

The Magic Wand of Reputation Laundering: Turning Kleptocrats into “Engaged Global Citizens”

by Tena Prelec

Research Fellow,
Department of Politics & International Relations,
University of Oxford



Reputation laundering, much like money laundering, is the process by which kleptocrats seek to distance themselves from the illicit source of their wealth and recast themselves as “engaged global citizens.” This aspect of transnational kleptocracy occurs in the settings where kleptocrats park their money, typically in democracies, to ingratiate themselves with political elites. By recasting themselves in a positive light, kleptocrats are able to consolidate and maintain their power at home more easily, with the simultaneous effect of degrading the institutions and norms in the destination countries that receive their illicit funds.

It is this rebranding of an unsavory past that is the essence of reputation laundering. By minimizing and obscuring evidence of corruption and authoritarianism in their home country, reputation laundering enables kleptocrats to enjoy their spoils freely around the world.

Transnational kleptocracy is based on a simple recipe: powerful elites systematically steal a state’s resources (usually) at home, they cleanse them in the international financial system, and enjoy these resources anywhere (but typically in democracies, where strong rule-of-law norms keep their investments safe). Kleptocrats hide their criminal activity from public view and suspicion through a series of tried-and-tested methods. They shift blame while muddying the waters; stifle criticism; and, crucially, seek positive publicity in the settings where their loot is stashed. When these steps are followed, the *practices* that led to the illegal accumulation of money are often obscured, and the *perpetrators* recast themselves as “engaged global citizens.”¹

It is this rebranding of an unsavory past that is the essence of reputation laundering.² By minimizing and obscuring evidence of corruption and authoritarianism in their home country, reputation laundering enables kleptocrats to enjoy their spoils freely around the world. It also allows authoritarian governments to manipulate public perception, sometimes even by undermining the functioning elected representatives in national and international institutions.

Rise of International Enabling Institutions

The reputation launderer’s toolkit has expanded and been refined over time. Authoritarian governments have long used a range of repressive tactics to muffle and suppress criticism in their home countries and have progressively transnationalized their methods of repression along with increased mobility and information flows brought by globalisation.³

In implementing this toolkit, the reputation launderer is not alone. Today, those wanting to rebrand themselves can rely on a vast array of services to help them achieve this aim, albeit only for the right price. In global centers of wealth, such as London, New York, Monaco, and Dubai, whole industries have emerged to make sure that the trillions of dollars tied to authoritarian regimes, and the criminal networks with which they often operate, can quickly become clean and legitimate.⁴

Though the cost of kleptocratic and corrupt behavior is borne at home, the role of Western companies and politicians in helping advise (semi)-authoritarian regimes on how to create

winning narratives with their electorates cannot be overlooked. There are numerous examples of Western politicians advising semi-authoritarian regimes, including Tony and Cherie Blair’s consultancies in notoriously corrupt parts of the world like the Balkans,⁵ Central Asia,⁶ and parts of Africa⁷ and Bell Pottinger’s work in advising South Africa’s “Zuptas” (the unholy union between the Zuma regime and the Gupta brothers that captured the country).⁸ The positive publicity kleptocrats garner through these partnerships is a third part of this equation and it happens mostly, if not exclusively, in developed democracies.

Boutique companies in this new industry also offer to help enhance high-net-worth individuals’ reputations, using such phrases as helping clients “understand and react to media perception” by crafting a “coherent narrative” about their identity. They will often work with law firms who will be able to assist their clients in relocating themselves and their families hassle-free (for instance by applying for golden visas⁹), while fending off negative attention by issuing cease and desist letters to journalists and NGOs.¹⁰ Kleptocrats will also employ law offices to help them purchase property and suggest wealth managers who can place their funds in safe projects that can generate even more capital.

Seeking Positive Publicity in Developed Democracies

Kleptocrats are not satisfied with just any form of publicity for its own sake. They are keen to have their names associated with only the most distinguished and renowned institutions. It is for this reason that prestigious higher education institutions and think tanks are ideal targets for governments and individuals looking to burnish their reputations.¹¹

In a study of elite U.K. and U.S. universities conducted with Alexander Cooley, John Heather-shaw, and Tom Mayne, we found that, despite some positive developments in this sphere, significant problems remain.¹² The huge increase of private gifts to universities over the past decade (a considerable amount of which comes from China) is compounded by the marketization of the higher education sector, whereby universities are increasingly pushed to look for funds from private donors. In the U.K., the LSE-Libya scandal, in which the university accepted money linked to the brutal Muammar Gaddafi regime, has provided a partial spur for change, with university managers being more aware of the importance of vetting donations.¹³ Still, few universities implement anti-reputation laundering policies (such as having an independent gift committee) adequately, and transparency about the donations received is almost wholly lacking.

Controversial oligarchs, like Dmitry Firtash, have been shown to attempt to use their donations to universities as proof of their respected social standing in U.K. courts, a vital step in developing libel cases against journalists anywhere in the world.¹⁴ Furthermore, opaque charitable foundations are still used for channelling gifts whose contours and purposes are questionable. In 2018, the British Foundation for the Study of Azerbaijan and the Caucasus (BFSAC) gave a £10 million endowment to the University of Oxford. This endowment helped establish the Oxford Nizami Ganjavi Centre, which studies “the Cultures of Azerbaijan, the Caucasus and Central Asia.” No real effort was made to hide the BFSAC’s connection to Nargiz Pashayeva, the sister-in-law of the President of Azerbaijan, Ilham Aliyev.¹⁵

Still, the exact origin of these funds remains murky. Who issued the £10m donation, and how was this money obtained? When asked about the due diligence process that was con-

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ducted, Oxford University stated that “the Committee was made aware of the original source of funds for this gift, which does not come from a government, and this was considered and approved through our usual due diligence process,” without providing further details.¹⁶

Given the chronic underfunding of many humanities departments, and the constant risk of their closure, such generous donations are highly tempting for universities to accept, but they come at a potentially terrible cost to academic freedom. Scholars affiliated with the Oxford Nizami Ganjavi Centre claim resolutely that their research independence is wholly respected. For example, Professor Edmund Herzig stated that the composition and remit of the board are “designed to guarantee that academics . . . retain control over the work and academic direction of the Centre,” highlighting the importance of being able to fund early career scholars and research into an otherwise neglected area studies specialisation.¹⁷ Yet in such and other cases, the elusive ‘spectre’ of self-censorship is omnipresent: why bite the hand that feeds you if you can simply circumvent a “vexatious” topic instead?

Broader Societal Costs to Citizens around the World

The risks associated with rebranding extend beyond the immediate perpetrators, causing broader societal damage. Kleptocracy’s influence on inequality has been widely studied.¹⁸ Properties bought with laundered money are complicit in driving housing prices sky-high, while their owners purchase them with funds that are often stolen from the world’s poorest communities. As with money laundering, the reach of tainted money used to launder reputations is pervasive, as it can influence and distort intellectual inquiry, public opinion, and even political choices.

The recent Pandora Papers revelations concerning the influx of dark money from questionable sources—including Azerbaijan’s elite—underscore the staggering global scale of this problem and the significant extent to which we are forced to reckon with these questions.¹⁹ Taking a wider perspective, the risk of political influence is also clear. For instance, judicial inquiries²⁰ into the Council of Europe’s ‘caviar diplomacy’ scandal²¹ have confirmed that Azerbaijani officials are no strangers to bribing politicians in order to present a better image of their government. In another example, donations by Russian politically exposed persons (PEPs) to the U.K.’s Conservative party have worryingly accelerated from £3.5 million in the nine-year period from 2010 to 2019²² to £2 million in the two years that followed.²³ A U.K. parliament inquiry concluded in 2020 that PEPs are gaining “connections at the highest levels with access to U.K. companies and political figures.”²⁴

When discussing the risks of global elite participation in policy and philanthropy, Anand Giridharadas declared that “it is this extraordinary elite generosity of our time that upholds a system of extraordinary elite hoarding.”²⁵ Indeed, the millions elites invest in politically-motivated philanthropy and education enables them to steal trillions from the public around the world.

Reputation laundering renders such behavior, if not legitimate, at least invisible. By allowing kleptocrats and their cronies to slip into the background of the global elite, the magic wand of reputation laundering obscures their criminality and allows such exploitation to continue at the expense and cost to citizens around the world.

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Endnotes

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