

THE BIG QUESTION: HOW WILL THE COVID-19 PANDEMIC AFFECT TRANSNATIONAL KLEPTOCRACY?

While it is too early to understand the full impact of the COVID-19 pandemic, it is likely that with global attention trained on containing and responding to the virus, kleptocratic financial flows are receiving less scrutiny. At the same time, the global health pandemic is bringing into sharp relief the debilitated state of social services in many countries, which could lead to greater citizen discontent and activism. The International Forum for Democratic Studies asked four leading experts for their views on how the COVID-19 pandemic will affect trends in transnational kleptocracy.

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The impact of the coronavirus on global health and the global economy will be immense, with no country spared, since pandemics, like kleptocracy, do not recognize international borders. While saving lives should be our immediate priority, we must be diligent and anticipate that transnational kleptocracy will flourish alongside the pandemic.

As citizens in more countries fall ill, we can foresee that wealthy or more developed countries will send international assistance to the less developed countries to help combat the disease and economic shock. This surge in international assistance will present a ripe opportunity for corruption and kleptocracy to grow. Crisis spending is often rushed to get as much assistance (either goods or monetary amounts) into impacted areas as quickly as possible to aid citizens. This influx of assistance presents opportunities for black markets to boom, as needed medical supplies and pharmaceuticals are in demand and procurement controls are often non-existent.

Another unintended consequence of the coronavirus is that typical oversight mechanisms may be paused or subject to less scrutiny. As vast numbers of workers across governments and the private sector (including financial and regulatory institutions) are placed under quarantine or stay-at-home orders, there may not be the ability to ensure that the proper oversight procedures are performed for financial transactions and procurement orders.

In developed countries, financial and security oversight mechanisms may not be in place to support telework given the sensitive or classified nature of the work. In countries prone to corruption, money will likely be more easily “skimmed off the top” and moved offshore with even fewer checks on sourcing. Illicit finance may well be one of the industries which thrives during the coronavirus pandemic of 2020 and more diligent efforts will need to be retroactively applied to investigate questionable activities and monetary transfers.

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Transnational kleptocracy can be understood as the cross-border ties, typically in the form of non-state networks, by which authoritarian elites gain and keep power and wealth. While it is early to assess the effect COVID-19 and the global response may have on these ties and their mechanisms, we may make some comments in three areas.

There is reason to believe that demand for transnational connections will increase. While the response to the pandemic is characterized by extraordinary extensions of state power in many places, this is likely to be followed by instability caused by economic duress and grievances about ineffective state responses. Faced by such challenges, elites are all the more likely to prize their offshore bank accounts, second citizenships and residencies, and their global reputations. These provide an insurance policy against disaster at home and a means of flight for them and their families if they are pushed from power. Some of these assets also hold their value while stocks and currencies fall.

On the supply-side, those intermediaries (or enablers) that preside over such transactions will find that their business is hardly affected by the global shutdown. These professionals—lawyers, accountants, agents—will rarely see a client directly. If they meet anyone, it would be a representative but, in most cases, transactions are completed remotely often with few or any of the appropriate “know your customer” and beneficial ownership checks.

Finally, effective global and national governance—vital to tackle transnational kleptocracy—appears to be under duress to a degree rarely seen in peacetime. In the UK, measures for public registries and initiatives to expose “authoritarian influencing” that survived Brexit may be delayed or watered down in the period of post-crisis recovery. In the US, much depends on whether important tools such as the Magnitsky sanctions become general instruments of policy rather than ad hoc measures.

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war profiteers and seeks to shut those benefiting from violence out of the international financial system.

The COVID-19 crisis presents an opportunity for kleptocracy to flourish. Across the world, the crisis will result in a drastic uptick in government spending, new logistical obstacles for watchdogs in civil society and government, and a ready-made excuse for restricting citizens' movement, cracking down on perceived opponents, and tightening their grip on power.

The incentive to aggressively crack down on dissent may also expand, as the COVID-19 crisis illuminates kleptocrats' poor governance. The crisis exposes the dire state of many long-neglected health systems and adds a new level of urgency to questions about the experience of vulnerable populations, including those in prison, internally displaced persons, and refugees. With the stakes so high, many eyes are acutely focused on official responses to the crisis, scrutinizing governments' every move. Kleptocrats will be keen to ensure that the COVID-19 crisis is a scapegoat rather than a microscope for their misrule.

For many kleptocrats, this is familiar territory. In states captured by kleptocrats, profiting from crises has tragically become the norm, not the exception. Corrupt regimes around the world have opportunistically capitalized on crises to expand their power and enrich themselves simultaneously. In these contexts, the social contract between the rulers and the governed has already been severed. Whereas governments are supposed to safeguard the rule of law and provide social services, kleptocracies operate as a predatory criminal enterprise that does just the opposite.

Unfortunately, the COVID-19 crisis does little to fundamentally alter the incentive structures at the heart of kleptocracy. Unless corrupt government officials believe that there will be consequences for continued theft and oppression, the result will be business as usual.

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The COVID-19 epidemic will almost certainly prove a boon for most kleptocratic leaders. National emergencies often enable increases in corrupt activity, and this pandemic is no exception. Throughout the world, large amounts of money are being disbursed by governments to procure crucial medical items and services and help prop up

economies. Often, disbursements of money are set up with minimal transparency, accountability, or counter-corruption mechanisms. Such large pools of money and resources with minimal oversight are an excellent opportunity for the corrupt to act corruptly. Massive contracts enable huge opportunities for bribes and kickbacks with few chances of getting caught.

Meanwhile, kleptocratic leaders have additional patronage levers to strengthen their regimes. Kleptocratic regimes that can control access to essential medical resources, procurement contracts, and financial resources can ensure they go to key supporters while marginalizing those who oppose them.

Governments also have an excuse to limit oversight.

All the while, the COVID-19 epidemic provides governments a legitimate excuse to increase citizen surveillance and limit many forms of protest and even elections. Surveillance systems to monitor contagion pathways can monitor personal movements for political reasons. Quarantine measures enable governments to prevent mass protests, as happened to protest movements in places like Hong Kong and India.

There are some reasons for hope, however. First, nothing focuses an often-ambivalent population's attention on politics and economics like an emergency. Unlike many financial crises, everyone is susceptible to this epidemic regardless of race, creed, religion, or social class. This includes the middle class, who are often at the forefront of social movements for change. Populations under quarantine are also experimenting with new forms of protest. In Brazil, this takes the form of banging pots at designated times each night to protest the Bolsonaro regime. New means of political engagement and protest online are also being developed. Some of this creativity may bring new tactics to effectively fight kleptocratic regimes in ways we have never imagined.

Respondents' answers have been edited for length and clarity, and do not necessarily reflect the views of the National Endowment for Democracy.