

## PREFACE

In April 2016, the offshore world hit headlines across the globe when records from the Panamanian law firm and company provider Mossack Fonseca were leaked online. The ‘Panama Papers’ – by far the largest data leak in the history of the secretive world of tax havens, with 11.5 million documents released – captured the public consciousness and caused oligarchs, politicians and celebrities the world over to lose sleep. A whole series of revelations ensued about tax avoidance and suspected money laundering in high-value real estate. The front page of the *Guardian* told of ‘the London skyscraper that is a stark symbol of the housing crisis’ with apartments owned by a Russian billionaire ‘whose business partner is a close ally of Vladimir Putin’s’, a Nigerian banker and ex-minister, and a ‘former MP and vodka tycoon’ from the Central Asian republic of Kyrgyzstan.<sup>1</sup> These three examples were among many which demonstrate that both West and East, North and South, are connected via offshore jurisdictions.

In the public consciousness, it was the effect the offshore world might have on the sacrosanct right of modern Westerners to own a home which really touched a nerve. But researchers at Global Witness, supported by students from the University of Exeter, had already linked central London properties to the offshore accounts of Central Asian oligarchs such as the former son-in-law of President Nazarbayev of

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Kazakhstan.<sup>2</sup> Campaigners at London's Transparency International and the New York headquarters of the Open Society Foundation saw new opportunities to force tax havens to publish registers of beneficial owners. One academic colleague had the unusual experience of flying business class to preparatory meetings for David Cameron's May 2016 anti-corruption summit at the expense of the very offshore jurisdictions that he had studied for many years. For us and these colleagues of ours, the questionable claim about the inflation of Western real estate markets was merely the tip of the iceberg.

As this book details, autocrats and their cronies use Western financial, legal, policing and political systems to both extend their power back home and to selectively access Western institutions, status symbols and legal protections. Tajikistan's largest state-owned enterprise opaquely diverts the proceeds from its aluminium industry into accounts in the British Virgin Islands (BVI). The elite of Turkmenistan hold personal dollar-dominated accounts managed by Deutsche Bank. Relatives of Uzbekistan's strongman president accepted bribes from several international telecoms providers via offshore accounts in Gibraltar and stored the proceeds in several different foreign bank accounts. The Kazakh government routinely uses the international policing organisation Interpol in their politically motivated pursuit of former high-ranking officials and their associates who have become exiled opponents of the regime, while members of the Kazakh elite themselves purchase luxury real estate holdings around the world via shell companies. The Tajik regime has used its BVI account to apparently dodge reporting requirements to the Justice Department regarding its lobbying of US Congress.

And Central Asia is not exceptional. Much of the world is governed for the benefit of a small number of people who hide their profits in offshore accounts. In short, the whole system of international law, universal human rights and global governance has been undermined by secretive offshore jurisdictions, leaving researchers, journalists and advocates to assess the extent of the damage.

These stories are some of many detailed in this book about those Central Asian republics that gained independence in 1991, and

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therefore became sovereign in the era of globalisation. *Dictators Without Borders* tells this very modern story of Central Asia. It thus differs from many other books on the region you might have read, with their tales of the Orient, the ancient silk routes and fractious clans, or warnings of Islamism and ethnic conflicts. We avoid discussion of these pre-modern themes as they are frankly far less important to the true nature of Central Asia than the high-tech finance and low-tech politics detailed here.<sup>3</sup> Central Asia is not predestined to corruption by its past, its culture, its religion or its traditional social ties. Rather, Central Asia's dictators and their allies are able to abuse power and pilfer their countries' resources because of the fact that international bankers accept their business and foreign politicians don't properly enforce their own laws. We explore the contours of this modern marriage of self-serving power politics to the increasingly sophisticated global financial and legal architectures and the professional intermediaries who manage them.

We use 'dictators' and 'autocrats' interchangeably in this book. 'Dictatorship' refers to trenchant systems of *authoritarian rule* and *neo-patrimonial relations*. 'Authoritarian rule' refers to systems in which political authority is concentrated in the hands of the few and exercised without effective accountability to parliament, the judiciary, civil society or a free press. 'Neo-patrimonial relations' refer to the means by which leaders (patrons) lock in junior allies (clients) in modern states via networks which typically provide financial rewards but demand absolute political loyalty. There is a huge amount of academic literature on these two concepts within our field which we will not explore here. Occasionally, when referring to the economic dimensions of dictatorships we refer to them as 'kleptocracies' (a term used to highlight dictators' abuse of office to enhance personal power and wealth) and their behaviour in the global market as 'crony capitalism' (a term used not to imply an aberration but a common form of capitalism across many regions including Central Asia).

The 'without borders' of this book's title is a play on the *sans frontières* phrase in the names of Médecins Sans Frontières (MSF), Dentistes ... (DSF), Educateurs ... (ESF), Reporters ... (RSF), etc. Modern autocrats have effectively taken on this mantra to subvert the

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idealised version of globalisation as transnational humanitarian action. But to say they are *dictateurs sans frontières* is not to say they have complete freedom of movement without the encumbrance of national borders and sovereignty. In fact, their actions beyond borders are often in the use of their sovereign status and power to get things done overseas. There are three senses in which dictators are 'without borders'.

First, and in the traditional liberal understanding, dictators are without borders in that they operate *without moral and legal limits* on their use of power. This is not to say they do not operate within their own laws – they sometimes do, they sometimes don't. They remake their laws to allow themselves to run for office as many times as they wish, extort the independent private sector (to the extent that it often ceases to exist) and pilfer from the public purse. At times they simply break national and international law by torturing their opponents or pervert the law to declare their non-violent enemies to be 'terrorists' or 'criminals' in order to eradicate them. Such actions actually often take place at the scale of *domestic* or national authoritarian government. There are plenty of examples of this old-fashioned style of dictatorship in this book.

Second, and less well known though nothing new, dictators operate *beyond borders*. Today's hidden offshore companies are yesterday's private Swiss or London accounts kept by dictators as their insurance against the rebellion they always fear might come. Today's use of rendition and extraterritorial assassination by Central Asian regimes has its precedent in the abductions and executions by the Russian Tsarist and Soviet secret police of their opponents. Consider the NKVD's killing of Trotsky in Mexico in 1940. This is *international* authoritarianism and authoritarian cooperation. Diplomatic relations with other states and personal diplomatic immunity are the products of sovereignty which have enabled this extension of dictatorial power into other states via cooperative relations with their governments or the use of national and intelligence services overseas.

The use of the word 'rendition' also highlights that it is not just autocrats that act beyond borders in this way. Journalistic, academic and congressional investigation revealed the extent of the CIA's

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extraordinary rendition programme under the Bush administration.<sup>4</sup> Such methods continue to this day as liberal democracies like the US and UK extrajudicially execute their citizens suspected of terrorism through drone strikes overseas.<sup>5</sup> But the refrain that ‘they’re all the same’ simply won’t do. There is a qualitative distinction between the national security rationales of the US and UK (questionable though they are) and the regime security rationales of Central Asian states. In an autocracy, there is no such thing as an opposition and even opponents in exile are fair game.

Third, and a novel phenomenon of globalisation, dictators operate *across borders*. In particular they subvert the very instruments of global governance that were ostensibly set up to keep them in check. This is *global* authoritarianism and is importantly different from the international mode noted above. Here we are not merely interested in the possession of foreign accounts or in the strategy of extraterritorial assassinations, but in the elite and even cosmopolitan networks that have enhanced the international status of these autocrats and safeguarded the privacy of their dealings. Brokers and intermediaries with global lives make the connections between post-Soviet dictators and the real estate agent who will sell them a London property, or the Washington lobbyist who will pursue regime agendas in the corridors of power. Transnational organised crime networks – with which many post-Soviet security professionals have relations – enable attacks on, disappearances and assassinations of exiles.

But it’s not just about individuals. Networks of intermediaries, company service providers and bankers are embedded in an industry which exists to serve the world’s dictators and politically connected oligarchs. These networks, which we refer to as ‘transnational uncivil society’, embed autocrats within a dense network of institutions, legal protections and global spaces that are intended to obfuscate their transgressions back home and conceal the origins of their personal fortunes. Courts struggle to cope with the opacity of the details in the cases brought before them. Enforcement agents lack the resources to investigate and prosecute even a fraction of the cases they face. Politicians shy away from offending powerful allies from friendly kleptocracies. In this

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way, informal practices are allowed to subvert anti-money-laundering and anti-corruption laws. The industry itself has its own cultures, norms and self-justifications. ‘Well, otherwise they’d take their business elsewhere’, is the common refrain. A ‘don’t ask, don’t tell’ culture emerges.

The revelations following the Panama Papers leak reveal that these attitudes are both morally wrong and factually selective. Many laws are already in place but are not implemented properly. In other cases enforcement does take place when it suits. A public register of owners – now accepted in the UK and some other states but resisted by tax havens – is a realistic possibility if the political will is there. The European Court of Human Rights is at least partially effective in reversing cases of the abuse of extradition treaties and revealing renditions. There are any number of points of leverage that can be used by governments and campaigners, from public shaming right through to ‘blacklists’ that would make potential purchasers of property and offshore accounts go through prohibitively demanding checks. These opportunities for change now present themselves. Anti-corruption initiatives must not lose momentum as the attention recedes.