



Turning the Tide on Dirty Money

Why the World's Democracies Need a Global Kleptocracy Initiative

By Trevor Sutton and Ben Judah | February 2021

Executive summary

For much of history, corruption was regarded as a domestic problem necessitating only domestic solutions. That is no longer the case. Corruption and its cousin, kleptocracy—defined as a political system organized around corruption and theft of state resources—have emerged as a potent threat to the security and cohesion of democratic societies.

Since the end of the Cold War, and especially during the past decade, kleptocratic and authoritarian regimes such as Russia and China have used targeted or “weaponized” corruption as a foreign policy tool to advance their geopolitical agendas and undermine confidence in democratic institutions. At the same time, practices typically associated with financial criminals and tax cheats, such as sophisticated money laundering operations involving secrecy jurisdictions, have become a key means by which autocratic regimes entrench their grip on power and thwart democratic transitions. Finally, globalized corruption has enabled a more competitive form of authoritarian capitalism in which state-owned and state-affiliated firms use graft to gain a business advantage and secure investments overseas, often in strategically vital industries and supply chains.

The emergence of kleptocracy as a threat to global democracy has occurred in tandem with the growth of poorly regulated and ungoverned spaces in the global financial system, which in turn has birthed a shadow economy that now contains immense flows of anonymous wealth. The rise of financial secrecy has enabled the “globalization” of corruption, empowering kleptocratic states and actors on the world stage by offering them new tools and access to foreign markets. This trend toward globalized corruption has been enabled in crucial part by regulatory asymmetries among key international economic actors and a lack of resources and political will in law enforcement.

This report makes the case for a united democratic front against global corruption and illicit finance that would enhance democratic resilience and security while curbing authoritarian room for maneuver. To achieve this goal, the report proposes that the United States and other leading democratic financial powers launch a major multi-lateral initiative aimed at increasing transparency in the global economy, curbing the influence of dirty money in domestic political systems, and strengthening middle-class prosperity. Specifically, it proposes that the United States and other democratic gatekeepers of the international financial system launch a Global Kleptocracy Initiative (GKI) modeled on the 2003 Proliferation Security Initiative. The GKI could be launched at the forthcoming 2021 G-7 summit in the United Kingdom, or at the Summit for Democracy planned by the Biden administration.

The GKI should be anchored on several key pillars: 1) harmonization of regulatory standards; 2) investment in institutions with equities in the fight against corruption and illicit finance; 3) more robust and coordinated use of existing anti-corruption and anti-money laundering authorities; 4) lowered barriers to information exchange and joint law enforcement efforts; and 5) better integration of anti-kleptocracy aims into national and regional-level security strategies. Through these pillars, the GKI can begin to tackle the asymmetries that have allowed kleptocracy to flourish in the international system.