

# Waking up to Reputation Laundering as a Mechanism for Transnational Kleptocracy

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*As the response to the recent Russian invasion of Ukraine has shown, transnational kleptocratic regimes have long been using Western institutions to protect and launder illicit gains. While much of the focus on combating kleptocracy has been on addressing money laundering, addressing vulnerabilities that have allowed kleptocrats to engage in reputation laundering—the process by which they try to distance themselves from the illicit source of their wealth—is critical for combating authoritarian influence as well as the health and viability of democracies. The four essays in this Global Insights series illuminate the scope and scale of this transnational challenge and offer recommendations for extending existing anti-money laundering regulations to a range of institutions beyond banking. Such regulations need to support civil society activists and journalists working to expose and combat kleptocracy.*

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Russia's unprovoked invasion of Ukraine has brought the dangers posed by regimes built on transnational kleptocracy into sharp relief. This networked form of corruption is durable and pernicious, with a constellation of figures including oligarchs, top business figures, and family members who pursue and promote policies on behalf of kleptocratic regimes where the distinction between public and private actors is blurred.

The invasion has also forced democracies to look in the mirror and reexamine their own roles in transnational kleptocracy. The destinations for money ferreted out of kleptocratic systems are typically open societies where money is protected by rule-of-law norms and cottage industries created to defend it. The rapid responses to rid democracies of illicit cash have been dizzying, ranging from targeted sanctions of political leaders and oligarchs to asset freezes and seizures. A wide array of cultural institutions, sports franchises, and universities—from the World Economic Forum to the Guggenheim Museum in New York City—have been forced to reckon with their role in helping kleptocrats and oligarchs launder their reputations.

As the essays in this Global Insights series explain, transnational kleptocracy is distinguished by how autocrats not only hide illicit funds abroad but use these resources in ways that extend their influence and undermine democratic institutions. They provide insight into this challenge and the ways that autocrats use these democratic institutions to target their critics at home and legitimate themselves *and* their families.

Addressing transnational kleptocracy is vital to ending the conflict, repression, and inequality that is driven by authoritarian regimes. Equally important, the health and viability of the democracies are at risk of being degraded by their participation in it. When oligarchs masquerade as independent business figures or when the ownership of entities is camouflaged, it is no longer possible to determine who is advocating on behalf of whom. One only needs to replace the word “oligarch” with “Russian state actors” to understand why it is problematic

to have these figures serve on the boards of influential charities or other cultural institutions, donate to universities, or fund policy institutes.

### The Mechanics of Reputation Laundering

One of the ways in which kleptocrats exert influence is through reputation laundering that uses illicit funds to distance or erase their association with the illicit sources of their wealth or even their corrupt country of origin. In doing so, they recast themselves as global citizens in good standing in Western societies.<sup>1</sup>

The options available to a kleptocrat are vast and varied. They include hiring expensive public relations (PR) firms to focus attention on their “positive” contributions to society; purchasing visas—and even citizenship—in democracies and other countries to obscure their association with their “corrupt” country of origin and allow them to do business and travel abroad; serving on the boards of prestigious charities or art galleries; purchasing popular sports teams; and contributing sizeable donations to think tanks and universities.

The contributors to this Global Insights series analyze the ways in which reputation laundering works, its impact on democracies, and what democracies can do to mitigate and limit this impact. Building on the International Forum for Democratic Studies’ research on transnational kleptocracy, the Forum convened experts on this vastly under-studied field in a series of workshops. Common themes emerge across the four essays—written by Tena Prelec, Matthew Page, Corentin Cohen and Ricardo Soares de Olivera, and Kristian Lasslett and Dilmira Matyakubova—even as they analyze reputation laundering efforts by kleptocrats in different countries and sectors. First, in contrast with research largely focused on corruption within countries, these essays highlight how kleptocrats exploit Western enabling institutions to “whitewash” their reputations and those of their families in order to allow them to become “engaged global citizens.” Second, kleptocrats use this acquired status from reputation laundering to influence and undermine institutions in democratic societies.

### Enabling Reputation Laundering

Kleptocrats cannot cleanse their reputations alone; they need “fixers” in democracies to help them. As the authors of these essays point out, there are entirely legal cottage industries comprised of lawyers, accountants, PR firms, and image consultants that teach kleptocratic actors how to rebrand themselves and assist them in so doing. The result is the redirection of attention away from misdeeds committed in their home countries, which helps kleptocratic regimes maintain and strengthen their grip on power.

In the democratic settings where these laundering processes typically occur, a “clean” kleptocrat can enter society in order to exert influence, lay low, or simply continue to amass the stolen wealth of their countries—with no questions asked. Either way, powerful actors within democracies serve to legitimate and embolden kleptocratic and authoritarian actors.

While the “enabler” professions are often thought of as those providing the services mentioned above, **Tena Prelec** and **Matthew Page** make a powerful argument for the enabling

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role of universities in the United States and United Kingdom in their essays, “The Magic Wand of Reputation Laundering: Turning Kleptocrats into ‘Engaged Global Citizens’” and “The Cleansing Power of Ivory Towers: How Elite Educational Institutions Legitimize Kleptocrats’ Children.” Increasingly reliant on international sources of funding, universities face pressures to accept funding from individuals with questionable sources of income.

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Matthew Page focuses on Nigerian kleptocrats seeking educational opportunities for their children at universities in the United States and United Kingdom which bestow status and legitimacy. Notably, Page observes that most foreign students do not fall into this category, but universities need mechanisms to allow them to distinguish between students connected to political exposed persons (PEPs) and those who are not, without additional burden falling on the former category.

While more research is needed, funding from PEPs, like oligarchs, raises serious concerns for academic freedom and freedom of expression. In addition to the possibility, for example, that a department endowed by an oligarch with links to the Kremlin might be directly or indirectly pressured to avoid certain subjects, there is also the possibility that academics self-censor to avoid sensitive topics.<sup>2</sup> Even without large donations, the cleansing process of education is nonetheless pernicious. Considering the dynastic nature that characterizes many kleptocratic regimes, universities run the risk of grooming the next generation of kleptocrats.

In addition to universities, renowned media outlets are targeted by kleptocratic regimes to launder their reputations. This sort of reputation laundering can come in the form of advertisements designed to look like news stories in the *Washington Post*, *New York Times*, and other print outlets, or in the form of TV ads to make the kleptocracy look like paradise—“Come for our beaches but ignore gross human rights abuses and the fact that most of our population lacks access to drinking water.”

While these advertisements can be jarring to people familiar with these countries, more troubling is when autocrats target media coverage to distract from their kleptocratic activities. The essay by **Kristian Lasslett** and **Dilmira Matyakubova**, “Rebranding a Kleptocratic State: Reputation Laundering in Uzbekistan,” details a concerted effort by the Mirziyoyev regime in Uzbekistan to rebrand that country to attract investment after decades of horrific human rights abuses. In addition to a broad array of the typical enablers, Mirziyoyev targeted prestigious media outlets to push forward a narrative of a “new” Uzbekistan that is safe for foreign capital. After a sustained campaign by the Mirziyoyev regime, the *Economist* named Uzbekistan the 2019 “Country of the Year,” despite ongoing serious issues with repression, transparency, and accountability.

### **Courts as Enablers for Reputation Laundering**

Once a kleptocrat has distanced themselves from the source of their illicit funds and is firmly established in open societies, they are able to manipulate democratic institutions in their favor, and this influence is how reputation laundering differs from other forms of image management. The U.K.’s infamous libel laws, for example, permit people who do not live in the U.K. full-time to bring libel cases to British courts, making it an attractive destination for

libel tourism. In 2013, authorities attempted to crack down on this practice by requiring that an individual have a “connection” to the U.K. to establish their standing in British courts.<sup>3</sup> While the intention behind this reform was a small step in the right direction, it has done little to stem these lawsuits. This “connection” is easy to establish, particularly when kleptocrats have the assistance of powerful enablers.

Tena Prelec’s essay alludes to a case involving Russian oligarch Dmitry Firtash who allegedly attempted to use his donations to Cambridge University to establish this connection in a libel lawsuit against the *Kyiv Post*. The case was dismissed, but winning the case often is not the goal; intimidation is. Kleptocrats have virtually unlimited resources to initiate lawsuits against the bravery-rich but often resource-poor journalists and activists working around the world to expose kleptocracy.

The essay by **Corentin Cohen** and **Ricardo Soares de Oliveira**, “Authoritarian Reputation Laundering in Paris and Lisbon,” highlights that this challenge is not unique to the Anglo-phone world. While the U.K. libel laws provide an extreme example of libel tourism, kleptocrats can use the courts in other European capitals to attempt to silence journalists. Celebrated Angolan anti-corruption activist Rafael Marques de Morais is no stranger to Angolan generals using British courts to harass him,<sup>4</sup> but he has also been sued in Portuguese courts for defamation. Those cases were dismissed, but not before Marques committed considerable time and resources defending himself.<sup>5</sup>

### The Path Forward

While recent events have revealed the presence and influence of reputation laundering by oligarchs on a wide range of Western cultural, educational, and business institutions, they have also highlighted the need for greater awareness and a united democratic response. Tackling the challenge has proven difficult when some of the activities that fall under this rubric are legal, and there are legitimate reasons why non-kleptocrats might undertake them. More research into the ways reputation laundering works and its impact on democracies is sorely needed. Because kleptocracy thrives in the shadows, this task is daunting. Nonetheless, the authors of these essays identify concrete and practical ideas for tackling the challenge that also have implications for addressing the broader global challenges of authoritarian influence.

- Above all, they highlight the need to *expand existing anti-money laundering regulations and ensure greater transparency* such as “know your customer” responsibilities for consular officials, universities, think tanks, lawyers, accountants, PR firms, and others in order to penalize any work with clients with illicit sources of income. Relatedly, *public and verified beneficial ownership registeries and databases that compile lists of PEPs are needed globally* to cut down on the opacity on which reputation laundering—and by extension, kleptocracy—relies.
- In addition to policy responses, *civic activists and journalists working to expose and combat*

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*transnational kleptocracy around the world need more support, and they need to be connected with reform-minded individuals at vulnerable institutions and the service provision industries.*

- Democracies also need to *prioritize protections for people who become targets of kleptocrats* because of their work including legal support, relocation services, and digital and physical security. Developing a mechanism to share this information among consular officials, universities, and the like would also be invaluable, since these individuals and groups are the ones who know the PEPs in their countries and often have already assembled PEP identification databases.

These essays should compel analysts and scholars to examine the issues of reputation laundering in greater depth against the backdrop of a dramatically changed political landscape where democracies are starting to recognize the challenge to their own societies. The mechanics of reputation laundering may be more subtle than money laundering, but these factors distinguish kleptocracy from other forms of corruption and make it an entrenched and vexing challenge that corrodes democratic norms and values globally. The authors of these essays recognize the complexity of the challenge but urge us to recognize that tackling transnational kleptocracy will be critical to safeguarding the very future of democracy.

## Endnotes

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- 1 Alexander Cooley, John Heathershaw, and J.C. Sharman, "The Rise of Kleptocracy: Laundering Cash, Whitewashing Reputations," *Journal of Democracy* 29 (January 2018): 39-53, <https://www.journalofdemocracy.org/articles/the-rise-of-kleptocracy-laundering-cash-whitewashing-reputations/>.
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- 5 "The Case of Rafael Marques de Morais," Columbia Global Freedom of Expression, Columbia University, <https://globalfreedomofexpression.columbia.edu/cases/case-of-rafael-marques-de-morais/>.