

Authoritarian Reputation Laundering in Paris and Lisbon

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Research on the financial and reputational dimensions of international kleptocracy largely focuses on the United States and United Kingdom, which draws attention away from other European, and increasingly Asian, financial centers that enable authoritarian reputation laundering. Paris and Lisbon are particularly informative case studies, where reputation service provision is considered mainstream and ties to former colonial networks have facilitated reputation laundering in different ways for authoritarian leaders and their families. Greater transparency is critical to addressing this challenge about which much remains unknown. Recommendations include creating a mandatory lobbying registry; requiring media, universities, and think tanks to report external funding; and scrutinizing political party financing.

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Research on the financial and reputational dimensions of international kleptocracy largely focuses on the links between elites of autocratic states and financial centers in the United States and United Kingdom—especially on the role of the City of London’s financial services system in connecting U.K. capital with former British colonies and Overseas Territories.¹ This focus is understandable to some degree as London’s lightly regulated yet law-abiding environment has proven to be welcoming of politically exposed persons seeking to shelter their ill-gotten wealth. Elites from authoritarian and illiberal states believe it desirable for their families to adopt British residence, education, and mannerisms—and of course, citizenship—creating a sophisticated pipeline that allows politically exposed persons (PEPs) to transition from disreputable outsiders to legitimate, even respected, members of the city’s elite.

Focusing solely on London, however, draws attention away from other European, and increasingly Asian, financial centers that enable authoritarian reputation laundering such as Paris and Lisbon. Far from unique to London, this phenomenon is systemic across Europe. Virtually every European financial and political center possesses an intricate web of such connections to various degrees, and leverages their unique historical links, political stability, and legal certainty in a similar manner as the United Kingdom.

Beyond London as a Center for Reputation Laundering

Major elements of reputation laundering widely recognized in London can also be found in Paris and Lisbon. Reputation laundering has made significant inroads into French legal firms, banks, and PR agencies, among other industries, building on a longstanding pattern of informal elite networks with Francophone Africa and, later, the Persian Gulf states. France’s political parties, cultural institutions, and media space have also been affected. Lisbon pro-

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vides a narrower example of a bilateral relationship with a former colony, Angola, escalating in the aftermath of the 2008 financial crisis into a thorough penetration of Portuguese elite circles (including nearly all service provision sectors as well as parts of the political system) by oil-rich Angolan elites.

In both capitals, political communications and other PR firms are hired to improve the visibility and respectability of their autocratic clients, which in turn makes it less politically costly for French and Portuguese elites to maintain close and high-level diplomatic relations with them. Facilitating the legitimization of oligarchs and their transnational lifestyles in turn generates political resources that authoritarians and their cronies can redeploy in their home countries to strengthen their grip on political power. Finally, this for-profit engagement with kleptocrats eventually has significant political impact on Western financial centers as their own domestic politics and political economies become intertwined with their authoritarian clients or partners.

Paris as an Indispensable Hub for Reputation Laundering

France has a complex history of post-colonial relations with Francophone Africa, where it has exerted enduring influence. Elites from most former colonies, including in the Maghreb, have also maintained strong links to Paris, as it is a major hub of their political world. This link to the French capital is simultaneously financial, political, and cultural. One dimension of this close relationship is Paris's role as an indispensable services hub, providing public relations support, lobbying, and banking for authoritarian regimes and PEPs across Africa and, especially over the last three decades, the Middle East and beyond. From Paris, they seek to influence their reputations with French institutions and with critical global institutions such as the European Commission and the International Monetary Fund (IMF).

The market for reputational services in Paris includes agencies of different sizes and scopes, ranging from small boutiques and middle-sized operators to global agencies such as the Publicis and Havas groups, generalists for whom such autocratic business is a relatively small part of their wider portfolio. Havas and Publicis agencies in Europe and the United States have also provided key services for Saudi Arabia and its institutions, organizing meetings with journalists and PR events,² including after it was revealed that MBS allegedly ordered the assassination of Jamal Khashoggi.³

Reputation services provided by these agencies may seek to influence local markets—commissioning “special issues” in magazines, placing “puff pieces” that portray autocrats in an uncritically positive light in European media, and providing access to, and opportunities to influence, French elites—as well as products for international markets, like media or electoral campaigns for incumbents in their own countries.

Access to French elites is critical to establishing the acceptability and insider status of PEPs as well as stabilizing diplomatic relations. Elites from authoritarian settings are major clients of French law firms, banks, and a host of other enablers. They are included in private clubs and societies, have close relations with French political parties, and are increasingly partners in the ultimate arenas for reputation laundering: education, sports, and the arts. Numerous

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partnerships between the Louvre Museum, the Sorbonne, and Abu Dhabi demonstrate this point. Sponsorship for the renovation of French historical patrimony also became mainstream over the last decade. It is in this world of Parisian cultural elite socialization that reputations are laundered most effectively.

In recent years, reputation services have shifted, blurring the boundaries between private and public actors and occurring on many different levels across the political ecosystem. Boutique business intelligence firms are on the rise, and a growing number of former French politicians, diplomats, and even Elysée advisors have created their own boutique firms or joined preexisting companies. Their work straddles the line between strategic consulting, influencing, and public relations, thus capitalizing on their bureaucratic and political networks. They sell their clients opportunities to meet and influence French elites.

One example is former French Minister of Economy and former IMF managing director Dominique Strauss-Kahn, whose Morocco-based company has advised governments in the Republic of Congo and Togo along with companies such as Russia's state-owned energy company Rosfnet.⁴ He was hired to facilitate relations with donors and international agencies.⁵ His hiring happened in the context of negotiations that were crucial for the future of the Sassou Nguesso regime, who has ruled the Republic of Congo with an iron fist for over forty years and squandered the country's oil wealth in the process but has been a frequent recipient of IMF loans.⁶

Reputation services can also be part of the deals and support global companies make with autocrats in exchange for access to markets or public contracts. For example, Vincent Bolloré's company, the main shareholder of Havas, offered PR and reputation services to President Faure Gnassingbé of Togo and President Alpha Condé of Guinea, whose rule over their countries has been widely condemned as repressive and deeply corrupt,⁷ reportedly in exchange for port concessions in Lomé and Conakry.⁸ Company representatives recognized these facts,⁹ although charges in Guinea were dropped because the statute of limitation had run out. The company also negotiated a settlement regarding Togo,¹⁰ though the public prosecutor later dismissed the plea agreement and decided to charge company executives with corruption.

Of course, Paris cannot play this role and emerge unscathed. Scandals involving former-national oil company Elf Aquitaine uncovered the financing of the French Right and Left by the likes of Gabon's President Omar Bongo.¹¹ Over the last decade, investigations have revealed financial connections between Russia and the French far-right party, the Front National,¹² as well as alleged ties between Ghaddafi's Libya and Sarkozy's center-right party in France.¹³ Other connections between individual French politicians and elites in authoritarian states have also been uncovered.¹⁴

Lisbon's Role in Authoritarian Reputation Laundering

Lisbon's role in authoritarian reputation laundering is more limited than Paris but also has its origins in links with a former colony, oil-rich Angola, whose long-time former ruler, José Eduardo dos Santos, and his family were accused of widespread corruption and human rights

abuses. Although bilateral relations were frosty in the initial post-independence years as both countries were on opposing sides of the Cold War, Angola's rulers re-established a strong connection with Lisbon in the early 1990s.¹⁵ Angolan elites, always culturally close to Portugal, took to Lisbon as a second home and gateway to the global economy. In many cases, they were also able to achieve Portuguese citizenship, an invaluable asset for international mobility. Lisbon provided them with a haven for education, healthcare, leisure, property acquisition, and a host of legal and financial services—benefits that were pursued in tandem with a deep Portuguese involvement in Angola's economy, especially in the financial sector.

To be clear, Lisbon's permissive climate predated the presence of Angolan kleptocrats. Its economic and political life has long been characterized by conflicts of interest as a small elite, often connected by ties of family or friendship, circulate from private to public roles and back again. Lisbon's top law firms have an all-pervasive influence, sometimes even drafting legislation, and activities that amount to lobbying are barely regulated. While corruption in its classic forms has also occurred, informal influencing across social networks that is difficult to track is widespread and recurrent.¹⁶

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Initially, Angolan reputation laundering efforts in Lisbon did not involve the kinds of specialized services found in Paris and was largely limited to work by law firms and some banks because Angolan officials did not seek the high profile later sought by many oligarchs. Flying “below-the-radar” meant that there was limited knowledge of the extent of their wealth and therefore less awareness or concern about their reputation. Moreover, in Lisbon where many elites worked closely with Angolan clients, a near consensus evolved that such business was entirely legitimate and without downsides, creating the conditions for the early success of Angolan PEPs.

This equilibrium ended with the 2008 financial crisis that nearly bankrupted Portugal alongside an unprecedented boom in Angolan oil production and global oil prices.¹⁷ Angolan public and private investors emerged quickly as leading players in the Portuguese economy, snapping up assets in banking, media, energy, and telecommunications sectors with few dissenting Portuguese voices identifying the Angolan regime's disrepute. Portuguese companies became major suppliers and contractors to the then-booming Angolan economy, and Portuguese expats' remittances in Angola were increasingly important for Portugal's recession-ridden economy. As Angolan PEPs became dominant in many market sectors and penetrated Portuguese public life, there was a deepening and widening of service provisions by Portuguese elites for the Angolan regime. Rumors of Angolan financing of Portuguese political parties also became rife.

As recently as a decade ago, the Angolan regime was generally not seen as in need of reputational care. The unapologetic statement by Manuel Vicente, then-CEO of Angola's national oil company, that “we are the bosses now” was more typical.¹⁸ Portuguese notables lined up to extoll the entrepreneurship of Isabel dos Santos, the billionaire daughter of Angola's then-president. Dos Santos and her late husband, Sindika Dokolo, were forerunners in the type of reputation-enhancing philanthropy that has become common around the world. In 2015, Dokolo brought part of his extensive African art collection to Porto and received the city's municipal gold medal in recognition.¹⁹ Such art sector moves were nonetheless few

and far between, as were the puff pieces and media build up that were so central to Paris's reputation enhancement packages. (Angola's ruling party also preferred to source its political communications from Brazilian operators.) However, like Paris, the cooptation of metropolitan elites was the ultimate guarantor of PEP reputation in Lisbon. But in the Portuguese capital, elites were coopted directly, without the need for extensive reputational operations.

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This practice began to change in 2013 when Lisbon was increasingly seen as part of a reputational burden with growing international scrutiny²⁰ and the OECD's criticism of Lisbon for becoming a safe haven for Angolan capital flight took hold.²¹ The influence of Angolan elites in Lisbon arguably peaked around 2014 when Angola experienced political and economic troubles in the context of declining oil revenues, and Portugal's judiciary took action against Angolan elites' money laundering operations. Even though Angolan elites' influence in Lisbon has since receded, it helped to establish service provision for authoritarians as a profitable sector. Over the last decade, a wide range of high-net-worth individuals, many from China and Russia, have sought out Lisbon's services—especially in legal and real estate sectors through controversial initiatives like the Golden Visa scheme, which allows kleptocrats (and less dubious investors) greater access to the EU.²² Short of a sustained regulatory effort and the outright banning of certain practices, these practices are here to stay.

Greater Transparency on Reputation Laundering Services

The mechanisms of reputation laundering in Paris and Lisbon are widespread and lucrative features of global capitalism that predate their massive cooptation by authoritarian leaders. In Lisbon, Paris, and other financial centers, reputation service provision is considered mainstream among the professional communities that engage in it. Thus, they are deep-seated and difficult to reform.

Greater transparency is critical and shedding light on these dynamics through investigative journalism and academic work is indispensable, as there is much we still do not know. A mandatory lobbying registry accessible online that details service providers' clients, contracted tasks, and the identity of sub-contractors is essential. Media, universities, and think tanks should report funding streams received directly or indirectly as well as payments from third parties to their employees. Political party financing, a matter insufficiently researched in some parts of Europe, needs even more scrutiny.

It would be naïve to expect transparency on its own to curtail authoritarian reputation laundering since most revelations—even in some cases including criminal offenses—do not have significant reputational costs on service providers and have little moral suasion. Heavy legal sanctions on individuals found guilty of wrongdoing are perhaps the greatest motivator for structural reform, but the ultimate solution lies in the removal of the ambiguities surrounding reputation laundering alongside an increase in the regulatory and reporting burden for key actors engaging in these practices.

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