

Mariel Kieval: Why don't you go ahead and tell me a little bit about your background and briefly introduce yourself? If you want to talk about any current projects you're working on that are related to Turkmenistan, feel free.

Casey Michel: Thanks very well, and thanks to Crude Accountability for everything—not only the event last week, but obviously all the work that you and your colleagues do specifically, on this, on Turkmenistan. Hopefully you were there to see me, I guess maybe earlier in the talk last week, really singing the praises of this report, filling this massive gap that had previously existed in our understanding of certainly Turkmenistan, but also Central Asia, and even post-Soviet transnational corruption and kleptocracy. My relevant background, as you and I were just discussing—I was a Peace Corps volunteer in northern Kazakhstan near the Kazak-Russian border. That was my exposure to the post-Soviet world and certainly to Central Asia, to say nothing of the kind of governance structures. Kazakhstan, at the time, was only 20 years into the Nazarbayev regime, and obviously, that extended to whatever it was 29 or 30 years before he finally removed himself from the presidency, even though he obviously still has plenty of power. We actually left when I was in the Peace Corps—it's supposed to be about two years—we were only there for about nine months. There were some security concerns and some governmental pressure to get the American Peace Corps volunteers to leave the country. The timing goes into a whole bunch of different things, but most certainly for our talk for Crude Accountability, we left about one month before the massacre, the shootings at Zhanaozen in western Kazakhstan. These were striking oil workers that the government cracked down on in December of 2011. I can't believe we're already coming up with a 10-year anniversary of it.

I went to Rice University, which is down in Houston, Texas, which is obviously the big energy hub of the US. When I came back, I began working as a reporter in Houston, and I actually ended up doing a little bit of investigative work, less on what the Kazakh government was doing and more on what the Azeri government was doing. Azerbaijan, which is obviously a Caspian oil producing country itself, just a horribly corrupt government. I got to begin investigating and reporting on how they were accessing Western policymakers. I guess maybe the most important story from that era is that I was asked—they had these Azerbaijani lobbyists who were working in Houston and were organizing a congressional delegation to fly over to Baku for this incredibly lavish congressional junket. It was fine food, incredibly nice hotels, fireworks, , wining and dining all of these American legislators. I remember the lobbyist at the time asked me, you know, would you like to come with these members of the US House of Representatives? We'd love to fly you over, we'll cover the cost of the ticket, we'll put you up in the hotel, and you can cover it for your newspaper. I said, “that's a great offer on let me talk to my editor about it.” She goes, “Yeah, you can do that. Just remember when you come over, we don't want you to write anything negative about us. You know, some people just want to come over and write about the corruption. I said, “I can't really make that promise, and I wouldn't want to.” I relayed that to my editor, and she said, Yeah, maybe it's best we don't go. It turned out that the junket was secretly funded—this was a congressional investigation a couple of years later—by the Azerbaijani main oil and gas companies. I'm glad I didn't secretly take any funds from them.

This is just a whole long backstory. I went to graduate school for Russian and Soviet studies, ended up getting more and more interested in and involved in writing on and investigating transnational corruption, which is kind of what we now understand to be kleptocracy—how these

regimes and family members, these oligarchs, how they access Western financial systems, how they access what we call Western enablers, those were enabling the access to these Western financial systems, Western jurisdictions, users, lawyers, lobbyists, the shell company providers, financial institutes, how that money moves, how it's hidden. I've obviously done writing on it for a number of publications here in the US, as well as elsewhere. My main project this day is the book called, *American Kleptocracy: how the US created the world's greatest money laundering scheme in history*. It's about how the US has transformed into this financial secrecy haven that has provided the tools for regimes, oligarchs, elite members of these kleptocratic dictatorships, especially in the post-Soviet space, in places like Kazakhstan, in places like Pakistan, in places like Turkmenistan, Russia, Azerbaijan and elsewhere, to move their money, hide their money, launder their money, and then what it means for the rest of us kind of in these Western jurisdictions in these Western polities. It's one thing to say that it's happening, but in order to actually affect the change, you need to understand why it's important to affect that change, because it also affects everything from national security to wealth inequality to, as we've seen in the US in the last 6, 7, or 8 months, electoral legitimacy, and everything that flows with it. That's my long ramble background about why I'm interested in and focused on this wonderful world of Central Asian dictators.

MK: Great, thank you for that. In your opinion, why have international organizations and letting Turkmenistan off the hook when it comes to corruption? How can we make sure that we actually enforce the anti-corruption policies that are in place?

CM: On the one hand it's a relatively simple answer. On the other hand, it's a relatively complicated answer. I'll take the simple answer first. Western jurisdictions, Western companies, Western financial services industries have spent years, and at this point decades, doing exactly that, not just for the Turkmen government, but for governments similar to the regime all around the world, whether it's the Angolan government under dos Santos, whether it's certainly the Kazakh government under the Nazarbayev regime, whether it's what the Azerbaijani government was doing, whether it's what we've seen take place in horribly corrupt places like Egypt or Equatorial Guinea. This is a story that is now incredibly familiar of how these and why these Western companies, Western jurisdictions, Western financial services industries, are more than willing to work with and improve themselves. More than willing to work with some of the most heinous regimes and figures in the entire world. So in that sense, this is one of the things that I talked about in the discussion that we had last week, there's almost in a certain sense, nothing unique or nothing atypical about what the Turkmen government, the Berdymukhamedov regime, his family members, his cronies were doing and were able to do this. Almost in a certain sense, nothing unique about that. It is a story we have seen play out time and again.

I think maybe what is unique is that, maybe North Korea aside, it's hard to find a government as repressive, as outright unabashedly dictatorial, and brutal as the Turkmen government, which I think illustrates the fact that if these companies and these services and these Western jurisdictions are willing to work with the Turkmen government, there's nobody that they're not going to work with. And I think that is kind of proof on this concept. There's this kind of theory in regulatory circles—we can talk about policy solutions later—from the industry side, they don't want more regulations. They certainly don't want more government oversight. Their common refrain argument is, we can police ourselves, we can regulate ourselves, we will make sure that

all of the preventative mechanisms and mechanisms that can prevent transnational corruption can be done internally, we can take this upon ourselves to make sure these systems are cleaned up. And we're not working with nefarious actors. But if they are willing to work as closely and for as long as they have with the Turkmen government and the Turkmen regime. That is simply proof that any kind of self-regulatory mechanism is a nonstarter, and that increased regulatory oversight, increased governmental oversight, and certainly increased penalties with potential jail time on top of that, for certain executives and for certain Western professional classes, is an absolute must in terms of actual policy solutions to cleaning up these sectors and preventing the Turkmen regime from exploiting and taking advantage of these services moving forward. I guess that wasn't actually a simple answer. That probably combined the simple and complicated answer. Again, I guess the complicated stuff is more in the weeds about exactly how they are using specific financial institutions and shell companies moving the money and hiding the money. We can talk about that later.

MK: That was great. So during the session, it was mentioned that the sort of policy used by the US and Europe to combat corruption abroad typically targets middlemen. Do you agree with this assessment? And if yes, how might we alter legislation to target the true source of kleptocracy in Turkmenistan?

CM: I think the thing to keep in mind about kleptocracy, when we discuss this phenomenon that we've kind of begun categorizing and defining as kleptocracy, you could certainly say that the Turkmen government runs a kleptocratic regime, you could certainly say the Kazakhs do. You can certainly say that the Tajik government does, you can certainly say any number of other regimes in the region, run or oversee or have implemented and entrenched kleptocratic governments. But kleptocracy itself is not something that happens domestically. It is not something that happens within the confines of a single country, of a single jurisdiction, or even of a single regime in and of itself. It is something that requires multiple parties, multiple countries, multiple jurisdictions, multiple financial systems, that it happens cross jurisdictionally that it happens transnationally. The phrase is kleptocracy takes two to tango. And that's absolutely right. What we've come to understand of modern kleptocracy is exactly what the paper from Crude Accountability, from Tom Mayne, the excellent paper highlighted that the Turkmen regime are entering into, and taking advantage of these transnational, international, cross-border financial flows that we have seen other regimes in Baku or Dushanbe, or Moscow, for that matter, take full advantage of as well. So that's the kind of primer about kleptocracy. It happens multi-jurisdictionally. It happens transnationally. When it comes to policy solutions, there's only so much that Western jurisdictions, that Washington or Brussels or whomever can do to pressure the Turkmen government to clean up its act internally or domestically. There are certainly levers when you think of sanctions packages, or you think of I mean, even just basic statements of concerns. There are pressure-based elements that they can do. In a certain sense, that's the low hanging fruit. It's easy enough to issue a statement. But if you want to have an actual effect, be the greatest effect that the US or the EU or other Western jurisdictions can have is not on par with getting those oligarchic members, it's not on targeting the regimes themselves, that can have effect with greatest effect. The US, the Canadians, the Europeans, the Swiss, the Australians, these are destination countries for these sources of illicit wealth. Cleaning up our own backyard, implementing pro transparency, anti-anonymity and counter kleptocracy, that's a lot of different parts. Policies that bring that bring light to or shed light on the industries that are

taking full advantage of these dirty money outflows from the post-Soviet space, wandering it, hiding it and then returning it so that these truly horrific figures and use it however they want. These are financial services industries. These are what we called earlier, the enablers. These are professional classes, you know, white collar service providers in the West, these are those who are setting up the shell companies, these are those who are setting up the anonymous trusts, these are those who are setting up or benefiting from the sales of anonymous real estate or anonymous private equity investment for anonymous hedge fund investments or those were working at auction houses that can you give the material that the precious antiques, the collectibles, artwork, to whoever they want perfectly anonymously for millions of dollars in return. These are especially the lawyers that are making sure that all of these financial flows are still perfectly legal but are still perfectly anonymous. These are the kinds of professionals that are the key figures in allowing folks like Berdymukhamedov, like his nephew, folks like his family members, to access Western financial systems to hide their money to launder their money, as we saw in the report. That means things like being able to purchase what the Turkmen Ambassador purchased: multiple million-dollar homes here in the US, huge swathes of timberland. I don't know what he's going to do with it, but certainly timber prices have been very high recently. So that's a nice added bonus for him right there. These are things like the bankers. Obviously, the report goes to great lengths to highlight the role that Deutsche Bank in Germany, which is just a wickedly corrupt organization, a bank in and of itself and has worked with the Gaddafi regime and worked with the Sudanese al-Bashir, it worked with Assad's government and worked with any number of other horrific regimes. It's no surprise that when the Turkmen government needed a bank to look the other way for all their money to flow through, they went to Deutsche Bank. That's the one that serviced Trump for however many years it was, which, again, is no surprise. So Deutsche Bank is doing that. Okay, fine. But where were the German regulators? Where was the German financial regulatory apparatus and oversight? And beyond that, why hasn't more been done to crack down on these kinds of European banks that are pursuing similar mechanisms elsewhere in other jurisdictions in France, or in Sweden, or in Hungary? Or in Bulgaria? I don't know if you saw, Mariel, the US issued, just last week, huge, I think it might have been the biggest ever single sanctions package against a bunch of Bulgarians for similar topics, transnational corruption and all those who benefit from it. But anyways, long convoluted way of saying the US, the West has to focus on cleaning up its own backyard, making sure to end these empires of anonymity that are the key tools, and what we now understand as kleptocracy, which obviously the Turkmen regime has taken full advantage of.

MK: You touched on real estate as a vehicle for money laundering and as a possible option for cleaning up our backyard. What is your opinion on Biden's recent statement about ending anonymous real estate purchases? And do you think a policy like that is realistic? And would it have the impact that we need?

CM: I am a 100% in support of his statement as it pertains to cleaning up the real estate sector, specifically as it pertains to barring the kinds of anonymous real estate purchases we have seen flourish in every single transnational kleptocratic network, whether it's out of Turkmenistan, Kazakhstan, Azerbaijan, and Angola, Equatorial Guinea, you name it, odds are, it's going to involve real estate one way or the other, for the same reasons that any of us invest in or purchase real estate. It's a wonderfully stable industry. It's a hard asset that is likely not going to depreciate. And if you do need to sell it, the market is still going to be there. And you can likely

find another buyer, especially another potentially kleptocratic buyer, in and of itself. The key again to that is anonymity. For years in the US and Canada and much of Europe and Australia, New Zealand, South Africa, across certainly the developed world, purchasing anonymous real estate was stupidly easy. All you had to do was take 15 minutes to set up an anonymous shell company, attach a bank account to it, and have the financial flows go through there. You can even have additional layers of secrecy on top of that. If you had a lawyer involved, they could implement things like attorney client privilege for that. Because of the ease of these mechanisms, the real estate industry in the US but also elsewhere, has blossomed into I would argue the key kleptocracy industry over the last 15 or 20 years. This is an industry that has exploded as a destination for dirty money flowing in from around the world. And that's not just the mega mansions of the world right there. We're not just talking about places in Malibu or Miami or Manhattan. We're now talking also about commercial real estate. We're talking about steel mills, we're talking about manufacturing plants. We're talking obviously as the Turkmen ambassador's case, timberland, sprawling acreage, anything for years and years was wide open to the kind of dirty money operators that we've seen attached to regimes like those in Turkmenistan. It's no surprise that the Turkmen Ambassador was linked to these multimillion-dollar property purchases. And the key again is ending anonymity. You have to end the ability of anonymous shell companies to purchase this. You have to end the ability of lawyers being freely able to set up these real estate purchases on behalf of anonymous clients. You have to create some kind of registry of ownership, of who owns what and what is their identifying information, and what is their name. How do they go about purchasing it or if it is a shell company that purchased it who is controlling the shell company itself? This is a spoiler for the book—the main policy proposal that I push is ending, now that we've been ending anonymity in shell companies in the US and elsewhere, real estate is absolutely the next domino to fall. The US itself, in 98% of the country, you can still purchase anonymous real estate, and we are only just beginning to learn what kind of damage and devastation that has meant for US communities, for the real estate industry itself, and certainly for those who have to live under the regimes in places like Ashgabat.

MK: It's truly unbelievable that is still the policy. Do you think that it will be difficult to enforce?

CM: That's a great question. And this is something I've said in other conversations. You can have as many regulations as you want on the books, you can have as many laws as you want on the books. But those laws and those regulations are not worth the paper that they are written on. This is perfectly applicable to the oil and gas industry, and environmental regulations. These laws and regulations are nothing, they are nothing without enforcement, without resources dedicated to that enforcement. And we have seen, 20 years ago, the US passed the most sweeping anti-money laundering legislation ever seen, and arguably, to this day, still has ever seen, and that was within the Patriot Act, which obviously has its own issues, but it was specifically dedicated to cleaning up the American banking sector. And it required banks to no longer work with those who were clearly corrupt abroad, no longer set up these kind of shell bank accounts, no longer accept money from whoever, however, if for whatever amount they wanted, and also to set up these internal anti-money laundering mechanisms, as well. What we saw last year, there was a whole a leak of a wide tranche of documents. These policies, they were successful insofar as they changed the narrative, they changed the dynamics of dirty money using specifically American banks as their primary go to. But as we saw this leak of this large

tranche of documents, Fincen files, is that we still had millions and millions, in some cases, billions of dollars in suspect money flowing through American banks. It might be less than it once was. But because of the lack of resources, because of the lack of enforcement at the governmental level, it was still not nearly as effective a regulation and regulatory oversight, as it could have been, as it should have been. I think that is as clear lesson, as any, as we push these pro transparency, anti-poverty policies further, but just how key and how important funding for resourcing for and then staffing up of these kinds of governmental oversight bodies is going to be because, again it doesn't matter. This is not specific to corruption or transnational corruption, you can have any law that you want, if it's not enforced, it's not going to be followed. That is certainly an issue within these anti-corruption within the anti-corruption community. And as we begin proposing and pushing more and more regulatory oversight, you have to have the funding, you have to have the resourcing that that comes with it. This also may be a spoiler, but thankfully, we're starting to see that in the last six months with the new administration in Washington, there could always be more, but at least we're finally beginning to move in the right direction. That's great news. Hopefully, I don't have to explain that to you. You see the same dynamic in the Arctic or Antarctica, wherever, right, as it pertains to any kind of environmental regulation. If it's not going to be enforced and who's going to follow it?

MK: Exactly. Why do you think we have seen so few central Asians being targeted by the Department of Justice through the Global Magnitsky Act?

CM: That's a great question. And in many ways, that's a million-dollar question. Because God knows there are so many wonderful candidates to be sanctioned under Global Magnitsky. I have my theories as it pertains to why we've seen that lack of action. Certainly, there's plenty of other wonderful candidates all around the world. And it's not like Global Magnitsky hasn't been used. It's a relatively new program only, what is it five years old now? I don't think the Central Asian figures were at the top of anybody's list, as it pertains to the very first figures who should be targeted. I wouldn't be surprised at all, if, in the next few years, we do begin seeing more and more Central Asian figures targeted for Global Magnitsky. The most cynical response to that is that the US simply wants to remain on good relations with governments in Turkmenistan, governments in Kazakhstan, governments in Uzbekistan, with the rest of the region for purely geopolitical, purely realist concerns. We don't have to go into all the details of that, but I could certainly see why that would be the case. I prefer to give a little bit more, I don't know, of a gracious response and say they're going to get to them at some point. They just have bigger fish to fry right now. But there are certainly some absolutely fantastic candidates for listing under Global Magnitsky. Certainly all of the figures that feature prominently in the in the Crude Accountability report on Turkmenistan, whether its members from Berdymukhamedov's family, whether it's former officials from the Niyazov era that have now continued on. It's going to be kind of like shooting fish in a barrel when the American authorities do finally turn to the region. If the American authorities really want to make a splash, if they really want to specifically on target the biggest factors and elements of why the broader region, why Central Asia itself has become such a bubbling stew of elite level corruption, what we now know is as kleptocracy, they can go after some of the oligarchs. Sure they can go after some of the family members, but if they really want to make a splash, they go after Nursultan Nazarbayev, the former president of Kazakhstan, who in so many different ways really created the playbook for what we now understand and now recognize as these kleptocratic dictatorships. Beyond that, it's not just the

repression, it's not just the brutality, it's not just the lack of free and fair elections, and certainly in the oil and gas sector, just the cronyism and the environmental damage that comes with it. But it's also how Nazarbayev accessed Western financial flows, Western actors, Western enablers, to then move his money, launder his money using things like Swiss bank accounts, also to then try to pressure Western governments to lift investigations into his finances. You think of 2019, 2020 what certain Ukrainian figures, Ukrainian oligarchs were trying to do with President Trump to get him to lift investigations in return for so called dirt on Joe Biden. We saw that they were almost successful in that. I mean, that was a playbook. And unfortunately, they did not invent it. This is what Nazarbayev was doing back in the mid 2000s, with the Bush administration going to them directly and saying, you need to lift these investigations into me and my family. It's thankfully or surprisingly, or whatever term you'd like to use at the time, the Bush administration said, we can't do that. The DOJ is an independent entity. You have Nazarbayev hiring folks like Tony Blair, to try to create this image of Nazarbayev in the West as this great statesman, as this this benevolent figure, when in reality, he is the one that is overseeing a decade's long dictatorship in Kazakhstan. Anyways, that's kind of a little tangent about who I think should be the DOJ's top of list for Global Magnitsky. But if the US really does want to have that effect in the region and prove that Global Magnitsky can be as effective as it should be, that's what they need to go after. Because that is going to send shivers down the spine of every other high-ranking member of every other regime, and frankly, every other president that has any kind of autocratic bent in the region itself.

MK: That sounds like a great recommendation. If you could make one policy recommendation to the US government related to American financial institutions and their involvement in corruption, what would it be?

CM: It's kind of this basket of reforms that we talked about last week. You talk to anybody in this in space, they kind of repeat the same few things. At the highest level of ending anonymity in the industries that have proven themselves to be the greatest friends of the kleptocrats around the world kleptocratic regimes, oligarchies, cronies, etc, that move, hide and launder those ill-gotten gains and all those trillions of dollars in dirty money. Anyway, basic rundown is ending anonymity and shell companies, ending anonymity and trusts, ending anonymity and real estate, ending anonymity and private equity and hedge funds ending anonymity in the art market, with, two more, ending anonymity in auctions and ending anonymity in luxury goods purchases. I knew I could remember all of them. These are things like yachts, private jet, high-end automobiles, etc. If you could end anonymity in all of those sectors, it would go a massive way in cleaning up what we now understand as kleptocracy. And then obviously beyond that, continuing to staff up to the resources, the regulations and the regulatory bodies that are already in existence that specifically monitor illicit financial flows through Western banks and financial institutions, as well. There are other recommendations beyond that, that include things like increased internal best practices for nonprofits, that is to say universities, think tanks, other institutions that have been taking all this dirty money perfectly. These are private institutions, they can do it legally without publicizing any information about who their donors are or what are their protocols for accepting donations. This again allows these kleptocratic figures to transform themselves into philanthropists and statesmen. The government, this is one of the interesting things about the Turkmen case study, is that to the best of our knowledge, or as far as we can tell, the Turkmen haven't actually tried to start doing that yet. That's not to say that they won't at

some point, but it doesn't seem like they follow that path just yet of donating \$20 million, or whatever, to a university or to a think tank or to a cultural center to whitewash the regime itself. Increased regulatory requirements for especially lawyers as well would go a significant way to make sure that they are not involved in setting up the shell companies or the real estate purchases of the other related purchases for this specific benefit of laundering millions of dollars of dirty money. There's a whole basket of proposed reforms, but ending anonymity, beyond all is the key in shell companies, trusts, real estate sectors, and then in a handful of the other sectors that I listed as well.

MK: That makes sense. And I think the report definitely tries to address some of that just by exposing a lot of people involved in these sectors. I want to be mindful of your time. Is there anything I didn't touch on that you would like to bring up?

CM: Just to reinforce what I said in the talk that we had last week about how, and I don't want to sound like I'm brown nosing or anything, the report that came out from Crude Accountability from Tom Mayne last week was one of the final dominoes to fall in our understanding of how Central Asian and more broadly post-Soviet corruption and hypocrisy operates for years and years in Turkmenistan for any number of reasons. Both the Niyazov regime and the Berdymukhamedov regime have been on this really black hole of information, certainly, to a large extent, because they tried to make it a black hole without publishing financial information, without publishing personnel information, without publishing corporate information. For years, when those of us study the regions study kleptocracy in Central Asia and the post-Soviet space, we focused on the Kazakhstans, Azerbaijans, Tajikistans and the Russias of the world or of the region, nobody paid any attention to what was going on and then what was coming out of Turkmenistan. We had no idea whether they were as isolated and as autarkic financially in terms of elite predation and elite financial flows as the Berdymukhamedov regime claimed they were. Now we know that's not the case at all. Now we know they are following the exact same financial flows, the exact same patterns, that the other regimes in the region are following in a certain sense, that shouldn't be surprising at all, because those other regimes have been able to do so successfully for so many years. And it only makes sense that Turkmen regime would follow the same methods themselves of shell company movements, of real estate purchases, of turning to banks like Deutsche Bank.

I just want to commend everybody at Crude Accountability again for filling that much needed gap and certainly long overdue gap that we can now look to and say, no, it turns out that the regime, well it's just like, all the other regimes that are following the similar kleptocratic patterns. And certainly accessing similar Western financial systems and Western industries, as well. Thank you and your colleagues, Mariel, Crude Accountability again. It was absolutely a wonderful report, and I'm sure we'll be talking about for a while.