

# Can the Law Tame Oligarchs Like Putin?

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*Russian President Vladimir Putin saw the ruble reach its lowest level Monday since he invaded Ukraine last year. Mikhail Klimentyev/Getty*

Since Vladimir Putin's invasion of Ukraine in February 2022, increased attention has focused on the use of legal mechanisms to control oligarchs like him. These mechanisms are both international and domestic in nature. They range from dramatic, public moves such as sanctions, asset seizures and freezes, as well as arrest warrants on criminal charges, to lower-key measures such as anti-oligarch policy, wealth taxes targeting oligarchs and financial transparency enhancements.

An impressive list, no? Legal measures against oligarchs are quite popular in many Western countries. They are perceived as being noble efforts at doing the right thing against certain rich and powerful people who might wield their influence in unsavory ways. They convey the impression to the average citizen that their government is doing something to address a perceived wrong.

As oligarch researchers, we are skeptical that legal gambits are particularly effective in taming oligarchs. Having studied how oligarchs have come to dominate our world, we've started thinking about the opposite of the question: How can oligarchs be defeated? And, more specifically, can the law tame oligarchs like Putin?

On the surface, legal mechanisms have played a significant role in reducing one or both of oligarchs' two control mechanisms: wealth and power. Let's start with wealth. In 70% of the cases we've studied in a recently completed major research project, legal action has led to substantial declines in their net worths:

The most notable case is Eike Batista, formerly Brazil's richest person and once one of its most influential. Due in part to his 2018 conviction and subsequent imprisonment on bribery charges, he lost more than \$30 billion (virtually his entire wealth) and most of his political influence.

In another instance, beginning in 2018, Angola's Isabel dos Santos has faced asset seizures and freezes in several countries, a U.S. travel ban and an apparent Interpol red notice. These actions have already trimmed her net worth by an estimated \$2 billion, a 62% decline, and necessitated her self-exile in the United Arab Emirates.

Similarly, legal action has also reduced the power of 56% of the oligarchs in our study:

Dramatically, in 2013, Bo Xilai, once Xi Jinping's main political rival, was jailed for life for corruption.

In 2011, Silvio Berlusconi lost his seat as Italian prime minister, at least in part due to his legal difficulties, which reduced his popularity. He was ultimately convicted of tax fraud but avoided imprisonment.

Atul Gupta in South Africa was charged with fraud and money laundering charges, although these were subsequently dropped in 2022 for lack of evidence following a failed extradition on an Interpol red notice, but he lost substantial agenda-setting power due to legal actions.

Despite all of this legal activity, in only a handful of cases we've studied (13%) has legal action resulted in the complete defeat of an oligarch (e.g., Batista and Bo). Instead, legal actions have trimmed oligarchs' sails rather than sinking their ships. And some oligarchs have actually grown stronger following legal actions taken against them.

Thailand's Thaksin Shinawatra was deposed in a military coup in 2006 and convicted of abuse of power, yet his net worth has actually increased from \$1.6 billion in 2014 to \$2 billion today. He also retains substantial agenda-setting power in Thailand's popular Pheu Thai party.

Most of the oligarchs against whom legal action has been taken continue to be oligarchs, even if somewhat diminished ones. Oligarchs are quite resilient.

And we also have evidence that oligarchs can be successfully tamed by non-legal means, sometimes more effectively than with legal mechanisms.

Gautam Adani was one of India's most prominent oligarchs with close ties to Prime Minister Narendra Modi. After Hindenburg Research published an analysis that suggested Adani was engaging in accounting fraud and stock manipulation, Adani's net worth plummeted from \$90 billion in 2022 to \$59 billion today.

Others, such as Germany's wealthy ex-chancellor Gerhard Schroeder, have suffered a loss of agenda-setting power due to their ill-timed and badly judged affiliation with Putin.

Westerners, in particular, often reach for legal tools first because they are the hammer with which they are most familiar. But are these hammers the right tool to address the problem that oligarchs represent? Under the surface, the root causes of oligarchs are deep. So, their demise is often not the product of the law.

Let's take some examples, starting with one near and dear to Putin's heart: Mikhail Khodorkovsky. Once Russia's richest person, Khodorkovsky was convicted and served eight years in Putin's prisons before being pardoned by him. Yet, Khodorkovsky's defeat was not a legal one. Rather, it was political, the product of bad judgment on his part in cultivating political power that might threaten

the Kremlin, resulting in his conviction and the seizure — legal under Russian law — of most of his wealth.

Or how about Yevgeny Prigozhin, a Russian oligarch and warlord who appears to have died in an airborne incident in Russian airspace. If confirmed, Prigozhin's death is the ultimate defeat. The law had nothing to do with it, even though he had been charged in 2018 in the U.S. with election interference and subsequently subjected to asset freezes and visa restrictions.

Since 2014, sanctions have been deployed against dozens of Russian oligarchs close to Putin. However, there is little evidence that these sanctions have had their intended effect of pressuring Putin to end the war with Ukraine or weaken Russia's war-fighting capabilities. In fact, the International Monetary Fund (IMF) estimates that Russia's economy will grow by 1.5% in real terms in 2023, driven largely by oil price increases.

Why does all this matter? Legal tools have been a primary mechanism used by Ukraine and its allies in attempts to defeat Putin. The law continues to be deployed in various ways in that effort, most recently in Ukraine's criminal prosecution of Mikhail Fridman, believed to be close to Putin.

If the law isn't particularly effective at defeating oligarchs, what might work better? As we have written before, to defeat an oligarch, you must take a Russian approach. Essentially, you must bomb the village, then negotiate with the ashes. Asset seizures are one thing, depriving an oligarch of their ability to generate future wealth is another. Removing an oligarch from office is one thing, ruining their ability to set agendas and use their influence is another.

These are tricky strategies to implement. For example, in a globalized world, how do you deprive an oligarch of their future ability to generate wealth? And how can governments and citizens prevent deposed oligarchs from regaining their power?

Using the law to regulate oligarchs has been largely ineffective because this strategy fails to understand oligarchs' essential nature. Oligarchs are resilient opportunists and chaos-manipulators who thrive on the oxygen provided by an increasingly uncertain world. Defeat them by taking away that oxygen — or be prepared to be disappointed when legal and other half-measures fail to deliver satisfactory results.

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Their book, "The Oligarchs' Grip: Fusing Wealth and Power," will be released in November.