

Naomi Fowler: This is the Corruption Diaries from the Tax Justice Network. I'm Naomi Fowler.

Jack Blum: Transparency is simply not enough because we've had disclosure after disclosure after disclosure, 20 years of disclosures. We had LGT Bank in Lichtenstein, UBS, the Panama Papers, the Paradise Papers, the Luanda Papers. And the question really becomes how many times do we have to review the books of some offshore entity that have been disclosed that show us who's been stealing what from whom and then watch as nothing happens?!

Naomi Fowler: The patterns Jack Blum was seeing on his travels were always repeating themselves. Digitalisation only tended to mean theft could happen on a grander and grander scale. In Russia, the rise and fall of the wealthy depended on who their friends were. This is the Corruption Diaries from the Tax Justice Network. I'm Naomi Fowler.

Jack Blum: In 2001 I was invited to chair a symposium on control of money laundering that was sponsored by the Russian government in St. Petersburg. And the occasion was that the Russians had passed, for the first time, what appeared to be serious anti-money laundering controls. This was an important occasion and the UN brought people from all over, and the group of people who had worked with me on asset recovery were all there in St. Petersburg. The discussions of controlling money laundering included officials from the Russian tax authorities, included officials from other parts of the Russian government, and many of them were very sincerely interested in enforcing and controlling illegal activity.

At the time, crime was rampant in Russia, this is a period immediately following the fall of communism which was, to say the least, somewhat chaotic. The first night I caught up with an examining magistrate from South Africa who I'd worked with and we went walking down the main street and looked for a place to get something to eat. And it was springtime in St. Petersburg, so the days were 20-some hours long and you could be about at 11 o'clock at night and it looked like 3 in the afternoon in most other places. We saw a place that had outdoor tables and looked like a restaurant and thought we'd go sit down and have a little something to eat because we'd all come in off flights and were kind of hungry. We sat there and nobody showed up, nobody wanted to serve us. And I thought, well, it's time to figure out what's going on here. I'll go to the door of this restaurant and see what's going on and why we're not being taken care of. When I open the door, I see a couple of armed guards and they have earpieces in their ears, and there's this long table inside, a bunch of very tough looking Russians sitting around the table. There were some girls who were dancing and performing for them. And there was obviously a lot of drinking going on. And it looked for all the world like a bunch of gangsters who were meeting for a private dinner. I was able to find somebody and say, look, we, we want to get something here, and it was basically using hand motions and what you do in a country where you don't understand the language. We finally got served. It had taken a very long time, but the obvious open display of gang power that this represented was something that was absolutely stunning.

It was probably 2007, 2008 when Mikhail Khodorkovsky, who was president of Yukos was indicted, charged with money laundering. And the claim was that the money laundering had occurred because of intercompany transactions that were made by his oil company when it purchased oil coming out of the ground in the Siberian oil fields, and then transferred it to

companies that either shipped the oil or refined the oil or did other things. In other words, they were defining money laundering as intercompany transfers. And some of the lawyers who were working for Khodorkovsky knew that I knew about oil and knew about money laundering and invited me to participate in the defense effort. What became clear over time as we got into the details of the indictment and the outcome of that trial, was that it didn't matter what the law was, it didn't matter what the facts were, the Russians were going to get him and he was going to go to jail for a substantial period of time.

In truth, the law they indicted him under preceded, and the time period of the events that he was indicted for, preceded the effective date of the law that I had been in St. Petersburg to talk about. The idea that there'd been money laundering in the intercompany transactions was, to be kind, absurd. And this was an example of a use of a legal system for punishment of a political rival or a potential political rival. And it was a sign that the new Russia was going in a rather terrible direction.

That whole experience showed me that even where there were people of good will inside Russia who were interested in genuine tax collection, interested in, to some degree, creating what I would call a normal economy, when you have thuggery going on at the top and really large scale looting of public enterprises, you cannot talk about democracy. You can't have honest civil servants. You can't have much of anything.

And to underscore what was afoot, the company that Khodorkovsky owned was taken over by Gazprom. At some point, Gazprom actually went to the World Bank to seek financing for some of the activity that it wanted to undertake in oil and gas production. The loan request was turned down because the World Bank officials who were in charge of deciding whether or not to make the loan couldn't figure out who owned Gazprom. On one level, it was a state enterprise. But when people started peeling away the onion, they discovered that there were all sorts of private owners who weren't publicly seen, but who were in fact the controlling people at the enterprise. And the bank kept asking for more and more information, and the more information they got, the less trustworthy the information was, and the more confusing the ownership picture. So the loan was refused, but that didn't bother anybody and the ownership of Gazprom is still an open question, and it looks like the huge state, apparently state, oil operation was given to cronies of Vladimir Putin's.

The fallout of Gazprom and its role in, in the Russian economy includes some of the corruption that occurred in Ukraine in the period leading up to the Zelensky election. There were, time and again, individuals who got their hands on the gas, and the gas distribution and the proceeds. There were different people who figured out that what they could do would be pocket the proceeds of the sale of Russian gas to Ukrainians and then not pay the Ukrainian bill, that is to say, not pay the bill to Gazprom, and rather leave it to the Ukrainian government to pick up the bill. And there was one case involving a woman who had been the Prime Minister who managed to siphon off the profits and, and launder the money through a Florida offshore corporation. And then who knows where the money went after that. But corruption was rampant and it was rampant in Ukraine and average people understood the degree to which they were being deprived of the benefits of their own country and their own government.

The pattern of corruption that was on the table when you looked at what happened to Yukos and Khodorkovsky and looked at the way Ukraine was looted and Yukos enriched a couple of very close cronies of the President, it's a pattern that has turned up again and again in different countries around the world. And it's a pattern that is part of how kleptocrats build their fortunes and, you know, take over and capture a democratic government.

An example of one that was very close to the United States is what happened in Cuba in 1940. The Cubans came up with a constitution that was, on its face, one of the most enlightened and wonderful documents you could imagine. Protecting social rights, outlawing discrimination, demanding equal justice, protecting labor rights, and on and on and on. On the day the president who was elected was to be inaugurated, a member of the previous cabinet came rolling up to the Cuban Treasury with a bunch of thugs and they managed to take 14 million dollars, which at the time was serious money, in cash, out of the Cuban Treasury, loaded into suitcases, and the, the Secretary of Education, I believe he was named Alaman came through U.S. Customs with 14 million dollars in cash. The customs people said, what's in the suitcases? And he said, 14 million dollars. Well they were upset and they began to call superiors, what can we do about it? And the answer was, there was no law against bringing currency into the United States. And that became a basis for Alaman building a two hundred million dollar fortune, allowing him to buy properties on both coasts of Florida, and to later build an enormous mansion outside of Havana.

Naomi Fowler: The Corruption Diaries is a production of The Tax Justice Network, made by Naomi Fowler and Jo Barratt. Interviews with Jack Blum were recorded over several days at Jack's home in Maryland by Zoe Sullivan.