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Why Panama Papers Are Unlikely to Trouble Russian Officials

By Daria Litvinova

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A view of Panama City skyline.

In the end, it was a tale of two protests. In one, thousands of angry Icelanders gathered to demand the resignation of their disgraced prime minister. In another, four activists silently stood alone outside of Russia's State Duma with placards demanding President Vladimir Putin's impeachment.

The outcomes could not be more different. Following the first protest, an elected prime minister was forced to resign. Before the second truly got under way, the protesters were arrested and pushed into a police van, with a passing photographer included for effect.

Based on an unprecedented leak from the Mossack Fonseca Panama law firm, the "Panama Papers" investigation revealed hundreds of politicians and celebrities in dubious offshore networks. They also implicated some of Putin's closest friends in eye-watering and scarcely believable business schemes.

So far, however, the controversial arrests are the only real-life consequence of the scandal in Russia.

Safe and Sound

According to the leaks, an offshore company owned by Sergei Roldugin — renowned cellist and godfather of Putin's daughter — was involved in transactions with state-run companies worth hundreds of millions of dollars. Several Russian financial giants were linked to these transactions, including Bank Rossiya, Vneshtorgbank's Cyprus subsidiary and the investment company Troika Dialog, now owned by Sberbank.

A dozen other Russian lawmakers and officials were also named in the papers.

Formally, according to the investigation, all transactions were backed up by legitimate documents and contracts. Doing business in an offshore zone is not necessarily criminal. The only formal violation is that Roldugin didn't expose himself as a "politically exposed person" when signing papers for Gazprombank in Switzerland.

According to Yelena Panfilova, chair of anti-corruption organization Transparency International, the only ones who might hypothetically be subject to investigation in Russia are Duma deputies. That is, if they hadn't given up their offshore assets by the time they won parliament seats.

But Russia is not Iceland. While the Prosecutor General's Office announced it would look through revealed offshore practices, state businessmen and managers The Moscow Times talked to were doubtful any real measures would be taken — at least for now.

Crisis Ahead

From all of this, it does not necessarily follow that the Panama Papers will have no implications within Russian society and its political establishment.

Yekaterina Schulmann, associate professor at the Russian Presidential Academy of National Economy and Public Administration, says that public dissatisfaction is growing. "Society might seem indifferent, but negativity about corrupt officials is deepening in people's minds, exacerbated by the worsening economic situation," she says.

There will be knock-on harm to Russia's already disastrous investment climate, adds Panfilova. "Large companies with shares traded by the New York or London stock exchanges, or large international banks don't want to be anywhere near something like this, so they will think twice now before dealing with Russia," she says.

This will further isolate Russia from the West and deepen the confrontation, says Dmitry Gudkov, the only independent State Duma deputy. "We've come to a point when the whole world is moving toward transparency, and Russia is either with everyone, or on the sidelines," he told The Moscow Times.

But more than that, the Panama leaks have generated fear. Though the report did not specifically target Putin, the Kremlin is certainly treating it that way. Presidential spokesman Dmitry Peskov described the revelations as a "political attack" on Putin, undertaken

by Western special forces.

The level of denials and conspiracy theories could indicate the Kremlin is close to falling into a deep political crisis, says analyst Gleb Pavlovsky.

"The amount of time it took them to respond and the response itself showed just how shocked they were." Pavlovsky told The Moscow Times. "They are losing their maneuverability — and this is always a bad thing for a ruling elite."

If Western authorities begin to prosecute under anti-corruption legislation, the Kremlin's panic would be exacerbated. Companies with international listings — like VTB, Severstal or Sberbank — are under the jurisdiction of the U.S. Foreign Corruption Practices Act or the UK Bribery Act, says Alexei Navalny, Russian opposition politician. Navalny himself does not believe this will happen. "For some reason Western law enforcement doesn't want to touch Russia," he says. "We've already seen it with the Chaika investigation."

There is the promise of yet more revelations from the Mossack Fonseca files. Even if some Russian officials currently see no cause for concern, others believe the scandal might grow to unmanageable proportions.

"It's too early to assess the impact," a source close to the Kremlin told The Moscow Times. "It's not over. It's just the beginning."

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