

Testimony for Senate Judiciary Committee

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Just over thirty years ago, as the Berlin Wall fell and communism crumbled around eastern Europe, there was an idea that broader market reforms would cement the democratic trajectories of these new countries, especially in places like Russia. There was this overriding theory at the time that capital was apolitical, and that these new, open markets could solve decades-long tensions between Moscow and the West. That this new free flow of finance could help welcome the Kremlin into a global embrace.

This was Western policy for years after the Soviet collapse: open markets and easy finance could fix the ills still following the end of the Cold War. It was the overriding theory – even as signs began clearly pointing in the opposite direction. Even as the Kremlin transformed from nascent democracy into full-throated dictatorship. Even as Moscow began re-invading former colonies, carving up countries it once occupied. And even as oligarchs rose around the Kremlin, claiming that they were simple businessmen, just looking to make savvy investments – even as they seized billions from the Russian populace, and then used that money to do the Kremlin’s bidding.¹ For years, instead of recognizing the Kremlin for the kind of malign, imperialist regime that it’s long been, you heard voices across the West claiming that Putin’s regime was simply misunderstood, and that the oligarchs surrounding Putin were just simple businessmen that we should welcome with open arms.² Claiming that we had to continue providing financial services for the Kremlin, and for all of the oligarchs operating billions on behalf of the Russian dictator – all in order to transform Russia into some kind of eventual democracy. Throughout all of this, the idea remained the same: that capital could fix this – and opening the doors to Russian officials and Russian oligarchs was the best way to repair the relationship.

It was a nice thought. But it was also a fantasy. Instead of finance opening the doors to the Russian populace, and having Western values flood into places like Russia, corruption and illicit finance began flooding the other way – began flooding into the West. Instead of Russian oligarchs becoming pro-Western businessmen, they instead opened the doors for all kinds of Kremlin influence and Kremlin interference, all while these oligarchs continued to protect Putin’s wealth, and continued to act as Putin’s wallets. Instead of welcoming Moscow into the democratic world, the Kremlin and its proxies began using open market access to sink their corrupt tendrils into places like Washington, London, Ottawa, and elsewhere, and using these

¹ See, for instance: David Hoffman, *The Oligarchs: Wealth and Power in the New Russia* (New York: PublicAffairs, 2003); Karen Dawisha, *Putin’s Kleptocracy* (New York: Simon & Schuster, 2014); Mikhail Zygar, *All the Kremlin’s Men* (New York: PublicAffairs, 2016).

² Casey Michel and David Szakonyi, “America’s Cultural Institutions Are Quietly Fueled by Russian Corruption,” *Foreign Policy*, 30 Oct. 2020, <https://foreignpolicy.com/2020/10/30/americas-cultural-institutions-are-quietly-fueled-by-russian-corruption/>.

open financial flows to manipulate Western policy for their own, malignant ends.³ Instead of Russia becoming more like us, we began showing signs of becoming, instead, more like them.⁴

And we've seen the results, most spectacularly today in places like Ukraine, where tens (and potentially hundreds) of thousands of corpses now lay scattered around the country. Where the links between national security and unchecked kleptocracy couldn't be clearer. Where both the post-Cold War order, and the idea that capital is somehow apolitical, now lie in ruins.

To be sure, Russia is hardly the only country that followed this trajectory. China, Iran, Venezuela – all of America's adversaries watched Russia's path. They all watched the ease with which the Kremlin infiltrated Western markets and accessed Western policy-makers, using oligarchs and other proxies to do their bidding. And they all began pursuing the same tactics, saturating the democratic world with their illicit wealth, opening doors and upending policy in ways we've only just barely begun to understand.⁵

Now, we don't have all day to list the examples of Western institutions and industries targeted by the money linked to the Kremlin and its oligarchs, ranging from real estate and luxury goods to private equity and hedge funds.⁶ But we can use today's hearing to finally bury the idea – the fallacy – that capital is somehow apolitical, or that the oligarchs and billionaires surrounding the Kremlin (and similar regimes elsewhere) are somehow simple businessmen, or simply figures looking to make apolitical investments. Because if there's one thing the Kremlin's aggression has made clear, it's that there is no such thing as a pro-Western oligarch. Every one of these figures is a foot-soldier for a mafia-state, reliant on doing the bidding of these regimes in order to retain their wealth. These oligarchs are all parasites, looking to suck industries dry while

³ Nate Sibley and Ben Judah, "Countering Global Kleptocracy: A New US Strategy for Fighting Authoritarian Corruption," Hudson Institute, 8 Jan. 2021, <https://www.hudson.org/research/16608-countering-global-kleptocracy-a-new-us-strategy-for-fighting-authoritarian-corruption>.

⁴ Casey Michel, "The United States of Dirty Money," *The Atlantic*, 5 Oct. 2021,

<https://www.theatlantic.com/ideas/archive/2021/10/how-south-dakota-became-haven-dirty-money/620298/>.

⁵ See, for instance: Alexander Cooley, Tena Prelec, John Heathershaw, and Tom Mayne, "Paying for a World Class Education: Reputation Laundering in the University Sector of Open Societies," National Endowment for Democracy, 25 May 2021, <https://www.ned.org/reputation-laundering-in-the-university-sector-of-open-societies-working-paper/>; Max de Haldevang, "Why Iran got away with using a \$500 million New York skyscraper as a secret slush fund for 22 years," *Quartz*, 2017 30 June, <https://qz.com/1019253/iran-used-shell-companies-to-hide-its-sanctions-busting-ownership-of-new-york-skyscraper-650-fifth-avenue/>; "Welcome to Miami, Venezuelan Kleptocrats," Transparency International, 10 July 2020, <https://www.transparency.org/en/blog/venezuela-kleptocrats-welcome-to-miami>.

⁶ See, for instance: Matthew Goldstein and David Enrich, "How One Oligarch Used Shell Companies and Wall Street Ties to Invest in the U.S.," *The New York Times*, 21 March 2022, <https://www.nytimes.com/2022/03/21/business/russia-roman-abramovich-concord.html>.; "Acres of Money Laundering: Why U.S. Real Estate is a Kleptocrat's Dream," Global Financial Integrity, 2 Aug. 2021, <https://gfinancialintegrity.org/report/acres-of-money-laundering-why-u-s-real-estate-is-a-kleptocrats-dream/>; "Massive and Opaque U.S. Private Investment Industry Presents Major National Security and Corruption Threats," Transparency International, 2 Dec. 2021, <https://us.transparency.org/news/private-investments-public-harm-statement/>; and Nate Sibley, "Targeting Putin's Kleptocracy: A Strategic US Approach During Russia's Invasion of Ukraine," Hudson Institute, 2 March 2022, <https://www.hudson.org/research/17625-targeting-putin-s-kleptocracy-a-strategic-us-approach-during-russia-s-invasion-of-ukraine>.

opening doors to regimes like the Kremlin – and acting as effective wallets to help bankroll Russia’s aggression, and threaten American national security in the process.

And we can use today’s hearing to highlight one potential solution: seizing the assets we know are already linked to these oligarchs, and using the proceeds from the sales of those assets to fund Ukraine’s resistance. There is plenty of understandable hesitation to this move, not least as it pertains to concerns about property rights. But in this case – with Putin launching the greatest war Europe has seen since the days of Hitler and Mussolini, and with Russia’s oligarchs still managing billions on behalf of the Russian dictator – there is no question that this is the best move forward. Not only will this help bankroll the brave Ukrainians fighting for their homeland, but it will help offset billions of dollars that this war has already cost. It will use these ill-gotten gains, linked to the oligarchs working directly on Putin’s behalf, against the Kremlin itself. And it will illustrate that the U.S. finally – finally – understands the reality that there is no going back to the status quo ante. That we recognize these oligarchs for who they are. And that we recognize the Kremlin for what it is.

Because if we fail in this effort, these threats won’t end in Ukraine.⁷ And they won’t end with Russia. All of America’s adversaries are watching how we act, and how we react to Russia’s imperialism. And if they see that we can be bought off once more – that we’re happy to keep the doors of this malign finance open, funding the worst regimes on this planet – then Ukraine won’t be the example of where the tide turned. Instead, it will be the example of what’s in store for the rest of us.

⁷ Christopher Walker and Melissa Aten, “The Rise of Kleptocracy: A Challenge for Democracy,” *Journal of Democracy*, January 2018, <https://www.journalofdemocracy.org/articles/the-rise-of-kleptocracy-a-challenge-for-democracy/>.