In later years](#), the flow of wealth reversed, as higher-level officials shared their profits with subordinates to maintain their loyalty.

The buying and selling of official positions are not unique to the post-Soviet sphere, though this region is perhaps where this phenomenon has been most widely documented. Position selling has been reported in the [People's Liberation Army of China](#) as well as in [Indonesian](#) local offices, demonstrating how any country, especially after a political transition, is vulnerable to the buying and selling of positions. When these schemes go to the highest levels of government, these practices can become key kleptocratic tactics to broaden the base of the system.



Coercive and Violence-Based Tactics

Suppressing Scrutiny and Silencing Dissent

In democracies and authoritarian regimes alike, corruption is one of the most dangerous accusations that can be levelled at political leaders and their associates. The kind of scandal that can end a democratically elected politician's career has the potential to become an existential threat for unelected rulers whose populations have no means of censuring their conduct, short of overthrowing them. It is for this reason that kleptocratic regimes devote significant energy and resources to suppressing scrutiny of their corrupt activities and controlling what, if any, information populations receive from uncensored sources.

This suppression usually involves increasingly serious attacks on free expression, particularly against independent media and civil society organizations dedicated to investigating corruption. In regimes moving toward the totalitarian end of

the political scale, these organizations are simply shut down, if they ever existed. If the regime has the technical capacity and resources to do so, this may be accompanied by controls on Internet access to prevent uncensored news from external sources. The Chinese Communist Party's "Great Firewall" is the ultimate example of this, but this tactic is increasingly widespread. Following Myanmar's recent military coup, not only is a general's daughter linked to one of the major telecom companies facilitating Internet shutdowns, but the broader crackdown illustrates how authoritarian regimes can use dual-use technologies — ostensibly imported to improve legitimate law-enforcement capabilities — for data blocking, surveillance and other digital repression.

Corrupt elites in vulnerable democracies or weaker authoritarian regimes may need to tread more carefully. This typically involves flooding the market with state-controlled media that push favorable narratives, while tolerating a certain level of independence so long as certain subjects remain off limits. Journalists and civil society activists working to expose corruption in such circumstances often navigate complicated, frustrating and dangerous impediments as corrupt officials seek to deter and suppress their investigations.

Limitations on access to the most useful kinds of information needed to conduct investigative work is a frequent problem. For example, Hong Kong's ostensibly autonomous government recently moved to restrict access to public registers concerning ownership of companies and real estate. Critics argue that this will make it significantly harder to navigate Hong Kong's notorious shell companies and uncover the hidden wealth of Chinese Communist Party elites.

As mentioned above, the threat of vexatious legal action is perhaps the most common obstacle faced by those engaged in exposing corruption. Where intimidation or violence might provoke domestic backlash or international condemnation, authoritarian rulers inevitably turn to oppressive laws and co-opted judges to do their dirty work for them. For example, defamation is a civil matter in most democracies. But in authoritarian societies, it frequently still carries criminal penalties, including prison time. This serves to discredit research while

simultaneously removing the researcher from public life. To pick just one current example among hundreds around the world, Angolan activist Rafael Marques de Morais has been jailed multiple times for allegedly defaming members of the country's political elite during his anti-corruption investigations.

Just as corrupt authoritarian regimes continue to uphold the veneer of democracy to confer legitimacy on their actions, many have also become highly opportunistic at exploiting issues of concern to the wider community. In the aftermath of September 11, 2001, many civil society groups found themselves designated under spurious new counterterrorism laws. As discussed further below, many nations have sought to emulate Xi Jinping's dubious anti-corruption campaign as a way to assuage public anger while neutering critics. During the COVID-19 pandemic, many leaders in authoritarian and partly-free societies abused the genuine need to restrict public gatherings and counter misinformation to prevent anti-corruption protests and shutter independent media.

At the extreme — but by no means uncommon — end of the scale, journalists and civil society campaigners frequently face physical intimidation, violence and even murder. The Committee to Protect Journalists noted that the number of journalists killed because of their work more than doubled in 2020 alone. Research by Transparency International suggests that at least one journalist is killed every week in countries considered highly corrupt, and one in five journalists murdered is killed because of their work to expose corruption. This problem is not confined to countries in the post-communist and developing world that have always struggled with rule of law. For example, journalists Pavel Sheremet, Jan Kuciak and Daphne Caruana Galizia were all focused on corruption and organized crime at the time of their murders on European soil.

Another tactic — one perfected by post-communist governments in particular — is inuring populations to an inevitable but tolerable level of corruption so that it becomes normalized. This is reflected in consistently deep levels of cynicism about prospects for good governance within societies afflicted by systemic corruption. This serves to protect the regime by convincing populations that

any alternatives will likely be just as corrupt as their current parasitic ruling class. It also enables the regime to engage in “whataboutism” when comparing its own system to those of democratic governments. Independent media in democratic countries continually scrutinize and criticize politicians' integrity, heightening perceptions of corruption that can be exploited by authoritarian leaders and their captive media outlets to make such politicians appear no better, or often worse, than those in their own system.

A further important aspect of spreading cynicism about corruption is that it permits authoritarian leaders to cast themselves in a special, if somewhat paradoxical, role: that of the people's champion engaged in a never-ending struggle against the corruption of the ruling class that surrounds (and sustains) them. There is no better exponent of this tactic than Vladimir Putin, a ruler who orchestrated his closest associates' carving up of the Russian economy and the country's consequent descent into kleptocracy. Yet Putin personally retained credibly favorable popularity ratings for many years, even as public opinion seethed against the power of the very oligarchs he created and enriched. This tactic also enables authoritarian rulers to confuse the public by credibly accusing anyone engaged in exposing their corruption of behaving corruptly themselves. Perhaps the most famous example of this was Sergei Magnitsky. He was not an investigative journalist or anti-corruption activist, but an ordinary lawyer who happened to uncover massive state-run tax fraud in the course of his work for Bill Browder's Hermitage Capital — and was murdered in prison by Russian authorities as a result.

But perhaps the most extreme and dangerous manifestation of this tactic is Xi Jinping's anti-corruption campaign, which has [ensnared](#) nearly 40,000 supposed criminal cells and more than 50,000 officials accused of abetting them. While the campaign has undoubtedly punished many genuinely corrupt CCP officials, criminal proceedings are not pursued according to anything resembling the rule of law and critics note that Xi's political allies have [benefited](#) from the sudden surplus of promotion opportunities. Just as the war on terrorism provided cover for authoritarians to target political opposition under the guise of

emergency anti-terrorism laws, many have followed Xi's example to target political opposition under the guise of anti-corruption efforts: from Rodrigo Duterte's merciless [crackdown](#) in the Philippines, to Nayib Bukele's power grab in El Salvador, to Mohammad Bin Salman's crude \$106-billion [shakedown](#) of disloyal Saudi elites.

Organized Crime

In regimes where the line between public, private and criminal sectors is blurred or nonexistent, the proceeds of organized crime — particularly the illegal drug, wildlife and natural-resources trades, human trafficking and smuggling — are often a lucrative source of self-enrichment and political patronage. Political power, personal enrichment and organized crime are often deeply intertwined and mutually enabling, with kleptocrats using illicit gains from organized crime to secure political power and build patronage networks, while criminal organizations depend on kleptocrats to facilitate their activities or at least turn a blind eye to them. Once these forces become entangled, they are difficult to break.

Organized crime and kleptocracy typically intersect in states undergoing rapid political or economic transition where there is weak rule of law. In these conditions, opportunities to gain both wealth and power are vast, while law enforcement and judicial institutions are nonexistent, weak or too compromised to effectively manage criminal gangs and the political powerbrokers with whom they work.

Perhaps the most obvious example of the joint emergence of kleptocracy and organized crime occurred in Russia as the country shifted from communism to capitalism. Both the economic and political structures of the former state had deteriorated, and the vacuum was filled by criminal organizations and aspiring political and law-enforcement officials seeking to capitalize on the transition. Criminal organizations took advantage of the rapid privatization of the period to consolidate control over key enterprises. The linkages between the new political class and criminal organizations were present at the start. Former security officials were prominent in the ranks of Russia's first criminal organizations, largely because their military and police training equipped them with the skills to wield violence. These former officials maintained contacts

with former members of the security services or cultivated relationships with new hires who would accept bribes from criminal organizations — or even profit through direct participation in their activities — passing on a share of the profits to their superiors in a chain that led to the highest levels of Russia's government.

As the Russian state lacked the capacity or will to mitigate violence, Russian criminal organizations provided security and protection to wealthy businessmen. Over time, as Vladimir Putin ascended to power supported by the same class of wealthy businessmen, the ruling political elite maintained their ties to criminal organizations and continued their mutually beneficial relationship. President Putin allowed criminal organizations to continue existing as long as they recognized and reinforced his power. Through criminal organizations, the oligarchs conducted corporate raids on competitors' businesses to take them over or shut them down, in exchange for continued protections. Russian security divisions have sometimes utilized the expertise of cybercriminals and hackers. Through these practices and others, the kleptocratic networks in Russia have evolved in tandem with, and in part *because of*, the proliferation of organized crime.

In other cases, kleptocracy and organized crime become interwoven as the latter increasingly exerts influence on the former, either through coercion or through the opportunities offered by access to illicit funds. Venezuela's descent from Latin America's wealthiest country into violent kleptocracy is a particularly tragic example of the intersection between kleptocracy and organized crime, with Nicolas Maduro's regime using state resources to engage in drug trafficking, then [diverting revenues](#) to maintain the loyalty of senior security and military officials. In this case, Colombian drug producers long preceded the Maduro regime, offering payoffs to Venezuelan officials in exchange for allowing them to move drugs through Venezuela. Over time, many of these officials became directly involved as drug traffickers, blurring the line between criminal organizations and the Venezuelan state. These officials were eventually promoted to the highest ranks of the Maduro regime, for they were as dependent on the survival of his regime as he was. Likewise, the Venezuelan military capitalizes

on differences in gas prices to engage in fuel smuggling, once again demonstrating a blurred line between organized crime and the state.

Parallel to these practices is the systematic siphoning of public funds for private gain by top Venezuelan officials, who profit both from their ties to organized crime and from the robbing of state coffers. They use these revenues to buy loyalty from regime officials, entrenching the regime by ensuring buy-in from a wide range of political elites. The result is a kleptocratic state with deep ties to organized crime, where the distinction between the state and criminal organizations is so blurred as to be almost nonexistent.

Obstruction of Justice

The use of physical force, threats or intimidation to interfere with testimony or other evidence, or impede the exercise of official duties by law-enforcement or justice officials, is commonplace behavior by kleptocrats, particularly those with close ties to organized crime. Such tactics are unnecessary for kleptocrats in control of state institutions, who may instead engage in “abuse of functions” (as outlined above) to make inconvenient problems disappear.

Extortion

The practice of obtaining something of value through force or threats most often accompanies solicitation of bribery, but the practice arguably extends far beyond that. In Russia, “corporate raiding” involving the threat and eventual use of state resources to seize and transfer private assets and investments became [so commonplace](#) that it has a special term (*reiderstvo*) and some of the biggest firms operating in the country have fallen prey to it.

Another large-scale and ongoing example of extortion is the forced technology-transfer and market-access restrictions wielded by the Chinese Communist Party and its proxies as leverage against foreign businesses. This happens on such a vast and intimidating scale that it is barely thought of as kleptocracy, yet such tactics are the natural extension of a deeply corrupt political system into the global economy.



MOHAMMAD BIN SALMAN

By building a pro-reform and pro-development image within Saudi Arabia via spearheading fraudulent anti-corruption measures and reforming the country’s restrictions on social gatherings including concerts and movie theaters, Saudi Arabia’s Mohammad bin Salman has been able to gain popularity amongst Saudis while distracting from his own kleptocratic practices.

Under the guise of fighting corruption, he ordered government officials to summon hundreds of Saudi political and business elites to the Ritz-Carlton in Riyadh on November 4, 2017. There they were charged with corruption, forced to confess and fined, netting Saudi Arabia [\\$107 billion in settlements](#) over the next two years. Bin Salman’s anti-corruption sweep disempowered many elites who would have otherwise competed with him for power or influence in Saudi Arabia, allowing him to [consolidate his authority](#) in the country. The move was immensely popular among young people in Saudi Arabia who had long understood the toll corruption was playing on the country, and endeared Mohammad bin Salman to the population while [distracting from the fact](#) that he had purchased a half-billion-dollar yacht, a half-billion-dollar Leonardo da Vinci painting and a French chateau dubbed the “world’s most expensive home” — all with untraced funds.

Enforcement of Social Norms Around Corruption

In certain circumstances, individuals can be inclined to justify or embrace corruption and other forms of abuse because they are extended practices of others within one’s group or vertically — for instance, in the case of a superior expecting the corrupt behavior. Social norms play a key role in creating the breeding ground for corruption, including at the high levels and large scale seen in

kleptocracies. Yet, as human conventions, social norms are not immutable and are subject to change. One factor that determines the strength of social norms is the importance of norm compliance for groups that benefit from the collective outcome. In kleptocratic settings, the gains for those who benefit from the system create the incentive for kleptocrats and their cronies to enforce the social norms that make corruption more tolerable. The enforcement occurs via sociability pressures in the form of kinship pressure, and outside the family and immediate community horizontally or vertically within the workplace and other institutions. This is different from the intimidation and other forms of coercion described in this section, as it does not involve the threat of violence.



Branding and Narrative-Based Tactics

Image Management

Today, many authoritarian regimes maintain the framework and nomenclature of democratic institutions. Fraudulent elections are the most obvious example, but exploiting the democratic

lexicon of presidents, prime ministers and parliaments also lends legitimacy and prestige to regimes that operate far more like criminal organizations. While their own populations may be under no illusions about their true nature, it creates a fiction that the international community and foreign businesses are often complicit in upholding for their own convenience.

Beyond appearances, holding public office offers several practical benefits for kleptocrats. They may enjoy immunity from prosecution in their own countries and diplomatic immunity when travelling abroad. Heads of state and other senior officials are also less likely to be placed under U.S. sanctions, because doing so can seriously complicate diplomatic and other engagement channels. In a highly publicized recent example, the United States sanctioned a senior Saudi Arabian general instead of Crown Prince Mohammad bin Salman over the murder of journalist Jamal Khashoggi, even though U.S. intelligence had determined the latter directly ordered the killing.

The Playbook describes the localized tactics used by kleptocrats, including case studies to highlight real-world examples. The following section outlines how to prevent and mitigate these tactics locally.

LOCALIZED RESPONSES TO KLEPTOCRACY

This section outlines country-level responses to counter kleptocratic tactics, to be used by activists fighting against corruption in their home countries. These responses include focusing on systemic corruption risks, prioritizing the fight against corruption and other illicit finance, empowering anti-corruption efforts and closing the loopholes that allow kleptocrats to obtain visas to enjoy their ill-gotten assets in foreign jurisdictions.

By visibly elevating the fight against kleptocracy to a priority commensurate with the threat it poses to security, prosperity and democracy, political leaders and civil society organizations can work together to put highly corrupt, authoritarian regimes on notice. They can also engage populations

within democratic societies who may be unaware of the pervasive harm caused by transnational corruption, while reengaging populations within authoritarian societies equally disillusioned by their own kleptocratic governments and past democracy-promotion efforts by the international community.

Focus on Systemic Corruption Risks

The first step toward rolling back transnational kleptocracy is for political leaders worldwide to acknowledge the scale of the problem and the particular role that their own countries play in perpetuating it.

Historically, democratic governments have tended to shy away from explicitly reprimanding corruption involving political elites in other countries, for diplomatic reasons or in order not to jeopardize economic ties. This is reflected, for example, in how foreign-aid and development-assistance departments often prefer euphemistic language like “promoting good governance” to the more confrontational approach of “fighting corruption.”

However, this calculus is changing for many democracies, which are evolving their understanding of the global security risks created by corruption. In addition, there is no shortage of discussion around corruption stories within democratic societies themselves, or indeed any society with some degree of free expression. Accusing political rivals of corruption, justifiably or not, is one of the easiest and most powerful ways to undermine confidence in their integrity and competence for public office. But sensational tabloid accounts of corrupt politicians, or even colorful portrayals of the glamorous lifestyles enjoyed by kleptocrats and their families in Western capitals, often do little to advance understanding of the systemic vulnerabilities to corruption that enable such conduct in the first place. When left unaddressed, rosy portrayals of kleptocrats ensure that the problem only gets worse.

While the presence and impact of corruption is often tragically obvious to local populations in post-communist and developing countries, the same cannot often be said of those in the tax havens and affluent financial centers where stolen funds are laundered and concealed. This is hardly surprising, as the actual business of money laundering and reputation whitewashing usually takes place behind closed doors. Meanwhile, the privileged lifestyle led by kleptocrats and their families in Western capitals means that they rarely come into direct contact with the general public. Indeed, local people may even feel that their economies benefit from influxes of foreign investment, whatever its provenance.

Only clear leadership from senior politicians, civil society activism and the increased media coverage that follows can help the public understand how stolen wealth moves across borders and the true implications of welcoming it into their society. Beyond straightforward moral objections, discussing

the damage that facilitating corruption does to national credibility, economic opportunity, national security and democratic vitality are important. But these concepts can seem abstract to people struggling with everyday concerns. One particularly engaging example that has helped to generate public interest in several countries is efforts to highlight how influxes of suspicious foreign wealth can inflate real-estate values in urban centers already struggling to meet housing needs.

The importance of political, media and civil society leadership to discuss the challenge of transnational kleptocracy cannot be overstated. Simply talking publicly and consistently about the methods that kleptocrats use to engage in corrupt practices is undoubtedly the most important step toward creating a hostile environment for them.

Prioritize the Fight Against Corruption and Other Illicit Finance

A credible campaign against kleptocracy requires more than changing the narrative, however. As many democracies — especially those whose financial systems are routinely used as conduits or repositories for stolen wealth — are learning, that begins with longer-term reforms to protect their own institutions from the encroachment of authoritarian influence.

The past few decades have posed new challenges for law-enforcement agencies as they respond to an increasingly transnational threat landscape. In the United States, for example, it is arguable that law enforcement remains disproportionately focused on drug trafficking and counterterrorism activities to the detriment of other priorities, including the fight against kleptocracy. This is particularly important as we learn more about the extent to which transnational corruption creates and exacerbates these other threats.

In fact, law-enforcement agencies often already possess many of the legal authorities they need to investigate and prosecute corrupt practices. What they rarely receive is the political backing necessary to take on sensitive cases, or resources sufficient for pursuing complicated financial investigations that often span several jurisdictions.



UNITED STATES: KLEPTOCRACY ASSET RECOVERY INITIATIVE

The Kleptocracy Asset Recovery Initiative (KARI) is an interagency program led by the Department of Justice to recover the proceeds of foreign corruption through investigation and litigation. Since KARI was launched in 2010, it has seized \$1.9 billion in cases in 11 countries.

Notable successes include the creation of the non-governmental BOTA Foundation in 2008 by the United States, Switzerland and Kazakhstan, through which \$115 million was eventually returned to some of the poorest people in Kazakhstan. KARI also played a leading role in investigating the lavish lifestyle of Teodorin Obiang, the son of Equatorial Guinea's president, which famously included the seizure of a diamond-encrusted glove once belonging to Michael Jackson. More recently, KARI worked with international partners to restrain assets linked to the 1MDB scandal, in which around \$4.5 billion was siphoned from Malaysia's development fund. The investigation helped to trigger a voter backlash that saw then-Prime Minister Najib Razak ousted in Malaysia's 2018 elections.

KARI benefits from strong political backing by three successive U.S. administrations and significant resources, not to mention the jurisdictional reach afforded by the U.S. dollar and its status as a global currency. But it is also a model for the importance of fostering international cooperation to pursue and prosecute complicated cross-border kleptocracy cases — not only with other governments, but with civil society organizations that can be trusted to assist in compensating the victims of kleptocracy.

Asset Forfeiture and Recovery

Ramping up enforcement of anti-corruption laws in the United States and other destination countries is often, at least in the short term, a matter of adjusting executive priorities and funding

allocations. Doing so sends a powerful message to would-be kleptocrats and builds credibility among populations victimized by them, to an extent that simply passing new anti-corruption laws can never do. Closely linked to this is the important task of returning stolen assets seized by law enforcement to the victims of kleptocracy in their countries of origin.

In order to freeze and recover stolen public funds, countries must have in place legal and institutional processes that enable them to quickly freeze assets once they are identified as stolen or illicit, to prevent kleptocrats from moving their money to new locations. These legal processes include intergovernmental Mutual Legal Assistance Treaties or memoranda of understanding between financial-intelligence offices, which help facilitate timely communication and asset forfeiture. In order to build up the institutions and processes needed to freeze and recover stolen funds, local activists and government actors can look to several international initiatives for assistance. The Stolen Asset Recovery (STAR) Initiative of the World Bank Group and the United Nations Office on Drugs and Crime (UNODC) has published several guides on setting up legal frameworks for recovering and repatriating stolen assets. Additionally, the Basel Institute on Governance's International Centre for Asset Recovery (ICAR) publishes a database of asset-recovery efforts and conducts training and provision of technical assistance in this field. The work of STAR and ICAR demonstrates that there is international support available to countries looking to develop their capacity to recover assets stolen by kleptocrats.

Strengthen Anti-Money-Laundering Systems

Developing stronger safeguards against illicit financial flows is the logical place to begin, given that the central feature of contemporary kleptocracy is the ability to transfer stolen funds anonymously across borders.

Different countries play overlapping roles in this process. Financial institutions in countries suffering from endemic corruption may have poor anti-money-laundering controls, be bypassed altogether by kleptocrats who view them as unreliable or do not wish to arouse local suspicions, or come directly under the control of predatory political

elites who use them as personal piggybanks. Banks in jurisdictions that deliberately maintain low tax rates and minimal regulation in order to attract investment, known as tax havens, often act as conduits for stolen wealth as it moves from countries of origin to major financial centers. The latter often represent the final destination for successfully laundered funds, where they can be concealed or enjoyed less conspicuously than in their country of origin, given the prevalence of existing private wealth in affluent cities like London or Miami.

In all cases, the remedy is the same: implementing anti-money-laundering systems at banks and other financial institutions that can detect, disrupt and deter illicit financial flows derived from corruption.

The Financial Action Task Force (FATF) was founded in 1989 as the global anti-money-laundering watchdog. Its 37 member jurisdictions and two regional organizations include the most important global financial centers. The [FATF 40 Recommendations](#) provide a “comprehensive and consistent framework” to combat money laundering and terrorist financing. For anti-corruption purposes, some of the most important provisions include:

- Institutionalizing a risk-based approach to money laundering in government and the private sector.
- Ensuring that financial institutions have systems in place to conduct due diligence on customers with regard to new accounts, wire transfers, correspondent banking and other activities involving third parties. This includes taking special care with “politically exposed persons,” public office holders and their families whose positions entail heightened corruption risks.
- Requiring financial institutions to report suspicious transactions to financial-intelligence units so they can be logged and investigated, if necessary, by law enforcement.
- Ensuring that banks, as well as other sectors handling client funds, are subject to anti-money-laundering responsibilities. These include real-estate agents, lawyers, casinos, precious-metal dealers, and trust and company providers.

- Requiring disclosure of the beneficial ownership of companies to prevent their use as money-laundering vehicles (more on this in the next section).
- Responding promptly to mutual legal assistance and extradition requests, and other forms of international cooperation.

The FATF recently began monitoring how effectively its members uphold these and other anti-money-laundering commitments, rather than simply whether they have relevant legislative provisions in place. This approach arose from concerns that new laws were not being fully implemented or enforced properly (and in some cases, were never intended to be). Countries that fall significantly out of compliance with FATF standards run the risk of being placed on various watchlists, which can have a seriously adverse effect on the confidence of international investors and donors.

Timely and effective implementation of the FATF 40 Recommendations should therefore be a major priority for policymakers, as well as a benchmark for media and civil society organizations as to how seriously their government takes the threat posed by corruption and other illicit finance.

Promote Transparent Ownership of Companies, Real Estate and Other Money-Laundering Vehicles

The financier John D. Rockefeller is often credited with saying “the secret to success is to own nothing but control everything.” This is particularly true for contemporary kleptocrats, whose continued impunity rests on their ability to launder stolen funds anonymously.

In particular, shell companies and front companies play a unique and ubiquitous role in contemporary money-laundering schemes. Many countries are now enacting legislation to require the disclosure of the beneficial ownership, rather than just the legal ownership, of companies registered or operating within their jurisdiction. This makes it more difficult for kleptocrats and other criminals to use lawyers and accountants as “straw men” on the paperwork. There is some debate over whether beneficial-ownership registers should be accessible only to law-enforcement agencies pursuing criminal

investigations or financial institutions engaged in customer due diligence, or simply made open to the general public. Those in favor of a more restrictive approach tend to cite concerns over privacy, the potential for abuse of the data for political or commercial purposes, and the likelihood of stronger compliance if beneficial owners are less worried about their arrangements being made public.

Transparency advocates point out that, while law-enforcement agencies tend to access registers reactively during ongoing criminal cases, journalists and civil society groups make proactive use of the data as Global Witness and others have done. This significantly enhanced likelihood of scrutiny and exposure may deter kleptocrats and other criminals from registering their shell companies in jurisdictions with public registers at all. It also allows businesses to conduct basic due diligence on their partners and customers, reducing opportunities for fraud. External users are also able to highlight problems with registers and recommend improvements to government agencies administering them.

A related area that benefits from beneficial-ownership disclosure is real estate, one of the most attractive investments for kleptocrats and money launderers. Again, the inclusion of information about who actually owns both residential and commercial property in publicly accessible land registries, rather than just the shell companies used to make purchases, can assist investigators tracing the proceeds of corruption.

Promoting transparent ownership of companies and real estate is an effective way to significantly raise the cost of money laundering for the majority of kleptocrats and other criminals. But dirty money will always flow to the darkest corners of the economy and other vehicles may become more attractive as scrutiny increases. Trusts and nonprofits, for example, are a growing area of concern in some countries. The emergence of alternative payment methods and digital currencies — some [specifically designed](#) by authoritarian regimes for the purpose of evading Western sanctions and anti-money-laundering controls — presents new challenges for following the money.

One strategy implemented in many countries to promote transparency is “wealth reporting,” a



UNITED KINGDOM: PERSONS OF SIGNIFICANT CONTROL (PSC) REGISTER

The U.K. introduced its [Persons of Significant Control Register](#) in 2016, becoming the second country after Ukraine to mandate public disclosure of the beneficial ownership of companies.

The U.K. was and remains an attractive destination for money launderers, owing to London’s position as a leading global financial center, its attractiveness as an affluent cultural destination and the status of many British Overseas Territories and Crown Dependencies as offshore financial centers, among other factors.

Extensive analysis of the PSC Register by Global Witness in July 2018 found that thousands of companies had filed highly suspicious ownership data or were not complying with the rules at all. For example, among more than 10,000 companies that declared a foreign company as their owner, 72 percent were based in tax havens. More than 9,000 companies were controlled by owners who controlled more than 100 companies, and 7,848 companies shared an owner, officer or postcode with another company suspected of being used for money laundering.

Though campaigners continue to voice concerns over the quality and verification of information in the database, a survey of PSC Register users in 2019 found that all law-enforcement agencies had accessed it in the course of their investigations, and most did so at least weekly.

government mandate that public officials report their wealth or assets prior to and/or during their time in office; in the United Kingdom these are called Unexplained Wealth Orders (UWOs). Initial filings create a baseline to which subsequent reports can be compared, in order to identify any unexplained or suspicious increases in wealth for the

public official in question. These reports are often made available to the public so that civil society organizations can be involved in the accountability process, and are submitted via self-declaration of assets by the official, requiring an amount of trust in the wealth-reporting process. However, several jurisdictions follow up on these reports with independent investigations to verify the wealth reports submitted by officials.

Finally, it is important to anticipate that sudden flushes of transparency have the potential to unearth extensive evidence of past wrongdoing. This can generate heightened perceptions of corruption among the public when, in fact, the opposite trend is true. The Global Witness study may have illustrated concerning trends with the PSC Register, but they would never have come to light if the study did not exist in the first place. Again, strong political leadership, supported by media and civil society organizations, is important to explain this paradox to populations who might otherwise become disillusioned by anti-corruption efforts.

Limit Financial Vulnerabilities to Foreign Influence

Financial flows from authoritarian regimes can have a serious corrosive effect on values and practices within democratic societies. Political leaders or businesses that have been financially dependent on economic engagement with authoritarian regimes may be reluctant to oppose them on human rights, foreign policy or even national security grounds. Authoritarians also routinely use corrupt practices such as bribery and kickbacks as tools of foreign policy to directly target and co-opt influential figures, and not only within fragile democracies and developing countries. Democracies must therefore take steps to insulate their institutions from foreign financial influence.

Nowhere is this more important than for public officials. Asset disclosures and registers of financial interests, backed up by stiff penalties for noncompliance, are important safeguards to ensure impartiality and integrity in political decision-making. Limitations (or indeed outright bans) on lobbying and other consultancy work by foreign governments and their commercial proxies are also effective methods of preventing dangerous conflicts of interest.



HIDDEN VENEZUELAN WEALTH

In August 2020, reports alleged that former Venezuelan Treasurer Claudia Díaz had attempted to hide unexplained accumulated wealth by buying gold. Since 2014, Díaz allegedly established a shell company in the island nation of St. Vincent and the Grenadines that she used to purchase 250 gold bars worth more than \$9.5 million. The bars were allegedly stored at a private vault in Liechtenstein until, after a few years, a representative of Díaz sold an identical amount of bullion and deposited the proceeds in a Swiss bank account.

These transactions, and the involved shell companies and Swiss bankers, are under criminal investigation for helping turn Venezuela into one of the most corrupt countries in the world, with as much as \$300 billion stolen from national coffers in two decades. The innovative use and physical transfer of heavy gold bars demonstrates the lengths to which some kleptocrats go to hide their stolen wealth.

Facing pressure from the United States, Liechtenstein indicted several Venezuelan officials and sanctioned Maduro's government. Michael Levi, a financial-crimes expert at Cardiff University, stated that "Venezuela has become a virtual pariah...tight-lipped bankers were happy to take their money for years but now everybody is avoiding the country at all costs not just to protect their reputations but to avoid regulatory and even criminal penalties."

Funding for political parties, lobbyists, media outlets, campaign groups and other organizations that play an active role in shaping the opinions of policymakers and the general public also represents an obvious and significant vulnerability. The extent to which authoritarian regimes and their proxies should be permitted to own, donate to or otherwise influence these sorts of organizations in open democratic societies is part of a broader debate about moderating access to potential

disinformation. It should not be controversial, however, to require those in the “influence industry” to disclose the sources of their funding and details about the work they have undertaken in return. Transparency around who is paying for the public dissemination of information and private acquisition of political influence has no bearing on free expression or privacy concerns, but is essential background for citizens to make informed choices.

Empower Anti-Corruption Actors Within and Outside Government

By protecting their own institutions through enhanced transparency and disclosure measures, democracies will also empower those engaged in the fight against transnational kleptocracy by giving them more tools to follow the money. This includes law enforcement agencies, investigative journalists, and civil society. But more can and must be done to proactively support their activities.

Modernize Law Enforcement

As noted above, empowering law enforcement to take on transnational corruption is often a matter of political leadership and allocating sufficient resources to pursue time-consuming investigations and costly prosecutions. But there are some areas in which new legal authorities and innovations are also producing results in the fight against transnational corruption.

Engagement with the private sector and civil society groups working on corruption issues is an area in which many law-enforcement agencies are increasingly proactive. One of the most important steps that any government can take is working closely with banks and other sectors at risk of being exploited by money launderers to apprise them of threats, learn from their experiences and educate them about the risks and consequences of facilitating transnational corruption.

Another area under development involves new laws targeting public officials who appear to possess personal wealth far in excess of their official or declared sources of income. The United Kingdom’s recently introduced UWO, as noted above, are the most widely reported of these measures, but many countries maintain similar laws that require suspects to produce proof of the legitimate source of their



CORRUPTION TRUTH COMMISSIONS

Traditionally utilized in post-conflict settings to uncover atrocities and rights violations by past regimes or former combatants, [truth commissions](#) may be used in transitioning countries to uncover past kleptocratic practices. Just as lower-level participants in human-rights violations and atrocities are reluctant to discuss their past abuses, former government officials involved in kleptocratic practices may likewise be hesitant to come forth with information about corruption, both out of fear of being held culpable and out of fear of retribution. By employing corruption truth commissions in countries in transition, former officials would receive amnesty in exchange for testimony that can be used to build cases against senior officials and to assist in tracing and recovering stolen assets. The testimony offered by corruption truth commissions would also contribute to evidence and knowledge around kleptocracy, helping practitioners develop better prevention and mitigation strategies in the future.

personal wealth or face having it confiscated. As with broader civil-asset forfeiture actions, seizing assets alleged to be the proceeds of crime when no criminal proceedings have taken place raises serious civil-liberties concerns, and extended subsequent litigation is not uncommon.

Another way of supporting law-enforcement efforts is to expand the scope of predicate offenses necessary to prosecute a suspected kleptocrat for money laundering. In most countries, mere possession of suspicious funds is not a criminal offense; it must also be proven that they derive from a specific crime. However, the list of valid crimes is often limited to serious crimes that are difficult to prove or subject to other restrictions — on top of the usual investigative obstacles to obtaining evidence from other jurisdictions, this makes it difficult for law enforcement to secure convictions.

Civil society groups have an important role to play here, not only by exposing corrupt practices through their own investigations, but by building public pressure to win political support and sufficient resources for law-enforcement efforts against transnational corruption.

Promote Transparency and Accountability

Adopting open-government measures and other policies and practices based on the principles of transparency, accountability and citizen participation can be an effective way to counter corruption and kleptocracy. Access to information (ATI) laws, for instance, allow citizens to consult and receive information from government bodies as a fundamental right. By making official documentation public, ATI legislation is a tool for promoting government accountability when implemented effectively. More than 120 countries have adopted and ratified ATI laws; however, in many countries it remains difficult to extract information and access public data. While a strong legal framework is key to effective implementation, citizen awareness of the right to information and even partial access to government data can improve oversight. For example, independent fact checking of information obtained from public records by citizens and civil society improves the integrity of the information and the vetting of government data. This in turn empowers citizens to contrast and counter the official narrative. Similarly, open data research on issues such as natural resources, by increasing awareness of production, exports and revenue, provides the public with critical benchmarks that can reduce the scope for corruption.

Additional initiatives such as engaging citizens to monitor budgets and contracts can also yield satisfactory results. Even though it is challenging to establish a direct relationship between implementation of transparency and accountability measures and reduction in systematic, grand corrupt practices, there is evidence that suggests that open-government efforts contribute to curbing corruption. In 2011, Bangladesh switched to a public procurement platform whereby local communities could actively monitor contracts and regularly report changes in procurement outcomes. The [results of an evaluation](#) demonstrated that the measures were effective in limiting instances of corruption.

At the aggregate level, these types of measures can be effective protections against kleptocratic rule, though they must be combined with other measures.

Lastly, there are additional ways in which openness can help combat the systematic corruption that is the foundation of kleptocracy, especially in contexts that are transitioning out of kleptocratic regimes. Corruption truth commissions, for instance, can be an avenue to shed light on the crimes committed by kleptocrats and thus pave the way for meaningful reform.

Protect and Incentivize Whistleblowers

In societies suffering from systemic corruption, or jurisdictions where anti-money-laundering and anti-corruption safeguards are particularly weak, evidence of corrupt practices may be difficult to obtain or never surface at all. For example, law-enforcement agencies investigating money laundering in democratic societies often have difficulty obtaining assistance from their counterparts in authoritarian regimes, for obvious reasons. In such circumstances, whistleblowers often represent the only hope of exposing wrongdoing.

Whistleblowers from within authoritarian societies often place themselves, their families and their property at serious risk. Foreign law-enforcement agencies must be able to move them to safety quickly and discreetly and provide continued assurances through witness protection programs if necessary. Whistleblowers within tax havens or financial centers with stronger rule of law face a different sort of risk: professional retaliation and risk of losing their livelihood.

While the need to protect whistleblowers is widely understood, the idea of incentivizing them — for example, by offering them a share of civil or criminal fines levied against their employer — is slightly more controversial. Some jurisdictions believe this encourages frivolous claims against employers and undermines witness credibility. Others, including the United States, take the position that offering a substantial financial safety net is reasonable compensation for the significant risk to which whistleblowers expose themselves in exposing wrongdoing.



THE PANDORA PAPERS

In October 2021, the International Consortium of Investigative Journalists (ICIJ) released the [Pandora Papers](#), the largest ever obtained cache of leaked financial records comprising almost 12 million documents and files from 14 offshore services firms based in known tax havens including Belize, British Virgin Islands, Hong Kong, and Panama. The ICIJ combined information from this leak with their previous investigations in order to better identify the networks used to conceal funds and the names of many of the enablers that facilitate the transfer and concealment of funds. Notably, the ICIJ confirmed the leak contains information regarding offshore accounts or financial and tax misbehavior by 35 current or former global leaders and heads of state, implicating [King Abdullah II](#) of Jordan, Kenya's President [Uhuru Kenyatta](#), Chile's President [Sebastián Piñera](#), and Ecuador's President [Guillermo Lasso](#). In total, the Papers include information on potentially damning offshore activities by 336 officials in over 90 countries, particularly from Russia and Latin America. The Papers also highlighted the continued use of US-based trusts for financial misbehavior, particularly in the regulation-light states of South Dakota, Florida, Delaware, Texas, and Nevada. Although the full global and political repercussions of the leak are still developing, the revelations contained in the papers has already [sparked](#) protests, investigations, and denials by those named.

Support Independent Media and Civil Society Networks Against Kleptocracy

Undoubtedly the most significant recent development in the fight against transnational corruption is an innovative new model of cross-border collaboration developed by the [International Consortium of Investigative Journalists](#) and its partners. Rather than one newsroom zealously—and often ineffectively—attempting to trawl through hundreds of thousands of documents in dozens

of different languages, news organizations that once competed for stories pool their resources and national expertise on cases of special public interest. Beginning with the Panama Papers in 2016, the result has been a relentless slew of exposés that illustrate, to an unprecedented degree, how the world's wealthiest criminals move and conceal their stolen funds. These also include the Paradise Papers, the Luanda Leaks and most recently the FinCEN Files.

Civil society organizations focused on combating kleptocracy have also developed effective new methods and tactics in recent years. In particular, the growth of social media has expanded their ability to engage the wider public in exposing corruption and supporting reforms.

Malaysia offers perhaps the best example of this, where the Bersih coalition expanded a dynamic [social media campaign](#) to highlight then-Prime Minister Rajib Nazak's alleged involvement in the 1MDB scandal; these efforts undoubtedly contributed to his surprise defeat in the 2018 elections. Another important trend is the move beyond traditional advocacy work toward cooperating with diverse stakeholders and a broader skillset than has previously been the case, allowing activists to conduct more vibrant and convincing campaigns. On an international level, the U.S. National Endowment for Democracy has been convening concerned government officials, journalists, academics, activists and other experts for educational and networking sessions on kleptocracy-related issues for several years now, resulting in the growth of a large and diverse network spanning dozens of countries. These are not developments in which policymakers are (or necessarily should be) directly involved, but they illustrate the growing potential of civil society organizations to galvanize momentum for reform and the importance of supporting these efforts where possible.

This recent growth of overlapping global networks of independent media and civil society organizations is a strange mirror image of transnational kleptocracy itself. Perhaps because of that, it is proving to be one of our most effective weapons against it.

Policymakers may not be the ones driving this model, but they have a critical role to play in supporting its continued expansion. Some democratic governments are now actively strengthening cooperation between law enforcement and the private sector to combat illicit finance, but still treat campaigners and activists as a nuisance rather than embracing their important oversight and policy-development roles. Democracies can also support campaigners within kleptocratic systems by visibly engaging them through official diplomatic channels, providing training and networking opportunities, and offering safe haven for them to store data and other resources outside the hostile environment in which they operate. On the international level, civil society organizations are often shunted to the fringes of global gatherings — if they are invited at all — rather than given a direct role in shaping important agreements and outcomes, though their frontline experience means they often have more useful perspectives and helpful suggestions than any government officials involved.

One of the biggest obstacles faced by investigative journalists and campaigners is the threat of defamation lawsuits by kleptocrats and their proxies. Known in the United States as “strategic lawsuits against public participation (SLAPP),” the intention is often not to demonstrate the legal merits of a case but to deter and suppress scrutiny with crippling legal costs. Anti-SLAPP legislation that introduces special protections against defamation claims in public-interest cases, for example by imposing costs limits, can help deter this abuse of legal systems within democracies. Developing and contributing to initiatives that provide support for journalists facing such threats, for example the [Global Media Defense Fund](#), is also helpful.

Policymakers can also take steps to try and protect journalists and campaigners from the often-severe personal risks involved in investigating some of the most dangerous regimes and individuals. Violence against the press is no longer only a problem within authoritarian regimes, where the risks of poking around are obvious, but in democratic societies themselves, as the murders of [Jan Kuciak](#) in Slovakia, [Daphne Caruana Galizia](#) in Malta and others have shown. Given that the purpose of these murders was to make the journalists and

their stories simply disappear, the best way to deter future killings is to rigorously investigate such cases, expose those responsible and hold them accountable. This sends a message to kleptocrats that murdering journalists and activists will always backfire, as their stories — which would often have remained only of local interest — become major international cases attracting law-enforcement and media attention.

Curb Visa Loopholes

Dubbed “golden visas,” visas that pave the way toward citizenship in exchange for substantial investments into the host country have allowed wealthy individuals to gain citizenship in second and third countries. As they gain citizenship abroad, kleptocrats have greater access to foreign financial markets and legal institutions to launder money and conceal the origins of their illicit funds. If they intend to do business in the country, they may bring their kleptocratic practices with them, risking degrading democracy and anti-corruption efforts in secondary countries.

Only coordinated actions against kleptocrats with buy-in from many nations will serve to halt the provision of golden visas to kleptocrats and limit their ability to spread their illicit activities in other countries or to launder money abroad. Countries may choose to end their golden-visa programs in order to preserve the integrity of their democracy and institutions from the corrosive effects of transnational kleptocracy.

Other solutions may involve increased investigations and information sharing to create a unified effort against providing golden visas to kleptocrats. While the U.S. Department of State has denied visas on the basis of corrupt practices and human-rights abuses uncovered during background checks, the reasons for denial of visas have been kept confidential. Under proposed legislation H.R. 4142 titled The Golden Visa Accountability Act, the Department of State would keep a database of visa denials for individuals found to engage in corruption or human-rights abuses, sharing this information with the European Union and members of the Five Eyes to launch a concerted effort to prevent kleptocrats from gaining secondary citizenship and spreading their illicit practices transnationally.

As of mid-July 2021, the EB-5 visa program that provides golden visas to large-scale investors in the United States has lapsed and been put on hold, though past holds on the program did not stop its renewal. Whether or not the visas are renewed in the United States, increased information sharing

on denial of visas for kleptocrats and human-rights abusers will be vital in aiding other countries in the fight against kleptocracy, including those who might not otherwise have the resources to conduct investigations and uncover the kleptocratic practices of visa applications.

TRANSNATIONAL KLEPTOCRACY TACTICS

This section looks beyond domestic or national spheres to detail transnational kleptocratic tactics and strategies. These transnational tactics are listed using four category types: (1) political and legal based, (2) economic and financial based, (3) coercive and violence based, and (4) branding and narrative based.

The transnational essence of contemporary kleptocracy distinguishes it from other forms of corruption throughout history. Whatever their motives, methods or objectives, all kleptocrats rely on the ability to exploit vulnerabilities in the global economy, engage professional intermediaries in different jurisdictions, transfer funds anonymously across borders and pursue unwelcome sources of scrutiny and opposition overseas.

This means that authoritarian regimes' efforts to maximize opportunities for kleptocracy increasingly take place beyond their own borders. This includes broadly three categories: transnational repression to suppress opposition and scrutiny; economic capture within democratic societies; and increasingly the use of "strategic corruption" by powerful regimes to advance foreign policy objectives.

former U.S. administration officials, who pointed in particular to China and Russia's "weaponization" of corruption on a global scale. It encompasses the deployment of corrosive capital and malign finance by authoritarians to co-opt current and former officials.

The Center for International Private Enterprise [defines](#) such "corrosive capital" as financing "that lacks transparency, accountability, and market orientation flowing from authoritarian regimes." It complements other forms of what the National Endowment for Democracy [calls](#) "sharp power," authoritarian influence that "pierces, penetrates, or perforates the political and information environments in the targeted countries."

Strategic corruption is not the exported byproduct of kleptocratic economies but involves the direct and deliberate use of bribery, extortion and other corrupt practices as tools of statecraft. That said, it is hardly surprising that regimes whose domestic foundations are built on corruption should view such practices as natural tools of foreign policy.

State-controlled companies frequently provide an ideal vehicle for such efforts. By masquerading as independent enterprises, they provide the regimes directing their activities with plausible deniability, whether believable or not. They are most frequently involved in gaining political leverage over elites in developing countries by offering them kickbacks from major infrastructure projects and other investments. Patrick Ho, a former Hong Kong official, was jailed by the United States in 2019 for bribing the presidents of Chad and Uganda on behalf of CEFC China Energy, ostensibly a private company but one with extensive links to



Political and Legal Tactics

Strategic Corruption

Of increasing concern in recent years is the deliberate use of corrupt practices by authoritarian regimes and their commercial proxies to advance foreign policy objectives. This was termed "strategic corruption" in a 2020 Foreign Affairs [essay](#) by

the Communist Party. In court, Ho argued that he had not engaged in private-sector bribery but was simply acting “in furtherance of the Chinese state’s agenda.” Chinese state-controlled companies have also engaged in massive bribery and other corruption along the Belt and Road Initiative, though this is often incidental to commercial ambitions rather than a deliberate attempt to politically co-opt local elites or catch vulnerable countries in a “debt trap” to Beijing — even if that is the inevitable outcome of their activities. But it would be wrong to suggest that only the developing world remains vulnerable to such advances. Russia’s Nord Stream 2 pipeline project has enticed European governments [despite](#) being embroiled in corruption scandals, not to mention being a blatant effort to advance the Kremlin’s malign intentions by increasing European dependency on Russian energy supplies at Ukraine’s expense.

Authoritarian regimes also attack democracies directly by exploiting the same loopholes created by kleptocracy to deploy what the German Marshall Fund [calls](#) “malign finance.” They collectively spent around \$300 million in 33 countries during the past decade on measures designed to undermine democratic processes.

They have also become adept at using bribery to infiltrate and subvert international organizations. This is often done for national prestige, illustrated for example by U.S. [allegations](#) that Russia and Qatar obtained the 2018 and 2022 World Cups by bribing Federation Internationale de Football Association (FIFA) officials. But on a far more concerning level, this kind of corrupt influence at the UN and other international organizations that set international standards and norms is designed to tip the global rules in these countries’ favor. In this way, what looks to the public like straightforward economic competition often masks a contest between the U.S.-led rules-based approach, and approaches rooted purely in twisting the global order to national interests (or more accurately, the interests of ruling elites in certain countries).

One of the most concerning developments in recent years is the extent to which authoritarian regimes not only emulate each other’s most successful kleptocratic tactics but actively cooperate in pursuing corrupt objectives. Across Africa and

throughout the developing world, for example, the Chinese Communist Party has spent perhaps hundreds of millions of dollars on so-called “palace diplomacy” to prop up corrupt dictators for mutual benefit. But perhaps the clearest example of this trend is the extensive efforts by leading authoritarian regimes to sustain Nicolás Maduro’s regime in Venezuela. Russia has deployed its full range of economic, diplomatic, military and disinformation tools to cover for Maduro’s rapacious kleptocracy, particularly through investment in the country’s oil sector. Iran is currently shipping fuel, gold and weaponry in an effort to help Maduro evade U.S. sanctions. And China has also provided diplomatic cover for the regime in international fora and loaned it at least \$20 billion. Just as the world’s major democracies have sought to support vulnerable partners such as Ukraine, the world’s most powerful kleptocrats rushed — successfully — to protect “one of their own” in Venezuela at a moment when democratic transition threatened.

An evolving area of potential cooperation on strategic corruption involves authoritarian regimes’ push to develop alternative payments that allow them to circumvent sanctions, anti-money-laundering safeguards and other restrictions on their ability to freely manipulate illicit financial flows. In particular, China and Russia’s efforts to develop viable digital currencies issued and controlled by their central banks have the potential to negate democracies’ ability to target corruption and human-rights abuses using tools of economic statecraft. These differ from the widespread adoption of “cryptocurrencies” in that they are not decentralized, but rather administered and monitored by central banks, providing authoritarian regimes with a new vehicle for illicit financial activity and surveilling the financial activities of domestic opposition.

Lawfare

Kleptocrats have increasingly utilized SLAPPs to litigate against and silence investigative journalists whose work exposes financial crimes and illicit money flows. Known as “lawfare,” these lawsuits are exceptionally effective at silencing journalists by forcing the journalists or their media organizations to accumulate such high legal fees fighting the lawsuits that they are ultimately outspent and

forced to back down. Indeed, a [survey](#) by The Foreign Policy Centre administered to journalists in 41 countries who report on corruption revealed that legal threats are the greatest hurdle to their work — higher than physical harassment or government surveillance — with 73 percent of respondents having been threatened with legal action for investigating corruption.

The prevalence of lawfare against journalists is having a deleterious effect on their activities, even before lawsuits are filed. Simply knowing that lawsuits will inevitably follow has deterred journalists from publishing; one journalist who is known for their investigations on oligarchic figures claims that around [50 percent of their reportage](#) is unpublished because of legal concerns.

The transnational nature of this tactic is evident in the practice of kleptocrats [“shopping” for foreign jurisdictions](#) to file lawsuits, where the jurisdiction’s legal system favors those filing defamation suits rather than the defendants. Such a system exists in the UK, where lawsuits to silence journalists occur at higher rates than the entirety of the European Union (EU) and the United States combined. The European Commission and dozens of U.S. states have either vowed to legislate or have already passed anti-SLAPP laws, requiring plaintiffs to prove the suit will go in their favor, placing a burden on those filing before defendants are put in a position in which they must accumulate exorbitant legal fees for their defense.



Economic and Financial Tactics

Bribery of Foreign Public Officials and Officials of Public International Organizations, Including through Fraudulent International Procurements

Just as they themselves solicit and extort bribes at home, kleptocrats routinely engage in bribery of foreign counterparts, whether for the purposes of self-enrichment or on behalf of the regime as a tool of foreign policy. The elements of foreign bribery are the same as for domestic bribery, except that UNCAC does not require signatories to criminalize

the solicitation or acceptance of bribes by foreign officials. The United Kingdom’s Bribery Act of 2010 did take this unusual step by asserting universal jurisdiction over bribery, something for which there are now growing calls in the United States. This would enable democracies to indict foreign kleptocrats for soliciting or extorting bribes from their companies. Fraudulent procurements generally point toward relationships between economic and political power, and kleptocrats regularly engage in fraudulent international procurement practices and siphon off large sums of public funds both for self-enrichment and to finance and buy influence to support kleptocratic regimes. Kleptocrats often use their influence to arrange for huge kickbacks through inflated and overpriced international procurement deals, create phantom vendors in tax havens and submit false invoices. Kleptocrats often target high-value international procurement deals including arms and ammunition purchase, or large-scale contracts to international vendors. In early 2021 an Al Jazeera investigation alleged that the Bangladesh Army had purchased sophisticated surveillance equipment from an Israeli firm and altered the purchase documents to the name of a nonexistent company in Hungary. The [exposé](#) also claimed that the brother of the sitting Bangladeshi Army chief was the primary dealmaker.

Laundering the Proceeds of Crime and Concealment

Whatever their predicate crime or future intentions, all kleptocrats rely on the ability to disguise the origin of illicit funds. To do so, they almost always engage the services of professional intermediaries with the necessary skills and expertise, often based in jurisdictions other than their country of origin. Kleptocrats and other criminals will use any method at their disposal to launder the proceeds of crime, from smuggling cash in suitcases to sophisticated mirror trading schemes. But there are three basic stages to any money laundering scheme:

1. **Placement:** Illicit funds are distanced from the criminal activity itself. This may be as simple as depositing cash from a bribe into a bank account.
2. **Layering:** The origins of illicit funds are disguised, usually by moving them through

multiple legal vehicles (notably shell companies) and financial institutions in different jurisdictions. Kleptocrats typically rely on lawyers, incorporation agents, accountants, bankers and wealth and investment managers during this stage.

- 3. Integration:** Successfully laundered funds reappear in the legitimate economy as assets and investments. In addition to those who assisted with layering, real-estate agents, arts and antiques dealers, and luxury-goods vendors are often engaged to this end.

Funds can travel through formal channels within financial systems via the use of third-party nominee entities or offshore accounts and legal entities established in secretive or tax-haven jurisdictions. Funds can also travel via informal channels including bulk cash smuggling, informal value transfer systems (IVTS), or cash-remittance or cash-courier services. However, transfers of large funds may be caught by financial institutions such as banks and create red flags. To overcome these red flags, kleptocrats sometimes use trade-based money laundering (TBML), which takes advantage of the complexity of bilateral commercial trade systems. TBML exploits the import and export of goods by overvaluing or undervaluing of customs declarations and trade invoices for international shipments. As these shipments encompass billions of dollars in goods in trade daily, customs officials are often unable to verify the physical goods being shipped and determine their value to catch disparities. Global Financial Integrity (GFI) studies suggest that TBML comprises more than 60 percent of funds transferred by kleptocrats internationally.

Once dirty funds have been laundered, kleptocrats typically transfer these funds to one of several popular destination countries. Among the most prominent destinations for kleptocrats' wealth are the cities of London and New York City, both established power and financial centers where real-estate or infrastructure investments are expensive and will retain their high value. However, increasingly kleptocratic networks also seek other safe havens in non-



BRAZIL'S PETROBRAS AND ODEBRECHT SCANDALS

In 2014, the criminal investigation *Operacao Lavo Jato* (Operation Car Wash) commenced in Brazil, revealing one of the world's largest corruption scandals, which involved fraudulent procurement as its main mechanism. Politicians and government administrators awarded billions of dollars in fraudulent contracts from Brazil's oil and gas company, Petrobras, to dozens of corporations in exchange for bribes and kickbacks. An initial money-laundering investigation uncovered how former President of Brazil Lula da Silva [accepted \\$22.1 million in bribes](#) in exchange for multi-billion-dollar contracts at inflated prices given through Petrobras to Grupo OAS, a construction company that assisted with projects [as large as the 2014 FIFA World Cup](#). The investigation then revealed that OAS Grupo funneled a portion of the funds back to the president's political party to strengthen its results in the [2014 elections](#).

Investigators deepened their search and ultimately uncovered fraudulent procurement practices that provided billions in contracts to dozens of corporations in exchange for bribes and kickbacks, implicating hundreds of Brazil's political and business elites. Chief among the implicated parties was the Brazilian-based multinational company Odebrecht SA, Latin America's largest construction conglomerate. Odebrecht was not only found guilty of paying bribes for contracts in Brazil, but has admitted to doing the same across the continent, [paying \\$788 million in bribes](#) in 12 countries in Latin America at a profit of \$3.3 billion. Multiple presidents were elected across the continent with funds from Odebrecht, which is [under investigation](#) in Argentina, Colombia, Ecuador, Peru and Venezuela. Like OAS, Odebrecht channeled illicit funds to President Luiz Lula da Silva's successor Dilma Rousseff and then-VP Michel Temer, who became president after Rousseff's impeachment.

By April 2015, the new chief executive officer (CEO) of Petrobras announced that [total losses to graft and mismanagement amounted to \\$17 billion](#), and economists found that ensuing financial woes from the scandal and lawsuits against Petrobras would reduce the entire country's GDP by 0.75 percent that year.

Western capitals, such as [Dubai](#). In particular, real estate is alluring for kleptocrats as many jurisdictions maintain lax reporting requirements for the transfer of real-estate interests. A 2021 report by GFI estimated that more than \$2.3 billion had been laundered through U.S real estate between 2015 and 2020 — a practice known as real-estate money laundering (REML) — with more than 50 percent of the reported cases involving politically exposed persons (PEPs), indicating the likely involvement of kleptocrats. Additionally, the GFI report found that professionals including attorneys and real-estate agents repeatedly facilitated REML by upper-income individuals — including kleptocrats.

The role of professional intermediaries in almost all these activities, but particularly the money-laundering process, cannot be overstated. The multi-trillion-dollar problem of global kleptocracy simply could not exist without the unwitting or unscrupulous lawyers, accountants, notaries, bankers, real-estate agents and other professionals being used as fronts and conduits for criminal activity who set up trusts and facilitate the transfer of funds for kleptocrats. Some of the most egregious money-laundering schemes by kleptocrats involved multinational banks, including Deutsche Bank and HSBC, resulting in enormous fines for failing to properly protect against or report the laundering of billions of dollars. Lawyers are also frequently complicit in kleptocratic schemes, where they serve as intermediaries in business transactions involving illicit funds. These legal professionals sometimes enable kleptocrats with full awareness, but many times simply become complicit through negligence; the global role of legal professionals was highlighted by the Panama Papers and the critical involvement of Mossack Fonseca, a Panama law firm that helped create and administer thousands of entities on behalf of suspicious clients.

Economic Capture

As discussed above, the working assumption throughout the end of the Cold War, the advent of globalization and rise of China as an economic power was that democratic values would naturally be transmitted from Western countries into the post-communist and developing world as its markets opened up. Unfortunately, this transmission of norms and practices — and indeed, capital — has

proven to be a two-way street between democracies and authoritarian societies. And it is kleptocracy that acts as the primary vehicle for this phenomenon.

Most obviously, lawyers, bankers, real-estate agents and other professional intermediaries have been offered unprecedented financial incentives to launder the proceeds of corruption and whitewashing the reputations of kleptocrats engaged in it. The same is true of public-affairs, public-relations and lobbying firms that are engaged to whitewash the reputations of kleptocratic regimes and obscure the shady origins of state-backed companies, oligarchs and other proxies operating within democratic societies. Cultural and educational institutions such as museums, art galleries, universities and private schools have all benefited from the philanthropy of these individuals and organizations. Even the sports and entertainment sectors have come under deep authoritarian influence, with oligarchs gobbling up European soccer teams, celebrities paid paying exorbitant sums to perform at authoritarians' social gatherings, the American National Basketball Association adhering to Chinese censorship of human-rights abuses in Xinjiang, and Hollywood producers avoiding sensitive issues involving China so as not to incur the wrath of the Communist Party.

Gradually, this exposure to corruption can have a corrosive effect on one's own values, norms and professional standards. And when such exposure becomes widespread enough, it can begin to undermine the norms and assumptions that sustain commitment to democracy itself among some of the most influential sections of democratic societies.

Wealthy countries that turned a blind eye to their own professional sectors' roles in facilitating transnational corruption are beginning to find that dirty money travels with heavy baggage. In 2016, the Panama Papers offered an unprecedented glimpse into how the world's most powerful people transfer and conceal their private wealth. In the United States, the special counsel investigation into Russian interference in the 2016 election brought to light longstanding links between Washington, D.C.'s influence market and some of the most corrupt regimes in the world. A major U.K. Parliament [report](#) found that Russian investment had acted as

a vanguard for political influence to an extent that “cannot be untangled.” And the European Union’s financial sector is still reeling from a banking [scandal](#) that saw hundreds of billions of dollars in suspicious transactions waved through into the bloc’s financial system without red flags being raised.

It is important to note that this transmission of corrupt values, practices and norms into democratic societies is not necessarily a master plan coordinated carefully between the world’s authoritarian leaders. It is the natural and predictable byproduct of democracies opening their financial systems and societies to capital originating from authoritarian regimes without adequate safeguards in place. But its effect has been to make professionals within democracies increasingly enticed by, and beholden to, the proceeds of transnational corruption and the factors that drive it. Put simply, those who rely on servicing kleptocrats for their living are less likely to support measures aimed at countering authoritarian kleptocracy.



Coercive and Violence-Based Tactics

Transnational Campaigns of Repression

Authoritarian regimes target critics, dissidents and diaspora in other countries for many reasons, but corruption is a common feature of such activities. Kleptocrats frequently attempt to suppress international scrutiny of their own corrupt practices and use corruption allegations to taint and impede perceived opponents around the world.

Unsurprisingly, professional intermediaries play a central role in such efforts. Lawyers may pursue vexatious lawsuits designed to burden investigative journalists and civil society organizations with crippling legal costs before substantive legal proceedings begin. They can also use foreign legal systems to pursue rival kleptocrats, the most notorious example being the extensive litigation between Russian oligarchs in London during the 2000s.

Public-relations firms and lobbyists, by contrast, often perform a defensive role by helping to whitewash kleptocrats’ murky origins and present

them as legitimate leaders, businesspeople or philanthropists. They can also be used to target political opponents through smear campaigns — most often fellow kleptocrats who have fallen foul of the regime and threaten to expose its corrupt secrets.

Naturally, these types of activities become easier in countries where there is significant economic capture of the type described above, and it has become acceptable to deal with authoritarian regimes engaged in corruption and human-rights abuses.

Of equal if not greater concern are powerful authoritarian regimes’ efforts to co-opt international law-enforcement mechanisms to pursue political opposition overseas. China’s Operation Fox Hunt — an overseas extension of Xi’s domestic anti-corruption campaign — has exploited extradition treaties to harass and forcibly repatriate Chinese nationals perceived to pose a threat to the regime on the most spurious charges. Russia’s rampant abuse of Interpol red notices to harry its critics is also well documented: famously used to harass the financier Bill Browder for his efforts to publicize the murder of lawyer Sergei Magnitsky by Russian authorities after uncovering a massive tax fraud.



Branding and Narrative-Based Tactics

Reputation Laundering

Through donations to universities, think tanks and cultural institutions, kleptocrats launder their illicit funds [while also bolstering their reputations](#). As they cultivate their image as philanthropists and patrons of the arts, kleptocrats divert attention away from their illicit activities, launder their wealth, and accrue social and capital gains from association with elite universities and cultural institutions.

These gains benefit kleptocrats [both abroad and at home](#). Association with elite Western universities may translate to a boost in social status at home, especially when large donations lead to preferential admissions for the kleptocrats or their family members. Moreover, donations to universities and think tanks can provide opportunities for

kleptocrats to shape the public discourse by influencing research or receiving speaking positions at educational events. Kleptocrats may also use donations to boost the reputation of their home country, entrenching regimes with poor financial transparency but whose support for Western institutions gains them favor among influential elites abroad, or because they wield their influence in think tanks and universities to normalize their countries' non-democratic forms of government.

Reputation laundering poses multifold threats and further entrenches transnational kleptocratic networks. Institutions that accept large donations from corrupt individuals may suffer damage to their own reputations. The integrity of a university or think tank's research and events may suffer if members of the institutions engage in self-censorship or give undue weight to the opinions of wealthy donors. Moreover, the successful use of universities or other institutions for reputation laundering bolsters kleptocrats' standing in their communities and abroad, strengthening their powerbase.

Reputation laundering is an inherently transnational practice and is dependent on an overlapping set of kleptocratic and illicit networks used to conceal the origins of a kleptocrat's wealth, making it difficult for universities and other institutions to do due diligence on large-gift donations. By setting up foundations or other legal entities in the United States, kleptocrats may conceal the foreign origins of their donations. As foreign [donations to universities have increased](#) in recent years, from \$1 billion between 2007 and 2013 to more than \$4 billion between 2013 and 2019 according to the U.S. Department of Education, universities are incentivized to accept foreign donations to remain competitive with one another, hampering efforts to create comprehensive policies to deter donations from illicit sources.

Reputation laundering can also go beyond the realm of large-gift donations; kleptocratic regimes may take advantage of [tourism, social media and pop culture](#) to bolster their countries' or their personal reputations. Using illicit funds to pay for

popular musicians or actors to perform at private parties or public events in support of the kleptocrat increases complicity toward their practices and cultivates a "cool" persona that is embraced by the public. Kleptocrats may also strategically market their countries to tourists by feigning an image as a country in the process of reforming, or that supports popular movements such as the fight against climate change, to attract tourists and divert attention away from their illicit activities.

Reputation laundering in this sense poses a threat to domestic activists that seek to expose the kleptocrats, leaving them as targets for censorship or suppression. In addition, the success of reputation laundering to broad-based populations such as tourists or social media users normalizes — and even sometimes glorifies — kleptocrats and their practices.

Development Narratives

Kleptocratic rulers may also deploy narratives surrounding development as a branding tool internationally, using rhetoric that their one-party state, "benevolent" authoritarian regime, or limited democracy can deliver an economic miracle or rapid economic development through iron state control. In this logic, economic development takes precedence over democracy. Many kleptocrats have successfully argued that their developing nation must make certain pragmatic compromises with the "utopian" ideal of democracy. After all, people need food before they need rights, and achieving economic development is much more important than good governance. This development narrative is also useful in another way: foreign-funded construction and infrastructure projects are lucrative targets for kleptocrats. In this way the promotion of development-focused narratives is a more indirect avenue to increase the benefits and profits of kleptocracy, and thus it differs from the more targeted reputation laundering tactic. These narratives are also projected both domestically and internationally, although the focus on attracting investment from abroad places it under the "transnational" category under our taxonomy.

TRANSNATIONAL RESPONSES TO KLEPTOCRACY

This section of the Playbook outlines international counter-responses to kleptocracy, including criminalizing foreign bribery and solicitation of bribery, sanctioning corrupt actors, creating democratic solidarity against authoritarian kleptocracy, building a network to defeat a network and curbing immigration loopholes. These responses are intended for actors aiming to counter corruption outside of their home country, including international activists, organizations and actors in destination countries.

By protecting their own institutions and supporting those engaged in anti-corruption efforts, democratic societies (and those undergoing democratic transitions) will be in a secure, credible and powerful position to begin targeting kleptocracy through law enforcement, economic statecraft and civil society pressure.

Criminalize Foreign Bribery and Solicitation of Bribery

In 1977, the United States became the first country to criminalize bribery of foreign officials by its own companies operating overseas, through the Foreign Corrupt Practices Act. It was an important commitment not to export corruption or worsen it in other countries, which has been emulated by many other countries since; indeed, it is the core requirement of the [OECD Anti-Bribery Convention](#). Yet [analysis](#) by Transparency International shows that only four countries — the U.S., UK, Switzerland, and Israel — actively enforce foreign bribery legislation, with nearly half of world's exports coming from countries that barely punish it at all. Improving enforcement against foreign bribery is therefore a major priority.

Even this does nothing to target corrupt foreign officials who demand or extort payments themselves. Criminalizing the *solicitation* of bribery is the logical next step that will enable law-enforcement agencies to target kleptocrats

themselves, rather than just the companies that enrich them. Of course, this involves granting law enforcement jurisdiction over crimes that may not have taken place within their own borders, something many governments are reluctant to do in case others do the same to them. But it would send a clear message that democracies consider the harm caused by transnational corruption a serious and universal issue, and would allow them to strike back against kleptocracy by projecting the rule of law into corrupt authoritarian regimes themselves.

Sanction Corrupt Actors

When kleptocrats lie beyond the reach of law enforcement, democratic governments can use various forms of sanctions to name and shame corrupt actors, disrupt their activities and try to hold them accountable. It is an especially important tool for major financial centers — particularly the United States, given the U.S. dollar's status as a global currency.

But it is important for smaller democracies to consider introducing their own sanctions against foreign corruption too. This not only sends an important message of democratic solidarity but also utilizes sanctions in a defensive role by preventing the proceeds of corruption from entering a country's financial system.

There is substantial and growing debate over the broader use — or indeed, overuse — of economic sanctions as tools of foreign policy, given the potential for harmful economic side effects on innocent populations. However, programs like the Global Magnitsky Act use targeted sanctions to punish specific individuals and their close associates, which do not affect the wider population. Targeted sanctions act as powerful tools to deter human-rights abuses and corruption by directly holding those responsible accountable.

Recently, there has been a global rise in the designation of individuals and entities on sanctions

lists for corruption, especially in like-minded liberal democracies. Similar to anti-terrorism sanction designations, these lists can have a powerful impact on intervening in financial and visa transactions for the listed individuals. However, unlike anti-terrorism sanctions — which are consolidated by the UN Security Council (UNSC) — anti-corruption sanction lists still primarily rely on disjointed national decisions. To strengthen transnational responses to kleptocracy, domestic sanction efforts should increasingly be coordinated across borders to build more effective deterrence networks.

Democratic Solidarity Against Authoritarian Kleptocracy

The next immediate step that can be taken by concerned governments is to deliver a strong, credible and explicit message to authoritarian regimes that abuse of the global financial system will no longer be tolerated, while coordinating existing anti-money laundering and anti-corruption policies as far as possible with other democracies.

For most countries, this means greater efforts to implement commitments already made under the [UN Convention Against Corruption](#), [OECD Anti-Bribery Convention](#), [Financial Action Task Force Recommendations](#) and other relevant agreements. It also means placing greater emphasis on the issue at prominent international fora such as the United Nations, Group of Seven (G7) and Group of 20 (G20), and the Financial Action Task Force.

This is now a pressing task as authoritarian regimes have begun subverting anti-corruption narratives for their own malign purposes, much as they often exploited counterterrorism measures to target legitimate political opposition in the 2000s. Many a strongman has swept to power on promises to clean up the system, only to make it worse. In China, Xi Jinping's unprecedented crackdown on corruption in the Chinese Communist Party is a case study for aspiring authoritarians on how to gain popularity by confronting a genuine problem, while also neutralizing political opposition. Launched in 2012, Xi's anti-corruption campaign against both "tigers and flies" was widely welcomed as a response to bureaucratic inertia and longstanding public frustration caused by entrenched corruption at every level of the CCP. But it also assisted in



THE GLOBAL MAGNITSKY PROGRAM

The original Magnitsky Act of 2012 authorized U.S. sanctions against Russian officials implicated in the murder of Sergei Magnitsky, a Moscow lawyer who had uncovered evidence of massive state-run tax fraud. In 2016, the U.S. Congress passed a Global Magnitsky Act that authorized the imposition of asset freezes and U.S. travel bans on any individual or entity engaged in human-rights abuses or corruption worldwide.

The Global Magnitsky program had expanded to [target](#) 246 actors in 34 countries as of January 2021, with such success that other democracies including Canada, the European Union and the United Kingdom have implemented their own versions. Legislation is also being considered in Japan, Australia and elsewhere. In March 2021, Global Magnitsky sanctions against perpetrators of human-rights abuses in Xinjiang were coordinated between several countries for the first time in a promising show of alignment and solidarity.

Perhaps surprisingly given the usually (and necessarily) secretive sanctions designation process, civil society organizations play a critical role in the U.S. Global Magnitsky program. Not only do U.S. officials often rely on media and civil society investigations to identify potential targets, but more than 200 groups from around the world are formally involved in gathering and submitting evidence of human-rights abuses and corruption for consideration by the U.S. Treasury Department.

justifying and accelerating Xi's centralization of power by projecting the central party's influence further into key government institutions, resulting — whether indirectly or by design — in strengthening the levers of repression throughout the system. This was achieved not only through institutional reforms, but by promoting Xi loyalists into positions vacated by disgraced officials. Moreover,

though Operation Fox Hunt — the anti-corruption campaign's overseas component — has undoubtedly pursued genuine fugitives for extradition, it has also disproportionately targeted Xi's political opponents and critics. It is telling of Beijing's priorities that, despite this apparent push to internationalize its own anti-corruption efforts, it [continues to shelter](#) alleged kleptocrats wanted by other countries and has done nothing substantive to address rampant bribery and embezzlement throughout the Belt and Road Initiative.

China's anti-corruption campaign, therefore, is not only unprecedented in scale but perhaps more complicated in its origins and outcomes than cruder versions that have subsequently [been pursued](#) in countries such as Nigeria, Pakistan, the Philippines and Russia, among many others. The theme that runs through them all, though, is that political leaders in countries with poor rule of law are increasingly harnessing the nomenclature of anti-corruption to enlist public support for anti-democratic activities.

A genuine and concerted public-relations campaign by democracies to expose and rebuke authoritarian kleptocracy would expose this hypocrisy and put corrupt regimes on notice that, despite their efforts to erode rule of law globally, the rules of the game have not changed, and they will need to start playing by them or be held accountable.

Build a Network to Defeat a Network

As we have seen, transnational corruption necessarily involves the participation of multiple actors in various jurisdictions, from kleptocrats themselves to professionals who facilitate money laundering and governments that turn a blind eye. Kleptocracy is now a vast and thriving global industry, as well as being a sprawling worldwide threat. By contrast, the national and local law-enforcement agencies, independent media and civil society organizations focused on combating corruption are often constrained by jurisdictional issues and lack of sufficient political backing, expertise and resources.

While some of the most important ways in which policymakers can support their efforts are set out above, it bears repeating that targeting kleptocrats and their professional enablers effectively will require, first and foremost, the emergence of new transnational anti-kleptocracy networks. Piecemeal targeting of kleptocrats with law-enforcement actions and sanctions will not be enough to upend the systemic underpinnings of transnational corruption, because it is the combination of financial anonymity and public apathy above all else that permits kleptocrats to operate with impunity. The prospect of prosecution or being sanctioned can certainly both deter and hold accountable leaders who steal from their own people. But only by galvanizing public concern and momentum for addressing systemic vulnerabilities through reform can we undermine their ability to do so in the first place.

For concerned policymakers in democracies, the primary challenge must therefore be to support the further growth of counter-kleptocracy networks such as those pioneered by the International Consortium of Investigative Journalists (ICIJ), the National Endowment for Democracy (NED) and others. Additional laudable anti-kleptocracy international initiatives include the Extractive Industries Transparency Initiative (EITI), an international standard for accountability in the management of natural resources and public funds earned from these resources, as well as the Publish What You Pay (PWYP) initiative that pushes for public access to information relating to extractive-industry contracts.

It is true that democratic governments can begin the work of aligning anti-corruption policies and coordinating enforcement at any time they choose. However, in reality, only civil society activism and public outrage will ensure that they actually do so and continue to do so. And within authoritarian societies themselves, only the survival and strengthening of civil society can expose kleptocratic regimes to the public and generate the kind of political pressure capable of holding corrupt leaders to account.



THE ANTI-KLEPTOCRACY COALITION OF CENTRAL AFRICA

In February 2018, four civil society organizations from Cameroon, Chad, the Republic of Congo and Equatorial Guinea gathered at a workshop organized by the National Endowment for Democracy and created The Anti-Kleptocracy Coalition of Central Africa to take a coordinated approach to counter kleptocracy in the region with [the largest concentration of authoritarian kleptocratic regimes in the world](#). With support from the NED and Global Integrity, the coalition bridges the gap between local civil society organizations and larger, international organizations by creating a meeting point for collaboration at the regional level. In 2020, Friends of Angola joined the existing four organizations — ADISI (Cameroon), EG Justice (Equatorial Guinea), the Public Interest Law Center (Chad) and Sassoufit (the Republic of Congo) — expanding the coalition’s regional presence to five countries.

Member organizations in the Anti-Kleptocracy Coalition have traditionally spearheaded investigative and legal proceedings against kleptocrats, but they recognized a gap in regional civic education programming that would be necessary to raise public awareness of kleptocracy and spur widespread demands for change. In response, the coalition founded the Open Central Africa (OCA) initiative to gather and publicize stories of how kleptocracy affects the daily lives of Central Africans and deprives citizens of public services.

These stories personalize kleptocracy and make corruption data more tangible, making the negative effects of kleptocracy more easily understood and motivating citizens to demand reforms. For example, OCA published [a story](#) juxtaposing the riches of the ruling family in Equatorial Guinea to the poor life expectancy, education, and financial status of average Equatoguineans. Their story serves as a critique of media narratives that glorify the lifestyle of Teodoro Nguema Obiang, the Vice President and son of Equatorial Guinea’s current president Teodoro Obiang Ngeuma Mbasogo, who has siphoned off more than \$700 million to buy himself luxury goods in the U.S., Europe, and South Africa. OCA highlights the extent to which these purchases are directly depriving Equatoguineans of a higher quality of life, given that \$700 million represents one-third of the country’s annual budget and could be used to fund the education system for 8 years or to fund the national health system for a decade.

When COVID-19 struck Central Africa, OCA tailored its stories to focus on the impact of kleptocracy on managing the pandemic. OCA wrote about the [Grand Coeur Foundation](#), a charitable foundation run by Chad’s former first lady that pressures both state-owned and private enterprises to contribute large donations that are diverted for the enrichment of the president’s family and extended networks. After the onset of the pandemic, Grand Coeur took over state functions in managing COVID-19 in Chad, driving both money and medical resources to the foundation and using them largely for the benefit of the former president’s family and loyalists. These practices served to enrich the president while entrenching his position by garnering supporting through patronage systems rather than meaningfully addressing the pandemic.

Address the Role of Transit and Destination Countries

In addition to building international networks, global anti-corruption activists need to work to close the loopholes in transit and destination jurisdictions that enable kleptocrats to launder stolen funds. This

includes implementing the full recommendations of the Financial Action Task Force on Anti-Money Laundering (FATF), including implementing enhanced due diligence by financial institutions on activities by PEPs, which all kleptocrats would be considered.

Transit and destination countries also need to require more information on the true beneficial owners of legal entities such as corporations and limited-liability companies (LLCs), in order to stop enabling the laundering of stolen money by kleptocrats using shell companies into international financial systems. Many nations recently changed their laws regarding the registration of entities and opening accounts, and now require information on the individuals who ultimately control and benefit from such entities. The threshold of ownership interest required for full reporting varies among jurisdictions, but typically includes disclosure of those with 10-percent shareholdings or more.

Beyond beneficial-ownership reporting requirements, transit and destination countries can minimize their role in enabling kleptocracy by implementing requirements for automatic bilateral reporting of financial information. The gold standard of automatic financial information exchanges is the OECD's [Common Reporting Standard](#) (CRS), which calls on financial institutions in participating nations to automatically exchange financial information with other jurisdictions. Such reciprocal exchange of information allows for "origin nations" where kleptocrats reside to access financial information from transit and destination countries, in order to compare it to their national data and uncover corruption and other illicit activities.

Although the United States does not follow the CRS, it holds a similar standard in the [Foreign Account Tax Compliance Act](#) (FATCA), which imposes requirements for the reporting of information on financial assets above certain thresholds back to the country of origin. Although FATCA can help ensure that taxes are paid by the asset owner in their home country, the bilateral reporting requirements are not as stringent as the CRS and information is not exchanged automatically. Because information



US CORPORATE TRANSPARENCY ACT

In January 2021 as part of the National Defense Authorization Act (NDAA), the United States [enacted](#) the [Corporate Transparency Act](#) (CTA) of 2019 to "better enable critical national security, intelligence, and law enforcement efforts to counter money laundering, the financing of terrorism, and other illicit activity." Critically, the CTA creates a national registry of company beneficial-ownership information managed by the Financial Crimes Enforcement Network (FinCEN) within the U.S. Treasury Department, which requires reporting of identifying information for shareholders with a 25-percent interest or above. The CTA will go into effect in January 2022 and primarily aims to cripple US-registered shell companies, a key instrument of kleptocrats to transfer and launder funds through and into U.S. financial systems.

is only sent upon request, additional burden is placed upon origin countries to find discrepancies and request specific information from the United States, making it easier for kleptocrats to get away with financial misbehavior in the United States than in a country that has implemented the CRS. The United States should address this loophole in order to minimize its outsized popularity as a money-laundering haven by kleptocrats, and other destination and transit countries need to also look to implement high standards for financial-information reporting and exchanges in order to assist nations suffering from kleptocracy discover illicit transfers.

RECOMMENDATIONS

Understanding the tactics used by kleptocrats around the world to illicitly build wealth for themselves, while undermining democracy, development and economic growth is the first and key step in determining approaches to counter them. It is vital that the international community forges a global alliance and promotes groups of anti-kleptocracy activists from around the world in addition to bolstering defense mechanisms to counter this transnational phenomenon. A collective push against kleptocracy should prioritize the following:

Elevate the fight against kleptocracy

- Political leadership is needed to refocus democracy protection and promotion efforts on systemic corruption risks and money-laundering vulnerabilities.
- Alert national security agencies regarding kleptocracy and empower them to counter kleptocratic threats.
- Ensure that law-enforcement agencies have the political backing and resources necessary to investigate and prosecute transnational corruption.
- Renew efforts to implement existing anti-corruption and anti-money-laundering commitments under international agreements.
- Prioritize and coordinate action against kleptocracy by democracies at major international fora.

Protect democratic institutions

- Strengthen anti-money-laundering systems by fully implementing the FATF 40 Recommendations.
- Promote transparent ownership of companies, real estate and other vehicles for laundering the proceeds of corruption.
- Limit financial vulnerabilities to authoritarian influence by requiring asset disclosures for

public officials and limiting their ability to lobby on behalf of foreign governments.

- Require disclosure of funding sources and associated activities by political parties, lobbyists, media outlets, campaign groups and others in the "influence industry."

Empower anti-corruption efforts

- Protect independent media and civil society organizations investigating corruption from violence, intimidation and vexatious legal threats.
- Provide law enforcement with new legal authorities to target unexplained wealth and prosecute money laundering.
- Offer strong protections for whistleblowers and financial rewards for those who come forward to expose corruption.

Target transnational kleptocracy

- Criminalize foreign bribery and solicitation of bribery by foreign officials.
- Introduce Global Magnitsky sanctions targeting human-rights abuses and corruption and coordinating designations with other democracies whenever possible.
- Foster the emergence of global counter-kleptocracy networks to educate the public, galvanize support for reform and hold corrupt leaders to account.

International Republican Institute

IRI.org
@IRIglobal

| P: (202) 408-9450
E: info@iri.org

