THE DESPOT’S GUIDE TO WEALTH MANAGEMENT

INTRODUCTION

The link between money and power is seldom more apparent than when state leaders loot their own countries. The spectacular excesses of corrupt dictators ruling over impoverished subjects has become a recurrent theme, from the Swiss bank accounts of Ferdinand Marcos and his wife’s gargantuan shoe collection, to the Nigerian dictator who looted cash from his own central bank by the truck-load, to the palatial London and Paris dwellings of the rulers overthrown in the Arab Spring. Obnoxious enough in its own right, this conspicuous corrupt consumption is especially offensive when contrasted with the grinding poverty of those ruled by such kleptocrats. Yet the story of grand corruption is by no means just one of degenerate, insatiable despots and suffering masses in far away poor countries. This kind of industrial-scale corruption depends on the services of the world’s largest banks and expert financial professionals, with the ill-gotten gains being hosted in the very same countries that are loudest in preaching the gospel of “good governance.” For the trail of money taken from these exotic locales usually leads back to Western financial centers like New York and London.

Threatening to disrupt this comfortable and lucrative nexus of money and power (for the elites at least), however, the status quo has been challenged by new global rules to combat grand corruption. Shortly after the turn of the twenty-first century, the world’s most powerful governments made far-reaching political and legal commitments to track down stolen wealth that had entered their financial systems, and return these funds to the countries from where they were
taken. This book explains what these new rules are, how they came about, how well they work, and how they could work better.

The campaign against grand corruption or kleptocracy (“rule by thieves”), including the finance centers that host the resulting plundered wealth, is perhaps one of the starkest contests between power and principle in global governance. On these grounds, it is easy to be pessimistic or cynical in assuming that the global campaign against corruption is nothing more than a particularly grotesque example of hypocrisy at work. Yet such a view fails to explain change. There was a time quite recently when international corruption was just not talked about in diplomatic circles, especially corruption involving senior government officials. At the smallest possible scale, what at first seemed to be wasted interview in fact served to bring this point home.

At a meeting in the Asian Development Bank Institute in Tokyo in 2012 I was indelicate enough to ask whether those at the Institute researched corruption. Upon finding out they didn’t, I compounded my indiscretion by asking why not. After all, extolling the fight against corruption was practically obligatory for other multilateral development banks and international organizations, even if couched in the more euphemistic terms of “good governance.” Somewhat embarrassed by my obtuseness, the official explained that member-states found corruption to be a very delicate matter, and preferred to confine the Institute’s work to other areas. While regarding this as strange at the time, it struck me only much later that the Institute’s attitude to let sleeping dogs lie and avoid awkward subjects was entirely what we should expect; it was in fact the behavior of all the other multilateral bodies that demanded explanation in their readiness to talk about and sometimes even act in response to corruption.
Considering that it directly implicates such powerful parties, there are good reasons for corruption not to be on the international policy agenda. The anti-corruption agenda has moved well beyond rhetoric to a variety of international and domestic laws and standards. Furthermore, these laws have been backed up by law enforcement and investigative agencies, and rules and regulations imposing greater financial transparency on politicians and other officials. At the very least, even if the officials themselves do not believe what they are saying about the importance of transparency and accountability, they run the risk that others might. Even insincere commitments can have consequences down the line. One of the case studies in this book shows a prime minister subject to an arrest warrant issued by the very same anti-corruption agency he created. Occasionally, powerful individuals are caught out and held accountable for their corruption crimes. Many others who are not may nevertheless be put to significantly more expense, risk and inconvenience in enjoying and safeguarding their ill-gotten gains as a result of the new rules. The extent of the anti-corruption movement and institutions that have developed over the last couple of decades casts doubt on the idea that the whole edifice was always intended to be purely window-dressing.

Rather than considering the whole gamut of corrupt activities, this book focuses on one particular aspect: instances of corruption committed by senior public officials involving large sums of money which are moved across borders. The class of such instances is known as kleptocracy or grand corruption, terms that I use inter-changeably. To get a sense of the specifics, consider one example.

Teodoro Obiang had come to power in the small West African nation of Equatorial Guinea in a 1979 coup that resulted in the death of his psychopathically brutal uncle, who had
ruled since independence from Spain in 1968. Life and politics in Equatorial Guinea is richly
described by the former World Bank staffer and prominent scholar of corruption Robert
Klitgaard in his aptly titled book *Tropical Gangsters*. At the time Klitgaard was writing in the
late 1980s, the country’s economy, dependent on cocoa, was close to collapse. In the 1990s,
however, the country struck it rich with oil. Then a strange thing happened: huge revenues began
flowing as Equatorial Guinea’s government started signing deals with Western oil firms, but the
benefits failed to flow through of a large majority of the population (estimated at 700,000). The
African Development Bank has noted “Equatorial Guinea has the characteristics of a low income
country while having one of the highest per capita GDPS in Africa. About 75% of the population
live below the poverty threshold and get no benefit from the oil economy” (2012: 2), living on
less than $2 per day with no access to running water (AfDB 2012: 11). Why has a huge increase
in GDP per capita failed to improve development outcomes? More bluntly, where has all the
money gone? One clue is provided by the habits of the heir apparent.

Teodorin Obiang is Vice-President of Equatorial Guinea and son of the President. His
official annual salary is less than $80,000, yet from 2004 to 2011 he went on a $314 million
spending spree. Purchases included an $80 million mansion in Paris (after renovations valued at
double this figure), another in California for $30 million, and a third in Sao Paulo for $15
million, a $38.5 million Gulf Stream jet, two yachts (with a down-payment on another 280-foot
vessel), five Rolls Royces, a Maserati, two Ferraris, four Bugattis, two Bentleys, $44 million on
fine art, $14 million on antiques, $20 million at Yves Saint Laurent’s estate auction, four
wrist-watches worth more than a million dollars each, $5 million on wine, and, finally, $1.8
million worth of Michael Jackson memorabilia, the centrepiece of which was a $275,000
crystal-studded white glove from the “Bad” tour (DoJ 2014 in rem: 44-47). Not to be left out of the frenzied spending, the United Nations Educational Scientific and Cultural Organization (UNESCO) accepted funds from the Obiang family to establish a prize in their honor for advancing the life sciences in 2012 (http://www.unesco.org/new/en/natural-sciences/science-technology/basic-sciences/life-sciences/international-prize-for-research-in-the-life-sciences/).

Is this kind of abuse a new topic? “Kleptocracy” was only added to Webster’s dictionary in 1996 (Hartman 1997: 157). To be sure, domestic corruption has been illegal for centuries (Buchan and Hill 2014). To this extent, moral and legal prohibitions against corruption are nothing new. Yet what is novel is the internationalization of this anti-corruption norm and laws. From the end of the 1990s it became illegal in many OECD countries to bribe foreign government officials, a practice that was previously not only widespread, but was often actually tax deductible as a legitimate business expense. The norm and resulting system of rules at the heart of this book, however, are different: simply stated, they prohibit countries from hosting money stolen by senior officials of another country. As of only a few years ago, there is an international moral and legal responsibility for states to prevent the proceeds of foreign corruption offences from entering their financial systems, and, to the extent that such illicit wealth does filter through, to trace, freeze and return it to the source or “victim” country.

Here it is important to note the relationship between the norm and the regime, which overlap but are not the same thing. A norm is a generally shared conception of appropriate behavior for a given individual in a given community. Some norms, like table manners, remain informal, while others become formalized in laws and institutions (Elster 1989). The
anti-kleptocracy norm is the shared belief that it is wrong to host wealth stolen by foreign
government officials. The corresponding regime is the system of national and international hard
and soft laws, policies, regulations and institutions that formalize and aim to enforce this
normative prohibition (Krasner 1982).

As well as explaining the rise of the norm, the goal is to find out how well the resulting
new regime works, and the extent to which shortcomings reflect a lack of genuine effort, in that
anti-corruption measures were never sincerely designed to work, or the fact that taking on the
rich and politically powerful is just very difficult. One obvious but inadequate answer is “perhaps
a bit of both.” While probably true, this answer is hugely unsatisfying. We want to know the
relative balance between a lack of commitment and the inherent difficulties of the mission, and
when, why, and under what conditions one or the other is more important. Answering these
questions is complicated, and the attempt to wrestle with them informs the structure of this book.
The immediate tasks at hand, however, are first to establish why grand corruption is an inherently
international activity, and then to explain why it is surprising that this issue ever made it on to the
global policy agenda.

**Why is Kleptocracy an International Issue?**

I argue that grand corruption is an inherently international phenomenon involving at least
two countries: the victim country, where the original corruption offence took place, and the host
country, where the looted wealth ends up. Though it is important to study both, I pay more
attention to the latter, to the host countries rather than the victim, as distinct from recent works
like *Thieves of State* and *The Looting Machine* (Chayes 2015; Burgis 2015). In many of the cases examined here, however, matters are more complicated, as kleptocrats may spread their looted wealth through half a dozen different countries or more. From a kleptocrat’s point of view, shifting looted wealth abroad is an eminently sensible decision, for several reasons.

Corrupt officials know that whenever criminal activities cross borders this immediately complicates any investigation. Law enforcement authority is parceled out into bounded, sovereign states. For all the progress that has been made in international co-operation in criminal matters, mutual legal assistance remains a slow, laborious and unreliable process. Just the prospect of the time, effort and money involved in trying to secure international legal co-operation often stops investigations before they really start. A foreign bolt-hole provides corrupt officials with an insurance policy against political reversals at home, and luxury real estate abroad is a useful refuge and store of value. Major financial institutions, most obviously banks, but also lawyers, accountants, and other professionals, are concentrated in a few cities in the developed world. These locations also provide corrupt officials with opportunities for conspicuous consumption that are not available home, whether it is palatial real estate in London, luxury attire in Paris, or extravagant parties in New York. Thus the logic of a campaign against kleptocracy in relatively weak, poor countries very quickly comes back to powerful, rich countries.

Aside from the tendency of stolen wealth to be moved abroad, the international cast of the campaign also stems from the fact that if the incumbent rulers are corrupt, probably the only way that they can be held accountable is through action by those outside the country. Corrupt rulers are likely to have bribed or intimidated judges and prosecutors, law enforcement, and the other
local institutions of accountability. Of course the domestic justice system may catch up with such rulers after they have been overthrown, perhaps under the rubric of transitional justice (Sikkink and Kim 2010; Sikkink 2012). Even international actors are often likely to wait until individuals are out of power before taking action. Typical examples are those rulers overthrown in the Arab Spring, fêted by both Western governments and financial institutions until almost the last moment before they lost power. Yet sometimes even those still securely in power may now be targeted for their corruption.

**Against the Odds: The Surprising Campaign against Kleptocracy**

Although many more corrupt leaders get away with their crimes than face justice, the rise of the expectation that host countries have a duty to take action to block or seize their illicit funds is a new and in many ways remarkable development. It runs contrary to the doctrine of sovereign immunity, according to which individual state leaders cannot be prosecuted by third countries for acts committed in office. While this immunity has been successfully challenged in some cases of human rights abuses, perhaps most famously with the decision to arrest Augusto Pinochet in response to a Spanish warrant during a visit to Britain in 1998, recent moves also bring this immunity into question for corruption offences. Considering the incidence of serious corruption among the world’s leaders, if this expectation were ever truly to take hold, the consequences for international diplomacy would be enormous. Thus the US State Department has resisted a law to ban senior officials suspected of corruption from being admitted entry to the United States on the grounds that: “Senior State Department people especially from Africa kept saying that if
something like this is used they wouldn’t have anyone to talk to” (US Door Stays Open in Face of Swirl of Corruption, New York Times, 16 November 2009). Yet as discussed in Chapter 1, African government have been some of the keenest supporters of vital parts of the anti-kleptocracy regime. A wide range of governments from the developing world, but also more recently those of China and Russia, have pressed for rules allowing them to reclaim stolen assets transferred abroad.

Instead of looking at poorer countries that may have been forced to act against corruption by outside political pressure (e.g. as a condition of World Bank loans), the focus of the book is on four rich countries where such pressure has played little or no role. The United States, Britain, Switzerland and Australia have freely made demanding commitments, and it is difficult to see these promises reflecting outside coercion. It is equally hard to find a conventional national interest rationale for pushing anti-kleptocracy campaigns. Rather than lecturing poor foreign governments about the error of their ways, rich countries have invited scrutiny of their own performance in the sensitive areas of money laundering and corruption. In security terms, the status quo arrangement of rich country governments averting their eyes from dictators laundering their illicit funds worked perfectly well. With the end of the Cold War there was much less need to fund such client governments, but there was also no national security logic in actively seeking to promote transparency and accountability, especially considering the extent of patron states’ complicity in past shady affairs.

Adding to the puzzle is a lack of a domestic electoral logic behind the anti-kleptocracy campaign. Rather than looking to investigate the misdeeds of national politicians, the aim is to hold senior officials from foreign countries accountable. While American voters, for example,
are likely to care about corruption by American politicians, they are much less exercised about Ukrainian politicians laundering the proceeds of their corruption in US banks or real estate. Though this sort of activity is clearly a problem for the Ukraine, it is much less apparent why US national interests would demand an investigation. It is even more puzzling when the Ukrainian government itself may show at best sporadic interest in pursuing such matters. The same goes for Nigerian leaders laundering their funds in the UK, Pakistanis in Switzerland, or Chinese in Australia.

To the extent that rhetorical commitments are translated into treaties, laws and regulation, as they have been, this work has been done by and with the support of senior government officials. Yet the main thrust of many of these rules is to place exactly this class of people under suspicion. According to the system they have instituted, even those with a spotless record face extra scrutiny and inconvenience in their financial affairs. And of course many such officials have a great deal to hide in their financial life. As such, on a personal level, for senior officials to support an anti-corruption campaign specifically directed at senior officials as they have seems a little like the proverbial turkeys voting for Christmas.

Finally, beyond states and politicians, the new rules cut across the interests of perhaps the most politically influential industry within such countries: the finance sector. As described later in Chapter 1, much of the actual enforcement of the new rules has been delegated to private financial institutions, especially banks, in screening new and existing customers, compiling risk profiles, and reporting suspicious financial activities to authorities. Not only must these firms act as unpaid policemen, they can and have been sanctioned for failing to carry out these unwanted duties (though there are many more instances of lapses remaining unpunished). The finance
industry has sometimes tried to argue that it has its own intrinsic business and moral reasons for screening out the proceeds of corruption, and other criminal activity (Wolfsberg Private Banking 2012: 1). This claim is not convincing. Criminal funds and clients generate the same stream of fees and revenue for banks as legitimate ones. To the extent that banks are dealing with wealthy kleptocrats in their private client sections, the rewards are especially high (as discussed in Chapter 2, the Obiang family was jointly the largest single depositor in American Riggs Bank). The idea that banks will suffer significant damage to their reputation if they are found to have done business with such unsavory customers has been disproved time and again.Nearly all the word’s major international banks have been caught out on these grounds, with very little damage to show for it. The same applies to other related law and financial firms. The new rules against kleptocracy thus run contrary to financial firms’ interests in that they endanger these firms’ single most important goal: profit.

In sum, the campaign against grand corruption is centered on an extremely delicate issue, is in tension with fundamental laws and norms of sovereign immunity, focuses on the powerful countries that are most resistant to outside political pressure, provides little or no electoral pay-off for politicians in these countries, threatens the personal interests of all senior officials, and runs counter to the interests of perhaps the most powerful business lobby in developed states. The deck would seem to be heavily stacked against this issue ever making it on to the policy agenda, and yet it has.

Explaining New Norms and Changing Policy Agendas
The question of how kleptocracy came to be defined as an international policy problem ties in with a much broader trend in the scholarly literature asking why certain practices or institutions that are almost universally accepted as being part of the natural order of things at one time, later come to be seen as a problem to be solved, or perhaps even anathema to civilized sensibilities (Nadelmann 1990; Katzenstein 1996; Price 1997; Wendt 1999; Sandholtz 2008). A prominent example might be slavery, a social institution that was accepted as an integral part of a huge range of societies from antiquity down to the nineteenth century (Keene 2007), another even more profound case might be the decline of inter-state war (Mueller 2007; Pinker 2012). Currently, however, although there are other forms of unfree labor, slavery as a system in which some people own others as property is outlawed in every single country in the world. Considering the inertia created by the tendency of people to be socialized to accept prevailing social institutions, how can we explain the kind of fundamental change whereby a practice that was regarded as entirely accepted, and that was backed up by powerful economic vested interests, came to be seen as completely illegitimate and repugnant? The contemporary shift in Western countries at least toward homosexuality indicates that normative shifts may happen relatively rapidly, in a matter of years rather than generations.

Scholars have often focused on small, dedicated groups of pioneering activists in explaining large-scale international moral and legal transformations. These activists are said to both prick the conscience of policy-makers, and provide a blue-print for reform that goads these officials into action (Finnemore and Sikkink 1998; Price 1999). These “norm entrepreneurs” are said to initiate the process of a normative change in such a way that the momentum of this shift becomes self-sustaining. The more states and other actors that come to see something like gender
discrimination or the use of anti-personnel land mines as illegitimate, the greater the social pressure on others to conform with this view. Eventually the activists do themselves out of a job, or at least an issue; their formerly radical, perhaps even utopian, idea becomes mainstream and taken for granted (for contrary studies of failed would-be norms, see Carpenter 2014). As well as being an explicit account of how norms and regimes arise, this account also implicitly predicts a high level of effectiveness in norms causing compliant behavior; most actors do not even consider violating the taken-for-granted norm, while the few who do are ostracized and sanctioned.

In studying the rise of an international responsibility to combat grand corruption through following the trail of dirty money, campaigning non-governmental organizations certainly have had an important role. While Transparency International has achieved a public profile that is the envy of many other such groups, others like Global Witness have been even more important on the specific topic of kleptocracy and asset recovery. Yet as significant as the crusading activism of these groups has been, rather than change being the result of revolutionary vanguards, or campaigners possessed of Steve Jobs-like entrepreneurial genius, the argument presented here emphasizes a more decentralized, undirected and coincidental process of change.

Another even more prevalent approach focuses on explaining states’ behavior as the product of rational mean-ends calculations to achieve national interests, usually defined in material terms. The actors are different from the norm entrepreneur work noted above (states rather than NGOs), as are the goals (self-interested rather than altruistic), but there is the same tendency to explain the social world and political outcomes as the result of deliberate action by strategic actors.
The idea of states acting in a way that they think will enhance their best interests certainly sounds plausible, if not a truism. Those who take leaders’ rhetoric seriously generally find foreign policy moves being justified by the national interest. Those who don’t take such rhetoric seriously still seek to discern the underlying national interest behind states’ actions in the international arena. As discussed in the chapter to follow, many of the most important moves in instituting the anti-kleptocracy regime were taken by states, like the US and Switzerland, or clubs of states, like the World Bank and the United Nations. To what extent is this states-as-rational-actors account an answer to the puzzle that drives this book? Though the concept of “the national interest” is almost infinitely elastic, often being used to justify (or “explain”) diametrically opposed courses of action, from host states’ point of view, tracking down and returning stolen money from elsewhere is an unlikely fit. The central problem right from the start, both in a policy and intellectual sense, has been that if a victim state loses money to a host state, why is this a problem for the host state?

Hosting foreign dirty money has no particular costs and some benefits for the banks involved. Conversely, going to the effort and expense of tracing foreign illicit wealth and then handing it over to another government is a strange sort of selfishness. As discussed, since the victim states are usually poorer and less powerful than the havens for the looted wealth, it cannot be international coercion or arm-twisting that explains the change (the example of China as source and Australia as host discussed in chapter 5 may be the exception that proves the rule). The normal idea of reciprocity, whereby states may take short-term costs to receive larger benefits over the longer term, is also unlikely. That Switzerland and the UK are repatriating money to the Philippines and Nigeria so these two developed countries can receive the same
co-operation with respect to corrupt Swiss and British politicians hiding money in Philippine and Nigerian banks sounds very implausible. The evidence suggests that explaining the anti-kleptocracy regime as a product of strategic rational action by states seeking material benefits is not convincing, and neither is the idea of strategic NGOs deliberately aiming at normative change. If both these kinds of strategic action fall short, what is the alternative?

From the perspectives sketched out above, political change may be driven by the strategic action of states in pursuit of the national interest, or by the strategic action of vanguard activists or entrepreneurs in pursuit of norm change. In either case, the logic is broadly the same. To explain the success of the vanguard movement, however, we must explain why the masses are receptive to their appeals. To explain the successful business entrepreneur, it is necessary to explain the market and consumers’ tastes. So too in explaining norms change we must explain why audiences are willing to buy the framing that norm entrepreneurs are selling. Just as political revolutions may be the product of subterranean, slowly-unfolding processes of economic and social change, so too revolutions in norms may reflect undirected, unintended and unco-ordinated processes that are neither steered, nor anticipated, nor perhaps even understood by those caught up in them. Rather than being a product of far-sighted entrepreneurs or self-seeking states, the emergence of the anti-kleptocracy norm owes more to just this sort of deep, structural change.

Social scientists often have the unfortunate habit of turning relatively minor differences of language or emphasis into fierce debates and intellectual zero-sum contests. In re-focusing attention from crusading groups to the evolving context, in portraying change as more a result of human action than human intention, the difference is a matter of degree. The example of the first of the Arab Spring revolutions, in Tunisia, provides an illustration of the broader point as issue,
and returns us to the subject of kleptocracy.

On 17 December 2010 in the Tunisian town of Sidi Bouzid, Mohamed Bouazizi, a street vendor selling vegetables, was insulted and fined by a policewoman for trading without a permit, though in fact no permit was required. Lacking the funds to pay a bribe, he sought redress at a local government office, where he was turned away. Shortly afterwards, he returned to the street in front of the office with a can of gasoline, doused himself, and set himself alight. Sustaining burns to 90 per cent of his body, Bouazizi lingered on for 18 days. His story prompted growing protests in sympathy with his anger at the authorities, and later a visit from President Zine al-Abidine Ben Ali to his hospital bed. Seeking to explain the situation, his sister commented to reporters “In Sidi Bouzid, those with no connections and no money for bribes are humiliated and insulted and not allowed to live.” ( Reuters Africa, “Peddler’s Martyrdom Launched Tunisia’s Revolution,” 19 January 2011, accessed 4 August 2014 http://af.reuters.com/article/libyaNews/idAFLDE70G18J20110119?pageNumber=3&virtualBrandChannel=0).

The contrast with the ruling family is jarring and instructive. On visiting Ben Ali’s 23-year-old daughter and 28-year-old son-in-law in 2009, the US ambassador described an opulent scene in his hosts’ mansion (at the time they had another, even bigger residence under construction nearby). They had numerous servants, a caged tiger, and ice-cream flown in especially for the meal. In between yelling at their servants, the young couple reminisced about their recent holiday in St Tropez, and opined about a variety of topics: the prospects for Middle East peace, how McDonald’s makes Americans fat, and the virtues of organic food (Monday 27 July 2009, Secret Tunis 0000516, SIPDIS, REF: TUNIS 338 available at
In another cable, the ambassador presciently drew out the political implications of this obvious diversion of public assets: “Corruption in the inner circle is growing. Even average Tunisians are now keenly aware of it, and the chorus of complaints is rising... Meanwhile, anger is growing at Tunisia’s high unemployment and regional inequities. As a consequence, the risks to the regime’s long-term stability are increasing” (http://www.theguardian.com/world/us-embassy-cables-documents/217138).

One way of explaining the Tunisian revolution is to look at the events from Bouazizi’s self-immolation until Ben Ali and his despised wife fled into exile in Saudi Arabia scarcely a month later. The focus would be on the protest leaders and union heads that led the opposition, and the key defections of regime supporters and army officers that brought down the regime. Another approach is to zoom out, and to consider longer-term trends like those noted in the ambassador’s second secret cable. These might include the rising number of unemployed university graduates, widening income disparities, or more intangible factors like the decaying legitimacy of the regime as its malfeasance became more and more obvious. The response that a full explanation should include both immediate and longer-term causes is a reasonable one, but it does not change the fact that in practice explanations tend to weight one or the other more heavily. When it comes to revolutions in norms like that against corruption, most commentators tend to concentrate on actors’ shorter-term strategic decisions, whereas this book instead favors structural trends.

Assessing Effectiveness, Addressing Bias
The questions as to whether leaders really put any stock in their rhetoric about tackling “the cancer of corruption,” and whether the rules on following the trail of dirty money have actually done any good in reducing the incidence of grand corruption, are related but distinct. The first asks whether the effort to proscribe hosting the proceeds of foreign corruption is sincere, or just a public relations exercise. After all, the thoroughly corrupt governments of Hosni Mubarak in Egypt and the Brother Leader Gaddafi were some of the first to commit to the United Nations Convention Against Corruption when it was opened for signature in December 2003. The second asks how effective the campaign is, if at all (conceivably the campaign could be insincere but nevertheless effective, though this would seem unlikely). Answering these questions is tricky. The first depends on being able to judge policy-makers’ true intentions, the second on finding some yardstick to measure the amount of corruption and related laundering before and after the relevant international standards were put in place. On the other hand, to simply throw up our hands when asked about effectiveness is not a defensible response. If there is an imperative to fight corruption, then there is also an imperative to find out if these efforts are doing any good.

Whether or how well international rules work would seem to be a fundamental concern for students of international relations, yet intractable problems have hamstrung research in this area, even when (unlike corruption) the degree of compliance is easy to see and measure. Behavior consistent with international standards may not be a result of these rules causing states to act in a more law-abiding fashion, but instead the fact that law-abiding states are more likely to sign up to these rules in the first place (Barsoom et al. 1996; von Stein 2005). Imagine a situation in which a group of countries agree to an international rule to make their currencies freely
convertible, and then subsequently introduce this reform. The temptation is to reason that the international agreement caused the subsequent policy change (Simmons 2001). In fact, however, the international agreement may have been a mere ratification of a decision that this group of countries had already taken for unconnected domestic reasons (von Stein 2005). When in 2009 the G20 leaders committed to increase government spending to mitigate the effects of the global recession, this seemed much more like an endorsement of what states would have done in isolation anyway than a substantive international commitment that changed behavior in and of itself.

When it comes to kleptocracy, the problem is not one of wondering whether high levels of compliance reflect a situation in which the presumed effect is really the cause (endogeneity) or one where only law-abiding states sign up to international treaties (selection bias). Over 175 countries have signed up to the UN Convention Against Corruption, many of which have corrupt governments. Despite manifest problems of evidence, no one really thinks that most of the money stolen by corrupt officials and secreted across borders is intercepted and returned, or even detected. The total of looted state wealth repatriated as of 2014 is about $4.5 billion (StAR 2014), but the guesses of the total money stolen usually amount to at least the hundreds of billions. A United Nations study of the effectiveness of efforts to stop all kinds of criminal financial flows (not just corruption) estimated that the detection rate was around one cent per dollar, with perhaps as little as one-fifth of one cent of every dollar of illicit funds confiscated by law enforcement (UNODC 2011). One could reasonably argue whether the true figure is one cent, a tenth of a cent, or maybe even five cents, but the judgment of another UN report from 1998 that money laundering in general is an area “characterized by criminal successes and law
enforcement failures” is widely agreed to still ring true today (UNDCCP 1998: 56), including by law enforcement agencies themselves. The campaign against kleptocracy may have an even less flattering strike-rate. Most money laundering prosecutions tend to be of relatively low-level criminals, usually connected with the drug trade (Levi and Reuter 2006). Grand corruption is only a recent priority. Furthermore, thanks to the very scale of the wealth stolen, kleptocrats are often able to pay for the very best legal representation to deter, delay or defeat efforts to seize their illegal assets.

Yet the consensus around the low level of effectiveness in absolute terms does not render further investigation pointless. A very small proportion of drivers who speed may be fined, but this does not mean that speed limits make no difference to people’s driving, or the number of road deaths. Even if few kleptocrats are actually stripped of their assets, new rules designed to prevent the laundering of corruption proceeds could deter some from moving their money abroad, complicate the calculations of those who do, and introduce an idea of risk and vulnerability among these corrupt officials where previously there was complete impunity. Complex laundering schemes to disguise the illicit origins of dirty money may actually be a back-handed indication that the system has had some effect.

An important source of bias in almost any study of corruption is that from the criminals’ point of view, the success stories will never been known outside those directly involved. Those held to account for such crimes, especially grand corruption, are the unlucky and atypical few. If the instances of kleptocracy we know about are unrepresentative, how can we get anything like an accurate picture of the overall phenomenon? Though this bias is definitely a problem, and thus we should be modest about the certainty of any conclusions, it may not be as crippling as it first
Somewhat surprisingly, much kleptocracy is a fairly public affair. Because impunity has been the rule and accountability the exception for so long, up until quite recently leaders have not really had to take many precautions to hide their crimes. Indeed, in a strict legal sense, taking public assets for private benefit abroad often may not have constituted a crime at all in the country that ended up hosting the stolen assets. Even if there were laws on the books against hosting the proceeds of foreign corruption, for the political reasons described above, kleptocrats knew that their chances of being investigated, let alone prosecuted or convicted, were close to zero.

Even after the rise of such legal instruments as the United Nations Convention Against Corruption, kleptocracy can be like daylight robbery, much more conspicuous and visible than petty corruption. After all, the sudden effort to trace the illicit wealth of the Arab Spring leaders like Hosni Mubarak, Ben Ali and Gaddafi from 2011, or of President Yanukovych of the Ukraine from 2014, was not due to a sudden revelation that they had acquired vast sums of money illegally, or a realization that much of this loot was stashed in Europe and North America. Although the specific details of where these stolen assets are hidden are still coming to light after extensive investigations, the corrupt nature of these regimes was clear well before the revolutions, even among many of these rulers’ own citizens, as stated in the Wikileaks cables from Tunisia.

For example, the French authorities should not need Sherlock Holmes-style powers of deduction to see that there is something suspicious about the ruling Bongo family of Gabon’s current assets in France (Global Witness 2009: 45-47). On a presidential salary of $300,000
annually, the family purchased 39 luxury properties in France, one in Paris valued at €18.9 million, and hold 70 bank accounts (‘France Impounds African Autocrats’ ‘Ill-gotten gains,’” Guardian, 6 February 2012). The daughter of the former president Omar and brother of the incumbent Ali, Pascarine Bongo, spent $86 million in 2008-2010 on air travel for herself and friends. Meanwhile at home, the head of the Gabonese budget watch-dog complained in 2014 that “half of the [state’s] budget simply vanished,” and a third of the population lives below the poverty line (Emma-Kate Symons, “A Fight Inside Gabon’s Kleptocratic Dynasty Exposes the Complicity of French Business,” Quartz http://qz.com/395572/a-fight-inside-gabons-kleptocratic-dynasty-reveals-the-complicity-of-french-business/ 1 May 2015; “Life in the Fast Lane: The Luxury Cars of Gabon’s President,” 23 December 2014 http://observers.france24.com/en/20141223-luxury-cars-gabon-presidency-bongo-ali). When the French government hinted at an investigation, Gabon changed its official language from French to English in retaliation. A further example of contemporary kleptocracy in plain sight is Denis Sassou-Nguesso, who has ruled Congo-Brazzaville on and off since 1979. The fact that 70 per cent of his citizens live on under a dollar a day has not cramped the President’s style. Thus the €60 million the Sassou-Nguesso family spent on luxury goods in France has gone on purchases as varied as 24 properties, and 91 designer suits in a single twelve month period (http://www.one.org/us/2013/12/20/champagne-disposable-shirts-and-corruption-in-the-republic-of-congo/; see also Global Witness 2009: 50-51, 54-55). Inheriting his father’s taste in clothes, son Denis Christel spent €474,000 on shirts alone (his credit statements are available at: https://www.globalwitness.org/sites/default/files/pdfs/denis_christel_sassou_nguesso_credit_card
In 2006 the Presidential party spent $400,000 during two weekend stays in the Waldorf Astoria in New York (they took up 44 rooms) on a mission to the UN to explain why Congo needed to have its debts forgiven to alleviate poverty. Then World Bank head Paul Wolfowitz was so incensed by press reports of this splurge that he unilaterally sought to veto the debt relief. He was defeated by a French-led revolt in the World Bank Board, who maintained it was important “to stay engaged with stake-holders” (a phrase which one former World Bank staff translated to me as meaning “continue giving money to crooks”) (“Wolfowitz Corruption Push Clashes with Debt Relief,” 12 April 2007 http://www.npr.org/templates/story/story.php?storyId=9525865). Such examples of gross excess could be multiplied (Global Witness 2009), but the picture of rulers and their families blatantly living beyond their official means is clear.

Why concentrate the search for illicit funds on the United States, Switzerland, Britain and Australia? The best guess is that the bigger the financial center, the more dirty money flows through it, including the proceeds of foreign corruption (Reuter and Levi 2006; StAR 2009). As the hosts of the world’s two leading financial centers (New York and London), and vital players in shaping the international anti-kleptocracy regime, the United States and Britain are obvious choices. Though having much less presence in international politics generally, Switzerland plays host to more wealth from rich individuals and families than any other country. All three states provide well-documented examples of kleptocrats laundering their money unhindered, but also more recent successful and unsuccessful efforts to attack their stolen wealth. Australia has neither particular political nor financial significance, but it affords a uniquely close view of laundering the proceeds of corruption with impunity and a government in denial. As recounted in...
Chapter 5, my work with law enforcement officials, a private investigator, and foreign anti-corruption officials to find foreign corruption proceeds, allowed direct observation of official inaction. Because government inaction in the face of corrupt monies from abroad is far more typical than action, and because the US, UK and Switzerland are the only three OECD countries to have repatriated stolen wealth 2011-2014 (StAR 2014), Australia is in some ways the most representative case.

**Effectiveness and Theory**

This is a book about a policy problem, not about theory. Assessing effectiveness is profoundly important for International Relations scholarship, however, especially the fundamental question of whether the lack of a world government condemns the international system to a brutish anarchy, or can be overcome by states adhering to global norms and rules. Those who are more optimistic about the possibility of taming international anarchy by global governance point to the growing proliferation of international standards prohibiting previously widely-accepted practiced forms of behavior, from torture, to dumping at sea, to racial and gender-based discrimination, to chemical weapons, to war-time plunder, and much else besides. Rather than the international laws, treaties and conventions as such, however, for many it is the informal norms that drive and underpin these formal legal arrangements that are primary. Yet if these intangible norms are to be of significance, they must shape behavior.

The pessimists’ response is to acknowledge the proliferation of international laws and standards, but to deny their significance as so much window-dressing and cheap talk.
Perhaps a large part of the impetus for this strand of thought in International Relations was the ineffectiveness of inter-war measures to preserve peace, from the League of Nations, to the more specific agreements struck and cynically violated in the appeasement period before the outbreak of the Second World War. This perspective sees that the Darwinian nature of international anarchy means that states cynically enter into international agreements, or that even if agreements are taken seriously at first, when compliance would come at the expense of significant national interests, the latter win out. The absence of a world government, the absence of a powerful supra-national body to investigate and counter breaches of international rules, is seen as dooming these rules to irrelevance (Waltz 1979; Mearsheimer 1990, 2001). Even a superficial consideration of world affairs gives grounds for thinking that the pessimists may be on to something. It is a common-place that many of the governments that rhetorically and legally endorse international standards routinely violate them in practice, and furthermore do so with impunity.

The disagreement between optimists and pessimists about global rules is not about whether there are more and more formal and informal standards seeking to regulate states’ behavior; no one questions the fact that there are. Instead, the disagreement hinges on what difference these standards make, the extent to which they are internalized or enforced, and hence affect actors’ behavior, if at all. The crux of the issue is the effectiveness or ineffectiveness of these standards in affecting actors’ behavior to promote compliance, and the mechanisms of enforcement (if any), whether internal or external, national, international or transnational. Because global governance optimists and pessimists draw opposite conclusion from the spread of international rules, and have basic differences concerning whether norms really exist, the best
point by which to evaluate the relative explanatory potential of each is to see whether rules make a difference in practice, whether they are effective. Because this book just looks at one area, kleptocracy, it certainly cannot decide this debate, but it does provide an applied example of how to get to grips with the basic question at issue: do international rules work?

**The Shape of the Argument: Big Questions and Provisional Answers**

This book is centered around questions that are simple to pose but hard to answer: how has this generalized international duty to chase kleptocrats’ loot arisen in light of the unpropitious circumstances described earlier? Even more important, how well is the campaign against grand corruption working, if at all? Are governments really trying to make these rules effective? Do disappointments about the results so far reflect cheap talk and cynically-crafted window-dressing, or are sincere efforts falling short because of the difficulty of the task at hand?

In line with contemporary accounts and subsequent scholarship, I argue change was a result of a conjunction of factors, particularly the geo-political earthquake represented by the end of the Cold War, but also a re-evaluation of the failure of Western development policies. While the Soviet Union was still a going concern, the attitude of the US and other Western powers towards corrupt anti-Communist dictators in the Third World echoed that of Franklin Roosevelt towards Nicaraguan dictator Anastasio Somoza: “He may be a son-of-a-bitch, but he’s our son-of-a-bitch.” From the 1990s, the national security rationale for propping up such unsavory client rulers was much less compelling, especially as a countervailing pressure from the development policy community and the media emphasized corruption as a cause of poverty. As a
result of these intersecting and reinforcing factors, normative and policy change occurred rapidly, but in a de-centralized, unco-ordinated way, rather than being the deliberate result of calculated strategy by self-seeking governments or crusading “norm entrepreneurs.”

Despite some successes in countering grand corruption, most kleptocrats get away with their crimes and are still able to freely enjoy their ill-gotten gains at home and abroad. Though shortcomings are in part a product of the structural power of the finance industry, there are real policy challenges which mean that even those governments that are sincerely trying to implement the rules (and many aren’t) face high hurdles. A dauntingly large number of things have to go right in both victim and host countries for asset recovery to work as it is meant to. The up-shot is that the preventive aspects of the anti-kleptocracy regime become even more important, because once dirty money has entered a foreign financial system it is often prohibitively difficult and expensive to recover it.

The chapter immediately following analyses the rise of the new norm and regime, while most of the rest of the book is primarily focused on the question of effectiveness. Chapter 1 sets the context for the subsequent chapters on the US, Switzerland, Britain and Australia. In order to ground the discussion of grand corruption, it begins with an example of what has been described as “the kleptocracy to end all kleptocracies”: President Mobutu, who systematically pillaged the Congo during the three decades of his rule. The most important task of the chapter is to explain the rise of the anti-kleptocracy norm and the resulting global regime. The 1990s saw a growing global consensus that corruption was not merely a domestic matter, but something that states should come together to fight in a co-ordinated fashion. This shift is explained by the confluence of the end of the Cold War, and the need to account for development policy failures.
Anti-corruption NGOs like Transparency International were more an effect of this shift than a cause. This norm has been instantiated in an inter-locking series of global and regional treaties and conventions, increasingly replicated in national legislation and regulation, as well as the commercial and compliance procedures of banks and other private financial institutions. The last part of the chapter presents a summary of the main elements of this regime to show how the system is supposed to work.

Each of the four case study chapters has some common elements, yet they also highlight important differences. In many instances the fact that the same scandal spilled over borders to cover more than one of the case study countries helps to illustrate similarities and differences between them. The case studies show the public reactions and policy responses to high-profile efforts to recovery stolen wealth and hold kleptocrats accountable. I seek to show how the various scandals and successes fed into interactive changes, both in a formal legal sense, and informally in terms of policy priorities and discourse. The more contemporary instances illustrate the strengthening of the regime as reflected in some partial successes, if perhaps only relative to the complete impunity that reigned earlier. These chapters finish with a discussion of the major obstacles remaining in chasing kleptocrats’ loot, an assessment of the overall effectiveness of standards, and some ideas as to how shortcomings might be overcome.

The Conclusion compares the patterns of strengths and weaknesses among the four case studies, and offers some policy recommendations. Given the inherent difficulty of international legal action, the problems faced by victim countries, which almost by definition have limited resources, and the fact that even “bad guys” are allowed due process and human rights in rule of law democracies (Ivory 2014), it seems that asset recovery as a purely criminal law strategy will
seldom work. The idea that asset recovery will ever generate a meaningful amount of money for
development purposes is an illusion, taking into account investigative and legal costs, the costs of
monitoring repatriated wealth, and the danger that these funds will once again be stolen.

A more hopeful strategy is to take legal action as far as possible out of the hands of
governments, and instead give a wide range of private actors standing to use courts to recover
stolen assets, from NGOs, to vulture funds, to private individuals. States do have an important
direct role play, however. They can sanction firms that play host to stolen wealth, especially
banks, but also lawyers. A blacklist of the worst kleptocracies should be drawn up, with officials
from listed states being denied physical and financial access to countries hosting major financial
centers. Such a list could be drawn up either by an inter-governmental organization, or by the US
unilaterally, or even perhaps by NGOs. With the rise of a private compliance and ratings industry
hungry for data to feed into their financial risk software and models, such a list would to a
significant extent be self-enforcing. Although jointly a radical package of measures, each
solution has already been at least partially adopted in some settings. This package of reforms
would be relatively cheap and significantly more effective than the status quo.