



## Emerging Global Challenges to Democracy: Combating Transnational Kleptocracy

New and emerging challenges to democracy have arisen in recent years that are driving political development in countries around the world. Amid global shifts in the information, financial, and technological landscapes, open societies face the erosion of familiar democratic guardrails, while autocrats have found ways to weaponize new digital capabilities and cross-border ties. Democracy's supporters must develop local responses to globally driven forces—including those associated with transnational kleptocracy—that are moving with extraordinary speed. To begin addressing the systemic drivers of change, democrats need to cultivate new forms of collaboration, knowledge-sharing, and innovation.

### The Challenge:

Transnational kleptocracy refers to “government by thieves,” a system where the state is captured by political elites. These elites, in turn, use the global financial system to launder and protect their ill-gotten gains. Such operations take place not only in consolidated unfree contexts but often in rule-of-law based countries, where elites spend these resources to defend their regimes and undermine democratic societies. While corruption has long posed a persistent challenge in many societies, its scope and impact has largely been kept in check through a country's domestic media, courts, and civil society. Transnational kleptocracy, by contrast, is a system in which public institutions and internal checks on power are neutralized or co-opted, and as such it requires new, more sophisticated responses.

Transnational kleptocracy undermines democracy. In the countries where illicit finance originates, there is a strong correlation with authoritarianism. Elites have virtually unlimited resources at their disposal to manipulate elections, pollute the information space, and suppress civil society activists and journalists working for greater transparency. The trillions of illicit dollars estimated to be coursing through the international financial system also have a corrosive effect on the countries where assets are hidden, emboldening and empowering autocrats to interfere with elections, manipulate the information environment, and even use military force to undermine democratic societies.

### State of Play:

The democratic response to Russia's invasion of Ukraine last year revealed a truth about transnational kleptocracy that had been hiding in plain sight: a remarkable number of sanctioned Russian oligarchs had been operating in democratic societies, laundering their reputations to distance themselves from the autocratic regimes on which they depend. One year after the invasion, a multinational task

force—including the United States, Australia, Britain, Canada, France, Germany, Italy, Japan and the European Commission—estimated that it had already frozen more than \$300 billion dollars of Russian Central Bank Reserves and blocked or seized more than \$30 billion owned by Russian oligarchs.

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Given its unyielding pace and serious strategic implications, kleptocratic adaptation is a threat that demands a stronger and more purposeful response from democracies worldwide. Yet it is no longer clear whether strong response at the start of the invasion will lead to necessary actions to persist in the fight against kleptocracy. Kleptocrats are already adapting by innovating and identifying new methods for weaponizing corruption, financing foreign influence operations, and other corrosive enterprises; thus, democracies must also adapt to combat the challenge at scale. Further, while Russia is the current focus of public attention, regimes in Venezuela, Equatorial Guinea, and countries in Central Asia, among others, also follow the modern kleptocrats’ playbook, making this a truly global challenge.

#### Key Principles for Response:

While there is broad consensus on what needs to be done to combat transnational kleptocracy, four of its defining features—power, money, secrecy, and complexity—combine to make a response challenging.

Key principles for addressing the challenge include:

**Build Transnational Networks to Expose Kleptocracy.** The transnational nature of the kleptocracy challenge requires building networks across borders with the expertise to track, monitor, and identify kleptocratic activity, as the International Consortium of Investigative Journalists did with the Pandora and Panama Papers. Individuals often work on only a part of the problem, such as uncovering specific cases of kleptocracy, examining illicit financial flows, or analyzing the prevalence of bribery in a single country. To address the issue, activists and investigative journalists working in kleptocratic countries need more avenues to connect to their international counterparts and get their stories out to wider audiences.

**Defend Key Anti-Kleptocracy Organizations and Individual Activists.** Outmatched in resources, often stymied by a lack of access to information, and faced with threats to their personal safety, civil society and investigative journalists frequently operate at great risk to their lives and livelihood. Critical to this battle are resources to defend against Strategic Lawsuits Against Public Participation (SLAPP) that use libel laws to discourage and impoverish those exposing kleptocracy.

**Address Vulnerabilities in Open Societies.** Acknowledging the shortcomings in democratic societies that currently enable and incentivize transnational kleptocracy, these societies must adapt and make reforms including greater transparency on beneficial ownership and requiring those providing global professional services perform due diligence on their clients, just as banks must in the fight against money laundering.

**Sustain Momentum in the Battle against Transnational Kleptocracy.** Russia's invasion of Ukraine has focused democracies' attention on the threat posed by kleptocratic networks, creating an opportunity for reform. Going forward, more purposeful efforts to see through enforcement and achieve justice will be critical. Moreover, to sustain momentum in the battle against kleptocracy, political leaders must speak clearly about kleptocracy as the national security threat that it is and how it undermines democracy and its institutions.

Additional Resources:

**Kleptocracy 2.0:** A 2018 [article published in the Journal of Democracy](#) explains that in today's era of accelerated globalization, the world now confronts "kleptocracy 2.0," a multifaceted threat to democracy that requires a coordinated and sophisticated transnational response. With investigative reports focusing greater attention on the lavish lifestyles and illicit finances of certain states' officials and oligarchs, the term "kleptocracy" has become a regular feature of analysis. Laundering both ill-gotten gains through the global financial system and their reputations through the services of "enablers" in the West, kleptocrats have found ways to successfully game the global system.

**Kleptocratic Adaptation:** In the wake of Russia's invasion of Ukraine, kleptocrats are increasingly weaponizing corrupt networks, relying on opaque shell companies, and turning to professional enabling services to allow them to continue their theft. A [report published by the Forum](#) in 2023 elucidates how they are able to loot and protect their stolen assets despite recent restrictions placed on them. As authoritarian actors adapt to the changing landscape, democracies must elevate the issue of fighting kleptocracy to match the salience of other pressing national security threats and adapt accordingly.

**Alliance Against Transnational Kleptocracy:** Transnational kleptocracy is a growing threat to democracy, explains a 2022 Forum [working paper](#), with urgent consequences for national security, human rights, and human development. Democracies should focus on their shared fundamental values—political and personal freedom, free markets, free speech, independent judicial systems, and freedom of expression—to develop a unified response to this top order challenge, much as they did during the fight against communism during the Cold War.