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Lack of Transparency Hinders the Western Response to Russia's Invasion of Ukraine

We continue to monitor the news with a sense of helplessness as Europe and the world face security threats not seen in decades. Our passion for uncovering the truth to help guide sound strategic decisions have compelled us to contribute these comments with the intent of bringing greater transparency to some of the root problems that contributed to this conflict in Ukraine.

Russian strongman Vladimir Putin and his cohorts almost certainly anticipated western governments' economic responses and have taken advantage of opaque financial jurisdictions to conceal their wealth from the new transatlantic task forces in pursuit of their assets. Greed and a lack of transparency contributed to setting the conditions for Russia's invasion of Ukraine and have produced great harm to humanity.

Besides the obvious casualties of war (both military and civilian) expected in an uneven military conflict, we are braced for an enormous humanitarian crisis to unfold. We expect to see widespread homelessness, food insecurity, reduced access to medicines and health care and the disruption of basic goods and services for hundreds of thousands – possibly millions - of families and individuals. Already, news reports estimate that over 800,000 Ukrainian citizens, mostly women, children and the infirm, have fled to neighboring countries. The sheltering, care and feeding of these displaced persons will be incurred by their host nations largely in the EU and NGOs.

Although most news outlets have focused on the military aspects, political ideologies and economic impact, it would be shortsighted not to look into other less apparent factors that have both fueled this conflict, and stymie the West's response. Specifically, several world-leading economies have facilitated lack of transparency in the furtherance of greed, and are arguably complicit in this crisis. Inadequate financial regulations, a lack of transparency and glaring shortcomings in global corporate and public governance have allowed kleptocrats and other unscrupulous individuals to amass unimaginable wealth, influence and power in their own countries and overseas. These kleptocrats are often supported by co-conspirators in the western nations. The kleptocrats ironically need the rule-of-law in western nations to protect their ill-gotten wealth.

Examples of how the lack of transparency have had a major impact on the Russian - Ukrainian conflict and the limited western response:

The Nord Stream 2 Pipeline

The construction of the pipeline allows Russia to send gas directly to Germany via the Baltic Sea and breaks Russia's dependence on Ukraine as a transit company for Russian gas to Europe. Multiple independent investigative journalist organizations have reported apparent corruption issues starting in 2021, including a German state foundation - secretly controlled by the Russian gas company Gazprom - which has acted in support of the pipeline construction.

Russian Oligarchs Influence

In 2020, a FinCEN investigation revealed that several Russian oligarchs, including some with close ties to Putin, were involved in money laundering activities. These individuals were moving funds in and out of multiple international jurisdictions, whenever their interests pivoted to a new location. This has allowed them to strategically buy assets and surreptitiously obtain control of strategic economic sectors. Despite being sanctioned, these kleptocrats continue to move funds at ease, by laundering funds through jurisdictions with strong anti-transparency laws and tax evasion-friendly environments. This offshoring of private funds (much of it gained from Russia's privatization of key sectors and government entities) allows the oligarchs to spread their wealth and influence globally, living lavishly while average Russian citizens struggle under a poor economy and authoritarian rule.

Benefits of being a Silovaki

A 2017 article by the *New Yorker* revealed a glaring example of how Putin's inner circle benefits from the Russian government. Businessmen Boris and Arkady Rotenberg, Putin's childhood friends, were commissioned by the Russian government to build a 12-mile, $3 billion bridge from mainland Russia to Crimea, one year after it was annexed to the Russian territory in 2014.

The Money Laundering Business

Last week, leaked files from a former Credit Suisse employee revealed how one of Switzerland's largest banks had autocrats, suspected war criminals and other corrupt individuals as clients. The investigation revealed an alarming amount of money from questionable sources.

Despite being placed under sanctions, kleptocrats, oligarchs and corrupt politicians continue to exert power and influence, move funds, buy assets and invest in crucial sectors of economies across the globe aided by the lucrative money laundering industry, which continues to offer secrecy and bank accounts in exchange for ill-gotten investments.

Conclusions

Perhaps not factored into Putin's thinking was how the conflict has galvanized the world in both governmental sanctions as well as numerous independent corporate sanctions against Russian interests and international holdings. The idea of freezing or seizing assets controlled by Russian oligarchs internationally is beginning to take hold. Already, New York City is considering such a move against some of these assets, including significant real estate. While a tempting strategy, there are significant inherent risks to such an action. That is, what stops other governments from seizing US and Western corporations' assets when they disagree with state policies? We believe that unless an oligarch can be definitively shown to be involved in the support of

Russia's military and ongoing aggression, seizures of private assets should be cautioned.

Individual corporate sanctions seem to be a very potent weapon to help isolate the Russian regime which we wholly support. For example, Ford just announced that it was suspending operations in Russia, taking a large loss on principle. This essentially becomes a worldwide (barring China and a few others) boycott of the Russian economy. As these corporate, government and banking sanctions take hold, life in Russia will become even more challenging – placing additional pressure on the regime. Oligarchs who have Putin's ear will also put pressure on changing policy toward Ukraine.

Alternative payment options such as cryptocurrencies are getting a lift out of this conflict as Russian interests shift to non-regulated financial instruments and transactions. Here again, lack of transparency hampers the tightening of financial pressure.

As in most armed conflicts, lies are often the first instruments of war and the truth is often an early casualty of war. The Russian-Ukrainian conflict more complex than a political ideological grievance between Russia and its democratic neighbor or Putin's imperial ambitions. At the core, it is fundamentally about power, greed, amassing and especially concealing ill-gotten wealth from transparency and accountability.