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How Non-State Actors Export Kleptocratic Norms to the West

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Kleptocracy Initiative

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Preface

When the Soviet empire collapsed in 1991, it was widely believed that Western-style democracy and liberal capitalism based on free elections, separation of powers and the rule of law would eventually take root in the Commonwealth of Independent States (CIS) and other regions emerging from the Cold War. Even when ex-Communist Party leaders and representatives of Soviet security services returned to power throughout the former Soviet Union (FSU) in the late 1990s to mid-2000s, mainstream political thought never once doubted the inevitability of democracy's march across the globe. Experts debated speed and direction, but rarely questioned the ultimate destination.

Unfortunately, recent global events have shown that the post-Cold War flow of money and values was not a one-way affair. When the floodgates opened after the fall of the Iron Curtain, the post-Soviet swamp was not swept away but instead served to muddy Western waters. In most FSU countries, democratic institutions and national economies have not become as strong and transparent as originally envisaged—in fact, the reverse trend has often been highly and sometimes tragically visible.

The truth is that the West has largely failed to export its democratic norms and is instead witnessing an increasingly coordinated assault on its own value system. This destructive import of corrupt practices and norms comes not only from post-Soviet kleptocratic regimes like Azerbaijan, Kazakhstan, and Russia, but also from China and other countries around the world whose ruling elites now possess far-reaching financial and political interests in the West.

1. The Legacy of the Gulag

Western policymakers seem to have been perplexed over how they should relate to power-brokers from FSU countries in the absence of clear-cut Cold War ideologies. Communism's rigid worldview had been relatively easy to decipher, but Western diplomats have largely failed to understand the value system and incentives that have driven former officials and oligarchs since its collapse. Clearly, they were no longer Soviets—but neither had they become liberal Westerners.

There are now many conflicting accounts of what this post-Soviet worldview actually is, and how it came into being. There is no single overarching answer, but for the purposes of this paper it seems useful and appropriate to begin by asking who exactly these elites are, and how their values evolved from the Soviet era to the present.

Firstly, the impact of the Gulag system on the values held by post-Soviet elites—including expatriates in the West—should not be underestimated.¹ This unprecedented bureaucratic institution operated a vast network of forced labor camps throughout the USSR and beyond. While most studies attribute the height of the Gulag's development to Stalin's era, a particularly inhumane approach to imprisoned individuals appeared in the early years of Vladimir Lenin's rule (starting with the Solovki Islands and other concentration camps in Northern Russia), while formal remnants of the Gulag system lasted well into the first years of Boris Yeltsin. In fact, many experts argue that some of the key features of the Gulag remained in Russian prisons even under Yeltsin and Putin.²

According to different accounts, around 18-25 million people went through the Gulag system and adjacent parts of the prison system during the Soviet era.³ However, given that most post-Soviet archives remain inaccessible, the number could be greater. These figures also omit the families and friends of those who were persecuted, or indeed those who persecuted them. But forced labor was instrumental in the Soviet process of industrialization, and it is safe to say that the Gulag became a core defining feature of the Soviet system. As such, its ethos had an enormous impact on the whole fabric of society, including on elites who were not themselves imprisoned.

¹ "Gulag" is an acronym for *Glavnoe Upravlenie ispravitel'no-trudovykh LAGerei*, or "Main Administration of Corrective Labor Camps." See www.gulaghistory.org for more background.

² Including the fabrication of cases; forced or barely paid labor; torture by prison guards; incentives and punishments based on loyalty and obedience to informal rules; and the separation of individual prisons into "black" and "red" ones depending on whether criminal or official authority prevailed within. Some of the most detailed accounts of conditions in Russian prisons under Putin's presidency have been documented by two activist sites: <https://zona.media/> and <https://zekovnet.ru/>.

³ Around 14 million people were imprisoned in the Gulag labor camps from 1929 to 1953. The estimates for the period 1918–1929 have been even more disputed but probably stand in the millions. A further 6–7 million were deported and exiled to remote areas of the USSR, and 4–5 million passed through labor colonies. Many of these people remained in labor settlements after serving time. See J. Arch Getty, Gabor T. Rittersporn, and Viktor N. Zemskov, "Victims of the Soviet Penal System in the Pre-war Years: A First Approach on the Basis of Archival Evidence," *American Historical Review*, Vol. 98, No. 4, 1993, 1017–1049, http://sovietinfo.tripod.com/GTY-Penal_System.pdf; and Robert Conquest, "Victims of Stalinism: A Comment," *Europe-Asia Studies*, Vol. 4, No. 7, 1997, 1317–1319, http://sovietinfo.tripod.com/CNQ-Victims_Stalinism.pdf.

Despite the atrocities perpetrated during the Gulag era and Communist rule, Russia and other post-Soviet states never underwent the cathartic experience of a prosecutorial process akin to the Nuremberg trials of post-Nazi Germany, or even the conciliatory commissions of South Africa after apartheid. In the consequent vacuum of legal and moral accountability, the same value system that had made such atrocities possible endured and eventually became part of the current ruling elite's worldview.⁴

Obviously, oppressive and inhumane institutions were present during the tsarist era, and the prison network was part of the wider political system of arbitrary and violent power of the Communist Party. Russian criminal traditions and practices date back hundreds of years and had their own logic of development. Crucially, however, the Gulag system became a meeting point for people from all walks of life and classes of society, as prisons were situated near major urban centers and throughout the country.⁵

⁴ This phenomenon has been explored many times by Russian dissidents and Western scholars since the 1990s. For example, see Vladimir Bukovsky, "Bukovsky: We Need a Tribunal, Not a Roundtable," *Границы.Ру* (Grani.ru), January 17, 2012, <http://graniru.org/Politics/Russia/m.194884.html>.

⁵ No one has produced an authoritative, comprehensive map of the Gulag system, but efforts to do so make clear that camps pervaded Russia. For example, see this map of camps which existed between 1923 and 1961, based on data from Memorial, a human rights group: "Gulag Location Map," *Wikipedia*, created August 16, 2011, accessed May 30, 2017, <https://en.wikipedia.org/wiki/Gulag>.

The New Elite: Communists, KGB and Criminals

The Gulag represented the will, methods, and ambitions of the three largest ruling factions in Soviet society: The Communist Party of the Soviet Union (CPSU), the KGB and other security services, and criminal groups. These all formed an integral part of the Gulag, and were in turn molded by it themselves, but each had very distinctive features and stood quite apart in terms of most of their values and norms.

The CPSU was driven by a rigid ideology and, though even under the Bolsheviks it often operated with cynical practicality, a large proportion of party members believed in its ideals and the boundaries of a responsible, ascetic lifestyle. It was often the children of the elite, the *Komsomol* (Communist Youth) and so-called “Red Directors” (CEOs who were mostly party members and ran large industrial plants, often with the help of the shadow economy) under Leonid Brezhnev and thereafter, who engaged in ever-higher levels of consumption until their opulence matched their power. Arguably, these motives caused such groups to contribute to the fall of the USSR by seizing Gorbachev’s state reforms as an opportunity to privatize and monetize their assets rather than open them up to wider society.

The KGB and other secret services like the GRU (military intelligence) always disliked strict accountability to party superiors.⁶ These services were subordinate to the party from day one, but massive purges under Stalin and Nikita Khrushchev put them under additional control, as party bosses sought to establish checks on their repressive machine once and for all. The services held a much more relaxed and cynical approach to ideological boundaries, but had to toe the party line and wrangle *ad hoc* permissions for most of their operations. Thus, from the late 1950s they could not assassinate enemies, launder money, or engage in other subversive activity abroad without sanction from above. The USSR valued its façade of a fair and law-abiding country in order to try and win over public opinion in the West and developing countries, and any public blunders by security services could undermine the state’s ideological posturing in the global arena.

Criminal brotherhoods, or organized crime groups as the Soviet legal system called them, grew out of an overwhelming resentment harbored by criminals since Lenin’s time towards communism and its propaganda of equality. Criminal networks instead elaborated and expanded their own “laws” and rules of conduct, and established clear hierarchies with so-called “thieves-in-law” at the top.⁷ While secret services and prison authorities in Gulag camps often saw criminals as a closer and friendlier element than the peasantry or political dissidents, criminals mostly held any Soviet authority in disdain and often showed support, or at least neutrality, to political enemies of the regime.

⁶ After Stalin, the KGB was assigned supervisors (referred to as “curators”) by the Politburo and other party apparatuses. These were usually party bosses delegated by the Politburo to oversee a particular aspect of the KGB’s work, whether external or domestic. In particular, they ensured that operations did not infringe on the party or its ideology, and that the USSR’s image in the West was protected. Permission was needed for any large-scale illicit operations abroad (such as assassinations). This is important because under Putin, the FSB is no longer controlled by such curators.

⁷ Niko, “Thieves in Law,” *Gorilla Convict*, 2016, <http://www.gorillaconvict.com/2015/07/thieves-in-law-by-niko/>.

Criminal gangs developed a rather sophisticated approach in their attempt to live and act completely outside state regulation. They held collective funds for mutual financial support, and sometimes were so well-organized that prison authorities preferred that *de facto* control of daily operations in certain prisons be placed in the hands of high-ranking thieves-in-law.

All three main groups engaged in criminal and inhumane activities, and there was considerable overlap in their mentality even under Stalin, but it grew more pronounced over time as the collapse of Communism approached. Each cultivated a strong veneration of their internal hierarchies, and loyalty to and within the inner circle superseded other allegiances. There was a general disregard for the value of individual human lives (except, of course, those of the inner circle and its leadership). All groups found it expedient to circumvent laws obstructing their activities, and to abuse and exploit laws which they could bend to their objectives. It is true that some basic ethical norms (even if in peculiar Soviet form) existed among the more ideologically driven party members from the early days of revolution to the aftermath of the Second World War. But even these were gradually undermined by widespread cynicism and growing disbelief in Communist ideals under Brezhnev and his successors.

Increasingly, all these groups (and by extension, major swaths of society) started to operate on two levels: a disingenuous official one, where a semblance of legality and the achievement of party plans and output targets were ostensibly achieved, and an unofficial one which was driven by unwritten codes of conduct or even *ponyatiya* (literally meaning “understandings” or “rules of criminal convention”). The blending of these unofficial norms and practices started well before Gorbachev came to power. The planned economy could not cope with people’s basic needs, which opened doors to agents of the shadow economy. In the latter sphere, select party and *Komsomol* bosses flourished by exploiting their access to scarce resources and closed distribution channels, while criminal gangs used their informal networks to fill the gap, and law enforcement and the KGB were bribed to turn a blind eye when necessary.

By the time Boris Yeltsin came to power in Russia, some of the most visible top positions were filled by either “reformed” Communists like Yeltsin himself, or various democrats who had academic or scientific careers in Soviet institutions. However, at the regional and middle levels of the government, most of the Communists and Communist Youth officials retained a significant portion of power by pledging allegiance to a broad agenda of poorly defined reforms. Neither the CPSU nor the KGB were completely dispersed, investigated, or outlawed in any form. Meanwhile, the Red Directors and criminal gangs came to the fore as active economic agents, very often substituting for the nascent state as suppliers and investors.

A similar story was taking place in Central Asia, where former party secretaries Nursultan Nazarbayev and others held on to power, undergoing a public conversion from Soviet Communists to self-proclaimed nationalistic democrats. After relatively short periods of turmoil in Georgia and Azerbaijan, ex-KGB bosses Eduard Shevardnadze and Heydar Aliyev grabbed power under this new guise with populist banners.

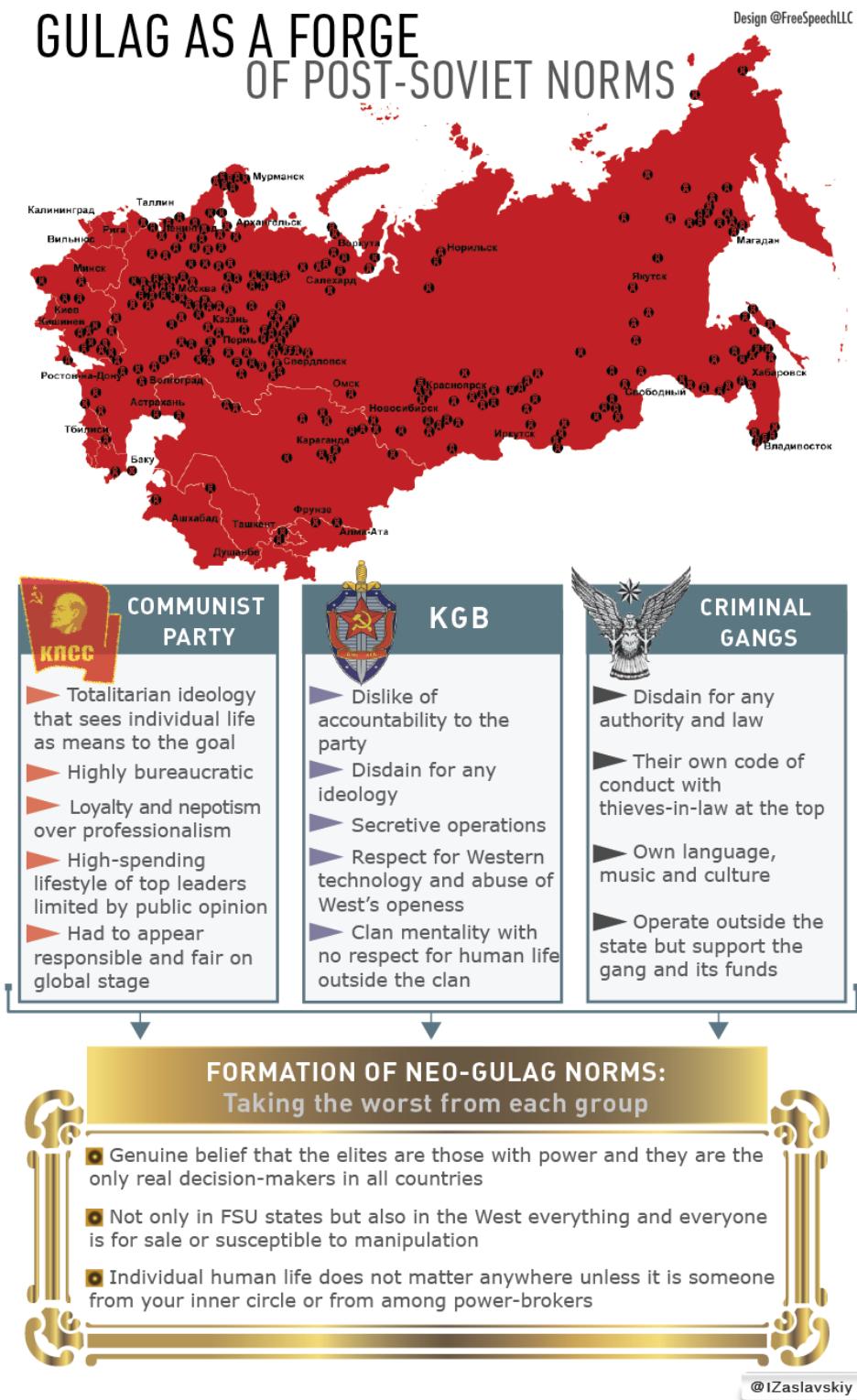


Figure 1. The Gulag prison camp network (1923-61) and the value system it created.

Neo-Gulag Values

As far as the long-term impact on the West is concerned, the main result of this fusion and amalgamation of various values and practices from the Gulag era was the formation of a coherent set of uniform norms. In the mid-1990s to 2000s, not only did these three groups mix together their values and practices, but they themselves blended together into the new ruling class. Any differences that had existed among them in Soviet times disappeared as they simply adopted the worst values from each precursor group.

From Communists and *Komsomol*, the new post-Soviet elite initially took a relatively modest view of themselves and their operations based on strict loyalty and nepotism. However, the temptations of the post-Soviet environment gradually extended their ethical boundaries until, eventually, any notion of public shame was abandoned. In a macro-expression of this trend, the Kremlin under Putin has descended quickly from a supposedly aspiring member of the global community into a reckless international pariah.

From the KGB and other security services, disdain for any ideology other than wealth accumulation, especially through control of government and state revenues, was taken on board. Interest in exploiting the openness of the West not only through its technology, but luxury goods, real estate, financial services, citizenships, media, lobbying, manipulation of elections and many other spheres increased vastly. This trend has, however, often been accompanied by a secretive approach (in true KGB style) to important operations, coupled with conspiratorial or anti-Western feeling towards democratic institutions, norms, and practices.

Soviet bosses and KGB officers turned reformers, or oligarchs and criminals turned businessmen, inherited from all three groups a fundamental disrespect for the value of individual life outside their inner circle. However, they all understood and abided by the brutality ingrained in their unofficial rules and hierarchies. Subordination and loyalty in powerful and wealthy clans and criminal groups became an increasingly important currency, often more valuable than any professional skills—or even money.

Theft, murder, corruption, and fraud began to penetrate all layers of society on an unprecedented scale as criminal authority became amalgamated with official authority. On a cultural level, popular music and language were transformed by widespread adoption of criminal songs and slang. Society started to be dominated by new grab-what-you can consumerist ideals, accompanied by a deeply cynical sense of humor. The idea that it is okay to steal from the state—or anyone—as long as you do not hurt your family and friends became increasingly accepted as a norm in society.

As far as Western liberal value systems and democratic institutions are concerned, these “Neo-Gulag” norms are anchored to three fundamental tenets:

1. Post-Soviet elites genuinely believe that those in power—that is, themselves and their equally wealthy and powerful Western counterparts—are the only real and rightful decision-makers. The rest are ultimately, to use their Gulag terminology, “prison dust”—nobodies at the bottom of the hierarchy.

2. Everything and everyone is for sale, or at least susceptible to manipulation or some form of control. Not only within their states, but also in the West.
3. Individual human life does not matter anywhere, unless it is someone from their inner circle or equally as powerful as they are.⁸

⁸ Ilya Zaslavskiy, "Making Life Hard for Russia's Robber Barons," *Foreign Policy*, May 18, 2016, <http://foreignpolicy.com/2016/05/18/making-life-hard-for-russias-robber-barons-kleptocracy-archive>.

The Formation of Putin's Inner Circle

St Petersburg in the 1990s provides a strikingly clear example of how the values of the CPSU, the KGB, and criminal gangs were blended together in pursuit of power. This process has been brilliantly exposed in an investigation by the journalist Anastasia Kirilenko, and in Dr. Karen Dawisha's book, *Putin's Kleptocracy: Who Owns Russia?*⁹ Only the key facts are highlighted below.

In the early 1990s, Putin—then deputy mayor of St. Petersburg—involved himself in machinations with CPSU-owned real estate in the city and CPSU financial reserves that had been hidden from the Russian state budget. Putin is also accused of engaging in massive fraudulent schemes whereby he and his associates from organized crime and ex-KGB circles pretended to procure food products for the city in exchange for the right to export precious commodities out of Russia. Putin's group also created a number of well-protected entities that monopolized a large chunk of the fuel trade, gambling, and other businesses in the city of St. Petersburg and the Leningrad region.¹⁰

Some government bodies tried to counter this activity but failed, as Putin's team was aided by the St. Petersburg FSB, organized crime groups, and powerful protectors in Moscow. Throughout his career, Putin has successfully employed methods from his KGB past and from the criminal world in order to stay in power. Kirilenko's investigation demonstrated that Putin favored the method that Russian organized crime refers to as *krugovaya poruka* (a collective, mutual gang responsibility). By implicating many people in particular chains of criminal activity, Putin made them directly dependent on him.

It is noteworthy that all major individuals from Putin's circle during that time, including Putin himself, had been CPSU members. Most of them remain in powerful official positions (or maintain strong informal influence), deciding major policy issues involving relations with the West.

During his St. Petersburg years, Putin and his team refined their main methods of illicit cooperation with Western entities. Money laundering was conducted via Luxembourg, Germany, and Spain, while the team also learned to use Western lawyers and intermediaries, and accounts in offshore jurisdictions.

Anastasia Kirilenko has shown that participants in the 1990s St. Petersburg schemes maintain large property and business assets in Europe to this day. This helps Putin's cronies circumvent Western sanctions because they can simply move legal ownership of these assets to colleagues who have not been targeted.

⁹ See Tony Wesolowsky, "New Documentary Delves into Dark Side of Putin's Rise," *Radio Free Europe/Radio Liberty*, December 30, 2015, <http://www.rferl.org/content/russia-documentary-putin-dark-side/27458242.html>; and Karen Dawisha, *Putin's Kleptocracy: Who Owns Russia?* (New York: Simon & Schuster, 2014).

¹⁰ For a detailed account of Putin's alleged activities in St. Petersburg, see Karen Dawisha, *Putin's Kleptocracy*, pp.104-162.

In 2011, the Russian investigative magazine *The New Times* published a large chart and accompanying article called “Russia is Their House: How Putin and His Cronies Divided the Country.”¹¹ Listed were dozens of top officials and tycoons from the government and sixteen strategic industries, in four general categories: Putin’s friends and relatives, his St. Petersburg associates, ex-secret service or law enforcement officers, and cronies from his days as a member of the Ozero Cooperative (a close-knit group of friends who benefited enormously from pooling opportunities for advancement in 1990s Russia). By and large, the background of all these people falls into one or more of the three important groups previously discussed: the CPSU, the KGB, and organized crime. At the very least, those listed are relatives or descendants of members of these groups.

Today, most of these people control vast assets and remain in positions of official or unofficial influence. And they have since been joined by more cadres from the same three groups, and not only from St. Petersburg. In the past year, Putin has appointed several *siloviki* (elites who are closely connected to the security and intelligence agencies) to top positions in the government or as governors.¹²

¹¹ Anatoly Ermolin, Olga Beshley, Dmitry Dokuchaev, Egor Mostovshikov, “Their Home is Russia,” *The New Times*, October 24, 2011, <https://newtimes.ru/stati/others/3f846effbfa2e956c24ab338f84840df-buznesi-u-krishu.html>; Evgenia Albats, “Corporation ‘Russia,’” *The New Times*, October 24, 2011, <https://newtimes.ru/stati/others/a3561c979e5da8447af9f20ebd1b8353-korporacuya-rossuya.html>.

¹² “AM Headlines: Putin Shuffles Governors, Appoints FSB to Head Customs, Kaliningrad,” *The Interpreter*, July 28, 2016, <http://www.interpretermag.com/russia-update-july-28-2016/>.

Systemic Liberals: A Cautionary Example

This brings us to the nature of Putin's inner team and the new cadres that it has accepted into the power structure since 2000. Many Western policymakers continue to believe that alongside the *siloviki* there also exists a group of liberals—or at least liberal-leaning officials—within Putin's government. A widely-held assumption runs something like this: The liberal group has lately been sidelined and marginalized in the Kremlin's decision-making process, but if the right circumstances arise (like a deep and lasting economic crisis that forces Putin to revert to less aggressive domestic and foreign policies) then this liberal group will regain sufficient power and influence to change Russia's course, at least where relations with the West are concerned.

A good example of this was the warmth with which many experts and media outlets greeted the 2016 appointment of Aleksey Kudrin, the former minister of finance, as one of Putin's economic advisors. They believed that it signaled a reversal of the Kremlin's policy of aggression and a step towards the possible modernization and liberalization of Russia.¹³ Of course, the opposite has occurred, and Kudrin's appointment has become a cautionary example of why the West must not entertain any false illusions about this group, which the Russian opposition terms "Systemic Liberals."¹⁴

Many of the Systemic Liberals were deeply involved in Putin's early 1990s schemes, for example running fake "municipal casinos."¹⁵ These were essentially gambling outlets opened with the help of the mayor's office to raise money to feed the citizens of St. Petersburg. As mentioned above, the city never received any money or food from these and similar schemes.¹⁶ According to Kirilenko's multiple international investigations, these casinos and other fraudulent companies were created by Putin and his St. Petersburg team with licensed approval, under the auspices of joint ventures with counterparts from Germany and other Western countries.¹⁷ Very often these entities featured ex-KGB officers on the Russian side—and ex-Communists, ex-Stasi, and other ex-special servicemen from former Warsaw Pact countries on the other. They also featured members of the Japanese Yakuza, as has been shown by recent investigations.¹⁸

¹³ Ilya Arkhipov and Evgenia Pismennaya, "Kudrin to Push Putin on Deficit Cut to Jumpstart Economic Growth," Bloomberg, May 23, 2016, <http://www.bloomberg.com/news/articles/2016-05-23/kudrin-to-push-putin-on-deficit-cut-to-jumpstart-economic-growth>.

¹⁴ The term "systemic" when used in reference to parties in Russia refers to parties that imitate opposition within the Duma while also playing along with the Kremlin's rules. When it refers to officials within government, it usually means that they do not come from a law enforcement, military, or KGB background, but instead are economists and academics who attempt to lead Russian economic policy toward budgetary responsibility. Thus, they never criticize Putin's political decisions, but are allowed to publicly state criticisms of the government's economic policy.

¹⁵ Karen Dawisha, *Putin's Kleptocracy*, pp.126-132.

¹⁶ Anastasia Kirilenko, "Vladimir Putin and Casinos: The One Left Scoring," *Radio Svoboda*, February 28, 2012, <http://www.svoboda.org/a/24490369.html>.

¹⁷ "Without Getting Salaries," *Kommersant*, August 3, 2009, <http://www.kommersant.ru/doc/1214844>.

¹⁸ Anastasia Kirilenko, "Putin Eyes Yakuza: The Japanese Mafia Tells of Business in St. Petersburg," *The Insider*, April 21, 2016, <http://theins.ru/korrupciya/22764>.

When the facts about Putin's activities in St. Petersburg were presented to the top federal audit bodies in Moscow by Marina Salye, an authorized auditor and deputy of the Leningrad legislative body, senior figures shielded Putin and his then boss, Mayor of St. Petersburg Anatoly Sobchak, from any criminal investigation. Putin and his future Systemic Liberals from St. Petersburg continued various forms of criminal activity even as they were transferred to Moscow, as has been shown by Spanish and German prosecutors and other investigations.¹⁹

Besides concerns about the conduct of Systemic Liberals in the 1990s, their track-record when in power at the federal level within Putin's government in the 2000s also deserves scrutiny. As Vladimir Milov, head of one of the democratic Russian opposition parties, has pointed out, leading Systemic Liberals were powerful figures, but they went along with the reversal of economic reforms under Putin, such as the re-monopolization of Gazprom and the dismantling of oil giant Yukos.²⁰ They also supported Putin's nascent military aggression, including the campaign in Chechnya at the end of 1999.²¹

Meanwhile, the Systemic Liberals agreed and even assisted with increasing state control of major sectors of the economy, and the creation of numerous inefficient and corrupt state corporations and private-state partnerships. They pushed through a policy of increased taxation on businesses and a huge fiscal centralization plan.²² The latter happened a few weeks before Putin's encroachment on the independence of governors and local elections after the Beslan tragedy in 2004. The combined effect was the total destruction of the independence of Russia's regions, along with the viability of the country's federal system and municipal authorities, as it left the latter with miserly local budgets. Almost total fiscal control of the regions from Moscow paved the way for Putin's political authoritarianism and the spread of rampant corruption.

In 2008, then-President Dmitry Medvedev approved Russia's military invasion of Georgia, as did all the other Systemic Liberals. Around the same time, a Western investment fund called Hermitage Capital was expelled from Russia and the tax it had paid was misappropriated by criminal groups within the Russian government. Despite direct appeals to the Systemic Liberals by the fund's lawyers to stop harassment and the illegal transfer of paid taxes outside Russia, criminal activity at the government level continued unabated and, among other things, resulted in the murder of the innocent lawyer and whistleblower Sergey Magnitsky.

¹⁹ Robert Coalson and Viktor Rezunkov, "From Communist Gold to Kremlin Power: Spanish Prosecutors Outline Russia's Captive State," *Radio Free Europe/Radio Liberty*, December 17, 2015, <http://www.rferl.org/content/from-communist-gold-to-kremlin-power-spanish-prosecutors-outline-russias-captive-state/27433558.html>; Tony Wesolowsky, "New Documentary Delves Into Dark Side of Putin's Rise," *Radio Free Europe/Radio Liberty*, December 30, 2015, <http://www.rferl.org/content/russia-documentary-putin-dark-side/27458242.html>.

²⁰ Telephone interview with the author in September 2016.

²¹ "Chubais Sharply Criticized Yavlinsky's Plan for Settlement in Chechnya," *Nezavisimaya Gazeta*, November 12, 1999, <http://www.ng.ru/news/6453.html>.

²² Vladimir Milov, "Do You Really Need That?" *Echo Moskvy*, December 16, 2014, <http://echo.msk.ru/blog/milov/1456604-echo>.

Since 2011 some Systemic Liberals have actually been promoted to positions of influence over economic policy, but there has been no effective liberalization of competition, governance, or transparency. On the contrary, the government continues to move foreign investment out of what it considers strategic sectors, not only in the economy but also in civil society, including partially foreign-owned media, and NGOs and charity organizations supported by U.S. and EU funds. The regime has embarked on further nationalization and state-controlled corruption. In 2014, Russia annexed Ukraine's Crimea peninsula and instigated a conflict in Ukraine that, among other tragedies, resulted in the downing of a Malaysian airliner. Systemic Liberals never spoke publicly or openly against these developments, and often approved or even facilitated them.

The Criminalization of Culture

Certain recent cultural developments in Russia, especially in language and music, have not been widely discussed in the U.S. and EU. But they provide an illuminating insight into the scale and nature of the problems facing both post-Soviet and Western societies.

Not many Russian words transited from the Soviet and post-Soviet era to common usage in the English language, and of these, only a few have positive connotations, like *sputnik* and *cosmonaut*. The rest are known only to a small group of Russia experts.

Some words with positive connotations, like *perestroika* and *glasnost*, became common under Gorbachev and are still recognized in the West. During the Soviet era, however, most Russian words that entered the English-speaking world on wider scale had a direct connection to the Gulag system or the broader repression, propaganda, and inhumane hierarchy of the Communist regime. Apart from the word Gulag itself, many educated Westerners are familiar with *agitprop*, *apparatchik*, *Kalashnikov*, *politburo*, *nomenklatura*, and *samizdat*. The pre-Soviet word *troika*—meaning trio—referred to a Russian three-horsed sleigh before 1917; the word was revitalized in Western media by Stalin’s use of judicial *troikas* for massive purges in the 1930s.

Two Russian words that have begun to appear in the English language in the last 20 years—and only in academia and specialist media so far—are *siloviki* (meaning elites with strong links to the security services, as described above) and *krysha* (“roof,” meaning protection rackets). Arguably, the return of the ancient Greek word *oligarchs* can also be attributed to developments in the FSU space.²³ A wider audience for these terms arose during a spate of high-profile court proceedings involving Russian tycoons in the U.S. and UK, wherein the crude relations among oligarchs, criminal bosses, and officials in post-Soviet countries surfaced in considerable detail.²⁴ In the past year, as Russian interference in the presidential elections was confirmed by U.S. intelligence agencies, the word *kompromat* (meaning “compromising information,” widely used by the KGB against its opponents in Gulag prisons) has also started to feature prominently in Western media and political parlance.²⁵

²³ William Safire, “Siloviki Versus Oligarchy,” *The New York Times*, November 5, 2003, <http://www.nytimes.com/2003/11/05/opinion/siloviki-versus-oligarchy.html>; Andrew Meier, “Autumn of the Oligarchs?” *The New York Times*, November 5, 2003, <http://www.nytimes.com/2003/11/05/opinion/autumn-of-the-oligarchs.html>; David Satter, “The Wild, Wild East,” *Hoover Digest*, No. 2, The Hoover Institution, April 30, 2004, <http://www.hoover.org/research/wild-wild-east> for David Satter’s account of Russia in 2004.

²⁴ Luke Harding, “Abramovich v Berezovsky: What Have We Learned So Far?” *The Guardian*, November 7, 2011, <https://www.theguardian.com/world/2011/nov/07/abramovich-berezovsky>; Clara Ferreira-Marques and Kirstin Ridley, “Deripaska Dips Into Past to Fight Off UK Lawsuit,” *Reuters*, July 11, 2012, <http://www.reuters.com/article/britain-oligarchs-lawsuits-idUSL6E8IBCIF20120711>, <http://www.ft.com/cms/s/0/9527e2be-f5b5-11e5-96db-fc683b5e52db.html>

²⁵ Matthew Rosenberg, “Trump Misleads on Russian Meddling: Why 17 Intelligence Agencies Don’t Need to Agree,” *The New York Times*, July 6, 2017, <https://www.nytimes.com/2017/07/06/us/politics/trump-russia-intelligence-agencies-cia-fbi-nsa.html?mcubz=1>; Garrett M. Graff, A Guide to Russia’s High Tech Tool Box For Subverting U.S. Democracy,” *Wired.com*, August 13, 2017, <https://www.wired.com/story/a-guide-to-russias-high-tech-tool-box-for-subverting-us-democracy/>.

Meanwhile, Russian itself has been truly transformed by the language of the new elite. Firstly, lewd “streetwise” and criminal slang (not to mention dirty jokes) began to be approved and encouraged by Russia’s leadership. President Putin is famous for personally upholding this trend from the very start of his leadership of the country.²⁶ It has been widely covered during his televised interviews and press-conferences, and has been termed “the talk of the vulgar” (somewhat diplomatically) or outright “toilet talk.”²⁷

The degradation and criminalization of the Russian language (and those of other FSU countries) remains a largely unstudied phenomenon. But almost any citizen with access to mass media would agree that there has been a qualitative change, not only in daily conversation and tabloid publications, but in the general standard of acceptable written communication, jokes on public television, and even formal statements from government officials. Mainstream television stations throughout the FSU have been flooded with cheap productions focusing on criminal stories, good and bad cops, the lives of oligarchs and prisoners, crime news coverage, and trash talk and humiliation entertainment shows.²⁸ Internet forums are likewise awash with variations of criminal and streetwise slang.

While this is part of a global phenomenon, especially in tabloids and on social media, in Russia this linguistic degradation has been particularly extreme and arguably reflects the criminalization of Russian life in general.²⁹ It is clear that this cultural criminalization has also strongly influenced Russia’s neighbors. A few noteworthy developments in pop music and academic plagiarism are worth exploring in more detail to show how criminalization has become a pervasive feature of post-Soviet culture and education.

²⁶ Jill Dougherty, “Trash Talk: What Putin’s Presidential Potty Mouth is All About,” *CNN*, December 25, 2015, <http://www.cnn.com/2015/12/25/europe/vladimir-putin-bad-language/>. See also “The Art of the Soviet Joke” in Fiona Hill and Clifford G. Gaddy, *Mr. Putin: Operative in the Kremlin, New and Expanded Edition* (Washington, DC: Brookings Institution Press, 2015) pp. 127-131.

²⁷ Julius Strauss, “Putin’s Language is Becoming the Talk of the Vulgar,” *The Telegraph*, November 8, 2003, <http://www.telegraph.co.uk/news/uknews/1446241/Putins-language-is-becoming-the-talk-of-the-vulgar.html>; G.L. Johnson, “Russian Political Slang: Toilet Talk,” *The Economist*, August 30, 2010, http://www.economist.com/blogs/johnson/2010/08/russian_political_slang.

²⁸ “The Humiliation of Society,” *Rapsi*, February 3, 2011, http://www.rapsinews.ru/incident_publication/2010203/251775031.html.

²⁹ Paul Goble, “Window on Eurasia: Criminalization of Russian Life Reflected in Russian Language, Editor Says,” *Window on Eurasia*, July 9, 2013, <http://windowoneurasia2.blogspot.com/2013/07/window-on-eurasia-criminalization-of.html>.

Music of the Underworld

In the last two decades there has been an unprecedented boom in the so-called *chanson* song genre, which emerged from and concerns Russian criminal life.³⁰ Even authors from the state-controlled Russian Information Agency (RIA) have confirmed that criminal aesthetics are so prevalent in society that they have become a dominant feature of the country's cultural life.³¹ *Chanson* singers are now onto prime-time television shows, and in 2012 the State Kremlin Palace—one of the largest performance centers in the country—began hosting an All-Russia Gala called “*Chanson* of the Year” that now attracts huge interest.

Another author at RIA wrote that *chanson* used to be a marginalized underground phenomenon, but has now become mainstream as Duma deputies, top officials, businessmen, showbiz stars, and law enforcement officers all enjoy it. That author cited the former deputy head of the committee on constitutional law, Andrey Savelyev, who said that *chanson* is everywhere in the Russian parliament and one cannot save himself or herself from it: “If you go downstairs to the Duma’s canteen you would be met by a song about the queen of gangsters, Murka.”³² As a result, the author argued that the culture and attitudes embodied in *chanson* are now forming new laws of behavior.

Vladimir Putin’s love of *chanson* music has been made clear by his patronage of the *Lyube* band, whose lead singer became a parliamentarian.³³ Two of Putin’s other favorite singers—the Soviet-era Iosif Kobzon and *chanson* singer Grigoriy Leps—were placed on Western sanctions lists for their connections to international crime groups and the Russian mob.³⁴

It is not only Putin and the Kremlin leadership who have encouraged this phenomenon. There are now at least two major cable television channels devoted to *chanson*: “Chanson TV” and “La Minor,” which are televised across the FSU and to Russian speaking communities beyond. The same goes for the federal radio network “Chanson,” which is received in 170 cities in Russia, many FSU countries, and even in Western Europe and the Middle East. “Chanson” has at times ranked among the top three most popular FM radio stations in Russia.³⁵

³⁰ Sophia Kishkovsky, “Notes from a Russian Musical Underground: The Sound of Chanson,” *The New York Times*, July 16, 2006, <http://www.nytimes.com/2006/07/16/arts/music/16kish.html>.

³¹ “The Evolution of Russian Chanson from Blatnyaka to Stas Mikhailov,” *RIA Novosti*, April 20, 2012, <http://ria.ru/analytics/20120420/630667396.html>.

³² “Chanson as a Means of Social Degradation,” *RIA Novosti*, June 17, 2011, <http://ria.ru/analytics/20110617/389669324.html#ixzz4HMn1qypL>.

³³ Alexander Bratersky, “Putin’s Favorite Rocker Joins Duma,” *The Moscow Times*, January 28, 2010, online at: <https://www.pressreader.com/russia/the-moscow-times/20100128/281530812158843>

³⁴ Rusif Huseynov, “Sanctions on Russia: The Case of Iosif Kobzon,” *New Eastern Europe*, September 21, 2015, <http://neweasterneurope.eu/articles-and-commentary/1718-sanctions-on-russia-the-case-of-iosif-kobzon>; Sergei Loiko, “Russia vows to stand by singer placed on U.S. blacklist,” *Los Angeles Times*, October 31, 2013, <http://articles.latimes.com/2013/oct/31/world/la-fg-wn-russia-singer-blacklist-putin-20131031>.

³⁵ “Russian Chanson History, Distribution, and the Current State of the Genre,” *NEWSmuz.com*, February 18, 2011, http://newsmuz.com/news_5_22096.htm.

Of course, Western popular music also abounds with performers—even entire genres—that glamorize criminal lifestyles. However, you are unlikely to hear gangster rap playing in the canteens of the U.S. Congress. While such music is a significant element of popular culture, it has achieved nowhere near the same level of pervasiveness as has the *chanson* in Russia.

Chanson was the music of the Gulag, and its pervasive popularity today is arguably part of the renewed spread of Neo-Gulag values, both reflecting and reinforcing the wider criminalization of society.

Piracy and Plagiarism

The penetration of Neo-Gulag values, norms, and practices in post-Soviet society has also given rise to an unprecedented culture of intellectual piracy and plagiarism.

Since 1997, there has been a rather unusual annual show run by *Silver Radio* station in Russia which exposes not only bad taste, but also the outright plagiarism of prominent pop singers and composers. It is called *Silver Galosh*, as the winners are awarded with a galosh figurine. The show, aired on radio and television, is highly popular and attended by leading celebrities and the new elite. While there are similar “alternative” or anti-awards in the West, they do not attract the equivalent caliber of celebrities, oligarchs, and political loyalists of Putin’s regime.

Silver Galosh publicly showcases the scale of impunity for, and even societal acceptance of, dishonest behavior. Every year, major performers “borrow” tunes from other (primarily Western) musicians with gleeful cynicism, certain that they will face no legal or even reputational consequences. A high proportion of the “winners” also happen to be on the official list of Putin’s public supporters.³⁶ A few have even appeared internationally, exerting a corrosive influence beyond Russia and the FSU.

When one watches *Silver Galosh*, it becomes clear that this attitude is not an isolated phenomenon, but a representative slice of the criminalization of post-Soviet culture. Not only do the participants defy and mock the notion of plagiarism, but they all enjoy the cynical view of the world and its latest developments that the show celebrates. This includes many oligarchs, whose lifestyles are a popular subject, simultaneously mocked and extolled.

Politicians, media figures, businessmen, and of course the general audience observe and learn through *Galosh* that, in Putin’s Russia and much of the FSU, it is acceptable to steal someone else’s intellectual property. The worst you will receive in return is gentle teasing.

This trend is not confined to the realm of popular culture. A unique feature of post-Soviet academic life has been the endemic plagiarism of master’s and doctoral theses, especially among politicians, businessmen, and other public figures.

Russian opposition site *Dissernet* has been monitoring these academic crimes for years, exposing dozens of high-ranking officials in the federal and regional governments, the ruling party and systemic opposition, as well as the heads of research institutes and wealthy businessmen. It should come as no surprise that Putin himself has been credibly accused of plagiarism in the thesis he wrote in 1997 in St. Petersburg. The title of his Ph.D. does not fully correspond to the content, while content was also taken directly from the Russian version of a Western textbook from 1978.³⁷

³⁶ The full list of Putin’s so called “trusted representatives” can be found on their official website: <http://xn--80adffaavxqag0a8f2c.xn--p1ai/>.

³⁷ Putin has never revealed details of how he prepared the dissertation and copies are no longer publicly accessible. See Igor Danchenko, Clifford G. Gaddy, “The Mystery of Vladimir Putin’s Dissertation,” Foreign Policy Program panel presentations, Brookings Institution, March 30, 2006,

Since its launch in 2013, *Dissernet* has documented more than a thousand cases of plagiarism or the unethical use of copyrighted material in academic writing and monographs.³⁸ Activists persuasively argue that plagiarizing academic materials has turned into a multi-million dollar black market, doing huge business among the top echelons of power in Putin's new elite.³⁹ In fact, last year's study suggested that one in nine Russian Duma deputies possess questionable academic credentials.⁴⁰ The problem is so acute among the top administrators of academic institutions that *Dissernet* even decided to rank Russian universities according to their level of involvement in plagiarism schemes.⁴¹ Media outlets *Novaya Gazeta* and *Meduza* have also been instrumental in exposing top law enforcement officials as plagiarists.

In fact, most plagiarists among the Russian elite, even if they get caught, retain their academic titles (or at least do not lose any other titles), as stealing someone else's research no longer bothers or concerns the public in any significant way. Indeed, such individuals might be admired for having paid less for their degrees than others. At the same time, the founders of *Dissernet* face growing administrative pressure and outright intimidation. In Russian society, the cult of power and wealth now matters more than anything else.

www.brookings.edu/events/2006/03/30putin-dissertation; Fiona Hill and Clifford G. Gaddy, *Mr. Putin: Operative in the Kremlin*, New and Expanded Edition (Washington, DC: Brookings Institution Press, 2015), pp. 198-199.

³⁸ Andrey Rostovtsev, "Fake Academic Degrees in Russia," *Dissernet*, March 1, 2016, http://www.dissernet.org/publications/c_sh_p.htm.

³⁹ Leon Neyfakh, "The Craziest Black Market in Russia," *Slate*, May 22, 2016, http://www.slate.com/articles/news_and_politics/cover_story/2016/05/the_thriving_russian_black_market_in_dissertations_and_the_crusaders_fighting.html.

⁴⁰ Darina Gribova, "Study Finds That One in Nine Russian Duma Deputies Are Academic Phonies," *PRI*, January 20, 2016, <http://www.pri.org/stories/2016-01-20/study-finds-one-nine-russian-duma-deputies-are-academic-phonies>.

⁴¹ "Dissernet Ranks Russian Universities According to Plagiarism," *The Moscow Times*, March 16, 2016, <https://themoscowtimes.com/news/dissernet-ranks-russian-universities-according-to-plagiarism-52166>.

Tainted Glamour: How the West Views Kleptocrats

Given the historical legacy of post-Soviet Russia and its asset-grabbing capitalism, the growth of this cult is understandable. But there is a strong fascination with post-Soviet oligarchs and criminals—and their glamorous but roguish lifestyles—in Western society, too.

It can be as crude and straightforward as obsessing over luxury possessions, like the palace or mega-yacht of an oligarch.⁴² But there is also a tendency to glamorize, even lionize, the individuals themselves—and particularly their female companions. Thus, in 1998 *New York Magazine* drooled over Russian women sent to New York by oligarchs (or arriving on their own in search of better life) as “Ultra-Natashas”: “clever, as well as beautiful, they pursue their goals with mercenary precision.”⁴³ By the early 2000s, the same magazine was savoring the daughters, wives, and lovers of post-Soviet moneybags by collecting quotes from fascinated Westerners who met them in their new environment. Thus, the daughter of an aluminum tycoon is labelled a “Russian American Princess,” and compared to movie stars: “She’s like Audrey Hepburn. Pure European.” Other representatives of these new Russians are described by one commentator as “a whole new generation of Russians who are stylish, beautiful, wealthy, and fun.”⁴⁴

Here is another example from a 2012 *New York Times* article:

Russian buyers usually know what they want—Central Park views in modern, full-service buildings with on-call concierge service are high priorities—but typically end up spending twice their original budget....

They frequent the Japanese restaurant Nobu and drink at the Standard Hotel in the meatpacking district, brokers said. Many are in their 30s and 40s. They are obsessive about keeping in shape and are often seen with a series of female companions, Ms. Teplitzky said.

Some of them roll about town in customized Rolls Royces where the doors open at the opposite hinge to allow women to step out easier in heels....

“When I am with them, I feel like I am in a movie,” Ms. Teplitzky said. “It is a complete different world.”⁴⁵

Western media is teeming with entertaining but ultimately superficial and misleading accounts like these. Allusions to oligarchs’ shady backgrounds pique readers’ interest, but

⁴² Robert Frank, “Russian Billionaire’s Mega-Yacht Makes Waves in NYC,” *CNBC*, February 14, 2013, <http://www.cnbc.com/id/100461801>.

⁴³ Michael Gross, “From Russia with Sex,” *New York Magazine*, August 10, 1998, <http://nymag.com/nymetro/nightlife/barsclubs/features/3047>.

⁴⁴ Phoebe Eaton, “How Much Is That In Rubles?” *New York Magazine*, September 20, 2004, <http://nymag.com/nymetro/news/people/features/9873/>.

⁴⁵ Alexei Barriomuevo, “Russians Court Luxury Real Estate with Record Breaking Sales,” *The New York Times*, April 4, 2012, <http://www.nytimes.com/2012/04/04/realestate/russians-court-luxury-real-estate-with-record-breaking-sales.html>.

never go so far as to raise difficult questions about their sources of income or what exactly they are doing in the West.

The media's tendency to infuse accounts of oligarchs' lives with Hollywood glamor is understandable, given the public appetite for such stories. But willingness to gloss over the important questions has also manifested itself in Western academic institutions, albeit in a different way. This is surprising, given that right from the start of Putin's presidency there were myriad publications from Russia debunking myths about the nature of his regime and its oligarchic beneficiaries. For example, Alena Ledeneva's 2001 pamphlet, *Unwritten Rules: How Russia Really Works* (published by London's Center for European Reform with the help of leading Western companies, academics, and politicians) explained clearly the amalgamation of criminal and post-Soviet networks and practices, including in Western jurisdictions.⁴⁶

⁴⁶ Alena Ledeneva, "Unwritten Rules: How Russia Really Works?" Centre for European Reform, May 4, 2001, <http://www.cer.org.uk/publications/archive/essay/2001/unwritten-rules-how-russia-really-works>

The study was co-sponsored by BP and Accenture and the Advisory Board of the CER, which included top EU politicians and businessmen.

2. How Kleptocratic Norms Are Exported to the West

It is by no means suggested that Western values have had no effect on Russia and other post-Soviet states. One of the most interesting pieces in this regard is a recent paper by Nigel Gould-Davies, who argues that Putin's presidency has been driven by a self-contradictory strategy of "sovereign globalization," reaping all the benefits of consumerist Western liberal capitalism while attempting to preserve the political and economic interests of Russia's new elite.⁴⁷ This broad conclusion is relevant to most other post-Soviet states as they enter the global economy.

But the flow of dictators and oligarchs to the West—along with their corrupt values and corrosive practices—has become a defining feature of globalization. This is far from just a post-Soviet phenomenon: Their norms and practices have also been picked up and deployed effectively by crooked elites in China, Vietnam, Venezuela, and other post-communist or authoritarian countries around the world.⁴⁸ Elites from these regimes and those of the FSU trade tips on going global with sophisticated tools of propaganda, co-optation, subversion, repression, and corruption, proudly propagating their illiberal values and cultivating their own version of "soft power" to undermine democracy and its institutions.⁴⁹ The U.S. and EU have finally recognized the negative effects of some of these practices, especially Russian propaganda and disinformation against themselves and their frontline allies.⁵⁰

These and other issues are illustrated by the chart below. In 2013, I summarized and analyzed some of the main corrupt and corrosive practices emanating from the FSU, correctly predicting that on all three levels they pose national security threats to the West.⁵¹

⁴⁷ Nigel Gould-Davies, *Russia's Sovereign Globalization Rise, Fall and Future*, Chatham House, January 6, 2016, <https://www.chathamhouse.org/publication/russias-sovereign-globalization-rise-fall-and-future>.

⁴⁸ While influenced by norms and practices emanating from FSU countries, other post-communist authoritarian states obviously went through their own transformations. See, for example, China's path from communism to state capitalism in Chapter 6 of Kerry Brown, *The New Emperors: Power and the Princelings in China* (New York: I.B. Tauris, 2014), pp. 187-213.

⁴⁹ Larry Diamond, Marc Plattner, Christopher Walker, "Authoritarianism Goes Global," *The American Interest*, March 28, 2016, <http://www.the-american-interest.com/2016/03/28/authoritarianism-goes-global>; "Authoritarian Cooperation and Learning," Resurgent Dictatorship: The Global Assault on Democracy, National Endowment for Democracy, <http://www.resurgentdictatorship.org/authoritarian-tactics/authoritarian-cooperation-learning/>; Christopher Walker, "The Hijacking of 'Soft Power,'" *Journal of Democracy*, Vol. 27, No. 1, January 2016, 49-62, <http://www.ned.org/wp-content/uploads/2016/01/January-2016-JOD-Hijacking-of-Soft-Power-Christopher-Walker.pdf>

⁵⁰ Edward Lucas and Peter Pomerantsev, "Winning the Information War," Center for European Policy and Analysis, August 2016, https://cepa.ecms.pl/files/?id_plik=2715.

⁵¹ This chart was adapted from the following research paper: Ilya Zaslavskiy, "Export of Corrosion: How Practices from Russia Penetrate and Undermine US and UK," prepared for the panel discussion "Export of Russian Corruption: From Kremlin with Hate" at the annual Convention of the Association for Slavic, East European, and Eurasian Studies, Boston, MA, 21-24 Nov. 2013, November 16, 2013, http://imrussia.org/media/pdf/Research/Ilya_Zaslavsky_How_Corrosive_Practices_from_Russia_Penetrate_and_Undermine_US_and_UK.pdf.

In the past two decades, geopolitics and graft have become intertwined to an unprecedented degree. Kleptocratic states have become adept at using corrupt businessmen as proxies to advance their political goals, while the latter jump at the chance to pursue their private ambitions with state backing.

The bipolar power structure of the Cold War provided clearer boundaries, not only ideologically, but also in commerce. Business interactions between each side could be carefully inspected, vetted, and limited. The porous borders, technological advances, and empowered transnational corporations unleashed by the end of the Cold War make this all but impossible today.

Many kleptocracies have established a convincing capitalist façade. At international summits and in Western boardrooms they join in championing private ownership, free markets, competition, and the rule of law. But scrape the surface and these commitments mask nothing more than the subversion of capitalism and legal systems to support cronyism and corruption of the highest order. The separation of Soviet and Western business may be gone, but the West cannot afford to relax Cold War-levels of vigilance against threats which, though less obvious, are ultimately no less serious.

The examples below illustrate some of the ways in which corrupt practices are spreading through a wide spectrum of Western governmental and corporate entities. They are not exhaustive and have been selected simply to demonstrate that some of the least discussed problems are also some of the most insidious. Most importantly, they show that kleptocrats corrupt not only foreign governments, but also businesses and individuals in broader society.

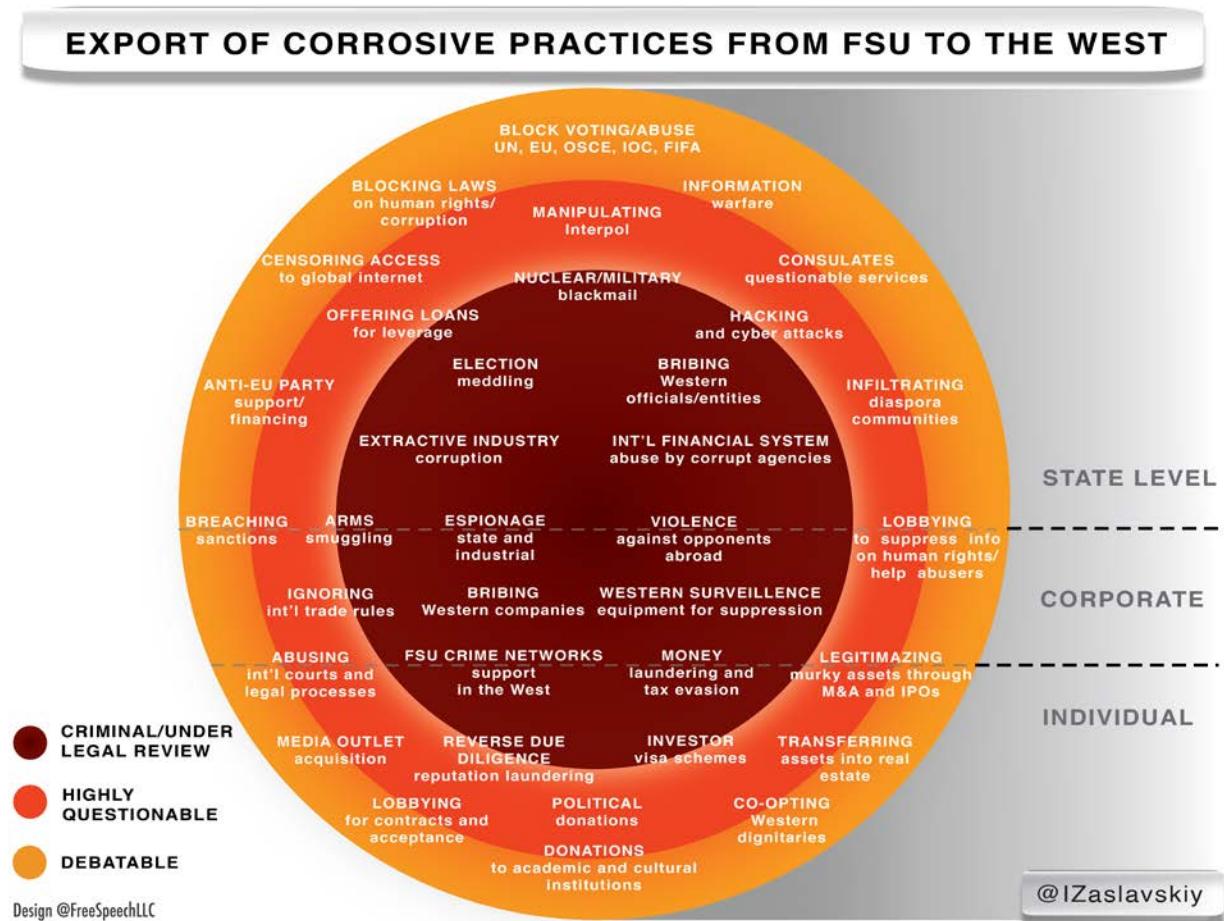


Figure 2. Levels of export of corrosive practices.

Organized Crime

Corruption exported to the West through outright criminal activity is nothing new, of course, and there are already laws in place against money laundering and other relevant offenses. But the problem is still widespread.

In 2015, Spanish prosecutors released transcripts of taped conversations involving top Russian law enforcement officers, Duma officials, and Russian mafia bosses based in Spain about inserting their favored candidates into top Kremlin positions.⁵² These mafia bosses carried out their activities not only in Spain but throughout Europe. Similarly dubious connections have been uncovered in relation to Chinese banks and criminal groups.

Such corrupt partnerships do not always involve outright criminal gangs, but sometimes outwardly respectable private companies and industry insiders. Their conduct is often formally and officially defended by governments of kleptocratic regimes, even when the individuals in question have been caught red-handed by Western law enforcement. Of course, Western corporations and individual businessmen also get caught engaging in criminal activity in developing countries, but Western law enforcement agencies and high-level government officials do not defend their compatriots from justice on such a high state level.

⁵² "The Spanish Case. The Chosen Place of Negotiators," Open Russia Foundation, December 3, 2015, <https://openrussia.org/post/view/10981/>.

Offshore Banking

Besides assistance from state bodies, individual oligarchs and companies associated with them are aided enormously by the global banking sector, not only in core markets like London and New York but also in multiple offshore jurisdictions.

As Oliver Bullough brilliantly demonstrated in his piece “Stage Hands: How Western Enablers Facilitate Kleptocracy,” there are three consecutive stages by which kleptocrats from all authoritarian and corrupt states typically legitimize themselves and their assets in the West:

In Stage One, the kleptocrat secures his newly acquired assets by getting his money and company ownership offshore. This successfully insulates him against unexpected political changes at home. In Stage Two, the kleptocrat secures himself and his children by physically moving his family offshore. This insulates those closest to him against the consequences of the misgovernment that made him rich, while providing both them and him with a more amenable environment in which to spend his wealth. In Stage Three, the kleptocrat secures his reputation by building a network among influential people in Western countries. In simple terms, the goal of Stage Three is to make sure that a Google search returns more news stories about good deeds than about allegations of corruption and loutishness.⁵³

At all stages, but especially by stage three, kleptocrats transfer not only their money and families, but also their values. They continue to launder money, acquire assets illicitly, seduce Western professionals into complicity through disproportionate remuneration, suppress media coverage, and manipulate the local establishment.

However, the crucial element for success in this process, as Bullough rightly argues, is safely moving the kleptocrat’s money and assets to offshore jurisdictions. By doing so, it becomes much more difficult for Western law enforcement or society to stop stages two and three.

The role of offshore networks as an essential tool of kleptocratic penetration into the West was widely recognized even before the revelations contained in the Panama Papers, for example through WikiLeaks reports and Offshore Leaks.⁵⁴ In Russia, there was the so-called Shuvalov Affair; in Azerbaijan, there were investigative reports by Khadija Ismayilova on the family and cronies of President Ilham Aliyev.⁵⁵

⁵³ Oliver Bullough, “Stage Hands: How Western Enablers Facilitate Kleptocracy,” *The American Interest*, May 1, 2016, <http://www.hudson.org/research/12463-stage-hands>

⁵⁴ “WikiLeaks Given Data on Swiss Bank Accounts,” *BBC*, January 17, 2011, <http://www.bbc.com/news/business-12205690>; “Offshore Leaks Database,” International Consortium of Investigative Journalists, <https://offshoreleaks.icij.org>

⁵⁵ Ibid, p. 23; Khadija Ismayilova, “‘Azerfon’ is Controlled by a Panamanian Companies Belonging to the Daughters of Ilham Aliyev,” *Radio Free Europe/Radio Liberty* (Azerbaijan Service), June 28, 2011, <http://www.azadliq.org/a/24243935.html>; “The Khadija Project,” *Organized Crime & Corruption Reporting Project*, <https://www.occrp.org/en/corruptistan/azerbaijan/khadijaismayilova>

However, the Panama Papers leak provided an unprecedented insight into the magnitude of the offshore economy and laundering by global kleptocracies. Chinese society, for example (at least those members with access to Western media sources), learned that at least eight former or current members of the Chinese Politburo Standing Committee (or their relatives) had set up anonymous companies in secrecy jurisdictions that could be used to muddy the origins of their vast wealth.⁵⁶

The Panama Papers also provided unequivocal evidence that there is a major criminal gateway between developing countries and developed countries. Anonymous companies based in offshore secrecy jurisdictions are the primary link in what Tom Burgis calls the “Looting Machine,” a massive, long-term system of unfair trade and exploitation in which powerful states strip the developing world of assets.⁵⁷ Anonymous companies allow those involved in the Looting Machine to tap into what Jeffrey Winters terms the “Wealth Defense Industry,” a mercenary army of Western experts involved in law, tax evasion, and offshore accounting.⁵⁸

By offering incentives to launder their money and ultimately help exploit ordinary people in both their home countries and the West, kleptocrats are increasingly exposing Western professionals to their Neo-Gulag values.

⁵⁶ David Wertime, “New ‘Panama Papers’ Report Hits China’s Red Elite,” *Foreign Policy*, (April 6, 2016, <http://foreignpolicy.com/2016/04/06/new-panama-papers-report-hits-chinas-red-elite>

⁵⁷ Tom Burgis, *The Looting Machine: Warlords, Oligarchs, Corporations, Smugglers, and the Theft of Africa’s Wealth* (Harper Collins: 2015).

⁵⁸ Jeffrey Winter, “Wealth Defense Industry: The Real Reason America’s Oligarchs Can Squeeze the Rest of Us,” *Alternet*, April 9, 2012, http://www.alternet.org/story/154930/wealth_defense_industry%3A_the_real_reason_america's_oligarchs_can_squeeze_the_rest_of_us; see also: “Are Plutocrats Drowning Our Republic?” An *The American Interest* event held on July 21, 2016, <http://www.hudson.org/events/1356-are-plutocrats-drowning-our-republic-72016>.

Lobbying

The Foreign Agents Registration Act (FARA) was enacted in 1938 to “insure that the U.S. Government and the people of the United States are informed of the source of information (propaganda) and the identity of persons attempting to influence U.S. public opinion, policy, and laws.”⁵⁹ The Act requires U.S.-based lobbyists to file information disclosing their activities on behalf of “foreign principals,” which includes not only governments but “any entity organized under the laws of a foreign country or having its principal place of business in a foreign country.”⁶⁰

Despite its central role in shielding the American democratic process from malicious external influence, FARA contains serious loopholes that have rendered enforcement difficult, if not impossible.⁶¹ Several high-risk activities which should fall within the scope of FARA are omitted, the criminal standard of proof presents an almost insurmountable barrier to successful prosecutions, and the filing system itself is antiquated.

Limited resources and the low probability of success mean that enforcement is never seriously threatened by the Department of Justice, whose own guidance states explicitly that “The cornerstone of the Registration Unit’s enforcement efforts is encouraging voluntary compliance.”⁶² Compliance inspections take place only 12 to 15 times per year, and there have been only three convictions since 1966, when FARA underwent significant amendments.⁶³

A 2014 study found that half of all FARA filings are submitted late.⁶⁴ This is not just an administrative problem; it means that U.S. authorities are being informed after the event when foreign governments have paid lobbyists to try and influence legislation on their behalf. Given the lack of oversight and enforcement, one might reasonably ask how many disclosures are never submitted at all.

The financial incentives offered by foreign powers for representing their interests on Capitol Hill can be substantial. In 2016, the Kremlin, for example, issued a tender for

⁵⁹ “FARA Frequently Asked Questions,” U.S. Department of Justice website, <https://www.fara.gov/fara-faq.html>.

⁶⁰ Ibid.

⁶¹ “Audit of the National Security Division’s Enforcement and Administration of the Foreign Agents Registration Act,” The Office of the Inspector General, U.S. Department of Justice, September 2016, <https://oig.justice.gov/reports/2016/a1624.pdf>.

⁶² “2062. Foreign Agents Registration Act Enforcement,” U.S. Attorney’s Manual, <https://www.justice.gov/usam/criminal-resource-manual-2062-foreign-agents-registration-act-enforcement>.

⁶³ Ben Freeman and Lydia Dennett, “Loopholes, Filing Failures, and Lax Enforcement: How the Foreign Agents Registration Act Falls Short,” Project on Government Oversight, December 16, 2014, <http://www.pogo.org/our-work/reports/2014/loopholes-filing-failures-lax-enforcement-how-the-foreign-agents-registration-act-falls-short.html#fn140>; “Former Congressman Pleads Guilty to Obstructing Justice, Acting as Unregistered Foreign Agent,” Press Release, U.S. Department of Justice, July 7, 2010, <https://archives.fbi.gov/archives/kansascity/press-releases/2010/kc070710.htm>.

⁶⁴ “Loopholes, Filing Failures, and Lax Enforcement.”

public relations services worth \$30-50 million.⁶⁵ Big fees and gaping regulatory loopholes have made lobbying one of the easiest ways for kleptocrats to gain direct access to American policymakers.

Of course, FARA and related provisions are only applicable when foreign entities are involved. Once kleptocrats have successfully relocated to the U.S. and acquired citizenship, they are free to hire and lobby as they please—even if they do so at the behest of their home regimes.

A pre-Cold War regulatory regime espousing voluntary compliance cannot hope to insulate American democracy from the designs of contemporary individuals and organizations who represent—directly or indirectly—regimes which have never respected the rule of law, and which continue to blur the lines between political, business, and personal activities to further their objectives in the West.

⁶⁵ Eugene Gerden, “Russia Seeks PR Agencies to Improve Image Abroad,” *PR Week*, November 1, 2016, <http://www.prweek.com/article/1414140/russia-seeks-pr-agencies-improve-image-abroad>.

Co-opting Influencers and Celebrities

The employment of former German Chancellor Gerhard Schröder by the Nord Stream consortium was the most notorious example of what has appropriately become known as *Schröderization*: The co-opting of celebrities and other influential persons to advance causes associated with kleptocratic interests. Former British prime minister Tony Blair provides another high-profile example: His consultancy business worked for kleptocratic regimes in Kazakhstan, Azerbaijan, and elsewhere.⁶⁶ Meanwhile, famous Hollywood actors and singers are routinely paid handsome sums to attend important occasions or holiday celebrations in kleptocratic states.

As Western individuals and corporations learn from their counterparts in globalized kleptocracies, corrupt hiring practices increasingly occur the other way around, too; for example, a major global bank hiring the sons and daughters of influential elites in China.⁶⁷

⁶⁶ Robert Mendick, “Tony Blair’s £5m Deal to Advise Kazakh Dictator,” *The Telegraph*, April 23, 2016, <http://www.telegraph.co.uk/news/2016/04/23/tony-blairs-5m-deal-to-advise-kazakh-dictator>; Casey Michel, “Tony Blair Has Another Repressive Central Asian Autocracy to Sell You,” *The New Republic*, January 5, 2015, <https://newrepublic.com/article/120691/tony-blair-does-pr-repressive-azerbaijan-kazakhstan-autocracies>.

⁶⁷ Jessica Silver-Greenberg and Ben Protess, “JPMorgan Hiring Put China’s Elite on an Easy Track,” *The New York Times*, August 29, 2013, http://dealbook.nytimes.com/2013/08/29/jpmorgan-hiring-put-chinas-elite-on-an-easy-track/?_r=0; “Inquiry of JPMorgan’s Asia Hiring,” *The New York Times*, March 25, 2014, <http://www.nytimes.com/interactive/2013/11/14/business/dealbook/14chase-asia.html/>.

Political Donations

Many kleptocrats, while careful to manage their public reputations, lust for political power and economic influence in the West just as they did in their home countries; therefore, they start to go beyond merely being accepted by the Western establishment and strive to influence it.

Whether looking at wealthy Russians in Europe or Chinese elites in Australia or the U.S., one of the most striking things about kleptocratic donors to Western politicians is their apparent commitment to bipartisanship. In one of the most symbolic examples of their disdain for democratic values, they have become adept at spreading their bets by donating generously across party lines. In some European countries, non-state agents donate to extreme right-wing and left-wing political parties to upset the democratic political balance, as was the case in 2014 when Marine Le Pen's Front National was able to borrow €9 million from a Russian bank.⁶⁸

⁶⁸ Anne-Claude Martin, "National Front's Russian Loans Cause Uproar in European Parliament," *EurActive*, December 5, 2014, <https://www.euractiv.com/section/europe-s-east/news/national-front-s-russian-loans-cause-uproar-in-european-parliament/>.

Educational Philanthropy

Universities and other educational institutions depend on well-intentioned donations, but if due diligence is not performed correctly, philanthropy can become an ideal opportunity for foreign oligarchs to launder their reputations and gain access to the Western establishment.

The case of Ukrainian oligarch Dmytro Firtash and the University of Cambridge serves as a good illustration of this phenomenon. In early 2017, Firtash, who had previously donated millions of pounds to establish a Ukrainian studies center and lectureship at Cambridge, was ordered by an Austrian court to stand trial in the U.S. over allegations of bribery relating to a business deal in India.⁶⁹ He also faces extradition to Spain, where he is wanted to stand trial for money laundering in Catalonia. Cambridge's acceptance of Firtash's donations was criticized by, among others, a Transparency International UK representative who observed that "making donations to prestigious institutions has become a standard way for oligarchs to launder their reputations."⁷⁰

Affiliation with prestigious academic institutions provides kleptocrats with legitimacy, credibility, and respect. They can acquire higher social status, influential academic posts, positive media coverage, and networking opportunities. It is also an opportunity to attract and support academic mercenaries, marginalized politicians and experts, and other sympathizers—those Westerners who Russians have often called "useful idiots."

Indirectly, big donations from kleptocrats also put a friendly face on their home regimes, generating goodwill from faculty and students who receive a better-resourced education (though they unwittingly do so while benefiting from the proceeds of corruption). In such circumstances, it is unsurprising that instances of self-censorship appear to be on the rise, as universities seek to dampen awkward on-campus criticisms of regimes from which potential sources of financial and other support ultimately originate.⁷¹

⁶⁹ Matt Gurtler, "Bribery Allegations Against University Benefactor," *The Cambridge Student*, February 27, 2017, <http://www.tcs.cam.ac.uk/news/0036882-bribery-allegations-against-university-benefactor.html>; Sean O'Neill, "Cambridge Donor Faces Extradition on Corruption Charges," *The Times of London*, February 22, 2017, <https://www.thetimes.co.uk/article/cambridge-donor-faces-extradition-on-corruption-charges-pijpmn7v6>.

⁷⁰ Merlyn Thomas, "University Accepted Over £6 Million From Wanted Ukrainian Oligarch," *Varsity*, February 26, 2017, <https://www.varsity.co.uk/news/12328>.

⁷¹ See, for example, "Is Academic Freedom Threatened by China's Influence on U.S. Universities?" Hearing of the House Foreign Affairs Subcommittee on Africa, Global Health, Global Human Rights, and International Organizations, December 4, 2013, <https://foreignaffairs.house.gov/hearing/subcommittee-hearing-is-academic-freedom-threatened-by-chinas-influence-on-u-s-universities/>; Paul Aveline, "One Of France's Top Universities Is Canceling Anti-Putin Speakers," *BuzzFeed*, January 30, 2017, https://www.buzzfeed.com/paulaveline/the-paris-school-of-international-affairs-cancels?utm_term=.whXnagX27#.ie0jqv1p8.

Suppressing Media Freedom

Related to self-censorship at universities is the creeping self-censorship in the Western media on issues sensitive to kleptocrats. When dealing with the presence of global kleptocracy in the West, the number of such issues is amplified and almost any coverage of a kleptocrat or his associates is likely to be met with a bullying letter from a high-end law firm. This means that, while the problem of legal threats is well known to those working in this field, it is not as well documented or widely reported as it should be. The chilling effect is particularly noticeable in the UK, where libel laws have been consistently criticized as being open to abuse. Of course, smaller outlets such as local newspapers are especially vulnerable to this kind of pressure.⁷²

Some powerful oligarchs have turned to purchasing media outlets outright. A few years ago, for instance, ex-KGB officer turned banking tycoon Alexander Lebedev bought *The Evening Standard* and *The Independent*, while self-exiled former Putin crony, Sergey Pugachev, bought *France-Soir* in France. Recently, Alibaba, a leading Chinese e-commerce corporation, bought the main independent newspaper of Hong Kong, the *South China Morning Post*. Alibaba stated that the deal was fueled by a desire to improve China's image and offer an alternative to what it sees as the bias of Western news outlets. While Alibaba indicated that the Chinese government had no role in its deal to buy the Hong Kong newspaper, the company's position aligns closely with that of the Communist Party, which has grown increasingly critical of the way Western news organizations cover China.⁷³

In Canada, newspapers covering China and the Chinese diaspora community have increasingly been accused of self-censorship or even promoting propaganda on issues sensitive to the Communist Party. Aggressive spending on promoting Beijing's point of view, accompanied by threats of retaliation against those who have relatives in China, have combined to create a serious threat to freedom of speech.⁷⁴

⁷² "Litigation by Former Russian Railways President's Son Results in Facebook Blocking Several Journalists and Activists," *Meduza*, May 3, 2016, <https://meduza.io/en/news/2016/05/03/litigation-by-former-russian-railways-president-s-son-results-in-facebook-banning-several-journalists-and-activists>.

⁷³ David Barboza, "Alibaba Buying South China Morning Post, Aiming to Influence Media," *The New York Times*, December 11, 2015, <http://www.nytimes.com/2015/12/12/business/dealbook/alibaba-scmp-south-china-morning-post.html>.

⁷⁴ "Chinese-Canadians Fear China's Rising Clout is Muzzling Them," *The New York Times*, August 27, 2016, <http://www.nytimes.com/2016/08/28/world/americas/chinese-canadians-china-speech.html>.

Real Estate

Real estate acquisition by globalized kleptocrats is the most visible manifestation of their wealth and influence, and hence usually a primary focus of anti-kleptocracy literature and campaigns. However, it is the questionable means by which kleptocrats acquire their fortunes that should really concern us, as these activities seldom actually halt even after their beneficiaries achieve respectability in the West.

It is no coincidence that the surge in acquisitions of Western real estate has coincided with anti-corruption campaigns in China and cycles of fear over looming economic crisis in post-Soviet states. *Vedomosti*, based on the revelations of the Panama Papers, recently revealed a whole new plethora of top- and middle-ranking current or retired officials who bought luxury real estate in London, Monaco, and Cyprus.⁷⁵

In 2016, China's President Xi stepped up his anti-corruption campaign by forbidding the promotion of officials who have spouses or children living abroad. These so-called "naked" officials are seen as especially prone to corruption.⁷⁶ This explains why many kleptocrats do not simply invest in the West to keep their money safe, but are actually moving with their families to begin a new life here—though bringing with them, of course, the baggage of their illicit wealth, norms, and practices.

Recent investigations have shown how easy it is for them to do so. The 2015 film *From Russia with Cash* exposed a total lack of scrutiny or ethics on the part of certain London real estate brokers and lawyers.⁷⁷ The latter were happy to help an actor pretending to be a kleptocrat find ways to launder his money and safely buy an apartment, bypassing proper due diligence in the process. A similar film on Ukrainian kleptocrats in London was released by activists in late 2015.⁷⁸

Other activists and journalists in London have contributed to "KleptoTours": A series of bus tours for journalists which exposed not only the location of kleptocrats' mansions, but also the gaping holes in the UK's anti-money laundering regime.⁷⁹ These efforts obviously resonated with UK policymakers, who—following an unprecedented global anti-corruption summit in 2016—have passed a groundbreaking set of laws which, if properly enforced, will do much to stem the flow of dirty money and practices through London.⁸⁰

⁷⁵ "Where Government Members Live," *Vedomosti*, April 3, 2016, <http://www.vedomosti.ru/realty/galleries/2016/04/01/636125-gde-zhivut-gosudarstvennie-lyudi#/galleries/140737492698141/normal/2>.

⁷⁶ Benjamin Carlson, "As War on Corruption Mounts, China's Rich Flee to America," *PRI*, February 4, 2014, <https://www.pri.org/stories/2014-02-04/war-corruption-mounts-china-s-rich-flee-america>.

⁷⁷ "From Russia With Cash," Channel 4, first shown July 8, 2015, <http://www.channel4.com/programmes/from-russia-with-cash>.

⁷⁸ "From Ukraine With Cash," *Radio Svoboda*, YouTube video, posted December 15, 2015, <https://www.youtube.com/watch?v=4WpZbb5NJsU>.

⁷⁹ Chido Dunn, "London's Newest Tourist Attraction: The Kleptocrat's Bus Tour," *Global Witness*, February 15, 2016, <https://www.globalwitness.org/sv/blog/londons-newest-tourist-attraction-kleptocrats-bus-tour/>.

⁸⁰ "Anti-Corruption Summit: London 2016," Cabinet Office, UK Government, May 2016, <https://www.gov.uk/government/topical-events/anti-corruption-summit-london-2016>; Peter Walker, "MPs Pass Bill Allowing Police to Seize UK Assets of Human Rights Abusers," *The Guardian*, February 21,

In the U.S., the real estate industry has long been exempted from reporting suspicious transactions under the Patriot Act (as other high-risk institutions such as banks are required to do). But in 2016, the Treasury Department announced a Geographic Targeting Order (GTO) pilot scheme that would require title insurance companies to identify the ownership of companies involved in all-cash purchases of high-end real estate. The initiative started in two of the nation's major destinations for global wealth, Manhattan and Miami-Dade County, and has been expanded to six other major metropolitan areas.⁸¹ Astonishingly, about 30 percent of the transactions covered by GTOs were found to involve a buyer who had previously triggered a “suspicious activity report” by a U.S. financial institution elsewhere.⁸² For now, however, the real estate industry's exemptions remain untouched.

2017, <https://www.theguardian.com/law/2017/feb/21/commons-pass-bill-allowing-police-seize-uk-assets-human-rights-abusers>.

⁸¹ Louise Story, “U.S. Will Track Secret Buyers of Luxury Real Estate,” *The New York Times*, January 13, 2016, <http://www.nytimes.com/2016/01/14/us/us-will-track-secret-buyers-of-luxury-real-estate.html>; Nina Lincoff, “Regulators Expand Real Estate Money Laundering Dragnet in South Florida,” *South Florida Business Journal*, July 27, 2016, <http://www.bizjournals.com/southflorida/news/2016/07/27/breaking-regulators-expand-real-estate-money.html>.

⁸² “FinCEN Renews Real Estate ‘Geographic Targeting Orders’ to Identify High-End Cash Buyers in Six Major Metropolitan Areas,” U.S. Department of the Treasury (FinCEN) press release, February 23, 2017, <https://www.fincen.gov/news/news-releases/fincen-renews-real-estate-geographic-targeting-orders-identify-high-end-cash>.

3. Conclusion

The purpose of this paper is not to offer policy suggestions, but to improve understanding of Neo-Gulag values and how they are spreading to the West through the globalization of kleptocracy.

There persists among post-Soviet and other kleptocratic elites a profound disdain for democratic and ethical principles, reflected and reinforced by a pervasive culture of physical theft and intellectual dishonesty in their home countries. Their Neo-Gulag values derive not from any traditional ideology, but a wry cynicism and relentless pragmatism borne of the worst elements in Soviet society and modern capitalism.

Non-state actors—oligarchs and businessmen, companies and NGOs—may not be active agents of their kleptocratic home regimes in the Western sense. But because they originate from the same corrupt environment, they often remain engaged with their masters through an informal mixture of espionage, personal relationships, business, and organized crime. And if they prove reluctant to cooperate, their past deeds provide all the compromising information necessary to ensure compliance.

When kleptocrats engage with the West, whether through politics, business, residency, or other means, these corrosive values and corrupt practices are imparted to those with whom they come into contact—to the detriment of our democratic, financial, legal, and cultural institutions. The West, whether through ignorance, apathy, or greed, has mostly welcomed them with open arms.

We need to foster greater understanding of how Neo-Gulag values are being transferred to the West—and how, left unchecked, they threaten to devastate the very fabric of American democracy, capitalism and society.

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