



# **The Development Response to Kleptocracy and Strategic Corruption**

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**January 19, 2022**



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securing  
democracy**

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# Introduction and Summary

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Kleptocracies do not stop at their own borders. The same actors, networks, tactics, and resources that they wield to prevent democracy and rule of law from sprouting at home are also repurposed for foreign aggression. While cronies, oligarchs, and lesser operatives do get rich in the process, “strategic corruption” is chiefly a geopolitical weapon directed by autocratic regimes to secretly undermine the sovereignty of other countries. The three most common manifestations of strategic corruption vary on a spectrum of how directly and boldly they violate sovereignty and subvert democratic processes.

Starting with the most indirect and chronic form of strategic corruption, Russia and China invest “corrosive capital” throughout Eastern Europe and the Belt and Road Initiative, respectively. They use corrupt patronage networks and opaque business dealings to spread their kleptocratic model of authoritarian governance.

Those corrupt investments are usually also supported by tactics of “malign influence,” like when a minister or politician receives bribes or economic threats until they censor their political speech, advance a foreign policy initiative, or otherwise subordinate the legitimate sovereign interests entrusted to them by their own people in favor of the interests of a foreign power.

Finally, the most direct and acute form of strategic corruption involves financial methods of election interference and other tactics of corrupting democratic processes. Often funded with the proceeds of kleptocracy, election interference through covert political financing has become the bailiwick of Kremlin-directed oligarchs.

Separate from those three manifestations of strategic corruption—corrosive capital, malign influence, and election interference—China and Russia try to hide their dirty money and malign activities by pressuring foreign journalists into silence through surveillance, thuggery, and lawsuits.

Western foreign assistance has not yet offered a coherent response to kleptocracy and strategic corruption, but that is starting to change under the Biden administration. Building resilience to this transnational threat through foreign aid will require four new approaches that are more political and coordinated than traditional development assistance.

First, aid should be informed by local political analysis. More important and less used than technical reviews of laws and institutions, political analysis should center anti-corruption efforts around known corrupt activity. That starts by asking sensitive questions about which individuals, institutions, and sectors are the most corrupt, how extensively their networks of wealth and power span, and which corrupt figures must be held accountable to thoroughly purge grand corruption.

Second, aid should be responsive to political shifts, scaling up and down, respectively, in response to windows of opportunity for anti-corruption reform and times of backsliding toward kleptocracy.

Third, aid responses to kleptocracy should be coordinated at the regional and global levels, similarly to how grand corruption operates across borders through transnational networks of actors and tools.

Fourth, anti-corruption programming should be deeply integrated across the traditional sectors of assistance, particularly health, infrastructure, energy, climate, and security.

Some of these new approaches are already being prioritized under the Biden administration’s new strategy to combat corruption, particularly coordinating across tools and sectors to fight transnational corruption. But operationalizing this mission will be no small endeavor, given that anti-corruption assistance is delivered through a notoriously technocratic and apolitical bureaucracy built during the Cold War to aid socioeconomic development in individual countries steadily over decades. But getting this right offers the key to defending democracies from autocratic aggression, showing how democracy can deliver, and even helping bring foreign policy and domestic politics into alignment for the first time in a generation.

# Domestic-Foreign Coherence

To sustainably tap into a country's resources and talents, foreign policy must achieve coherence with the domestic political situation. Historically, foreign policies that have been backed by the highest total amounts of social effort—from the French Revolution to the ideological struggles of the 20th century—have been underpinned by truly national and popular domestic consensus about matters of justice.<sup>1</sup>

In the 21st century, kleptocratic regimes such as Russia and China have emerged with a powerful degree of overlap between the tactics, actors, networks, and resources deployed to buy elite loyalty at home and exert influence abroad.<sup>2</sup> The foreign and domestic sides of this coin—kleptocracy within autocratic countries and strategic corruption to undermine the sovereignty of other countries—are rooted in the political exploitation of corruption, making them internally coherent and self-reinforcing threats to U.S. national security interests.

## Kleptocracy

Within its own country, a “kleptocracy” maintains power by stealing on a grand scale and buying the loyalty of powerful elites. While kleptocrats and their inner circle become fabulously wealthy—they are reportedly the richest people on earth<sup>3</sup>—their objectives are also political: controlling the levers of power throughout the political and economic system, while also drawing resources away from potentially independent-minded businesspeople who could establish alternative power centers. Importantly, these political objectives also extend abroad to geopolitical adventures, as the same corrupt organizations, cronies, and oligarchs used by kleptocrats to consolidate power and fend off democratic elements at home are also tasked with implementing deniable foreign policy operations to exert power and undermine democracy abroad. Combatting democracies also helps maintain domestic power by highlighting an enemy at the gates as justification for repression, by tarnishing liberal democracies to make them appear unattractive as alternatives to authoritarianism, and by persuading domestic citizens that aggression abroad creates space on the world stage for the restoration of national greatness.

## Strategic Corruption

Whereas classic corruption refers to the abuse of

public office for *private* gain, “strategic corruption” has a *geopolitical* objective. The ultimate perpetrator is a government that aims to exert influence over the policy or politics of a target country. Strategic corruption often operates through public and private intermediaries who are looking to make a buck on the side, but they are beholden to a ruling regime that is trying to exert state power by deploying corruption as a weapon to undermine another nation's sovereignty. As such, the goals are political rather than economic, or are at least part of an authoritarian agenda that is inseparably political and economic.<sup>4</sup>

Strategic corruption manifests through a range of tools that differ greatly in how directly and acutely they weaponize corrupt dealings and undermine sovereignty to further specific foreign policy objectives sought by authoritarian regimes.

Starting on the indirect and chronic end of the spectrum, the Center for International Private Enterprise uses the term “corrosive capital” to describe financing that lacks transparency, accountability, and market orientation flowing from authoritarian regimes into new and transitioning democracies.<sup>5</sup> Western institutions treat these investors as private companies, even though they are opaquely controlled by foreign governments, from Russian energy majors buying up energy assets across the Western Balkans to Chinese state-owned companies building public works in Argentina. In addition to exploiting preexisting governance gaps that enable corruption in recipient countries, corrosive capital makes those gaps wider, leaves citizens with no information or voice in large deals, crowds out constructive capital, and gradually corrodes the rule of law, fair market competition, and fiduciary accountability. Kleptocracies increasingly join forces to funnel corrosive capital to fellow autocrats in need of a lifeline, like how Belarus is enjoying discounted energy and cheap loans from Russia, is home to China's largest overseas industrial park, and is rapidly expanding ties to Iran and Cuba.<sup>6</sup>

Taking a step toward a more directly pernicious form of strategic corruption, “malign influence” aims for a more advanced stage of political and economic penetration. Foreign powers secretly offer corrupt inducements to powerful individuals—politicians, ministers, business executives—to sway their behavior and warp the critical institutions that they run into advancing

foreign interests ahead of the legitimate sovereign interests of their own citizens. More than just making opaque investments and conditioning the background environment toward corruption, foreign powers mobilize compromised officials to deliver specific outcomes, like getting a German chancellor to authorize a Russian pipeline during his last days in office or an Australian senator to take Beijing's side in a dispute over the South China Sea.<sup>7</sup>

Thirdly, the most aggressive weaponization of corruption involves actively undermining democratic processes, such as through financial forms of election interference. While kleptocracies often have economic interests in propping up corrupt politicians who can be bribed into providing access to natural resources, the Kremlin has also taken up election interference as a form of political warfare meant to inflict societal damage, bankrolling populist politicians deep within the West to hurt liberal democracies from within by sowing chaos and undermining institutions. To make these operations covert and deniable, political donations are made by proxies who are a couple of degrees removed from the perpetrating regime but still funded with the proceeds of its grand corruption. For example, three top donors to the U.K. Tory Party—Alexander Temerko, Lubov Chernukhin, and Viktor Fedotov—are elite Russian expatriates who reportedly accumulated their wealth by exploiting ties with Russian security agencies, striking a corrupt deal for property in Moscow, and siphoning funds from a Russian state pipeline.<sup>8</sup> Over the past seven years, whereas the Kremlin has taken to undermining democracies all over the world, China has largely limited itself to meddling in countries where it faces particularly high stakes and lower risk of blowback, like in the Asia-Pacific and throughout the Belt and Road Initiative.

All three of these manifestations—corrosive capital, malign influence, and election interference—are strategic corruption because they involve exploiting official positions, resources, and processes for geopolitical purposes in violation of the trust that communities have bestowed upon these people and organizations.

Finally, beyond strategic corruption per se, autocrats use a separate but related toolkit to keep their dirty money and bad behavior hidden: surveillance, thuggery, and lawsuits meant to pressure and deter foreign journalists who look into their corruption. Starting with surveillance, autocratic governments that lack the intelligence capabilities of Russia or China have leased military-grade spyware from Israeli firm NSO

Group to hack the phones of reporters, human rights activists, business executives, and the two women closest to Jamal Khashoggi, the Saudi journalist and Virginia resident who was assassinated on the orders of Saudi Crown Prince Mohammed bin Salman.<sup>9</sup> The deadly nature of reporting on grand corruption has been shown by the 2017 and 2018 murders of anti-corruption journalists Daphne Caruana Galizia and Ján Kuciak.<sup>10</sup> Short of murder, the Chinese government kidnaps and permanently detains the family members of foreign journalists, including some who are U.S. citizens based in Washington, D.C.<sup>11</sup> But the most common pressure tactic used by oligarchs is threatening to sue journalists and their publishers. The threat of libel tourism—whereby people named in books and stories file lawsuits in whatever jurisdiction offers foreign plaintiffs the best legal prospects—was explained in a chapter of Oliver Bullough's *Moneyland*, so it is no small irony that the unexplainably wealthy Angolan vice president mentioned in another chapter of the same book is suing Bullough in Portugal, where he has never been and does not speak the language.<sup>12</sup> When kleptocrats sued the publisher and author of another book, *Kleptopia*, they used court filings to publicly reveal the time and physical location of a meeting that the author had with a source, as well as the messaging app they used for confidential correspondence, a disclosure presumably meant to show that anyone who reports on these particularly odious Central Asian mining billionaires—known as the Trio—will be followed, watched, and sued.<sup>13</sup>

## Russia

Throughout his two decades as president of Russia, Vladimir Putin has built an elaborate kleptocracy managed by loyal cronies and oligarchs.<sup>14</sup> Putin installed his close associates from St. Petersburg as the CEOs of Russia's largest companies, while putting his former KGB colleagues in charge of the judicial and enforcement verticals. Businessmen who Putin perceives as too critical or potentially political—like Mikhail Khodorkovsky—get convicted on trumped-up charges, while their companies are sold at bargain prices, often to Putin's old friends who have become billionaires. The head of Alfa Bank told Special Counsel Robert Mueller that he is one of 50 oligarchs who meet quarterly with Putin in the Kremlin, where Putin makes suggestions that really are implicit directives, and that there would be consequences for not following through.<sup>15</sup> Importantly, these taskings can include overseas missions, like making contact with Don-

ald Trump's inner circle, and are often implemented through corrupt means, like reaching Jared Kushner by dangling a lucrative investment opportunity to his hedge fund manager friend.<sup>16</sup>

Up until roughly 2014, Russian strategic corruption manifested mostly in the form of corrosive capital and some cases of malign influence, usually limited to former Soviet republics and a few European financial centers. In Ukraine, Dmytro Firtash made billions buying natural gas cheaply from Russian state-owned energy conglomerate Gazprom and selling it at marked-up prices to Ukrainians, a corrupt fortune that—together with loans from bankers close to Putin—enabled Firtash to bankroll the 2010 campaign of pro-Russian Ukrainian President Viktor Yanukovich and allegedly bribe officials in Kyiv.<sup>17</sup> Researchers led by Heather Conley showed how the “Kremlin Playbook” in Bulgaria, Hungary, Latvia, Serbia, and Slovakia begins with either political or economic penetration, expands and evolves through corrupt patronage networks, and sometimes develops into state capture.<sup>18</sup> A follow-on report showed how companies owned or controlled by Kremlin-linked cronies deepen business ties with large corporations in Austria, Italy, and the Netherlands, positioning Moscow to cultivate proximity to politicians and receive tacit support and protection from those governments as dirty Russian money flows Westward through their financial systems.<sup>19</sup> But it was mostly a regionally contained threat.

That changed in 2014, when Putin decided to drive weaponized corruption deep into the heart of Western politics. In a classic case of mirroring, Putin sees this activity as reciprocating the kind of covert political interference that he assumes the West has long used against Moscow. As a KGB officer in Dresden, Putin ran agents in German neo-Nazi groups and the far-left Red Army Faction, while also serving as a handler for sleeper cells blending into everyday civilian life.<sup>20</sup> He thinks the Berlin Wall fell because the West similarly orchestrated political revolution in Eastern Europe in the 1980s.<sup>21</sup> Putin refers—without any proof—to “the fact” that many Americans who came to Russia in the 1990s on technical assistance projects run by Harvard University secretly worked for the CIA, just as the KGB assigned Putin to work at Leningrad State University.<sup>22</sup> His frustrations reached a breaking point throughout the decade from 2003 to 2013, during which Putin assumes the West secretly fomented color revolutions in Georgia and Ukraine, the Arab Spring, anti-Putin protests in Russia, and then another crisis in Ukraine

in 2013.<sup>23</sup> It is inconceivable that so many covert operations would be possible without the perpetrators ever having left any evidence—whereas Russia has gotten caught funneling covert money into foreign elections more than 100 times—but this conspiracy theory nevertheless lives in Putin's mind as justification for his own weaponized corruption.<sup>24</sup>

At the same time as “little green men” flowed into Ukraine in 2014, Putin's cronies and oligarchs started donating the proceeds of Russian kleptocracy to Western populists.<sup>25</sup> When the Kremlin sought to “thank” Marine Le Pen for publicly endorsing Russia's annexation of Crimea, her political party received €9.4 million from a Czech bank ultimately owned by Gennady Timchenko, an alleged former KGB operative from St. Petersburg who worked closely with Putin and became the sixth richest Russian by trading oil bought at a discount from Russian state-owned suppliers.<sup>26</sup> Also in the spring of 2014, the Internet Research Agency troll farm started ramping up its operations targeting the United States.<sup>27</sup> It was funded and run by Yevgeny Prigozhin, a convicted thief known as “Putin's chef” who rose from a St. Petersburg hotdog seller to become a billionaire thanks to lucrative state contracts to feed Russian schoolchildren and soldiers.<sup>28</sup> After his successful interference in the 2016 U.S. election, Prigozhin interfered in some 20 African countries, offering package deals—including backpacks of cash, tailor-made news outlets, troll farms, and armed forces—to help the Kremlin's preferred leaders and presidential candidates obtain and hold on to power.<sup>29</sup> In a failed effort to prevent Montenegro from joining NATO, Oleg Deripaska—who owes his wealth to his company not paying taxes in Russia<sup>30</sup>—and another Russian oligarch spent some €16 million bankrolling the pro-Russian opposition bloc in Montenegro's 2016 elections.<sup>31</sup> The Kremlin tried to bankroll Matteo Salvini's Italian far-right League party in the 2019 European Parliament election by funneling discounted oil flows to a company controlled by the Italian government; although, the operation appears to have been aborted after it was exposed by journalists.<sup>32</sup> In the 2020 U.S. election, the Russia intelligence services tried to launder disinformation meant to tarnish Joe Biden by passing it through a chain of corrupt individuals linked to Trump by way of Ukraine.<sup>33</sup>

While the Kremlin uses the full range of tactics against journalists in Russia—calling them foreign agents, throwing them out windows, shooting them to death in Africa, etc.—its weapon of choice against journal-

ists who are foreign nationals not located in Russia is known as a SLAPP, or “strategic lawsuit against public participation.” These are baseless lawsuits that are not meant to be won in court, but instead aim to intimidate, silence, and deter journalists and their publishers by forcing them to spend time and money on legal defenses. Such a pressure campaign typically opens with the oligarch’s legal and public relations teams sending aggressive letters threatening to sue unless the publishers remove unwanted content, like referring to the oligarch as an oligarch.<sup>34</sup> The Kremlin’s hope is that the publisher will self-censor, like in 2014 when Cambridge University Press refused to publish Karen Dawisha’s book, *Putin’s Kleptocracy*, which was later published in the United States by Simon & Schuster.<sup>35</sup> Sometimes oligarchs actually file lawsuits, even though they typically fail to win any damages, cost recoveries, or gag orders, which was the result when Roman Abramovich and others settled their lawsuits with Catherine Belton and HarperCollins for publishing *Putin’s People*.<sup>36</sup> Thanks to the First Amendment, SLAPP cases are typically dismissed by U.S. courts, like when Oleg Deripaska sued the Associated Press in 2017 for reporting on his relationship with Paul Manafort or when three Russian oligarchs who own Alfa Bank sued Christopher Steele and his company.<sup>37</sup> But again, instead of trying to prove that journalists “acted with malice or reckless disregard of the facts,” which is the high bar for public figures to win in U.S. courts, Russian oligarchs often aim to chill future reporting with the specter of costly lawyer fees and time-consuming proceedings.

## China

Like Putin during his first couple years as president, Xi Jinping stepped to the helm of the Chinese Communist Party (CCP) in 2012 projecting an image of an anti-corruption reformer and launched a crackdown that ended up being largely a pretense to consolidate power.<sup>38</sup> The top targets turned out to be Xi’s leading political rivals, Bo Xilai and Zhou Yongkang, and those who publicly flaunt their ill-gotten gains so outrageously as to pose political risks to CCP authority.<sup>39</sup> Meanwhile, favored elites in the red aristocracy—the wives and children of top CCP officials like Xi and Wen Jiabao—went on quietly splurging vast fortunes that were amassed through grand corruption.<sup>40</sup> Like how Putin installed his cronies from St. Petersburg to run Russia’s biggest companies, Xi replaced officials accused of corruption with hundreds of his own close associates from the coastal province of Zhejiang, where

he previously served as party boss.<sup>41</sup>

At the same time that Xi was consolidating control over Chinese kleptocracy, he launched two geopolitical projects that have harnessed Beijing’s proficiencies in corruption as a strategic tool to secretly influence and undermine the sovereignty of other countries: the Belt and Road Initiative (BRI) and United Front work.

First, in 2013, Xi launched the BRI through a pair of speeches during visits to Kazakhstan and Indonesia. Billed as investments in infrastructure—ports, roads, rail, airports, etc.—to facilitate trade between Asia and Africa and Europe, the actual purpose of the BRI proved to be spreading Beijing’s corrupt model of authoritarian governance.<sup>42</sup>

At a minimum, BRI projects are funded by corrosive capital. Dozens of developing countries have taken out loans from Chinese state-owned banks to fund purchases of overpriced infrastructure built by Chinese state-owned construction companies without the legally required competitive bidding processes, disclosures of terms, environmental and labor protections, independent oversight, or other governance procedures and checks and balances that are vital to democracy and rule of law.<sup>43</sup>

But beyond just opaque mood music, enough cases of malign influence and election interference have now been revealed to show that the standard operating procedure for BRI investments is to secretly line the pockets of key officials, heads of state, and their family members with widespread bribes and off-book campaign donations. One of the earliest BRI projects—a railway in Kenya that cost triple the international standard price for the track alone—has resulted in indictments of high-level officials on both the Kenyan and Chinese sides for making millions by defrauding the government, demanding kickbacks for compensation payouts to landowners, and paying bribes to derail investigations into corruption.<sup>44</sup> China was given extremely lucrative stakes in Malaysian railway and pipeline projects in exchange for bailing out the 1Malaysia Development Berhad (1MDB) fund that the former prime minister used for personal enrichment and election spending, while China also promised Malaysia it would surveil *The Wall Street Journal* to identify its sources and pressure the United States to drop its investigation.<sup>45</sup> During the 2015 Sri Lankan elections, the Chinese state-owned company that was building a strategically important port diverted at least \$7.6 million of project funds directly to campaign aides and

promotional activities for the incumbent president, who had reliably agreed to Chinese terms and was seen in Beijing as a key ally to tilt influence away from India in South Asia.<sup>46</sup> In the Democratic Republic of Congo, Chinese state enterprises took over the world's largest supply of cobalt by secretly funneling at least \$55 million in apparent bribes to then-president Joseph Kabila and his entourage by way of a shell company with accounts at a bank run by the president's brother.<sup>47</sup> While strategically important sectors of the Czech Republic were being acquired by CEFC China Energy—a nominally private company with ties to Chinese military intelligence—the company installed its chairman as an honorary adviser to Czech President Miloš Zeman and went so far as to put civil servants and public figures on its payroll, repurposing key government institutions like the Czech presidency to serve Chinese interests.<sup>48</sup> When the head of CEFC's think tank was convicted of paying bribes of \$2 million to the president of Chad and \$500,000 apiece for the president and foreign minister of Uganda, his defense was that he was advancing “the Chinese state's agenda” and that such payments are perfectly normal on BRI projects.<sup>49</sup>

Beyond the BRI, Xi's second influence project that has advanced strategic corruption is China's United Front, which is the arm of the CCP that co-opts and neutralizes sources of potential opposition through the corruption or subversion of Chinese organizations and personages at home and abroad. Xi elevated the United Front in importance through a series of speeches, conferences, new bureaucratic structures, and redirection of resources in 2014 and 2015.<sup>50</sup> In addition to thwarting critics or opponents within China, United Front work includes managing overseas narratives and policies about China by mobilizing ethnic Chinese communities and influencing foreign government officials. In collaboration with Chinese embassies and intelligence services, United Front work is carried out through a thousand points of darkness—by funding and controlling cultural, academic, media, and other organizations pretending to operate independently from the CCP.

In the Asia-Pacific, United Front work has included brazen election interference. Huang Xiangmo—a Chinese property developer who moved to Australia in 2011 and led several groups tied to the United Front—funneled millions into political donations, retainers, gifts, and charitable contributions meant to influence Australian foreign policy toward China's liking.<sup>51</sup> Zhang Yikun, another leader in China's United Front

work, was implicated in multiple cases of channeling money to New Zealand political parties and candidates.<sup>52</sup> Ahead of Taiwan's 2019 election, the United Front allegedly exerted influence through media executives and journalists, while the Chinese government paid at least five media groups for positive coverage of China and endorsements of a Beijing-friendly presidential candidate.<sup>53</sup> United Front influence tactics in the Asia-Pacific also range from monopolizing Chinese-language media outlets to collaborating with Triads and pro-Beijing activists to violently disrupt pro-democracy activism.<sup>54</sup>

Finally, while China is not known to have funneled money into a U.S. election since 1996, it regularly conducts malign influence operations on U.S. soil. FBI Director Christopher Wray warned that China uses “bribery, blackmail, and covert deals” to bully U.S. officials and sway public discourse.<sup>55</sup> China's targets commonly include U.S. governors, state senators, members of Congress, celebrities, corporate titans, sporting giants, media enterprises, and others. A typical pressure campaign begins as soon as Beijing catches wind that a prominent individual or organization is making plans contrary to the CCP's perceived interests, such as visiting Taiwan, meeting the Dalai Lama, or speaking out about the genocide in Xinjiang or repression in Hong Kong. Wray illustrated with a hypothetical example of an elected official first receiving an open warning that China would retaliate for such behaviors by punishing companies in their home state—such as by withholding licenses to manufacture in China. If that does not work, China identifies people trusted by the prominent U.S. figure and co-opts them—knowingly or not—to convince the figure to bow to Chinese pressure, using “smoke, mirrors, and misdirection” to influence Americans. To take a separate ongoing example, China uses access to its large consumer market to retaliate against NBA players and executives who use their personal social media accounts to sympathize with the peoples of Hong Kong, Xinjiang, Taiwan, or Tibet—imposing hundreds of millions of dollars in losses on Daryl Morey's 76ers and Enes Kanter's Celtics by refusing to air their games in China.<sup>56</sup> Chinese influence operations in the United States also include funding of Confucius Institutes, disinformation about issues like the origin of Covid-19, and apparent harassment of Chinese dissidents through break-ins and strange car accidents.<sup>57</sup>

With regards to foreign journalists based outside of China, Beijing wields all three common pressure tactics: surveillance, thuggery, and lawsuits. Starting



with surveillance, China helped Malaysia identify who was leaking information to *The Wall Street Journal* by bugging the homes and offices of reporters in Hong Kong, including “full scale residence/office/device tapping, computer/phone/web data retrieval, and full operational surveillance.”<sup>58</sup> China also uses technology to disrupt reporting: for example, journalists for Radio Free Asia in Washington D.C. have their phone calls to China get cut off within a minute, even if they use burner phones, suggesting that Beijing deploys voice-recognition technology against certain foreign reporters.<sup>59</sup> Those who still have relatives in China—even after the journalists have lived in the United States for decades and become U.S. citizens—have had their entire extended family swept up and held in permanent detention unless their critical reporting on China stops.<sup>60</sup> In another recent case, the author of a book about corruption in China received a phone call from his ex-wife—who had been unreachable ever since she was snatched off the streets of Beijing four years earlier—begging him not to publish the book.<sup>61</sup> Finally, a Chinese-Australian billionaire—whose links to the CCP are worrisome enough that Australian intelligence agencies warned political parties against accepting his donations—successfully sued an Australian media organization and journalist for identifying him as the previously unnamed businessman who bribed a president of the United Nations General Assembly to support Chinese interests at the UN.<sup>62</sup>

## United States

If kleptocracies feature domestic-foreign coherence because their corrupt actors, tools, and money cross borders fluidly while the regimes shape narratives of global power, democracies draw strength at home and abroad from their appealing ideals. For a nation that was born fighting back against great power spheres of influence dominated by closed imperial preferences, it came naturally for Americans to organize domestic and foreign policies around free, rules-based political and economic competition on level playing fields. As democracy and the rule of law became associated with the security and economic interests of the free world—making a better world and getting rich in the process—U.S. policy was often built around the notion that the United States prospers when other nations do as well.<sup>63</sup>

This domestic-foreign coherence was central to U.S. foreign assistance strategy during the Cold War. By helping to rebuild war-shattered Europe with free-market policies and economic cooperation, the Marshall

Plan invested in trading markets for the U.S. economy, kept the Soviets out of Western Europe, and laid the groundwork for European integration. A similarly broad view of U.S. moral, economic, and strategic needs motivated President John F. Kennedy to establish the United States Agency for International Development (USAID), which swiftly partnered with reform-oriented governments like Taiwan, South Korea, Chile, and Indonesia while also helping to eradicate smallpox, promote family planning, lift literacy among girls, and save children with oral rehydration therapy. Food aid advanced both domestic U.S. agricultural interests and strategic interests in countries suffering food insecurity like India, because as American aid experts cautioned, “Where hunger goes, Communism follows.”<sup>64</sup> Of course, the mobilization of foreign assistance to contain communism also resulted in disasters when not sufficiently coherent with U.S. political support, like when USAID workers were forward-deployed in rural Vietnam to support doomed pacification efforts.<sup>65</sup> In major aid recipients like Vietnam, Egypt, Liberia, the Democratic Republic of Congo, and El Salvador, rampant corruption was tolerated to secure short-term strategic advantages over the Soviet Union, inadvertently fueling long-term strategic fiascos—a mistake that the United States would repeat later in different contexts, including most recently in Afghanistan.<sup>66</sup> But more often than not, U.S. foreign aid during the Cold War was geared toward advancing both domestic and foreign interests by winning over hearts and minds for liberal democratic capitalism and the rule of law through support for economic development.

Unfortunately, during the three decades since the end of the Cold War, U.S. foreign policy has failed to deliver a new organizing principle that coheres with domestic political sentiments and responds to the new way in which previously communist regimes are now organized: as kleptocracies wielding strategic corruption. The most recent three or four U.S. presidents have each come into office intent upon tacking in the opposite direction on foreign policy as their immediate predecessor. And while the socioeconomic drivers of partisan division and susceptibility to populism have been percolating for several decades, the difficulty of establishing a broad domestic consensus around foreign policy became even harder under Trump, who convinced his supporters of mendacious lies that the national security establishment is a hostile “deep state,” Russian election interference is a “hoax,” foreign aid is for “suckers,” and the truly “corrupt” people are those

who caused him to lose a “rigged” election. Throughout Trump’s four years in office, the perceived level of corruption in the United States swung sharply to its worst point on record, driven by Trump attacking Covid-19 relief oversight, whistleblowers, oil company disclosures, anti-bribery laws, and the truth about election integrity.<sup>67</sup>

The good news is that combating corruption and kleptocracy offers the best chance since the containment of communism to bring U.S. foreign policy into alignment with domestic politics and values around matters of justice.

Starting with the international side of this coin, kleptocracy could offer an even clearer opponent than communism ever did, because the old tradeoffs around supporting corrupt autocrats who keep communism forces at bay are less salient, because their stolen money is stashed in Western asset markets, and because kleptocrats have no good moral or ideological argument. That final point—that nobody likes being stolen from—is most important and illustrates how the appealing ideal of clean capitalism under the rule of law is a powerful arrow aimed directly at the Achilles’ heel of kleptocracy, the biggest vulnerability in the domestic-foreign coherence of rule by theft. In the year before the pandemic, a majority of the record number of protests around the world were against corruption, and many led to changes in government.<sup>68</sup> That means that actively aiding anti-corruption movements is a natural way to both reinforce democracy and align the United States with the aspirations of peoples around the world, a valuable use of and gainful accretion of U.S. soft power. Kleptocrats’ lack of compelling ideals—as opposed to during the Cold War, when the leading authoritarian regimes were organized as communists and could at least claim some moral high ground against supposedly cutthroat capitalists—was most recently displayed in Russia and China’s joint response to Biden’s Summit for Democracy, which was to absurdly claim that they too offer forms of democracy.<sup>69</sup>

As for U.S. domestic interests, fighting corruption is one of the only issues that could receive support from most Americans, whether they hear Biden elevate anti-corruption as a “core national security interest,” Trump boast that he will “drain the swamp,” or Bernie Sanders castigate a “rigged system.” The extent to which messages about corruption resonate with Americans is unfortunately unlikely to change soon, as it is ultimately driven by levels of income inequality that remain at historic highs. And while inequality has

root causes that extend beyond corruption, pushing for a level playing field in business environments at home and abroad provides more than just political benefits; it also supports U.S. economic interests by positioning U.S. companies to win business contracts without having to compete against bribes paid by Chinese state-owned companies or bids underwritten by the laundered money of Russian oligarchs.<sup>70</sup> As such, organizing U.S. policy around fighting corruption will remain as well-suited to domestic political economy as it is to the challenge of foreign kleptocracy.

But if combating corruption offers the natural heir to neoliberalism as an element of grand strategy that could advance both domestic and foreign interests, carrying out this mission will necessitate more than political posturing. It will require learning new development strategies that are more effective for the current challenge than the technocratic policy agendas—and accompanying institutions of foreign assistance—developed for individual countries transitioning toward democracy during and after the Cold War.

# Past and Future Development Strategies

Today's anti-corruption movement was born around the time the Cold War ended—ushered in by a historic wave of democratization that toppled several corrupt regimes, starting with Portugal and Spain in the mid-1970s, expanding internationally with several transitions toward economic and political liberalization throughout the 1980s, and culminating with the collapse of the Soviet Union.<sup>71</sup> In countries that had been geopolitically contested during the Cold War, Western aid providers lost a key excuse to overlook corruption among recipients (“He may be a crook, but he’s our crook”). Gone too were the pessimistic assumptions that poor countries were forever condemned to corrupt authoritarianism or that any Western criticism of such corruption was just a cover for geopolitical plotting. As countries escaped from Moscow’s orbit—particularly in Central and Eastern Europe—they emerged with overwhelming political will to reform and requested Western assistance. Likewise eager to demonstrate an ability to take on new post-communism issues and generate more results with smaller budgets, the donor agencies providing international development aid became active promoters of democracy and more concerned about corruption.

In 1993, former employees of the World Bank founded a watchdog called Transparency International (TI), giving anti-corruption advocacy a degree of focused visibility and international presence like never before. In response to TI’s criticism that the World Bank and the IMF fund corruption in recipient countries—as aid money was diverted to corrupt officials—as well as new research on corruption holding back socioeconomic development, in 1997 the World Bank and the IMF adopted anti-corruption frameworks. That was followed by anti-corruption strategies from other multilateral and bilateral aid donors, such as USAID in 2004.<sup>72</sup> These standards were meant to introduce both mandatory criteria and procedures to prevent aid money from leaking into corruption, as well as voluntary monitoring and technical assistance for countries that ask for help rooting out corruption.

Whereas the international aid community got remarkably sophisticated and proficient at facing some challenges that emerged after the Cold War—like peacekeeping and rebuilding within war-torn states—efforts against corruption have not, on the whole, been successful. Development agencies have helped recipient countries put a dizzying array of anti-corruption

laws and procedures on the books while training professionals on how to administer them, but without squarely addressing the underlying political power structures, corruption persists. More than three-quarters of U.S. aid disbursed since 2005 has gone to countries that still today remain ranked among the bottom half of TI’s corruption perceptions index. And even some top aid recipients that are not ranked in the bottom half by TI probably should be, like Jordan, whose king spent more than \$100 million on extravagant homes over the past decade while U.S. aid money poured in and the public grew frustrated over corruption.<sup>73</sup> The single largest aid recipient has been Afghanistan, where U.S.-funded corruption has not been limited to security assistance, a challenge exemplified by a third of the money—\$63 million of \$190 million—that USAID disbursed to the Afghan Ministry of Health going missing sometime between 2009 and 2013.<sup>74</sup>

The dismal results extend well beyond corrupt countries that are showered with U.S. dollars thanks to security partnerships. TI says its latest data “paints a grim picture [of] most countries [making] little to no progress in tackling corruption” during the past decade, and many are backsliding.<sup>75</sup> While the reasons for persistent corruption are of course not limited to faulty foreign aid, it is difficult to argue that the anti-corruption objectives set out since the 1990s are being met, and now that kleptocracy and strategic corruption present top national security challenges, this is an important time to substantially rethink anti-corruption aid.

The deepest problem with anti-corruption assistance stems from the way it was bolted onto the highly apolitical and technocratic system of delivering development assistance that was developed during the Cold War—an era when the need to work in poor countries run by corrupt dictators instilled throughout the development sector the habits of avoiding political sensitivities and sticking to the technical details of socioeconomic programs. While that worked for some problem sets—such as nutrition, where technical solutions existed and there was political alignment with ruling governments around saving lives—the approach was not adapted for the political nature of anti-corruption work. The World Bank, IMF, and other donors have long been wary about interfering in the domestic politics of their member states, which is both prohibited under their articles of agreement and

unlikely to go over well with their many members organized as authoritarian regimes. So, to secure internal legitimacy for adding anti-corruption to their agenda in 1997, they framed the issue as “governance,” justified in economic terms and addressed through technocratic advice like how to design transparent procurement systems or train public prosecutors. Moreover, the multilateral donors made it their policy to only send anti-corruption assistance to countries that ask for it, which is usually not the countries that need it the most. While some bilateral donors like USAID were less shy about pursuing goals around governance and democracy, they implemented it through relatively small standalone offices and siloed strategies, which were often resisted by mission directors rooted in apolitical approaches to socioeconomic development. In recent years, USAID only had one full-time staff member with an anti-corruption portfolio, and its 2004 anti-corruption strategy was never updated after the sunset of its five-year lifespan.<sup>76</sup>

Like development assistance, the typical approach to governance assistance involves reviewing how institutions such as government ministries are organized in a given developing country, comparing the technical details to checklists of best practices based on how Western institutions have developed over the course of centuries, and then getting to work filling in gaps to “bulletproof” the country from corruption.<sup>77</sup> That “supply side” of governance work—transferring the transparent ways of developed institutions—requires access to governments in recipient countries, which makes it tempting to avoid directly addressing corrupt activity itself. The “demand side” works with civil society organizations advocating for transparency and accountability. Even though fighting corruption is necessarily a highly political endeavor, demand-side aid similarly tends to be insufficiently informed by diagnoses of entrenched structures of political power, such as competing kleptocratic and oligarchic networks, complicated histories of constituency loyalties and personal animosities, the positions of labor or religious groups with broader political support than elite non-governmental organizations (NGOs), or the many other power players and opaque dynamics in corrupt systems.

The dangers of this limited, siloed, and technocratic approach were evident from the beginning, like when USAID tried to support the establishment of clean capitalism in Russia in the 1990s but instead contributed to the birth of an oligarchy. American experts on

the rule of law and other governance issues did travel to Russia, but they worked independently from the far larger and better funded cohort of USAID programs dedicated to privatization, which were run by economists who dismissed the governance specialists as political hacks and bureaucrats obsessed with inefficient state processes like parliamentary oversight.<sup>78</sup>

There are endless manifestations of the inattention to politics that plagues anti-corruption assistance. Plans to rationalize personnel structures and promote meritocratic appointments get derailed because nobody pays attention to how it would reduce patronage opportunities for a powerful minister. Programs to train journalists or write parliamentary rules fail to curb corruption because they ignore the sensitive issues of media ownership or money in politics. The problem of corrupt judges persists despite aid money for modern courtroom equipment, training programs, and case management software.<sup>79</sup>

To be sure, aid donors have developed a lot of deep and sophisticated expertise over the decades, including three pillars of anti-corruption assistance, that remains indispensable to fortifying countries against kleptocracy and strategic corruption.<sup>80</sup> The first pillar involves standing up institutions of accountability such as anti-corruption commissions, prosecutors’ offices, audit agencies, anti-corruption courts, and asset recovery agencies. The second pillar involves publicly opening up government information around who owns what and how state resources are being spent, from asset declarations and ownership registries to transparent systems of public procurement and service delivery. Third is demand-side support for civil society actors who expose corruption and drive local change in unpredictable, nuanced, and sometimes dangerous spaces. Those three pillars of anti-corruption aid form the essential pathways and vehicles that reformers will ultimately need to drive on the journey toward rooting out corruption. And applying rule of law impartially—as opposed to the norm in authoritarian countries, where anti-corruption campaigns are often pretenses to support loyalists and repress opponents—requires institutions administered in apolitical and professional ways. However, while this apolitical and technocratic approach to country-by-country programming will continue to provide the backbone of anti-corruption reform, it has proven insufficient to address the global rise of kleptocracy and strategic corruption.

Before elaborating on approaches to enhance the aid toolkit, it is important to remember four ways in which

existing governance and democracy promotion assistance has been and absolutely must remain the polar opposite of strategic corruption. No matter what Putin believes, Western aid after the Cold War is not known to have served as a front for intelligence operations, is transparently accounted for in publicly available budgets, is meant to build capacity for all sides of the political spectrum to compete on a level playing field, and is welcomed and voluntarily accepted by sovereign nations. By contrast, strategic corruption is often carried out in concert with intelligence operatives or deniable regime proxies such as cronies or oligarchs, is secret and opaque in nature, is directed toward helping friends and hurting enemies, and is an unwelcome and illegitimate intrusion in violation of national sovereignty.

To preserve the virtues of Western aid and meet the challenge of strategic corruption, the future of anti-corruption assistance should include new programming approaches, tools, and operational capabilities that are informed by political analysis, responsive to political shifts, coordinated across borders, and integrated across sectors.

## Informed by Political Analysis

Building resilience to strategic corruption starts with in-depth understanding of the attack surface, and that means knowing exactly how corruption operates locally. Rather than a technically-focused checklist around laws, policies, or institutional capacities, the analysis should start with a landscape of known corrupt activity. That should include the following questions.<sup>81</sup>

- Which industry sectors and societal institutions are the most corrupt, and who are their patrons?
- Which groups and individuals hold the most power inside and outside of government, and how did they acquire it?
- How extensive are their networks of patronage, and how do they operate with impunity?
- Who are the enablers and opponents of the main corrupt power brokers?
- What tactics do crooks use to influence the government and pressure journalists and activists?
- Understanding that goals, networks, and actors

overlap, which corrupt enterprises are geared toward pursuing personal enrichment, domestic political power, or the interests of foreign powers?

- Do the main syndromes of corruption take the form of administrative corruption, plutocracy, state capture, strategic corruption, cronyism, oligarchy, kleptocracy, or something else?
- Which powerful actors and entrenched nodes must be taken down to effectuate a root and branch cleansing of grand corruption?
- Who would win and lose from anti-corruption reform?
- Which local constituencies—religious, ethnic, social, labor, business, or other groups—are the most and least corrupt?
- Are there opportunities to build reform coalitions endowed with deeper societal legitimacy than elite NGOs in the capital city?
- Which potential local partners are truly committed to reform, and which are part of corrupt enterprises that have captured the levers of state power?
- Are existing structures considered legitimate under local social norms?
- What entry points for politically powerful change are likely to open?

These are not questions that were traditionally asked in the field of economic development. That has begun to change over the past decade or two, with increasing use of corruption assessments, including tools of political economy analysis. At USAID, for example, a mission team can ask the democracy and governance experts to help provide a political economy analysis of a particular country, sector, or problem, leading a team to spend a few months reviewing literature and conducting field work before preparing a final report.<sup>82</sup> USAID's approach to political economy analysis involves asking many of the questions listed above.<sup>83</sup> Moreover, analysis of political-economic dynamics is only one of five steps in USAID's written methodology for conducting anti-corruption assessments, which includes analyzing a country's legal-institutional framework, stakeholders, sectors, and reform options.<sup>84</sup>

Too often, though, these analytic service offerings and reference guidebooks provided by a central office of governance experts are not read and operationalized by field mission teams. Over the past six decades, aid practitioners have established a deep culture oriented toward imparting apolitical and technical solutions to enhance economic development, viewing political power dynamics as hazards to be sidestepped rather than tools to harness. To the extent practitioners use political analysis or corruption diagnostics, it is usually as a way to spot or work around obstacles to achieving their goals, rather than bringing political issues around wealth and power into the program design process early as a foundational element of driving development. Because the ranks of social scientists and political analysts within bilateral aid agencies are still relatively thin and siloed, rapidly ramping up efforts against strategic corruption will require close collaboration with the rest of the government. In the United States, that means working with the intelligence community and the Departments of State, Treasury, Commerce, and Justice. Securely sharing information across departments and agencies will also help the government develop a frank and shared picture of corruption risks and problematic actors.

Sharing information and analysis across the government also facilitates coordinated action across the many tools that are needed to counter strategic corruption, which is particularly important when corruption is entrenched at the highest levels of power in target countries. Knowing which institutions, actors, networks, and nodes play the most important role in corrupt enterprises is critical for targeting State visa bans and diplomatic interventions, Treasury financial investigations and sanctions, and Justice Department prosecutions and asset seizures. For USAID, well-informed analysis helps to proactively attack corruption where it lies and avoid accidentally granting money to corrupt elements. If poorly informed and uncoordinated, these policy instruments can work at cross purposes or be counter-productive in other ways, like by fueling corruption or merely shifting it from one place to another. All these government-wide coordination priorities were set forth in the first-ever U.S. strategy on countering corruption, issued by the Biden White House in December 2021.<sup>85</sup>

Most importantly, in-depth and hard-hitting assessments of the corrupt actors and networks exploiting a given country should provide the basis for designing and implementing strategic anti-corruption program-

ming and then monitoring and evaluating results. Too often, anti-corruption assessments by aid donors have been anchored primarily around technical gaps in the legal-institutional framework—identifying unmet best practices by surveying a country’s laws and regulations, financial transparency rules and other aspects of public financial management, and administration of the civil service, law enforcement, and judicial systems. That traditional approach may result in long lists of new laws passed, regulations adopted, institutions established, and sometimes even a number of investigations, prosecutions, and convictions. But accountability nevertheless eludes the big fish in deeply corrupt systems, and over time the public becomes even more inured to their inevitable impunity—an unfortunate feedback loop that makes anti-corruption work even harder. Thus, in addition to professionalizing legal-institutional structures, aid programs should be customized to achieve more ambitious goals, like de-oligarchizing a country, dismantling networks of foreign influence, or delivering justice to the inner circle of cronies in a kleptocracy. But those inherently political objectives require well-informed political analysis and responsiveness to political shifts, as well as a willingness to tolerate the inevitable backlash that such politically sensitive efforts may incur.

## Responsive to Political Shifts

Strategic efforts by Russia and China to spread and build up oligarchies, malign influence networks, and kleptocracies are highly political and opportunistic endeavors. Whereas Western promotion of democracy and governance is carefully constrained to avoid interfering in democratic processes such as elections—instead focused on building capacity for free and fair political and economic competition—strategic corruption involves cajoling perceived political opponents, bankrolling favored candidates ahead of elections, buying the loyalty of powerful figures, collaborating with complicit elements within the target country, and helping autocratic leaders dig into positions of authoritarian kleptocracy.

That form of political hardball must be met with anti-corruption strategies that are similarly nimble, pragmatic, well-resourced, and most importantly, politically *responsive*. Responsiveness entails a subtle but important difference, which is that unlike strategic corruption, it is *not* meant to proactively influence election outcomes by tipping the scales to one side or the other. Instead, Western anti-corruption assistance should *respond* to what the population and its elected

officials decide about how seriously they want to tackle corruption. It is okay if helping a reform government deliver the policy mandate determined by voters inevitably has some knock-on effects of incidentally benefiting an incumbent standing for reelection, as long as those future political outcomes are not the target of foreign assistance.

Importantly, political responsiveness should be two-sided, scaling support for governments higher or lower in correspondence to their willingness to root out corruption. The offensive side of that strategy entails ramping up support during windows of opportunity, while the defensive side requires shifting aid away from governments when windows close or the country backslides toward corrupt autocracy.

Rapidly surging anti-corruption assistance swiftly during windows of opportunity—before momentum fades and corrupt powers reassert themselves—does not come naturally for Western donors, given that they operate through notoriously slow-moving, apolitical, and geographically rigid systems of aiding socioeconomic development over decades. The U.S. anti-corruption budget is only \$115 million per year, and even that assistance is planned two years in advance and preassigned to specific country accounts.<sup>86</sup> Even new programs meant to respond to recent developments often must be competitively offered to multiple countries applying for the assistance. As such, even on the occasions when Washington does pay attention and tries to cobble together a major series of new anti-corruption programs tailored for one particular country entering a window of opportunity, it requires herculean bureaucratic gymnastics that can usually only deliver small and unsustainable results, and even that only tends to materialize if the country is an important bilateral partner.<sup>87</sup>

There have been many unfortunate cases of missed windows of opportunity.<sup>88</sup> In Malaysia, after the 1MDB scandal brought down the long-time kleptocratic ruling party that was supported by China, USAID provided only one modest governance program—a lack of support that baffled the leader of the incipient democratic transition before the government collapsed after 22 months.<sup>89</sup> In South Africa, after a scandal over a nuclear power plant to be built by Russia brought down the president, rather than help rebuild the government's capacity to prosecute corruption, the Trump administration cut all such funding—leaving the absence of prosecutions to fuel an impunity narrative that has sapped reform momentum.<sup>90</sup> In Guatemala,

after a bribery investigation by the country's independent anti-corruption commission led one president to resign, which was followed by the election of a newcomer promising to fight corruption, the United States did worse than fail to defend reformers attacked with smear campaigns; the U.S. Congress and the Trump administration actually fell for some of the disinformation and ultimately cut funding for the anti-corruption commission over the objections of the international community.<sup>91</sup>

There have also been historic successes, none more notable than support for Eastern and Central Europe starting the moment the region began transitioning from autocratic Soviet domination to Western democracy. A week after the Berlin Wall fell, Secretary of State James Baker developed and Congress immediately approved a massive assistance program for Poland, Hungary, and Czechoslovakia, which was managed in Foggy Bottom by Deputy Secretary of State Lawrence Eagleburger in order to bypass USAID's years-long process of building out field missions, conducting studies, developing strategies, and executing grants.<sup>92</sup> The consensus at State was that unlike most situations addressed by USAID, several post-Soviet governments had overwhelming political will for thoroughgoing reform, so rather than agonize endlessly over sequencing trade-offs and credibility issues, the principal challenge was to deliver assistance as soon as possible. A few years later, Eagleburger's outgoing recommendation for the incoming USAID administrator under the Clinton administration was to find ways to address foreign policy priorities more quickly—advice that led to the establishment of the Office of Transition Initiatives (OTI).<sup>93</sup>

USAID's fastest-moving work is in humanitarian assistance, like when the issuance of disaster declarations trigger the deployment of Disaster Assistance Response Teams or DARTs, which were originally modeled after firefighting units used by the U.S. Forest Service.<sup>94</sup> Over time, OTI would become a sophisticated medium-term bridge between that immediate humanitarian response and long-term development assistance. OTI supports political transitions after civil wars or other crises with flexible procurement mechanisms, such as a bullpen of consultants already under contract and on standby for rapid deployment to start assessing a country's needs and operationalizing initial support. USAID's anti-corruption assistance should harness lessons from these areas of strength, as well as those of other pros at USAID who know how to lay the

groundwork ahead of a window of opportunity, like Conflict and Violence Prevention efforts to build trust before peace and reconciliation work.<sup>95</sup>

Within weeks of being confirmed as USAID administrator, Samantha Power established an anti-corruption task force to elevate, strengthen, and integrate anti-corruption work throughout the agency.<sup>96</sup> The task force's first assignment was to establish a rapid response mechanism to quickly seize on windows of opportunity, funded by \$50 million requested in Biden's first budget. Additional resources and statutory permanence for U.S. efforts in this domain could also be legislated if Congress enacts the Countering Russian and Other Overseas Kleptocracy (CROOK) Act.<sup>97</sup>

At any point in time, USAID and the U.S. government more broadly should maintain an internal list of no more than five top-priority national windows of opportunity that are currently open and should be receiving as much help as possible across the full toolkit of anti-corruption assistance. At the time of this writing, those top five countries might be Moldova, the Dominican Republic, Zambia, the Democratic Republic of Congo, and Ukraine. Similarly, USAID and the interagency should always be on the lookout for—and should have an on-demand rolling process of determining whether this is the case following new developments such as protests or coming elections—countries that seem to stand at least a one in four chance of experiencing an important political opening within the next 12 months. In 2022, that might include Hungary, Brazil, Belarus, and Kazakhstan. Determining that a window could open within the year ahead should automatically trigger a range of analytic and programming preparations to be ready in case it comes to fruition. Because in addition to new funding and institutional structures to respond rapidly when windows of opportunity open, politically responsive assistance must be operationalized to wrap around windows by laying groundwork beforehand and sustaining momentum afterward.

Before a window of opportunity opens, donors should already have strong personal relationships with leading anti-corruption activists, political groups across the spectrum, and a diverse range of constituencies in the country, while also maintaining some forward-looking programming infrastructure, prepositioned assistance, and reform contingency plans that are all ready to be rolled out and scaled up as soon as the time comes. One example of democracy promotion programming that could be pre-staged so that reformers would be

able to hit the ground running as soon as a window of opportunity opens is the preparation of briefing materials on the transition process and governing levers in a given country's unique administrative context, similar to expertise provided by the White House Transition Project.<sup>98</sup> Donor agencies should also provide their own briefings introducing incoming government officials to the byzantine processes of accessing foreign assistance. Donors should also quietly coordinate among each other and with other governmental departments and civil society groups to begin evaluating needs and sketching out major assistance programming that would help a new government deliver substantial anti-corruption reforms mandated by the people. Whereas the United States should avoid interfering ahead of elections in democracies (even if they are backsliding, like in Hungary and Brazil), more tools—such as public diplomacy, emergency support for civil society, and sanctions on oligarchs and persecutors—should be on the table during the transition process of authoritarian kleptocracies (like Kazakhstan and Belarus) suffering internal tensions and amplifying repression. To avoid being caught flat-footed when the transition to a window of opportunity comes, substantial political economy analysis and policy coordination should be prepared beforehand. Because this involves considerable time and resources, it should only be undertaken if there is at least a one in four chance that the window will indeed open.

As soon as a window of opportunity does open—like when a tyrant is deposed or a reformer is elected—the first task will often be helping to counter disinformation about the political process and its outcome. The need for various forms of protection never goes away, as reformers in and out of government will continually be targeted by corrupt actors through smear campaigns, online harassment, physical intimidation, malign influence, SLAPPs, and other threats. Aid providers can provide reformers with political, financial, and technical support, including connections to specialized international consultants, security providers, infrastructure organizations, human rights protection programs, and lawyers and other defamation defense resources.<sup>99</sup> Donors can also provide reformers with resources for more mundane but still critically important needs, such as coordination with other donors, space to strategize with fellow reformers, more flexible and regular forms of fundraising, and help securing a leadership pipeline for when key civil society leaders enter government. Reformers within the government need some of those forms of assistance, as well as more



detailed prescriptions and aid around policy objectives and implementation methods, diplomatic connections to and pressure on other partner countries and international organizations, large programs of macroeconomic assistance, and political support and aid conditionality around tough anti-corruption reforms. As much as possible, all this should be geared toward using the window to address the country's core corruption challenges in ways that meet and exceed public expectations while also fortifying governing institutions to endure current and future resistance by corrupt elements that remain deeply entrenched.

Finally, foreign donors should respond when a window of opportunity closes or when a country severely backslides toward autocratic corruption and kleptocracy. Reformers continue to have some of the same needs, like combating disinformation and providing various forms of protection. But depending on the severity of the rising autocracy, they may also face threats from the government itself, which may have substantial resources, such as trumped-up charges from criminal prosecutors or forms of intimidation with impunity. However, the main response for aid donors to undertake amid backsliding is to shift resources away from the supply side represented by an increasingly autocratic government, and instead redirect funding toward either the demand side in the same country—represented by a broad sector of actors with political strength and legitimacy throughout society—or the next bright spot for reform in other countries. This can be difficult for bilateral donors who prioritize relationships with governments for reasons unrelated to the priority of fighting corruption. In a positive sign within the past year, Administrator Power has already started doing this, redirecting USAID support in El Salvador and Guatemala away from those governments and instead toward civil society.

## Coordinated across Borders

While rule by thieves is as old as civilization, Oliver Bullough argues in “The Rise of Kleptocracy: The Dark Side of Globalization” that the proliferation of offshore finance starting in the 1960s lifted the limits on the scale, impunity, and fortitude of kleptocracy.<sup>100</sup> When oligarchs can secretly move, hide, and spend their money abroad, they are no longer constrained by how many assets are available to be bought within their home countries or the risk of falling from power and facing confiscation. In addition to picking which foreign jurisdictions offer the best prospects of laundering money, kleptocrats use international public relations

and law firms to launder their reputations. And when kleptocracies engage in strategic corruption, that activity is fundamentally transnational because the targets are located across borders, like when Chinese companies disburse corrosive capital to spread kleptocracy abroad, Russian oligarchs funnel money into elections, Beijing uses access to its markets as leverage to chill the speech of foreign businesses and their employees, or Kremlin proxies use SLAPP-friendly jurisdictions to harass journalists. Moreover, rather than targeting a single country, strategic corruption is often part of a regional strategy, like a sweeping Russian or Chinese initiative to buy influence in Africa. Finally, strategic corruption involves kleptocracies joining and multiplying their forces across borders, so that pro-democracy activists in the streets of Venezuela, for example, are not only up against Nicolás Maduro and his small gang of crooks, but also loans and oil from Moscow and Beijing, Russian bots, Chinese surveillance, Turkish gold traders, and Cuban security advisors—multinational services that Anne Applebaum calls “Autocracy Inc.”<sup>101</sup>

If kleptocracies are going to seamlessly cross borders with coordinated networks of actors and tools, so too must foreign aid initiatives that aim to build resilience against kleptocracy and strategic corruption. Thus, it was good to see the Biden administration's anti-corruption strategy outline a “whole-of-government approach [that] places particular emphasis on better understanding and responding to the threat's transnational dimensions ... including by prioritizing intelligence collection and analysis on corrupt actors and their networks [and] through coordinating bodies at the Departments of State, Treasury, and Commerce, and USAID.”<sup>102</sup>

Shifting programming toward the transnational dimensions of kleptocracy will be a challenging endeavor at USAID because the agency is highly decentralized, with most efforts run by country mission teams. Pivoting from mostly bilateral assistance to also offering deep programming at the regional and global levels will require developing and expanding new relationships, including partners within countries facing strategic corruption, departments and agencies across the U.S. government with tools to help activists, unique providers of online and offline security and other services, and new platforms and networks connecting civil society at the regional and global levels.

Over the past decade or so, the single most promising new channel to expose grand corruption has been the establishment of coordinating networks like the Inter-

national Consortium of Investigative Journalists (ICIJ) and the Organized Crime and Corruption Reporting Project (OCCRP). They work with media outlets around the world to coordinate investigative journalism, research, and analysis around major international stories about corruption and dirty money, including the biggest revelations ever around offshore finance. For example, the Pandora Papers was the largest collaboration in the history of journalism, including more than 600 reporters in 117 countries. Whereas journalists are traditionally secretive and protective of their scoops, collaborators on ICIJ projects radically share findings with each other immediately over secure channels to build on each other's work before publishing. This is the civil society corollary to the global networks of corrupt figures and their professional enablers who occupy the transnational realm of offshore finance that various authors call "Moneyland" or "Kleptopia," which is why the OCCRP's mantra is that "it takes a network to fight a network."<sup>103</sup> In addition to expanding their investments in existing coordinating bodies, aid donors should evaluate whether important gaps could be filled by new platforms. As one example, just as The Sentry was established in 2016 to focus on conflict zones in Africa, there is arguably an unaddressed need for an outfit dedicated to exposing corruption throughout the Belt and Road Initiative. As another example, whereas transnational civil society has developed these networks of journalists exposing corruption, there are not similar consortiums of advocacy campaigners to accompany and channel the outrage fueled by exposure—like recommending policy reforms and accountability in response to offshore leaks. There are also considerable needs for a stronger supporting environment to defend international anti-corruption journalists and activists from the constant threats discussed in the context of windows of opportunity. For example, donors should work in coordination with consortiums of journalists, lawyers, and insurers to establish an independent nonprofit insurance company to provide liability coverage at a modest cost to protect journalists from lawsuits meant to deter them from doing their work.

Fortunately, at the Summit for Democracy, the Biden administration launched a raft of new programs to focus foreign assistance on the transnational dimensions of kleptocracy.<sup>104</sup> USAID will provide \$5 million to launch the Empowering Anti-Corruption Change Agents Program, which will support and connect anti-corruption reformers across civil society, media, academia, and labor, while also promoting protective

measures for whistleblowers, journalists, watchdogs, and others at risk for exposing corruption. USAID will invest \$9 million in a new global Defamation Defense Fund, providing liability coverage to protect journalists and their organizations from lawsuits that are designed to deter them. USAID will dedicate \$16 million toward launching a Combating Transnational Corruption Grand Challenge, partnering with businesses, technologists, philanthropies, and other problem-solvers to crowd-source innovative initiatives to reduce transnational corruption. USAID will provide \$12 million to launch a Global Accountability Program, investing in the capacity of high-vulnerability countries to prevent, detect, and mitigate kleptocracy and illicit finance. As discussed in the context of windows of opportunity, USAID's new Anti-Corruption Response Fund will surge resources toward political openings or emerging risk concentrations. Meanwhile, the State Department is providing \$6 million to the Global Anti-Corruption Consortium, \$15 million to launch the Democracies Against Safe Havens Initiative, and \$7 million to establish a Global Initiative to Galvanize the Private Sector as Partners in Combating Corruption.

And if that was not enough, the administration's anti-corruption strategy also prioritizes many more potential lines of effort that would be ripe for follow up efforts. For example, the strategy pledges that "departments and agencies will work with partners in multilateral fora to push for ending offshore financial secrecy."<sup>105</sup> Key to that would be Treasury pushing the Organization for Economic Co-operation and Development (OECD) to crack down on secrecy havens, employing some of the same senior Treasury officials who recently orchestrated the successful campaign for a global minimum tax. And while Treasury, State, Justice, and Commerce have other carrots and sticks to encourage offshore jurisdictions to turn away from offering financial secrecy, USAID brings a diverse set of tools, from support for the local anti-corruption civil society to economic and technical assistance to pursue alternative development plans. Countries do not intentionally set down the path of becoming the secrecy haven for the world's worst dictators, crooks, and human rights abusers, but encouraging them to abandon the revenue stream would require compelling development assistance. This interagency initiative should be led by the White House and undertaken in close collaboration with the United Kingdom, given that the worst offending small island havens are British overseas territories and crown dependencies.

## Integrated across Sectors

Like how the Biden administration is pursuing anti-corruption in a way that is impressively coordinated across borders, fighting corruption holistically and meaningfully likewise requires mainstreaming governance considerations and approaches across traditional sectors of assistance, such as health, education, infrastructure, energy, climate, nutrition, and agriculture, as well as non-development aid, such as security and macroeconomic support.

The five most important sectors to prioritize are health, infrastructure, energy, climate, and security. While the health sector was already an important locus of corruption before Covid-19—as illustrated by the \$63 million that disappeared into the Afghan Ministry of Health—the pandemic provides an impetus to rebalance health assistance, like by earmarking a quarter of health aid toward strengthening the governance of health systems.<sup>106</sup> Infrastructure is also a notoriously corrupt sector, and investments made through Biden’s Build Back Better World initiative offer a clean alternative to China’s BRI, but that will only work if the U.S. government executes the governance side of the operation rigorously.<sup>107</sup> Another related sector just as well known for corruption is energy and other commodities, which are particularly important for strategic corruption, given how much the authoritarian agendas of Russia and China prioritize and exploit gas transit routes and access to natural resources. Climate finance will have to be safeguarded to ensure that new capital does not leak into corruption—a clear vulnerability given how rapidly governments are ramping up investments in this sector.<sup>108</sup> Finally, the danger of security assistance fueling corruption and sowing resentment against the United States and the governments it supports was most recently demonstrated by mission failure in Afghanistan.<sup>109</sup>

Mainstreaming governance policies and programs throughout foreign assistance is a priority that has been espoused in speeches and strategies repeatedly since the 1990s, but nevertheless institutional barriers persist between development practitioners in the field and the standalone silos of experts focused on democracy and governance. Beyond just taking governance issues under advisement in the planning process and mentioning it as a priority, strong integration would call for concrete measures like making hard-hitting political economy analyses mandatory, prominently including governance objectives and indicators in the evaluation frameworks for all development programs,

and pairing up governance advisors to work on programs in the field alongside sector experts, rather than just providing guidance from a central office or implementing their own standalone governance programs.<sup>110</sup>

An underlying reason why this has not happened in most aid agencies is the deep-seated difference in professional cultures between experts in governance versus the traditional sectors of socioeconomic development.<sup>111</sup> The former camp believes they have made progress understanding governance issues over the past couple decades and wants to spread their expertise horizontally across sectors, where governance is not taken seriously—an omission that has led not only to persistent corruption but also to unsustainable development solutions. The latter camp prefers to see “governance” as the narrow issue set of building technical capacity among institutions, which they believe they have been taking into account for decades, and that governance specialists just want to enlist other sectors’ resources to pursue political objectives. A crucial early step toward bridging these perspectives and building broad capacity to truly integrate governance approaches is to secure strong support from the leaders and key sector staff members operating in country missions around the world. That, in turn, requires convincing them that highly prioritizing governance will advance rather than impede their programs.

By prioritizing anti-corruption as a core national security interest, Biden has galvanized unprecedented energy around this issue across the departments and agencies, including at USAID, where Power is strongly advancing it. But importantly and wisely, Power also frames the issue for development practitioners who are less focused on national security, warning, “Corruption is basically development in reverse. It harms long-term economic development, scares away private sector investment, deepens inequality, and even harms the environment as a result of illicit logging, fishing, and polluting. It also disproportionately harms the most marginalized in a society; it is actually fully inclusive in its malignancy.”<sup>112</sup> Economic development cannot become the only stated reason for fighting corruption, because that limited justification was how multilateral aid providers went down the narrow technocratic and apolitical path in the first place starting in the 1990s. But it is important to make the socioeconomic development case to win over the hearts and minds of aid practitioners, which is the central challenge for integrating governance considerations and approaches across programming and sectors.

## Conclusion

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The Biden administration is off to a roaring start in its efforts to combat kleptocracy and strategic corruption, including visible prioritization at the highest levels, a comprehensive strategy that obligates all departments and agencies to elevate their game, framing of the threat as a core national security responsibility of all democracies, and a slate of new programs to build resilience, particularly in the area of foreign aid.

However, the hardest part of orienting foreign aid toward building resilience against strategic corruption and kleptocracy will be implementing national security strategy through a highly technocratic and apolitical bureaucracy built for delivering socioeconomic development assistance. But getting this right is one of the other things that President Kennedy, the president who established USAID, could have been referring to when he said, “We choose to go to the Moon in this decade and do the other things, not because they are easy, but because they are hard.” Russia and China are supporting kleptocracy and using strategic corruption—including corrosive capital, malign influence, and election interference—to undermine democracies around the world. Building resilience to this threat through foreign aid is a hard but necessary way to show that democracies can deliver and defend themselves from autocratic corruption in ways that are coherent with the domestic values of inclusive and liberal democratic capitalism under the rule of law.

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