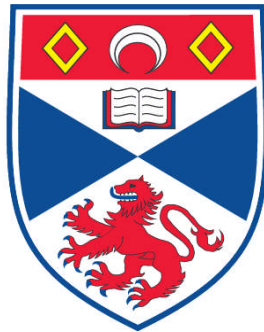


**'TRANSITIONS AFTER TRANSITIONS':  
COLOURED REVOLUTIONS AND ORGANIZED CRIME IN  
GEORGIA, UKRAINE AND KYRGYZSTAN**

**Alexander Kupertadze**

**A Thesis Submitted for the Degree of PhD  
at the  
University of St. Andrews**



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# **‘Transitions after Transitions’: Coloured Revolutions and Organized Crime in Georgia, Ukraine and Kyrgyzstan**

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In fulfilment of the requirements for the degree of  
Doctor of Philosophy

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August 2010

I, Alexander Kupatadze, hereby certify that this thesis, which is approximately 80 thousand words in length, has been written by me, that it is the record of work carried out by me and that it has not been submitted in any previous application for a higher degree.

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## **ABSTRACT**

This dissertation addresses organized crime in post-Soviet Eurasia (Georgia, Ukraine, Kyrgyzstan) exploring the nexus between politics, business and crime. Based on extensive field research in the three countries the dissertation examines organized crime groups in the region and describes their inter-relationships with political and business elites, then discusses the impact of the three countries' Coloured Revolutions on crime and corruption. The impacts of the revolutions on organized crime are situated in several variables, among them political opposition to incumbent regimes; the strength of civil society and the role of organized crime groups during the revolutionary processes; personal morals of the leaders and their views on cooperation with organized crime; and the presence and nature of the "pact" between outgoing and incoming elites.

The dissertation also takes into account larger explanatory variables, such as geography, natural resources, industry, and regional wars and documents their role in shaping organized crime. In accounting for the diverging patterns of the three countries in terms of post-revolutionary effects on crime and corruption, the role of the West, defined as a "push" factor for democratization, and the experience of earlier statehood are also considered.

The interaction between elites and criminals is regarded as a crucial part of state formation, and is characterized by shifting dominance between the actors of the underworld and upperworld. The thesis identifies points of cooperation and conflict between licit and illicit actors, and provides insight into the collusive nature of criminal networks in the post-Soviet context, arguing that the distinction between licit and illicit is frequently blurred and the representatives of the upperworld are sometimes key participants in organized criminal activity.

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## Chapter 1. Introduction

The so-called “coloured revolutions” in post-Soviet Eurasia (the Rose Revolution in Georgia, 2003; the Orange Revolution in Ukraine, 2004; the Tulip Revolution in Kyrgyzstan, 2005) have engendered much international debate regarding their nature as “democratic processes.”<sup>1</sup> However, the term “revolution” has yet to be defined with precision, and conclusions have yet to be drawn about whether these events were “democratic” and resulted in a radical break with the past.

All three “revolutions” followed allegations on rigged elections that had caused great popular discontent with the ruling regimes. Furthermore, all three involved active youth groups (“Pora” in Ukraine, “Kmara” in Georgia and “Kelkel” in Kyrgyzstan), and resulted in some elite changeover. However, implications of the “revolutions” for organized crime and corruption in the three countries have been different, even though all three were considered anti-corruption and anti-crime statements of mass frustration with rampant elite corruption, clan structures and deeply-rooted connections to organized crime.

The new political leaders in the three countries (Mikheil Saakashvili in Georgia, Viktor Yushchenko in Ukraine and Kurmanbek Bakiev in Kyrgyzstan) had reputations as honest, democratic and clean politicians and the very idea of the revolution presumed that their governments should combat corruption and crime. However, outcomes varied. In Georgia, the new authorities took decisive steps to fight organized criminality, with regime transition resulting in successful investigation of native criminal networks at home and abroad.

In Kyrgyzstan, corruption and political violence skyrocketed after the “Tulip Revolution” in 2005, and the state remained weak. Several MPs and influential criminal leaders were assassinated after the revolution in rivalry for the leadership of crime groups and newly available state resources. Organized crime bosses began to dictate their will to politicians; criminal figures have even organized mass protests demanding the resignation of Prime Minister Feliks Kulov, oblidging him to step down in December 2006.

After the “Orange Revolution” in 2004, Ukraine’s political scene was marred by infighting between political factions, resulting in frequent changes of government which limited the depth and duration of reform efforts. Corruption and politically-connected criminal networks remain a national scourge.

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<sup>1</sup> Hale (2006), Chaulia (2006), Pejic (2008), Melnykovska (2008), Kutbettin (2010).

In this thesis, I endeavour to explain the variations among the three country cases, by concentrating on the political-business-criminal nexus of organized crime, and discussing the impact of the three revolutions on this nexus. One crucial question I investigate concerns whether factors in a post-revolutionary environment which either sustain or undermine organized criminal activity. Why, for instance, has organized crime increased in post-revolutionary Kyrgyzstan, while the reverse occurred in Georgia? Regarding Ukraine, I attempt to explain the relative stability of its underworld. Finally, I examine how criminal networks have adapted to post-revolutionary settings.

In the course of addressing these questions, I make the case that post-revolution, Georgia moved from being a state dominated by professional organized crime, to a type of police state. The elite in Georgia's post-revolutionary period did cut organized crime links, but greater funding for law enforcement structures had both the positive effect of more efficient policing, and the negative one of excessive power for the police and secret services and the consequent "authoritarianization" of the ruling regime. Since anti-government demonstrations in November 2007 weakened the regime, political-criminal links have re-emerged, albeit with less clout.

Following its initial post-revolutionary violent and criminal upheaval, Kyrgyzstan is now following the Georgian trajectory. Incoming elites have now mobilized licit and illicit resources, revitalized the latent pyramid schemes of corruption, and reasserted themselves over criminal leaders. Following the assassination of two of the most influential underworld leaders, the new regime and ruling family are consolidating their power, but the Kyrgyz state is still weak. With the state-crime nexus still in place, and judging from the effectiveness of anti-corruption, anti-crime campaigns in 2005-2008, the "Tulip Revolution" failed.

By the same terms, the Orange Revolution also failed. One of Ukraine's greatest impediments to reform is the presence of "spoilers," or powerful holdovers from the previous regime who derail anti-crime and anti-corruption efforts. While the slogan of "sending the bandits to prison" was heard often during the Orange Revolution, Ukrainians now smile ironically at how "committed" to reform the incoming elites turned out. Ukrainian corruption and crime rates, which dipped just after the "Orange Revolution," have since returned to pre-revolutionary levels.

The dissertation determines a collection of variables indicating a relationship between political transitions or revolutions, and a growth or decrease in organized crime. Several factors can sustain or hinder organized crime in a "post-revolutionary" setting. They include the strength of political opposition to the ruling regime during the revolution; the role in the

revolution of organized crime groups; the influence of pre-revolutionary incumbents after the revolution; the intermingling of politics with business; the post-revolution stability of the political scene; the extent of state intervention in the re-privatization process and re-distribution of the spoils; the extent of corruption and the presence of “political will” to fight it; and the efficiency of policing and the criminal justice system.

The thesis also stresses revolution-based social and political conditions which may affect organized crime, such as the establishment or collapse of the rule of law (the country’s independent legal system and professional law enforcement agencies) or the presence of independent, credible media.<sup>2</sup> I also trace the historical and political roots and context of the transitions, since criminal dynamics in the three countries pre-date the most recent political transition or “revolution.”<sup>3</sup> Soviet legacies are similar for the three countries that adds to the puzzle of diverging patterns in post-revolutionary period. From a historical viewpoint, I examine how the past influenced current forms of organized crime, and what constraints or other changes for organized crime the revolutions might have prompted.

## 1. Defining state, regime, revolution and transition

Other countries provide analogies for the post-“Coloured revolution” developments in organized crime, in particular in Eastern Europe, Latin America, and South Africa. Coloured Revolutions, though, had far greater impact on crime and political corruption than, for instance, the revolutions of 1989 in Eastern Europe, where mass dissatisfaction with corruption and crime was not as pertinent. By contrast, the Coloured Revolutions are known as “anti-corruption movements” or “anti-crime revolutions,”<sup>4</sup> sparked by a popular rejection of rampant corruption, clan structures and deeply-rooted organized crime, in line with the Giraldo and Trinkunas model.<sup>5</sup>

The theme of “sending bandits to prison” set the tone for Ukraine’s Orange Revolution, which was presumed to have dealt crime and corruption a major blow. The implicit contract between the masses and elites crafted during the public uprising was the source of legitimacy for the new regime, which was supposed to eliminate elite rent-seeking. The fight against corruption was expected by the citizens as a political good deliverable by

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<sup>2</sup> Moran (2001, p. 380).

<sup>3</sup> Lotspeich (1995, p. 6).

<sup>4</sup> On the Rose Revolution see for instance Shelley and Scot (2003); Nodia (2005, p. 99); Kandelaki (2006, p. 3). Regarding the Orange Revolution: Yuriy Lutsenko repeated several times that it was primarily an anti-criminal revolution, see for instance Lutsenko quoted in Kuzio (2006); Kuzio(2008). On the Tulip Revolution, see Aslund (2005a); Radnitz (2006, p. 141).

<sup>5</sup> Giraldo and Trinkunas (2007, pp. 347, 346-367).

the new state, a guarantee of the new “social contract between ruler and ruled.”<sup>6</sup> These expectations did not all materialize. In Ukraine and Kyrgyzstan there has been only modest institutional change, and some of it has arguably been negative.<sup>7</sup>

Public attitudes toward the three revolutions also differ. Most of the respondents interviewed in Kyrgyzstan judged the events of March 2005 to be a *coup d'état* rather than a revolution,<sup>8</sup> since no major and lasting changes were observed afterward, only a replacement of Akaev's elites with new ones.<sup>9</sup> The “Tulip Revolution” can be best understood as a battle between the pro-Akaev regional clan and family groups, which constituted the political and economic elite, and other groups that felt deprived of their share of political and economic power.<sup>10</sup>

Experts also differ on the nature of the Georgian “Rose Revolution”: some from the legal field argue it was a *coup d'état*;<sup>11</sup> however, unlike in Kyrgyzstan and Ukraine, in Georgia some quite successful reforms and significant transformations in public life have taken place. Police reform was among the most successful ones,<sup>12</sup> but the authorities' treatment of the public uprising in November 2007 and police's role had some negative impact on public perception of Georgian police.

Opinions also differ in Ukraine: people from the more pro-Russian eastern Ukraine argue that the Orange Revolution was a *coup d'état*, in contrast to the western Ukrainians' view. It is widely agreed that the Orange Revolution was a unique event changing the course of Ukrainian politics, and details are supplied in the chapter on revolutions below.

While there is no agreement across the three countries about the nature of the “Coloured Revolutions,” we can conclude based on the argument that follow, that the events were in fact “real revolutions.” As I mentioned, all three countries did undergo revolutions, but the implications of these events for crime and corruption differ.

Definitions of “revolution” can be divided into two categories: first, classical or maximalist as in the work of Theda Skocpol and Anthony Giddens, and second, minimalist as defined by Charles Tilly. Skocpol's definition includes rapid transformation in the state's fabric and class-based revolt,<sup>13</sup> and Giddens emphasizes violent means and stresses that

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<sup>6</sup> Rotberg (2004, pp. 2-3).

<sup>7</sup> On Ukraine see D'Anieri (2005, p. 25); On Kyrgyzstan see Koichumanov, Otorbayev, Starr, (2005).

<sup>8</sup> Author's field research in Kyrgyzstan, March-May 2007.

<sup>9</sup> Blank (2006); Author's field research in Kyrgyzstan, March-May 2007.

<sup>10</sup> Nichol (2005).

<sup>11</sup> See for instance Esadze (2007).

<sup>12</sup> Kupatadze (2007b).

<sup>13</sup> Skocpol (1979, p. 4).

major reforms will follow the revolution.<sup>14</sup> Later, Paige formulated another definition according to which “a revolution is a rapid and fundamental transformation in the categories of social life and consciousness, [these categories’] metaphysical assumptions, and the power relations in which they are expressed as a result of widespread popular acceptance of a utopian alternative to the current social order.”<sup>15</sup> None of these definitions is fully applicable to the events under study. First, few “lasting” and “fundamental” changes can be observed in all three countries; second, in general, all three events were violence-free; third, the revolutions had no distinct social class identity. In general, these were popular revolts, encompassing many layers of society. Some of these characteristics fit Jeff Goodwin’s anticipation of future revolutions as not necessarily violent, and consisting of “mass movement for social justice.”<sup>16</sup>

Of all the literature, Charles Tilly’s approach best reflects the type of revolution under study. Tilly writes that revolution is a “forcible transfer of power over a state” where “two or more blocs of contenders make incompatible claims to control the state,” and each bloc receives some popular support.<sup>17</sup> Tilly’s definition applies to all three Coloured Revolutions. The political opposition in all three countries, enjoying the support of part of the population, challenged incumbent regimes. The transfer of power, although largely non-violent, was still forcible as none of the incumbent Presidents surrendered immediately or voluntarily and even threatened to use force.

Tilly continues that revolution combines a “revolutionary situation” with a “revolutionary outcome,” where in addition to the above, there is “incapacity or unwillingness of [incumbent] rulers to suppress the alternative coalition” and/or its popular support.<sup>18</sup> Concerning the inability of incumbents to counteract the revolution, the three presidents might have threatened the use of force against the demonstrations, but were not able to enact the threat because of their weakened grasp on power and the presence of many stakeholders who would not endorse violence. Alternatively, the incumbents might have feared civil war or been too weak already to direct the security apparatus to use force.<sup>19</sup>

Tilly elaborates on revolutionary outcomes, stating they might include defections of regime members; acquisition of armed force by revolutionary coalitions; neutralization or defection of the regime’s armed forces; and acquisition of control over the state apparatus by

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<sup>14</sup> Giddens (1989, p. 605).

<sup>15</sup> Paige (2003, p. 24).

<sup>16</sup> Goodwin (2003, pp. 59-72).

<sup>17</sup> Tilly (2006, p. 159).

<sup>18</sup> Ibid.

<sup>19</sup> Mitchell (2004, p. 348).

the revolutionaries.<sup>20</sup> In all three of our case studies, intelligence and law enforcement bodies cooperated with the political opposition. In Georgia, a number of military and police detachments declared loyalty to the opposition.<sup>21</sup> In Ukraine, high-ranking officers of the special services addressed the crowd at the central revolutionary gathering place, Maidan Square, indicating security apparatus support for the peaceful protests of the “Orange camp.”<sup>22</sup> In Kyrgyzstan, the Minister of the Interior went to talk to opposition leaders.<sup>23</sup> President Akaev subsequently alleged collusion between his security forces and the opposition.<sup>24</sup>

Thus, Coloured Revolutions were “true revolutions” according to Tilly’s definition, but they did not lead to fundamental transformations of state and social fabric, as did, for instance, the French and Bolshevik revolutions. Rather, they resulted in continued transitions which produced an “interval between one political regime and another,” according to the transitologist definition.<sup>25</sup> This thesis treats the events in the three countries as regime transitions, and not as transitions from authoritarian rule to another form, like democracy. I also leave open the definition of the ultimate outcome of these regime changes. Lincoln Mitchell writes that the Georgian revolution was directed “away from the Soviet system,” a description that applies broadly to all three states.<sup>26</sup>

The term “regime,” for our purposes, refers to the formal and informal organization of political power, and to its relations with society. A regime determines who has political power, and how those in power deal with those who are not.<sup>27</sup> The relevant rules may be formally codified in constitutions, or they may be informal, embodying customs and habits.<sup>28</sup> We distinguish between state, regime and government. Ayubi elaborates that “regimes are more permanent forms of political organization than governments, but typically less permanent than the state, which by contrast is a more permanent structure of domination and coordination with a coercive apparatus and the means to administer a society and extract resources from it.”<sup>29</sup> In Calvert’s work, “a regime is a government or sequence of governments in which power remains in the same hands.”<sup>30</sup> Several scholars argue that the

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<sup>20</sup> Ibid.

<sup>21</sup> Kandelaki (2006, p. 3); Katz (2006, p. 165).

<sup>22</sup> Chivers (2005).

<sup>23</sup> Author’s interview with Kelkel activist, March 2007, Bishkek, Kyrgyzstan.

<sup>24</sup> RFE/RL Newline (July 12, 2005).

<sup>25</sup> Mainwaring (1992, p. 295).

<sup>26</sup> Mitchell (2007).

<sup>27</sup> Fishman (1990, p. 428).

<sup>28</sup> Bratton and De Walle (1997, p. 9).

<sup>29</sup> Ayubi (2001, p. 31).

<sup>30</sup> Calvert (1987, p. 18).

distinction between state, regime and government is clearest in developed Western democracies.<sup>31</sup>

This thesis draws upon the definition of a state as a “*process* of interaction of groupings.”<sup>32</sup> Migdal sees states as “fields of *power* marked by the use and threat of violence and shaped by (1) the *image* of a coherent, controlling organization representing people bounded by a territory, and (2) the organization’s actual *practices*.”<sup>33</sup> For Migdal, power denotes a struggle for domination, and states are “the practices of a heap of loosely connected parts with ill-defined boundaries between them and other groupings inside and outside the official state borders.”<sup>34</sup> One can include organized crime groups among those vying for power and domination.

According to Tilly, domination is defined by coercion that is the “application, threatened or actual, of action that causes loss or damage to individuals or groups who are aware of the action and the potential damage.”<sup>35</sup> Elites might monopolize the means of coercion, or it could be contested among several rival groups, especially during regime transitions.

To elaborate the distinction between a state and a ruling regime, the latter is the *clique in power, perhaps including relatives and friends of high-ranking officials, which formally or informally controls the key state institutions, including tax collection and law enforcement*. This clique has access to political power and the state’s coercive apparatus, which it often uses for private rather than public interests. In Tilly’s terms, a ruling regime is government powerholders who use state “information, resources and coercive means to their own profit.”<sup>36</sup> This distinction between regime and state is essential to my argument in this thesis that the strengthening of the ruling regime does not guarantee a stronger state. In fact, a ruling regime can be regarded as only one of the groups competing for power over the state, according to Migdal, rivaling others like organized crime groups and ruling cliques. State formation includes some resolution of who monopolizes violence and provides protection, often bringing organized crime and government into contact, according to Tilly in “War Making and State Making as Organized Crime.”<sup>37</sup>

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<sup>31</sup> Ayubi (2001, p. 31) and Lawson (1993, p. 187).

<sup>32</sup> Migdal (2001, p. 23), emphasis is original.

<sup>33</sup> Ibid., p. 16.

<sup>34</sup> Ibid., p. 22.

<sup>35</sup> Tilly (1990, p. 19).

<sup>36</sup> Tilly (2006, p. 8).

<sup>37</sup> Tilly (1985, pp. 169-191).



Returning to regimes, the developments after revolutions are sometimes termed *regime transitions*. These transitions involve changes in the regime's "rules and decision-making procedures"<sup>38</sup> rather than *regime change* that "involves alteration of norms and principles."<sup>39</sup> Importantly, *regime transition*, which is part of the state making process, can be depicted as "a struggle between competing political forces" to set the "rules of the political game" and for the game's "resources."<sup>40</sup>

I maintain a clear distinction between the "first transition" that happened after the break-up of the Soviet Union, and the "second transition," a result of the Coloured Revolutions. The first transitions were *dual*, or both political (from totalitarian to authoritarian or quasi-democratic) and economic (from a planned to a market economy). Second transitions were single, or only political. Both transition types have affected organized crime, whose development corresponded with the economic upheaval of the early 1990s.

Transitologists differentiate between a first and second transition; the first implies a transition from authoritarian rule, and the second, a transition to the consolidation of democracy.<sup>41</sup> It is slippery to apply strict definitions to the regime types that existed in our target countries before the "revolutions." All three regimes were meeting basic requirements of democracy; however, the country's elections were constantly rigged, freedom of speech and human rights violated, and political opposition harassed. According to Roeder, of fifteen post-Soviet successor states, fewer than half could be categorized unambiguously as democracies in late 1990s.<sup>42</sup> Instead, they feature other traits, such as those of "competitive authoritarianism,"<sup>43</sup> or those of O'Donnell's "delegative democracy" in their erratic patterns of policy making, weak institutionalization and strong, though unaccountable, executives or presidents. Such states are vulnerable to "second transitions,"<sup>44</sup> similar to what happened in the countries under study, where it is unclear if democracy will be the end result.

Carothers' definition is most applicable to the conditions in our three target countries: he states that they have entered a "political gray zone," and display some attributes of democratic political life, without being considered full democracies. Carothers further

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<sup>38</sup> Krasner (1983, p. 3).

<sup>39</sup> Ibid., p. 5.

<sup>40</sup> Bratton and De Walle (1997, p. 10).

<sup>41</sup> O'Donnell (1992, p. 18).

<sup>42</sup> Roeder (1998, p. 201).

<sup>43</sup> Way (2005).

<sup>44</sup> O'Donnell (1993).

differentiates between “feckless pluralism” and “dominant-power politics.”<sup>45</sup> Pre-revolution, our three countries arguably fall in the latter category. Further, some post-transition countries may become trapped in a “gray zone” when, as Przeworski states, “transitions get stuck.”<sup>46</sup> Carothers describes dominant-power politics as those operating in a limited political space dominated by a single leader or party, with some political contestation and basic institutional forms of democracy. The distinction between the state and the ruling party is blurred, and the state’s main assets are in direct service of the ruling party. Election fraud, large-scale corruption and crony capitalism are characteristics of dominant-power politics systems.<sup>47</sup>

Most importantly, all three states share the traits of the predatory state, as elaborated by Larry Diamond in his article “Democratic Rollback: the Resurgence of the Predatory State.”<sup>48</sup> The thesis provides further distinctions between criminalized states, fragmented states and predatory states.

## 2. Defining organized crime and corruption

Organized crime has lacked extensive attention in the domain of international relations and political science, even though it fits into many sub-fields of the discipline, such as democratic transitions, comparative politics, international relations and political theory.<sup>49</sup> The partial aim of this dissertation is to contribute to filling this void.

The definitions of the organized crime can be grouped in two broad categories: first, behavioral that makes a distinction between ‘protectors’ (*krysha*) and ‘protected’ in criminal networks and makes distinction between those who protect/govern/extort and those who ‘produce’ goods and second relational, where organized crime is “a web of affiliations” of individuals in the underworld and upperworld. It needs to be recognized that relational definition tends to obscure differences regarding what these actors actually do, such as the distinction between providing protection and smuggling goods. However relational definition captures well the nature of actors involved in organized criminal activity. As discussed in eighth chapter purely criminal groups are really involved in criminal activities and sometimes the representatives of upperworld (representatives of law enforcement structures for instance)

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<sup>45</sup> Carothers (2002, pp. 5-21, 9).

<sup>46</sup> Przeworski (1991, p. 51).

<sup>47</sup> Ibid., pp. 12-13.

<sup>48</sup> Diamond (2008).

<sup>49</sup> Harasymiw (2003).

are directly engaged in criminal activities (such as smuggling drugs) together with providing protection for other smugglers.

Organized crime can be described as an “unholy alliance” of state, market and crime, or in other words, a political-business-criminal nexus.<sup>50</sup> In this thesis, organized crime is understood as a web of affiliations of “underworld” and “upperworld” societal participants, who have complicated relations of reciprocity.<sup>51</sup> These societal participants include people and groups in law enforcement agencies, political parties, the business sector and the crime world.<sup>52</sup> The underworld is defined as a milieu of “groups of criminals who manage through the social bonding power of ethnicity, race or some other sociocultural trait, to combine the capacities to do violence, to corrupt and to generate and manipulate capital.”<sup>53</sup> The underworld is by definition illegal and informal, while the “upperworld” comprises the legitimate, formal structures, including the government.

Most organized crime literature agrees on the features of organized crime. Michael Maltz, for instance, identifies eight attributes: use of corruption and violence, sophistication, continuity, structure, discipline, multiple enterprises, involvement in legitimate enterprises, and bonding rituals.<sup>54</sup> Reuter and Rubinstein concentrate on five elements: multiple enterprises, durability, hierarchy, nonviolent dispute settlement procedures, and the use of violence and corruption to protect criminal enterprises.<sup>55</sup> I argue that clear structure and continuity are no longer a crucial feature of organized crime groups. Criminal partnerships or networks can develop over single deals of short duration, frequently without a strict hierarchy. This is close to Haller’s “partnership model” where criminals are seen as merely pooling resources, sometimes for a single “job,” without structured, long-lasting organization.<sup>56</sup> For this thesis, it is best to shift the focus to *organized criminal activities* and away from *organized criminal groups*.<sup>57</sup> When an activity involves highly complex linkages between the underworld and the upperworld, it falls into the purview of this research and is considered organized crime.

Violence, the threat of violence, and corruption also remain important features of organized crime. Williams argues that cooptation can be achieved through “corruption and

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<sup>50</sup> In the literature, the nexus is referred to in different ways. Williams calls it a triangle of business, crime and politics, see Williams (2001a, p. 113); Los refers to it as a state-market-crime nexus, as in Los (2003, p. 145).

<sup>51</sup> Liddick (1999, p. 1).

<sup>52</sup> Chambliss (1988).

<sup>53</sup> Kelly (1999, p. 18).

<sup>54</sup> Maltz quoted in Reuter (1994).

<sup>55</sup> Reuter and Rubinstein (1978, pp. 45-67).

<sup>56</sup> Haller in Liddick (1999, p. 16).

<sup>57</sup> Hagan (2006, p. 133).

bribery on the one hand, coercion or intimidation on the other, or both.”<sup>58</sup> The literature widely recognizes the role of violence and corruption in organized crime to achieve goals. Naylor mentions that violence permits organized crime to drive away competitors, and corruption allows it to undermine the regulatory apparatus. Furthermore, violence and corruption are used to penetrate the legal economy, to acquire criminal profit and perpetuate the corruption cycle.<sup>59</sup>

However, as shown in the case studies, organized crime groups are largely switching away from violence to more peaceful tactics such as negotiation, co-option, bribery and private contacts. The shift from “forceful means” to more “peaceful means” is the result of the legalization process of organized crime. The groups trying to penetrate the licit economy now have less interest in using violent means because they jeopardize their efforts to become legitimate. Vadim Volkov posits that for the sake of income and securing permanent gains, the groups change their strategy from violence and coercion to participating in local politics and investments in the economy what would make them less vulnerable in case of a change in state policy toward crime.<sup>60</sup> In short, relying only on violence is economically inefficient.<sup>61</sup> One of the prominent scholars on Russian organized crime, Alexander Gurov, described this process as the movement from “barbaric methods to civilised ones.”<sup>62</sup> In 2008, influential “thieves-in-law” in Russia, Aslan Usoyan (aka Ded Hasan), stated: “we are peaceful people and don’t bother anybody. We are for peace.”<sup>63</sup> A former professional criminal told me in an interview: “the ‘new thieves’ avoid violence and use diplomatic methods. When mediating between conflicting sides, they now try to achieve everything verbally. The thieves of the ‘old tradition’ would never do so. ‘Wrongdoers’ would have had to be killed on the spot.”<sup>64</sup>

Much of the violence following the Soviet breakup can be explained by the so-called war of “roofs” (*krysha*) or the illicit protectors of enterprises, who fought against challenger criminals until ownership structures emerged. Once criminal monopolies were established over market segments, violence was no longer necessary.<sup>65</sup> In the former SU (especially post-revolutionary Kyrgyzstan) this type of equilibrium has persisted unless disturbed by abrupt changes, such as revolutions.

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<sup>58</sup> Williams (2001b, p. 76).

<sup>59</sup> Naylor (1995, pp. 15-16).

<sup>60</sup> Volkov (2002).

<sup>61</sup> Volkov (1999, p. 753).

<sup>62</sup> Gurov quoted in Galeotti (1998, p. 428).

<sup>63</sup> International Herald Tribune (2008).

<sup>64</sup> Author’s interview with former professional criminal, Tbilisi, Georgia, January 2009, Tbilisi, Georgia.

<sup>65</sup> Beare (1996).

Corruption and bribery are important tools for organized crime groups. In general, organized crime thrives in environments where bribery is rampant, and vice versa, and several authors call corruption the “connecting tissue” between crime and politics<sup>66</sup> or the “oxygen” sustaining organized crime.<sup>67</sup> For our discussion, corruption is defined as behaviour in a public role which deviates from that role’s formally sanctioned duties for the sake of private (personal, close family, clique) financial or status gains.<sup>68</sup> Bribery is the money, goods, services, or *quid pro quo* exchanged for an illicit advantage. Sometimes a distinction is made between political and administrative corruption, the former being the abuse of elected office, and the latter the abuse of appointed and professional positions. Both, according to Brinkerhoff and Goldsmith, involve using public office for personal interests.<sup>69</sup> Geis and Meier employ the term “political white collar crime” for this practice.<sup>70</sup>

### 3. Thesis Outline

The thesis begins by outlining the methodology used, and discussing the problems associated with field research on organized crime-related issues. This first part includes a note on research ethics and indicates the limitations of applicability of the “concept” in organized crime research.

The section on methodology is followed by a chapter on the theoretical framework of the thesis, which first summarizes the literature on the political-criminal nexus and then proposes several categories of interaction between politicians and criminals. The chapter then advances into discussion of the legal-illegal interface and proposes an underworld-upperworld continuum that summarizes the discussion about the linkages between the licit and illicit milieux. I then bring in the notion of state capture within the framework of the nexus between elites and organized crime. The chapter concludes with two sub-sections on the applicability of the network approach to the crime groups under study, and some initial thoughts on how to measure changes in organized crime.

The fourth chapter focuses on organized crime in Soviet times and the ways it has survived and developed in the post-Soviet context. The chapter summarizes the literature on Soviet organized crime and corruption and then categorizes the different organized crime

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<sup>66</sup> Harasymiw (2003, p. 14).

<sup>67</sup> Lupsha (1996, p. 24); Rose-Ackerman (1999, p. 10).

<sup>68</sup> Nye (1967, p. 419).

<sup>69</sup> Brinkerhoff and Goldsmith (2002, p. 15).

<sup>70</sup> Geis and Meier (1977) quoted in Ross (1995, p. 57).

groups emerging from the Soviet context. A separate discussion of professional criminality, new criminal entrepreneurs and nomenklatura networks follows. The chapter then moves to discussing criminal networks in the three countries and pointing their differences and commonalities. The closing section presents some quantitative data on organized crime in the target countries.

The fifth chapter discusses the “Coloured Revolutions.” It starts by outlining general trends in these events, and then proposes three crucial variables that have contributed to the diverging crime and corruption patterns in the cases under study.

The sixth chapter focuses on post-revolutionary processes, discussing trends in state-building and democratization in the three countries, as well as the consequences of the presence of the pre-revolutionary “old guard,” signs of surviving patrimonialism, trends in the post-revolutionary redistribution of spoils, and the implications of corruption and bribery.

The seventh chapter discusses the loosely controlled territories in the three countries, entailing post-conflict (Abkhazia, South Ossetia) areas as well as so-called “black holes,” and shows how these areas have contributed to the development of organized crime in these countries.

The eighth chapter focuses on the involvement of representatives of legal and government institutions in organized criminal activity, and is divided into three parts. The first part addresses the development of a corrupt oligarchy in Ukraine, and the impact of the Orange Revolution; the second part discusses professional criminality in Georgia and the fight against crime in the post-revolutionary period; the third part focuses on the role of both illicit (criminal) actors and licit (state) actors in drug smuggling in Kyrgyzstan. The final chapter concludes the overall discussion.

## Chapter 2. Methodology

This work falls clearly within the comparative historical tradition in comparative politics<sup>71</sup> and draws on both contrast based comparison, as it seeks to reveal different outcomes of the similar situations<sup>72</sup> and “Method of Agreement” approach of macro-analysis since it looks at several cases having in common the hypothesized causal factors, but varying in the ways that initially seems causally relevant.<sup>73</sup>

### 1. Sources of Research

Cut-off date for the data gathered is mid-2008.

#### 1.1. Primary sources

The material I present in this dissertation is based on roughly 100 interviews I conducted in Georgia, Ukraine and Kyrgyzstan. There I interviewed representatives of government, in particular the law enforcement structures (Prosecutor’s Office, Ministry of the Interior, Ministry of State Security); policy institutes or “think tanks”; research institutions; relevant academic departments of higher education institutions; the business sector; the media; and non-governmental organizations (NGOs). Many respondents agreed to an interview on condition of anonymity; therefore the names of the sources are not disclosed.<sup>74</sup> Whenever possible, information furnished by one source was cross-checked with other respondents or with published material.

I undertook field research in the capitals and extra-capital regions of the three countries, including in Batumi of the Adjarian autonomous republic and Zugdidi in Georgia; in the cities of Lvov and Odessa in Ukraine; and in Osh, Kyrgyzstan. During the field research local experts, government employees, policemen, journalists and academics were interviewed and relevant data were retrieved from local government offices.

#### 1.2. Secondary sources

Research on organized crime in the three countries is scant, especially in the cases of Georgia and Kyrgyzstan. In Georgia, the most comprehensive research on organized crime and corruption has been produced by the Georgia office of American University’s

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<sup>71</sup> See Moore (1966) and Mahoney (2004).

<sup>72</sup> Skocpol and Somers (1980), pp. 179-180

<sup>73</sup> Ibid., p.183

<sup>74</sup> Several police officers refused to disclose their names.

Transnational Crime and Corruption Centre (TraCCC). I worked for this institution for 3 years (2003-2005). The Centre's research has been published in the book *Organized Crime and Corruption in Georgia (2007)* the only English language book of its kind. In Kyrgyzstan, no institute has researched crime and corruption with a similar level of organization.<sup>75</sup>

Additionally, I scrutinized the reports of local and international organizations about crime and corruption, government accounts, and police files in the three countries. Arguably, the police and court statistics on highly sophisticated organized crime and grand corruption are misleading since the majority of these crimes are not investigated. Jan Van Dijk notes, "low rates of court cases on corruption or organized crime may point to higher rather than low prevalence of such types of crimes."<sup>76</sup> Furthermore, a comparison of crime rates before and after the revolutions is not very productive. In Georgia, this sort of before-and-after comparison would lead to the argument that crime increased in the country, but in fact the upsurge in crime rates may be the result of increased efficiency in policing or changes in legislation.

## 2. Research Challenges

Empirical research into organized crime and corruption is saddled with certain difficulties, some general and some particular to the former USSR. In general, organized crime and corruption are subjects that are very difficult to research empirically since evidence is extremely sparse and sometimes unobtainable. The political-criminal links are difficult and in most of the cases, impossible to quantify. The official evidence is very frequently non-existent due to corruption in the criminal justice system and political pressure that derails any investigative or prosecution efforts. The criminal cases, if raised, are stopped in their infancy and almost never reach the court. Evidence may still be gathered by some branches of the law enforcement system on behalf of particular representatives of political and business elites for

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<sup>75</sup> The only comprehensive book available on organized crime in Central Asia in general and Kyrgyzstan in particular is the work by Swadomir Redo (2004). Kairat Osmanaliev produced a more focused monograph about criminality in Kyrgyzstan, *Organizovanaia Prestupnost v Kirgizskoy Respublike* (2003). The research record is better in the case of Ukraine, where the branches of TraCCC in Kharkiv, Odessa and Zaporozhia have produced high quality research over several years. American and Ukrainian academics produced another comprehensive study, *The Prediction and Control of Organized Crime* (2004). In addition, a few Ukrainian academic journals publish research on crime and corruption-related issues. *Borotba s Organizovannoi Prestupnostiu* (Fight With Organized Crime), a Ukrainian language journal published quarterly by the Academy of the Ministry of the Interior of Ukraine, is worthy of mention.

<sup>76</sup> Van Dijk (2007, p. 40).



the purposes of using it as *compromat*.<sup>77</sup> The access to these files is certainly restricted for researchers. In the former Soviet Union there was no tradition of academic research deemed to be directly relevant for operational usefulness in organized crime investigation. Hence, law enforcement officers think that there is little or nothing to gain from providing researchers with the information.<sup>78</sup> Although very informative interviews were conducted with several police officers, their comments on political-criminals links or access to the operational files could not be obtained. Nevertheless, their reaction to particular questions can sometimes be interpreted as implicit evidence as demonstrated later in the text when it refers to the link between police officials and criminals.

Field research has to be undertaken with a number of precautions. Fluency in the local language is an asset, as is knowledge of Russian, still widely spoken in Kyrgyzstan and Ukraine. Translation during the interviews may result in the loss of some valuable insights since the translators are not always familiar with the subject, and frequently offer their own interpretation of what the respondent said. Safety precautions include the establishment of local contacts and maintaining a low profile while in the country.

In one case, I was approached by a local journalist in Kyrgyzstan for an interview. In such an instance it is important to ensure what is printed in the media cannot be interpreted as a threat by local elites and police. In the conversation with the journalist, I emphasized my research interest in the Coloured Revolutions and their impacts on political and economic conditions, minimizing my interest in organized crime and corruption. In general, journalists writing on corruption and crime-related issues are a dependable source of information, and can through their connections provide access to high-ranking officials and influential businessmen. Journalists' sources of information are also more diverse than those of any government structure, including the secret services.

Additional obstacles in field research require mention. Firstly, potential respondents are often reluctant to talk, citing the lack of permit, but really due to fear. I kept several respondents anonymous. Second, the respondents frequently give very general answers, without details. Third, they are easily scared away if they assume that the researcher has particular interest in some highly confidential issue. In my experience, every respondent develops assumptions about the interviewer's possible "disguised" interests during the conversation, sometimes in the belief that the interviewer is working for a particular country's secret services. Furthermore, transcribing the interviews was not possible because

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<sup>77</sup> On the use of compromising materials as a tool of control see Darden (2003).

<sup>78</sup> See, for example, Beare (1996, pp. 20–35).

respondents were reluctant to speak on confidential issues while being recorded.<sup>79</sup> Therefore, the researcher relied on handwritten notes to record interviews. In cases where respondents refused to permit even handwritten records, the interview was written up by the researcher immediately after. Sometimes the researcher avoided noting down specific information during the interview, because showing interest could deter the respondent from elaborating on that particular issue.

Being an ethnic Georgian also affected the research. As explained elsewhere in this thesis, Georgia contributed significantly to the world of professional criminals in the Soviet Union. So, my interest in the subject was accepted with understanding. Additionally, because the first “Coloured Revolution” happened in Georgia, my interest in the research topic was accepted and not treated as remarkable.<sup>80</sup>

Trying to open up the respondents the researcher was trying to show his competence in the issue and to create expectations that he can also give some useful insights to the respondents in case if his questions are answered. At different stages of the interview, the researcher was sharing some data from other primary sources that he thought would be interesting to the respondent given the issues discussed. This is closely related to how my nationality had an impact on the data. In international media sources Georgia was often described as success case in terms of fighting crime and corruption in the aftermath of Rose Revolution. The respondents in Ukraine and Kyrgyzstan were keen to know about anti-crime policies in Georgia. My insights were much appreciated and had a positive impact on the overall attitude of the respondents to me and my research. Certainly personal network of friends and acquaintances in Georgia was a great asset, that was not available in Kyrgyzstan and Ukraine. In the two countries the researcher needed much more effort to get to the ‘right sources of information’. The readily-available network of social contacts is the substantial asset in any research, organized crime and corruption included.

In order to cultivate trust, the researcher has been citing his previous research experience in dangerous environments and on “difficult to research” issues emphasizing the

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<sup>79</sup> See Serio (2008, p. 52).

<sup>80</sup> The fact of being Georgian led to interesting conversations that might not have taken place otherwise. For instance, a taxi driver, being aware of the “criminal reputation” of Georgians, proposed services in case of problems with the police. He had the business card of a police general signed and sealed with the stamp of the Ministry of the Interior of Kyrgyzstan. Apparently, he was the chauffeur of this police general, but was earning extra income moonlighting as a taxi driver. He brandished the signed business card in case he was stopped by traffic policemen to avoid paying fines or bribes. Also, with the apparent endorsement of his boss, he was proposing services for “solving problems” with the police, for a fee, to any “shady” seeming clients he encountered.

need for anonymity of the sources of information. This was giving the sense of security to the respondents and they were speaking more freely.

### 3. Validity of the data

I used the method of triangulation that was based on two major pillars: first, careful selection of the respondents and second, cross-checking information through various sources. Once in the field, the first meetings were held with academics and journalists. The researchers at the host institutions in Georgia, Ukraine and Kyrgyzstan and their contacts in the media were first useful contacts. The researcher has been asking who would they recommend to meet and who would they consider as more reliable sources of information. The journalists proved most useful in providing contacts and researchers were valuable for evaluating appropriateness and extent of reliability. Hence the selected respondents have been recommended by several individuals that is an important pillar of the methodology.

Second, the data on the links, involvement in crime and corruption is given only if the particular pieces of information were corroborated by two or more sources. The important information mentioned by one respondent were re-formulated into the question form and asked to other respondents.

The aforementioned research conditions have particular importance for the validity of the data. The respondents were categorized into two clusters: first, less reliable, such as journalists and citizens in the streets, and second, more reliable, such as police officers, researchers, government officials and representatives of NGOs. Statements by the first group of respondents were scrutinized more carefully and cross-checked with two other sources and again with available published material, while the statements by the second group were considered more trustworthy, and regarded as verified after corroboration with one media publication or another primary source. Sometimes, indirect statements helped to verify highly contested allegations, such as when I asked a police officer in Kyrgyzstan whether the former Minister of the Interior was providing protection for a notorious criminal in the country. The officer's answer, "if you repeat this anywhere, [the former Minister] will kill you" was taken as implicit verification of the link between this official and the criminal leader.

Frequently, my interviews were convened in the less formal environment of a pub/bar, where, once the official interview was over, the respondent opened up in casual chat, which yielded even more results. Hence, the distinction is made between *personal communications*, referring to informal chats, and formal *interviews*.

#### 4. Research ethics

Several crucial postulates of research ethics were not relevant for the research. For instance, informed consent could not always be applied. Frequently, disclosing the real research aims would have resulted in a potential respondent's refusal of an interview. Therefore, in Ukraine, for instance, I approached several respondents with a request for an interview related to the Orange Revolution in general, without disclosing my interest in organized crime and corruption. The conversation focused on the revolution, and "by-the-way" questions were asked about the involvement of criminals. In Kyrgyzstan, I approached several officials, for instance in the Financial Police, expressing a general interest in contraband activities. I also followed the advice of several contacts and did not mention the academic research, simply offering that "the material is being gathered for potential publication."

In Georgia, friends of mine introduced me to several sources in informal environments and no reference was made to research. We followed this procedure: after a general chat, one of the friends (not me) mentioned the subject, although no particular interest was indicated. In this environment, the respondents spoke freely. Certainly they would not have spoken as forthrightly during a formal interview.

### Chapter 3. Theoretical framework

#### 1. Understanding organized crime through the lens of the political-business-criminal nexus

##### 1.1. Political-criminal nexus

In order to more fully understand organized crime, one needs to look at the political and social realities in which organized crime grows in a “traditional network of collusive relationships with members of external, licit groups – social, political or entrepreneurial.”<sup>81</sup> A state’s political, social, economic and cultural conditions contribute to the formation and functioning of political-criminal alliances.

Politicians and criminals can sometimes detect a mutual interest in cooperation and the reciprocal exchange of services, because the web of interrelations makes possible various illicit activities. The relationships are initiated by both sides. Sometimes criminals co-opt and recruit individuals in “powerful positions” in order to “facilitate, enhance or protect their activities.”<sup>82</sup> Equally, it may run in the opposite direction, when a politician or businessman co-opts and recruits criminal operatives for illicit operations, as Serio writes.<sup>83</sup>

The political-criminal nexus is not new. American historian David R. Johnson reported the existence of “the symbiotic relationship between politics and vice” in the United States in the 1840s.<sup>84</sup> Later, Chambliss studied the powerful political-criminal alliances in the city of Seattle, Washington.<sup>85</sup> In 1931, the National Commission on Law Observance and Enforcement concluded that “nearly all of the large cities in the United States suffer from an alliance between politicians and criminals.”<sup>86</sup> More recently, the prevalence of the nexus has been reported in democracies as well as autocracies worldwide, including China,<sup>87</sup> Colombia,<sup>88</sup> Italy,<sup>89</sup> Mexico,<sup>90</sup> and Nigeria.<sup>91</sup>

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<sup>81</sup> Armao (2003, p. 27).

<sup>82</sup> Williams (2001, p. 76).

<sup>83</sup> Serio (2008, p. 8).

<sup>84</sup> Johnson quoted in Block (1991, p. 47).

<sup>85</sup> Chambliss (1988, pp. 9, 61).

<sup>86</sup> Quoted in Block (1981, p. 111).

<sup>87</sup> See for instance Lintner (2005, pp. 84-97).

<sup>88</sup> Lee and Thoumi (1997).

<sup>89</sup> Paoli (2003).

<sup>90</sup> Pimentel (2003).

<sup>91</sup> Ebbe (1997).

Armao calls the area of true interaction between criminals and politicians a “grey zone.”<sup>92</sup> The same term is used by Strange when she refers to financial crime, writing that the distinction is unclear between “widely practiced but ethically questionable” and “downright criminal” transactions.<sup>93</sup> The interest in cooperation is mutual: “criminals need protection, impunity, security and assistance in facilitating their activities. Collaboration with the underworld can bring protection against law enforcement, and from rival criminals...they can obtain information from the police, intelligence and military to help neutralize their opponents...and take advantage of privatization and public tenders.”<sup>94</sup> Political elites seek collaboration primarily to obtain finance for personal and political ends. Criminals also can provide services for “corrupt businesses and money laundering for politicians,” as well as other favours like providing intelligence on, disrupting or even eliminating political rivals, or securing votes in particular regions. Fear of threats to their families or to their position is an additional factor pushing politicians to cooperate.<sup>95</sup>

However, politicians and criminals do not always cooperate or collude. Nikos Passas argues that a legal-illegal interface can have either an antithetical or a symbiotic relationship. In antithetical relationships, he points out four interfaces: first, *antagonistic relationships*, that mean “competition between legal and illegal actors;” second, *injurious relationships* that “occur when actors undermine, attack or harm each other;” third, *predatory relationships* that develop “when the aim or effect is to destroy or bleed to death an organization;” and fourth, *parasitical relationships* when “the aim is to preserve the viability of the target, such that illegal benefits can be extorted on a more or less regular basis.”<sup>96</sup>

Passas determines eight types of symbiotic relationships, including *outsourcing*, which refers to “a division of labour between legal and illegal actors, where one party offers specialized services to the other;” second, *collaboration*, when “legal and illegal enterprises work together;” third *co-optation* of illegal groups by legal or vice versa; fourth *reciprocity*, when “there are mutual benefits [exchanged] between the legal and illegal actors;” fifth *synergy*, when “legal and illegal actors benefit each other while they go about their business independently;” sixth *legal interactions*, when criminal actors use legal transactions for profit; seventh, *funding relationships*, when “legitimate organizations provide, knowingly or not, essential financial support for the operation of criminal groups;” and eighth, *legal actors*

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<sup>92</sup> Armao (2003, p. 29).

<sup>93</sup> Strange (1996, p. 117).

<sup>94</sup> Godson (2003, pp. 8-9).

<sup>95</sup> Ibid., p. 9.

<sup>96</sup> Passas (2002, pp. 20-21).

*committing organized crime.*<sup>97</sup> Several categories from this typology will be used in this thesis.

Godson writes that “in some areas the problem of the political-criminal nexus is chronic... only the forms and balance of power among the players change. Sometimes the politicians dominate, sometimes the criminals. Regardless of who is dominant, the coalition of forces influences many aspects of government.”<sup>98</sup> Domination in the political-criminal nexus is divided into three main categories here: underworld dominance, elite dominance and symbiotic balance. All three categories imply the presence of collaborative, collusive and corrupting links as well as competing and antagonistic relations between the underworld and upperworld.

#### 1.1.1.Underworld Dominance

This category coincides with the symbiotic stage from Lupsha’s stage-evolutionary model, where the legitimate political and economic sector becomes dependent upon “the monopolies and networks of organized crime to sustain itself.” When this level of dependency is reached, organized crime goes beyond being a law enforcement problem and becomes “a state within a state.”<sup>99</sup> Rawlinson emphasizes “decreasing dependency” on official entities once organized crime moves from the parasitic to the symbiotic stage.<sup>100</sup> The formal authorities are left with no choice but to pragmatically accept the power domains of organized crime.<sup>101</sup> In this case, the elites risk bringing organized criminals into the political arena.

Thus, over time, unsophisticated groups in gangs mainly engaged in petty crime become highly sophisticated, even transnational, criminal networks. The organized crime continuum proposed by Frank Hagan differentiates among three levels in crime group development, beginning at the street gang level, moving up to semi-organized crime groups, and finally arriving at full-fledged criminal network status. Hagan ventured to measure the level of development according to primary and secondary characteristics. Primary characteristics would include: the absence of ideology, the use of violence/threat of violence, the provision of illicit services, and the degree of immunity through the use of corruption and

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<sup>97</sup> Ibid., pp. 22-25.

<sup>98</sup> Godson (2003, pp. 1, 5).

<sup>99</sup> Lupsha (1996, p. 32).

<sup>100</sup> Rawlinson (2002, p. 296).

<sup>101</sup> Blok (1974, p. 172).

intimidation.<sup>102</sup> Otherwise stated, the more organized crime groups use violence and corruption, the more developed they are considered. As already mentioned, this may not be true in the case of the violence component, and I argue here that the more sophisticated groups become, and the more they penetrate the legal economy, the violence decreases. Among secondary characteristics, Hagan concentrates on structured hierarchy, rules/codes of secrecy and exclusive membership.<sup>103</sup> Concerning hierarchy, some academics argue that well-structured hierarchies are today the exception rather than the rule,<sup>104</sup> though criminal networks still do possess types of structure.<sup>105</sup>

An organized crime group in its last stage of development would normally have transnational crime linkages;<sup>106</sup> provide social stability, informal policing,<sup>107</sup> and protection;<sup>108</sup> and directly influence and participate in state politics. At this stage, the political elites are weak and need partnership with crime groups<sup>109</sup> which might also mean dependence upon the criminals for provision of goods or services. In other words, advanced-level organized crime assumes a quasi-governmental role, filling power needs where the government cannot,<sup>110</sup> such as by making and enforcing rules of conduct and by settling disputes<sup>111</sup> as an alternative government or policing agency would.<sup>112</sup> This is tantamount to state capture by organized crime groups. However, organized crime does not seek to destroy the state. It rather uses the continued existence of the formal state to its own advantage.<sup>113</sup>

Using Passas's typology of antithetical relationships, the relationship between organized crime and the elites is mainly antagonistic since organized crime groups are competing with the elites for influence or market share. However, as emphasized by Jurgen Roth, on the one hand organized crime prospers in the conditions of weak state institutions, but on the other hand, running illicit business requires the cooperation, or rather the corruption, of state agents."<sup>114</sup> Thus, it is in the parasitical interest of organized crime groups to keep government representatives or elites in place, but in a weak and dependent status.

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<sup>102</sup> Hagan (1983, p. 54); and Hagan (2006, pp. 135-136).

<sup>103</sup> Hagan (2006, p. 135).

<sup>104</sup> See for instance Finckenauer (2005, p. 65).

<sup>105</sup> Williams and Godson (2002, p. 335).

<sup>106</sup> Hagan, (2006, p. 136).

<sup>107</sup> Kelly (2003, p. 110).

<sup>108</sup> See for instance Varese (2001); Boycko, Shleifer, and Vishny (1995); Gambetta (1993).

<sup>109</sup> Schulte-Bockholt (2006, pp. 25-6).

<sup>110</sup> Finckenauer (2005, p. 74).

<sup>111</sup> Lampe (2003, p. 16).

<sup>112</sup> Kelly (2003, p. 110).

<sup>113</sup> Naylor (2002, p. 55).

<sup>114</sup> Roth quoted in Schulte-Bockholt (2006, pp. 25-6).



### 1.1.2.Elite Dominance

This category coincides with the predatory stage from Lupsha's "stage-evolutionary" model, where organized crime is principally the "servant" of the state and the criminal group is basically a type of street gang rooted in a particular area, neighbourhood or territory."<sup>115</sup> Schulte-Bockholt argues that if the services of organized crime "are no longer required, or if they are perceived as a threat, elites can and do turn against organized crime using the power of the state."<sup>116</sup> At this point, organized crime groups lose the capability to participate in state politics, and they challenge political elites while keeping a low profile, but are regardless constrained, as Blok observes.<sup>117</sup>

Much like the crime groups continuum, the involvement of legitimate actors in organized crime can be deemed a continuum having the sporadic involvement of individual members of legitimate institutions in organized criminal activities at one extreme, and the takeover and monopolization of organized criminal activities by licit actors at the other. Beare argues that the legitimate actors are not simply honest people corrupted by "evil" organized crime; they can be viewed as those "who are corruptible [and] chose to act as criminals" instead.<sup>118</sup> Legitimate actors can be criminal entrepreneurs and not only "nominal" or "passive" supporters.<sup>119</sup> The elites in this category profit from state resources, diverting substantial public assets for private gains and thus "living off politics" and making the state a permanent source of income.<sup>120</sup> In Weberian terms, state officials become the most effective criminals.<sup>121</sup>

Block and Chambliss pioneered the studies of organized crime that focus on representatives of the legitimate sector. In his study of organized crime in the US, Block found that the "crime network is an inevitable outgrowth of the political economy of American cities. The ruling elites from every sphere benefit economically and socially from the presence of a smoothly running crime network."<sup>122</sup> Chambliss found that some law enforcement officers not only accept illegal payoffs from criminals but some "police and prosecutors were instrumental in organizing and managing" organized criminal activities.<sup>123</sup>

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<sup>115</sup> Lupsha (1996, p. 31).

<sup>116</sup> Schulte-Bockholt (2006, pp. 35-36).

<sup>117</sup> Blok (1974, p. 101).

<sup>118</sup> Beare (2007, p. 3).

<sup>119</sup> Morselli and Giguere (2006, pp. 185–200, 189).

<sup>120</sup> Weber (1994, pp. 309-369).

<sup>121</sup> Chambliss (1999, p. 156).

<sup>122</sup> Block (1981, p. 100).

<sup>123</sup> Chambliss (1999, p. 136).

Kelly likewise wrote of the political use of gangs in the 20<sup>th</sup> century United States as agent-provocateurs, labour mediators, and business-intimidators.”<sup>124</sup>

More recently, other authors have written about the re-conceptualization of the role of legitimate actors.<sup>125</sup> In this model, the criminal protectors or “roofs” (*kryshas*) are replaced by actors from the legitimate world, especially law enforcement structures. The protection racket is run by officials or the individuals/entities linked to them through informal networks. As Volkov asserts, in this way the protection racket has been rearranged into private protection, a form of legalization.<sup>126</sup> Padovani says, “in order to fight against the Mafia, the state transformed itself into another Mafia.”<sup>127</sup>

The elite dominance model is compatible with John Bailey and Roy Godson’s centralized-systemic model that detects a “coherent, centrally guided system” linking the political system with organized crime, where political leaders control the network from the top down.<sup>128</sup> In general, this model assumes that criminal organizations take their orders from political authorities and the system resembles a pyramid, with centralized control of the criminal system concentrated in the hands of top officials, including the President and cabinet ministers. A parallel underworld shadow system, symbiotically connecting under and upper-worlds, is controlled by the same people in state institutions.<sup>129</sup>

In the elite dominance model, criminals may be chosen or even created by authorities for the advancement of certain goals. These goals could take two forms. First, officials might use criminals for informal policing over highly unstable areas, like the use by Italian police of the Camorra organised crime group for maintaining “law and order” in “dangerous places,”<sup>130</sup> or as the authorities of Marseilles used criminals to keep social order in the city in the 1920s and 30s.<sup>131</sup> Second, authorities might use criminals to establish control over other criminal factions. Reportedly, the Soviet state created professional criminals for controlling the prison population.<sup>132</sup> Alan Block writes that the law enforcement system maximizes its effectiveness by “creating and supporting a shadow government that manages vices.”<sup>133</sup> Third, authorities can manipulate criminals to maintain balance in the criminal world.

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<sup>124</sup> Kelly (1986, p. 16).

<sup>125</sup> For instance see Kleemans and van de Bunt (2003, pp. 97–104); Ruggiero (1998); Morselli and Giguere (2006).

<sup>126</sup> Volkov (2002).

<sup>127</sup> Padovani (1987, p. 148).

<sup>128</sup> Bailey and Godson (2000, p. 3).

<sup>129</sup> Ibid., pp. 4-5.

<sup>130</sup> Behan (1996, pp. 16-17).

<sup>131</sup> Monzini (2003, p. 181).

<sup>132</sup> Galeotti (2002, pp. xi-xii).

<sup>133</sup> Block (1981, p. 96).

Certainly, the state does not want a single criminal group to become powerful enough to challenge the elites. Therefore, elites may try to play several criminal leaders against each other to ensure the state's influence as arbiter.

This is also consistent with Lupsha's second model of organized crime as elite-exploitation where criminal enterprises are treated as "cash cows to be taxed, exploited, and manipulated by the political system's agents and institutions of social control."<sup>134</sup> In this model, agents of state institutions plan and initiate criminals' activities. When elites change, organized crime group leaders tend to be replaced and the former leaders, now out of favour, are arrested, extradited, or killed.<sup>135</sup>

### 1.1.3.Symbiotic Balance

It can be argued that in certain conditions, organized crime groups are "sub hegemonic" because political elites share the power instead of giving it up.<sup>136</sup> Flinders mentions that politicians are frequently reluctant to cede control; they rather seek to develop informal control mechanisms.<sup>137</sup> In this case, the relationship between the state and organized crime can be viewed through the lens of public-private partnership, where to deliver public goods or services, the state collaborates with "para-statal actors"<sup>138</sup> (i.e. organized crime groups) that can be thought of as "quasi-autonomous bodies or 3Ps."<sup>139</sup> Deriving from the typology of Passas, the relations between organized crime and elites are symbiotic and to a lesser extent antithetical, and may be interpreted via the outsourcing and collaboration models. First, some illegal or semi-legal work is usually delegated to crime groups, as mentioned above, and second, collusion is extensive and boundaries between the underworld and upperworld are blurred. Protection is provided by "combined roofs" to mean, as in Volkov's terms, protection by private security companies and criminal groups.<sup>140</sup>

This category is close to Bailey and Godson's "fragmented-contested" system, where criminal-political alliances are a set of dynamic, constantly changing and fluid relationships

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<sup>134</sup> Lupsha and Pimentel (1997).

<sup>135</sup> Bailey and Godson (2000, p. 57).

<sup>136</sup> Schulte-Bockholt (2006, p. 36).

<sup>137</sup> Flinders (2006, p. 226).

<sup>138</sup> Ibid., p. 223.

<sup>139</sup> According to Matthew Flinders (2006, p. 224), public private partnerships are known as "3Ps" in North America. Flinder himself defines "3Ps" as "long-term purchases of service contracts between the state and for-profit private sector bodies."

<sup>140</sup> Volkov (1999, p. 745).

between the political system and organized crime.<sup>141</sup> In the “fragmented-contested” system, “functional coalitions of actors from the political and criminal worlds are assembled at different levels and on a more or less ad hoc basis.”<sup>142</sup>

The political-criminal nexus may vary across these three categories and may change from one to another. For instance, the collusive relationships between criminals and state or party officials in the Soviet Union changed after the break-up of the USSR, so that criminals assumed control due to the lack of centralized order and weak state institutions.<sup>143</sup> In the late 1990s, the elites tried to monopolize power again, leading to a new distribution of power among legal and illegal actors. The Coloured Revolutions may be seen as *windows of opportunity* bringing a shift from one category to the other. In Georgia, symbiotic balance was directly substituted with the elite dominance model, while Kyrgyzstan’s Tulip Revolution resulted in the dominance of underworld figures that is now changing again in favour of the elites. Thus, in particular conditions, as in Kyrgyzstan, revolution served the criminals, whereby the latter emerged as “power brokers and/or nationalist spokesmen”<sup>144</sup> and “states within a state.” In different conditions the opposite process may develop, as when the government takes organized crime as the “main threat,” putting the latter on the defensive and prompting devolution to a predatory stage where organized crime is purely a “law enforcement problem.” In the latter case, the state policy changes from peaceful coexistence with organized crime to its suppression, when this rival (non-state) authority’s power is perceived to threaten the state.”<sup>145</sup> In Ukraine, the elite dominance model remained intact, although it increasingly resembled the symbiotic balance model. These shifts are explained by the set of variables considered later in the thesis, but first the underworld-upperworld interface merits more discussion.

## 1.2.Underworld – Upperworld Continuum

The processes of legalization of organized crime, as well as the reverse process of criminalization of legal enterprises, are key here. Criminal organizations need to find ways to ensure that illegally-earned money is protected. For this purpose, they might consider investing the money in legal business, thus legitimizing assets and laying groundwork for a

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<sup>141</sup> Bailey and Godson (2000, p. 3).

<sup>142</sup> Ibid., pp. 4-5.

<sup>143</sup> Williams and Godson (2002, pp. 316-7).

<sup>144</sup> Lupsha (1996, pp. 31-2).

<sup>145</sup> Strange (1996, p. 117).

“peaceful transition” to entirely legal activities. Vincenzo Ruggiero elaborates on Merton’s conceptualization of “innovative” behaviour in crime, arguing that criminal entrepreneurs have to introduce “new combinations of productive factors, therefore pursuing legitimate goals through illegitimate means.”<sup>146</sup> Volkov argues that the process involves two important adjustments: introducing a more efficient property regime for the enterprises under their control, and changing their status vis-à-vis the law and public opinion.<sup>147</sup> In this way, they may either retire from criminal business and legalize all activities, or use the legal cover for continued illegal operations. This makes the lines between legal and illegal extremely difficult to draw.

First, the strategy of criminal organizations is largely based on co-optation. Criminals “seek to expand and co-opt a whole set of support players who provide entry points to the licit world.”<sup>148</sup> To this end, they exploit “vulnerable points of entry”<sup>149</sup> and legitimate companies may be considered as this kind of “natural bridge between gangsters and politicians.”<sup>150</sup> Hence, criminal groups can grow into “power brokers and political middlemen,” in Kelly’s terms.<sup>151</sup>

Second, criminal organizations seek to maximize their profits, and are attracted by economic opportunities that become available as a result of state weakness. “Rational” criminals seek to limit the risks they face in illicit activities, by putting some of their wealth and resources into legitimate enterprises with a vulnerable weak point.<sup>152</sup> “Organized crime groups appear where there are economic opportunities available to pursue their ultimate objective of money and power.”<sup>153</sup> Third, organized crime groups need legal businesses in order to launder and invest the proceeds of crime, pursue respectability and social status, minimize the risk of law enforcement action or decrease the efficiency of such action.<sup>154</sup>

Fourth, together with wealth comes the need for legitimacy and respect,<sup>155</sup> that is met by seeking formal status.

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<sup>146</sup> Ruggiero (2003, p. 182).

<sup>147</sup> Volkov (2002).

<sup>148</sup> Williams and Godson (2002, pp. 311-355, 334).

<sup>149</sup> Ibid., p. 327.

<sup>150</sup> Kelly (2003, p. 114).

<sup>151</sup> Ibid., p. 104.

<sup>152</sup> Kelly (1999, p. 5).

<sup>153</sup> Allum and Siebert (2003, p. 227).

<sup>154</sup> Williams and Savona quoted in Beken and Defruytier (2004, p. 72).

<sup>155</sup> Ledeneva (1998).

In pursuit of these purposes and much like legal enterprises,<sup>156</sup> criminal organizations constantly scan the environment for opportunities to maximize profits with little risk.<sup>157</sup> In order to be more efficient, crime groups use upperworld agents such as lawyers and accountants for money laundering, of government officials for network protection and support and of law enforcement officers for counterintelligence.<sup>158</sup> Armed with the appropriate expertise, crime groups penetrate legitimate sectors through the three main strategies described by Kelly: first, criminal investments in strictly legal businesses; second, investments in “midpoint” businesses, like bars, that are complementary to illegal activities; third, opportunistic or short-term investments used to defraud other businesses (short-term credit arrangements that can bankrupt businesses).<sup>159</sup>

Here, the market paradigm model, as advocated by Peter Reuter and R. Thomas Naylor beginning in the 1980s, provides a useful framework. Naylor sees organized criminals as “highly individualistic entrepreneurs who simply carried the notion of free enterprise to its logical conclusion.”<sup>160</sup> Criminal organizations in this model represent informal trade associations, or “old-boys networks,”<sup>161</sup> or non-coordinated groups of firms mainly dealing with illegal markets.<sup>162</sup> In these cases, criminal organizations seek market share rather than monopoly control.<sup>163</sup> Williams and Godson propose that individuals or small groups of members of a criminal organization, rather than the organization *per se*, meet the demand for illicit products.<sup>164</sup> Thus, the market paradigm model sees organized crime more as “disorganized” and suggests two main points: criminal groups seek shares in rather than monopoly over the market, and illegal markets are populated by multiple small groups.<sup>165</sup>

Naylor suggests an “underground government model” and a “parallel economic system,” where the role of criminal organizations is to “adjudicate disputes, enforce property rights, control the use of violence, function as a social security fund and sometimes play the role of small business development bank for upstarts.” The parallel economic system has “its own distribution channels, its own information sources, its own labour exchanges and

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<sup>156</sup> The analogy between the behaviour of legal and illegal organizations is contested by Naylor who argued that either it’s oversimplified or wrong. He thinks that “in illegal markets that are highly segmented, decisions are personalized, information flows constricted, capital supplies short term and unreliable, objective price data lacking, and the time horizons of enterprises coterminous with those of the entrepreneurs.” (Naylor 2002, p. 21).

<sup>157</sup> Williams and Godson (2002, p. 324).

<sup>158</sup> Ibid., p. 334.

<sup>159</sup> Kelly (1999, p. 24).

<sup>160</sup> Naylor (1995, p. 39).

<sup>161</sup> Ibid., p. 39.

<sup>162</sup> Fiorentini and Peltzman (1995, pp. 3-6).

<sup>163</sup> Naylor (2002).

<sup>164</sup> Williams and Godson (2002, pp. 323-4).

<sup>165</sup> Ruggiero (1997, pp. 31-32).

certainly its own banking and financial methods... in this system one finds myriad individual entrepreneurs, along with firms large and small with commercial inter-relationships.”<sup>166</sup> He adds that the parallel economic system is “usually symbiotic with the legal system and for the most part institutionally embedded within it.”<sup>167</sup> The last observation is important, as it already questions the validity of the claim that two parallel systems exist in isolation. Rather, he argues that the “criminal associations are not contained within an underworld or dirty marketplace that parallels upperworld or clean business.”<sup>168</sup> These grey markets are what Ruggiero would call dirty economies, where informal and formal intermingle.<sup>169</sup>

A good example is illegal arms trafficking: the involvement of conventional organized crime groups in illicit arms trade is confined to mainly light and second-hand weapons, while the main illicit trafficking is “the preserve of corporate criminals who are often in a position to set up their own semi-clandestine commercial conduits and services.” This is what Ruggiero calls the shift from the “black” to the “grey” market.<sup>170</sup> Thus the terms “grey market” and “dirty economy” will be used interchangeably.

It is sometimes challenging to fit a particular company with “grey” characteristics into either the legal or the illegal world. One example is private security companies, which mushroomed in the former Soviet Union. These are either police-run private security firms, which hire out off-duty officers who retain their state police privileges and powers,<sup>171</sup> or are run by former officials of police or security services that maintain friendly relations with former colleagues in law enforcement structures. These companies also shelter criminals and are frequently involved in organized crime.<sup>172</sup> Volkov’s category of a “violence-managing agency,” defined as “any human activity that commands organized force and manages this key resource in such a way as to make it the source of a permanent income, eventually by establishing control over a local economy” is relevant. He differentiates between “private illegal” (organized crime groups); “nonstate” (private); “legal” (private protection companies) and “state illegal” (units of state law enforcement structures acting as private entrepreneurs).<sup>173</sup>

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<sup>166</sup> Naylor (1995, pp. 40-43).

<sup>167</sup> Ibid., p. 43.

<sup>168</sup> Edwards (2005, p. 218).

<sup>169</sup> Ruggiero (1997, pp. 27-38, 35-36).

<sup>170</sup> Ibid., pp. 33-35.

<sup>171</sup> Rawlinson (2002, p. 303).

<sup>172</sup> See for instance Volkov (2002).

<sup>173</sup> Volkov (2002).

In general, the extent of the penetration of the legal economy depends on the strength and effectiveness of the state. Frequently, the success of crime groups can be seen “as a solution to problems associated with governmental bureaucracies that endanger inefficiencies and that stymie commercial activity.”<sup>174</sup> However, what is most important is the potential blurring of boundaries between the legal and illegal sectors. Illegal organizations may become increasingly similar to legal ones if criminal organizations use illegal versions of legal practices, such as money laundering or tax fraud.<sup>175</sup> At the same time, there is a tendency of legitimate businesses to use “shadier and shadier methods.”<sup>176</sup> As found by Ruggiero, in business, “organized criminal groups both teach and learn from their legitimate counterparts.”<sup>177</sup>

This leads to another very important point: not only do criminal organizations legalize, but legal organizations criminalize as well. Rawlinson argues that “violations of the law amongst corporations are so common as to be the norm... like the underworld, business sees no problem with law-breaking” if it does not impede its own codes of behavior.<sup>178</sup> Similar to the legalization of criminal activity, the reverse process is strongly related to political economy and gaps in state capacity. Additionally, the rent-seeking state also pushes legal companies into the shadows, when engaging with the formal economy means that a company becomes visible to the state and hence a target for state extortion.<sup>179</sup>

Certain types of organized criminal activities, such as human trafficking, need the involvement of different legal agencies and individuals. Ruggiero states that the functions normally associated with criminal groups can be assumed by business groups. For example, tourist agents, employment mediators, transport entrepreneurs and drivers, commonly found to be complicit in human trafficking, are business rather than criminal groups.<sup>180</sup>

The extent of law-breaking by legitimate companies can be thought of as a continuum with the most honest companies at one extreme and the dirtiest at the other. In this regard, the concept of “illegal enterprise,” popular in the 1990s,<sup>181</sup> offers further explanation. The term is largely associated with Dwight C. Smith in the 1970s, when he challenged the conventional view of organized crime as more prone to “felonious activities,” such as burglary, and not to

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<sup>174</sup> Kelly (2003, p. 130).

<sup>175</sup> Ponsaers (2002, pp. 191-202, 194).

<sup>176</sup> Naylor (1995, p. 44).

<sup>177</sup> Ruggiero (2000, pp. 187-199, 192).

<sup>178</sup> Rawlinson (2002, p. 302).

<sup>179</sup> Rodgers, Williams, and Round (2008, p. 672).

<sup>180</sup> Ibid., pp. 31-32.

<sup>181</sup> See for instance Edwards and Gill (2002, pp. 203-223).



legal business activities. Smith defines illicit enterprise as “the extension of legitimate market activities into areas normally proscribed, for the pursuit of profit and in response to latent illicit demand” and contends that there is a continuum in the marketplace, ranging from “very saint” to “most sinful” enterprises.<sup>182</sup> Judging by the basis of size, financial standing, management reputation and product-process legitimacy, Smith differentiates between three types on the spectrum, based on the products or services offered: the paragon, the pirate and the pariah. Pariah firms operate at “the margin of legitimacy, some recognizably illegal and trying to evade regulations, and others trying hard to maintain a newly won or problematic measure of legality.”<sup>183</sup>

Later, W. Alen Martin elaborated on Smith’s framework that “a continuum of business propriety may be described by examining the legality of the product or service offered. For example, a legitimate business which purchases legal products in a legal manner and sells those products legally represents one extreme of the legitimacy spectrum. At the other end are firms which buy illegal goods in order to sell these illegal goods illegally.”<sup>184</sup> Illegal markets are defined as markets for: a) goods that are illegal in themselves, such as narcotic substances and forged-brand cigarettes; b) illegal trade in legal goods: this concerns black markets for goods that involve evasion of taxes, duties or import duties and are traded unlawfully on black markets, such as legally produced cigarettes, alcoholic beverages and fuels; c) illegal provision of services; for example human trafficking (illegal employment in prostitution) as well as “facilitating financial services” for the purpose of laundering the profits of activities on illegal markets and other facilitating activities, such as violent settlements of business disputes.<sup>185</sup> Chart 1 summarizes this discussion. The continuum depicts the legalization of criminals (from the extreme right to the middle) and criminalization of legal enterprises (from extreme left to the middle). The focus is the grey market or dirty economy, where criminal organizations simultaneously engage in legal and illegal activities.

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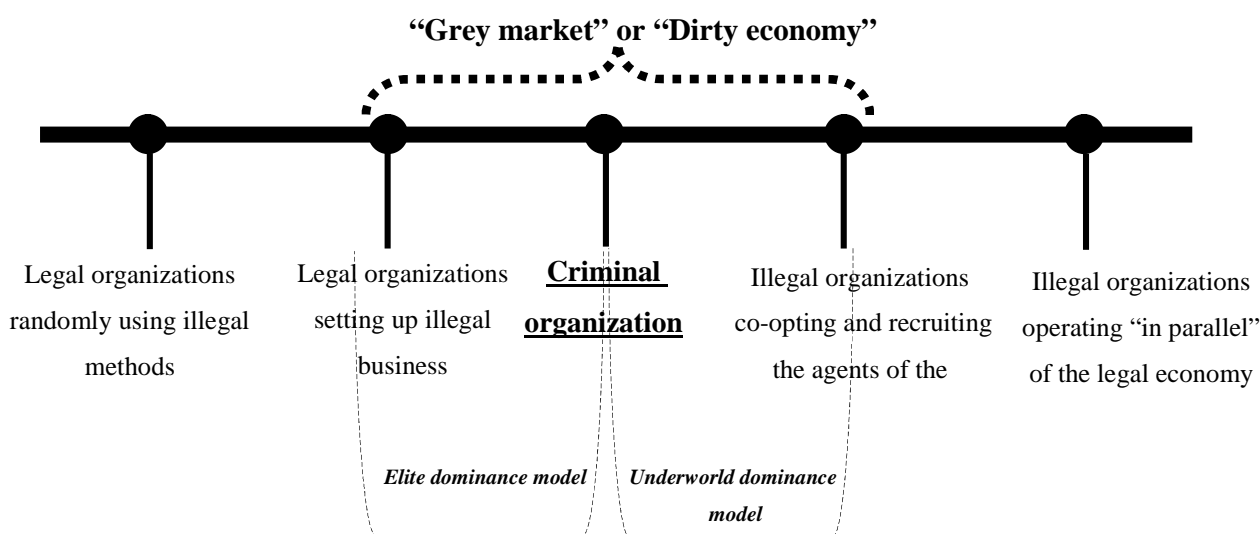
<sup>182</sup> Smith (1978, pp. 163-164).

<sup>183</sup> Smith (1980, pp. 382-3).

<sup>184</sup> Martin, 1981, summarized in Liddick (1999, p. 207).

<sup>185</sup> Weenink (2004, pp. 32-33), quoted in Definitions of Organized Crime, <http://www.organized-crime.de/OCDEF1.htm#ipit>

Chart 1. Underworld-Upperworld continuum



The continuum also shows the correlation between the elite dominance and underworld dominance models. The symbiotic balance model may span both sides of the continuum. Criminal organizations can exist in all three models.

## 2. Criminalization of the State or State Capture

This thesis adopts the World Bank’s definition of state capture that “refers to the actions of individuals, groups, or firms in both the public and private sectors to influence the formation of laws, regulations, decrees, and other government policies (i.e., the basic rules of the game) to their own advantage by means of the illicit and non-transparent provision private benefits to public officials.”<sup>186</sup> Two elements are crucial: “all forms of state capture are directed towards extracting rents” and state agencies are captured when they operate for private as opposed to public interest.<sup>187</sup> “Private” here implies the detriment of the common good,<sup>188</sup> although necessarily meaning outright personal benefit; rather it can be interpreted as favouring one’s own clients (supporters, allies) or one’s own organisation (for instance, a political party).

In line with Hellman and Kaufman, 2001, Hellman *et al.* 2003, and Grey *et al.* 2004 I consider only the existence of illicit influence on public policies, i.e. illegal imposition of

<sup>186</sup> Anticorruption in Transition (2000, p. 1).

<sup>187</sup> Ibid., pp. 2-3.

<sup>188</sup> Kotkin and Sajo (2002, p. 16).

partial interests, so that legitimate lobbying is outside of my focus. Frequently the distinction is made between “deep and shallow” and between “occasional and standardised” state capture.<sup>189</sup> Distinctions are drawn between the types of institutions that are captured—the legislature, the executive, the judiciary, or regulatory;<sup>190</sup> however, the main focus concerns the types of actors that capture the state.

Keeping in mind Migdal’s definition of states (see page 10) and the distinction made between state and ruling regime, it can be argued that state capture or criminalization of the state happens in three ways. State capture *by criminal interest* is present in all three forms; however, a distinction is made between state capture by organized crime groups, state capture by criminalized elites and a mixture of both. In the first case, organized crime groups co-opt and establish control over state institutions or “obtain preferential treatment from public servants through extortion,” what Lambsdorff calls an “extreme example;”<sup>191</sup> in the second case, elites monopolize control over organized criminal activity and in the third case, there are signs of both processes.

The Elite Dominance model shows how the state is criminalized via the incorporation of protectors and perpetrators of organized crime into the ruling elite, who then monopolize control over organized criminal activity. This kind of state is called a *Predatory State*. In a predatory state, the ruling regime is strong and organized crime groups are weak. The strength of the ruling regime sometimes results in increased state capacity, and sometimes not.

Larry Diamond is insightful on predatory states: “the natural tendency of elites everywhere has been to monopolize power rather than to restrain it through the development of transparent laws, strong institutions and market competition. And once they have succeeded in restricting political access, these elites use their consolidated power to limit economic competition so as to generate profits that benefit themselves, rather than society at large. The result is a predatory state.”<sup>192</sup> In predatory states, the power of the rulers over the populace may come from a greater capacity for violence<sup>193</sup> and normally the rulers maintain a large police force.<sup>194</sup>

This kind of state meets the definition of Marxist state theorists who would view the state as a “neutral instrument to be manipulated and steered in the interests of the ruling

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<sup>189</sup> Dobovsek (2008, pp. 679-690, 686).

<sup>190</sup> World Bank, (2000, p. 2).

<sup>191</sup> Lambsdorff (2002, p. 116).

<sup>192</sup> Diamond (2008).

<sup>193</sup> Olson (1993, p. 567).

<sup>194</sup> Moselle and Polak (2001, pp. 5-17).

elite”<sup>195</sup> as well as the arguments of elitist state theorists who would posit that the “power elite comprised of politicians, military and corporate bosses mould public policy to suit their own ends.”<sup>196</sup> The Underworld dominance model shows how the state can be captured by organized crime groups via co-option and hijacking state institutions. This kind of state, where crime groups are more powerful than the government, is called the *criminalized state*.

Armao would describe a Mafia State as one in which organized criminals “assume both the political leadership and the monopoly of the economic and financial resources of the State.”<sup>197</sup> Here, organized crime groups can be regarded as an “illicit authority” that “enjoys legitimate social recognition to the extent that they step into a power vacuum left by a weak state and provide public goods that the state fails to provide.”<sup>198</sup> In a criminalized state, organized crime leaders set the rules of the game and directly participate in state policy-making. The political and business elites are dependent on them.

The Symbiotic Balance model leads to a state being fragmented by competing political and business groups that are fighting each other, frequently through the help of criminals. It displays characteristics of both the predatory and criminal state, and is called a *fragmented state*.

Wedel describes as a *partially appropriated state*, the type of government where “informal groups privatize certain state functions. Individual clans, each of which controls property and resources, are so closely identified with particular ministries or institutional segments of government that the respective agendas of the state and the clan sometimes seem identical...”<sup>199</sup>

As a result of continuous competition for resources, the state is manipulated by various interests, criminal, business and political. Reforms are constantly pushed forward and then reversed. Powerful firms distort the reform agenda for their narrow private gains.<sup>200</sup> The net winners of the malfunctioning state (such as former Communist *nomenklatura* or “new entrepreneurs-cum-Mafiosi”) are trying “to stall the economy in a *partial reform equilibrium* that generates concentrated rents” and “to preserve the status quo as long as possible.”<sup>201</sup>

The following chart sums up the discussion on state capture by criminal interests.

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<sup>195</sup> Hay (2006, p. 71).

<sup>196</sup> Evans (2006, p. 45).

<sup>197</sup> Armao (2003, p. 30).

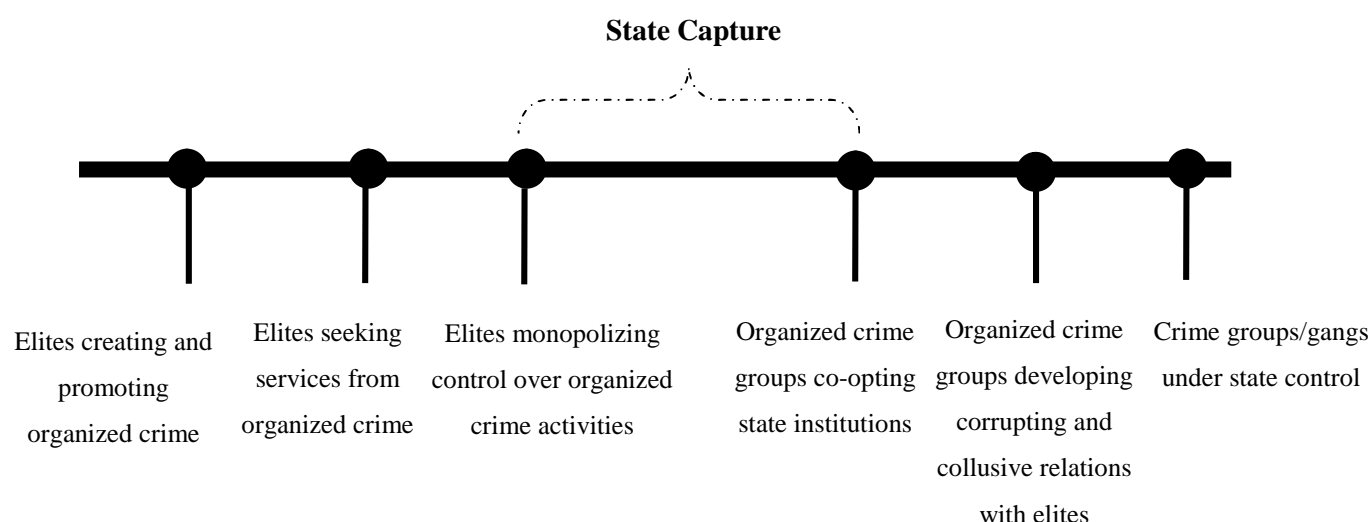
<sup>198</sup> Hall and Biersteker (2002, p. 16).

<sup>199</sup> Wedel (2001, pp. 4-5).

<sup>200</sup> Hellman and Schankerman (2000, p. 3).

<sup>201</sup> Hellman (1998, pp. 23-25).

Chart 2. Political-Criminal Continuum and State Capture



Vadim Volkov presents a framework that is useful for this discussion. He outlines a typology of “roofs,” (*kryshas*) which is “a colloquial term for a private protection arrangement.”<sup>202</sup> He suggests that depending on who has access to state coercive capacity, a “roof” may be provided by a criminal group, private security agency or by state employees, normally high-ranking officials. Ideally, the roof or protection is provided as a public good by a developed state.”<sup>203</sup>

Table 1. Vadim Volkov’s typology of roofs

Informal State Roof	<b>Public</b>
<b>Illegal</b>	State Protection (public)
Criminal Groups	<b>Legal</b>
<b>Private</b>	Private Security Agencies

Building on this typology, it is argued that the prevalence of certain types of roofs correlates with the elite-organized crime dominance model outlined above, as well as with

<sup>202</sup> Volkov (2002).

<sup>203</sup> Ibid.

the specific type of state elaborated in this section. The following tables sum up this argument.

*Table 2. Volkov's Typology of Roofs and the Elite-Organized Crime Model*

<p><b><i>Illegal</i></b></p> <p>Informal State Roofs</p> <p>Elite dominance model</p> <p>Predatory State</p> <p>Georgia (November 2003-present) Kyrgyzstan (May 2006-present) Ukraine (1998-December 2004)</p> <p><u>Other examples:</u> Russia (under Putin) Serbia (under Milosevic) Nigeria (under Abacha)</p>	<p><b><i>Public</i></b></p> <p>State Protection (public goods)</p> <p>Organized crime at predatory stage</p> <p>Democratic, developed state</p> <p><u>Examples:</u> United Kingdom, Sweden, Austria</p>
<p><b><i>Private</i></b></p> <p>Criminal Groups Roof</p> <p>Underworld dominance model</p> <p>Criminalized, Mafia State</p> <p>Kyrgyzstan (1991-2000/1; March 2005-May 2006) Georgia (1991-1998) Ukraine (1991-1997-8)</p> <p><u>Other examples:</u> Tajikistan (during the civil war and in its direct aftermath) Russia (under Yeltsin) Some African states (Namibia, Ghana) Bolivia under General Louis Garcia Meza (1980-1981)</p>	<p><b><i>Legal</i></b></p> <p>Private Security Agencies' Roof</p> <p>Symbiotic Balance Model</p> <p>Fragmented, Privatised State</p> <p>Ukraine (January 2005-present) Kyrgyzstan (2003-March 2005) Georgia (2001-2003) Russia (during transition from Yeltsin to Putin)</p> <p><u>Other examples:</u> Columbia Mexico</p>

### 3. Network approach and organized crime groups in Georgia, Ukraine and Kyrgyzstan

The absence of a clear structure and organization in organized crime was first noted by Albini and Ianni and Reuss-Ianni in their research on crime groups in the United States. They found that the groups were loosely-structured and based on cultural and economic ties.<sup>204</sup> Presently, the network approach is most popular in organized crime literature,<sup>205</sup> as opposed to the formerly influential Mafia model,<sup>206</sup> also referred to as the “Godfather model”<sup>207</sup> where organized crime was “far-reaching, centrally-ruled, hierarchically-structured criminal conspiracies” that sought monopoly over the markets for illegal goods and services.<sup>208</sup> The network approach, by contrast, is built on the collusive relationships between the underworld and upperworld, since crime “networks cross easily from the illicit sector to the licit one.”<sup>209</sup>

The Chambliss definition helps to understand the network paradigm. He writes that organized crime is “a web of affiliations” including people in state institutions, law enforcement structures, political parties, the business sector and criminal groups.<sup>210</sup> He argued that there is not a “godfather” in every crime network, and people “come and go, dominant offices shift and change, roles vary and fluctuate ... the entire system is simply a collection of independent operators who cooperate and compete according to their ability, their power, and their interests.”<sup>211</sup> However, some hierarchy is present: “some people are more important than others. In times of crisis some people have the power to make critical decisions.”<sup>212</sup>

Williams and Godson summarize well the major characteristics of criminal networks. First, they posit that networks are “flexible and adaptable, able to respond quickly to market opportunities and to the efforts of law enforcement to disrupt their activities;” second, “they are highly resistant to disruption and have a significant capacity for reconstitution;” third, “they are capable of considerable expansion through recruitment of new members, whether individuals or organizations;” fourth, “they can extend in ways that allow them to cross boundaries of demarcation such as that between the licit and illicit sectors of the economy and society;” fifth, “networks seek to defend themselves through expansion into the

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<sup>204</sup> Albini (1971); Ianni and Reuss-Ianni (1972).

<sup>205</sup> See for instance Lampe (2004); Baere (2003).

<sup>206</sup> Williams (2001, p. 72).

<sup>207</sup> Naylor (1995, p. 39).

<sup>208</sup> Naylor (1995, p. 39).

<sup>209</sup> Williams (2001, p. 76).

<sup>210</sup> Chambliss (1988) quoted in Schulte-Bockholt (2006, p. 7).

<sup>211</sup> Chambliss (1988, pp. 9, 61).

<sup>212</sup> Ibid., p. 61.

upperworld and recruitment of politicians, bureaucrats, judges and law enforcement agents who are susceptible to coercion or bribery.”<sup>213</sup>

The basis of the illicit networks is of vital importance. A number of factors that are referred to here as connecting nodes have played a role in the formation of crime groups and the forging of links with the upperworld in the three countries. These nodes are essential to identify, since as Williams and Godson wrote, criminal networks will not be easily defeated unless the nodes and connections that are identified and eliminated are those that are critical to the functioning of the network.<sup>214</sup>

It has been argued that organized crime networks in Georgia and Kyrgyzstan are based on kinship ties, such as friendship and family. In Georgia, criminal networks are mainly based on family allegiance and friendship, while in Kyrgyzstan, tribal allegiances and *zemliachestvo* (networks of people from the same village/town/region) are most important. Traditional norms of solidarity play a less important role in the criminal networks of Ukraine that are more “pragmatic coalitions of convenience”<sup>215</sup> based on material interest. However, we should not underestimate the importance of material interest in the Georgian and Kyrgyz cases. Blood kinship ties play a crucial role in the recruitment of agents, but money keeps the partnerships together.

Here the difference between strong ties vis-à-vis weak ones is useful. Weak ties “span relatively heterogeneous segments of society rather than being clan or kinship based”<sup>216</sup> and they link members of different small groups.<sup>217</sup> On the contrary, strong ties link the members of the same group or family<sup>218</sup> and are mainly blood kinship-based. Thus, kinship and marriage would qualify as strong ties and *blat* and clientelism as weak ties.<sup>219</sup>

Other divisions affecting the structure of crime groups include ethnicity and regionalism. In Georgia, mainly ethnic and sub-ethnic differences prevail, taking, for instance Abkhazian, Ossetian and Svanetian crime groups. Likewise, in Kyrgyzstan, there are Chechen criminal groups in the north and Uzbek ones in the south. However, the importance of the north-south divide in Kyrgyz organized crime and the east-west divide in Ukraine’s organized crime groups is not clear, mainly because many criminal relationships are initiated

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<sup>213</sup> Williams and Godson (2002, pp. 332-333).

<sup>214</sup> Ibid., p. 334.

<sup>215</sup> Rutland (2001, p. 18).

<sup>216</sup> Gibson (2001, p. 52).

<sup>217</sup> Granovetter (1973, p. 1376).

<sup>218</sup> Gibson (2001, p. 59).

<sup>219</sup> Collins (2006, p. 26).



in prison where certainly, the inmates are not divided according to regional affiliation, allowing criminal networks that originated in prisons to transcend regions.

The networks vary depending on the type of illegal operation. More sophisticated networks, involving politicians and businessmen, can form for smuggling illicit or licit materials, not illicit only, and sometimes for single deals. Cigarette smuggling, for instance, may involve more upperworld actors than the smuggling of radioactive materials. The very same networks may engage in smuggling of both licit and illicit items. Thus, a criminal network engaged in the wholesale smuggling of fuel may also get involved in the trafficking of radioactive materials. For instance Oleg Khintsagov, a Russian citizen, who was caught in a sting operation for smuggling 100 grams of HEU from the Russian Federation for the purpose of sale in Turkey, was an ordinary smuggler engaged in bringing food products from North Ossetia to Georgia.<sup>220</sup> Importantly, more stable and no less sophisticated collusive networks can develop over the illicit wholesale trade in legal goods, for instance tobacco products. One of the largest cigarette importer companies in Georgia was protected by the Minister of the Interior for several years. Certainly, the regular illicit share of profit from illegal shipments, usually involving paying less custom duties through under-declaring the importing goods, was paid to this official.<sup>221</sup> This kind of network is less likely to develop for smuggling radioactive substances due to the nature of the materials involved.

Another crucial emphasis made throughout this dissertation is the focus on the links between law enforcement officials and criminals. As Williams argues, links with law enforcement agencies that involve exchange of information or protection for money may lead to the hijacking of the criminal justice system by organized crime groups, and its ultimate paralysis.<sup>222</sup> Naylor argues that with the penetration of organized crime into the legal economy, the nature of corruption becomes much more insidious. Corruption targets higher levels of bureaucracy, especially in law enforcement structures.<sup>223</sup>

#### 4. Toward measuring the change in organized crime

In the late 1970s, Marxist-influenced criminologist William Chambliss asked what could be done about the entrenched crime networks in the United States. He thought the

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<sup>220</sup> See for instance Scott (2007).

<sup>221</sup> Interview with government official, August 2006, Tbilisi Georgia; Interview with a former employee of the cigarette importing company, June 2005, Tbilisi, Georgia.

<sup>222</sup> Williams (2001c, p. 79).

<sup>223</sup> Naylor (2002, p. 16).

suppression of organized criminality would require “a change in political economy possible only through revolution.”<sup>224</sup> There is no comprehensive work done on the changes in organized crime or the impact of revolutions, democratisation or transition on criminal activity. Scholars almost unanimously admit that the research on measurement of and changes in organized crime is underdeveloped. Although it is accepted that organized crime has the capacity to reconfigure and reconstitute its organizational structure<sup>225</sup> in response to changes, how it is accomplished and what these changes might be requires further scholarly research. In this section, an attempt is made to link the discussions in transitology and criminology literature in order to provide foundation for further inquiry into the transformation of organized crime in response to changes in its political and economic environment.

Leggett applies three major schools of classical criminology to the study of crime in transition countries. These are anomie/strain, learning/differential association and control theory. Each of these theories predicts an increase in crime in transition countries. The anomie/strain theory, advanced by Merton, is based on Durkheim’s coinage of the term “anomie” describing the state of “normlessness.” He postulated, “during periods of rapid social change, traditional norms may be viewed as no longer applicable, leaving people free to pursue any ends by any means.” This theory has normally been focused on pressures that build up when society promotes a goal that is not attainable by a segment of the population. Barak summarized Merton’s position: “crime emerges in the societies where material wealth is idealized and where the available or legitimate means for obtaining the valued ends are systematically denied to groups of people. In response to the social problem of anomie/strain, people adapt in one or more of several ways, including acceptance of innovation, or the pursuing of the cultural goals of success through illegitimate or criminal means.”<sup>226</sup>

The learning/differential association theory was founded on the work of Sutherland and is also associated with the Chicago School. This theory principally argues that people living in areas of anonymity and heterogeneity, particularly poor urban youth, generate their own subcultures of crime. Leggett argues that the fragmented and heterogeneous nature of many developing countries makes them prime candidates for the growth of alternative criminal cultures. The theory stresses excluded groups as prone to involvement in criminal activity. Control theory, as articulated by Hirsch, posits that human beings naturally break the law

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<sup>224</sup> Chambliss (1988, p. 185).

<sup>225</sup> Williams and Godson (2002, p. 314).

<sup>226</sup> Barak (1998, p. 153).

when sufficient social bonds do not constrain action.<sup>227</sup> All these theories of criminology are more applicable to the long-term vice short-term consequences of transitions, but some of their assumptions will be used when applicable.

What is clear from the organized crime literature is that organized crime is “very adaptable to changed circumstances.”<sup>228</sup> Certainly, the resilience of criminal networks is cemented into the societies in which the networks developed, “within its institutions and with the full participation and consent of its citizens.”<sup>229</sup> However, changes in these societies, such as transitions or revolutions, certainly do make an impact on organized crime.

Durkheim argues that most societies have regulatory mechanisms to restrain criminal behaviour through both formal sanctions and social norms, but when society is disturbed by some painful crisis or by beneficent but abrupt transitions, it is momentarily incapable to exercise this influence.<sup>230</sup> Organized crime in Bulgaria was created by the “transitional state.”<sup>231</sup> Sicilian mafia grew significantly during the years immediately following the unification of Italy in an area that was previously under authoritarian rule and in which Republican institutions were unfamiliar, compared to other parts of Italy.<sup>232</sup> Behan argues that the Camorra in Italy emerged “during the chaotic vacuum of power in the years between 1799 and 1815.”<sup>233</sup> The importance of the power vacuum has also been stressed by other scholars. Skaperdas argued that a “power vacuum can be created by revolutions, wars and major political change. With the previous political authority and institutions gone, and, [with] new effective ones taking time to develop, there can be long periods of time during which people face physical insecurity in addition to more complex problems of uncertainty and insecurity of contract enforcement.”<sup>234</sup> The transition is accompanied by a chaotic period where control is secured neither by the previous authoritarian or premodern institutions, nor by their more modern, democratic successors.<sup>235</sup> This creates significant gaps in state capacity that are eagerly filled by organized crime groups.<sup>236</sup> Huntington and others argue that transitions can lead to the breakdown of centralized pyramids of bribe collection, which

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<sup>227</sup> Leggett (2000, pp. 145-146).

<sup>228</sup> Harasymiw (2003, p. 14).

<sup>229</sup> Allum and Siebert (2003, p. 227).

<sup>230</sup> Durkheim quoted in Lotspeich (1995, p. 569).

<sup>231</sup> Nikolov (1997).

<sup>232</sup> Skaperdas (2001, p. 182).

<sup>233</sup> Behan (1996, p. 12).

<sup>234</sup> Skaperdas (2001, p. 182).

<sup>235</sup> Godson (2003, p. 11).

<sup>236</sup> Harris (2003, p. 23).

multiplies the bribe-takers.<sup>237</sup> The increase of corrupt officials in the post-transition period improves the chances of organized crime groups for success.

The Transitology school's discussion of uncertainty is helpful here, and is summarized as the "high degree of indeterminacy embedded in situations where unexpected events, insufficient information, hurried and audacious choices, confusion about motives and interests, plasticity and even indefiniteness of political identities, as well as talents of specific individuals" play a role.<sup>238</sup> Hope, opportunity, choice, incorporation of new actors, shaping and renewal of political identities, and inventiveness<sup>239</sup> are characteristic of the politics of transition. O'Donnell observes that, during transitions, all actors have to function in great uncertainty and the choices of the actors frequently lead to numerous unexpected and unintended consequences.<sup>240</sup> In general, this kind of chaos is an ideal breeding ground for organized crime, due to confusion over acceptable behavior norms and temptations of former and current state officials to work with criminals.<sup>241</sup>

The notion of "criminogenic asymmetries" is useful here, defined by Nikos Passas as "structural disjunctions, mismatches and inequalities in the sphere of politics, culture, the economy and the law." These asymmetries "first, generate or strengthen the demand for illegal goods and services; second, generate incentives for particular actors to participate in illegal transactions; and third, reduce the ability of authorities to control illegal activities."<sup>242</sup> Revolutions eliminate some criminogenic asymmetries and generate others. "Political opportunity structures," a term coined in corruption literature by Kitschelt and later borrowed by Heywood, can also be related to criminogenic asymmetries. Revolutions may contribute to the emergence of some "political opportunity structures" and the removal of others. Regarding the Georgian example, public trust in a reformed law enforcement structure can translate into high rates of crime reporting to the police by the population, as well as increased cooperation between law enforcement structures and the general public. High trust in police also removes the constraints on police behaviour, resulting in the abuse of power by high-ranking police officials.

Transitologists differentiate between pacted and non-pacted transitions. Pacts are accords between incumbents of the regime and the opposition that, while not obstructing regime change, assure the continued and significant influence of past rulers and elites after

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<sup>237</sup> See for instance Shleifer and Vishny (1993, p. 13); Goorha (2000, p. 1189); Huntington (1968).

<sup>238</sup> O'Donnell and Schmitter (1986, p. 5).

<sup>239</sup> Ibid., p. 19.

<sup>240</sup> O'Donnell (1986, p. 15).

<sup>241</sup> Godson (2003, p. 11).

<sup>242</sup> Passas (2001, p. 23).

regime change. Gramscian's concept of *transformismo* may also be useful here. As Femia explains, "the dominant groups keep their power through *transformismo*, the practice of incorporating the leaders of potentially hostile groups into the elite network."<sup>243</sup> This concept draws attention to the active role and dynamic survival of various elements of the old system, as well as their reconstitution within the new institutional framework.<sup>244</sup> Alternatively, the factions of the *ancien regime* may be removed from power as a result of revolutions, which means that those involved in organized criminal activity or protecting organized crime groups either lost their influence to some extent or were removed from power altogether. However, this does not necessarily stop organized criminal activity, because "clients will shift to other patrons and continue their operations."<sup>245</sup> The alien-conspiracy/bureaucracy paradigm, formerly the dominant approach of law enforcement in North America, incorrectly assumes that disabling the leadership of organized crime groups will end criminal activity.<sup>246</sup> Strange, referring to the Italian case, states that after jailing many criminal figures, the government remained "burdened with the legacy of a symbiotic relationship with the mafia. It has not proved easy to reverse decades of political malpractice."<sup>247</sup> As posited by the enterprise approach, the crackdown on crime groups and capture of their leaders often has little impact because "the business simply goes somewhere else under new management."<sup>248</sup>

The effect of removal of the "old guard" may be dual: first, new organized crime groups might emerge with links to new political elites, and second, old organized crime groups might consolidate their power through new government connections. After the departure of Romanian President Iliescu in 1996, organized crime offered its services to the new government. Despite their being put on the defensive through the anti-corruption activities of the new government for one year, most of the corrupt retained their enormous wealth, money, and influence, though the sources of their revenue had dried up. At the same time, some of the new incumbents also started to sell influence.<sup>249</sup>

Organized crime groups may lose their influential patrons as a result of clean-up in the government. The elimination of protectors may inflict a considerable blow on their activity and the ultimate effect can be the decrease of organized crime. Regarding *pacted transition*, in its presence the negotiation between elites in power and elites outside as in the

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<sup>243</sup> Femia (1981, p. 46).

<sup>244</sup> Los and Zybertowicz (2000, p. 13).

<sup>245</sup> Abadinsky (1981, p. 126).

<sup>246</sup> Liddick quoted in Harasymiw (2003, pp. 5-6).

<sup>247</sup> Strange (1996, p. 117).

<sup>248</sup> Schulte-Bockholt (2006, p. 6).

<sup>249</sup> Mungiu-Pippidi (1997).

*case of Ukraine, may sustain organized crime. The absence of pacted agreement, as in the Georgian case, contributes to the decrease of organized crime.*

The influence of “pre-revolutionary” elites in the “post-revolutionary” setting is a crucial variable here. Pacted agreements guarantee the significant retention of “reform spoilers” who might oppose change in post-revolutionary governments. For instance, there is some strong evidence that post-revolutionary reform in Serbia was undermined by the pact made between incoming “revolutionary” elites and the secret police.<sup>250</sup> Transitologists speak about the persistence of decidedly authoritarian actors who control important resources of power.<sup>251</sup> O’Donnell and Schmitter point out that the structures and even the personnel inherited from previous democracies have shown a surprising capacity for revival.<sup>252</sup> At the same time these people, with their attitudes and competencies and the networks of solidarity existing among them, would constitute a threat to the new regime if they were allowed access to important political, administrative or professional positions.<sup>253</sup> Hence, the previously influential elites and criminal actors may fight back in the case of eminent threat, this resistance perhaps finding its expression in attempts at “counter-revolution” or derailing reform efforts, as happened in Georgia and Ukraine.

Staniszakis calls the strategy of past incumbents the “politics of institutionalization,” the informal networks that could not officially institutionalize their power position use various techniques to promote anarchy within the state as a method of quasi-institutionalizing their control over crucial economic and political processes.<sup>254</sup> Otherwise, the “old guard” may use financial capital, compromising information (*kompromat*) and access to various informal networks to stay untouched. For instance, in the “power conversion” concept, groups that hold a privileged position under one political system through their control of resources, are able to preserve their privileged status under a new system by shifting their control to resources of a different kind. An example is the post-Soviet transition, when former Soviet nomenklatura retained their dominant position through trading their political capital for economic capital and taking control over the privatisation process.<sup>255</sup> In our case studies of Georgia, Ukraine and Kyrgyzstan, the pre-revolutionary Shevardnadze, Kuchma and Akaev elites, respectively, managed to retain some of their assets.

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<sup>250</sup> Schindler (2001).

<sup>251</sup> O’Donnell (1992, p. 19).

<sup>252</sup> O’Donnell and Schmitter (1986, p. 22).

<sup>253</sup> Offe (1996, p. 93).

<sup>254</sup> Los and Zybertowicz (2000, p. 111).

<sup>255</sup> Ibid., p. 111.

Godson develops a useful framework for analysing the impact of various variables on organized crime. He identifies political, social and economic factors that facilitate or catalyze the formation and evolution of a political-criminal nexus. Referring to political factors, Godson mentions that the nexus develops when the state is too unitary or non-competitive, and/or where the regime and bureaucracies are weak relative to society or other political actors. In these circumstances, “inefficient premodern institutions, personalistic and/or patronage systems, and governmental inability to compel citizens or officials to obey the laws appear to explain the tendency.”<sup>256</sup>

Referring to cultural factors, Godson identifies several subcultural traits facilitating the political-criminal nexus. He speaks about strong family and cultural conditions, widespread public perception that corruption is “normal” and public perception of criminals as cultural heroes. He also mentions that mafia groups may be tolerated as “a means to control public order.”<sup>257</sup> Williams and Godson put the informal institutions like patronage and clientelism in their cultural model of organized crime and argue that such “patterns of behaviour place much more emphasis on contacts and favours as a means of getting ahead and accumulating wealth than on norms, standards of behaviour, or the rule of law. Such a cultural climate easily condones criminal activities so long as they are successful in the acquisition of resources.”<sup>258</sup>

Godson also discusses economic factors; he thinks that the level of efficiency and “speed, simplicity and confidentiality” of the services provided to legitimate actors by criminal organizations and their political collaborators is an important variable promoting the nexus. Also, “the demand for illegal goods and services and the effort to supply the demand can contribute significantly to the creation of organized crime.”<sup>259</sup> He stresses two contingent factors facilitating the nexus: specific individuals and specific political circumstances.<sup>260</sup> The difference between the charismatic personality and Westernized outlook of the young and energetic Mikheil Saakashvili, for instance, as opposed to the overbearing former Communist party official Kurmanbek Bakiev, certainly played a role in the diverging policies against organized crime in the two countries.

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<sup>256</sup> Godson (2003, p. 9).

<sup>257</sup> Ibid., pp. 12-13.

<sup>258</sup> Williams and Godson (2002, pp. 316-7).

<sup>259</sup> Godson (2003, pp. 14-15).

<sup>260</sup> Ibid., p. 15.

## Chapter 4. Impact of Soviet and post-Soviet Organized Crime

Organized crime in the Soviet successor states has roots in the Soviet system, where the corrupt communist elites and the swollen state that ruled both politics and economics in an arbitrary manner became, we might say, one and the same. The entire state was run by a single vertical executive power, that is, the Communist Party. It was this “state” that both corrupted industrial managers and asked for the support of criminals.<sup>261</sup> Since the breakup of the Soviet Union, organized crime has been endorsed and supported by political and criminal elites for various purposes; Underworld leaders avoided direct confrontation with the leaders of newly independent states as had happened in Italy or Columbia at the end of the 1990s. As Williams writes, most criminal organizations choose co-option rather than confrontation, collusion rather than coercion, and the development of symbiotic rather than adversarial relations with state authorities.<sup>262</sup> Similarly, dominance has gradually switched to criminal groups in a process which started in the 1960s and culminated during the breakup of the Soviet Union, when state institutions collapsed and organized crime groups wielded power at every level of society.

Hence, organized crime should be viewed as a process significantly delineated by the Soviet system of governance. Contrary to the idea of the emergence of “a new form of criminality,” post-Soviet organized crime is a logical continuation of the Soviet system and has been significantly shaped by the Soviet past. In addition, organized criminality is not viewed in this thesis as a separate phenomenon, but is embedded in the political and economic environment, a crucial part of the Soviet and post-Soviet states. Viewing organized crime as a process is significant in explaining the different patterns embedded in diverging modes of governance and distinctive political cultures.

Three types of organized criminality were formed either in the Soviet Union or during the transition of 1991-2 and continued to exist in the post-Soviet period: first, the traditional or professional organized crime groups such as the so-called *vory v zakone*; second, the functionally-based groups with a background in sports or common experience in Soviet prisons that emerged during the post-Soviet transition, including newly established entrepreneurs that frequently earned their initial capital through illicit means; third, “old school ties” groups, i.e. former Communist nomenklatura and police/KGB networks.

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<sup>261</sup> Coulloudon (1997).

<sup>262</sup> Williams (2001a, p. 114).



These three categories of criminals either competed for resources and influence, or collaborated in organized criminal activities at different stages of the post-Soviet transition. Initially, the professional criminals and bandits were more able to develop successful racketeering schemes;<sup>263</sup> yet, over time, the *criminal kryshas* (roofs) of the early and mid-1990s were replaced with *political (or administrative) kryshas*. Earlier, various criminal figures were providing protection for businesses from rival criminals and weak state law enforcement structures. Afterwards, criminals as protectors were replaced by the representatives of the legitimate sector. The officials of controlling and regulatory institutions, especially law enforcement structures and different levels of the legislature, became the main providers of protection.

These categories are not unconnected; for instance, some corrupt nomenklatura members were simultaneously the managers of underground factories, and during transition they became the heads of organized crime groups.

Several crucial Soviet legacies that affected the development of organized crime in the post-Soviet period need to be stressed here. Firstly, the official Soviet planned economy created the incentives for Post-Soviet shadow economies and contributed to the formation of dual social norms. As Plekhanov notes, “society responded to the inefficiencies of command economies by creating shadow economies.”<sup>264</sup> The shadow economy developed as “an alternative system”<sup>265</sup> in response to an irrational command economy. Moreover, private industry existed in the Soviet Union under the cover of the state facilities. This hidden private industry normally co-existed under the same name and under the same roof as the overt one, with a state factory producing “left-hand goods” produced on the same equipment by the same personnel (the managers of these factories were known as *tsekhaviki*) as the official goods.<sup>266</sup>

The Soviet state simultaneously criminalized the activities which were considered normal business practice in market economies, such as speculation, which was banned in the Soviet Union as a “purchase or resale of goods with an aim of material profit.”<sup>267</sup> Hence the Soviet system made the easiest transactions illegal and in fact made illegality meaningless.<sup>268</sup> Speculation was a natural by-product of the Soviet system, since there were items in demand

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<sup>263</sup> Afanasyev (1994, p. 439).

<sup>264</sup> Plekhanov (2003, p. 74).

<sup>265</sup> Ibid., p. 77.

<sup>266</sup> Simis (1982, pp. 103-4).

<sup>267</sup> Chalidze (1977, p. 263).

<sup>268</sup> Serio (2008, p. 137).

which could not be easily bought in the stores.<sup>269</sup> As a result, official propaganda created for years an image of private businessmen as crooks, exploiters, black marketeers and swindlers, in general “unjustly rich.”<sup>270</sup> As a result, many in the post-Soviet context had a controversial attitude toward the new emerging businesses that endures until today.<sup>271</sup> The taboo on certain types of legal behaviour also contributed to the formation of political-criminal links. For instance some members of the *nomenklatura* loved to play cards. Unable to do so legally, they frequently played for high stakes, secretly, in private apartments owned by the so-called *Husari*, or professional card players. The latter commonly used the tactic of deliberately losing to opponents as an alternative form of bribery of high ranking officials who could potentially be used as protectors in other criminal activities that the *Husari* were engaged in.<sup>272</sup>

Partially due to the condition of excessive state money being allocated for military purposes,<sup>273</sup> the command economy could not guarantee the flow of certain goods, and this scarcity contributed to the flourishing of the black market. The problem became particularly acute during the 1960s, just when the first political-criminal alliances emerged,<sup>274</sup> including the thieves-in-law, who established the links with *nomenklatura* and “red directors” of Soviet factories. Also, corrupt party officials were sometimes using petty criminals to gather *kompromat* on irritant figures.<sup>275</sup>

Corruption was a functional necessity in the over-centralized system.<sup>276</sup> Bribery was frequently the only way to circumvent the system. In the 1940-50s and the beginning of the 1960s, generalized corruption affected the entire legal system, from investigators in the district prosecutor’s offices right up to the Public Prosecutor’s Office of the USSR.<sup>277</sup> Corruption flourished most in the Brezhnev period (1964-1982) when everything was on sale, including government positions and state awards (like that of Hero of Socialist Labour).<sup>278</sup>

At the same time, a ‘trade mafia’ developed which was a pyramid of payoffs originating in the top ministries and the Central Committee, and trickling down to

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<sup>269</sup> Simis (1982, p. 188).

<sup>270</sup> Tarkowski (1990, p. 90).

<sup>271</sup> Gerber (2000, p. 332).

<sup>272</sup> Fattelberg-Blank (2003, p. 221).

<sup>273</sup> Albini, Rogers, Shabalin, Kutushev, Moiseev and Anderson (1995, p. 225).

<sup>274</sup> Ibid., pp. 224-225.

<sup>275</sup> Varese (2002).

<sup>276</sup> Wheatley (2005, p. 22).

<sup>277</sup> Simis (1982, p. 82).

<sup>278</sup> Gurov (1995, p. 59).

shopkeepers where everyone “got a piece.”<sup>279</sup> In general, during the 1960s and 1970s, black markets thrived in numerous fields: private manufacture of consumer goods in short supply; currency speculation; and sale of grain and other primary food commodities that have been diverted from the state supplies by illegal means.<sup>280</sup> Naylor speaks about two main factors promoting the development of black markets in the 1960s: first, the rise of a new generation of Communist leaders who lacked ideological commitment to the principles of the Bolshevik revolution, and second, the failure of the state planning model to meet consumer product demands.<sup>281</sup> Vaksberg says, “an oath of loyalty (to the Communist party) was now invalid unless supported by its expression in material terms.”<sup>282</sup> Fairbanks posits that after the death of Stalin, the Soviet system, based on informal mechanisms of coordination, became more loosely knit. Different centres of power resultously emerged on the national-level that were based on patron-clientelist networks and were given political power by Stalin. Under the conditions of weaker control these networks pursued their private ends.<sup>283</sup>

In the late Soviet period, Yuri Andropov (November 1982 - February 1984), who succeeded Brezhnev, tried to purge the Communist ranks of corruption, although it was more about the desire of the Andropov administration to “invent” the politically useful threat to fight, or to exaggerate the threat from the enemy in order to increase the legitimacy of the government and help Andropov gain traction against his Kremlin enemies.<sup>284</sup> This political agenda, along with the image Andropov’s government tried to project as “intolerant of official corruption”<sup>285</sup> was more realistic than any actual measures against rampant bribery.

The second, most important element of the Soviet legacy is the tradition of informal dealings. Many transactions were processed through personalized patronage systems based on the exchange of favours. Alena Ledeneva thinks that *blat* started as an exchange of “favours of access” that provided access to public resources through personal channels.<sup>286</sup>

Informal institutions like favouritism and nepotism were widely accepted practices in the Soviet Union. Theft from the state was not regarded as real theft by the mass of the population.<sup>287</sup> As a result “contrasting perceptions of legal and illegal activities”<sup>288</sup> developed

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<sup>279</sup> Kelly, Schatzberg, Ryan (1995, p. 260).

<sup>280</sup> Staats (2002, p. 50).

<sup>281</sup> Naylor (2002).

<sup>282</sup> Vaksberg (1991, p. 7).

<sup>283</sup> Fairbanks (1983, p. 374).

<sup>284</sup> Voslensky (1984, p. 371).

<sup>285</sup> Feldbrugge (1984, p. 541).

<sup>286</sup> Ledeneva (1998).

<sup>287</sup> Simis (1982, p. 177).

<sup>288</sup> Plekhanov (2003, p. 76).

in Soviet society that has repercussions for daily life and doing business in former Soviet Union countries up to nowadays. At the same time, the Soviet state allowed “ordinary people to manage on their own” and in case of conflict between individuals or organisations and the State, the former always lost.<sup>289</sup> Therefore, Soviet citizens felt the need to insure themselves against loss. This survivalist culture flourished on the basis of the malfunctioning Soviet state and gave birth to powerful informal institutions, which helped circumvent the inflexible multi-layered Soviet bureaucracy. Connections based on family, relative, friend and neighbour relationships were widely used for getting desired goods or services. The linkages of *blat*, nepotism and cronyism survived in the weak post-Soviet states and perpetuated the political-criminal nexus.

Officially, organized crime did not exist in the Soviet Union since Socialism and Communism supposedly brought about the disappearance of crime.<sup>290</sup> Crime was explained as “a manifestation of the illnesses of capitalism.”<sup>291</sup> From the late 1920s the statistical records of criminal phenomena disappeared from public view, having been classified as state secrets.<sup>292</sup> In the 1970s, Nikolay Shchyolokov, the Minister of Interior (*militsya*) was insisting that professional criminality had been eliminated in the 1950s.<sup>293</sup> In fact, Stalin’s totalitarian rule had eliminated much of the underground economic activity according to some observers,<sup>294</sup> though illegal businesses reportedly grew toward the end of Stalin’s reign.<sup>295</sup> It would also be difficult to deny the importance of the shadow economy since Khrushchev’s tenure.

In 1980, one editor of a Soviet newspaper told a journalist, “we have no mafia in the Soviet Union; get that into your head.”<sup>296</sup> The existence of organized crime was only officially admitted during the Gorbachev years. The 1983 decree on working with criminal authorities instructed the Ministry of Interior and Secret services (KGB) to gather compromising materials on professional criminals with the purpose of discrediting them among their own peers, especially in the prisons.<sup>297</sup> Another KGB instructional memo issued on July 22, 1988, reported increasing relationships of *vory* (*vory v zakone*, or professional criminals) with regulatory and law enforcement agencies and courts and recommended a

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<sup>289</sup> Oleinik, Touraine (2003, p. 161).

<sup>290</sup> Albini, Rogers, Shabalin, Kutushev, Moiseev and Anderson (1995, p. 219).

<sup>291</sup> Serio (2008, p. 46).

<sup>292</sup> Butler (1992, pp. 144-6).

<sup>293</sup> Podlesskikh (1994, p. 18).

<sup>294</sup> Vaksberg (1991, p. 22).

<sup>295</sup> Serio (2008, p. 139).

<sup>296</sup> Vaksberg (1991, p. 10).

<sup>297</sup> Podlesskikh (1994).

number of measures to counter their influence. The directive advised using some of the *vory* against the anti-Soviet activity among criminals.<sup>298</sup>

In 1989, reported crime had increased by 31.8 percent over 1988, while the apprehension rate was up by only 1.4 percent.<sup>299</sup> Overall, in 1989, 2 million crimes were registered in the Soviet Union. The number increased to 2.7 million in 1990 and to 3 million in 1991. However, these official statistics have been heavily criticized and experts estimated 15 times more than the reported numbers. In 1986-89, 12 million rubles worth of property were looted and 15,500 cases of bribery were detected by law enforcement structures.<sup>300</sup> Williams reported that old patterns from the Soviet Union survived and were revised to fit new circumstances in the immediately post-Soviet space, with one crucial difference: unlike Soviet times, criminal organization determined the rules of the game.<sup>301</sup> Organized criminality grew so strong toward the end of the USSR that one Kuchuuri, a thief-in-law of Georgian origin, planned a terrorist act, an attempt to eliminate Mikhail Gorbachev, in 1987.<sup>302</sup> Podlesskikh also describes how close the professional criminals were to controlling the whole region of Ural in the heart of Russia in 1989.<sup>303</sup>

That was when “corruption, which in the old system was used to benefit the political elites, became a major instrument used by organized crime to protect itself.”<sup>304</sup> Corrupt links between professional criminals and the representatives of the Soviet nomenklatura were present early on. According to Serio “the vast majority of cooperatives and joint ventures at the end of 1980s and beginning of the 1990s had been established by Communist party officials and criminals primarily for signing fraudulent contracts with partners both in Russia and abroad” as well as for money laundering and capital flight.<sup>305</sup> These political-criminal links carried over into the newly-independent states. Handelman uses Clausewitzian analogy to describe post-Communist criminality, saying that crime in the post-Soviet era is often a continuation of politics by other means.<sup>306</sup>

After the Soviet Law on Cooperatives, which permitted private entrepreneurship, was enacted in May 1988, a new class of young businessmen emerged that started accumulating resources and were frequently very entrepreneurial, which implied making money through

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<sup>298</sup> Ibid., pp. 70-1.

<sup>299</sup> Butler (1992, p. 148).

<sup>300</sup> Gurov (1995, p. 30).

<sup>301</sup> Williams (1996, p. 5).

<sup>302</sup> Podlesskikh (1994, p. 14).

<sup>303</sup> Ibid., pp. 172-4.

<sup>304</sup> Williams and Godson (2002, p. 321).

<sup>305</sup> Serio (2008, p. 232).

<sup>306</sup> Handelman (1994, p. 83).

any means, including extralegal. They were often under the influence and control of professional criminals and bandits, with an estimated 50 percent of these new businessmen under extortion, and paying 25 roubles daily to racketeers.<sup>307</sup> In 1997-98 conflict kicked off between new young entrepreneurs and old-line Communist bureaucrats.<sup>308</sup> The former party functionaries still in power either used legal power and the law to arrest them, labelling them “mafia-profiteers,” or in other instances, joined them in previously banned “capitalist endeavours.”<sup>309</sup> Thus old and new came together “in the establishment of a variety of new mercenary organized criminal adventures.”<sup>310</sup>

The simultaneous transition to a market economy and weakening of state institutions gave rise to criminal groups’ trying to take over some of the state’s functions. These gangs, whose members and leaders were mainly young people with shared backgrounds in sports or as former inmates, initially engaged in predatory crimes such as protection rackets, debt collection and contract enforcement. Gradually, they moved on to highly sophisticated criminal activities such as drug smuggling and financial fraud, while developing collusive and corrupting links with political and economic elites. Unlike newly-emerged gangsters, the already-established professional criminals, *vory v zakone* successfully penetrated the governments in covert or overt ways, for instance, the famous thief-in-law Jaba Ioseliani became Georgian President Shevardnadze’s deputy. As a result, the distinctions between legal and illegal business, politician, entrepreneur and criminal became highly blurred.<sup>311</sup>

VCIOM, Russian Public Opinion Research Centre, asked Soviet citizens in 1991, “what do you understand Mafia to mean?” Table 3 shows the results. Strikingly, more than two-thirds of respondents referred to the state and the same number to the representatives of state structures.

*Table 3. Associations with the word Mafia (VCIOM)<sup>312</sup>*

Actors of shadow economy	43%
Bureaucrats in ministries and public administration	36%
Party-State apparatus	34%
Criminals	25%

<sup>307</sup> Imperiia strakha (1992, p. 113).

<sup>308</sup> Rosner (2002, p. 308).

<sup>309</sup> Albini, Rogers, Shabalin, Kutushev, Moiseev and Anderson (1995, p. 227).

<sup>310</sup> Ibid., p. 230.

<sup>311</sup> Harris (2003, pp. 19-20).

<sup>312</sup> VCIOM study, quoted in Oleinik, Touraine (2003, p. 260).

Now we turn to elaboration of the specifics of the three groups of criminal actors mentioned above.

### 1. Gangs and new criminal entrepreneurs

The Soviet Ministry of the Interior counted 30,000 members of organized crime groups and 1300 crime groups in 1989-90. Interestingly, every fifth crime group had contacts with state officials.<sup>313</sup> All those who were professional criminals but not submitting to the code of *vory* were labelled as “bandits.”<sup>314</sup> The class of entrepreneurs with no roots in the Soviet nomenklatura or in the Komsomol cycles had emerged already in the 1980s as a result of Gorbachev’s liberalization policies. Many new *kooperativs* were run by young businessmen with superb entrepreneurial skills, but because in the late Soviet period and the early years of the post-Soviet transition running fully legal businesses was difficult due to pervasive rent-seeking, vague legislation or weak criminal justice, many of these newcomers to business gravitated to illegal activity.

Simultaneously, another class of young men trained in violence emerged to claim their own market shares. Finckenauer and Waring described this category of post-Soviet criminals:

These were young people – in their late ’teens, twenties and thirties – who were not criminals before the collapse of the Soviet Union, but who did of necessity have experience in the black market and the shadow economy. Some were students and graduates of higher education; others were in the military. None had attractive job prospects in the legitimate sector. They were a pool for recruitment by criminal organizations in Russia or they operated with their own small networks. Unlike that of the professionals, their criminal behaviour was not very well entrenched. They were first generation criminals, and their crimes were most often crimes of opportunity.<sup>315</sup>

The majority of these young criminals had a background in sports. Thus, the sports-crime relationship merits some discussion here. Sports was highly valued and therefore extensively funded by the Soviet state. Apart from professional training, the concept of Soviet “mass sports” implied the involvement of every Soviet citizen in physical exercise.

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<sup>313</sup> Gurov (1995, p. 30).

<sup>314</sup> Ibid., p. 154.

<sup>315</sup> Finckenauer and Waring (2002, p. 326).

Athletics on any level was viewed by the Soviets as contributing to extrinsic functions for Soviet productivity, health, national pride and military preparedness.<sup>316</sup> The development of sports was especially closely linked with the military goals of the Soviet Union throughout its history. Stalin once remarked to Eisenhower that physical culture and sports enhanced the fighting spirit.<sup>317</sup>

Since the late years of Stalin, the USSR appeared full-scale on the international sport scene, outdistanced all other countries in medal counts at the Olympics and won more international meets and championships than any other nation.<sup>318</sup> Volkov argues that “champions were role models for the young and symbols of success.”<sup>319</sup> Unfortunately, the involvement of high-ranking sportsmen in crime coined their new image as “social bandits.”<sup>320</sup> As Marat puts it, towards the end of the 1980s, “the physically strong criminal figure became a cult image among younger people.”<sup>321</sup> The evident lack of punishment for powerful criminal groups further “corrupted the young generation by showing that crime pays and signifies real power.”<sup>322</sup> Thus, during *Perestroika* and the break-up of the Soviet Union many young sportsmen, hoping to improve and reinforce their social standing, joined “status communities” revolving around athlete-criminals.

In this period, the first groups of “racketeer sportsmen” appeared in the post-Soviet republics. Funding for sports had been dramatically cut and many sportsmen trained in the use of controlled violence lacked legitimate income. As Volkov argues, “the withdrawal of state sponsorship and the relaxation of the constraints that had once turned the art of warfare into a rule-governed nonviolent competition were sufficient to launch a dangerous process whereby sportsmen started to look for alternative employment... the shared experience of being one sport team, which involves regular training and competition as well as shared victories and defeats is likely to create strong trust and group coherence... which provides a social basis for the conversion of teammates into members of a racketeering gang.”<sup>323</sup> Also, underworld bosses were “quick to realize the importance of sportsmen and organized associations and charities in order to attract them.”<sup>324</sup>

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<sup>316</sup> Riordan (1977).

<sup>317</sup> See for instance Riordan (1977), and Shneidman (1978).

<sup>318</sup> Shneidman (1978).

<sup>319</sup> Volkov (2002, p. 8).

<sup>320</sup> For the comprehensive analysis on social bandits see Hobsbawn (1969).

<sup>321</sup> Marat (2006b, p. 38).

<sup>322</sup> Frisby (1998, p. 39).

<sup>323</sup> Volkov (2002, pp. 8-10).

<sup>324</sup> Varese (2001, p. 68).



The emergence of sportsmen-criminal groups was particularly evident in Russia,<sup>325</sup> although other newly emerged states also experienced the same problem. Another portion of the Soviet sportsmen, especially very successful and experienced ones, made sure that the post-Soviet transition benefitted them. The “star treatment” of some performers and their inclusion in the country’s “honour list” expressed by awarding the supreme award “the Order of Lenin” to Soviet champions<sup>326</sup> had made them into elites. Consequently, some of the sportsmen successfully engaged in shadowy privatization deals during post-Soviet transition; others entered politics and have been elected in the legislative bodies, while yet others became criminal leaders, capitalizing on their vast connections to political and business elites.

Hence, the involvement of sportsmen in organized crime can be divided into three stages that overlap in time, though varying in degree of sophistication. First, engagement in the protection racket in the late 1980s and early 1990s: in this period, the respect for discipline and the physical force of sportsmen<sup>327</sup> was of paramount importance, especially given the limited availability of arms. The major weapons were fists and baseball bats in the first violent conflicts between gangs, and sportsmen quickly proved their superiority.<sup>328</sup> More advanced weaponry was soon available, but the field of racketeering was already penetrated by criminal-sportsmen. Second came a period of engagement in more sophisticated criminal activities, such as debt recovery, dispute settlement and contract enforcement. As the market economy was establishing itself while state capacity did not concurrently develop and remained limited, and law enforcement was inefficient and courts corrupt, businesspeople started using the services of sportsmen for collecting debts and enforcing contracts. Third, a period emerged of engagement in political-criminal clans and penetration of state structures. In this third phase, some sportsmen turned into the leaders of political-criminal clans, co-opted and recruited representatives of government institutions—especially law enforcement structures—and legalized themselves through becoming politically active and winning seats in legislative bodies. In sum, sportsmen have played a key role in organized crime in all three countries. The crucial distinction between Georgia on the one hand and Ukraine and Kyrgyzstan on the other is that sportsmen held leading positions in criminal groups in

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<sup>325</sup> On Russia see also Kryshstanovskaia (1996).

<sup>326</sup> Riordan (1980, pp. 2, 48).

<sup>327</sup> Volkov, “Security and Rule-Enforcement in Russian Business: The Role of the ‘Mafia’ and the State,” available at <http://www.colbud.hu/honesty-trust/volkov/pub02.htm>

<sup>328</sup> Volkov (2002, p. 7).

Kyrgyzstan and Ukraine, while in Georgia they are mainly subordinated to thieves-in-law and act as operational/field leaders.

## 2. Professional criminals (Vory v Zakone)

*Vory v zakone* (“thieves-in-law”) are senior criminal figures in the former Soviet Union who “maintain, interpret and enforce a ‘thieves code.’”<sup>329</sup> The very term *vory v zakone*, in translation thief-in-law, reportedly comes from their function of maintaining order based on illicit norms.<sup>330</sup> Such criminal leaders first came on the scene in the Soviet Union during the 1920s. They shared similarities with the early Sicilian mafia godfathers by providing an alternative power structure to the State, operated within a defined honour code and maintained strict secrecy. “*Vor*” had no right to work either in prison or at large, to serve in the army or to collaborate with state representatives.<sup>331</sup> Importantly, *vory* were supposed to show contempt towards the accumulation of assets and were not expected to own property.<sup>332</sup> As Handelman notes “no thief of the old school was interested in getting rich.”<sup>333</sup> Over time, and particularly in the 1980s, the role and code of the *vory v zakone* evolved, but such leaders remain important within former Soviet bloc organised crime groups, especially in Georgia.

*Avtoriteti* are the more numerous and entrepreneurial gang leaders<sup>334</sup> not necessarily belonging to the “*Thieves World*” of the “*Vory*.” However, *avtoriteti* can be a “transformed *vory*” as well, of those who moved to more risky spheres of criminal activity, such as drug trafficking and financial fraud. Some of these *avtoritety* were more influential than *vory*. This new type of criminal did not pay attention to the *vory*.<sup>335</sup> In 1985 and 1986, sixty percent of newly authorized cooperatives were run by the *avtoritety*.<sup>336</sup>

*Vory* can be compared to Sicilian mafia godfathers, based upon the power the two institutions have wielded in the Soviet Union and Italy. Regardless, a few important distinctions need to be made. First, the origin of the institution of *vory v zakone* is in *gulags*, the Soviet labour camps.<sup>337</sup> Thus *vory* are the product of prison culture that distinguishes

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<sup>329</sup> Galeotti (1998, p. 429).

<sup>330</sup> Oleinik, Touraine (2003, p. 71).

<sup>331</sup> Afanasyev (1994, p. 438).

<sup>332</sup> Varese (2001, p. 154).

<sup>333</sup> Handelman (1995, p. 34).

<sup>334</sup> Galeotti (1998, p. 429).

<sup>335</sup> Handelman (1995, p. 42).

<sup>336</sup> Ibid., p. 56.

<sup>337</sup> Varese (2001, pp. 145-6).

them from Sicilian Mafiosi.<sup>338</sup> Second, there is no strict vertical hierarchy in the *vory*'s world as in Sicilian mafia clans. The *vory*'s world can be described as "egalitarian." However, individuals differ in terms of their power, resulting from their criminal influence and financial capacity. As Varese argues, the *vory* are a fraternity of equals, although a distinction can be made between junior and senior *vory* (*pakhany*).<sup>339</sup>

Oleinik enumerates all the functions of the thief-in-law: developing new norms in joint local, regional or national meetings (*skhodka*); the exercising of "justice;" propaganda about the criminal lifestyle; the organization of a joint fund (*obshiak*); material aid to inmates; the organization of the rackets of the players in the illicit economy; the diffusion of information/communications; and contacts with the outside world.<sup>340</sup> The *vory* exerted a special hidden power in Soviet life and were regarded as men of honour and authority, who "acted like judges, politicians, and diplomats."<sup>341</sup>

Gurov cites data from the Ministry of Internal Affairs, concluding that *vory* were "firmly established by the beginning of the 1930s."<sup>342</sup> The penetration of legal economies and political elites was initially achieved through contacts made in Soviet prisons with other criminals, underground entrepreneurs and Soviet dissidents.<sup>343</sup> Initially the *vory*'s code prohibited any collaboration with the authorities<sup>344</sup> and called for punishment by death penalty of those *vory* who would do so.<sup>345</sup> The world of professional criminals nonetheless sometimes displayed striking similarities with that of the Soviet nomenklatura. For instance, the oath sworn by the thieves-in-law started with a phrase similar to the oath sworn by a member of the Communist Party.<sup>346</sup>

As Galeotti mentions, a minority of truly criminal inmates were successfully co-opted into helping the authorities to control millions of dissident intellectuals, out-of-favour Communists and other political prisoners.<sup>347</sup> Glazov argues that three percent of criminals controlled the rest of the criminal world in prisons.<sup>348</sup> Certainly 500,000 inmates in 1930

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<sup>338</sup> Varese (2002, p. 9).

<sup>339</sup> Varese (2001, p. 150).

<sup>340</sup> Oleinik, Touraine (2003, p. 73).

<sup>341</sup> Handelman (1995, p. 36).

<sup>342</sup> Gurov (1995, p. 104).

<sup>343</sup> Chalidze (1977, p. 310) estimated that more than one million individuals were convicted in the Soviet Union annually. According to other estimates, 17-22 million individuals were imprisoned in the 1940-1950s (Samoilov 1993). Derluguian (1999) estimates that as much as every fifth adult male spent time behind bars under Brezhnev.

<sup>344</sup> Serio and Razinkin (1995, p. 73).

<sup>345</sup> Chalidze (1977, p. 74).

<sup>346</sup> Oleinik, Touraine (2003, p. 71).

<sup>347</sup> Galeotti (2002, pp. xi-xii).

<sup>348</sup> Glazov (2002, p. 143).

were difficult to control otherwise.<sup>349</sup> Apparently, this cooperation has been institutionalized. Oleinik shows that no criminal can become a supervisor in a prison without the consent of and collaboration with the authorities.<sup>350</sup>

The changes in this rule first came about as a result of the Bitches War in 1947-53.<sup>351</sup> The bitches (*suki*, meaning criminals who snitched or collaborated with the authorities) won with the apparent support of prison administration,<sup>352</sup> and the new thieves' code no longer proscribed collaboration with authorities.<sup>353</sup> Authorities began to consider the thieves useful for "keeping the prison population more dependent on the authorities."<sup>354</sup> Those *vory* who still did not collaborate with Soviet authorities were kept in adverse conditions in the Siberian prison *Belyi Lebed*.<sup>355</sup> Those *vory* who would write a renouncement of the title of professional criminal were relocated to detention places with better conditions.<sup>356</sup> Also, an official decree of the Supreme Soviet dated June 4, 1947 stated that stricter punishments contributed to greater cooperation of professional criminals with the authorities, and produced more collaborators (*otkazniki* in Russian).<sup>357</sup> Additionally, two gatherings (*skhodka* in criminal slang) of the major *vory v zakone* in Russia, one at the end of the 1970s and one in the mid-1980s, had a significant influence on the development of the nexus between professional criminals and nomenklatura and the "red directors" (the managers of state-owned factories) of the Soviet Union. At their first meeting in Kislovodsk, agreements with the *tsekhaviki*, a Russian slang word denoting Russian private entrepreneurs banned by Soviet law, was forged, in which their activities would be assisted in return for payments of roughly 10 per cent of their income.<sup>358</sup> This working relationship across the black economy would be "repugnant to any right-thinking vor."<sup>359</sup>

As a result, well-entrenched illicit networks developed, comprising professional criminals and banned businesses. The flourishing corruption in party structures of the Soviet Union<sup>360</sup> and the paralysis of the command-administrative economy<sup>361</sup> in the 1970s facilitated

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<sup>349</sup> Kuchinskii (1997, p. 22).

<sup>350</sup> Oleinik, Touraine (2003, pp. 243-244).

<sup>351</sup> Suchaya voina in Russian. The "Bitches War" refers to a conflict between the criminals who cooperated with the Soviet authorities and participated in World War II, and those who did not cooperate and participate. For more information on the Bitches War see Gurov (1994, pp. 19-21).

<sup>352</sup> Gurov (1995, p. 115).

<sup>353</sup> Galeotti (2002, pp. xi-xii).

<sup>354</sup> Glazov (2002, p. 42).

<sup>355</sup> On *Belyi Lebed* see Kuchinskii (1997, pp. 79-80).

<sup>356</sup> Podlesskikh (1994, p. 98).

<sup>357</sup> Kuchinskii (1997, p. 34).

<sup>358</sup> Serio and Razinkin (1995, p. 760).

<sup>359</sup> Handelman (1995, p. 42).

<sup>360</sup> Galeotti (2002, p. xii).

the process. Another meeting in Tbilisi in 1982 was convened to discuss the future of the criminal world. Two views dominated the meeting: several influential thieves-in-law wanted to remain loyal to the traditional rules of the Soviet underworld and stay away from politics, but another faction advocated a path of penetrating Soviet political and economic life.<sup>362</sup> The supporters of the latter view ruled the day.

In the late 1980s, the Russian Ministry of the Interior estimated that 20 percent of all professional criminals had associations with cooperatives, private or semi-private businesses (restaurants, cafes and art galleries).<sup>363</sup> In 1985, an order of the Soviet Ministry of the Interior deplored the merging of shopkeepers with the elite of the criminal world, the increasing activity of professional criminals and the involvement of sportsmen and former policemen in criminal groups.<sup>364</sup> Hence, during the Soviet period *vory* controlled a large part of the underground trade in spare parts, automobiles, timber, caviar and gems. In the final year of the Soviet Union's existence, this black economy was valued at 110 billion rubles.<sup>365</sup>

In 1991-1993, there were 600 *vory v zakone* operating in the former Soviet Union, according to the Russian Ministry of the Interior. The figure increased to 800 in 1999.<sup>366</sup> Roughly one-third of these were ethnic Russians and another third were ethnic Georgians. The remainder represented various nationalities such as Armenian (8.2%), Azerbaijani (5.2%), Uzbek, Ukrainian, Kazakh and Abkhazian, among others (21.9%).<sup>367</sup> There are now an estimated 400 Georgian *vory v zakone* (the figure almost doubled after the break-up of the Soviet Union). In 1999 Russian Interior Minister Sergei Stepashin complained that 40 percent of the thieves-in-law and criminal group leaders in Moscow were Georgian.<sup>368</sup>

Presently, the *vory v zakone* in post-Soviet Eurasia can be divided into three categories: the so-called *pikovie*, those who remained loyal to the traditional rules or code of conduct of the *vory* (Gurov calls all Caucasian criminals *pikovie*);<sup>369</sup> the *polskie* or *atashedshie* (those who defected and now disregard traditional rules); and the *apelsini* (those who have bought the title of thief-in-law for an amount estimated at between 100,000 USD to 150,000 USD<sup>370</sup>). The thieves also got younger. In the traditional code of *vory* there was a

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<sup>361</sup> Handelman (1995, p. 29).

<sup>362</sup> Serio and Razinkin (1995, p. 76).

<sup>363</sup> Serio (2008, p. 166).

<sup>364</sup> Ibid., p. 253.

<sup>365</sup> Handelman (1995, p. 28).

<sup>366</sup> Varese (2001, p. 167); Handelman (1995, p. 28).

<sup>367</sup> Serio and Razinkin (1995, p. 83).

<sup>368</sup> Sergei Stepashin, interview (1999).

<sup>369</sup> Gurov (1995, p. 159).

<sup>370</sup> Kommersant Daily (1995).

proportional relationship between prison time served and level of respect in the criminal community.<sup>371</sup> Already, in 1988, every eighth *vor* had no previous or current prison sentence, according to the Soviet Ministry of the Interior.<sup>372</sup>

Importantly, the professional criminals maintain the *obshiak*, the criminal cash desk that accumulates money mainly from criminal activities, or from contributions by ordinary inmates. For instance, during Soviet times, every inmate paid 1 ruble out of every 5 rubles spent on products to the *obshiak*. Twenty percent of the money sent to him from outside of prison and 20 percent of the money won playing cards was also transferred to the *obshiak*.<sup>373</sup> Oleinik reports that these terms appeared in the late 1940s and early 1950s, designating an illicit tax imposed by the *blatnye*. It disappeared in 1959 after the Soviet authorities started to separate the prison regimes in line with the new code for applying sentences.<sup>374</sup> This illustrates how the underworld practices change in reaction to policy changes by the legal authorities.

These *obshiaks* were accumulating large amounts of money. In 1987-88 law enforcement structures confiscated 350,000 rubles belonging to *obshiaks*.<sup>375</sup> Initially *obshiaks* were only maintained and operated in the prisons, although in 1970s they appeared outside of the prisons as well.<sup>376</sup> As a result, every city in the Soviet Union had its own *obshiak* accumulating money in the range of 50,000 to 1 million rubles depending on the size of the city.<sup>377</sup> The funds gathered were used for several purposes: they were sent to prisons for the care of incarcerated fellow professional criminals; used for bribing officials in and outside of the prison; or used for planning and implementing new criminal activities. The money was also spent for the families of dead professional criminals. For instance, families of the *vor* who passed away in 1979 were getting 300 roubles every month from the *obshiak*.<sup>378</sup>

The *vory* were influential during Soviet times, since they controlled the prison population as well as the majority of the criminals outside of prison. According to Gurov, 80-100 percent of the inmates in Georgia and Central Asia were supporting *vory*, while the figure was lower in Russia, amounting to only 50 percent.<sup>379</sup> Gurov recounts an interesting case when the secretary of the district Communist party convened the heads of district law

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<sup>371</sup> Serio and Razinkin (1995, p. 77).

<sup>372</sup> Ibid., p. 100.

<sup>373</sup> Imperiia strakha (1992, p. 121).

<sup>374</sup> Oleinik, Touraine (2003, p. 111).

<sup>375</sup> Imperiia strakha (1992, p. 122).

<sup>376</sup> Kuchinskii (1997, p. 132).

<sup>377</sup> Imperiia strakha (1992, p. 122).

<sup>378</sup> Ibid., p. 120.

<sup>379</sup> Gurov (1995, p. 159).

enforcement structures as well as *vor v zakone* to discuss the problems of criminality.<sup>380</sup> This started changing during the breakup of the Soviet system, and the influence of *vory* peaked in the early 1990s. In 1989, the law enforcement structures appeared unable on their own and without the assistance of professional criminals, to appease inmates in several prison uprisings.<sup>381</sup>

The mid-1990s witnessed major conflicts between professional criminals and other types of criminal actors, such as former nomenklatura networks and new criminal entrepreneurs. In Russia, first the Uralmashevskaya criminal grouping refused to declare loyalty to professional criminals and did not pay money to the *obshiak*. Other groups of young criminals followed their example.<sup>382</sup> The influence of professional criminals has proved most resilient in the prison system. For instance, in Russia and Ukraine, where *vory* had already by the mid-1990s lost much of their influence, they still maintain a certain degree of control over the inmates. Similarly *vory* remain influential in Kyrgyz prisons. The situation changed in Georgia since Rose Revolution because all professional criminals have been put in a separate prison, thus isolating them from the rest of inmates.

### 3. Nomenklatura and police/KGB networks

Rosner showed that the major source of Soviet crime was the Soviet regime and the Communist party. Party leaders at central and regional levels, officials of the special services, factory managers and other officials looted state-operated industries for their personal gain.<sup>383</sup> Also, access to the good life in an environment of goods scarcity depended on political power, not on income.<sup>384</sup>

Kelly, Schatzberg and Ryan argue that the Communist Party could be thought of as a great crime family.<sup>385</sup> By the same token, Simis reports that organized crime in the Soviet Union was “everything that may be lumped together as the Soviet regime.”<sup>386</sup> Nikiforov points out the key difference between Western and Soviet organized crime, arguing that in the USSR the crime “figures occupied key positions within the state bureaucracy.”<sup>387</sup> Hence,

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<sup>380</sup> Ibid., p. 60.

<sup>381</sup> Kuchinskii (1997, p. 13).

<sup>382</sup> Podlesskikh (1994, p. 104).

<sup>383</sup> See Rosner (1986).

<sup>384</sup> Naylor (2002).

<sup>385</sup> Kelly, Schatzberg, Ryan (1995, p. 261).

<sup>386</sup> Simis (1982, p. 66).

<sup>387</sup> Nikiforov (2002, p. 217).

criminal activities in the Soviet Union qualified as corruption rather than as Mafia, as was convincingly argued by Varese.<sup>388</sup> In fact, the Communist party did not recognize the rule of law, as Nikita Krushchev's statement shows:

“Who's the boss: we or the law? We are masters over the law, not the law over us –so we have to change the law; we have to see to it that it is possible to execute these speculators.”<sup>389</sup>

All institutions, including law enforcement, media and enterprise, were subordinate neither to the law nor to the government, but to the will of the Party First Secretary.<sup>390</sup> The highest ministerial posts were for sale. Simis estimates that the going rate for ministry positions would range from 100,000 rubles for less important posts (such as Minister for Social Security) up to 250,000-300,000 rubles for more important positions such as the Ministries of Trade or Light Industry.<sup>391</sup> Corruption pertained to all levels of government both centrally and in the Soviet Socialist Republics. Corruption was tolerated on local and regional levels since the ruling elite were not capable of “providing the lower levels of the gigantic ruling *apparatus* with the same privileges.”<sup>392</sup> Clean-up was impossible because that would entail “the total and constant purging of the ruling *apparatus* throughout the country” that would destabilize the *apparatus* itself.<sup>393</sup> Gurov reports, based on Soviet Interior Ministry statistics, that in 1976, 986 cases of state asset looting were reported and the figure increased to 13,314 cases in the period of 1983-87.<sup>394</sup>

These corrupt networks acted very flexibly during the post-Soviet transition. Los and Zybertowicz showed, regarding the example of Poland in their seminal work *Privatizing the Police-State*, how the Soviet nomenklatura has preserved power through initially trading their political capital for economic gains and then using these gains to recapture political power.<sup>395</sup> The Soviet *nomenklatura* managed to keep its power in the post-Communist period in most countries, and where it failed to do so immediately after the break-up of the Soviet Union, it returned to power after a short interval, as happened in Georgia after the ouster of Zviad Gamsakhurdia, former dissident and democratically elected President.

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<sup>388</sup> Varese (2002, pp. 173-207).

<sup>389</sup> Simis (1982, p. 18).

<sup>390</sup> Ibid., p. 19.

<sup>391</sup> Ibid., p. 36.

<sup>392</sup> Ibid., p. 46.

<sup>393</sup> Ibid., p. 58.

<sup>394</sup> Gurov (1995, p. 25).

<sup>395</sup> Los and Zybertowicz (2000, p. 20).



The Communist *nomenklatura* successfully gained a crucial stake in the economies of the former Soviet Union republics through privatization during the transition to a market economy. The most lucrative sectors of the economy, such as major factories and plants, fell into the hands of former Communist elites and individuals related to them through friendship or kinship ties. These people then became the core of the “new” political elite of the newly independent states. As one scholar argues, former *apparatchiks* became new *entrepreneurchiks*.<sup>396</sup> The party members were soon catapulted with relative ease from “politburos into boardrooms of many companies.”<sup>397</sup> The *nomenklatura* attained a new role as property holders with their private property rights guaranteed by the state, something they could never have hoped to achieve under Communism.<sup>398</sup> These shadow economic elites have been frequently referred as *red directors* or *tsekhaviki* and *deltsi*.<sup>399</sup>

Some even argue that the Soviet elite/Communist party never lost their predominant influence in the underworld.<sup>400</sup> The black economy did not operate independently from the state apparatus: state officials retained control over enforcement agencies as well as production.<sup>401</sup> The Soviet *nomenklatura* has been left with administrative control of most of the assets of Soviet power.<sup>402</sup> Glinkina argues that corrupt officials and *nomenklatura* representatives have become the key new owners during the post-Soviet transition.<sup>403</sup>

Not only did the *nomenklatura* networks hijack the process of privatization, but they also moved into the leadership of purely criminal gangs. Handelman estimates that 80 percent of the chiefs of small criminal groups in the mid-1990s were former deputy directors or administrators of factories and enterprises. Crime leaders were also former bureaucrats, industrial managers, procurators, or judges.<sup>404</sup>

The same applies to the networks by “old school” connections, such as former officers of the *militsia*, the Soviet police and the KGB (Soviet secret police). Many of the officers of these structures resigned after the break-up of the Soviet Union and moved into the newly emerging business of private security companies. Capitalizing on their strong ties with former colleagues still widely represented in law enforcement structures, these networks managed to get their share of the post-Soviet economy and gradually evolved into the main

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<sup>396</sup> Tarkowski (1990).

<sup>397</sup> Frydman, Murphy and Rapaczynski (1998, p. 43).

<sup>398</sup> Ibid., p. 44.

<sup>399</sup> Russian slang words denoting private entrepreneurs banned by Soviet law.

<sup>400</sup> Kelly, Schatzberg, Ryan (1995, p. 261).

<sup>401</sup> Varese (2002, p. 187).

<sup>402</sup> Handelman (1995, p. 7).

<sup>403</sup> Glinkina (1994).

<sup>404</sup> Handelman (1995, p. 57).

providers of protection, as discussed below. Louise Shelley argues that after the Soviet collapse, legitimate opportunities to participate in trade arose. But the import-export sector was often dominated by former and current KGB personnel who had developed ties overseas.<sup>405</sup>

The intermingling of politicians and businessmen, or *apparatchiks* and *entpreneurchiks*, created crucial ground for major organized criminal activity in post-Soviet Eurasia. Two parallel processes of political elites becoming businessmen and businessmen being co-opted into politics led to the confusion of public and private interests. Enterprises having direct (owned by) or indirect (being protected by, based on family/friendship or any other form of patron-client relationship) connections with powerful politicians were better off as they could secure the most lucrative government contracts and remain undisturbed by the tax collectors and law enforcement agencies.

The term oligarchs, which still holds negative connotations for many in post-Soviet countries, was first used in the early 1990s in relation to the emerging class of rich businessmen referred to as “New Russians,” “New Georgians,” or “New Kazakhs” depending on their country of origin. Oligarchy was first discussed in Plato’s *Republic* and Aristotle’s *Politics* and was defined as a form of government by a small group.<sup>406</sup> Puglisi’s modern definition of oligarchs is “powerful economic actors who interact with political institutions to pursue their own narrow interests.”<sup>407</sup> These actors in post-Soviet context are the archetypical descendents of Robber Barons in the United States, oligarchs being described by DeLong as:

Those lucky enough to be in the right place at the right time, driven and smart enough to see particular economic opportunities and seize them, foresighted enough to have gathered a large share of the equity of a highly-profitable enterprise into their hands, and well-connected enough to fend off political attempts to curb their wealth (or well-connected enough to make political favours the foundation of their wealth).<sup>408</sup>

Some of the practices used by the oligarchs to control resources have been based on conflicts of interest at the very least or were outright illegal, such as loans-for-shares.<sup>409</sup> Guriev and Rachinsky divide oligarchs in two categories. First, older oligarchs usually have a background in the nomenklatura and were either working as managers of state enterprises or as the representatives of government supervisory structures for these enterprises. Second, the

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<sup>405</sup> Shelley (2003, p. 204).

<sup>406</sup> Guriev and Rachinsky (2005, p. 132).

<sup>407</sup> Puglisi (2003, p. 101).

<sup>408</sup> DeLong, Bradford (1998).

<sup>409</sup> For more on Russian privatisation see Black, Bernard, Kraakman, Reinier and Tarassova (2000, pp. 1731-1808); Lieberman and Veimetra (1996, pp. 737-768).

younger oligarchs are entrepreneurs who started from scratch in the late 1980s taking advantage of “the co-existence of regulated and quasi-market prices” and then investing this money in industrial enterprises.<sup>410</sup> The relationship between oligarchs and the state shows different patterns across different countries. In Russia, the oligarchic business-dominated system of Yeltsin has been changed by Vladimir Putin’s bureaucrat-dominated political system.<sup>411</sup> In Kazakhstan, like other Central Asian countries, the control of large capital was more personalized<sup>412</sup> and has always been under the strict control of the Nazarbayev ruling family and Nursultan Nazarbayev himself.<sup>413</sup> In the countries lacking a large base of natural resources or industrial production, like Georgia or Kyrgyzstan, large capital has always been closely intertwined with politics, controlled by informal networks of individuals from the ruling regime or closely related to it. In Ukraine it is more difficult to discern the clear patterns of the oligarch-state relationship since the distinction is frequently lost. If in the immediate aftermath of the Soviet breakup politics was used to get money, now the trend is changing, and the money is used to influence politics instead. Even now, the legislatures of a number of post-Soviet countries are dominated by wealthy businessmen.

Roughly seventy to eighty percent of the members of the Kyrgyz parliament elected in 2005 had their own businesses.<sup>414</sup> Despite debates in the Kyrgyz Parliament, the draft laws on financial disclosure and conflict of interest have never been passed.<sup>415</sup> Interestingly enough, a research group from the Geneva Graduate Institute of International Studies found that the respondents in Kyrgyzstan did not always differentiate between criminals and businesspeople.<sup>416</sup>

The Georgian parliament that was elected in May 2008 contains a number of wealthy businesspersons. In a 2001 study of the Ukrainian Rada (legislature), Kalman found that 350 of the 450 Rada deputies have some kind of economic interest in over 700 Ukrainian businesses.<sup>417</sup> Three-hundred of the Rada deputies were dollar millionaires,<sup>418</sup> and more than half of Ukraine’s richest men have been or are now active in politics<sup>419</sup> and the rest are indirectly involved supporting various political groupings. Some oligarchs switch from party

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<sup>410</sup> Guriev and Rachinsky (2005, pp. 138-139).

<sup>411</sup> Ibid., p. 147.

<sup>412</sup> Glaesera, Scheinkmanb, Shleifer (2003, p. 213).

<sup>413</sup> Freedom House (1999, p. 257); Collins (2004).

<sup>414</sup> Interviews with K1, K4, K5, K9, K10, K18, K23 March-May 2007, Bishkek, Kyrgyzstan.

<sup>415</sup> Gleason (2003, p. 73).

<sup>416</sup> MacFarlane and Torjesen (2007, pp. 41-42).

<sup>417</sup> Kalman quoted in Williams and Picarelli (2002).

<sup>418</sup> Wilson (2005, p. 149).

<sup>419</sup> Kiev Post (2006b).

to party depending on who is in power, for instance Vasyl Khmelnytsky and Andryi Ivanov. In general, almost all Ukrainian oligarchs have earned their fortunes through various semi-legal or illegal activities, such as commodity trading that involved several elements of fraud and rent seeking, or skimming. As Humphrey argues, the “inviolability of deputies” protections led to the “deputies’ roof” (*krysha*) for crime.<sup>420</sup> This usually involved such activities as non-payment of taxes, extracting discounts on barter deals, acquiring illegal monopolies through shady transactions, or extensive lobbying.<sup>421</sup>

Two opposing views are discussed in organized crime literature on the implications of oligarchic control of capital for rule of law and property rights. On the one hand, the oligarchs, as private owners, should be interested in the establishment of private property rights and contract enforcement. On the other hand, given the immaturity of the political system the incentive to use political influence for redistribution from other economic agents is great.<sup>422</sup> The latter process, referred to as King John redistribution, involves the reverse of “Robin Hood” redistribution by taking from the “have nots” and giving to the “haves” through subverting legal, political and regulatory institutions. This process works in favour of the “haves” through political contributions, bribes, or just deployments of legal and political resources to get their way.<sup>423</sup> Thus this amounts to state capture by wealthy businessmen. In these cases, I am convinced that wealthy businessmen favour the establishment of the rule of law and private property only to the extent that it remains ineffective enough not to counteract their interests. The interest of oligarchs would be in lowering their own costs for safeguarding their businesses through more efficient law enforcement structures, while at the time leaving law enforcement open to outside interference and vulnerable to manipulation by powerful informal networks. In this case, the interests of organized crime groups coincide with the interests of oligarchic business groups.

#### 4.Criminal networks in Georgia, Ukraine and Kyrgyzstan

Blood kinship relationships such as tribalism, family relationships, and close friendship, survived the Soviet “modernization project” and emerged as the most powerful social bonds in informal networks in the post-Soviet period. After all, the Soviet system of governance was also based on similar patron-client relationships. As Fairbanks argues, Stalinist cadre

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<sup>420</sup> Humphrey (2002, p. 123).

<sup>421</sup> Aslund and McFaul (2006, p. 10).

<sup>422</sup> Hoff and Stiglitz (2004, pp. 753-763); Guriev and Rachinsky (2005, p. 146).

<sup>423</sup> Glaesera, Scheinkmanb, Shleifer (2003, p. 210).

politics had promoted groups based on primordial ties and made them a flexible instrument.<sup>424</sup> After the breakdown of the Soviet system these informal networks pursued private ends, often through illicit means.

Several main factors or connecting nodes have played a role in the formation of crime groups with links to the underworld. Organized crime groups in Central Asia and the Caucasus are more based in extended family and blood kinship identities (tribes in Kyrgyzstan, or sub-ethnic groups such as Svanetian or Mingrelian in Georgia), while in Ukraine the key determining factor for forging links is regionalism and material interest.

In Kyrgyzstan blood kinship based on tribal allegiance, ethnic origin and regionalism predominate. Tribes are defined as an “imagined community of people who construct relatedness not only through charted biological links, but also through memories attached to shared ancestors and their relation to history.”<sup>425</sup> The boundaries of the tribes may sometimes coincide with villages, towns and regions.<sup>426</sup> Organized crime groups are frequently based either in the North or the South of the country. The representative of Saribagish tribe’s elite explained to a local academic that it was important to promote Rysbek Akmatvayev because he is also from the same tribe and this would serve the tribe’s interest once Akaev fled and Saribagish was no longer represented in the government.<sup>427</sup>

The importance of the North-South divide in Kyrgyz organized crime groups is not clear, mainly because many criminal relationships are initiated in prison and certainly the inmates are not divided according to the regions they come from. Ethnic origin plays a limited role, as well, but is not decisive: for instance in Bayman Erkinbaev’s grouping, the lawyer was Russian and financial director-Uzbek. There are Chechen criminal groups in the North<sup>428</sup> and Uzbek in the South. Uighur crime groups were active in the late 1990s. Also the group had many Tajiks because Bayman was involved in drugs trafficking from Tajikistan, but these were supervised by Bayman’s close relatives because they were not trusted fully.<sup>429</sup> Certainly the general liberal environment in Kyrgyz state in 1990s and its perception abroad as the freest state in Central Asia invited the criminals of different backgrounds and origin to get involved.

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<sup>424</sup> Fairbanks (1983, p. 374).

<sup>425</sup> Gullette (2006, p. 5).

<sup>426</sup> Jones Luong (2002, p. 78).

<sup>427</sup> Interview with Alexander Zelichenko, April 17, 2007, Bishkek, Kyrgyzstan.

<sup>428</sup> Numbers roughly 200 individuals according to Kairat Osmanaliev, former police officer and freelance crime reporter, March 27, 2007, Bishkek, Kyrgyzstan.

<sup>429</sup> Interview with local observer, May 30, 2007, Osh, Kyrgyzstan.

According to the majority of respondents in Kyrgyzstan, the determining connecting node is *zemliachestvo*, meaning the formation of illegal networks by people from the same village or town. Collins defines *zemliachestvo* as “localism,” the patronage of one’s family, kin and close friends from one’s birthplace (i.e. one’s clan).<sup>430</sup> Roy argued that *zemliachestvo* was the dominant principle for government appointments in Central Asia.<sup>431</sup> Certainly, the infamous criminal leader from the Issyk-kul region, Rysbek Akmatvaev, was protected by the Minister of Internal Affairs, his cousin from the same tribe.<sup>432</sup> Likewise Almaz Bokushev, the leader of the Karabaltinskaya group is also linked with another former Minister of the Interior who is now in political opposition to President Bakiev, and his brother was a member of the Jogorku Kenesh (Kyrgyz Parliament) from the Karabalta region.<sup>433</sup> However, it can be argued that tribalism only provides a context for the formation of criminal networks and ultimately it is material interest that keeps the networks together. For instance, many members of the Jogorku Kenesh maintain paramilitary groups of sportsmen under the cover of sports clubs, in case they need them to advance their own political goals. However, all these sportsmen are chiefly on the payroll of the deputies regardless of the presence or absence of relative links.<sup>434</sup> The significance of material interest is also illustrated by several incidents of a split between close relatives, who were fellow collaborators in crime groups, due to a disagreement over the division of spoils.<sup>435</sup>

There are only two known *vory* in Kyrgyzstan: ethnic Chechen criminal leader Aziz Batukaev<sup>436</sup> (although his title of *vor* is contested) and Kamchy Kolbaev. Other criminal figures are considered *avtoritety* by the Kyrgyz media and police.<sup>437</sup> In contrast Georgia, a small nation that comprised 2 percent of the Soviet population, contributed 31.6 percent of the professional criminals, compared to Russian contribution at 33.1 percent.<sup>438</sup> The various reasons will be discussed below. Like in the Kyrgyz case, Georgians are likely to derive support from and engage in crime with blood relations or lifelong friends rather than an

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<sup>430</sup> Collins (2006, p. 104).

<sup>431</sup> Roy (2000).

<sup>432</sup> Interview with Kyrgyz experts, March-May 2007, Bishkek, Kyrgyzstan. The possible link is also discussed in Delo No (2006).

<sup>433</sup> This is widely known in the Karabalta region and is also corroborated by several respondents; also see Komsomolskaia Pravda (2006).

<sup>434</sup> On the use of paramilitary groups of sportsmen for political purposes, see Marat (2007) and the Weekly Bulletins of the Foundation for Tolerance International (Issue 15, 2005, and Issue 71, 2007).

<sup>435</sup> Kuehnast and Dudwick (2002, p. 66).

<sup>436</sup> He was born and raised in Kyrgyzstan.

<sup>437</sup> Among the general public there is confusion between *avtoriteti* and *vory*.

<sup>438</sup> Serio and Razinkin (1995, p. 77).

unrelated criminal brotherhood.<sup>439</sup> The importance of “godparenthood” in Georgia contrasts with the dominant modes in Kyrgyzstan or Ukraine but is similar to Sicily.<sup>440</sup> Godparenthood relationships are closely related with friendship because it is usually close friends who baptize each other’s children. Because religion is very strong in Georgia, some say that the godparenthood link “reaches the seventh generation,”<sup>441</sup> and friendship coupled with godparenthood links is even closer than blood kinship or friendship alone. Godparenthood plays a major role in informal power networks and is often employed to strengthen the already existing links. The child of the late Prime Minister Zurab Zhvania was christened by the former State Minister (under Shevardnadze) Niko Lekishvili. The latter also christened a child of Mr. Tedo Isakadze, former Deputy State Minister. Mr. Zhvania’s wife christened a child of President Mikheil Saakashvili.

The infamous paramilitary criminal group “Mkhedrioni,” (The Horsemen) operating in the early 1990s, was formed on the basis of various district *brotherhoods*, composed of childhood friends from the same districts/suburbs, such as the *Borotebi* brotherhoods of Vake district in Tbilisi, or rival criminal gangs *Kulinarielebi* and *Iosebidgelebi* from the capital’s Saburtalo district. Ethnic and sub-ethnic identities are also important, as seen in the Svanetian and Mingrelian criminal groups.<sup>442</sup> Nodia notes that patronage networks, in line with general civic identity, are created on the regional principle,<sup>443</sup> while other researchers note the importance of common economic interests and point out that blood ties may bind clans and networks, or not.<sup>444</sup> According to Aves, networks are based on family or regional affiliation, as well as groups of mostly male friends who follow unwritten codes of honour that all Georgians, regardless of class or education, feel it shameful to breach.<sup>445</sup> These patterns have been perpetuated.

Thus, in Georgia and Kyrgyzstan, criminal networks are built on mixed ties ranging from blood kinship, such as tribal and family allegiance, and the loyalty of friendship, all the way to business exchanges of favours and money. On the contrary, in Ukraine, material interest unites crime groups that are largely “pragmatic coalitions of convenience”<sup>446</sup> organized on the basis of regional political-economic networks, and especially “old school”

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<sup>439</sup> Ibid.

<sup>440</sup> For the importance of the godparenthood relationship in Sicilian mafia networks see Ianni and Reuss-Ianni (1972, pp. 19, 123).

<sup>441</sup> The seventh generation ideal rarely works in practice.

<sup>442</sup> Shelley (2007a, p. 56).

<sup>443</sup> Darchiashvili, Nodia (2003, p. 20).

<sup>444</sup> See for instance Stefes (2006, p. 93).

<sup>445</sup> Aves (1991, pp. 6-7).

<sup>446</sup> Rutland (2001, p. 18).

ties from former work places. The blood kinship networks are more important in rural areas of Ukraine<sup>447</sup> and therefore less important for organized crime, which in Ukraine is an urban phenomenon. The East-West divide in organized crime is founded on regional political-business networks.

In Ukraine, criminals penetrate legal businesses, such as restaurants, casinos, gambling organizations, discos and the like. These are the sectors traditionally used for laundering money from illicit activities, such as drug trafficking.<sup>448</sup> In Ukraine, unlike Georgia and Kyrgyzstan, the main flow of illicit funds originates not in the criminal sector of trafficking in drugs, arms or humans, but rather in the “grey” shadow economy, consisting of financial fraud, shady privatization, or tax evasion.<sup>449</sup> This is due to the strategy of organized crime groups to benefit from lax supervision of economic reforms and privatisation in the early 1990s.<sup>450</sup>

In Ukraine, like the rest of the Soviet Union, sportsmen, often from the martial arts and some former inmates, emerged as the first criminal gangs engaged in the protection racket and control over retail markets. Infamous racketeers in Kiev, such as *Kupets*<sup>451</sup> and *Avdish*, had backgrounds in sports. Violent confrontations eliminated many of these criminals; survivors forged links with the upperworld. Unlike Georgia, the racketeer gangs did not submit to professional criminals and were not loyal to the code of *vory*.

The *vory* were trying to exert some influence over the underworld and were mainly competing in illicit markets with the rest of the criminal groupings. In the mid-1990s, a clash arose between traditional “*vory*” criminals and new “criminal entrepreneurs” who were related to and protected by former *nomenklatura* networks, special services and police, with the “criminal entrepreneurs” prevailing. Most of the “*vory*” in Donetsk were assassinated in the 1990s in these turf wars,<sup>452</sup> and others nationwide were imprisoned or killed. Some who survived the turf wars “legalized.” Now the Ministry of Interior estimates that Ukraine hosts around 17 thieves-in-law. Crime groups developed corrupting and collusive relationships with law enforcement officials or politicians nationwide and throughout the government. Beginning in the Soviet period, 60 percent of organized crime groups had established links with corrupt government officials as of the late 1990s, mainly through co-optation by means

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<sup>447</sup> Williams and Round (2007, p. 434).

<sup>448</sup> *Organizovanna zlochinosts v Ukraini ta krainakhevropi* (2006, p. 10).

<sup>449</sup> *Corporativ.info* (2007).

<sup>450</sup> Kalman (2004, p. 92).

<sup>451</sup> He survived and controls one of the banks now, according to local respondents.

<sup>452</sup> See for instance Kuzin (2006).



of bribery.<sup>453</sup> Ukrainian organized crime groups spend 50 percent of their illicit incomes for bribing government officials.<sup>454</sup> By comparison Galeotti estimated that the Russian mafia invests 30 percent of their funds in government “roofs.”<sup>455</sup> This suggests stronger links between underworld and upperworld in Ukraine.

Over time police officials, criminals and politicians collaborate more closely, co-owning stakes in joint businesses. As a result of collusion, criminal cases against criminal figures are rarely raised, or never reach the court. In 2000, 90 percent of commercial structures had corruptive relationships with government officials.<sup>456</sup> The survey by the Ukrainian Academy of Sciences found that the perceived influence of “mafia and organized crime” increased from 33.9 percent in 1994 to 43.9 percent in 1999. This perception changes depending on who is in power and was at one of its lowest points during the first half of 2005, at 30.7 percent. During Yanukovych’s premiership it hit 40.2 percent.<sup>457</sup>

In Georgia, infamous for its large contribution to the world of Soviet organized crime, *vory v zakone* took the lead. There was no similar presence of professional criminals in Ukraine and Kyrgyzstan, though sportsmen emerged as the main criminal actors. While the *vory* were well established in Georgia, newly emerged criminals in the other countries were less adherent to the *vory*’s codes and traditions. Because, among other reasons, the *vory*’s code was weakly enforced in the two other countries, sportsmen took the criminal initiative by capitalizing on their physical strength. Other individuals also enjoyed criminal successes that would not be permitted under the *vory*’s code.

This leads to another distinction between Georgian and Ukrainian/Kyrgyz organized crime. Georgian thieves-in-law mainly were trying to infiltrate the politics from the beginning, meaning the break-up of the Soviet Union. We recall that a “vor” became the Georgian president’s deputy in the early 1990s. However, Ukrainian and Kyrgyz criminals initially relied on physical intimidation since their main activity was racketeering, and they gradually developed political connections. Furthermore, in Georgia most of the sportsmen have been co-opted by the government with law enforcement jobs, while in Kyrgyzstan and Ukraine, sportsmen work as bodyguards of politicians or entrepreneurs more often than in law enforcement.

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<sup>453</sup> Kamlik, Gega, Viletskyi (2000, pp. 23-24).

<sup>454</sup> Kalman (2003, p. 152).

<sup>455</sup> Galeotti (1998, pp. 424-425).

<sup>456</sup> Ibid.

<sup>457</sup> Kuzio (2005d, p. 358).

The intricate question of why Georgia, which made up only 2 percent of the Soviet Union's population, contributed 31 percent of the overall number of professional criminals, remains largely unanswered in the literature, and an interdisciplinary approach is needed, taking into account anthropological, economic and socio-cultural considerations. The ideas provided in this section are only tentative.

Much like outlaw peasant bands in Russia,<sup>458</sup> the predecessors of modern organized criminals in Georgia (as well as Ukraine and Kyrgyzstan) arose in political resistance and social protest movements against first, the local feudal system and afterwards, Russian imperial rule. These movements became indistinguishable from criminal activity, and include *Basmachestvo* in Kyrgyzstan, *Banderovtsi* in Ukraine and *Abragi* in Georgia.

*Abragi* in Georgia were similar to freewheeling bandits in Chechnya, as described by Galeotti.<sup>459</sup> The resistance to colonialism coupled with the opportunities provided by organized crime turned many of the “freedom fighters” into outlaws. Originally, the *abragi* were defined as “partisans who live in the mountains and fight the king's dominion.”<sup>460</sup> After the Russian empire came to the South Caucasus, *abragi* denoted those resisting the Russians. These circumstances cultivated romanticism towards criminality, which then served as the basis for similar attitudes toward the thieves-in-law. One of the most celebrated pieces in contemporary Georgian literature is the book *Data Tutashkhia* by Chabua Amirejibi, which paints a heroic image of a Georgian peasant outlaw fighting Russian imperial injustice.

Hobsbawn coined the term “social bandits” which is relevant to post-Soviet Eurasia. Social bandits are “bringers of justice and social equity” who are considered by their people as heroes and avengers, worthy of admiration and support.<sup>461</sup> The romanticized view of the criminals and their social status means that, by contrast to most Western countries, criminals do not evoke social discouragement. Criminals in all three countries are involved in providing welfare for local communities through orphanages and schools, building mosques/churches and supporting regional sports events. All of these charity activities carry positive social significance which secures public support,<sup>462</sup> but also open the criminals to political use.

In Kyrgyzstan, local “Robin Hoods” usually address problems that are considered as high priority issues by the local residents. For instance they have been building bridges in

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<sup>458</sup> Handelman (1995, p. 31).

<sup>459</sup> Galeotti (2005, p. 56).

<sup>460</sup> Provasi (1998).

<sup>461</sup> Hobsbawn (1969, pp. 13, 35).

<sup>462</sup> Marat (2006, p. 72).

Osh.<sup>463</sup> Kyrgyzstan shows a trend, initiated by crime boss Erkinbaev, of opening sports complexes intended for training high school age young men in martial arts. Schools and training centres are used for recruiting younger members to criminal groups. At least two members of parliament in the south with alleged links to organized crime run sport centres for this purpose.<sup>464</sup>

Returning to Georgia, resistance to colonialism and the political and cultural clash between Georgia and Russia can partially account for the vast representation of Georgians in the Soviet underground economy<sup>465</sup> and organized crime.

Like in Sicily, in Georgia there is a distrust of government and governmental power due to the history of frequent invasions. Under these conditions a survivalist culture developed of reliance on family and communal ties as resources for sustaining life.<sup>466</sup> Here, professional criminals could be viewed as rational actors who use criminality as an alternative channel of social and economic mobility. The adoption of the egalitarian “vory’s code,” would allow them to circumvent the outnumbering Slavs and get access to scarce resources. One of the key rules of vory, the one banning cooperation with authorities, also fits with Georgian traditional mistrust of state institutions.

Gurov argues that initially, *vory* were mainly of Slavic origin with few from Central Asia, Georgia or the Baltics.<sup>467</sup> When the vory first emerged, Georgian presence was minimal but then mushroomed afterwards, largely, according to the Russian language literature, due to the sale of vory titles. Gurov argues that the cases of paid entry into the vory grew since the mid-80s.<sup>468</sup> According to Serio and Razinkin, for enough money, Georgians could avoid prison time and, even at a very young age, be counted among the *vory*. Kuchynskyi reports that the first *vory* who started to sell their titles or commercialize the *vory* institution were criminals from the Caucasus.<sup>469</sup> The title also brought with it status, influence and money. Ethnic differences did not play a major role in the Soviet underworld and the vory cooperated across ethnic, cultural and religious divides. However, Slavic and Caucasian factions of vory clashed over areas of influence.

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<sup>463</sup> Interview with local observer, May 30, 2007, Osh, Kyrgyzstan.

<sup>464</sup> Interview with a journalist, Osh, Kyrgyzstan, 30 May 30, 2007; also, see Weekly Bulletins of Foundation for Tolerance International, (Issue 15, 2005 and Issue 71, 2007).

<sup>465</sup> Sampson (1988, p. 150).

<sup>466</sup> Albini, Rogers, Shabalin, Kutushev, Moiseev, Anderson (1995, p. 222).

<sup>467</sup> Gurov (1995, p. 113).

<sup>468</sup> Gurov quoted in Varese (2001, p. 168).

<sup>469</sup> Kuchynskyi (1997, p. 114).

This sort of conflict became especially tense closer to the breakup of Soviet Union when *glasnost* and *perestroika* showed the failings of proletarian internationalism, prompting the strengthening of ethno-national movements, especially in the Caucasus and the Baltics. The fight to divide resource between different ethnic-based groups intensified as *vory* trusted their own “kind.” This led to Slavic *vory*’s asking the prison populations to oppose professional criminals from other countries, especially Georgia, “give back glory to the Russian *vor*.”<sup>470</sup> The conflict has since only intensified.<sup>471</sup>

Certainly Georgian criminals were trying to expand their influence and for this reason, they accepted many newcomers, giving them the title of *vor* in exchange for their continued loyalty and support against Slavic competitors.

The flourishing second economy in Georgia helped the professional criminals to achieve success. While Soviet official statistics indicated that Georgia and Armenia were below the Soviet national average in living standards, the republics were actually much better off relative to other republics because of the shadow economy.<sup>472</sup> The major centres of underground entrepreneurship were Moscow, Odessa, Riga and Tbilisi and many shadow entrepreneurs were Armenians, Georgians or Jews.<sup>473</sup> Georgia was distinctively notorious for its levels of graft, corruption and bribery.<sup>474</sup> 180,000 people were tried for the abuse of office and looting of state-owned property in Georgia between 1958 and 1972.<sup>475</sup> Despite the fact that between 1960 and 1971 Georgia’s national income grew by only 102 percent (the third lowest rate in the USSR) in 1970 the average Georgian savings account was nearly twice as large as the Soviet average.<sup>476</sup>

Wheatley thinks that many Georgians joined the Communist party for better career opportunities and access to Party resources.<sup>477</sup> While Georgia profited legally by trading citrus fruits and other agricultural goods with the rest of the Soviet Union, it also developed an extensive underground economy by siphoning off raw materials from the official economy.<sup>478</sup> Kim writes that Georgia had the largest shadow economy among all Soviet republics, followed by Uzbekistan, Kyrgyzstan, Turkmenistan and Azerbaijan. The Baltic

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<sup>470</sup> Ibid., p. 167.

<sup>471</sup> Interviews with officials of the Georgian Ministry of Internal Affairs, August 2006, Tbilisi, Georgia.

<sup>472</sup> Schroeder (1983, p. 474).

<sup>473</sup> Sampson (1988, p. 148).

<sup>474</sup> Clark (1993, p. 153).

<sup>475</sup> Gerber (1997) quoted in Christophe (2003, p. 197).

<sup>476</sup> Suny (1989, p. 304); Voslensky (1984, p. 138).

<sup>477</sup> Wheatley (2005, p. 35).

<sup>478</sup> Shelley (2007a, p. 52).

states featured least, and Moldova and Ukraine ranked in the middle.<sup>479</sup> So, the Georgian professional criminals were most powerful partially because they had extensive resources drawn from profits from the shadow economy.

By the same token, alliances between the nomenklatura and professional criminals had been formed in Georgia during Soviet times. Wheatley claims that the density of interactions between the political elite and the shadow economic elite and criminal underworld was particularly great in Georgia.<sup>480</sup> The collusion was already high during Mzhavanadze's (Chairman of the Georgian Soviet 1953-1972) rule when the ruling clique "dabbled in the black market, lived a grandiose life-style and had solid working relationships with the Mafiosi."<sup>481</sup> The bribery was so rampant that Babunashvili, a criminal millionaire, secured for himself the post of Minister of Light Industry.<sup>482</sup>

Eduard Shevardnadze, the First Secretary of the Georgian Communist party after Mzhavanadze and later President of Georgia, initiated an anti-corruption campaign, although as shown elsewhere in this thesis the fight was selective and did not yield long-term results. Later Shevardnadze admitted that he had been meeting with criminal gangs since the 1960s in order to ensure that their political demands would remain unmet, indicating the political ambitions of the criminals which has existed since the 1960s.<sup>483</sup> In general, the criminals had no ambition to penetrate the nomenklatura, but the members of nomenklatura were buying themselves advancements with criminals' money instead.<sup>484</sup> The links between party officials and criminals greatly facilitated the success of the latter.

Many professional criminals started to move to Russia as a consequence of Shevardnadze's crackdown. The side effect of this anti-criminal drive was the strengthening of Georgian crime groups in Russia and the establishment of strong links between Georgian and Russian criminals.<sup>485</sup> Crime and corruption did not abate at home, though, with Farnaoz Ananiashvili, a former Minister of Finances of the Georgian Soviet Socialist Republic and many others like him arrested over the years for bribery.<sup>486</sup>

The underground economy and political-criminal links help account for why Georgian professional criminals were the most powerful in the Soviet underground. In what

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<sup>479</sup> Kim (2003, p. 546).

<sup>480</sup> Wheatley (2005, p. 29).

<sup>481</sup> Clark (1993, p. 153).

<sup>482</sup> Simis (1982, p. 35).

<sup>483</sup> Katz (2006, pp. 60-61).

<sup>484</sup> Voslensky (1984, p. 192).

<sup>485</sup> Shelley (2007a, p. 53).

<sup>486</sup> Prosecutor's office of Georgia, briefing on Ananiashvili's court sentence.

follows I try to indicate a few cultural factors, while not presuming that they take the place of the extensive anthropological research required or drawing any definite conclusions. In an anthropological study Mars and Altman found that by virtue of permanently seeking peer approval and “use of goods in display and consumption” to that ends, Georgian was pushed to obtain resources which were practically non-existent in the Soviet formal economy, this providing the Georgian’s “underlying personal motivation.”<sup>487</sup> More cultural reasons should be considered here in explaining of why Georgians did well in criminal careers, because thieves-in-law are “an institutional design embedded in local culture.”<sup>488</sup> This quotation from one of my interviews with a former criminal is helpful:

The vory’s code is in the mind of a Georgian man. The unwritten rules of the thieves’ behaviour depicts the life of every normal person. That’s how every good and kind man should live.<sup>489</sup>

However, going into the details of cultural context is considered as beyond the scope of this study, as it would require extensive anthropological research. Hereby, I limit myself to pointing out several striking analogies between Georgia and Sicily, since Sicily’s contribution to Italian organized crime was as disproportional as that of Georgia to the Soviet underworld. As in Sicily where the rule of silence, *Omerta*, played an important role in the flourishing of Mafia networks, Georgians also are reluctant to betray relatives and comrades who commit crimes.<sup>490</sup> Similarly, the thieves’ code forbids giving any truthful testimony or informing on anybody, including enemies.<sup>491</sup> The code of “honourable men” or “men of honour” has crucial importance in both societies, in which family must be defended, respected and feared by the use of any means including illegitimate ones.<sup>492</sup>

Importantly, the notion of being *Mochaliche* is highly valued in Georgian society.<sup>493</sup> The word signifies someone who is apt, cunning and resilient and able to find the easiest way to achievement and acquiring material goods in circumvention of the formal rules, and indeed often outside legal and ethical norms. I think this overall mentality helped Georgians to operate in a Soviet system where private initiative was discouraged and thus ways of

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<sup>487</sup> Mars and Altman (1983, p. 549).

<sup>488</sup> Derluguian (1999, p. 3).

<sup>489</sup> Interview with former professional criminal, January 2009, Tbilisi, Georgia.

<sup>490</sup> Suny (1989, p. 306).

<sup>491</sup> Samoilov (1993, p. 36).

<sup>492</sup> Ianni and Reuss-Ianni (1972, p. 17).

<sup>493</sup> Kikabidze and Losaberidze (2000, p. 28).

achievement were limited. In Sicily, the concept of *furbo*<sup>494</sup> (smart, wily, astute and cunning according to Webster's dictionary)<sup>495</sup> is a good synonym of *mochaliche*.

Furthermore, Georgian culture accepts male aggression and sometimes even endorses it. Violence plays an immensely important role in the thieves' world, especially by the *vory*, to control prison populations.<sup>496</sup> In general Georgian criminals have shown "violence and absence of restraint against their enemies,"<sup>497</sup> an attribute essential to organized crime's development.

The popularity of *vory* in Georgia was once so high that more than 25 percent of school children surveyed in 1995 said they aspired to be *vory v zakone*.<sup>498</sup> Certainly the youngsters who were observing the lavish lives of *vory* and the level of respect they enjoyed in society desired similar rewards. This is not only a post-Soviet phenomenon. Wheatley observes that during Soviet times "in contrast to the perceived hypocrisy of those who joined the Komsomol and embraced an ideology they hated for personal gain, the criminal was seen as somehow more honest, more noble."<sup>499</sup>

The situation has been changing since the anti-organized crime efforts of the Saakashvili administration. The aspiration of youngsters to join organized crime has reportedly decreased, with the diminishing influence of professional criminals. However, one lasting impact of organized crime is linguistic: *vory* slang engulfed the prisons, then spread throughout the rest of society, and is now being used by all social classes.

Importantly, a general cultural note about our three target countries is that what is elsewhere branded as illegal and corrupt is there accepted as being part of normal friendship and solidarity.<sup>500</sup> There is a common belief in the slogan "everything can be bought and sold" in Ukraine.<sup>501</sup> In Georgian the term *pativistsema* literally means respect, frequently is used to denote giving a gift or paying certain amount of money in exchange for a favour done by close relative or friend. In Kyrgyzstan traditional solidarity such as *tooganchilik* means the obligation to help relatives and community members and which frequently provides access to power and resources for particular individuals.<sup>502</sup> In a similar vein, nepotism is considered by

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<sup>494</sup> Shelley (2007a, p. 54).

<sup>495</sup> Webster's Online dictionary, available online at <http://www.websters-dictionary-online.org/translation/Ladino/furbo>

<sup>496</sup> Samoilov (1993, pp. 32-58).

<sup>497</sup> Shelley (2007a, p. 55).

<sup>498</sup> Serio and Razinkin (1995, p. 76).

<sup>499</sup> Wheatley, "Group dynamics and institutional change in Georgia: a four-region comparison".

<sup>500</sup> See Huntington (1968, p. 60).

<sup>501</sup> Kalman (2004, p. 96).

<sup>502</sup> Temirkulov (2008, pp. 319-21).

some a moral duty in Georgia.<sup>503</sup> From the point of view of local communities there is nothing illicit or even unethical in this behaviour. This cultural relativist argument has significant implications on perceptions of corruption. Aprasidze observes:

If the owner of a stolen car goes to the police he obviously trusts the state institutions. If he prefers to deal with a criminal boss because this is absolutely acceptable in his society as the most efficient way to deal with problems, this means that this person and the society he lives in prefer informal structures.<sup>504</sup>

The perception of “normality” in standards for corruption and crime further blurs the boundaries between unofficial and informal on the one hand, and corrupt and illicit on the other. Traditional kin and friendship networks were a catalyzing factor in the establishment of political-criminal links in post-Soviet republics, especially the Caucasus and Central Asia. A 2000 corruption study in Kyrgyzstan showed that the general public endorsed as normal such practices as getting a job through blat (53%); using acquaintances or relatives for career advancement (51%); accepting gifts from the patients in case of doctors, and pupils in case of teachers (55%), thanking someone through a gift (71%); or paying for the drink of someone who helps solve problems (61%).<sup>505</sup> In Ukraine, 53 percent of the population sees corruption as an acceptable way to get things done.<sup>506</sup> Former Prime Minister Lazarenko said that corruption allegations were not considered as illegal in Ukraine since everything was sanctioned by President Kuchma.<sup>507</sup>

Much criminal activity is nonetheless described as illegal, and labelled as “mafia.” For instance in Kyrgyzstan many of the poor describe those who have money as “thieves, crooks, or cheats.”<sup>508</sup> Monopolies over certain businesses are described as “mafia” in many countries of former Soviet Union. During Soviet times the term Mafia referred to “occupationally specific corruption” (hotel, transportation or fishing mafia) that diverted goods from certain sectors of economy to grey or black market.<sup>509</sup>

#### 4.1. The Shadow economy in the three countries

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<sup>503</sup> Mars and Altman (1983, p. 555).

<sup>504</sup> Aprasidze (2004, p. 45).

<sup>505</sup> UNDP and the Center for the Study of Public Opinion and Forecasting (2000, pp. 17-18).

<sup>506</sup> Grossmann and Palyvoda (2009).

<sup>507</sup> Krushelnysky (2006, p. 126).

<sup>508</sup> Kuehnast and Dudwick (2002, p. 78).

<sup>509</sup> Naylor (2002, p. 38).



All three countries have a tradition of illicit activity and shadow economies. Georgia was a leader in this regard, having been one of the richest republics in the USSR, due to its hidden economy. Today's estimations of the current size of the shadow economy varies in each country from 40-80 percent of GDP, according to the methodology used; nonetheless, it may be safely argued that the shadow economies in all three have shrunk since the 1990s.<sup>510</sup>

In the former Soviet Union, the business environment was set up so that all businesses were implicated in illicit activity in small (minor bribes) or large (trade in illegal goods) ways.

These illicit habits persisted after the fall of the USSR. In 2000, every entrepreneur in Georgia was paying an average of 233 Georgian Lari (approx. 117 USD) per month in bribes to the authorities. Corruption accounted for around 9 percent of turnover and about half of an average company's profit.<sup>511</sup> According to 2003 reports, 73 percent of the tobacco market was in the shadows, and nearly every businessman involved in the cigarette industry traded illegally.<sup>512</sup> The Omega Tobacco case study is illustrative.

Two large companies dominated Georgian tobacco since the early 1990s. Both were using various informal protection structures to counteract each other. Kakha Targamadze was widely believed to be the *krysha* for Omega.<sup>513</sup> Omega was closely allied to Aslan Abashidze, the head of the Adjarian autonomous republic, and the company's owner and his wife were both members of parliament in Abashidze's *Agordzineba* political party. After the 2004 revolution, the company came under scrutiny from the new authorities. In the publishing house owned by the Omega group the police discovered machines used for counterfeiting excise stamps.<sup>514</sup> Double accounting books were being run in Omega, according to an inside informer. The first book registered all financial transactions for monitoring by the owners, and the second only reported part of the financial operations for official reporting to tax authorities. Illicit profits were hidden from the state and channelled to foreign banks, and reinvestments were made in the Georgian economy via offshore shell companies.<sup>515</sup>

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<sup>510</sup> See for instance UNDP (2006, p. 10); Machavariani (2007); Kyiv Post (2007).

<sup>511</sup> Economist Intelligence Unit (2000).

<sup>512</sup> Nogaideli quoted in Katz (2006, p. 188); Khvalindeli dge (2003).

<sup>513</sup> Akhali 7 Dghe (1999).

<sup>514</sup> Katz (2006, p. 257).

<sup>515</sup> The practice is not confined to Georgia. In Russia, analysts report similar behaviour of companies. See, for instance, Kryshchanovskaia (1996).

In most post-Soviet countries, tax rates have been so high that no businessman could pay them fully. These forced entrepreneurs to seek a “state roof” or protection of a state official, to avoid paying full taxes.<sup>516</sup> The great number of required official procedures increased the opportunities for public officials to profit from corruption and bribery, as well as temptations for businesses to “jump queues” through bribery.<sup>517</sup> According to the respondents in Kyrgyz businesses, the refusal to engage in corrupt practices results in poor business development (28%) or delays in business activity (13.6%).<sup>518</sup>

This excessive red tape, coupled with other variables, has frequently led to the shift of legal companies to illegal transactions, rather than the “legalization” of criminal capital. As Tulyakov observes, in Ukraine, legitimate business lacks general support, which pushes it into the shadows. Large businesses buy immunity and influence through bribery and winning legislative seats. Thus, they push out smaller firms to monopolize markets, and are invulnerable to law enforcement.<sup>519</sup>

In addition to these roof and bribery tendencies, *krysha*<sup>520</sup> has its origins in Soviet society, where access to scarce resources in a shortage economy was dependent on the “right connections.”<sup>521</sup> Translated from Russian, *krysha* signifies a “roof” or protection provided by one state or non-state individual or organization to another in the post-Soviet context, and is defined by Vadim Volkov as criminal or legal protection services provided to both protect the client physically and minimize their business risks.<sup>522</sup> Kryshas can be grouped into two broad categories: state (politicians) and non-state (crime groups). In Krysha relationships, a criminal group could protect a businessman, or a politician might protect a criminal group, in addition to many other variations according to geographical location (centre or periphery), level of bureaucracy (the position in the chain of leadership), and extent of sophistication (street gangs or mafia-like structures).

Kryshas differ from *blat*,<sup>523</sup> or everyday bribery, inasmuch as it entails a “structured mechanism of corruption”<sup>524</sup> or “gatekeeper extortion.”<sup>525</sup>

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<sup>516</sup> Wheatley (2005, p. 106).

<sup>517</sup> Buscaglia and Van Dijk (2003, p. 19).

<sup>518</sup> Ibid.

<sup>519</sup> Tulyakov (2004, p. 122).

<sup>520</sup> There are very few academic articles and books on the subject, to the extent that it can be argued that hardly any comprehensive work has yet been conducted. See for instance, Humphrey (1999, pp. 199-232); Shlapentokh (1996, pp. 393-411).

<sup>521</sup> See for instance, Humphrey (2002).

<sup>522</sup> Volkov (2001).

<sup>523</sup> On blat see Ledeneva (1998b).

<sup>524</sup> CSIS (1997).

<sup>525</sup> Shelley (2007b, pp. 41-61).

## Chapter 5. Rose, Orange and Tulip Revolutions

The Rose Revolution was the first of its kind in post-Soviet Eurasia. It bloodlessly toppled the ruling regime and brought to power mostly Western-educated “young reformers.” The protest following the rigged parliamentary elections on November 2, 2003 lasted for several weeks and resulted in the downfall of Eduard Shevardnadze, incumbent president, on November 23, 2003.

The Rose Revolution was followed by the Orange Revolution in Ukraine one year later. The stand-off in the Presidential election between Viktor Yushchenko, a young reformer, and Viktor Yanukovich, the nominee of the outgoing president Leonid Kuchma, ended up in massive public protest in the capital Kyiv, bringing together millions of Ukrainian citizens in a protest against perceived fraud and injustice. The rerun of the second round left Viktor Yushchenko victorious, with the old guard, at least temporarily, retreating into the shadows. Some experts suggested that the parallels of these two revolutions with the chaotic events of March 2005 in Kyrgyzstan are misplaced; however, the inspiration the Tulip Revolution drew from the Georgian and Ukrainian events shouldn’t be underestimated. Public protests following the rigged Parliamentary elections toppled the Askar Akaev regime, the only incumbent President among the three cases who was forced to leave the country and seek refuge in Russia.

In contrast to the common view of the revolutions, I suggest that these events lacked planning. The Tulip Revolution was a “pure coincidence” as several analysts referred to it.<sup>526</sup> Khamidov demonstrates that it resulted from “poorly coordinated events by an improvised alliance of informal elites” and lacked planning and cohesiveness within the opposition.<sup>527</sup>

The Rose Revolution started as a protest against the faked election results and the best concession the leaders offered was the repetition of parliamentary elections.<sup>528</sup> The stance of the opposition radicalized in the process and it requested Shevardnadze’s resignation, but with little hope. Opposition leaders were ready until the last moment for agreement with the authorities. Later, Zurab Zhvania said that before his resignation “Shevardnadze still had a chance to avoid the most dramatic scenario. People were not looking for a revolution.”<sup>529</sup> Similarly, in Ukraine, the negotiations that followed the rigged elections defined the outcome

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<sup>526</sup> Interviews with K1, K2, K12, K18, March - May 2007.

<sup>527</sup> Khamidov (2006, p. 87).

<sup>528</sup> Interview with G31, 3 August 2006, Tbilisi, Georgia.

<sup>529</sup> Interview with Zurab Zhvania in Karumidze and Wertsch (2005, p. 35).

of the protest. “There is little indication that initially the Orange camp had hoped for a change they achieved in the end,” said one Ukrainian analyst.<sup>530</sup>

The revolutions were regarded as the crucial stage of third wave democratization that could lead to consolidated democratic systems in these countries. However, results were mixed, and hopes were stunted.

### 1. United and fragmented oppositions

One of the most important variables in explaining post-revolutionary developments in criminality and corruption is the structure of opposition to the incumbent regimes of Shevardnadze, Kuchma and Akaev.

According to a January 2005 poll of the Kyrgyz elite, Bakiev was the most popular politician in the country.<sup>531</sup> However, in general, the political opposition challenging the Akaev regime was fragmented and lacked financial resources, because resources were controlled by Akaev’s close relatives. Moreover, the political opposition “consisted not of established parties or civil society groups, but of elites, lacking broad-based support, that had banded together for tactical reasons.”<sup>532</sup> Collins argues that “the protesters were a motley coalition of disparate factions and leaders... as well as clan, regional, ethnic and ideological factions that had not united previously... and that could not even agree on the colour and flower of their revolution.”<sup>533</sup> The newspaper *Independent* wrote “unlike Ukraine and Georgia where crowds rallied round and listened to influential opposition politicians, Kyrgyzstan’s demonstrators have no single leader, a fact that may make their behaviour more unpredictable.”<sup>534</sup> Some observers noted that “Bakiev himself was afraid of the crowds in central Bishkek and tried to find safe refuge.”<sup>535</sup>

The Saakashvili-Burjanadze-Jvania alliance in Georgia possessed significant political and financial resources to counteract the ruling regime. The direct financiers of Saakashvili included David Bezhuashvili a businessman in the natural gas trade and brother of the then-Deputy Defence Minister; Kote Kemularia, a former law enforcement official and

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<sup>530</sup> Interview with U16, 10 November 2007, Kyiv, Ukraine.

<sup>531</sup> Poll results quoted in Nichol (2005).

<sup>532</sup> Radnitz (2006, p. 133).

<sup>533</sup> Collins (2006, p. 347).

<sup>534</sup> The Independent (2005).

<sup>535</sup> Marat (2006b, p. 90).

businessman involved with the sometimes semi-illicit “disabled individuals” associations.<sup>536</sup> Another supporter was the Silk Road Group, a company owned by former members of the crime lords Mkhedrioni, with close links to Nika Rurua, a long-time personal friend and associate of Saakashvili. Burjanadze and Jvania also had significant funders. Anzor Burjanadze, Nino Burjanadze’s father, dubbed the “Georgian Bread King,”<sup>537</sup> was a wealthy former Chairman of the State Bread Corporation and allegedly a close friend of Eduard Shevardnadze.<sup>538</sup> Another Burjanadze/Jvania funder, David Salaridze, was a former ombudsman of Georgia and high ranking tax official who allegedly enriched himself through bribe-taking. Finally, it is likely both the National movement and the Burjanadze-Jvania alliance benefited from hidden contributions, for instance from wealthy businessman Badri Patarkatsishvili, who financed all major parties to safeguard his business interests in case of a changing political environment.<sup>539</sup>

Notably, one of the key channels of funding was not business or criminal, but reportedly international aid. Over the late 1990s and early 2000s thanks to their image as young, reformist, leaders of the progressive elites, both Saakashvili and Zhvania emerged as the main allies of civil society stakeholders in the Shevardnadze administration. Many influential NGOs had very close ties with the two, shown in the fact that many civil society leaders assumed government positions after the revolution.<sup>540</sup> Undoubtedly, the Kmara movement, funded by the Soros foundation,<sup>541</sup> made a great contribution toward the final demise of the Shevardnadze regime.

Additionally, despite reported controversies and diverging views the three leaders of the revolution, Mikheil Saakashvili, Zurab Zhvania and Nino Burjanadze, united after the election.<sup>542</sup> The youthful opposition leader Mikheil Saakashvili’s ability to deliver fervent speeches, his deliberation and decisiveness and his weak loyalty to the *ancien regime* made him the best candidate to be the “revolutionary leader.”

In Ukraine, Viktor Yushchenko already had a well-established power base. His political party, “Our Ukraine,” got more than a quarter of the popular vote in the 2002 parliamentary elections. This success made him a focal point of the United Front, although he

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<sup>536</sup> These associations were exempt from paying taxes and custom duties, and therefore developed into business structures with controversial and sometimes illegal activities.

<sup>537</sup> Katz (2006, p. 121).

<sup>538</sup> Allegedly, Anzor Burjanadze was best man at the wedding of President Shevardnadze.

<sup>539</sup> Stefes (2006, p. 132).

<sup>540</sup> Author’s personal communication with G10, 14 January 2009, Tbilisi, Georgia.

<sup>541</sup> Just before the revolution an official from the Chamber of Control mentioned to the author that the Kmara movement received 4 million USD from the Soros Foundation.

<sup>542</sup> Chikhladze and Chikhladze (2005, p. 4).

was less charismatic than Saakashvili or his key ally in the revolution, wealthy gas trading oligarch and politician Yulia Tymoshenko. Tymoshenko did not run independently and backed Yushchenko, a move that greatly strengthened the united opposition front against Kuchma.<sup>543</sup> Several major businessmen joined Yushchenko's political party in 2002 and did not defect despite pressure from the authorities, among them confectionary magnate Petro Poroshenko; trucking company owner Yevhen Chervonenko; David Zhvanya; and Mikola Martynenko.<sup>544</sup> The resources of these businesspeople and Tymoshenko aided the opposition.

Importantly, changes in Ukraine came from the bottom<sup>545</sup> and the grassroots element meant that mobilization was funded by the protesters themselves. For instance, in the first two days of the Maidan protest alone, donations by Kyivians totalled 1 million Ukrainian hryvnas (roughly 200,000 USD).<sup>546</sup> The Ukrainian community abroad contributed USD 4 million.<sup>547</sup> These figures are nothing compared to the overall USD 150 million spent on the Yushchenko campaign and accompanying public protests.<sup>548</sup> This figure greatly surpassed funds spent in Georgia or Kyrgyzstan. This leads to the next very important variable, the extent to which organized criminals were involved in the revolutions.

## 2. The role of organized crime groups in the revolutions

Civil society groups participated in all three revolutions in various degrees. The youth movements "Pora" in Ukraine and "Kmara" in Georgia were especially significant,<sup>549</sup> while a similar movement in Kyrgyzstan, "Kelkel," was established just weeks before the Tulip Revolution, had only 300 members,<sup>550</sup> and played a more limited role.<sup>551</sup> By comparison, Georgia's Kmara had at least 3,000 activists<sup>552</sup> in a country with roughly the same population as Kyrgyzstan. Ukraine's Pora numbered 10,000 activists by 2004.<sup>553</sup>

As Akaev "was not overthrown by the mobilization of civil society,"<sup>554</sup> the revolutionary process was hijacked by various groups of "uncivil society"<sup>555</sup> that included organized crime

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<sup>543</sup> Aslund and McFaul (2006, p. 173).

<sup>544</sup> Ibid., p. 19.

<sup>545</sup> Polese (2009).

<sup>546</sup> Sylina, Rakhmanin, Dmytrycheva (2004, p. 525).

<sup>547</sup> Himka (2005, p. 115).

<sup>548</sup> This figure has been reported by D. Zhvanya, the former so-called "cashier" of Our Ukraine quoted in Zerkalo Nedeli (February 5-11, 2005)

<sup>549</sup> Lavery (2008).

<sup>550</sup> Khamidov (2006).

<sup>551</sup> Author's interview with K2, 22 March 2007, Bishkek, Kyrgyzstan.

<sup>552</sup> Corso (2008).

<sup>553</sup> van Zon (2005, p. 19).

<sup>554</sup> Tudoroiu (2007, p. 334).

groups. Despite the relative strength of civil society in Kyrgyzstan compared to its Central Asian neighbours, organized crime proved to be even more powerful and took the lead in the revolutionary process. Kyrgyzstan was widely referred as an “island of democracy” in Central Asia; however, many of the NGOs did not represent the grassroots movements in nature, but were rather created from top to bottom. They were linked to the state, and established with the sole purpose of attracting foreign funding.<sup>556</sup> The most powerful NGOs were concentrated in the capital Bishkek, while the Tulip Revolution began in the southern city of Jalalabad. This Southern origin contributed to the weak involvement of civil society groups, and the March 2005 events have been referred to as a “village revolution,” emphasizing the perceived greater importance of rural mobilization<sup>557</sup> as opposed to the well-organized efforts of a civil society.

Capitalizing on weaknesses in the Kyrgyz opposition, elite disunity, and the limited civil society role, organized criminals provided essential material and technical support for the Tulip Revolution. Widely influential and popular criminal authorities, like Rysbek Akmatbaev, mobilized their business resources and garnered public support against the Akaev regime.<sup>558</sup> Rysbek later admitted his involvement in the revolution without offering any specifics.<sup>559</sup>

Another influential politician-turned-criminal, Bayaman Erkinbaev, member of the Jogorku Kenesh (Kyrgyz Parliament) and South Kyrgyzstan drug trafficker, played a major role in the Southern uprising. He contributed financially and provided logistics for the demonstrations. He also mobilized 2,000 men from his Alysh sports association for traditional wrestling<sup>560</sup> who stormed the state offices in Jalalabad and Osh.<sup>561</sup> About 5,000 of Erkinbaev’s supporters also travelled to Bishkek to help spread protests in the North.<sup>562</sup> Shortly after the revolution Jengishbek Nazaraliev, famous Kyrgyz doctor and revolutionary activist, stated that “drugs money did play a part in the revolution,” estimating that 50,000 USD of drug money would keep a 2,000-strong rally going for 25 days.<sup>563</sup>

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<sup>555</sup> Since the early 2000s the term has been a “catch-all for a wide range of disruptive, unwelcome and threatening elements” deemed to have emerged in the spaces between the individual and the state, and which have become increasingly difficult to control and regulate, particularly when they extend across national borders see Rumford (2001).

<sup>556</sup> Petric (2005, p. 327).

<sup>557</sup> Author’s personal communication with K1, K11, K23, March - May 2007, Bishkek, Kyrgyzstan.

<sup>558</sup> Marat (2006, p. 91); Galeotti (2005, p. 56); Serio and Razinkin (1995, p. 76).

<sup>559</sup> Akmatbaev (2006).

<sup>560</sup> For more information on the federation, see <http://www.wrestling-belts.org/index2.php>.

<sup>561</sup> Cornell (2006); Author’s interview with local observer, May 30, 2007, Osh, Kyrgyzstan.

<sup>562</sup> Khamidov (2006, p. 90).

<sup>563</sup> Nazaraliev quoted in Komsomolskaya Pravda (2005).

Bayaman's popularity peaked during the March events and the period afterwards when Erkinbaev became actual governor of the region. In this period, slogans like "Bayaman is our *batir* (hero)" and "Bayaman is the hero of Kyrgyz nation" were common in Osh and Batken, the latter being his home district. He controlled the staff policy of the regional and city administrations as well as the law enforcement agencies in the direct aftermath of the revolution. Interestingly, unlike Bishkek, no looting occurred in Osh after the 'Tulip Revolution' due to Bayaman's efforts and his ability to control the situation, according to local residents.<sup>564</sup>

The support of the underworld leaders for the revolution can be explained by their search for more power, as in the case of Rysbek Akmatbaev and/or by their defence of their own business and a desire to expand it as in the case of Bayaman Erkinbaev. The latter's business was jeopardized by the growing interest of the ruling family, in particular Aidar Akaev.<sup>565</sup> These illicit actors were already powerful prior to the revolution and were in a position to act independently from the ruling elite, articulating their own interests. In short, Akaev's regime lost control over the criminal underworld during its last years, contributing to its ouster.

Unlike Kyrgyzstan and more similar to Georgia, the role of criminals was less important in Ukraine. Ukraine lacked the criminal figures who would act independently of political elites in defence of their own interests. Most of the crime figures or former crime figures were amalgamated with political and economic elites. However, both camps, blue "elites" as well as Orange "revolutionaries" used the services of criminals and other quasi-legal paramilitary groupings, although they were largely under the control of the elites, which used criminals for ballot stuffing and intimidation at polling stations.<sup>566</sup> The Kravchuk-led SPDU and its leaders Medvedchuk and Surkis first used gangsters to intimidate political rivals and voters.<sup>567</sup> The latter two also organized groups to threaten supporters of the opposition "Our Ukraine" candidate Viktor Baloha, during the 2004 Mukachevo city mayoral elections. In an interesting aside, some criminals volunteered for the opposition: Krushelnysky says that an Ivano-based criminal figure from Frankivsk said that although he was a criminal, he didn't want Ukraine to be run by criminals.<sup>568</sup>

In Georgia the opposition triumvirate of Saakashvili-Burjanadze-Jvania, replete with financial resources and public support, and aided by civil society groups, did not need

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<sup>564</sup> Author's field research in Osh, Kyrgyzstan, May 2007. Interviews with K20, K23, March-Mary 2007, Kyrgyzstan.

<sup>565</sup> Graubner (2005).

<sup>566</sup> Krushelnysky (2006).

<sup>567</sup> Ibid., p. 107.

<sup>568</sup> Ibid., p. 297.



collaboration with criminals, whose involvement was therefore low.<sup>569</sup> Arguably the opposition leaders did not venture into criminal alliances for three main reasons: knowledge of the consequences of dependency on criminals; absence of past cooperation; and personal morals. Saakashvili and Zhvania in Georgia and Yushchenko in Ukraine frequently made anti-organized crime statements before the revolution, rejecting cooperation with them. Criminal collaboration would greatly damage their public image as “clean” reformers and fighters against corruption, and links would furthermore be used as *compromat* by Shevardnadze or Kuchma and immediately publicized. The absence of such allegations may serve the argument about the absence of such links. Importantly the opposition leaders in Georgia, and to a lesser extent in Ukraine and Kyrgyzstan, were closely associated with Western non-governmental organisations, affecting links with organized crime.

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<sup>569</sup> Broers (2005, pp. 340-342).

## Chapter 6. Post-revolutionary state-building and democratizing

Parsa argues that after removing the authoritarian regimes, “large-scale mobilization and collective actions will threaten the established rights and interests of privileged social groups and classes. Under such conditions, the latter may favour limiting democratic rights and even the re-imposition of authoritarian rule.”<sup>570</sup> This does not imply that the pre-revolutionary regimes in the three countries were strictly authoritarian; however, regimes brought to power through revolutions are more aware of the “dangers” mass mobilization can create for their hold on power. Logically, they might limit those pre-conditions that were instrumental in Coloured Revolutions, such as free media and strong civil society.

The Polity IV data on democratic change, as developed by Ted Gurr, does not reflect changes immediately since “general traits are difficult to identify in current information” and only reveal themselves over the span of years.<sup>571</sup> Yet, minor improvements are shown in the Combined Polity Score of the dataset, changing from 6 to 7 in Ukraine in 2006, from 5 to 7 in Georgia in 2004 and from 3 to 4 in Kyrgyzstan in 2006.<sup>572</sup> The Kyrgyz case, the democratic score changes notably from -3 in 2004 to +3 in 2005, a 6 point improvement. Furthermore, the dataset records a regime change (defined as a 3 point change in the POLITY score over a period of three years or less) only in the Kyrgyz case.<sup>573</sup>

Public attitudes towards democracy also show some interesting trends. In Kyrgyzstan, 52 percent of the population was satisfied or somewhat satisfied with the way democracy was developing in the country in April 2005, although this figure increased to 56 percent in November 2007. Georgian respondents’ satisfaction with democracy indicates the opposite: 68 percent was satisfied or somewhat satisfied with democratization in the direct aftermath of the revolution, but this figure dropped to 38 percent in September 2007.<sup>574</sup> Revolutionary euphoria had by then significantly withered, and the Saakashvili government was employing more authoritarian means. The same is true for Ukraine, where an overwhelming 82 percent of respondents were dissatisfied with the political situation in September 2007, up from 76 percent in November 2005 and 71 percent in October 2004. In 2007, nearly half (47%) of

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<sup>570</sup> Parsa (2003, p. 81).

<sup>571</sup> Marshall and Jaggers (2007, p. 14).

<sup>572</sup> The score is computed by subtracting the Autocracy score from the Democracy score; the resulting unified polity scale ranges from +10 (strongly democratic) to -10 (strongly autocratic).

<sup>573</sup> The datasets are available online at the website of the Center for Global Policy

<http://www.systemicpeace.org/polity/polity4.htm>

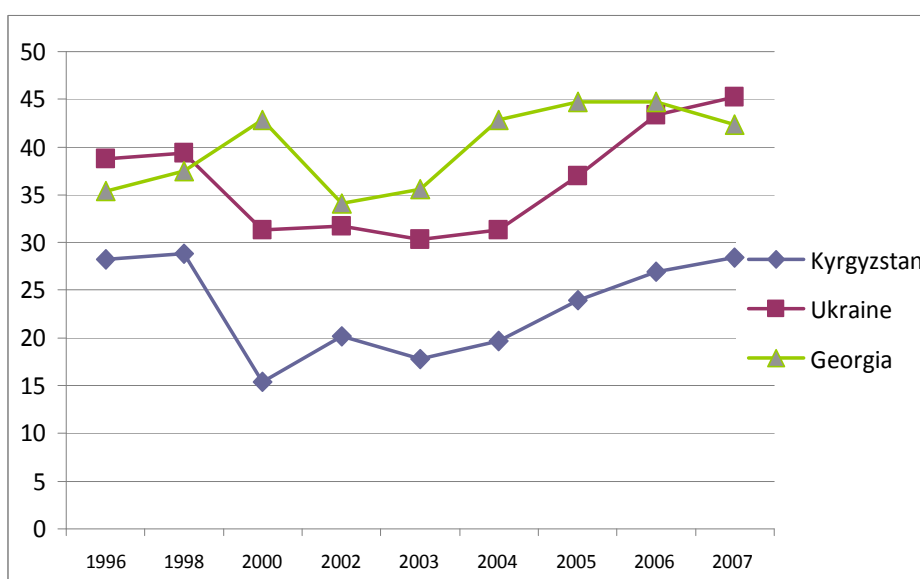
<sup>574</sup> For Kyrgyzstan see IRI (2007b); for Georgia see IRI (2007a).

Ukrainians believed that the country was on a path towards instability and chaos. In November 2005, only roughly a quarter (27%) of Ukrainians said that Ukraine was a democracy, while 49 percent said it was not.<sup>575</sup>

The Freedom House Democracy Index reinforces the above findings. In the case of Georgia, the political rights score only showed improvement in 2005, two years after the revolution, while the civil liberties score only improved in 2006. This supports the claim that the revolution did not have much impact on democracy in the country. In Kyrgyzstan the impact was immediate and both indices improved by one point in 2006 compared to 2005, the year of the Tulip Revolution. The impact was more profound in Ukraine, where the civil liberties score improved by two points compared to 2004.<sup>576</sup>

The World Bank Voice and Accountability indicator measures “the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.”<sup>577</sup>

*Chart 3. Voice and accountability indicator for Georgia, Ukraine and Kyrgyzstan (World Bank)*



Again, Georgia shows some improvement since 2003, but Ukraine’s advance in 2005-2007 is far more abrupt and significant. Kyrgyzstan’s freedom rating is showing slower, but

<sup>575</sup> Sharma, Holzward, and Abdullatif (2007, pp. 16, 22, 39).

<sup>576</sup> For the country data and more information on the index see <http://freedomhouse.org/template.cfm?page=15>

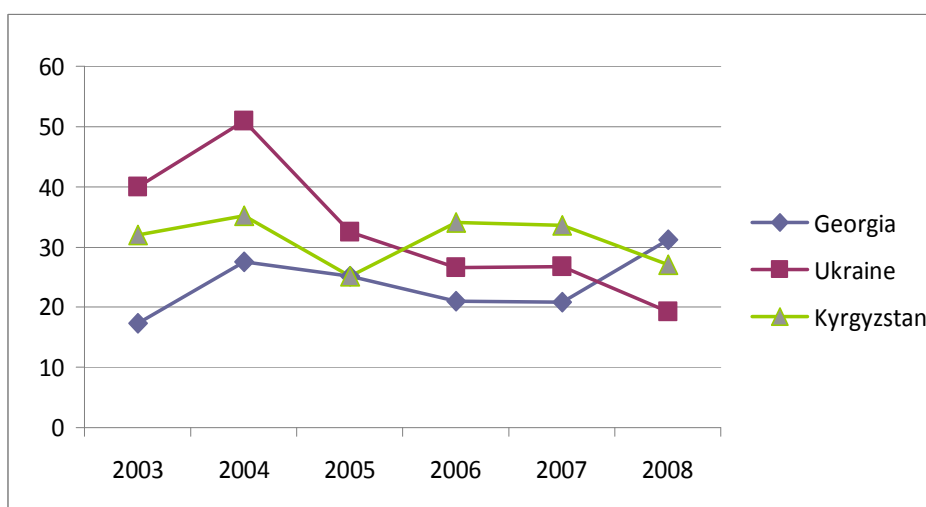
<sup>577</sup> Kaufmann, Kraay and Mastruzzi (2007, p. 5).

steady improvement. The downward trend in Georgia might relate to the 2007 case of Imedi TV, discussed below.

According to media independence data from Nations in Transit reports, the Ukrainian case shows substantial improvement (from 5.50 in 2004 to 3.50 in 2008<sup>578</sup>). Media freedom in Kyrgyzstan improved to 5.75 in 2007 from 6 in 2004. Georgian data, though, show less media independence in the post-revolutionary period, than in Shevardnadze's times. The score in 2008 was 4.25, compared to 3.50 in 2001, and 3.75 in 2002.<sup>579</sup>

The press freedom index compiled by Reporters without Borders<sup>580</sup> shows groundbreaking improvement in Ukraine since the Orange Revolution, a sharp reversal in media freedom in Kyrgyzstan in the immediate aftermath of Tulip Revolution, and a significant deterioration in Georgia, again related to the November 2007 events.<sup>581</sup>

*Chart 4. Press freedom index for Georgia, Ukraine and Kyrgyzstan (Reporters without Borders)*



Free media is essential to hold the new government in check and to keep new elites from making old mistakes. The division of spoils after the revolutions also touched media

<sup>578</sup> The ratings are based on a scale of 1 to 7, with 1 representing the highest level of democratic progress and 7 the lowest.

<sup>579</sup> "Nations in Transit" reports, Freedom House.

<sup>580</sup> Available online at [http://www.rsf.org/article.php3?id\\_article=29031](http://www.rsf.org/article.php3?id_article=29031)

<sup>581</sup> The index measures the state of press freedom in the world. It reflects the degree of freedom that journalists and news organisations enjoy in each country, and the efforts made by the authorities to both respect and ensure respect for this freedom. The index measures every kind of violation directly affecting journalists (such as murders, imprisonment, physical attacks and threats) as well as news media censorship, confiscation of newspaper issues, searches and harassment. 1 is the best score and 100 is the worst. See Reporters without Borders (2008a).

outlets. New governments, being aware of the crucial role the media and civil society played in ousting previous regimes, tried to co-opt and gain control over the independent media sources. Certainly, this would decrease the extent of public awareness of and social control over government activities, allowing the rise of corruption. In Kyrgyzstan, media outlets once critical of the Akayev regime now show little criticism of the new government.<sup>582</sup> The reform of State Television into a publicly funded channel has been initiated but never completed.<sup>583</sup> The situation is worse in Georgia. By June 2008 the Saakashvili government had monopolized control over all major television stations in the country. The remaining independent ones, like Kavkasia TV, reported continuous pressure from the authorities. Shalva Ramishvili, co-founder of the independent TV station 202, was sentenced to four years in prison in March 2006 for extortion. In November 2007 *Imedi*, the most popular of the three privately owned (Rustavi 2, Mze, Imedi) TV stations, with two-thirds of the national audience and owned by tycoon Badri Patarkatsishvili, went off the air when special security forces entered its studios, cut off the power<sup>584</sup> and destroyed the equipment. Initially, Patarkatsishvili was supporting Saakashvili's government and allegedly contributed financially to the Rose Revolution. The political divorce of the two started in late 2005 and early 2006 when the sides made the statements critical of each other in an apparent confrontation over the division of resources. Patarkatsishvili accused the authorities of pressuring his television station, Imedi TV.<sup>585</sup> In response, influential MP Giga Bokeria said Patarkatsishvili wanted to become the "Don Corleone of the Georgian economy."<sup>586</sup> The company was accused of conspiring with foreign intelligence services to topple the legitimate government and was kept off the air until Saakashvili had secured victory in snap elections. Soon, after Patarkatsishvili's death, the ownership of Imedi changed hands and cut critical reports about the Saakashvili administration.

In sum, Georgia slid back on the democracy scale while significant improvements were made in the two other countries.

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<sup>582</sup> International Crisis Group (2005, p. 22).

<sup>583</sup> Interview with Edil Baisalov, leader of political party, March 26, 2007, Tbilisi, Georgia.

<sup>584</sup> Reporters without Borders (2008b).

<sup>585</sup> "Civil Georgia (March 29, 2006).

<sup>586</sup> Ibid.

## 1. The presence of the “Old Guard”

Weakness or unwillingness of new administrations in Ukraine and Kyrgyzstan to confront criminal networks was the major factor preventing the punishment of the *ancien regime*’s wrongdoings. By contrast, in Georgia the influence of the “old guard” has been only nominal since the revolution.

Political will at the highest level is a crucial variable in determining the increase or decrease of organized crime. Although Yushchenko’s “reform credentials were impeccable”<sup>587</sup> he appears to be a “natural centrist who has not pursued the revolution’s goals with the partisan fervour expected”<sup>588</sup> because, according to his critics, of his instinct to compromise.<sup>589</sup> All indications to date imply Yushchenko wants to reconcile with Kuchma’s elites, while Tymoshenko maintains an antagonistic approach. Kuzio compares Saakashvili to Timoshenko, and Burdjanadze to Yushchenko.<sup>590</sup> Arguably, in addition to solid legitimacy based on public support, the political will of the strong Georgian leadership cadre was the driving force behind the swift and thorough reforms that significantly reduced corruption.<sup>591</sup> Yushchenko’s power base was eroded from the very beginning, since the “Orange” camp had to cope with numerous backlashes by rival politicians and the old guard. In the process, the criminal justice system became increasingly politicized and the key institutions, like the SBU, were used as political tools to counteract rivals’ power. The politicization of law enforcement absorbed vast resources, to the detriment of fighting organized crime.

Both the Georgian and Kyrgyz revolutions followed rigged parliamentary elections, while the Orange Revolution was a result of dissatisfaction with the result of Presidential elections. Georgia held new parliamentary elections, but Kyrgyzstan kept its old legislature, allowing some criminals to retain parliamentary immunity.<sup>592</sup> The Kyrgyz Parliament consisted of cronies of former President Askar Akayev, and local potentates with illicit business and organized criminal links, who bought themselves seats.<sup>593</sup> Despite an early inclination to hold new elections,<sup>594</sup> the new political elite decided not to dissolve parliament because they believed domestic security would deteriorate, due to lawmakers’ connections with the

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<sup>587</sup> Kravchuk (2005, p. 56).

<sup>588</sup> Lavery (2008, p. 155).

<sup>589</sup> Wilson (2005, pp. 148-149).

<sup>590</sup> T. Kuzio quoted in Burwell, Aslund, Kuzio, Pifer (2006, p. 25).

<sup>591</sup> World Bank (2006).

<sup>592</sup> Kommersant Daily (2005).

<sup>593</sup> Cornell (2006, p. 64).

<sup>594</sup> Topchubek Turgunaliyev, an activist in the opposition People’s Movement of Kyrgyzstan, said new parliamentary elections would be held in the fall, as quoted in The Jerusalem Post (2005).

criminal world.<sup>595</sup> Hence, the new authorities kept the existing parliament to avoid further destabilization.<sup>596</sup> It was estimated that roughly ten members of parliament were linked to crime groups. These individuals are either direct leaders of crime groups or provide *kryshas* for them.<sup>597</sup> For instance a member of parliament from the South was involved in smuggling cotton on the Uzbek-Kyrgyz border,<sup>598</sup> and another MP of Uzbek origin works with the mayor of a southern Kyrgyz town to provide a krysha for a group smuggling goods to and from Uzbekistan.<sup>599</sup> In early 2006, the speaker of parliament resigned after President Bakiev said deputies were corrupt and obstructing the work of his administration.<sup>600</sup> Most of these parliamentarians were re-elected on the ticket of the ruling party in the snap elections of December 2007.

Despite promises from the Prosecutor General's office,<sup>601</sup> no real steps were made to prosecute high-ranking officials and return property seized by Akaev's elite to the state. Akaev still maintained influence considering "how readily the interim government returned some of his personal belongings."<sup>602</sup> Moreover, anti-corruption efforts in Kyrgyzstan as in Ukraine were undermined by the weakness or unwillingness of Presidential administrations, due to rent-seeking by the new authorities. For instance the Ministry of the Interior, which was fighting white-collar crime, brought only eight criminal charges against customs employees and twenty six against tax officials in the first eight months of 2006, as compared to sixty eight cases against employees in the education, cultural and scientific sectors.<sup>603</sup> In 2008, a Ministry of Interior official admitted that tax officials were among the most corrupt, and were followed by officials in the Prosecutor's Office, courts, State Agency for Registering Real Estate, State Architecture Directorate, and the Education and Health ministries.<sup>604</sup> Simultaneously the penitentiary system of the Ministry of Justice reported that only 14 individuals convicted of white-collar corruption are sentenced in Kyrgyz prisons.<sup>605</sup>

In Georgia new parliamentary elections were held, but the results of the majoritarian ballot were not annulled and deputies elected in city councils in November 2003 stayed in parliament. The former governor of Imereti region alleged that as a result, several MPs might

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<sup>595</sup> Marat (2006a, p. 99).

<sup>596</sup> Ibid.

<sup>597</sup> Author's interviews with K4, K9, K10, March-May, 2007, Bishkek, Kyrgyzstan.

<sup>598</sup> Graubner (2005, p. 17), also confirmed in the interview with a crime analyst in Osh region, May 2007.

<sup>599</sup> Author's interview with K4, 17 April 2007, Osh, Kyrgyzstan.

<sup>600</sup> Institute for War and Peace Reporting (2006).

<sup>601</sup> International Crisis Group (2005, p. 22).

<sup>602</sup> Ibid., p. 41.

<sup>603</sup> Department Fighting White-collar Corruption, Ministry of the Interior of Kyrgyzstan (2007).

<sup>604</sup> Kyrgyz Television 1 (2008).

<sup>605</sup> Newspaper Delo No (2009b).

be linked to thief-in-law Tariel Oniani.<sup>606</sup> Such allegations were not groundless, as in February 2006 it became clear that professional criminals were extorting money from factory director Parmen Daushvili. Those extorting Daushvili included very influential *vory* such as Lasha Shushanashvili and Shakro Kalashov. He also alleged that the extorters had protectors in Parliament and gave one name of Vasil Chigogidze, an MP from Chokhatauri district.<sup>607</sup> Chigogidze, formerly a deputy to Akaki Chkhaidze, corrupt head of railways under Shevardnadze, was a member of the Parliamentary faction headed by former banker and Minister Vano Chkhartishvili. Later on Merabishvili, the Minister of the Interior, mentioned that at least 5 MPs were linked to the case.<sup>608</sup>

In Ukraine, the legitimacy of the legislative body was not questioned since the revolution had contested the Presidential poll. The outgoing Kuchma administration tried to keep the Rada as “a safe haven for the old elite.” It was also hoped by revolutionaries that all concessions regarding the Rada would be won back after the Yushchenko-Tymoshenko bloc won the elections in 2006.<sup>609</sup> Hence the Parliament remained active, which derailed many reforms.

Under Kuchma, Parliament became the instrument of various interest groups to project their influence. Frequently, oligarchs either bought seats for themselves or for their clients, guaranteeing them immunity from prosecution.<sup>610</sup> Just before the Orange revolution Hryhoriy Omelchenko, a member of the Parliamentary committee on fighting organized crime and corruption, predicted that several MPs would face criminal charges if stripped of immunity.<sup>611</sup> Between 1990 and 1994, over 500 deputies were not put on trial because a local council or the parliament failed to grant approval.<sup>612</sup>

Thus, there was a significant interest to maintain some of the bad institutions and opaque systems that permitted bribery.<sup>613</sup> This vested interest as well as reluctance in the Orange camp on Yushchenko’s part to take radical steps aided in the survival of old practices. There was a significant willingness on both sides to negotiate a peaceful way out of the crisis. Both sides also knew the capabilities of their opponents. Kuchma’s regime was still strong enough to be reckoned with, and Yushchenko’s public support could not be dismissed

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<sup>606</sup> Former governor of Imereti region quoted in Akhali Taoba (2004).

<sup>607</sup> Rustavi 2 news coverage (2006).

<sup>608</sup> 24 Hours (2006).

<sup>609</sup> Wilson (2005, p. 149).

<sup>610</sup> Shelley (1998, p. 658).

<sup>611</sup> Krushelnysky (2006, p. 121).

<sup>612</sup> Turchynov (1996) as quoted in Puglisi (2003, p. 110).

<sup>613</sup> Balmaceda (2008, p. 140).



as unthreatening by the incumbents. Hence the opposition was unable or unwilling to press harder, and accepted the incumbents' conditions for the re-run of the second round of elections. During subsequent negotiations the re-run of the second round was traded for constitutional changes to limit the President's powers<sup>614</sup> and other concessions resulted in "built-in political and legal contradictions."<sup>615</sup> As a result, a semi-presidential system was changed to a parliamentary-presidential republic. The protracted negotiations also allowed the outgoing elites to siphon some of the state resources. Wilson describes suspicious property transfers, and an estimated one and a third billion USD left the country in November-December 2004.<sup>616</sup> Some local observers attribute the post-revolutionary instability to the presence of the parliament that was elected before the revolution.<sup>617</sup> Indeed the pact of 2004 was full of ambiguity,<sup>618</sup> and despite its labelling as "democratic" also sustained an environment conducive to corruption and organized criminality.

Importantly, Yushchenko got only 52 percent of the presidential vote, compared to Saakashvili's 96.3 percent. Hence the former was constrained by significant opposition and had to negotiate with rival Yanukovich. In this way, the country's East-West division played into the hands of organized crime and corruption and exploited the rivalry among the political elites. Political rivalry and infighting has stalled important legislative changes and widened the gaps in state capacity, making room for organized crime to flourish. The political-criminal-business nexus carried over from pre-revolutionary times, and was strong in the Donbas region, where a clan that opposes the pro-Western president has deep roots. The Donetsk clan continues to host and protect the old guard officials and oligarchs. Hence an overall environment of illegality, including the influence of organized criminals on politics, embroils society, and may be directly traced to the pacted transition or "negotiated revolution." Despite the impressive democratic progress Ukraine made, it has fallen short in fighting criminality.

It has been argued that democracies are more vulnerable to penetration by criminal groups.<sup>619</sup> Eisenstadt argues that revolutionary elites with close ties to other elites are more likely to build a more open, pluralist and less coercive system.<sup>620</sup> The political system which emerges after a negotiated revolution is accommodating, accepting and enhances civil

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<sup>614</sup> See for instance Pifer (2007).

<sup>615</sup> Financial Times (2008).

<sup>616</sup> Wilson (2005, p. 158).

<sup>617</sup> Author's interview with U3, U4, U6, October-December 2007, Ukraine.

<sup>618</sup> Harasymiw (2007, p. 20).

<sup>619</sup> Moran (2001, pp. 385-386).

<sup>620</sup> Eisenstadt (1978).

liberties and market economies.<sup>621</sup> At the same time, as Lawson concludes, negotiated revolution leads to a weak state in terms of “despotic authority and infrastructural capacity.”<sup>622</sup> This argument holds true for my empirical cases, and I learned that what is good for democracy is not necessarily instrumental in decreasing corruption and fighting organized crime.

Despite some criminal charges brought against mid-level Kuchma officials,<sup>623</sup> the Orange Revolution slogan of sending “Bandits to Prison!” has not resulted in a single senior official’s being charged, a major source of disillusionment according to Taras Kuzio.<sup>624</sup> Kuchma and Lytvyn were questioned soon after the revolution in relation to the Gongadze affair,<sup>625</sup> but Wilson writes “it was only cursory, as [Kuchma] still seemed too powerful to be investigated.” However, several influential figures in Kuchma’s government, some linked to organized crime or illicit business, were obliged to flee the country due to their fear of prosecution by the new authorities, including: Serhii Kivalov, former head of the CEC and oligarch; Ihor Bakai, former Interior minister; Mykola Bilokon, former Sumy governor; Volodymyr Shcherban; and Ruslan Bodelan, former Odessa mayor.<sup>626</sup> Some of the arrests and prosecutions in the immediate aftermath of the revolutions were politically motivated, according to some sources, but this does not obviate the possibility of these individuals’ illicit activities.

For instance, Boris Kolesnikov was arrested after the revolution in April 2005 for unclear reasons. In one “official” version, he was arrested for extortion of shares from Donetsk’s largest shopping centre, “White Swan.” Another version of events said he had ordered three assassination attempts, and a third story said he had been involved in a criminal “separatism case.”<sup>627</sup> In another example, Volodymyr Scherban, former Sumy governor, was charged with extortion. Viktor Diadchenko, former governor of Transcarpathia was charged with faking the results of the controversial Mukachevo election in April 2004. Hryhorii Surkis was accused of a bizarre transfer of UAH 6 million from the football club Dynamo Kyiv to Kuchma’s charitable fund.<sup>628</sup> However alleged criminals have been mostly left

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<sup>621</sup> Kamrava (1999, pp. 317-245).

<sup>622</sup> Lawson (2005, p. 227).

<sup>623</sup> Kuzio (2005e, p. 6).

<sup>624</sup> Kuzio (2006).

<sup>625</sup> Giorgi Gongadze, Ukrainian journalist and critic of the Kuchma regime, was assassinated in 2000 with the alleged complicity of Ukrainian law enforcement officials who were allegedly acting on orders of President Kuchma.

<sup>626</sup> Wilson (2005, pp. 156-7).

<sup>627</sup> *Ibid.*, p. 168.

<sup>628</sup> *Ibid.*, pp. 168-9.

untouched. Even Tymoshenko, known for her decisiveness and antipathy for the Donetsk clan, demonstrated a hands-off attitude to Rinat Akhmetov. Reportedly she was making a political deal with the Donetsk clan.<sup>629</sup>

Only recently Mykola Rudkovskiy, former Transport Minister and member of the Socialist Party, was arrested on allegations of bribery.<sup>630</sup> But the arrest happened only after the Socialist party has marginalized, unable to secure Parliamentary seats. Political parties have long been the protectors of corrupt officials and illegal businesses. The Socialist party was then defending the shadow business of Rudkovskiy,<sup>631</sup> a major party funder in the early 2000s.

Some anti-corruption measures have been enacted but not implemented because of the absence of institutional transformation and fully-fledged reforms. Just after the Orange Revolution, anti-corruption measures, particularly in the energy sector, returned more than US 2 billion to the state budget.<sup>632</sup> In the first four months of 2005, customs duties increased by 50 percent and the state budget grew by 26 percent due to anti-corruption measures.<sup>633</sup> Thus there were major improvements immediately after the revolution, but these changes eventually halted. As one former judge mentioned, “there was panic in the highly-corrupted court system after the revolution and many judges were afraid of prosecution; however, the new authorities made no reforms.”<sup>634</sup> Power struggles within the Orange camp, continued presence of the reform-opposing “old guard,” and the break-up of the Yushchenko-Tymoshenko alliance undermined reform momentum.<sup>635</sup>

The main base of the Party of Regions, which received the most votes in the last parliamentary elections, is cronies of former President Kuchma. Yanukovich’s team, especially since Tymoshenko left the post of Prime Minister in 2006 and Yanukovich took over, uses this base to derail anti-corruption efforts.

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<sup>629</sup> Ibid., 171.

<sup>630</sup> Ukrainian News (2008).

<sup>631</sup> Wilson (2005).

<sup>632</sup> Kuzio (2005b, p. 119).

<sup>633</sup> Kuzio (2005d, p. 359).

<sup>634</sup> Author’s interview with Yuri Vasilenko, former judge, November 2007, Kyiv, Ukraine.

<sup>635</sup> D’Anieri (2005, p. 82).

## 2. The survival of patrimonialism

Most post-revolutionary democratizing or state building efforts occurred in a political culture that watered down many initiatives and derailed reform efforts. Unfortunately, various forms of clientelism and patrimonialism survived. Nepotism affects government staff policy heavily in all three countries. Additionally, a merit-based achievement and promotion system has not overcome tribalism and regionalism in making professional or government appointments.

The Soviet experience of relying on informal social networks to survive in a shortage economy made a deep impact on the post-Soviet setting. The cultural traditions of respect toward one's own kin based on blood relations and friendship are also significant, especially in the Georgian and Kyrgyz contexts

Most often, workers are selected not by objective criteria, but by accidental, subjective, narrow and provincial criteria. Most frequently so-called acquaintances are personal friends, fellow countrymen, people personally devoted to someone, masters of eulogizing their patrons, regardless of their political and business suitability.<sup>636</sup>

This is an extract from Stalin's speech at the February-March Plenum of the Communist party in 1937. Nepotistic, patron-client relationships have since then survived in all former Soviet republics to different degrees.

The staff policies of the post-revolutionary governments are largely influenced by patronage, nepotism and corruption. This was exacerbated by the problem of revolutionary activists lacking experience occupying public offices, especially in Georgian case. The Georgian government in the direct aftermath of the revolution was frequently referred to as the "kindergarten" due to the young average age of its members. These new officials frequently lacked experience to competently deal with problems. Also, the activists of the youth Kmara movement that played a crucial role in the Rose Revolution, and the young supporters of the new ruling party, came into the middle level of government after the revolution. Kelkel, the youth resistance organization to Akaev's regime is not greatly represented in the government, unlike Kmara.<sup>637</sup> Only a few cases of Kelkel in government are known, such as the head of Kelkel becoming the director of a state TV channel after it

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<sup>636</sup> Stalin quoted in Fairbanks (1983, p. 345).

<sup>637</sup> Nichol (2005).

was re-privatized.<sup>638</sup> In Ukraine, the context of negotiated revolution prevented the country's Pora activists from obtaining government appointments. In Ukraine, the elite changeover was not as great as in Georgia and the administrative personnel was not reshuffled either, leaving no open spots for Pora.

The crucial factor that distinguishes Georgia from the two other cases is the capacity of the new authorities to employ in leading positions in state structures the highly-qualified professionals that preferred to work either in the private sector or in international organisations before the Rose Revolution. Many of these individuals were young and educated in various universities of Western Europe and the United States. The new authorities created a fund that was paying the salaries of 11,000 public employees in the direct aftermath of the Revolution.<sup>639</sup> This allowed for competitive salaries in government structures, decreasing incentives for rent-seeking and attracting highly qualified professionals. Side effects include the loss of institutional memory, since many old employees were dismissed,<sup>640</sup> and the weakening of civil society, since many of their leaders moved to government positions. Contrastingly, in Ukraine and Kyrgyzstan, government institutions are not attractive to highly educated young people, who prefer either to work abroad or seek employment in the private sector or international organizations based in these countries.<sup>641</sup>

In Kyrgyzstan, nepotistic and tribalistic appointments in politics have been strong ever since Soviet times.<sup>642</sup> Soviet policies of promoting local cadres were always undermined by tribalism, family connections, and cronyism.<sup>643</sup> For instance, the Communist Party secretary Razakov brought Southern Ichkilik clans to power from 1950 to 1961; the advent of Turdakun Usubaliev to the highest position in the Republican Party resulted in the domination of the Northern Kochkor clan (Naryn) during the Brezhnev era. Over the years, Masaliev/Southern Adygine and Ichkilik clans, and finally the Askar Akaev/Northern Sarybagysh clans have dominated.<sup>644</sup> Now people from the South, especially Bakiev's birthplace of Batken, are receiving key state positions, according to many interviewees.<sup>645</sup>

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<sup>638</sup> Marat (2006, p. 67).

<sup>639</sup> Nodia (2006, p. 95).

<sup>640</sup> Papava (2007).

<sup>641</sup> Author's interview with K5, K9, K10, K18 in Kyrgyzstan and U3, U9, U16, Ukraine, 2007.

<sup>642</sup> Koichumanov, Otorbayev, Starr (2005, p. 32).

<sup>643</sup> Anderson (1999, p. 10).

<sup>644</sup> Collins (2006, pp. 106-7, 116).

<sup>645</sup> Author's interviews with K1, K7, K8, K9, K10, K18, March-May 2007, Bishkek, Kyrgyzstan.

Similarly, in the Shevardnadze period, the people from his home region of Guria were widely represented in the bureaucracy. In 1997, 14 percent, and in 1999, 36 percent of government employees were from Guria, considering that Guria contributes only 3 percent of Georgia's population.<sup>646</sup> After Kuchma was elected in 1994, some 206 individuals moved from Dnipropetrovsk, Kuchma's hometown, to Kyiv to occupy key state positions.<sup>647</sup>

Nowadays the significant distinction between the cases is that loyalty to the new ruling political party and nepotism based on friendship and family links are the main determinants of appointments in Georgia,<sup>648</sup> while in Ukraine and Kyrgyzstan these are, most importantly, bribery, as well as regionalism and in Kyrgyzstan, blood kinship. Kyrgyz journalists and NGO representatives have alleged that the illegal cost of the position of Minister has increased from 100,000 to 300,000 USD.<sup>649</sup> Another NGO leader also reported that some 300,000 USD were distributed to deputies of the Jogorku Kenesh to approve the appointment of a high-level official.<sup>650</sup> Other estimates include: 30,000-50,000 USD for the position of judge depending on the region and district; or 20,000 USD for a position in the central tax department, while a regional tax position costs only 5,000 USD.<sup>651</sup>

Much like the Kyrgyz case, in Ukraine various regional groups get stronger or weaker according to who is in power. Since independence, first the Kyiv clan, Medvechuk-Surkis grouping, came to power led by Leonid Kravchuk. That was followed by Leonid Kuchma and his powerbase, the Dnepropetrovsk clan. During the final years of Kuchma's tenure, the Donetsk group rose due to the membership of two titans of contemporary Ukrainian politics, Viktor Yanukovich and Rinat Akhmetov. The Donetsk group suffered a major blow during the Orange revolution, when it lost the elections to Viktor Yushchenko. After the Orange revolution, political infighting continued between the Donetsk and Zakarpathia groupings, the latter being the main powerbase of Viktor Yushchenko. However it should be mentioned that the strict regional base of these political-economic clans is withering away, as they try to expand to regions where they have traditionally lacked public support. For instance in the immediate aftermath of the Orange revolution, the Zakarpathia clan tried to expand its political and economic influence in the East by using its government leverage to bid for additional stakes in the regional economy. During the Premierships of Yanukovich, the Party

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<sup>646</sup> Kikabidze and Losaberidze (2000, p. 40).

<sup>647</sup> Puglisi (2003, p. 112).

<sup>648</sup> According to Simis (1982, pp. 36-7) these connections always played important roles in staff policy.

<sup>649</sup> Author's interview with a K5, K19, April-May, 2007, Bishkek, Kyrgyzstan.

<sup>650</sup> Author's interview with K19, April 4, 2007, Bishkek, Kyrgyzstan.

<sup>651</sup> Author's interview with K5, May 10, 2007.

of Regions likewise reached out to the Western regions. However, the political *kryshas* of regional business interests primarily benefit their financiers.

Since the Orange revolution several high-ranking appointments looked very promising initially: for example, Yuri Lutsenko, the new Minister of the Interior who promised tangible improvements like honest traffic policemen, and Mykola Syvulskyi, formerly jailed with Yulia Tymoshenko, and the new corruption-fighting Chief of the Auditing and Inspection Commission.<sup>652</sup> However, many hopes did not materialize either due to the prevailing system of illegality that waters down individual efforts, or to the temptation of engaging in lucrative rent-seeking.

### 3. Redistribution of spoils

The re-division of resources in the post-revolutionary period was a violent process in Kyrgyzstan, unlike Georgia where the formal state institutions played a key role in the process. In Kyrgyzstan, the political elites, acting in their private and not the state's interests, and a number of non-state actors, among them criminal groups, were involved in property redistribution. Thus the process remained outside of the control of legitimate public institutions. Formal means failed in Kyrgyzstan due to the collapsing state institutions, rent-seeking by the new regime, and weak and fragmented elites, factors largely absent in the direct aftermath of the Rose Revolution in Georgia. In Ukraine, again unlike Georgia, the greatest part of the redivision was outside of formal or informal government control and like in Kyrgyzstan the process was occasionally violent. The businessmen related to Orange camp elites tried to reach out to the Eastern regions, the traditional sphere of influence of the Blue camp. Because private individuals and companies were using the state to take over certain businesses rather than the state managing the redistribution process, raiding increased after the revolution.

Firstly, in all three cases, representatives of the political elites used non-state actors or even the state itself to get their share of the spoils, the list of Daniar Usenov being a good example. Usenov, a businessman who had had a disagreement with the Akaev regime, was appointed as deputy prime minister after the Tulip Revolution. Usenov also headed a

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<sup>652</sup> Wilson (2005, pp. 162-3).

commission for investigating the Akaev family's alleged illegal assets.<sup>653</sup> The list soon comprised over seventy enterprises, many unrelated to Akaev's family, and yet they were scrutinized by incoming elites. For instance, a German-owned company, Interglass,<sup>654</sup> was put on Usenov's list of illegally privatized companies, without any proof. In fact, this list was a racket, and businesses were paying to be removed, according to one observer.<sup>655</sup> The others fell into the hands of incoming elites.

Secondly, much of the redistribution was manipulated by non-state actors, with the government unwilling or unable to play a role. In the case of the Karakeche coal mines, Nurlan Motuev, a local journalist who played an active role in the Tulip Revolution, brazenly took over the mine, claiming it was illegally privatized, and declared himself director.<sup>656</sup>

Thus, the process was mainly unregulated, with nearly every transfer of shares resulting from informal negotiations, corruption, violence and the threat of violence. For instance, the post-revolutionary re-division of the Karasuu market in the Ferghana Valley resulted in at least three contract killings. In June 2005, MP Jirgalbek Surabaldiev, one of the most successful businessmen in Kyrgyzstan and owner of two car markets, was killed in Bishkek.<sup>657</sup> A Ministry of the Interior spokesperson stated that his assassination was related to the re-distribution of property.<sup>658</sup> Much of the property changed hands several times. For instance Malabaev, former customs chief under Akaev, lost control of a casino in Bishkek when it was seized by Rysbek Akmatbaev, though he recovered control when the latter was assassinated.<sup>659</sup>

In Georgia, the new political elites played a key role and the process was more centralized and bureaucratically controlled. Saakashvili showed great determination in re-nationalising a lot of illegally privatized property. What is truer for Georgia is the new quasi-legal role of the state: those who managed to keep their businesses were obliged to make large payoffs to the new government. Much of the money paid by businessmen for their past wrongdoings went to newly-established special state funds, the operations of which were far from transparent and accountable. Allegedly, some of the money went to the new ruling party, the rest for financing different off-budget activities. Moreover, business circles have

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<sup>653</sup> RFE/RL (2008).

<sup>654</sup> For information on the company see <http://www.interglass.kg/>

<sup>655</sup> Author's interview with Elena Avdeeva, Chief editor, Newspaper Belyi Parakhod, March 28, 2007, Bishkek, Kyrgyzstan.

<sup>656</sup> ICG (2005, pp. 7-9).

<sup>657</sup> Delo No (2006).

<sup>658</sup> Tazar News Agency (2007).

<sup>659</sup> Author's interview with Edil Baisalov, Kyrgyz politician, March 26, 2007, Bishkek, Kyrgyzstan.



been continuously reporting pressure from the state. Hence in post-revolutionary Georgia “state racketeering” has replaced extortion of businesses by criminals. Thus, the crucial distinction here is that the process of re-distribution in Georgia was better managed by the new authorities than in Kyrgyzstan, where many of the deals remained in the shadows, with non-state, among them criminal, groups playing a key role. Thus, more violence erupted around re-distribution in post-revolutionary Kyrgyzstan.

Violence also accompanied the redistribution process in Ukraine. The difference between Ukraine and Kyrgyzstan is that in the latter, much property was owned by the ruling family directly, not like in Ukraine where much property was of dubious origin and difficult to trace. This lack of transparency in ownership contributed to various informal negotiations and forceful takeovers.

One of the most violent cases of spoils redistribution after the Orange revolution was the dispute between Ihor Kolomoyskyi, owner of Privat, and Maksim Kurochkin, over the market Ozerka in Dnepropetrovsk. Kurochkin was the head of the Russia Club, allegedly funded by Moscow mayor Yuri Luzhkov, and other businessmen like Aleksandr Babakov, Hryhorii Surkis, and Viktor Medvedchuk.<sup>660</sup> The Russia Club was notorious for its crooked finances. Kurochkin was linked to Yanukovich and funded Natalia Vitrenko’s Progressive Socialist Party. Allegedly he was linked to the Russian Izmailovo gang and involved in the Russian protection racket.<sup>661</sup>

Reportedly, the conflict over the market started in 2004, when Kurochkin bought 94 percent of the shares from the State Property Fund of Ukraine. Since then, control over the market changed hands a few times, culminating in the 2006 murder of Vladimir Vorobev, the director of the market and associate of Kurochkin, and the 2007 assassinations of three Vorobev associates. Kurochkin was arrested in Kyiv in November of 2006. In March 2007, in what has been called the loudest murder in Ukraine after the revolution, Kurochkin was killed in the courtroom by a sniper.<sup>662</sup> Numerous media reports attributed this assassination to the dispute over the Ozerka market. Much more violence accompanied spoils distribution all across Ukraine, including assassinations and destruction of property, indicating the strength of the political-criminal-business nexus.<sup>663</sup>

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<sup>660</sup> Wilson (2005, p. 88).

<sup>661</sup> Author’s interview with U4 and U6, October-November 2007.

<sup>662</sup> Ura inform (2007).

<sup>663</sup> Obozrevatel (2007).

#### 4. Corruption and collusion: before and after the Revolutions

As already discussed, a strong correlation exists between corruption and organized crime. Various scholars have argued that organized criminality thrives in the environment of rampant corruption, and pointed out an increase of corruption during transitions. Their main argument is related to power vacuums, or the breakdown of the centralized pyramid of bribe collection and consequent multiplication of bribe-takers. The presence of more corrupt officials has direct implications for organized crime.<sup>664</sup>

Joseph Nye and Samuel Huntington both assert that transition periods are marked by conflict between old customs and new legal standards, when corruption is bound to result from the deviance of behaviour from accepted norms.<sup>665</sup> Nelken and Levi argue that attempts of political elites to “re-legitimize the State” through enforcement of laws involving corruption and crime often involve major incursions into civil liberties, including selective targeting to settle political scores or punish those who refuse to pay bribes.<sup>666</sup>

This section covers the impact of the revolutions on corruption. Periods of democratic transition may also be associated with higher corruption if old norms and institutions are eroded before new norms and institutions are in place. Monitoring and enforcement may be weakened in the turmoil of regime change, increasing bribery opportunities.<sup>667</sup> In sum, the three different trends in corruption are consistent with my overall argument that the revolutions saw a decrease of crime in Georgia, with the reverse effect in Kyrgyzstan and Ukraine.

During the post-Soviet transition, informal channels of illegal payments were institutionalized in all three countries. The practice of asset-stripping in the Soviet Union continued in the newly independent countries and reached its peak under Kuchma, Akaev and Shevardnadze, when bribery and corrupt lobbying became general business and public practice. Then, corruption controlled every level of bureaucracy. Bribes were collected for personnel purposes (appointments, promotions); they were also paid to the government by businesses (for turning a blind eye to violated regulations; avoiding checks or investigations; and getting favourable decisions).

The role of ruling families needs to be stressed here. In Kyrgyzstan, the more than decade-long rule of Akaev resulted in rampant corruption throughout political and economic

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<sup>664</sup> See for instance Shleifer and Vishny (1993, p. 13); Goorha (2000, p. 1189); Huntington (1968).

<sup>665</sup> Huntington (1968, p. 60).

<sup>666</sup> Nelken and Levi (1996, pp. 1-17).

<sup>667</sup> Olofsgård and Zahran (2007).

life, heavily based in rent-seeking and corruption by the ruling family. Almost all business activity in Kyrgyzstan needed Akaev clan endorsement.<sup>668</sup> Prosecutor General Azimbek Beknazarov estimated corruption by Akaev's family cost the Kyrgyz economy more than 50 million USD, and 80 criminal proceedings were launched after the revolution,<sup>669</sup> though with little real outcome. Like in pre-revolutionary Georgia, the Akaevs did not monopolize corruption, but allowed competition between different interest groups, occasionally intervening as an arbiter.<sup>670</sup> The process got out of control when this capacity to balance was lost, similar to what happened in Georgia.

In Georgia, the members of the Shevardnadze family monopolized control over a number of businesses. Chiaberashvili and Tevzadze divide those in subgroups: first, the group headed by Guram Akhvlediani, father-in-law of Shevardnadze's son, Paata. He was the Chairman of the Chamber of Commerce with business interests in minerals, oil and aircraft, and he controlled the port of Poti, directly or indirectly dominating the seaport's infrastructure.<sup>671</sup> The second group of Gia Jokhtaberidze, Shevardnadze's son-in-law, owned one of the two major cellular communication companies, Magti, and held interests in the state Rustavi nitrogen plant and Zestafoni non-ferrous metallurgy plant. The third sub-group, headed by Nugzar Shevardnadze, Shevardnadze's nephew, played a main role in the import of consumer goods, chiefly fuel.<sup>672</sup> All groups made sure that their private interests would be guarded by the state through appointing close friends and relatives to government positions. For instance, Zurab Urotadze, Deputy Interior Minister, was a childhood friend of Nugzar Shevardnadze. Jokhtaberidze's best man, Gia Kakuberi, was a deputy minister of communications.<sup>673</sup>

In Ukraine, the Kuchma family, especially Kuchma's son in law Viktor Pinchuk, emerged as major oligarch. Pinchuk's accumulation of initial capital raised legal questions, such as his infamous joint purchase with Akhmetov of Kryvorizhstal for much lower than market price.<sup>674</sup> In Ukraine, however, the presidential family was not as important as in the other two countries. This is due in part to the large territory and population that was instrumental in

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<sup>668</sup> Interviews with K2, K4, K9, K16, K23, March-May 2007 Bishkek, Kyrgyzstan.

<sup>669</sup> Marat (2006c, p. 46).

<sup>670</sup> Aslund (2005a).

<sup>671</sup> See for instance Mtavari Gazeti (2004). Cross-checked with the interview with the official of Poti seaport, 25 August 2006, Poti, Georgia.

<sup>672</sup> Chiaberashvili and Tevzadze (2005, p. 191).

<sup>673</sup> For detailed discussion of anti-corruption policy in Georgia during Soviet times and afterwards see Appendix 2.

<sup>674</sup> Kryvorizhstal is one of the most important industrial sites in Ukraine and a global steel producer. It was re-privatized in the aftermath of the Orange Revolution and, though initially bought for 800 million USD, has been sold for 4.8 billion USD to Mittal Steel.

creating several competing regional groups. This competition precluded the emergence of monopoly by one family.

In all three countries, corruption channels were temporarily disrupted in the direct aftermath of the revolutions, and businessmen were confused to whom, how much and when they should pay the regular illegal amounts. This is in line with the transitologist argument of uncertainty and chaos prevailing after rapid transition. In Kyrgyzstan there was uncertainty over the market shares, ownership of profitable assets, and the legality of business practices.<sup>675</sup> The post-revolution normlessness left legal and illegal markets in limbo. Engvall states that in Kyrgyzstan there was “no actor in a position to define the rules of the game.”<sup>676</sup> With Akaev’s family and its operatives removed from informal control, the power centre became vague. Eventually, the corruption pyramids were restored, and the new ruling elites became the new *kryshas* for legal as well as illegal businesses.<sup>677</sup> Hence, only the officials changed while the mechanisms of bribery remained in place.

Unlike Kyrgyzstan, where power was monopolized by Bakiev’s regime, in Ukraine the formerly highly centralized system of Kuchma has been destroyed. Hence, the most significant change in Ukrainian corruption trends would be their diversification due to the newly emerged, post-Orange Revolution, multiple power centres. As one local observer noted, “before the revolution Kuchma was the real centre of power, although afterwards the power vertical has been decentralized, affecting corruption schemes.”<sup>678</sup> Now everyone is getting “a share of the pie.” In the system of public procurements, all major pre- and post-revolution powerholders reap illicit benefits, including the associates of Yushchenko, Tymoshenko, Yanukovich, Moroz and Lytvyn.<sup>679</sup> In 2006 President Viktor Yushchenko wrote in the *Washington Post* that “on my watch, the corruption that has historically emanated from the president’s office ceased.”<sup>680</sup> Nevertheless, allegations of corruption surrounding the president’s close allies have repeatedly surfaced since the September 2005 crisis when mutual accusations in corruption between various officials led to the dismissal of Yulia Tymoshenko's government. There are now allegations of corruption concerning the president’s family, including his brother’s dealings with gas transportation company

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<sup>675</sup> MacFarlane and Torjesen (2007, p. 58).

<sup>676</sup> Engvall (2007, p. 37).

<sup>677</sup> Author’s interviews with K3, K5, K11, K23, March-May 2007, Bishkek, Kyrgyzstan.

<sup>678</sup> Author’s interview with Stas Rechynskyi, 1 November 2007, Kyiv, Ukraine.

<sup>679</sup> Author’s interview with U7 and U8, October-November 2007, Kyiv, Ukraine.

<sup>680</sup> Yushchenko (2006).

RosUkrenergo.<sup>681</sup> Unsurprisingly the fight against corruption is “now the source of acerbic jokes and sarcastic smiles.”<sup>682</sup>

In Georgia, one month after the revolution, a businessman appeared in the state chancellery bringing a bribe payable monthly to the previous authorities and he was trying to find an official in the new government that would accept the money.<sup>683</sup> The pre-revolutionary corruption pyramids have never been restored in Georgia and even the outmost critics of the Saakashvili government agree that petty corruption has been reduced.<sup>684</sup> However, high-level corruption remains a problem. The top manager of one of the largest state enterprises said “the winner in every public procurement tender exceeding USD 50,000 is pre-determined from above.” In one case this person received a call from a close relative of President Saakashvili “recommending” a certain company to win a public tender.<sup>685</sup> In 2007, a scandal involving former Defence Minister Okruashvili illustrated how high officials were awarding public contracts via nepotism and cronyism.

The extent of public trust in authorities is a useful explanatory variable when determining whether corruption increased or decreased post-revolution. Hagan and Radoeva show that “extraordinarily high levels of social capital, characterized by unmonitored trust, can result in political corruption, white collar and corporate crime,” and yet “extremely low levels of social capital, which frequently involve a disconnection from and distrust for society, often are associated with crime in less advantaged settings.”<sup>686</sup> Consensus in academic literature indicate that a general lack of trust in society and between citizens and the government contributes to the success of organized crime.<sup>687</sup> Saakashvili garnered some 96 percent of the votes in January 2004 elections and his political party won an absolute majority in the Parliament. The OSCE, which sent one of the largest election observer missions, stated “the authorities showed the political will to conduct democratic elections” and generally elections brought Georgia close to meeting international standards.<sup>688</sup> Hence the results are still a good indicator of public trust in Saakashvili despite the possible, although minor, fraud. The new leader shortly made the statement that “voters had given him a mandate to fight corruption.”<sup>689</sup>

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<sup>681</sup> Kyiv Post (2006a).

<sup>682</sup> Kyiv Post (2007a).

<sup>683</sup> Author’s interview with G16 and G26, Tbilisi, Georgia, June-July 2006.

<sup>684</sup> See for instance Dolidze (2007).

<sup>685</sup> Author’s personal communication with G11, 19 January 2009, Georgia.

<sup>686</sup> Hagan and Radoeva (1998, pp. 195-211).

<sup>687</sup> Levi (2007, p. 786).

<sup>688</sup> OSCE (2004).

<sup>689</sup> Carlson (2004).

In Kyrgyzstan it is widely accepted that the volume and extent of the bribery is greater than before the Tulip Revolution.<sup>690</sup> Entrepreneurs and representatives of the non-governmental sector, the media and academic institutions report that the value of illegal payments requested by officials is higher now.<sup>691</sup> For instance, as Kyrgyz journalists and NGO representatives have alleged, the illegal payment for various positions in the government has tripled.<sup>692</sup> The most common explanation corroborated by the majority of respondents is that the new people who have come into the government are "hungry" for money and are trying to earn as much illegal revenue as possible, since they were deprived of this opportunity before. This is exacerbated by continual reshuffles in all state structures. Under conditions of uncertainty and, with reshuffles, chronic risk of dismissal, officials try to earn a fortune as quickly as possible.<sup>693</sup> Barbara Christophe attributes the frequent replacement of leaderships in various institutions to the attempt of the ruling cliques to counteract the emergence of independent power centres and thus maintain their own influence. She argues that the constant restructuring of government agencies is the means to block the emergence of uncontrollable networks of patronage.<sup>694</sup>

In Ukraine, most of the experts interviewed report that, similarly to Kyrgyzstan, corruption has remained the same or increased.<sup>695</sup> However, there was an initial improvement in immediate aftermath of the Orange Revolution. According to the EBRD, the Tymoshenko government carried out significant reforms related to the tax regime and social security for entrepreneurs.<sup>696</sup> However, some of the reforms have been reversed or watered down afterwards when Yanukovich returned to power as a Prime Minister.<sup>697</sup> According to some estimations, now 60 percent of incomes of public officials constitute bribes.<sup>698</sup> Since early 2007 the organized crime fighting unit of the MIA has registered 230 cases of bribery among government officials; among them only 30 bribes paid exceed 30,000 *hryvnas* (roughly 6,000 USD).<sup>699</sup> According to law enforcement officers, it is rare for a government official to be

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<sup>690</sup> See for instance Report on the Survey Results (2007, p. 7).

<sup>691</sup> Author's interviews with K5, K7, K9, K11, K16, K23, March-May 2007, Bishkek, Kyrgyzstan.

<sup>692</sup> Ibid.

<sup>693</sup> Author's interviews with K1, K5, K7, K9, K11, K14, K16, K17, K23, March-May 2007, Bishkek, Kyrgyzstan.

<sup>694</sup> Christophe (2004, p. 14).

<sup>695</sup> Author's interviews with U3, U4, U6, U7, U8, U16, September-December 2007.

<sup>696</sup> EBRD (2007, p. 23).

<sup>697</sup> See for instance Aslund quoted in Burwell, Aslund, Kuzio, Pifer (2006, p. 11).

<sup>698</sup> Author's interview with Valeryi Glushkov, Professor, Head of Criminology Department in Shevchenko National University, November 2007, Kyiv, Ukraine.

<sup>699</sup> Grazhdanskaya prokuratura Ukraini (2007).

convicted in bribery involving large amounts of money. Usually the cases are ceased by courts with the lowest punishment or even no sentence at all.

Corruption remains in many branches of the government in Kyrgyzstan and Ukraine. In the former, the police, tax department, customs, security service (SNB, the successor to the Soviet KGB) and courts are especially corrupt, with customs considered the worst.<sup>700</sup> The heads of customs departments are widely assumed to be the main illegal financiers of the ruling families. The highest bribes are paid by the companies involved in producing and/or distributing electricity, gas, and water. The next on the list are businessmen involved in industries such as processing, construction and telecommunications. Bribes below the average level are typical for companies involved in trade, health, education, utility services, car repairs and hotel and catering.<sup>701</sup> The average bribe<sup>702</sup> paid to officials by businesses is 5,000 *som* (one hundred and twenty USD).

In Ukraine, a USAID study found that many institutions are rated as widely corrupt, with law enforcement topping the rankings. These include the state auto inspection unit (DAI) (57.5 percent of the respondents think that it is corrupt), the police (54.2 percent), healthcare services (54 percent), the court system (49 percent), universities (46.3 percent), the Prosecutor's Office (42.9 percent), customs authorities (42.8 percent), and tax authorities (40.3 percent).<sup>703</sup> Corruption is mostly noted in acquiring business licenses, tax collection, and customs.<sup>704</sup> Recently the sectors of construction and land distribution showed high vulnerability to bribery.<sup>705</sup> Researchers have found that the corruption cases detected by law enforcement do not exceed 1 percent of overall corruption-related crimes committed.<sup>706</sup> Certainly, one of the underlying problems in modern Ukraine is political corruption,<sup>707</sup> exemplified by the President's claims in 2007 that MPs have been lured into rival political factions through corrupt deals.

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<sup>700</sup> Report On the Survey Results (2007, p. 22).

<sup>701</sup> UNDP (2006, p. 10).

<sup>702</sup> The study quoted does not clearly define what an average bribe is, though it states that it is "average by data from the survey," most probably meaning an arithmetic average.

<sup>703</sup> USAID (2007, p. 19).

<sup>704</sup> OECD (2006, p. 10).

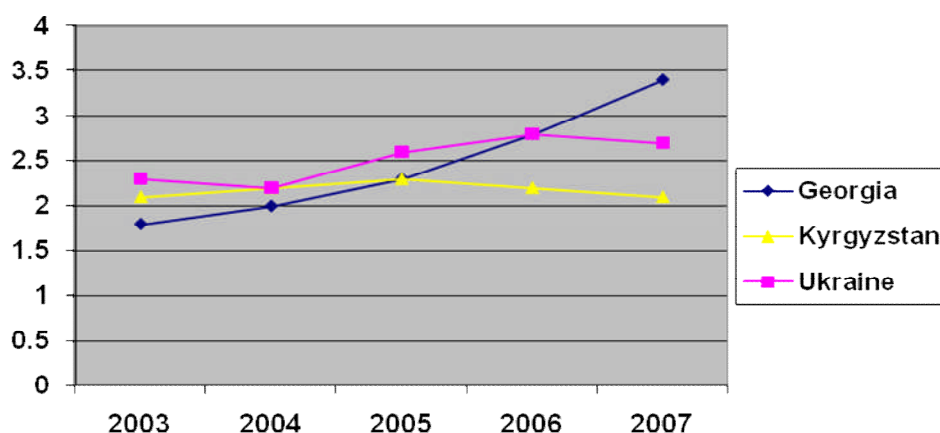
<sup>705</sup> Author's interview with Oksana Kuziakiv, Chief Executive, Institute for Economic Research and Policy Consulting, October 2007, Kyiv.

<sup>706</sup> L.M. Sudba, "Koruptsiya v Ukraine: sastayanie i problemi", Kyiv, Ukraine, 2005.

<sup>707</sup> Yushchenko's speech (April 2007), quoted in EBRD (2007).

One of the most cited corruption measurements is the Corruption Perception Index by Transparency International (TI). The following chart shows the dynamics of corruption in the three countries.

*Chart 5. Dynamics of the Corruption Perception Index in Georgia, Ukraine and Kyrgyzstan (TI)*<sup>708</sup>



The chart shows some trends: Georgia was the most corrupt country before the revolution, and now it is least corrupt among the three countries. The revolution resulted in a rapid breakthrough and quick improvement in the Georgian case. In Ukraine, the situation improved in 2006 compared to the previous years; however, progress stalled in 2007.<sup>709</sup> In 2007, 52 percent of Ukrainian respondents thought that there was no change in the fight against corruption compared to 2006.<sup>710</sup> According to TI data, the situation remained unchanged in Kyrgyzstan and even deteriorated, what is also confirmed by numerous interviews and conversations with citizens during field research.

The corruption measurement indicator of the World Bank corroborates these trends. The indicator measures “the extent to which public power is exercised for private gain,

<sup>708</sup> Source: Transparency International, <http://www.transparency.org/>

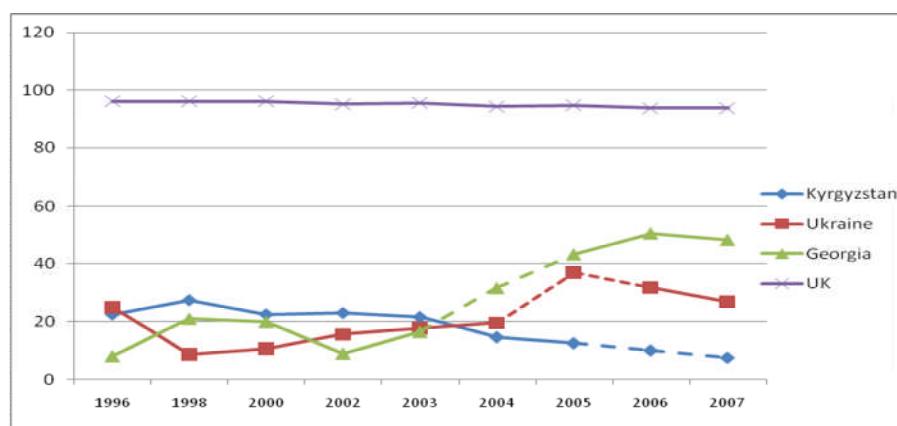
<sup>709</sup> Donchev and Ujhelyi (2008) find that corruption perception indices maybe sensitive to absolute level of corruption (number of occurrences of corruption) rather than just relative corruption levels (percentage of population affected by corruption). Hence the perception maybe biased upwards for large countries in cross-country comparisons..

<sup>710</sup> Sharma, Holzwardt, and Abdullatif (2007, p. 13).



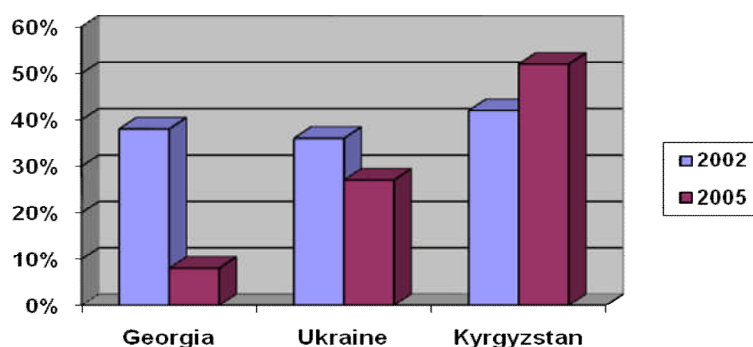
including both petty and grand forms of corruption, as well as ‘capture’ of the state by elites and private interests.”<sup>711</sup>

*Chart 6. Control of corruption indicators in Georgia, Ukraine, Kyrgyzstan (World Bank)<sup>712</sup>*



The chart shows rapid and significant improvement since Georgia’s revolution, deterioration in the Kyrgyz case and, in Ukraine, an improvement in the direct aftermath of the Orange Revolution, followed by a reversal. Thus, the most "corruption-captured" state now, according to this indicator, is Kyrgyzstan, and Georgia is doing best among the three. This clearly correlates with other variables from EBRD and World Economic Forum’s Opinion Surveys. The EBRD survey, showing the percentage of firms stating unofficial payments are frequent, demonstrates that the number of unofficial payments decreased in Georgia and Ukraine while it increased in Kyrgyzstan.

*Chart 7. Bribe frequency (EBRD data of 2002 and 2005 compared)<sup>713</sup>*



<sup>711</sup> Kaufmann, Kraay and Mastruzzi (2007, p. 5).

<sup>712</sup> World Bank (1996-2007).

<sup>713</sup> EBRD (2002-2005).

This data from the Global Competitiveness Report of the World Economic Forum measuring irregular payments in tax collection<sup>714</sup> also show that Georgia<sup>715</sup> and Ukraine did well, while the situation in Kyrgyzstan is worse compared to 2005 and in 2006 the country was ranked 4<sup>th</sup> from bottom among more than 130 countries.

*Table 4. Irregular payments in tax collection in Georgia, Ukraine and Kyrgyzstan (World Economic Forum)*

	Georgia	Ukraine	Kyrgyzstan	Russia	Finland
2003	N/A	3.4	N/A	4.4	6.8
2004	2.9	3.9	N/A	4.5	6.7
2005	3.9	4.2	3.0	4.6	6.5
2006	4.3	4.3	2.8	4.9	6.7

National surveys by various organizations positively correlate with the above data. The situation in Georgia in 2007 is not much different from that of 2006 and a very high percentage of respondents, 97 percent, reported that they had not been in a situation over the last 12 months when they had to bribe for a service or decision. According to the same survey in Kyrgyzstan, 21 percent of the respondents cite corruption among the most important issues the country is facing,<sup>716</sup> while in the Georgian case corruption<sup>717</sup> is not listed at all.<sup>718</sup> In March 2006, only 36 percent of respondents in Kyrgyzstan thought that corruption had increased. This figure went up to 47 percent in May 2007.<sup>719</sup>

In Ukraine, the 2007 USAID study found that 42 percent of respondents believed that corruption levels remained unchanged, while 35 percent believed that corruption had increased since 2004.<sup>720</sup> However, the quarterly enterprise survey carried out by the Institute for Economic Research shows interesting trends: in 2005 the average size of bribes was recorded as 1.4 percent of annual sales, down from 6.5 percent in 2004. However, in 2006

<sup>714</sup> The question asked in the survey is the following: “in your industry, how commonly would you estimate that firms make undocumented extra payments or bribes connected with annual tax payments?” (1=common, 7=never occurs). Source: World Economic Forum (2004, 2005, 2006, 2007, 2008).

<sup>715</sup> Again, significant improvement following the revolution is notable in the Georgian case.

<sup>716</sup> Corruption ranks third most important issue after unemployment (57% of respondents) and economic development (27%).

<sup>717</sup> Unemployment (60%), territorial integrity (33%) and economics (30%) top the Georgian list of most important problems.

<sup>718</sup> For Kyrgyzstan see IRI (2007b); for Georgia see IRI (2007a).

<sup>719</sup> IRI (2007b).

<sup>720</sup> USAID (2007, p. 19).

this indicator increased again and reached 3.4 percent of annual sales. Strikingly, the share of respondents who were asked whether it was common for enterprises like theirs to pay bribes in order “to get things done” decreased from 76.8 percent in 2004 to 34 percent in 2005 and then increased to 55.1 percent in 2006 again.<sup>721</sup> Clearly, improvement occurred immediately after the revolution, while in 2006 the situation deteriorated. Although there is not enough evidence to speak about clear causation, it can be argued that the rising corruption rates correlate with the return of the Blue camp to executive power. The Atlantic Council study that examines corruption since the Orange revolution concludes that “anti-corruption efforts simply are not a priority for the Party of Regions.”<sup>722</sup>

However, this should not downplay the importance of bribery among the “Orange” elites. Kuzio found some public perception of the ‘mafia’ and organized crime “ruling” Ukraine when Yushchenko and Tymoshenko have been in power, as Prime Minister and vice-Prime Minister in 1999–2001, and as President and Prime Minister in 2005.<sup>723</sup> Some empirical evidence shows that factions of the Yushchenko and Tymoshenko teams are heavily involved in bribery, such as in the Ukrainian energy sector. Balmaceda demonstrates that new rulers accommodate the old bribery mechanisms by installing their own personnel to control the significant rents from energy.<sup>724</sup>

Georgia’s improving indices, and the initial progress of Ukraine may be partially associated with revolutionary euphoria and optimism, coupled with relatively strong economic performance.<sup>725</sup> Importantly, the decreasing public awareness of corruption, due to the limitations on free media in Georgia can also account for the changes in indices (for a comprehensive overview of efforts to combat corruption in Georgia see Appendix 2).

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<sup>721</sup> Institute for Economic Research and Policy Consulting (2006).

<sup>722</sup> Neutze, Karatnycky (2007, p. 28).

<sup>723</sup> Kuzio (2005, p. 358).

<sup>724</sup> Balmaceda (2008, pp. 120-125).

<sup>725</sup> Gray, Hellman and Ryterman (2004).

## Chapter 7. Former smuggling heavens or permanent black holes?

This section concentrates, first on uncontrolled territories, such as the post-conflict or conflict areas Abkhazia and South Ossetia in Georgia, that are now entirely outside the control of the central authorities and are significant actors in transnational organized criminal activity. Second, I discuss semi-separatist areas loosely controlled by the central government, such as Adjara in Georgia before May 2004. Third, I address lawless territories such as the Pankisi Gorge in Georgia before 2003, and the Osh region in Kyrgyzstan. The threat from the Pankisi Gorge ceased as a result of the US-funded Georgia Train and Equip Program (GTEP) and subsequent anti-terrorist operations. At the same time, allegedly the Osh region is still a “grey zone” on Kyrgyz territory. In September 2005, Uzbek authorities claimed that the Andijon unrest was planned by Islamic militants at a terrorist base in southern Kyrgyzstan, a claim dismissed by the Kyrgyz Defence Ministry as groundless. Ruslan Baibolsunov, an Osh-based military analyst, said some bases may exist in the country’s mountainous regions that are hard to control.<sup>726</sup> No parallel exists in Ukraine, i.e. Ukraine has no “grey zone” on its territory; however, it has a “black hole” in its border that is the Transdniester breakaway republic in Moldova. In addition to lawless zones in Georgia and Kyrgyzstan, I will discuss Transdniester’s role in smuggling through Ukraine, and how this strengthens regional criminal networks.

### 1. Transdniester: “Black hole” in the Ukrainian border?

The region of Transdniester separated from Moldova after a violent conflict in 1992 and gained de-facto independence. Transdniester is landlocked between Moldova and Ukraine, and like other separatist regions in the post-Soviet space became a smuggling hub, with much of its contraband goods transited through Ukrainian territory and destined for the Odessa seaport in Ukraine for further export.

Vladimir Smirnov, the son of the President of Transdniester, heads the customs department of the region. It is assumed that he is the main leader of the consortium called *Sheriff*, which controls literally everything in the region, from mobile communication and gas

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<sup>726</sup> RFE/RL Organized Crime and Terrorism (2005).

stations to supermarkets.<sup>727</sup> The company has also constructed a gigantic sports complex near Tiraspol that by the estimation of Western diplomats is worth USD 200 million, twice as much as the annual budget of Moldova.<sup>728</sup> Due to Sheriff's monopolistic nature, Transdniester was nicknamed "*Respublika Sheriff*."

Contraband items from Transdniester reach world markets through Ukraine in two ways. The first is through the Ukraine-Transdniester border, and the second through the Moldova -Ukraine border, which seems to be the most profitable route for smugglers because it leads to the Black Sea port of Odessa. Odessa is known as the smugglers' "life route."<sup>729</sup> This smuggling has long contributed to the transnational political-criminal nexus, especially in illicit arms when the various ethnic conflicts erupted in former Soviet republics in the 1980s and 1990s. According to a letter obtained during my field research in Moldova in 2004, among those involved in organized crime in Transdniester are Polish crime groups, officials of Transdniestrian de-facto state institutions, high-ranking officers of the Russian Ministry of Defence and several major professional criminals.<sup>730</sup> "With the support of Odessa city authorities, arms were transported by trucks to the Odessa seaport, where weapons were loaded onto the ships of a Ukrainian company, "Ascoflot," and sent to Chechnya, Armenia, Abkhazia and Tajikistan," the letter alleges.<sup>731</sup>

Ukraine' border with Transdniester is 386 km,<sup>732</sup> and remained porous and open for smuggling. Besides the legally established customs posts, there are dozens of secondary pathways at the border which are not guarded. In 2004 the Deputy Prosecutor of the Odessa Region denied any smuggling occurred between Transdniester and Odessa.<sup>733</sup>

In March 2005 Kyiv announced that it would only accept imports that are stamped by customs officials in the Moldovan capital of Chisinau. In parallel, a border monitoring mission under the auspices of the European Union was established to end arms smuggling and customs fraud. As a result, the trafficking of illegal goods between Ukraine and Moldova through Transdniester has decreased, causing turmoil among interested criminal groups on both sides of the border.<sup>734</sup>

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<sup>727</sup> Interview with professors of Transdniester State University, Tiraspol, Transdniester, April 14, 2004.

<sup>728</sup> George (2004).

<sup>729</sup> Provokacia (2003).

<sup>730</sup> Letter of the former Rector of the Transdniester State University (1999).

<sup>731</sup> Ibid.

<sup>732</sup> Perepelytsya (2003, p. 277).

<sup>733</sup> Author's interview with Deputy Prosecutor of Odessa region, April 8, 2004.

<sup>734</sup> Lavrov (2006).

## 1.2. Odessa

The major Black Sea port city of Odessa, known informally as the “Mama of corruption”, has long been a centre of illegal sea trading and various forms of organized crime, especially in the oil transportation business. Proximity to Transdnier has only exacerbated the organized crime problem.

In the early 1990s, Viktor Kulivar aka Karabas was dominating the underworld and the oil business. After his assassination in 1997, conflict over the division of spoils started between the groups of Angert and Stoyan.<sup>735</sup> The former won through the collusion with regional and city law enforcement structures and local politicians.<sup>736</sup> Angert was allied to Aleksandr Zhukov,<sup>737</sup> local entrepreneur, in controlling the oil business. They broke the opposition of Chechens competing for illegal oil profits.<sup>738</sup> In the mid and late 1990s, Angert changed political affiliation several times, and was allied at one point with Ruslan Bodelan, regional governor, then defected to Eduard Hurvits, Odessa mayor. The latter had extensive links in both the local and Kyiv underworlds. In the late 1990s, Eduard Hurvits publicly confirmed that he is acquainted with Aleksandr Nikolayevskiy, aka Batsila.<sup>739</sup> Batsila is a criminal with business interests in Ukrainian real estate and bodybuilding.<sup>740</sup>

Ruslan Bodelan controlled both regional power structures and trade until he lost this control after the Orange Revolution.<sup>741</sup> Hurvits, though, entered the Orange coalition and got re-appointed as city mayor in 2005. In general, despite the anti-criminal rhetoric and the assertion that “convicts will not rule Ukraine,” some of the senior appointments in Odessa by President Yushchenko were questionable. For instance Mykola Bondarenko, Yushchenko’s classmate and deputy governor of Odessa, had a record for criminal embezzlement and forgery, and a conviction for cooperation with criminal spirits trading.<sup>742</sup>

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<sup>735</sup> Arkusha (2003, pp. 7-12).

<sup>736</sup> Author’s interview with U1 and U2, October-December 2007. See also RFE/RL (2002), Pirovich (2004).

<sup>737</sup> In 2001, he was implicated in illegal arms trafficking in Italy but the court dropped the charges. On the link between Angert and Zhukov see Cande and Ozon (2006), Agenstvo federalnikh isledovanyi (2001), Association of Investigative Journalism of Bulgaria (2003).

<sup>738</sup> Author’s interview with U2, 22 October 2007, Kyiv, Ukraine.

<sup>739</sup> Zerkalo Nedeli (1998).

<sup>740</sup> Author’s interview with U1, 10 December 2007, Odessa, Ukraine. He is referred as the vice-president of Odessa regional branch of bodybuilding federation of Ukraine on the website of real estate company Alians that is allegedly co-owned by him. See <http://www.alians.com.ua/?pid=body sport3>, accessed 6 April 2008.

<sup>741</sup> Williams and Picarelli (2002, p. 157).

<sup>742</sup> Zerkalo Nedeli (May 7, 2005).

## 2. Smuggling through Georgia's uncontrolled territories

### 2.1. Abkhazia and South Ossetia

Smuggling through the uncontrolled territories of Georgia arguably best depicts the impact of regime transition on criminality and corruption. The smuggling networks that formed in post-conflict settings were disrupted immediately after the Rose Revolution as a consequence of government change in Tbilisi and reforms in the law enforcement system.

Due to armed civil conflicts in 1990-1993, two of the secessionist regions, Abkhazia and South Ossetia, remained outside the jurisdiction of the Government of Georgia. These post-conflict areas emerged as the most influential geographic factors facilitating the movement of contraband through the country. In both regions, well-established smuggling networks emerged comprising corrupt officials, law enforcement structures, crime groups from both sides (Georgian-Abkhazian and Georgian-Ossetian), Russian peacekeepers, and an impoverished and marginalized portion of the population (primarily IDPs, proper refugees, and people still residing in conflict zones).<sup>743</sup>

Organized crime groups from both sides have cooperated with each other in smuggling activities, with occasional outbursts of violence over division of spoils. Frequently, Georgian officials and criminals cooperated with their counterparts in the breakaway republics in illicit trading. As a result, the cease-fire lines have become criminal zones before 2004, with strong signs of the criminalized "shadow economy" discussed by Goodland that is characterized by the presence of "conflict profiteers," extensive extraction of natural resources and smuggling of various commodities.<sup>744</sup> These kinds of interest groups often may "find the continuation or institutionalization of war at a certain level of intensity desirable,"<sup>745</sup> as Berdal and Keen would argue. This shadow economy was partially damaged in the aftermath of Rose Revolution mainly due to the reforms of criminal justice system in Georgia and disengagement of criminal actors from Georgian side.<sup>746</sup> The smuggling has decreased to minimum after the war between Russia and Georgia in August 2008.

Thus, much like the civil and ethnic wars in the Balkans and Africa, the separatist conflicts in Abkhazia and South Ossetia have developed into smuggling-based post-war economies; these conflicts remained "frozen" because numerous actors, including the

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<sup>743</sup> For a comprehensive analysis of the issue see Kukhianidze, Kupatadze, and Gotsiridze (2003)

<sup>744</sup> Goodhand (2004).

<sup>745</sup> Berdal and Keen, (1997, p. 798).

<sup>746</sup> Kupatadze (2005).

breakaway regions' authorities and the members of the central government in Tbilisi, had material interest in the trafficking of contraband goods and wanted to maintain the status quo. As Keen argues, the parties involved were "more anxious to prolong a war than to win it" due to their potential illicit earnings from continued warfare.<sup>747</sup> The majority of the assassinations, kidnappings and infighting across the ceasefire lines (CFLs) in Abkhazia and South Ossetia have been linked with smuggling, that certain corrupt authorities profited more from by allowing than curtailing.<sup>748</sup>

The situation began to change in 2004, when the new "Rose Revolution" government attempted to "de-freeze" the conflicts. The policy of the new authorities stressed what Ballentine and Nitzschke would call "attacking the financial lifelines of combatants, by targeting white-collar and organized criminal activities through which their financing is channelled."<sup>749</sup> Consequently, much of the smuggling-related violence decreased and politically-motivated violence increased.<sup>750</sup>

Various armed groups, including Georgian guerrillas in Abkhazia,<sup>751</sup> paramilitary militias and law enforcement structures of the breakaway republics<sup>752</sup> and Russian peacekeepers, were heavily involved in smuggling. Generally all actors involved in smuggling fall under the category of "spoilers" discussed by Stedman.<sup>753</sup> Spoilers sabotage the peace process for personal gains. For them, disruptions to peace and alliances with organized crime networks guarantee income.<sup>754</sup>

The turnover of illegal and legal goods was protected by *kryshas* (influential government officials) both in and outside the secessionist territories. Pyramids of corruption assured the distribution of illegal incomes to the protectors. Some of the organized criminal groups controlling the trade in the Ergneti market<sup>755</sup> had patrons in the State Chancellery and in the Ministry of Internal Affairs during the Shevardnadze era.<sup>756</sup> High-ranking officials were

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<sup>747</sup> Keen (2000, p. 27).

<sup>748</sup> Kupatadze (2008).

<sup>749</sup> Ballentine and Nitzschke (2005, p. 6).

<sup>750</sup> See Kupatadze (2008).

<sup>751</sup> Before the Rose Revolution, armed groups on the Georgian side could be divided into two camps: guerilla groups, and so-called Zviadist groups (armed followers of Zviad Gamsakhurdia, ex-president of Georgia, ousted as a result of the coup d'état in January 1992). Two major guerilla groups on the Georgian side were the "Forest Brothers" and the "White Legion."

<sup>752</sup> For instance, some of the Abkhaz armed groups operating in the Gali district had an "official" status, representing secessionist law enforcement structures. The largest and most powerful group that is still functional is headed by Valmer Butba.

<sup>753</sup> Stedman (1997).

<sup>754</sup> Hartwell (2005, p. 2).

<sup>755</sup> The market was situated on the administrative border between South Ossetia and Georgia, close to Tskhinvali.

<sup>756</sup> Kukhianidze, Kupatadze and Gotsiridze (2003), Kupatadze (2008).



engaging in everything that would generate high profits, legal or not. One law enforcement officer reported a case in the early 2000s when he detained trucks of contraband spirits going to South Ossetia for further delivery in Russia. Soon, he said, he knew that the trucks were moving under the custody of the Minister of this law enforcement structure.<sup>757</sup> Berdal and Keen demonstrate the importance of clandestine, informal and criminal links between the security sector and various economic interests. According to them, “the persistence of these linkages does much to explain the continuation of violence and the lack of progress” in the process of conflict resolution.<sup>758</sup>

The most popular contraband of the Ergneti market was cigarettes, fuel, and wheat flour. According to the estimates of the Transnational Crime and Corruption Centre in Georgia, more than 70-80 percent of the breakaway republic’s budget income was derived from illegal business sources. De-facto government officials and criminals also owned shares in, and benefited from the contraband business, the market nevertheless played a crucial role in confidence-building between Georgians and Ossetians. Roughly 2,000-3,000 people – both Ossetians and Georgians – worked there and even more residents of the conflict zone were indirectly engaged in activities related to its operation.<sup>759</sup> The market was closed down by Georgian law enforcers after the Rose Revolution. Interestingly the closing down was one of the major factors that led to resumption of violence in August 2004. However, the involvement of state representatives continued. According to Shida Kartli’s governor, nearly 250 of the region’s policemen were sacked in the aftermath of regime change for alleged participation in smuggling.<sup>760</sup> The closure of Ergneti market has several other implications. First, smuggling increased throughout the other parts of Georgia. Second, the organization of smuggling through South Ossetia has degenerated. Third, business relations between Georgians and Ossetians were damaged to an uncertain extent. Although illegal, the Ergneti market was convenient and useful for exchange between Georgian and Ossetian traders.

In Abkhazia smuggling mostly involved cigarettes, fuel, food and scrap metal. Also, several isolated cases have been reported of illicit trafficking in arms and drugs. Many were benefiting from the illicit trade, including the local population, who paid less for the most frequently consumed items. However, those benefiting most were political-criminal clans. The motive behind illicit smuggling has been *profit* for most of the actors, however, political motivations was also a relevant causative element, that would be in line with the argument of

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<sup>757</sup> Personal communication with G20, 26 June 2006, Tbilisi, Georgia.

<sup>758</sup> Berdal and Keen (1997, p. 814).

<sup>759</sup> Civil Georgia (June 22, 2005).

<sup>760</sup> Civil Georgia (March 14, 2005).

Nikos Passas.<sup>761</sup> For instance, guerrilla activity was motivated by both criminal and ideological zeal combined in one campaign. Georgian guerillas had a dual role: first, a political part in fighting Abkhaz separatism, and second, a criminal objective with pecuniary incentives for them to cooperate with Abkhaz militia and criminal groups in smuggling.<sup>762</sup> The elimination of guerrilla groups substantially damaged the smuggling networks across ceasefire lines. In early 2004 a large anti-criminal operation was conducted in the Zugdidi region that led to the arrest of 30 guerrillas and recovered large stockpiles of arms.<sup>763</sup> Interestingly, some guerrilla leaders took refuge on the Abkhaz side, indicating their cooperative links on the other side of the ceasefire line.<sup>764</sup>

As a result, Abkhazian and Ossetian paramilitary and criminal groups (as well as average Ossetians) lost their “partners in the business” on the other side of the cease-fire lines (CFLs). This significant change of affairs eventually led to a decrease of organized smuggling<sup>765</sup> though the demand for cheaper, smuggled products remained constant inside Georgia. As a result, petty smuggling increased to satisfy the demand. Smuggling operations have become the domain of petty traders, also known as “women with bags” in 2004-2005.<sup>766</sup> These shadow business heirs are former peddlers of contraband cigarettes that were once transferred to them by police, guerrillas, and other criminal groups. The smugglers paid them on the other side of the ceasefire line only after they sold the goods on the territory of Georgia. After the anti-smuggling operations conducted by the Georgian police, most of the smuggling groups were bankrupted.<sup>767</sup> Additionally after the smuggling networks were successfully targeted by Georgian law enforcement it did not make sense to smuggle goods in large quantities from Russia to South Ossetia or Abkhazia since local markets are small and yield little profits. Furthermore, rapid rises in prices on oil and certain consumer goods in Russia since 2005 do not make smuggling profitable into Georgia.

Reforms following the Rose Revolution of 2003 disrupted many ties between organized crime and law enforcement. As a result police were able to better detect and prosecute criminals. Additionally, the Financial Police under the Ministry of Finance was established to centralize the fight against economic crime, including smuggling. Before the Rose Revolution, fighting economic crime was dispersed among various law enforcement

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<sup>761</sup> Passas (2002, p. 32).

<sup>762</sup> Kukhianidze, Kupatadze, and Gotsiridze (2003, p. 24).

<sup>763</sup> Kupatadze (2008).

<sup>764</sup> Khvalindeli dge (2004).

<sup>765</sup> Findings of TraCCC group’s field research in Zugdidi and Ergneti market, March 2004.

<sup>766</sup> Kupatadze (2005).

<sup>767</sup> Kupatadze (2008).

structures, resulting in poor coordination and ineffective combat against contraband. Reform of the police, and the Ministry of the Interior, had a dual effect on smuggling. First, many of the dismissed 16,000 policemen moved to the smuggling business, thereby professionalizing the criminal groups involved in illicit trade. For instance, in Shida Kartli next door to South Ossetia, former policemen were arrested several times for smuggling cigarettes out of the conflict zone.<sup>768</sup> The operational and logistical capabilities of law enforcement have improved, and a clean up of the Georgian legal system means more success against corruption in the highest echelons of government.

## 2.2. Adjara

Over a twelve-year period ending on May 6, 2004, all economic activity in the Adjarian Autonomous Republic was controlled by a small group of local government officials, headed by the autonomous republic's chief, Aslan Abashidze. Abashidze tightly controlled the law enforcement system and the strategic resources of the autonomous republic, particularly the Batumi seaport and the Sarfi customs point on the Georgian-Turkish border. Furthermore, Kikabidze and Losaberidze demonstrated that 57 percent of executive and 54 percent of legislative government were close relatives of Aslan Abashidze or his wife.<sup>769</sup> Soso Gogitidze, the brother-in-law of Abashidze, was Minister of State Security of Adjara, and other relatives filled the posts of Deputy Minister of State Security and of Internal Affairs. In short, given the family monopolies, Adjarian politics and its economy were closed to all but those approved by the Abashidze clan.<sup>770</sup>

Security and law enforcement officials owned and controlled front company Basri Limited in Adjara. Officially, the firm's activities involved graphic design and providing internet services. These activities, however, were a cover for the Abashidze clan's illicit activities, including drug trafficking and car smuggling from Chechnya into Adjara, directed by Soso Gogitidze.<sup>771</sup>

Abashidze retained extensive criminal and public official connections within Russia. They include Yuri Luzhkov, the mayor of Moscow, and Grigory Luchansky. Luchansky is a Latvian-born, Israeli citizen who *Time* magazine described as "the world's most investigated

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<sup>768</sup> Author's interview with Vladimer Jugeli, Head of the Regional Police of the Shida Kartli region, July 14, 2005, Gori, Georgia.

<sup>769</sup> Kikabidze and Losaberidze (2000, pp. 40-1).

<sup>770</sup> Interview with former Deputy Head of Abashidze's Guard, May 2004, Batumi, Georgia.

<sup>771</sup> Author's interview with officer of State Security, November 2004, Georgia.

man”<sup>772</sup> and who is “an old and very close friend” of Abashidze who advised the Adjarian leader on business matters.<sup>773</sup> Luchansky used the Batumi seaport for private purposes, and large companies operating in Adjara and registered in offshore zones are related to him.<sup>774</sup>

The rule of Abashidze was terminated by a public uprising in May 2004. Several of his accomplices, including Gogitidze, fled to Russia. The Georgian court ruled that Abashidze misappropriated 99 million Georgian lari from the state budget between 1997 and 2004.<sup>775</sup>

### 2.3. Pankisi Gorge

The Pankisi Gorge, located on the border with Russia, became a haven for terrorist training camps, drug trafficking and other illicit activity since the second Chechen war which began in 1999. Several refineries in the Pankisi Gorge processed high-quality heroin for retail sale.<sup>776</sup> It also became a centre of kidnapping and the illicit arms trade, and its illicit economy involved the Georgian power structures.<sup>777</sup> In fact, the rent-seeking of high-ranking officials was a large contributing factor to the criminalization of the gorge. Kakha Targamadze, Minister of Internal Affairs, together with key officials in the Interior and Security Ministries, allied themselves with Chechens and trafficked drugs through the Pankisi Gorge into Georgia, Russia, and on to Europe.<sup>778</sup> Organized criminal groups also transferred arms and munitions through the Pankisi Gorge to Chechen fighters.<sup>779</sup> Targamadze’s police personnel escorted Chechen fighters through the territory of Georgia to Turkey and the Middle East and back.<sup>780</sup>

The criminalization of the Pankisi Gorge was one of the major reasons for the launch of the US-funded Train and Equip Programme for the Georgian armed forces in 2002.<sup>781</sup> Continuous pressure from Russia as well as Georgia’s western allies, especially the United States, and the increasing capabilities of Georgia’s military allowed the authorities to clamp down on criminality in the gorge. In 2002-3 the area ceased to be a smuggling hub and

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<sup>772</sup> Time (1996).

<sup>773</sup> Ignatius (1999).

<sup>774</sup> TraCCC group’s field research in Adjara, May 2004.

<sup>775</sup> Prosecutor’s Office of Georgia, briefing on Abashidze’s court sentence.

<sup>776</sup> Author’s personal communication with law enforcement officers, May 2004, Georgia.

<sup>777</sup> Darchiashvili (2003, p. 11).

<sup>778</sup> Author’s interview with G7 and G8, June 2006, Tbilisi, Georgia.

<sup>779</sup> Ibid.

<sup>780</sup> Ibid.

<sup>781</sup> Darchiashvili (2003, p. 12).

shelter for terrorists. Presently, the criminal situation is largely under the control of Georgian authorities, but state institutions remain weak, allowing local traditional institutions to maintain influence in the population's everyday life.<sup>782</sup> Russian accusations of Islamic militants in the Pankisi Gorge are made frequently.<sup>783</sup> However, Georgian Border Police believe that the Russian special services staged terrorist incursions from Georgian territory for political purposes.<sup>784</sup>

### 3. The Fergana Valley and its role in smuggling through Kyrgyzstan

The smuggling of legal and illegal goods in Kyrgyzstan is closely related to bribery and collusion between official and unofficial structures. The geopolitical location of the country; its insecure borders; presence of organized crime groups; and corrupt and inefficient law enforcement are the main factors facilitating illicit cross-border trade. Government statistics indicate that the Kyrgyz national budget loses USD 19 million annually through smuggling,<sup>785</sup> although the real figures may be much higher.

Networks of smuggling in legal goods and trading illicit goods frequently overlap in Kyrgyzstan. Smuggling channels for Chinese goods, for instance, can easily be used for drug trafficking, or vice versa. Representatives of law enforcement structures are either directly engaged in smuggling, or take bribes and facilitate it. High-level interest in sustaining smuggling is clearly shown by corruption in the structures that are supposed to fight smuggling and the ownership of markets by high-ranking officials.

Some Kyrgyz experts argue that smuggling scales are greater than officially estimated.<sup>786</sup> Now the main problem is illicit trade on the Kyrgyz-Chinese border. In 2005 the Minister of Finance emphasized that the main source of illegal income from customs was trade with China and Turkey.<sup>787</sup> Smuggling from China has been on the rise in recent years, though official figures reported by the Chinese and Kyrgyz authorities show discrepancies. The Kyrgyz statistics committee reported that imports from China in 2005 amounted to USD 103 million, while Chinese official statistics stated that Chinese exports to Kyrgyzstan amounted to USD 972 million.

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<sup>782</sup> Author's interviews with G7 and G8, June 2006.

<sup>783</sup> See for instance the statement of Russian Border Service Lt. Gen. Anatoly Zabrodin (2008).

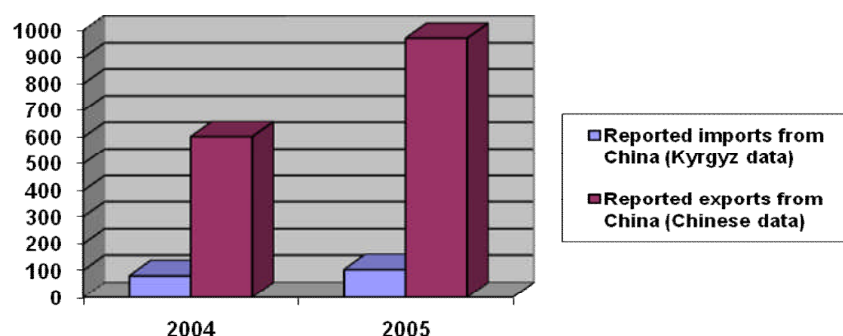
<sup>784</sup> Author's personal communication with G9, 7 June 2006, Tbilisi, Georgia.

<sup>785</sup> Jane's Sentinel Security Assessment (2008).

<sup>786</sup> Segodnia (2007); IWPR (2003).

<sup>787</sup> Finance Minister quoted in DeloNo (2005).

Chart 8. Comparison of Kyrgyz and Chinese sources on trade with Kyrgyzstan (in millions of USD)<sup>788</sup>



This chart shows huge volumes of unrecorded imports from China to Kyrgyzstan. Many of the smuggled Chinese goods do not stay in Kyrgyzstan, but are re-exported illegally to Kazakhstan and onwards to Russia, or to Uzbekistan. Only Kyrgyzstan, alone of its Central Asian neighbours, belongs to the World Trade Organisation (WTO) and imposes customs duties of just five per cent – three times less than Kazakhstan. Thus, traders prefer to bring Chinese foodstuffs and consumer goods first to Kyrgyzstan and then onwards to Kazakhstan.<sup>789</sup> The increasing problem of illicit trade on the Kyrgyz-Kazakh border has obliged Kazakh authorities to tighten control over the border with Kyrgyzstan.<sup>790</sup>

According to a UNDP study, the main forces behind re-exports are shuttle traders through two large centres, Dordoi market in Bishkek, and Karasuu market near Osh. Commodities imported from China, Turkey and some other countries are sold there to shuttle traders from neighbouring countries or Kyrgyz traders serving these countries.<sup>791</sup> Petty smuggling/shuttle trading is largely tolerated, because it provides hundreds of jobs for impoverished people. Given the extreme poverty of the population, smuggling is considered “normal”: a financial police officer was urged by the governor of one Southern region “to give the green light to smuggled goods,” justifying his position by the relatively low prices of smuggled goods and low purchasing capacity of the population.<sup>792</sup>

Nevertheless, apart from petty smuggling by shuttle traders, some of the illegal trade in legal goods is organized. It is very difficult to give any estimates of the proportion of organized smuggling in the overall smuggling of legal goods, which is certainly less

<sup>788</sup> Kyrgyz data comes from the State Department of Statistics of Kyrgyzstan (2007); Chinese data retrieved from the State Department of Statistics of China (2007).

<sup>789</sup> IWPR (December 14, 2004).

<sup>790</sup> Akipress (June 28, 2007).

<sup>791</sup> UNDP Regional Bureau for Europe and the CIS (2004, p. 24).

<sup>792</sup> Author’s Interview with K15, May 3, 2007.

compared to drug trafficking. However, anecdotal evidence suggests that unsurprisingly the illegal flows of goods are protected, and sometimes directly controlled, by high-ranking officials, organized crime groups with political connections and representatives of law enforcement structures. Overall, four structures are responsible for combating smuggling: SNB, MIA (Ministry of Interior Affairs), the Customs Committee and the Financial Police. There is no formal division of functions between the agencies and little collaboration between them at an official level; they frequently fight with each other to control lucrative contraband flows, or sometimes collaborate to levy illegal payments on smugglers.

Generally, the Customs department is considered to be most corrupt.<sup>793</sup> The heads of customs departments, dubbed “kashilioks” (purses) are widely assumed to be the main illegal financiers of the ruling families. For instance it was alleged that Muratbek Malabaev, a high-ranking official in the customs department from 1998-2003 was paying a share of illegal customs revenue (around twenty per cent) to Akaev’s family.<sup>794</sup> Also a businessman, Malabaev won a seat in the Parliament (Jogorku Kenesh) in 2000. He was re-elected in 2005, obliged to flee after the Tulip Revolution and expelled in absentia from the legislative body in 2006.<sup>795</sup> Malabaev had been linked to a number of former and current officials, including a former General Prosecutor, former Minister of Interior, and the assassinated drug baron Bayman Erkinbaev.<sup>796</sup> He used his contacts to avoid prosecution and even to keep some of his casinos and other property after the Tulip Revolution, despite his pro-Akaev stance.

The two subsequent customs chiefs under Bakiev were widely referred to as “*Kashiliok II*” and “*Kashiliok III*.”<sup>797</sup> After the Tulip Revolution, the Minister of Finance stated that the new power holders wanted to continue the illegal customs revenue flow.<sup>798</sup>

The top officials in the customs, police and special services frequently act as *kryshas* for various illicit trade operations and legal and illegal businesses, such as casinos, nightclubs and prostitution rings. State agencies’ illicit roles are divided according to their official ones, according to a former analyst at the SNB (Kyrgyz National Security Service). For instance, the structure officially in charge of fighting human trafficking would most probably sell protection to legal tourist companies unofficially engaged in human smuggling. A former SNB analyst said that “in the early 2000s, these tourist companies registered in Osh were

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<sup>793</sup> Report on the Survey Results (2007, p. 22).

<sup>794</sup> Author’s interview with K3 and K4, April 2007, Bishkek, Kyrgyzstan. See also Aslund (2005a); Xexpress.org (2009).

<sup>795</sup> RIA Novosti (2006).

<sup>796</sup> Author’s interview with Edil Baisalov, 26 March 2007, Bishkek, Kyrgyzstan. See also RFE/RL (2006);

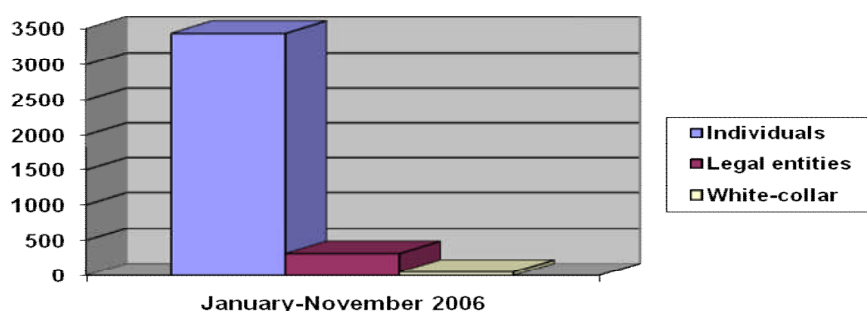
<sup>797</sup> Author’s interviews with Elena Avdeeva, K10 and K11, March-May 2007, Kyrgyzstan.

<sup>798</sup> Finance Minister quoted in Delo No (April 13, 2005).

receiving a few thousand ‘students’ each year from Afghanistan and Pakistan, a clear indication of human smuggling.”<sup>799</sup> This legal-illegal interface is further reinforced by collusive links between underworld and upperworld actors over the most lucrative sectors of the Kyrgyz economy, such as the Karasuu market, which is owned by a group including three criminally-linked members of parliament; the wife of a murdered drug baron (who also works in the secretariat of a major opposition political party); the daughter of a former high-ranking court official; and a former criminal and racketeer who has “gone legal” and is now an affluent businessman.<sup>800</sup> The daily turnover of the market is estimated at roughly 500,000 USD, and Erkinbaev dominated the market’s ownership from the mid-1990s.<sup>801</sup> After his assassination, re-division of market profits resulted in deadly infighting. In Kyrgyzstan, due to limited industrial production and other economic opportunities, legal-illegal alliances have formed around markets/bazaars and smuggling in legal and illegal materials, especially drugs.

The drug trade will be discussed later. Now, it is important to mention that corruption pyramids can be seen in every structure that fights smuggling. As a result, influential political-criminal clans maintain an interest in keeping contraband goods flowing, making the fight against smuggling hopeless. Therefore, only petty smuggling is fought and highly organized contraband frequently goes unimpeded. The following chart based on the data of the customs committee proves this observation:

*Chart 9. Criminal cases of smuggling filed by the Customs Department of Kyrgyzstan, January – November 2006*<sup>802</sup>



Many influential politicians own shares (frequently in cooperation with criminals) in various markets/bazaars in Bishkek as well as in the regions. Because large amounts of

<sup>799</sup> Author’s interview with Nur Amorov, political scientist, former Analyst with National Security Service 18 April, 2007, Bishkek.

<sup>800</sup> Author’s interviews with K1, K9, K11, K23, March-May 2007, Bishkek and Osh, Kyrgyzstan. For more information on ownership structure see Weekly Bulletin of the Foundation for Tolerance International, Issue 55, Review of January 17-21, 2007; for more information on corporate conflicts over the market see Weekly Bulletins of the Foundation for Tolerance International 10, 11, 13, 14, 16, 19, 28, 29, 31, 32, 35, 36, 38, 39, 41; available online at [http://www.fti.org.kg/was/eng/op\\_bullet.php](http://www.fti.org.kg/was/eng/op_bullet.php).

<sup>801</sup> Author’s field research in Osh, May 2007, Kyrgyzstan.

<sup>802</sup> State Customs Committee of the Kyrgyz Republic (2007).



contraband are sold at the bazaars, high-level politicians are interested in sustaining smuggling.

At a lower level, law enforcement representatives take bribes to ignore contraband activities. A parliamentarian told the press in December 2006: “I have evidence that representatives of the SNB take bribes from the head of customs checkpoints and the latter let the contraband goods enter Kyrgyzstan.”<sup>803</sup> Sometimes, law enforcement representatives escort illegal goods to their destination themselves, as when a financial police officer was arrested in Osh in April 2007 for escorting a truck loaded with contraband metal pipes.<sup>804</sup> Allegedly officers of the same organisation escort trucks of contraband goods from Dordoi market in Bishkek.<sup>805</sup>

Some of the smuggling is organized by crime groups, politicians, or a mixture of both. In the Fergana Valley, an Uzbek organized criminal group is involved in smuggling legal goods to and from Uzbekistan. The group is linked to and protected by an MP of Uzbek origin from the South and the mayor of Karasuu, site of the Karasuu market.<sup>806</sup> A. Jumabaev, an influential criminal from the town of Jalalabad in the South is involved in the smuggling of burr walnut<sup>807</sup> to Uzbekistan.<sup>808</sup>

White-collar complicity, as well as collusion of government officials, also aid the smuggling of legal goods. One well-informed Kyrgyz expert argued that the main *kryshas* of smuggling in legal goods are regional government administrations,<sup>809</sup> such as a Tulip Revolution activist subsequently appointed to a high-level position in the Osh regional administration. Other well-known examples of white-collar involvement are an MP from the South involved in smuggling cotton on the Uzbek-Kyrgyz border,<sup>810</sup> and a southern MP of Uzbek origin who collaborates with a mayor to protect a crime group smuggling legal goods to and from Uzbekistan.<sup>811</sup> The family of a former high-ranking official and close ally of

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<sup>803</sup> Online journalist (2006).

<sup>804</sup> Pr.kg (2007).

<sup>805</sup> Author's interview with K3 and K9, April-June 2007, Bishkek, Kyrgyzstan.

<sup>806</sup> Author's interviews with K1 and K4, April-June 2007, Osh, Kyrgyzstan.

<sup>807</sup> According to gazeta.kg, burr walnut or woodknob (kap in Russian) is mainly available in Southern Kyrgyzstan and is the most valuable material for making furniture, information available at <http://www.gazeta.kg/week/2006/06/29/wood/>

<sup>808</sup> Author's interview with Mamat Tursugbaev, Deputy head of the Organized Crime fighting unit, regional directorate of the MIA, Osh, May 2007.

<sup>809</sup> Author's interview with Rakhat Khasanov, Kyrgyz economist, March 29, 2007, Bishkek, Kyrgyzstan.

<sup>810</sup> Graubner (2005, p. 17); Corroborated in author's interview with K1, May 2007.

<sup>811</sup> Author's interview with K1, May 2007, Osh, Kyrgyzstan.

President Bakiev dubbed the “power broker” allegedly controls various contraband operations from China.<sup>812</sup>

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<sup>812</sup> Author’s interviews with K9, K11 and K16, March-May 2007, Bishkek, Kyrgyzstan.

## Chapter 8. From criminals to politicians: Georgia, Ukraine and Kyrgyzstan

The involvement of uppeworld actors, the representatives of government institutions and legal businesses, in traditional organized criminal activities merits more attention by researchers of organized crime. This section will provide empirical evidence from Georgia, Ukraine and Kyrgyzstan in an attempt to show that legal companies, the representatives of political and economic elites and other legitimate actors have become primary actors in organized crime. I consider this process inherent in state formation and development. The stronger the ruling elites, the more legal actors become involved in illegal activities. While during this process state institutions are strengthening, they are still vulnerable to external influences and hijacking by private interests. In certain cases this process leads to a stronger state, in other cases it does not.

This section is divided in three parts. The first part concentrates on the process of privatisation (transition from a planned to a free market economy) in Ukraine from the early 1990s until today. It documents how shady takeovers by the representatives of the Communist nomenklatura first undermined the privatisation process, earning it the nickname, *prikhvatizatsia*. Insider dealings<sup>813</sup> and misuse of the newly introduced voucher system were the first methods of illicit division of formerly state-owned property. The methods of re-division of resources have now changed to the more ostensibly “legal” privatisation method of corporate raiding. The general process of legalization of organized crime also requires legalization of illegal methods. Importantly, frequently the same groups carrying out privatisation in the early 1990s are now practicing corporate raiding. Ukraine is still far from the universal application of rule of law principles, although the legal system is much more developed than it was at the breakup of the Soviet Union. This means that those striving for a share of re-divided resources now use semi-legal means in addition to illicit ones. The second part of this section focuses on the weakening influence of professional criminals in Georgia. Nobody before 2004 would have imagined it possible to rein in the *vory-v-zakone*, but the Saakashvili government managed to do so, partly due to the determination to fight organized crime. However, the result of this fight was the establishment of a police state, with the Ministry of Interior absorbing the functions of secret services, counterintelligence and police, with all of this activity outside democratic civil control. Georgian organized criminal groups

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<sup>813</sup> Shelley (1998, p. 652).

have suffered a major blow; however, the population has lived in fear of the state police apparatus since 2004. Phone conversations among friends and family members were frequently cut short by them with the phrase “will tell you more once we meet.” because they assumed police monitored all telephone (mobile or landline) conversations. Hence *vory-v-zakone* could no longer extort money from businesses in the post-revolutionary period, but entrepreneurs reported being summoned to the prosecutor’s office to have fees illegally extorted under the name of new and non-transparent “development funds.”<sup>814</sup> The abuse of property rights also increased.<sup>815</sup>

The third part of this section concentrates on Kyrgyzstan and drug smuggling. The period of chaotic trading with no high level involvement in the early 1990s has been replaced by organized trading by sophisticated criminal groups with political connections in the early 2000s. Already before the Tulip Revolution drug traffickers had managed to infiltrate the government, with corrupt law enforcement and other officials getting their share of the narcotics trade. Most worryingly, the protection chain reaches the highest echelons of Kyrgyz bureaucracy. Furthermore, law enforcement representatives are now the main drug traffickers.

## 1.Ukraine – Privatisation and re-privatisation: from shadowy takeovers to corporate raiding

### 1.1.General trends in underworld-upperworld relations

Ukraine offers vast opportunities to test the theories of underworld-upperworld networks. Trends in the trajectory of Ukraine’s post-Soviet development and its readily-available natural resources and developed industrial base delineated the nature of these networks. Politicians on district, regional and central levels link up in different illicit networks. For instance, local politicians in the Western Ukraine rural and agricultural district of Chernivtsi, bordering Romania, are more likely to forge alliances with smuggling networks while the politicians in industrially developed Dnipropetrovsk most likely will get involved in the networks of financial and economic crime. By the same token, the extent and intensity of corrupt and informal links of enterprises with law enforcement apparatus and organized crime groups depend on the size and nature of the business.

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<sup>814</sup> See p. 230

<sup>815</sup> See note 1087 in this chapter.

Organized crime groups seek alliances with different government officials according to the type and scale of their criminal activity. Crime groups engaged in human trafficking will ally with the police, while money launderers will target the special services and tax department. If fighting a particular criminal activity is split among law enforcement structures, such as cigarette smuggling which is addressed by the customs, police and tax departments, organized criminals' strategy will be to seek contacts in each of these institutions or a *krysha* influencing several of them. During the mid-1980s, nearly 33 percent of criminal capital was spent on bribing public officials. This figure went up to 50 percent in 1999.<sup>816</sup> In 2004, the cost of corruption to Ukraine was estimated to be about 1.5 billion USD annually, which was about 13 percent of all budget revenues planned for the same year.<sup>817</sup>

The collusive relationship reaches its peak when former criminals become politicians running licit and illicit businesses, although the investigation of this kind of case is rare. As a study by the Ukrainian police academy concludes, "the majority of enterprises have found themselves under control of organized crime groups with varying degrees of dependence, using legal commercial structures but illicit incomes."<sup>818</sup> One of these legalized criminals who survived the violent 1990s to reinvent himself as a politician and businessman was the influential racketeer Vladimir Kisel, the late deputy on *Goloseevskyi* district council of Kyiv and the chairman of the Ukrainian association of free wrestling before he died in car accident in summer 2009.<sup>819</sup>

Initially Kisel was involved in prostitution rings, smuggling, racketeering and extortion, robberies and illegal gambling. He also had interests in the Troieshchyna market on the outskirts of Kyiv. Kisel even had the head of Kyiv's anti-organized crime division on his payroll and allegedly was involved in the murder of journalist Gongadze in 2000,<sup>820</sup> the assassination allegedly featuring the involvement of high ranking state officials including President Kuchma.<sup>821</sup>

Furthermore, Kisel was linked with Grigoryi Surkis of SPDU; Igor Bakai, former head of state oil and gas company Naftogaz; and Oleksandr Volkov, former Kuchma associate and power broker who defected to the Yushchenko camp during the Orange Revolution,<sup>822</sup> forging ties with Timoshenko.<sup>823</sup> Recently Volkov changed allegiance again to

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<sup>816</sup> Kalman (2004, p. 92).

<sup>817</sup> International Centre for Policy Studies (2004, p. 6).

<sup>818</sup> *Organizovanna zlochinosts v Ukraini ta krainakh evropi* (2006, p. 53).

<sup>819</sup> See for instance Eltsov, Igor Bakai-chelovek i oligarch.

<sup>820</sup> Wilson (2005, p. 34).

<sup>821</sup> Constitutional watch, *East European Constitutional Review* (2001).

<sup>822</sup> Author's interview with Stas Rechynskyi, former official of the SBU, November 2007, Kyiv, Ukraine.

form the new political party “Kuchma.”<sup>824</sup> Kisel and his son owned stakes in real estate, restaurants and pizzerias in Kyiv, and according to unconfirmed allegations they maintained an armed group under cover of a private security company.

Another criminal turned politician is Aleksandr Melnik, a deputy of the supreme council of Crimea who was elected on the Party of Regions ticket, and in the mid-1990s was leader of the criminal group Seilem. He is widely considered the protector of Rinat Akhmetov’s interests in Crimea.<sup>825</sup> Melnik was arrested on allegations of involvement in assassinations in the 1990s, but freed in 2006. Melnik stated the arrest was political persecution by Minister of the Interior Lutsenko from the Orange camp.<sup>826</sup>

Igor Fadeev, alias *Moskva*, a former member of Cherep criminal group in Kyiv, was elected to the city council of Zhytomyr in Western Ukraine after he attempted to legalize in 2000 and joined the Timoshenko party.<sup>827</sup> After leaks in the media in 2006 he was expelled from the party but refused to leave the local legislature.<sup>828</sup> Another member of Cherep, Valeryi Grishenko, alias *Kaban*, became a deputy in the city council of Borispil in 2006 from Yushchenko’s party bloc Our Ukraine.<sup>829</sup> Some former criminals went into business and stayed away from politics, such as Iskander Kerimov, alias *Tatarin*, a racketeering and illegal trade crime leader in the 1990s, now turned successful businessman.<sup>830</sup> Tatarin co-owns a restaurant with a Rada deputy, in addition to a nightclub, elite restaurants, and shopping malls like Kyiv’s “Mandarin Plaza.”<sup>831</sup>

Some criminals run licit and illicit businesses simultaneously, such as *vory-v-zakone* Valery Kukhilava, alias *Antimos*, who is Abkhaz by origin and one of the few remaining powerful professional criminals in Ukraine. He fled the country in 2007, but maintains criminal influence in Ukraine’s underworld. Antimos began his criminal career in Abkhazia, then continued in Kyiv in the early 1990s, eventually expanding throughout Odessa and Lvov. Antimos runs licit restaurants in Kyiv and construction firms in Lvov, but also controls Georgian robbery and burglary gangs in Kyiv and Odessa. According to a Rada deputy on the anti-organized crime committee, Vadim Makhnitskyi, “Kukhilava was appointed criminal warden (*smatriashyi* in criminal slang) of the drug trade in Odessa and Nikolaev by a

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<sup>823</sup> Wilson (2005, p. 161).

<sup>824</sup> RUnews (2007).

<sup>825</sup> Obozrevatel (October 2, 2006).

<sup>826</sup> Obozrevatel (October 13, 2006).

<sup>827</sup> Zhitomir (2006).

<sup>828</sup> Ukraynskaya Pravda (2006).

<sup>829</sup> Ord.com.ua (2007).

<sup>830</sup> Author’s interview with Stas Rechynskyi, November 2007, Kyiv, Ukraine.

<sup>831</sup> Author’s interviews with U6 and U7 Kyiv, October-December 2007.

gathering of *vory* in Moscow, and represents the interests of Russian crime groups in regional businesses.”<sup>832</sup> Antimos has business ties with a number of high-ranking individuals including a former Rada deputy who is now running the sea shipping business in Odessa; the former head of the economic crime division in Lvov regional directorate of the Ministry of the Interior, now a Rada deputy; and Vakhtang Ubiria, also originally from Abkhazia, who served as deputy head of Ukrainian railways under Kuchma, and is now the deputy Mayor of Odessa and allegedly is linked with Semion Mogilevich.<sup>833</sup>

Oligarchs also frequently have criminal pasts. Besides the alleged involvement of Rinat Akhmetov in criminal activities in Donetsk in the early 1990s, there are other examples as well:

- Yevhen Chervonenko, a key Yushchenko ally and owner of a drinks company and major freight operator allegedly started by smuggling red caviar and then by selling Ukrainian beer in Polish bottles.<sup>834</sup>
- Viktor Medvedchuk and Hryhorii Surkis started their business life with protection rackets in Kyiv’s markets.<sup>835</sup> Later, the political party SDPU controlled by them was funding itself through extortion under cover of a charity in Transcarpathia.<sup>836</sup>
- Dmytro Firtash, billionaire, key stakeholder of infamous RosUkrEnergo and alleged ally of Semion Mogilevich, reportedly started in the 1990s with an illegal vodka business and cooperates with the Korolevich criminal group in Chernovetsky region, South-western Ukraine.<sup>837</sup>

The majority of this list went formally legal now, though the vague legislative basis, high taxes and pervasive rent-seeking of high-ranking officials frequently create incentives for the entrepreneurs to violate the law.

The question arises about what effect was produced by the Orange Revolution, which was frequently portrayed as “the revolt of the millionaires against the billionaires”<sup>838</sup> while commentators also emphasized the crucial role of the middle class. However, the richest of Ukraine maintained their influence, and state-oligarch relationships did not change greatly. How did the oligarchs manage to keep control? Did the revolution have any impact on the

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<sup>832</sup> Makhnitskyi statement in NTN (2007).

<sup>833</sup> Author’s interview with U1, U2, U12, U15, October-December 2007. See also Obiektivnaya gazeta (2005); Kupchinskyi (2005).

<sup>834</sup> Wilson (2005).

<sup>835</sup> Wilson (2005, p. 41).

<sup>836</sup> Kuzio (2005e, p. 4).

<sup>837</sup> Author’s interviews with U12, U14, U15, November 2007. Also see Tema.in.ua (2006).

<sup>838</sup> This phrase has been used widely and it is difficult to trace its origin.

nature of state capture? The next section describes *prikhvatizatsia*, or the grabbing of state resources during the first years of independent Ukraine, and overviews the development of oligarchic groups, focusing on the Donbas region. It then examines state capture and the impact of the Orange Revolution on state-big business relationships.

## 1.2. Prikhvatizatsia and the emergence of oligarchy

According to Louise Shelley, illicit privatization in Ukraine mainly occurred in mineral-rich regions and in cities with valuable real estate. The sectors most affected were gas and metallurgy.<sup>839</sup> Tarkowsky speaks about two major forms of transfer of property in the immediate aftermath of Soviet breakup: management buyouts of state-owned companies, and the establishment of so-called “directors” companies. These methods may take many forms: leasing of state-industries by private persons who were usually nomenklatura representatives; transformation of state enterprises into a share company directly or indirectly owned by Communist party representatives; or establishing subsidiary companies that subsequently “sponge” mother firms.<sup>840</sup> According to the Centre for Sociological Research, 82 percent of 1000 rich Ukrainians declared that the main sources of their initial capital were theft, racketeering, currency operations and bribes related to public office.<sup>841</sup>

Ukraine has what Georgia and Kyrgyzstan lack: abundant resources and a well-developed industrial base. Some scholars argue that the abundance of natural resources increased bribery and rent-seeking.<sup>842</sup> Indeed, Ukrainian oligarchs made most of their money in commodity trading, especially in the gas trade that also involved elements of fraud and rent seeking such as consolidating regional monopolies; passing their bills to the state; profiting from subsidized loans; or extracting discounts in barter deals.<sup>843</sup> 50 percent of the capital in Ukraine is believed to have been obtained illegally,<sup>844</sup> which has produced a strictly negative attitude toward oligarchs among Ukrainian society. Polls show that 67 percent of Ukrainians perceive privatization as unjust,<sup>845</sup> and 71.3 percent supported the re-privatization of large enterprises.<sup>846</sup> One Ukraine analyst aptly stated that Ukrainian capitalism emerged out of

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<sup>839</sup> Shelley (2004, p. 216); L. Shelley (1995, pp. 244-56).

<sup>840</sup> Tarkowski (1990, pp. 94-97).

<sup>841</sup> Zerkalo Nedeli (1996).

<sup>842</sup> See for instance Leite, and Weidmann (1999).

<sup>843</sup> Aslund and McFaul (2006, p. 10).

<sup>844</sup> Dolzhenkov (2000) quoted in Klyuchnikov, Smelik and Smelik (2004, p. 10).

<sup>845</sup> Ukrayinska Pravda (July 5, 2005).

<sup>846</sup> Ukrayinska Pravda (May 14, 2005).



gangsterism.<sup>847</sup> Organized crime and economy in Ukraine were more closely linked than in Georgia or Kyrgyzstan. More resources in economic sector meant more opportunities for organized crime that became embedded in legal economy what was different from Kyrgyzstan where criminals preyed on businesses and from Georgia where organized crime maintained some autonomy and acted as parasite for the “upperworld” (politics and licit business).

A perfect case of rent-seeking is the coal industry in Eastern Ukraine. In 1997, roughly half (41.47%) of all expenses anticipated in the State Budget of Ukraine were directed toward state support for the coal industry. Financing has declined in subsequent years, but remained high compared to, for instance, hospitals, which in 2001 got 0.14 percent of state budget resources while coal got 2.72 percent.<sup>848</sup> In addition to significant state funding, all debts of the coal industry were cancelled in 1999.<sup>849</sup> The Donetsk region also became one of the most subsidized in Ukraine under the 1999 law on special economic zones and investment regimes. These subsidies and tax exemptions undermined the willingness of the enterprises to modernize,<sup>850</sup> and were in fact well-lobbied extortion from the state. The regional network controlling coal was also deceptively getting subsidies on the coal mined in Russia’s Kuzbass.<sup>851</sup>

The representatives of the old nomenklatura who re-branded themselves the powerful bureaucrats of independent Ukraine used the post-communist chaos to grab state resources, awarding their associates from the shadow economy with licenses and shares in enterprises. This led several analysts to assert the importance of the political-criminal nexus in privatization.<sup>852</sup> There were even cases when criminal groups were seizing entire factories, for instance the metallurgical combines in Luhansk oblast and foodstuffs company in Donetsk region.<sup>853</sup>

Kuzio and Wilson quote the Parliamentary commission on nationalizing the property of the old Communist Party of Ukraine and its youth branch (Komsomol) by stating that roughly 20 million rubles were deposited by the central committee into 37 private businesses.<sup>854</sup> Much of the money and assets owned by the Communist party has been

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<sup>847</sup> Swain (2006).

<sup>848</sup> Ryabchenko (2003, pp. 215-216).

<sup>849</sup> Ibid., p. 218.

<sup>850</sup> Kravchuk (2005, p. 51).

<sup>851</sup> Interviews with U3 and U4, October-November 2007, Kyiv, Ukraine.

<sup>852</sup> Shelley (1998, p. 653).

<sup>853</sup> Williams and Picarelli (2002, p. 24).

<sup>854</sup> Kuzio and Wilson (1994, pp. 176-178).

laundered. Over the last decade roughly 20-50 billion USD left Ukraine,<sup>855</sup> but the government estimates that deposits in foreign banks do not exceed 1 billion USD.<sup>856</sup> Gorodysky describes the concealment of funds earned from foreign trade and criminal activity, documenting that capital flight from Ukraine has been an increasing problem through the 1990s.<sup>857</sup> Capital flight can also be regarded as a sort of defensive measure of oligarchs. Once the oligarchs have accumulated enough funds abroad they could be a more effective threat to Kuchma, who could destroy their domestic businesses, but not their overseas funds.<sup>858</sup>

Ukraine continuously ranks at the bottom of the Global Competitiveness Report Indicator “Pervasiveness of money laundering through banks.” In 2003, Ukraine ranked last among 130 countries with a score of 2.6<sup>859</sup> and in 2005 it ranked third last, the last four being Russia, Ukraine, Dominican Republic and Guyana.<sup>860</sup> The banking sector was most penetrated by organized crime. Representatives of former secret police networks as well as criminals frequently appear on the boards of leading banks.<sup>861</sup> Also, a significant part of funds are circulating outside of the banking system, which contributed to the emergence of criminally-controlled currency exchange centers.

Criminal organizations show increasing interest in underground currency exchange centres, which are a relatively new phenomenon of the late 1990s and have since become the main activity of major organized crime. According to Yarmysh, these are legally registered organizations used only for shadowy financial transactions, like illegal conversion of *hryvnia* into hard currency.<sup>862</sup> Williams and Picarelli observed that these centres facilitate money laundering by moving funds between the formal and informal economies, and transferring them into offshore accounts. In 1999, 3000 companies, including large businesses, banks and state-owned establishments were using these centres.<sup>863</sup> However, one centre in Donetsk was found in 2006 to be serving 2000 enterprises.<sup>864</sup> Thus this illicit business is expanding quickly, and the centres move millions of USD annually. It is estimated that as of the

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<sup>855</sup> Baranovskyy and Sydenko (2004, p. 8). For a comparison, since the collapse of the Soviet state USD 50-150 billion left Russia according to Shelley (1997, p. 483).

<sup>856</sup> Kravchuk (2005, p. 52).

<sup>857</sup> Gorodysky (2001).

<sup>858</sup> Way (2005, p. 138).

<sup>859</sup> Money laundering through the formal banking system in the range of 1=pervasive to 7=extremely rare.

<sup>860</sup> World Economic Forum (2004, 2005).

<sup>861</sup> Shelley (1998).

<sup>862</sup> Yarmysh (2004).

<sup>863</sup> Williams and Picarelli (2002).

<sup>864</sup> Magnolia TV (2007).

beginning of 2004, over UAH 33 billion, or 34.8 percent of the total monetary stock,<sup>865</sup> circulated outside of banks.<sup>866</sup> Thus the profit to criminal groups running these centres would amount to roughly 2.5 billion hryvnias (500 million USD) in 2004, assuming that the fee is ranging between 5-10 percent of the total amount.

The organizers of these centres are frequently otherwise “legal” entrepreneurs running other licit businesses while having corrupt links with banks, law enforcement structures and city or regional authorities. Sometimes criminal figures are also involved. For instance, 10 million USD was stolen from a car in Luhansk, allegedly the profit from an underground currency exchange centre belonging to Vladimir Polubatko, alias *Futbolist*, the criminal authority in Luhansk who owns the local football club “Zoria,” and other businesses. He is also linked with the ruling cadre of the Party of Regions.<sup>867</sup> Hence certain part of organized crime that initially emerged in sports,<sup>868</sup> maintains its stake there and uses it either as front for criminal activities (money laundering) or for legitimizing itself (funding the popular sports like football increases public endorsement for the criminals).

The situation remains unchanged after the Orange Revolution. An estimated 13 billion USD left the country between 2004 and 2006 as capital flight.<sup>869</sup> The discovery of a large scale VAT money laundering scheme, organized by large enterprises in Donetsk and Dnepropetrovsk in 2006-07, and responsible for laundering more than 1 billion USD, indicates the vested control of central and regional elites of these illicit money transfers abroad.<sup>870</sup> This indicates the weakness or unwillingness of law enforcement and tax authorities to tackle the problem. Certainly political instability still remains to be the significant incentive for capital flight.

Many former Communist officials and Red Directors became the owners of former state enterprises, with the result that overall the old nomenklatura has survived in the new political context, and brought with it the legacy of Communist corruption.<sup>871</sup> This process of “oligarchization” of red directors was completed under Kuchma.<sup>872</sup> The influence of the oligarchs created adverse conditions for smaller businesses that lacked political power and operated in an environment largely shaped by big businesses. Smaller entrepreneurs

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<sup>865</sup> For comparison, in developed countries, cash in circulation totals 5-10 percent.

<sup>866</sup> Baranovsky and Sydenko (2004, p. 8).

<sup>867</sup> Author’s interview U4, Kyiv, Ukraine, 1 November 2007. See Ord.com.ua (2007), Ord.com.ua (2009).

<sup>868</sup> See pp. 56-58.

<sup>869</sup> “Money laundering in Ukraine,” Jane’s Intelligence Digest, April 3, 2007.

<sup>870</sup> Ibid.

<sup>871</sup> Shelley (1998, p. 651).

<sup>872</sup> Balmaceda (2008, pp. 47-48).

consequently resort to illicit means in order to survive.<sup>873</sup> The Donetsk case discussed below depicts well the initial turf-sharing between old and new businessmen.

Importantly, it was under the premiership of Viktor Yushchenko in 2000-1 when the rent-seeking oligarchic system was damaged. Yushchenko turned a budget deficit to a surplus in 2000 and reduced the state's foreign debt. Consequently in 2000, for the first time, not only had independent Ukraine recorded economic growth, but of no less than 5.8 percent. As a result of Yushchenko's reforms, several energy traders vanished and the owners of steel mills became the richest and most powerful oligarchs. Thus oligarchs were transformed from rent-seekers to producers,<sup>874</sup> and a trend of part of the oligarchs to gentrify as capitalist entrepreneurs (Dnepropetrovsk clan) rather than corrupt oligarchs (Kyiv clan) can be discerned.<sup>875</sup>

Not all Ukrainian oligarchs have become law-abiding citizens: under Yushchenko they also became immune from state prosecution since they themselves represent the state. Oligarchs use former and acting law enforcement officials, lawyers and accountants and "dummy" individuals and companies to thwart criminal inquiries by the government. Due to their powerful system of defence that relies on these former law enforcers, the oligarchs' economic crimes are rarely successfully investigated.<sup>876</sup> Therefore, as Kalman found, anti-organized crime efforts mainly concentrate on minor groups who pose no great economic threat.<sup>877</sup>

The use of informal networks, corruption and political influence, or kickbacks and offshore financing creates a semi-legal and semi-formal relationship between the state and businesses, where no stakeholder has an interest in losing all the benefits by legalizing the relationship. In the status quo, corrupt state officials can extract rents, while businesses project their influence through corruption or intimidation. We now turn to the discussion of regional economy in Donetsk that best illustrates political-criminal-business nexus.

### 1.3. The development of corrupt economy in Donetsk region

In Donetsk under President Kuchma, business entities' standing depended on the President's favour, as he balanced them against each other to reinforce his own power, while

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<sup>873</sup> Puglisi (2003, pp. 106-107).

<sup>874</sup> Aslund and McFaul (2006, p. 14).

<sup>875</sup> Kuzio (2005, p. 178).

<sup>876</sup> Kalman (2004, p. 98).

<sup>877</sup> Ibid.

preventing the emergence of any monopolies. The relationship between Kuchma and the oligarchs could therefore be described as “convenient symbiosis”, as in Aslund and McFaul’s description.<sup>878</sup>

Balmaceda shows that President Kuchma arbitrated between financial clans, preventing their unification to challenge his power. Yet oligarchs were interested in maintaining presidential power since this would guarantee their influence on each other.<sup>879</sup> Because Kuchma’s political power was grounded in his ability to balance big businesses, the oligarchs were unofficially limiting presidential power. So, both sides needed each other: the political regime required money to sustain it, and the oligarchs wanted protection of property rights and immunity from prosecution, for which they eagerly contributed financially.<sup>880</sup> It was estimated that the three major oligarchic clans<sup>881</sup> controlled 150 out of 230 MPs in the presidential majority after the 2002 Rada elections.<sup>882</sup>

Hence, since independence Ukrainian politics were dominated by several political-economic groups (PEGs), based on a regional division between east and west Ukraine. The power base of the opposing camps in the Orange Revolution, Yushchenko and Yanukovich, was also based on east/west regionalism.<sup>883</sup> These regional groups are further divided into clans, such as the East’s Donetsk, Kharkiv and Dnepropetrovsk clans.<sup>884</sup> As for political parties, since independence they have been ideologically amorphous and merely *kryshas* for regional and business interests.<sup>885</sup> Funding of almost all political parties by big business leads to dependence and corruption. A 2003 poll of party leaders found that political party funding is mostly covert and includes: payment for lobbying, the sale of seats in party lists, and shares in corporate profits.<sup>886</sup>

Kuchma’s balance of political and business groups sometimes failed, erupting in violence. The assassination of Evgeni Shcherban in 1996, an entrepreneur from Donetsk working with the regional governor to project influence of the Donetsk clan, was seen as a result of rivalry between the Donetsk and Dnepropetrovsk clans.<sup>887</sup>

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<sup>878</sup> Aslund and McFaul (2006, p. 17).

<sup>879</sup> Balmaceda (2008, pp. 38-40).

<sup>880</sup> Way (2005).

<sup>881</sup> By ‘clans’ in Ukrainian case I mean regionally based groups uniting powerful politicians and businessmen.

<sup>882</sup> Kuzio (2005a, p. 6).

<sup>883</sup> Kuzio (2005c, p. 3).

<sup>884</sup> Varfolomeyev (1998), Khanin (2004, p. 57), Moshes (2004).

<sup>885</sup> Kuzio (2005b, p. 118).

<sup>886</sup> Canadian International Development Agency (2004, pp. 27-8).

<sup>887</sup> Novosti Dnepropetrovska (2009).

Increasingly Kuchma's regime became authoritarian. The so-called "phone justice"<sup>888</sup> and governance based on quasi-legitimate Presidential decrees and rubber-stamped Parliamentary laws, as opposed to the constitutional rule of law, dominated.<sup>889</sup> Some scholars counted that Kuchma violated the constitution no less than 200 times.<sup>890</sup> Kuchma encouraged corruption, as Keith Darden argued, for potential use as *kompromat* and a tool of control.<sup>891</sup>

Donbas in general, and its industrial city of Donetsk in particular, provides an interesting account of the establishment of Industrial-Financial groupings and clan dominance of heavy industry. The industrial development of the region generates more opportunities for large scale corruption than the more rural and agricultural Western regions. Donetsk is now the powerbase of one of the biggest political groupings in Ukraine, the Party of Regions, as well as the richest man in Ukraine – Rinat Akhmetov. Furthermore, criminologists believe that there is a criminal micro-culture in Donbas region. According to Professor Kostenko, during Soviet times criminals from all over the Soviet Union were sent to Donbas to work in coal mines. As a result, the residents of Donbas region believe "if a man has never gone to prison he is not a man."<sup>892</sup> Indeed, a past prison sentence is not an embarrassment in Donbas but is rather considered an enrichment of experience.<sup>893</sup> This might also explain the local popular support for Viktor Yanukovich or Rinat Akhmetov, both reportedly having a criminal past. Additionally, the following features characterize the culture of Donbas: individualism, tough behavior, respect for force, legal nihilism and a certain degree of arrogance in regard to the rest of Ukraine, which, in their view, is just countryside.<sup>894</sup> All this has contributed to the general illegality and birth of organized crime. Many people did not understand why Yushchenko's supporters complained about electoral fraud.<sup>895</sup> Donbas is not the only part of Ukraine where citizens are accustomed to the intersection of politics and crime. A study by the Gorshenin Institute shows that one third of Ukrainians would vote for a political party having in its list a person accused of crime. 40 percent of respondents do not object to a person with convictions becoming President of the

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<sup>888</sup> Aslund and McFaul (2006, pp. 15-16).

<sup>889</sup> van Zon (2005, p. 14).

<sup>890</sup> Lindner (1998) quoted in Beichelt (2004, p. 124).

<sup>891</sup> Darden (2001).

<sup>892</sup> Author's interview with Alexander Kostenko, Professor, Head of Criminology department, Academy of Sciences of Ukraine, November 2007, Kyiv, Ukraine.

<sup>893</sup> Osipian (2006).

<sup>894</sup> Ibid.

<sup>895</sup> van Zon (2005, p. 9).

country.<sup>896</sup> Roughly 10 percent of the population (4.5 million) have served prison sentences, being influenced by criminal ideology to some extent.<sup>897</sup>

Returning to Donbas, this region had ties with Russia due to coal industry before 1991. These ties proved important in the political battles in independent Ukraine by guaranteeing a certain degree of independence from the centre as central rulers attempted to tighten power over the regions. In 1999, Kuchma was obliged to grant the region *de facto* autonomy in exchange for its support in the Presidential elections.<sup>898</sup> Regional organized crime also gains influence through links with Russia. Williams and Picarelli attest that Donbas' organized crime has evolved to a level beyond that of Ukraine's other regions, with its massive-scale rent seeking and theft of state resources through Donbas' political-business-criminal nexus.<sup>899</sup>

Another particular feature of regional economic activity is its history of extensive violence. Unlike other parts of Ukraine where the redistribution of spoils was relatively peaceful,<sup>900</sup> in Donetsk 80 percent of property changed hands after shootouts, explosions, and organized criminal activities.<sup>901</sup> The new Interior Ministry leadership has recorded 167 instances of the use of machine guns and explosives during the 1990s.<sup>902</sup> Until today, 55 contract assassinations have not been investigated. Importantly the individuals targeted were mainly entrepreneurs and their assets ended up under the control of Rinat Akhmetov.<sup>903</sup> Vladimir Malishev, the head of the regional branch of the Ministry of the Interior whose direct responsibility was to investigate these cases became Akhmetov's head of security and subsequently was elected to Parliament on the Party of Regions' ticket. Another important member of the Donetsk clan, Boris Kolesnikov, was first installed as the director of Donetsk central market in the mid-1990s by Akhat Bragin.<sup>904</sup> Afterwards he became the head of Donetsk regional council and was alleged to be involved in pressuring legal businesses to give up their shares. In Donbas it was widely accepted that Akhmetov looked after business,

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<sup>896</sup> Kyiv Gorshenin Institute of Management Issues (2007).

<sup>897</sup> Author's interview with Viktor Driomin, Professor, Head of Criminology Department in Odessa National Law Academy, December 2007, Odessa, Ukraine.

<sup>898</sup> van Zon (2005, p. 15).

<sup>899</sup> Williams and Picarelli (2004, p. 166).

<sup>900</sup> Leshchenko and Revenko (1999), Aslund and McFaul (2006).

<sup>901</sup> Statement by General Moskal (2005).

<sup>902</sup> Kuzio (2005d, p. 356).

<sup>903</sup> See for instance Kuzin (2006).

<sup>904</sup> *Ibid.*, p. 90.

Yanukovych looked after politics and Kolesnykov took care of the “other stuff,” implying that he was a racketeer.<sup>905</sup>

Allegedly, Akhmetov headed the “enforcement squad” of the organized crime group of Akhat Bragin (aka Alik Grek) in the early 1990s.<sup>906</sup> He tries to cover all the traces: a number of newspapers (*Neue Zürcher Zeitung*, *Korrespondent*, *Kyiv Post*), were obliged to apologize publicly for linking Akhmetov to organized crime. Journalistic investigation has quoted the alleged interrogation files of Rinat Akhmetov for some robberies and assassinations in the 1980s.<sup>907</sup> Akhmetov’s name appears with hundreds of others in a September 1999 report by the chief department on fighting organized crime of Ministry of Interior titled, “Overview of the Most Dangerous Organized Crime Structures in Ukraine.” However the document uses different spelling of his name: *Renat* instead of Rinat. The document says that “Renat’s group... dealt with money laundering, financial fraud, and controlled a large number of both real and fictitious companies”.<sup>908</sup>

Now Akhmetov owns the largest business empire in Ukraine mainly through System Capital Management (he owns 90 percent of shares). According to the audit conducted by PricewaterhouseCoopers, the assets of SCM amounted to 7.2 billion USD in 2005. In 2008 the journal *Correspondent* said that Akhmetov’s assets amount to 31.1 billion USD and that he is the richest man in Europe.<sup>909</sup>

Akhmetov is now very influential in the political party “Party of Regions” and is its main financier. He is an informal leader of the “Donetsk clan” together with Viktor Yanukovich. Yanukovich became head of Donetsk regional administration in 1997 and provided the cover for Akhmetov’s rise to power and his takeover of all local rackets. Akhmetov increased the size of his capital holdings by two to three times during Yanukovych’s governorship of Donetsk.<sup>910</sup> Importantly, many of the property transfers happened after the assassinations of politicians and businessmen, and the property formerly owned by them appeared on the books of the companies controlled by Akhmetov. For instance the beer producing company now called Sarmat fell under Akhmetov’s control after

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<sup>905</sup> Wilson, (2005, p. 168).

<sup>906</sup> Reportedly they were from the same village, Oktyabrskiy, in Donbas region, which reinforces the importance of zemliachestvo in criminal networks.

<sup>907</sup> Kuzin (2006, pp. 25-26).

<sup>908</sup> OCCRP (2008). The police record is available at <http://reportingproject.net/new/REPORTS/Document%20about%20Donetsk%20crime%20group.pdf>, retrieved 8 May 2009.

<sup>909</sup> RIA Oreanda (2008).

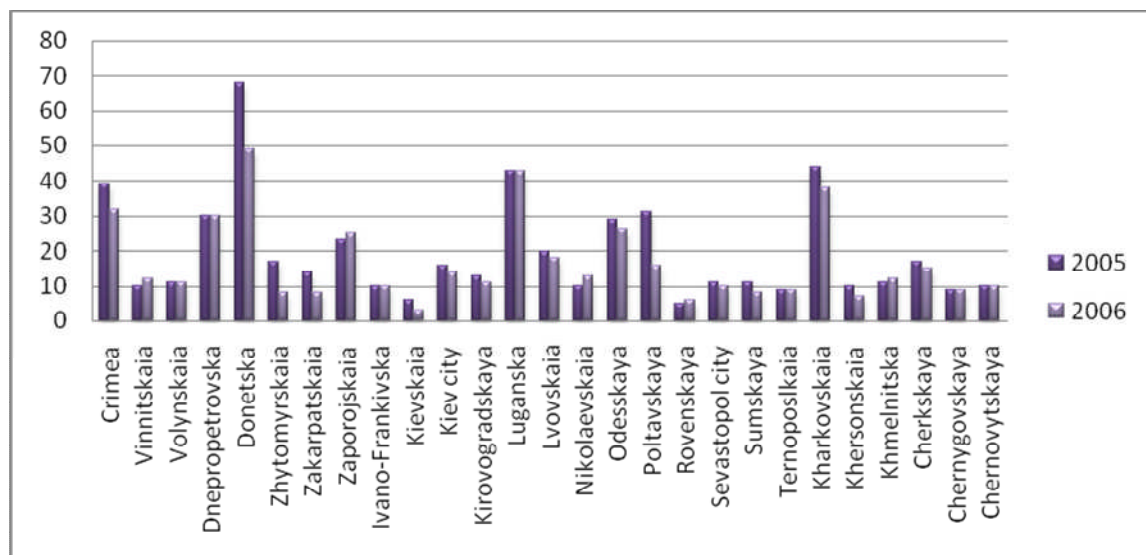
<sup>910</sup> Kuzio (2005d, p. 355).



its owner, Yuri Pavlenko was assassinated in 1998.<sup>911</sup> The assassinations of A. Shvedchenko founder of Inter-Ukraina; A. Momot, owner of company Danko; S. Roman, owner of Yug and Kiev-Konti; S. Gutsul, owner of Bittekhnikal and others; resulted in similar property transfers.<sup>912</sup> The question “who benefits” from the assassinations is legitimate to ask in this situation<sup>913</sup> and is an accepted method of investigation.

The chart below based on police data shows that Donetsk oblast hosts the highest number of organized crime groups.

*Chart 10. Ukraine’s regional variation of organized crime groups (Ministry of Interior of Ukraine)<sup>914</sup>*



What follows is a brief account of historical background of sophisticated organized crime in Donetsk. The first major criminal entrepreneur of the new generation was Akhat Bragin, who took over Oktyabrsk market in 1988, then founded Liuks Trading Company before assuming control of Shaktar Donetsk football club in 1995. He formed the crime group Liuksovskie and according to police it profited from instigating rivalry and conflict between thieves-in-law and sportsmen groups.<sup>915</sup> Bragin gradually developed links with authorities and eliminated all rival criminals including Viacheslav Frolov, Eduard

<sup>911</sup> Novosti Donetska (2006).

<sup>912</sup> See Kuzin (2006).

<sup>913</sup> See for instance Serio (2008, p. 61).

<sup>914</sup> Ministry of the Interior of Ukraine (2007).

<sup>915</sup> Kuzin (2006, p. 88).

Brahinskyi, the Dolidze brothers,<sup>916</sup> Akop Akopian and others until he was himself assassinated in 1995 and all his enterprises fell into Akhmetov's hands.<sup>917</sup> By that time his influence was uncontested in Donbas region and he was expanding out to the rest of Ukraine.<sup>918</sup>

Akhmetov legalized his businesses in the late 1990s and early 2000s, though he allegedly maintained links with organized crime. Several of these allegations merit discussion since they are corroborated by numerous sources,<sup>919</sup> though they cannot be fully quantified for apparent reasons.

First, Akhmetov allegedly employed Givi Nemsadze, who was reportedly involved in the assassinations of 60 entrepreneurs and members of competing organized crime groups with the purpose of expanding business and criminal influence in Donetsk region. Allegedly, Nemsadze's group controlled over 200 enterprises in different parts of the city and its structure was split: first, planning and implementing criminal activity and, second, organizing economic activity.<sup>920</sup> Police officials alleged that the group enjoyed the protection of and collusion with high officials and law enforcement officers.<sup>921</sup> Second, Akhmetov allegedly works with Mikhail Liashko, aka *Mishania*, who controls the two most popular Donetsk casinos, Tallin and Golden Lion, and has allegedly closed his competitors down. *Mishania's krysha* was the high ranking police official General Belozub and this relationship helped the former to survive the 1990s. He also co-owned White Swan trading centre together with Boris Kolesnikov, arrested on extortion charges in 2005<sup>922</sup> and Igor Akhmetov (a close relative of Rinat Akhmetov) and other members of Akhmetov's inner circle.<sup>923</sup>

#### 1.4. The effect of the Orange Revolution

The anti-criminal element gained particular salience during the Ukrainian revolution, unlike the Georgian and Kyrgyz ones, since the Orange camp widely used allegations against Viktor Yanukovich's involvement in organized crime and having a criminal past, such as since the 1980s maintaining connections to organized crime groups by lobbying local and

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<sup>916</sup> A former officer (U5) alleged that Bragin used law enforcement structures to eliminate Dolidze's group.

<sup>917</sup> Wilson (2005).

<sup>918</sup> Author's personal communication with U12 and U14, November-December 2007, Kyiv, Ukraine.

<sup>919</sup> Author's interviews with U7, U12, U13, U14, November-December 2007.

<sup>920</sup> Kuzin (2006, pp. 208-221).

<sup>921</sup> Police official quoted in Ostrov (2005).

<sup>922</sup> Kolesnikov was arrested in 2005 on allegations of getting these shares through extortion.

<sup>923</sup> Ord.com.ua (2006).

national governments for them.<sup>924</sup> Kuchma famously stated to Vladimir Putin that he (Yanukovich) was “just a Donetsk bandit.”<sup>925</sup> Certainly, Yushchenko used this *compromat* repeatedly to remind election crowds that bandits wanted to impose their rule and “teach us to live in accordance with the rules of criminals, to learn prison slang and wear prison uniforms.”<sup>926</sup> Yushchenko also stated that people were no longer prepared to live according to *panyatya*<sup>927</sup> (the rules and code of underworld in criminal slang). Undoubtedly, Yanukovich skilfully covered his prison past, though it ultimately became known.<sup>928</sup> Corruption allegations played a crucial role in the standoff between Yushchenko and Yanukovich and gave the former the upper hand<sup>929</sup> before forming a key component of his 2004 election campaign, when Yushchenko convinced the majority of corruption-weary Ukrainians that he was different.<sup>930</sup>

The Orange Revolution clearly resulted in increased political competition. The centralized system with a single arbiter, Leonid Kuchma, is no longer in place and power is partitioned among different political factions. Oligarchs therefore face more competition in influencing the state, though both their strategy of capturing state institutions and the penetrability of political structures by big business have remained unchanged. Despite the promises of Yushchenko and Timoshenko to separate business from politics, the symbiosis between the two remains intact, because no steps were made toward institutional delimitation between state and private business. After the Orange Revolution, Yushchenko appointed businessmen like Petro Poroshenko and David Jvania to high government positions,<sup>931</sup> generating speculation on replacing “Kuchma-era oligarchs” with “new ones.”<sup>932</sup> Relationships between economic and political power that are particular to oligarchic systems have formed in Ukraine, according to Lucan Way. Unlike other countries where political leaders rely on the support of business interests, in oligarchic systems business owners themselves hold legislative seats and other posts.<sup>933</sup> Hence, in countries with weak institutions and an underdeveloped legislative basis it becomes difficult to distinguish

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<sup>924</sup> Kuzio (2005b, p. 124).

<sup>925</sup> Wilson (2005, p. 136).

<sup>926</sup> Kuzio (2005b, p. 124).

<sup>927</sup> Krushelnycky (2006, p. 270).

<sup>928</sup> Wilson (2005, p. 136).

<sup>929</sup> Copsey (2005, p. 101).

<sup>930</sup> Aslund (2005b, p. 338); Kuzio (2005e, p. 2).

<sup>931</sup> Wilson (2005, p. 164).

<sup>932</sup> Copsey (2005, p. 102).

<sup>933</sup> Way (2005, p. 136).

between public and private office, which creates opportunities for the abuse of power and the manipulation of government institutions by private interests.

Contrary to their popular anti-oligarch rhetoric during the Orange Revolution, the Yushchenko administration proved to be unwilling or unable to curtail oligarch influence. Shortly after the revolution, the oligarchs previously described as detrimental to national economy became the benign national bourgeoisie.<sup>934</sup> This new view of oligarchs as benign was not shared by Yulia Tymoshenko, the main supporter of re-privatisation after the Orange Revolution. She advocated investigating 3,000 privatizations undertaken since 1992, while Yushchenko supplied a list of only 29 companies.<sup>935</sup> Yushchenko's two main points of focus were Ukraine's biggest steel mill, Kryvorizhstal, and Nikopol Ferroalloy Plant.<sup>936</sup> The latter was co-owned by Rinat Akhmetov and Viktor Pinchuk, son-in-law of Kuchma.<sup>937</sup> Only Kryvorizhstal was re-privatized and initially bought for 800,000 USD by Ukrainian oligarchs, then sold for 4.8 billion USD to Mittal Steel.<sup>938</sup> Shady privatisation deals still survived, such as the privatisation of Dniproenergo in summer of 2007 that yielded over 500 million USD stake in Akhmetov's company. Bankruptcy was used as a mechanism to get hold of the company, a strategy sponsored by Prime Minister Yanukovich. Akhmetov had made it clear that he would cooperate with any regime<sup>939</sup> and allegedly also contributed to Yushchenko's presidential campaign in 2004.<sup>940</sup>

Apart from government initiatives of re-privatization, the main re-division of resources since the Orange Revolution has been implemented through raiding, relevant to this study for its elements of capture of the judiciary and executive systems. Kuzio argued that "it would be unreasonable to expect re-privatization to be more corrupt than initial privatization." The main problem was and remains corruptibility and unfairness in the courts.<sup>941</sup> No consensus emerged in the government on re-privatization procedures or on the criteria for what to re-privatise.<sup>942</sup>

Raiding is a form of re-distribution of spoils in which a property object is seized. Experts differentiate between "white," "grey" and "black" raiding. In the "white" variety, raiders usually use legal forms of merger and acquisition. The "black" one is an almost

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<sup>934</sup> Kuzio quoted in Burwell, Aslund, Kuzio, Pifer (2006, p. 4).

<sup>935</sup> Kuzio (2005, p. 6).

<sup>936</sup> Kyiv Post (2006a).

<sup>937</sup> Viktor Pinchuk is married to Kuchma's daughter.

<sup>938</sup> Forbes (2005).

<sup>939</sup> Pukish-Yunko (2005).

<sup>940</sup> Way (2005).

<sup>941</sup> Kuzio (2006).

<sup>942</sup> Aslund (2005b, pp. 341-342).

completely illegal takeover of a business<sup>943</sup> and involves counterfeiting of documents, registration of companies under dummy names, bribing law enforcement, and “buying” court decisions. “Grey” raiding is usually somewhere in between, where outright criminal activities, such as bribery, are used only to a limited extent. Usually raiders purchase a small share of stock, then file a lawsuit in a lower-level court in a remote town, bribe the court for a favorable decision and then take possession of the property, usually through using the threatening force of private security companies or state law enforcement structures. Pervasive rent-seeking in the criminal justice system creates incentives for raiding. Ukraine’s courts are rated as among the top five most corrupt national institutions, together with state auto inspection, police and healthcare services according to a 2007 USAID study. Yuriy Vasilev, former judge and now an independent lawyer estimated that 95 percent of the judges are corrupt: “Those who are not corrupt, are obliged to leave... those who act alone, without sharing in the upper echelons get fired, or even prosecuted on corruption charges...Over the past 9 months, only 3 out of 20 cases I was working on ended without the payment of a bribe.”<sup>944</sup> In general, raiding and corruption in courts are mutually reinforcing in post-Orange Revolution Ukraine. Strangely enough, only 6 individuals from the court system were convicted in 2007.<sup>945</sup>

Strong correlation exists between raiding activity and regime transition. The centres of power have multiplied and instead of the strictly centralized governance system under Kuchma, now several opposing factions of political-business elites are vying for power, none being in full control. 60 percent of the respondents interviewed by the Corporate Relations Research Center (CRRC) think that raiding has increased in Ukraine since 2005. Around 2500 enterprises have been raided in the last 2-3 years. CRRC data shows that the biggest raiders are usually oligarchs, I. Kolomoyskyi (*Privat*), Konstantin Jevago (*Finansi i kredit*) and Rinat Akhmetov (System Capital Management).<sup>946</sup>

Raiders are frequently assisted by private security companies and organized crime groups in forceful takeovers of enterprises. For instance, a raider used the Kyiv crime group to take over a steel factory in 2006,<sup>947</sup> and another entrepreneur-cum-politician in Kharkiv, Eastern Ukraine used Arthur Marabian’s (aka *Sviatoi* or *Papa*) crime group under cover of a

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<sup>943</sup> Zerkalov (2007, pp. 6-9).

<sup>944</sup> Author’s interview with Yuriy Vasilev, November 15, 2007, Kyiv, Ukraine.

<sup>945</sup> Osipov (2008).

<sup>946</sup> Corporativ.info, 2006.

<sup>947</sup> Author’s interview with Andrey Semidedko, head of anti-raiding association, November 11, 2007, Kyiv, Ukraine.

sporting organization to raid a meat processing plant in Dergachevo.<sup>948</sup> Most frequently special purpose units of the Ministry of the Interior, such as Berkut, are used.<sup>949</sup> These cases involve large payoffs to law enforcement officials by major financial groups with ties to political elites.<sup>950</sup> Oligarchs have strengthened their control over law enforcement since the last years of Kuchma's reign.<sup>951</sup> The situation changed little after the revolution. The process of spoils redistribution through raiding clearly shows that the oligarchs still have an economic interest in maintaining a weak state with an inefficient criminal justice system that is vulnerable to manipulation.

## 2. Georgia – Extortion: from Professional criminals to the 'Revolutionary Government'

In Georgia, infamous for its major contribution to the world of professional criminals, *vory v zakone* took the lead, while in Ukraine and Kyrgyzstan, sportsmen crime groups became predominant. Hence the *vory* were already established and their influence was significant in Georgia's underworld, even as they worked to infiltrate the "upperworld" of politics since the break-up of the USSR. Jaba Ioseliani, for instance, a professional criminal and leader of the paramilitary group Mkhedrioni, became President Shevardnadze's deputy in the early 1990s. Ioseliani is one of the most interesting figures in the recent Georgian history. He was a criminal who served several years in Soviet prisons and attained the honorary underworld title of *vory v zakone*. Later he was awarded an advanced academic degree (*Doktor Nauk*) from Theatrical Institute in art criticism, became a professor, and entered politics, eventually ending up as the most influential individual in post-Soviet Georgia after the ouster of first post-independence president Zviad Gamsakhurdia. Patterns of state capture in Georgia thus diverge from those of Ukraine and Kyrgyzstan. In the latter two, criminals initially relied on physical intimidation before gradually developing more sophisticated political connections.

### 2.1. Mkhedrioni

<sup>948</sup> See for instance Ukraina Kriminalnaya (2007) and Komitet pradiivadeistvyi organizovannoi prestupnosti i korupcii (2007).

<sup>949</sup> Berkut is a successor OMON/ZMOP riot police created in 1988 by Gorbachev to counter potential civil unrest. These were always former soldiers from elite units, such as airborne. The service within the ranks of the Berkut is regarded as prestigious because of higher-than-average pay and high-quality technology, and numbers roughly 5000. Its main function is riot control and anti-mafiya and anti-terrorist operations. Source: "Security and foreign forces" in Jane's Sentinel Security Assessment (2007); Kuzio (1998).

<sup>950</sup> Author's interviews with U4, U5 and U6 October-December 2007.

<sup>951</sup> Aslund and McFaul (2006, p. 23).

In Georgia's post-Soviet conditions of increasing insecurity, opposition groups created Mkhedrioni as well as a National Guard that were a combination of criminal groupings and urban teenage gangs<sup>952</sup> and both were predecessors of the current Georgian army.<sup>953</sup> Besides Mkhedrioni and the National Guard, other regional and district gangs proliferated, their members sometimes assuming state positions. The *Gamgebeli* (local administrator) of Zestafoni district was a member of "Sviri criminal brotherhood."<sup>954</sup>

Mkhedrioni was created as a paramilitary detachment whose goal was to carry out the political aims of its criminal founder, Jaba Ioseliani.<sup>955</sup> Ioseliani debuted in politics in 1989 by helping Akaki Bakradze become elected as a USSR people's deputy, and Bakradze subsequently helped Ioseliani.<sup>956</sup>

Mkhedrioni was registered in July 1989. Many, not all, of its members had criminal records,<sup>957</sup> and many came from affluent Tbilisi families.<sup>958</sup> As time passed, the group became increasingly involved in crime. Mkhedrioni presented itself as the heir to historic Georgian guerrilla groups who fought Persian, Ottoman and Russian occupiers. Overall, Mkhedrioni numbered roughly 4000 in Georgia; Tbilisi was the largest branch with 800-1000 members.<sup>959</sup> Slider estimated that Mkhedrioni numbered from 3000 to 5000.<sup>960</sup> Members would take an oath to defend Georgia's people, the Georgian Orthodox Church, and Georgian territory. The group became more active as the country moved towards independence, and as relations between Georgian nationalists and the country's national minorities deteriorated with the rise of the nationalist Zviad Gamsakhurdia. At this time Mkhedrioni acted as a counterbalance to other paramilitary organisations set up by rival nationalists. Jaba Ioseliani himself stated that Mkhedrioni was "a patriotic organization, but based on the thieves' tradition."<sup>961</sup> When asked why he recruited Temur Khachishvili into the organisation (later

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<sup>952</sup> Baev (2003, p. 131).

<sup>953</sup> Demetriou (2002, p. 7).

<sup>954</sup> Wheatley (2005, pp. 80, 87).

<sup>955</sup> Ioseliani's professional criminal background is as follows: 1948 – imprisoned for staging a bank robbery in Leningrad, served 17 years in a Soviet prison (released 1965); 1970s – served a sentence for manslaughter, upon release returned to Georgia where he graduated from the Institute of Theatre Arts, became a professor and wrote several popular plays; 1991 – imprisoned by Gamsakhurdia;

1998 – detained on allegations that he was involved in an assassination attempt on Shevardnadze, held for 3 years pending trial and then sentenced to 11 years for banditry, terrorism and conspiracy to kill the President. Ioseliani was released from a Georgian prison in 2000, and died in 2003.

<sup>956</sup> Mikadze, Shevelev (1993).

<sup>957</sup> Weatheley (2005, p. 46).

<sup>958</sup> Shelley (2007, p. 53).

<sup>959</sup> Weatheley (2005, p. 55).

<sup>960</sup> Slider (1997, p. 165).

<sup>961</sup> Rezonansi (1998).

Khachishvili served as Minister of Internal Affairs, 1992-3) Ioseliani replied it was because of Khachishvili's prison record and his lack of a Komsomol background.<sup>962</sup> Despite his official position in the Shevardnadze government, Ioseliani maintained underworld contacts. His links with the powerful Georgian thieves-in-law community in Russia are especially important. He threatened Russia in the mid-1990s, saying that Georgia might start guerrilla warfare on Russian territory if the latter did not negotiate on Abkhazia.<sup>963</sup>

Although Ioseliani and Gamsakhurdia shared a similar nationalist outlook, the two men fell out after Gamsakhurdia came to power in 1990. Ioseliani and his supporters were imprisoned in 1991, and Mkhedrioni was banned.<sup>964</sup> After escaping from prison, Ioseliani supported a coup d'état against the Gamsakhurdia government, and Eduard Shevardnadze came to power.

Koehler writes that Gamsakhurdia was ousted through an "urban alliance of underworld authorities, scientists, intelligentsia and former Soviet patrons."<sup>965</sup> Gamsakhurdia himself maintained that the rebellion had been plotted by "the Georgian mafia and erstwhile communists who have lost their sinecures,"<sup>966</sup> as well as the "mafia, the mob and the Transcaucasian military district" of the former Soviet Union.<sup>967</sup> To some extent this rhetoric is well-founded, as the actors involved in the coup d'état included cooperating factions from the under and upper worlds.

Mkhedrioni were linked with Communist party structures as well. Slider notes that a possible link between the two was Guram Mgeladze, formerly chairman of the Georgian Agricultural Ministry's *Gosagroprom*, and widely viewed in Georgia as one of the leaders of the informal "party-economic mafia."<sup>968</sup> In other sources, Guram Mgeladze is referred to as "my old friend" by Shevardnadze<sup>969</sup> and two journalists report that Mgeladze also was an "old pal" of Ioseliani.<sup>970</sup> This link is interesting since it shows how corrupt Soviet elites bridged the under and upperworlds during the post-Soviet transition. While First Secretary of the Communist party of Abasha (Western Georgia), Mgeladze was a pioneer of entrepreneurial initiative, as early as 1973. He instituted a system of agricultural management modelled after Hungarian reforms. This initiative streamlined management of state and

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<sup>962</sup> Ibid. This is commensurate with 'thieves code'.

<sup>963</sup> Podlesskikh (1994, p. 28).

<sup>964</sup> Slider (1997, p. 166).

<sup>965</sup> Koehler, (1999, pp. 2, 39).

<sup>966</sup> Gamsakhurdia quoted in Rojo (1992).

<sup>967</sup> Reuters (1992).

<sup>968</sup> Slider (1997, p. 165).

<sup>969</sup> Shevardnadze (1991).

<sup>970</sup> Mikadze, Shevelev (1993).



collective farms under horizontal leadership, replacing centralized Ministry control and consequently increasing local initiative, resulting in higher productivity and incomes for farmers. In 1981 Mikhail Gorbachev, as the Central Committee secretary in charge of agriculture, credited the Mgeladze-Shevardnadze experiment as “worthy of approval.”<sup>971</sup> Mgeladze was promoted to Chairman of the Committee for Agricultural Production for the whole Georgian SSR.<sup>972</sup> After the breakup of the Soviet Union, Mgeladze left for Moscow and controlled a share of Moscow’s gambling business, according to Russian media.<sup>973</sup> Russian gambling was penetrated by shady capital and professional criminals from the onset, and part of gambling in Russia was controlled by Georgians until 2006.<sup>974</sup>

Shevardnadze remained dependent on the Mkhedrioni, using them as parliamentary security guards. Mkhedrioni also provided constant security to Jaba Ioseliani after he became a Member of Parliament. There were also other paramilitary groups operating in Georgia.<sup>975</sup> The most influential, after Mkhedrioni, was the National Guard, led by Tengiz Kitovani. Kitovani boasted good contacts with the Russian military and criminal community, and he was a schoolmate of Gamsakhurdia. The National Guard was staffed by local citizens serving under criminal bosses, and numbered 8000.<sup>976</sup> It funded itself through extortion rackets.<sup>977</sup>

Together with Mkhedrioni, the National Guard instigated a coup d’état against the legitimately elected Gamsakhurdia. Afterwards, the newly formed military council of three main players of the *coup d’état*, Kitovani, Ioseliani and Tengiz Sigua, brought Shevardnadze from Moscow and installed him as president. One of the first documents signed by Ioseliani and Kitovani immediately after the coup d’état was an amnesty that freed many criminals, including some vory, from prison.<sup>978</sup> One of the aims of this amnesty was in fact to get vory free.

Over time, members of Mkhedrioni gained a reputation as “heavily armed thugs” engaged in violent criminal activity including extortion of businesses, using roadblocks to rob motorists, and narcotics smuggling. In their early years, Mkhedrioni were repeatedly sent by

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<sup>971</sup> Suny (1983, p. 383).

<sup>972</sup> Suny (1989, p. 312).

<sup>973</sup> See for instance Novyi region (2009); Glonti and Lobzhanidze (2004, p. 54).

<sup>974</sup> Kupatadze (2007a).

<sup>975</sup> For a comprehensive survey of paramilitary groupings, see Demetriou (2002).

<sup>976</sup> Aprasidze (2004, p. 46); Demetriou (2002, p. 24).

<sup>977</sup> Baev (2003, p. 131).

<sup>978</sup> Ushangi Mgeladze (2008).

Ioseliani to fight President Gamsakhurdia's supporters in Western Georgia, and while doing so they frequently also looted the local population.<sup>979</sup>

Mkhedrioni were also repeatedly sent to fight the separatists in Abkhazia during the ethnic conflict that took place in the autonomous region between 1991 and 1993. While in Abkhazia, the Mkhedrioni also terrorized the population. Due to his relationship with Shevardnadze, Ioseliani was given a formal government position in September 1993 to help the government enforce a national state of emergency. This gave him powers to detain people, under which he established a repressive regime criticized by foreign governments and human rights organizations for its extrajudicial killings, especially of "Zviadists" or men loyal to Gamsakhurdia.

In 1994, Mkhedrioni sponsored a new political movement with Ioseliani as honorary chairman.<sup>980</sup> Mkhedrioni operated mafia activities under cover of the Rescue Corps, the political society "Elections," and various TV channels and shops. They assassinated opposition political leaders who resisted them, such as Gia Chanturia who was gunned down in 1994.<sup>981</sup> The leaders of Mkhedrioni (Ioseliani, Temur Khachishvili, and Giga Gelashvili) planned and implemented assassinations, according to the Prosecutor's Office of Georgia, including the murder of Soliko Khabeishvili, the vice-president of Eduard Shevardnadze's foundation "Revival and Democracy," of police general Gia Gulua, and an attempt on former defence Minister Giorgi Karkarashvili.<sup>982</sup> A former police official thinks that Gulua was assassinated because he was obstructing Mkhedrioni's access to transport and communication facilities.<sup>983</sup> In a survey conducted by the Institute of Demography and Sociological Studies on major societal problems in 1994, rising crime levels come second in the list after price rises and above the war in Abkhazia (!).<sup>984</sup>

After several acts of political violence blamed on Mkhedrioni, the group was outlawed and Ioseliani imprisoned. The Ministry of Internal Affairs emerged as a vital actor, eventually disarming the Mkhedrioni and other warlords.<sup>985</sup> War was a critical independent variable that both weakened and strengthened organized crime groups. Military defeat in

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<sup>979</sup> Prosecutor's office of Georgia, briefing on a Mkhedrioni court sentence; Ushangi Mgeladze (2008).

<sup>980</sup> Aves (1996, p. 10).

<sup>981</sup> Ushangi Mgeladze (2008).

<sup>982</sup> Prosecutor's Office of Georgia, briefing on Mkhedrioni court sentence, available online at [www.pov.gov.ge](http://www.pov.gov.ge)

<sup>983</sup> Account of Ushangi Mgeladze (2008).

<sup>984</sup> Gachechiladze (1995, pp. 111-113). Gachechiladze argues that crime was a problem during the Soviet Union as well, but in no region did crime levels reach a higher rank in terms of public concern than number 15 before. During the late 1980s, the public ranked the major problems as poor supply and quality of consumer goods, sanitary conditions of settlements, and inadequate housing.

<sup>985</sup> Aves (1996, p. 21); Nodia (2002, p. 431).

Abkhazia weakened both the Mkhedrioni and National Guard and eased the task of the Ministry of the Interior in confronting both.<sup>986</sup> After the demise of the Mkhedrioni, some of its powerful elite emerged as successful “legitimate” businessmen. Ioseliani himself was released in 2000, after 5 years of prison, and died in 2003. The Georgian patriarch buried him in Sion cathedral where important or honoured Georgian historical and social figures are customarily buried, and high-ranking government officials, including President Shevardnadze attended his funeral.<sup>987</sup> Even now, the term “Mkhedrioni times” (*Mkhedrionis Dro* in Georgian) is frequently used to denote the most chaotic and criminalized period of Georgia’s recent history.

Within Georgia, most individuals with experience in the country during the 1990s can recall the Mkhedrioni’s setting up of road blocks to demand fuel, money or other valuables from motorists or even confiscate their automobiles. Gachechiladze reports that well-armed highway gangs instituted almost complete control over the major roads, making traffic unsafe and blocking economic relations between provinces.<sup>988</sup> Mkhedrioni and the National Guard also perpetrated abductions for ransom.<sup>989</sup> Aves writes that “under the guise of raising funds for the war effort they were able to develop a network of extortion rackets.”<sup>990</sup> The war in Abkhazia and the Zviadist insurgency in Samegrelo created many organized crime opportunities for the Mkhedrioni. In the early 1990s, Mkhedrioni infiltrated a local branch of the Ministry of Internal Affairs and conducted a systematic campaign of extortion against local traders.<sup>991</sup> Mkhedrioni elite also made sure that they would profit from privatization. Thus important stakes were acquired by Ioseliani and his key associates in the Georgian economy through insider relationships with government officials.<sup>992</sup>

Much of the violence in the immediate aftermath of the Soviet Union’s dissolution can be explained by attempts by paramilitary criminal groups to get access to resources. In fact the groups did not engage in violence if no booty or resources could be acquired. In 1991, the National Guard refused to fight in South Ossetia because the province had no “lootable resources.”<sup>993</sup> By contrast Kitovani was eager to fight in Abkhazia because its lucrative shadow economy could offer many illicit revenues.<sup>994</sup> As Koehler summarizes, “a

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<sup>986</sup> Nodia (2002, p. 429).

<sup>987</sup> Shelley (2007a, p. 54).

<sup>988</sup> Gachechiladze (1995, p. 138).

<sup>989</sup> See for instance the Prosecutor’s Office of Georgia, briefing on Mkhedrioni court sentence.

<sup>990</sup> Aves (1996, p. 10).

<sup>991</sup> Ibid., p. 47.

<sup>992</sup> Shelley (2007a, p. 53).

<sup>993</sup> Baev (2003, p. 136).

<sup>994</sup> Wheatley (2005, p. 73).

market of violence developed in which economic effectiveness devoid of moral embedding turned out to be the most important control for the use of violence.”<sup>995</sup>

Shevardnadze tried to bring paramilitary groups under state control by making the National Guard the “official army,” appointing Kitovani the Defence Minister and giving Mkhedrioni official status as the “Georgian Rescue Force.” Shevardnadze also appointed Temur Khachishvili, close ally of Ioseliani, as Deputy Interior Minister (1992-1993).<sup>996</sup> Spheres of control of illicit profits were divided by giving the Mkhedrioni a monopoly over the distribution of fuel and making the National Guard the exclusive arms trader.<sup>997</sup> Some observers said it was the “moral equivalent of appointing John Gotti and Carlo Gambino<sup>998</sup> as head of the FBI and DEA [in the United States].”<sup>999</sup> Shevardnadze dismissed Khachishvili in 1993, although he was reinstated as a deputy months later by Shevardnadze’s new Minister of State Security, Igor Giorgadze.<sup>1000</sup> Giorgadze allegedly masterminded the assassination attempt against Shevardnadze in 1995. During his tenure, Khachishvili undermined law enforcement efforts against organized crime groups, including his peers from Mkhedrioni. Some of its members were appointed to law enforcement replacing professional policemen. In 1992, Vato Kipiani, a thief-in-law and member of Mkhedrioni, had his uncle Jimi Kipiani appointed as Deputy Chair of the Supreme Court of Georgia. Jimi Kipiani, in turn, helped to end investigations and prosecutions into Vato Kipiani’s group.<sup>1001</sup>

Another influential leader of Mkhedrioni, Gia Vashakidze, became Deputy Minister of Defence. Vashakidze was a graduate of Moscow military academy and was married to the daughter of General Potapov, the commander of peacekeeping forces stationed in Abkhazia in the mid -1990s. After the Rose Revolution, on December 5, 2003, Gia Vashakidze and other former members of Mkhedrioni kidnapped a director of United Georgian Bank, demanding 3 million USD in ransom. They were arrested in January 2004.<sup>1002</sup>

After Shevardnadze granted amnesty to Jaba Ioseliani, the Mkhedrioni leader tried to re-enter politics by attempting to register Mkhedrioni as a political group with the Ministry of

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<sup>995</sup> Koehler (1999, pp. 45-46).

<sup>996</sup> Importantly, Khachishvili had a criminal record of robbery that should have automatically disqualified him from entering high office in law enforcement structures.

<sup>997</sup> Baev (2003, p. 133).

<sup>998</sup> Both men were prominent bosses of the Italian mafia in the United States.

<sup>999</sup> Goltz (2006, p. 6).

<sup>1000</sup> Aves (1996, pp. 19-20).

<sup>1001</sup> Ibid.

<sup>1002</sup> Ministry of the Interior of Georgia (2004).

Justice. The then-Minister of Justice, Mikheil Saakashvili, refused on the grounds that criminal organizations could not be registered as political groups in Georgia.<sup>1003</sup>

During Mkhedrioni the underworld dominated the state domain; the dynamics is changing in favour of political elites after outlawing Mkhedrioni what is discussed in the next section.

## 2.2. The changing dynamics of dominance between underworld and upperworld actors

The influence of the thieves remained even after Ioseliani was imprisoned in 1995. Shevardnadze, unlike Gamsakhurdia, had capitalized on his old nomenklatura networks to rebuild his power base,<sup>1004</sup> allowing professional criminals to revive Soviet-era links.<sup>1005</sup> In 2000, police discovered two professional criminals in a car belonging to Rudik Tsaava, the deputy chairman of the ministerial council of the Abkhaz government-in-exile. Tsaava confirmed he knew these individuals but denied knowledge of their criminal status.<sup>1006</sup> Vakho Chachanidze, a professional criminal from Tbilisi, had connections to former deputy general prosecutor, then Member of Parliament.<sup>1007</sup> Another professional criminal from Moscow, Jemal Mikeladze, was arrested along with a former official of the Adjarian Interior Ministry in 2000,<sup>1008</sup> indicating the extensive relations between political elites and criminals.

As the previous discussion on the Mkhedrioni demonstrates, the Georgian state in the early 1990s was dominated by the underworld. In addition to other factors that Georgia has in common with Ukraine and Kyrgyzstan, such as weak state institutions, a poorly developed legislative system, and rampant corruption, an additional variable has been the breakdown of the state monopoly of violence due to the three wars. These are the Civil War, dubbed the “Tbilisi War;” the Abkhaz war, and the war in South Ossetia. The newly-born weak state with its weak institutions was not capable of dealing with the conflicts, and therefore various criminal brotherhoods and paramilitary gangs filled the void. The situation began to change in 1994, when the influence of Mkhedrioni and the National Guard was neutralized and the

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<sup>1003</sup> Civil Georgia (August 1, 2001).

<sup>1004</sup> Aves (1996, p. 11).

<sup>1005</sup> Shelley (2007, pp. 58-9).

<sup>1006</sup> Rezonansi (August 22, 2000).

<sup>1007</sup> Ibid.

<sup>1008</sup> Rezonansi (April 25, 2000).

police consolidated power.<sup>1009</sup> Shevardnadze was in charge of institutions of state power, and reduced criminality so that it no longer threatened political order.<sup>1010</sup>

Beginning about 1995, centres of power moved from purely underworld ones to overlapping networks of under and upperworld. However, the state simultaneously became increasingly tied to corruption and organized crime, some experts even arguing that they were “the main source.”<sup>1011</sup> For instance, the Ministry of the Interior controlled the cigarette and oil businesses, both in retail and wholesale markets.<sup>1012</sup> Targamadze also tried to control every bribe-generating activity emanating from the official functions of the Ministry of the Interior, and opposed the transfer of pre-trial detention centres to the Ministry of Justice because he would lose bribe opportunities from the centres.<sup>1013</sup> Many branches of criminal justice system became engulfed in bribery. The majority of the law students at Tbilisi State University were aiming to work in public procuracy, because of the lucrative possibility from illicit revenues, according to a survey conducted by a Georgian corruption research centre in 1998.<sup>1014</sup>

Hence, the political elites started to dominate over organized crime in the late 1990s, although they never consolidated power fully. The situation returned to a symbiotic balance in the early 2000s, especially due to Kakha Targamadze’s ouster in 2001.

Professional criminals remained important power-wielders in the country, through rampant racketeering, extortion, kidnapping, and protection schemes. Thieves-in-law participated illegally in the legal economy by levying fees from the profit of businesses (racketeering, extortion), acquiring legal stakes/shares in various businesses through illegal means such as violence or intimidation (so-called *tsilshi chajdoma* translated as acquiring a share), or establishing their own legal companies for cover of illicit activities.

This high level of collusion allowed criminals to influence government decisions. The mayor of Georgia’s second largest city, Kutaisi, recalled that in 1993 he offered professional criminals positions as managers of major factories as a *quid pro quo* for giving up illegal activities, but his proposal was rejected.<sup>1015</sup>

Georgia’s other links between criminals and officials include those of *vory* Taniel Oniani with Shevardnadze’s bureaucrats; Members of Parliament; and high-ranking Interior

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<sup>1009</sup> Gachechiladze (1995, p. 152); Darchiashvili (2003, p. 10); Wheatley (2005, p. 87).

<sup>1010</sup> Nodia (2002, p. 419).

<sup>1011</sup> Darchiashvili (2003, p. 8).

<sup>1012</sup> *Ibid.*, p. 12.

<sup>1013</sup> Stefes (2006, p. 109).

<sup>1014</sup> *Ibid.*, p. 154.

<sup>1015</sup> 24 Saati (2003).

Ministry officials, in addition to Aslan Abashidze, the warlord ruler of Adjara. Taniel Oniani's influence permeated all levels and branches of government; in 2005, Saakashvili claimed that Koba Narchemashvili, the Former Minister of Internal Affairs of Georgia, would meet with Oniani at Tbilisi airport whenever he visited Georgia and even provide Oniani with a police escort.<sup>1016</sup>

Oniani was possibly the most influential Georgian *vory*. His shares in Airzena Airlines<sup>1017</sup> were made more valuable by the fact that President Shevardnadze was giving Airzena preferential treatment because his close relative also owned stakes in it.<sup>1018</sup> In November 2002, Kakhi Asatiani, one of the directors and shareholders of "Airzena", was assassinated in an apparent contract killing in downtown Tbilisi.<sup>1019</sup> It was claimed by the political opposition leaders as well as by the family members of Asatiani that the assassination was masterminded by the authorities in collusion with big businessmen related to Airzena, including Shevardnadze's relative.<sup>1020</sup>

Oniani has helped the Georgian government in solving various issues, at the cost of increasing official dependency on the criminal world. For instance, according to police sources Oniani helped get UN observers released after they were taken hostage in Kodori Gorge in 2003.<sup>1021</sup> President Shevardnadze affirmed the hostages were freed as a result of intervention by criminal authorities. Tevdoradze claims that Spanish and Arab businessmen were similarly released in 2001.<sup>1022</sup> Human kidnapping emerged as the major illicit activity in Georgia in the late 1990s and early 2000s. The cases were frequently situated in uncontrolled areas such as the Pankisi or Kodori Gorges with crime groups in these lawless areas under complex webs of protection provided by the top officials of the Interior Ministry. One police official said "none of the abduction cases, especially those involving foreigners, have been solved without ransom and Taniel Oniani was involved in all major cases".<sup>1023</sup> Hence, resolving kidnappings increased collusion between professional criminals and the police, building the influence of the *vory* and further criminalizing the political system.

The criminal scheme of returning stolen cars for ransom was organized in a similar way. Groups under control of the thieves-in-law stole cars and then returned them to their

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<sup>1016</sup> Address by President Saakashvili (2005).

<sup>1017</sup> See for instance Prime News (April 6, 2003).

<sup>1018</sup> Author's interviews with G7 and G8, June 2006, Tbilisi, Georgia.

<sup>1019</sup> Blagov (2003); Darchiashvili (2005, p.15).

<sup>1020</sup> For a statement by Asatiani's widow see Qronika (2003); for the statement by Mikheil Saakashvili see Prime-News (December 1, 2002).

<sup>1021</sup> For more information on the case see Devdariani (2003).

<sup>1022</sup> Prime-News (June 15, 2003).

<sup>1023</sup> Author's interviews with G3 and G4, August 2006, Tbilisi, Georgia.

owners for money. This illicit profit from this process, called *vazvrat* in criminal slang, flowed to the *vory*, who put part of the money in *obshiaks* and retained the rest. Some criminals other than the *vory*, such as drug dealers, also participated in this type of crime. The role of Kakha Targamadze is important here. During his tenure of office as Interior Minister, (1995-2001) the collusion between police officials and thieves-in-law was especially evident and kidnapping and other crimes grew under his protection. Targamadze previously headed the Interior Ministry's department on organized crime and economic sabotage.<sup>1024</sup> While there, Targamadze controlled major stakes in illegal business activities and fed off the presidential family.<sup>1025</sup> These activities included providing *krysha* for a large tobacco company and illicit fuel business<sup>1026</sup> as well as alliances with underworld leaders in extortion activities and human abductions. Allegedly Targamadze was linked to the kidnapping business in Georgia by acting as a protector for Shota (*Mevlud*) Chichiashvili, the leader of an organized crime group based in the Pankisi gorge.<sup>1027</sup> Chichiashvili was arrested and extradited by Russian authorities in summer 2003 on charges of kidnapping Spanish and Georgian citizens and holding them in the Pankisi Gorge.<sup>1028</sup> Later the indicted kidnapper said that the former authorities used him to conceal their own crimes. In his interview, Chichiashvili never mentioned the name of Targamadze, but said that the Tbilisi police chief asked him in 2000 for help to secure release of Red Cross representative hostages.<sup>1029</sup>

Returning to Oniani, he frequently acted as a mediator between large businesses in Georgia. For instance, according to *Rezonansi* newspaper reports from August 2000, he helped resolve a dispute between two major beer-producing companies. Such mediation was common in the late 1990s because businesses and citizens were reluctant to turn to the inefficient and corrupt courts and instead sought justice from *vory*. Professional criminals became widely popular, even standing as role models for youth. In 1995 more than 25 percent of school children surveyed in Georgia said they aspired to be *vory v zakone*.<sup>1030</sup> A public opinion poll carried out by a group of authors researching the Rose Revolution<sup>1031</sup>

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<sup>1024</sup> BBC Monitoring Service (December 13, 1995).

<sup>1025</sup> Christophe (2004, p. 16).

<sup>1026</sup> Iprinda News (November 14, 1997); Reportedly Targamadze was also colluding with insurance companies in corruption schemes such as setting up a monopoly for a particular company, according to my communications with a former police officer, January 2009, Tbilisi, Georgia.

<sup>1027</sup> Author's interview with G6 and G8, June 2006, Tbilisi, Georgia. See also Loria and Gegeshidze (2006); Scott (2007, p. 23).

<sup>1028</sup> Black Sea Press (December 9, 2004).

<sup>1029</sup> Chichiashvili (2005).

<sup>1030</sup> Serio and Razinkin (1995, p. 76).

<sup>1031</sup> For more details see Khutsishvili (2008, pp. 223-245).



confirms that trust in the criminal authorities by the general public<sup>1032</sup> decreased significantly in the post-revolutionary period:

*Table 5. Trust in Georgian institutions (ICCN)*

	Would apply	More Yes than No.	More No, than Yes	Wouldn't apply
1. Ombudsman	29,6	32,2	12,4	25,8
2. Court of Law	16,4	29	15,7	38,9
3. Parliamentary Committee for Human	13,9	24,3	19,3	42,5
4. Human rights watch NGOs	16,7	30,1	19,2	34,1
5. Mass media	18,4	29,2	18,7	33,7
6. Oppositional parties	5,6	13,8	18,6	62,1
7. Criminal authorities	5,7	7,8	11	75,5
8. Friends/relatives	66,4	24,7	3,3	5,5
9. Party in power	12,2	19,3	17,1	47,4

Police data indicate that the vory sought to extort money from or penetrate every profitable business. Their business interests ranged from restaurants and bars to the microbus services (*marshrutkas*). Their involvement also varied from direct ownership to protection, although sometimes the two forms of involvement were overlapping. The case of Bondo Shalikiani, MP-elect during Shevardnadze's time,<sup>1033</sup> shows how much wealth the criminal leaders managed to amass in the 10 years following independence from the Soviet Union. Shalikiani was arrested in March 2004, and his assets included shares in electric-mechanical and transport factories, a meat factory, the TV channel Kutaisi, sanatoriums, and about 20 gas stations. All these assets were confiscated and Shalikiani paid 140,000 USD in fines.<sup>1034</sup> Later he claimed to have transferred 500,000 USD to President Saakashvili's bank accounts.<sup>1035</sup>

### 2.3. The fight against organized crime after the Rose Revolution

Before the Rose Revolution, thieves-in-law offered protection to private businesses and controlled a significant part of the informal and formal economy of the country. New legislation adopted in 2005 and modelled after the American RICO (Racketeer Influenced

<sup>1032</sup> This public opinion poll was conducted throughout Georgia (excluding Abkhazia and South Ossetia); overall 1.000 respondents were interviewed - 488 male and 512 female.

<sup>1033</sup> He was a member of short-lived parliament that was announced illegitimate after the Rose Revolution.

<sup>1034</sup> Khorbaladze (2004).

<sup>1035</sup> OligarchWatch (2008).

and Corrupt Organizations Act) and Italian Anti-mafia legislation criminalized the fact of being a thief-in-law, and prescribed sanctions including the confiscation of property. This legislation allows for the seizure and sale of property acquired through corruption and organized crime; criminalizes affiliation with known organized crime groups; and creates protections for witnesses testifying in corruption and criminal cases.<sup>1036</sup> A crucial part of this legislation is a plea bargaining system designed to incentivize the accused to cooperate with authorities.<sup>1037</sup> This piece of legislation is expressly designed as a tool to subvert the “omerta”-type ban on cooperation with authorities advocated by the “thieves’ code.” Just before the revolution, some police officials complained that “a large section of society does not even consider the possibility of cooperating with the police.”<sup>1038</sup> In 1999, the Interior Minister claimed that if police lacked the right to investigate in prisons, solved crimes would diminish by 30-40 percent.<sup>1039</sup>

As a result of the new campaign against organized crime, Tbilisi police alone detained 9 thieves-in-law and 37 criminal authorities in 2005. Allegedly there are more than 30 thieves-in-law held in Georgian prisons at present, and large scale confiscation of their property has begun. In 2004-2006 some of the luxurious houses and apartments previously owned by thieves-in-law have become the offices of regional and district police stations, for instance in the western Georgian towns of Kutaisi and Tsalenjikha. According to the Georgian police, the assets of 16 thieves-in-law have already been seized or are awaiting seizure. These efforts have damaged the financial bases of criminals as well as the links and connections they previously enjoyed within the Georgian government. Furthermore, new law enforcement and legal authorities within the Georgian government have become more cooperative with a number of European law enforcement structures, which, for example, greatly facilitated the investigation of organized crime groups in Spain and Belgium.<sup>1040</sup>

Simultaneously, police reform has been implemented, significantly increasing public trust in police, and making the Interior Ministry more efficient.<sup>1041</sup> The police service reliability indicator<sup>1042</sup> as measured by the World Economic Forum in its annual Global Competitiveness Report has increased from 2.6 points in 2004 (one of the lowest among over

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<sup>1036</sup> Government of Georgia (2006).

<sup>1037</sup> Transparency International, Property rights in Post-revolutionary Georgia.

<sup>1038</sup> Statement of Koba Narchemashvili (2002).

<sup>1039</sup> Statement by K. Targamadze (1999).

<sup>1040</sup> Author’s personal communication with G3, G4, G7 and G8, June-August, 2006.

<sup>1041</sup> For more information on police reform see Kupatadze (2007b).

<sup>1042</sup> Police services (1= cannot be relied upon to protect businesses from criminals, 7=can be relied upon to protect businesses from criminals).

130 countries) to 4.6 points in 2007, on par with Slovenia and Turkey and the second highest among former Soviet Union countries, after Estonia. All these efforts that resulted in a strengthened state have curbed the influence of professional criminals. All of them have been transferred to a single prison, No. 7, and are thus isolated from other criminals and the outside world. Therefore they lost the capability to exert influence in prisons and to coordinate criminal activities outside prison walls. Human Rights Watch found that prison No. 7 features the harshest conditions of Georgian prisons, with inmates being continuously mistreated.<sup>1043</sup> Before, *vory* were placed in cells No. 49, where the cell doors were not locked, the cells were well-furnished, and inmates enjoyed even alcohol and prostitutes. Thieves-in-law had free access to communications, which allowed them to organize external criminal activities.

The side effect of strengthening police, however, were the numerous alleged violations of human rights in the post-revolutionary period, including mistreatment of detainees and the use of excessive force.<sup>1044</sup> The underworld responded through a number of prison riots and demonstrations, which were in fact a reaction to the larger policy of anti-crime crackdowns. For instance 200 supporters of Zaza Ambroladze, thief-in-law from Terjola district in Western Georgia, blocked the road.<sup>1045</sup> In 2006 riots followed the attempt by penitentiary officials to transport several thieves-in-law from prison No. 5 to prison No. 7. The detainees were allegedly beaten during the transfer, triggering riots of more than 400 inmates.<sup>1046</sup>

In summer 2005 three Georgian sportsmen, Aleko Davitashvili, President of the Georgian Wrestling Federation, his brother Davit, and the judo champion Giorgi Revazishvili, were arrested and convicted on charges of extortion of 8,000 USD from a Greek businessman in Tbilisi.<sup>1047</sup> Following court's decision to imprison the perpetrators, their friends, mainly wrestlers and relatives, destroyed the court hall and blocked the central Rustaveli Avenue of Tbilisi. Riot police was deployed to the streets for the first time since the Rose Revolution and soon police dispersed the demonstration.<sup>1048</sup> The arrest of the wrestlers resulted in protests by other sportsmen. Some of them even refused to take part in preparatory training for the World Championship in wrestling. Later the former Olympic Judo champion,

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<sup>1043</sup> Human Rights Watch (2006, pp. 86-88).

<sup>1044</sup> See for instance US State Department (2006) and Amnesty International (2007).

<sup>1045</sup> Human Rights Watch (2004).

<sup>1046</sup> Human Rights Watch (2006, pp. 58-82).

<sup>1047</sup> Civil Georgia (June 30, 2005).

<sup>1048</sup> Civil Georgia, (July 1, 2005).

president of the Judo Federation and former Minister of the Interior Dilar Khabuliani apologized to President Saakashvili for the riots.<sup>1049</sup>

The wrestlers arrested form part of an organized crime group with international connections. The group is headed by influential thieves-in-law, including Taniel Oniani, and is tied to former policemen, such as Davit Kachkachishvili, former head of the Anti-corruption Unit of the Ministry of the Interior<sup>1050</sup> dismissed after the Rose Revolution.<sup>1051</sup> According to Georgian press and government officials, the riots were managed from prison by Davit Karseladze, alias Kalatoza, relative of Taniel Oniani's wife, former wrestler and wrestling trainer, and operational leader of the crime group.<sup>1052</sup> Kalatoza does not hold the status of thief-in-law, although he has great authority in the criminal world. The group was also engaged in kidnapping, robberies and selling illegally trafficked cars from Europe in Georgia. For instance, Kalatoza used sportsmen to extort money from the drivers of *marshrutkas* (micro-buses) and to force entrepreneurs to transfer all their shares in companies to him. One entrepreneur running a factory producing construction materials was paying 15 percent of his income to Kalatoza's group.<sup>1053</sup> The same group was involved in an attack on Post Bank in Tbilisi in 2004, stealing 80,000 lari (roughly 40,000 USD).<sup>1054</sup>

The thieves' community also tried to use other means to counteract increasing government pressure. For instance, the son of Bondo Jikia, governor of Samegrelo region, was kidnapped and held in custody for 6 days in March 2004. Some of the media attributed this abduction to the arrest of over 20 professional criminals in the Samegrelo region in the first half of 2004.<sup>1055</sup>

In general, the Saakashvili administration concentrated on state-building rather than democratizing.<sup>1056</sup> The incoming elites seemingly decided to capitalize on the popular mandate to implement some painful reforms that would not necessarily be popular, such as the dismissal of 30,000 state employees,<sup>1057</sup> but also to empower the executive branch for rapid implementation of reforms without the time-consuming due process of planning and approval by the legislative branch or participation of civic society stakeholders. Post-2003 constitutional changes strengthened presidential authority, increasing his capacity while

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<sup>1049</sup> Akhali Taoba ( 2005).

<sup>1050</sup> He also served as head of the chief administration of the Interior Ministry Traffic Police in 2003.

<sup>1051</sup> Ministry of the Interior of Georgia (2005).

<sup>1052</sup> Rezonansi (2005).

<sup>1053</sup> Author's interview with G24, 23 July 2006, Gamarjveba, Georgia.

<sup>1054</sup> Georgian police (2005).

<sup>1055</sup> Akhali Versia ( 2004).

<sup>1056</sup> Mitchell (2006, pp. 674-5).

<sup>1057</sup> Wertsch (2006).

diminishing his share of accountability, which resulted in the parliament playing a “rubber stamp function for the government of Saakashvili.”<sup>1058</sup> This approach has far reaching consequences for the Georgian state in general and fighting organized crime and corruption in particular. Stronger presidential powers allowed Saakashvili’s government to overcome the budgetary crisis, increase revenues and restore financial order.<sup>1059</sup> However anti-crime and anti-corruption policies were largely unsupervised by public or non-governmental bodies. As a result, steps undertaken were sometimes quasi-legal with little respect for the rule of law. Some critics called this process a transformation from “democracy without democrats” to “democrats without democracy.”<sup>1060</sup> State-building based on rule of law was undermined without a “commitment of those in power to legal constraints.”<sup>1061</sup>

Moran argued that when the state’s law enforcement capacity is monitored and constrained by social and political freedoms, corruption and crime have room to develop, suggesting a trade-off between building a strong state and fostering democracy.<sup>1062</sup> Arguably this is also the logic that the Saakashvili administration has followed. There was a wide awareness of the need for political elites to re-legitimize the state, which as Nelken and Levi anticipated, involved major intrusions into civil liberties.<sup>1063</sup>

The new government took a zero tolerance policy to crime. In 2004, then-Prosecutor General Irakli Okruashvili said “we will take appropriate measures against everyone who has committed crimes. We don’t differentiate.”<sup>1064</sup> In March 2006, Saakashvili recapped:

We have announced a policy of zero tolerance and we should continue this policy, we should put everyone in jail in accordance with the law and we should amend the criminal procedure code so that no one can be released through conditional sentences.<sup>1065</sup>

While this principled position was aimed at crime bosses, it also had longer term consequences detrimental to democratic processes. Some dangerous practices in the name of anti-crime and anti-corruption were apparent from the beginning, as initially police frequently made arrests while wearing military fatigues with their faces covered by masks.<sup>1066</sup> Saakashvili repeatedly encouraged police to meet any resistance by force. He provided

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<sup>1058</sup> Transparency International (2006).

<sup>1059</sup> Papava (2007).

<sup>1060</sup> Broers (2005, p. 347).

<sup>1061</sup> Pistor (1999).

<sup>1062</sup> Moran (2001, p. 389).

<sup>1063</sup> Nelken and Levi (1996, p. 9).

<sup>1064</sup> Okruashvili quoted in Katz (2006, p. 256).

<sup>1065</sup> Civil Georgia (March 27, 2006).

<sup>1066</sup> Katz (2006, p. 240).

permission for the use of deadly force without any constraints: a Presidential order to the Minister of Internal Affairs in early 2004 permitted law enforcement officers to shoot, on the spot, any suspect who refused to obey their orders.<sup>1067</sup> Also many allegations of criminal procedural violations were reported, such as arrests without warrants, in the fight against corruption. In response, the Tbilisi procurator once told reporters that because suspects would often attempt to flee or feign illness to avoid arrest, law enforcement was sometimes forced to detain them in such a manner.<sup>1068</sup> In the aforementioned case of Shalikiani, law enforcers were either unwilling or unable to go through the legal procedure of gathering incriminating evidence and instead took the “simple and fast” way of planting arms in his residence. Several observers reported that the prosecutions of criminal cases of former officials after confiscation of property and funds were frequently “sheer nonsense from a strictly procedural viewpoint.”<sup>1069</sup>

Disregarding the rule of law led to dire criticism from human rights watchdogs and other NGOs, who have reported that the police are involved in extrajudicial killings, torture and other law violations. Wheatley comments: “a government led by lawyers, which was supposedly trying to create a state based on the rule of law, was using means that were far from the spirit of the law to achieve its goal.”<sup>1070</sup> An analogy with Thailand is relevant here. Drug abuse in Thailand was and remains a major problem, so much as to be considered a threat to national security. The “war on drugs” announced by Thaksin Shinawatra, Prime Minister of Thailand in 2003 was widely supported by the public. The policy led to the extreme measures by the authorities. The police published blacklists of suspected drug producers and traffickers. These lists were frequently inaccurate according to national watchdogs. The police “shoot-to-kill policy” led to extrajudicial killings.<sup>1071</sup> In Georgia, from 2005-2006, 25 people were killed during 73 special operations conducted by the Georgian Ministry of the Interior.<sup>1072</sup> These two country cases show the serious consequences of reassertion and extension of state power when targeting organized crime in the name of national security.<sup>1073</sup>

The climax of alleged official disregard of law was the assassination of Sandro Girgvliani, a banker kidnapped and assassinated, allegedly by high-ranking police officials,

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<sup>1067</sup> Katz (2006, p. 244).

<sup>1068</sup> The Messenger (2004).

<sup>1069</sup> RFE/RL (2004).

<sup>1070</sup> Wheatley (2005, p. 204).

<sup>1071</sup> Collins (2007, pp. 120-121).

<sup>1072</sup> Transparency International (2007).

<sup>1073</sup> Loader and Sparks (2007, p. 91).

in 2006. The case led to a major uproar in Georgian society and greatly damaged the public standing of the police.

Some police officers may have conducted extrajudicial killings for their own purposes, unrelated to fighting crime. First, because of the formerly close collaborative links between police officers and organized criminals, officers might try to eliminate criminals to erase any compromat the latter may possess. Several such cases were referenced in my personal communications with Georgian police officers.<sup>1074</sup> Second, in the extreme, law enforcement officers may use their unchecked power to bully, intimidate or even eliminate individuals totally unrelated to crime. In February 2006, Gia Telia, a former anti-drug policeman who had retired in 2003, was killed in a clash with the Special Operative Department of the Ministry of the Interior. According to the Ministry, Telia, who was a suspected drug dealer, was killed by police after he opened fire.<sup>1075</sup> A few months before, in November 2005, the newspaper *Rezonansi* published an interview with Telia who alleged that he was under constant threat of assassination due to the information he possessed about the involvement of police officials in drug smuggling.<sup>1076</sup>

Many of the constitutional changes, including ones that strengthened the presidency at the expense of the legislative branch, were labelled as “undemocratic” by critics of the government. Saakashvili dismissed these criticisms in an apparent effort to use the anti-crime campaign as an excuse for legitimizing undemocratic moves. He stated that his administration was “struggling with organized crime and those who want to join are welcome.”<sup>1077</sup> In a comment on Ukraine’s Orange Revolution relevant also to Georgia, Aslund observes: “revolutionaries are convinced that they are right, and are not prone to seek advice, so that radicalization typically proceeds further than the population is prepared to tolerate.”<sup>1078</sup>

Occasional comparisons between Saakashvili and Putin are made in press. Charles Kupchan speaks about the “Putinization of Georgia”<sup>1079</sup> and Thomas de Waal calls Saakashvili “Putin’s copycat.”<sup>1080</sup> This criticism is based mainly on the increasingly authoritarian tendencies in Georgia, and Saakashvili’s policy toward political opposition and

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<sup>1074</sup> Author’s personal communication with G7 and G8, January 2009, Tbilisi, Georgia.

<sup>1075</sup> It was not clear whether he was the first to open the fire. Nevertheless this was used to justify the police action.

<sup>1076</sup> Civil Georgia (March 6, 2006).

<sup>1077</sup> Katz (2006, p. 252).

<sup>1078</sup> Aslund (2005b, p. 349).

<sup>1079</sup> Kupchan (2006).

<sup>1080</sup> de Waal (2007).

the media. In fact Georgia's super-presidential system is similar to that of the Russian Federation and Central Asian states.<sup>1081</sup> Similar to Putin, Saakashvili was also in favour of re-establishing state control over major assets in the country and reclaimed much state property after the Rose Revolution.

The process of "de-privatisation", as Papava calls it, also shows signs of redistribution of property for the benefit of Georgia's new elite. Frequently property has been reclaimed forcibly by law enforcement.<sup>1082</sup> The right of the president to direct sale of state-owned facilities and enterprises through his single-handed decisions<sup>1083</sup> further complicates and corrupts the redistribution of spoils.

Allegations of mishandling of private property rights by the government were frequently articulated by political opposition figures and businessmen. In December 2006, a group of opposition lawmakers accused the Financial Police and General Prosecutor's Office of abusing the property rights of entrepreneurs, "a number of businessmen have had to 'voluntarily' hand over their property, mainly office space in downtown Tbilisi, to the state following pressure from the authorities."<sup>1084</sup> In the same period Jacob Shamatava, an entrepreneur from Tbilisi, said that prosecutors were intimidating him to hand over to the state his plot of land in a Tbilisi suburb near the U.S. Embassy, even threatening to arrest him.<sup>1085</sup> The problem is wider: journalistic investigation by Maestro TV documents how representatives of tax authorities and city administration have been forcing entrepreneurs to give up real estate in favour of state or state-favoured private businessmen under the threat of "creating problems for their families" or initiating criminal prosecution related with tax fraud, drug trade or other crimes.<sup>1086</sup> Many sources corroborate these allegations, for example 2006 GRECO report observed that it was unclear to whom this property has been transferred or sold and whether anyone apart from the state benefited from it.<sup>1087</sup>

In December 2006, the newspaper *Alia* published a list of 16 enterprises whose owners gave up their shares to the state. One of the first "volunteers" was Nugzar Shevardnadze, a nephew of Shevardnadze who gave to the state a 14-story building located in Ortachala district. The list also includes machine manufacturing factories such as JSC

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<sup>1081</sup> Transparency International (2006).

<sup>1082</sup> Papava (2007).

<sup>1083</sup> Transparency International (2009).

<sup>1084</sup> Civil Georgia (December 18, 2006).

<sup>1085</sup> Civil Georgia (December 21, 2006).

<sup>1086</sup> The recording is available at Maestro TV website at <http://maestro.ge/jg.php?lang=geo&page=2>

<sup>1087</sup> Council of Europe (2006, p. 9). See also Transparency International, Property rights in post-revolutionary Georgia; GYLA (2007); Corso (2007).



Elmavalmshebeli (39 percent of shares “donated” to the state); JSC Eleqterovagonshemketebeli (42 percent) and other plants in tea production, machine building, oil refineries, and sanatoria. The nine shareholders of the company Zhiner leasing the hydroelectric plant in Zhinvali were forced to give up their shares, amounting overall to 61 percent of the stock, in January 2005.<sup>1088</sup> Later, Okruashvili said that the transfer of property was legalized by registering shares in the names of trusted individuals, such as close friends of top officials (first Dito Kitoshvili, former Chairman National Communications Regulatory Commission and then Irakli Okruashvili and Davit Kezerashvili, former Defence Ministers) or they were “bought” by businessmen close to the authorities and then transferred to the state or the National Movement. For instance Qibar Khalvashi bought an office from a businessman and then gave the office as a gift to the National Movement.<sup>1089</sup> The dummy names behind the property transfers change according to who is in favour with the ruling regime and its most loyal allies, according to Okurashvili. For instance, after Irakli Okruashvili left, the stakes in major TV companies were reshuffled in favour of the Bezhuashvili family. Georgian Industrial Group (GIG), owned by David Bezhuashvili, became a major media stakeholder owning Mze, Rustavi 2 and Pirveli Stereo.<sup>1090</sup>

*Alia* gives interesting statistics from notaries. The data shows that the number of gift agreements leading to the transfer of property has almost doubled in Georgia in 2004, compared to 2003. The following chart shows the trend of property transfers in Tbilisi and the regions:<sup>1091</sup>

*Chart 11. Property transfers in Tbilisi and regions in 2002-2004 (newspaper Alia)*

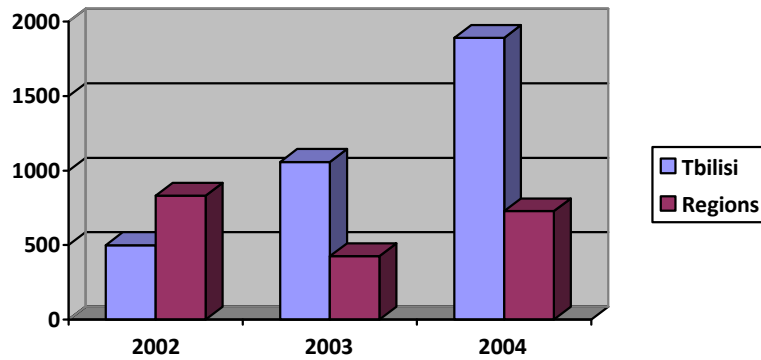
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<sup>1088</sup> *Alia* (2006).

<sup>1089</sup> Okruashvili (2008).

<sup>1090</sup> *Civil Georgia* (November 20, 2006).

<sup>1091</sup> *Alia* (2006).



These practices extended to the extralegal process of demolishing privately owned houses built before the revolution, with the argument of improving the city's image.<sup>1092</sup> Another wave of property confiscations forced restaurant owners in Tbilisi and a nearby town to "voluntarily" hand over their property to the state or face criminal charges.<sup>1093</sup> The owners were reminded that they had received their licenses/permissions for business through corrupt deals with Shevardnadze-era officials and were pressured to hand the property over to the state, if not they were threatened with criminal proceedings including ones based on drugs planted on a person by official order.<sup>1094</sup>

High post-revolution expectations pressured the new government to deliver tangible results quickly, as manifested in a need for revenues.<sup>1095</sup> The shortest way to generate revenues was collecting them from entrepreneurs. Almost all businessmen the author interviewed in Georgia report the same practice: they were summoned to the Prosecutor's office and pressured to pay for their "past wrongdoings." The payment could be made in cash or property. In case of disobedience, businessmen reported the threat of criminal investigation. Some entrepreneurs mentioned that paid much more than was claimed in official documents. Allegedly, the money went to various quasi-legal foundations or Nationalist Party coffers.<sup>1096</sup> Similar to the renovation of Konstantinovsky palace in St. Petersburg in 2003 which was financed through "voluntary" donations by oligarchs,<sup>1097</sup> some of the projects in the new Georgia were "voluntarily" funded by private businessmen, for instance the modern Signagi city project in Kakheti region.

<sup>1092</sup> Papava (2007).

<sup>1093</sup> Human Rights Watch (2008).

<sup>1094</sup> Transparency International (2007, p. 2).

<sup>1095</sup> Christiansen (2006).

<sup>1096</sup> Author's field research in Georgia, June-August 2006. See appendix 2 (pp. 218-219).

<sup>1097</sup> Guriev and Rachinsky (2005, p. 147).

The pressure was not confined to national businesses, but several foreign investors also reported what they termed state blackmailing of businesses that obstructed the inflow of investment.<sup>1098</sup> It was also reported that the state enforcement institutions were used as tools to silence owners of companies who were not supporters of the ruling party and to reward friendly businesses. Hence the anti-corruption policy has been instrumentalized by the ruling regime to pressure its political opponents and their sources of financial support. The actions of law enforcement agencies cannot be viewed as nonpartisan, as shown in the crackdown on Salford capital, the business group owned by Badri Patarkatsishvili, and the Arti group owned by a close associate of Irakli Okruashvili.<sup>1099</sup>

After several cases resolved in favor of private companies, the government announced abolishment of the practice of discussing tax disputes in arbitration.<sup>1100</sup> In general, the new authorities failed to create a well-functioning court system and numerous sources report that courts are less independent now than before the revolution. A Transparency International report shows that while corruption is no longer a problem in the court system after the Rose Revolution, freedom of judges is questionable. The judges are continuously pressured by the authorities to rule in their interest. This unlawful intrusion has increased since 2003, the report says.<sup>1101</sup> A report on judicial reform by the American Bar Association also posits that the major problem in the Georgian judiciary is “improper influence from the executive branch and the procuracy” that is said to have increased since the Rose Revolution.<sup>1102</sup> This practice is informed by the Soviet legacy when the prosecutor controlled the outcome of cases when political interests were involved and Communist Party leaders instructed judges how to decide a case. Nowadays judges are pressured through the use of *compromat*, the threat of removal, etc.<sup>1103</sup>

Some lawyers refer to the Supreme Court as a “department of the General Prosecutor’s office” pointing out the dependency of court rulings on the Prosecutor.<sup>1104</sup> Lawyers also commonly state that “judges have become like notaries: they write what they are told to.”<sup>1105</sup> In late 2005, three judges, described by the Georgian media as “rebel judges,” resigned with the public statement that “every time the Supreme Court considers cases in

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<sup>1098</sup> Rezonansi (November 13, 2005).

<sup>1099</sup> Kupatadze (2009).

<sup>1100</sup> Prime-News (April 21, 2005).

<sup>1101</sup> Transparency International (2008).

<sup>1102</sup> ABA/CEELI (2005, p. 1).

<sup>1103</sup> Ibid., pp. 6, 38-39.

<sup>1104</sup> Author’s personal communication with G2, G16, G26, Tbilisi, Georgia.

<sup>1105</sup> Ibid.

which the authorities have an interest, the judges are instructed on how to rule under pressure from the Prosecutor General.”<sup>1106</sup>

The result of all these efforts was the establishment of a repressive state structure with strong extra-legal police powers. This is very close to the definition of a police state, “an apolitical unit (as a nation) characterized by repressive governmental control of political, economic and social life, usually by arbitrary exercise of power by the police in place of regular judicial and administrative organs and legal processes.”<sup>1107</sup> In Georgia, all these elements are present. Along with undermining the independent functioning of the court system, the police have acquired unlimited power. In fact the post-Rose Revolution “human resources optimization” in the Ministry of Internal Affairs bypassed the secret police in favour of eliminating police from administrative branches (ecology police, traffic police, etc).<sup>1108</sup> Moreover the Soviet system of ODR (Acting Reserve Officer)<sup>1109</sup> was strengthened in the post-revolutionary period. ODR officers worked as deputy ministers in roughly two dozen Ministries, as Shevardnadze’s secret “eyes and ears.” Post-revolution, these officers have been placed in almost every government structure, and a special division coordinating their activities was established. This amounts to very close control of public life by the police. The police became increasingly political, especially after Saakashvili’s power was challenged in November 2007, and the main function of the police was reported to be undermining the political opposition. Former officers of the Ministry of State Security were instructed by high ranking police official to leave their jobs in political opposition.<sup>1110</sup> More examples of the political use of police follow.

### 2.3.1. “One’s own criminals” v. “Bad criminals”

While the anti-crime campaign targeted most of the professional criminals and corrupt officials, some companies with vague ownership structures and former criminal owners have gotten stronger since the revolution. A company founded by two members of the Mkhedrioni in the early 1990’s, who were the part of elitist Veris Sadzmo “Borotebi” (“Evils”), Mkhedrioni sub-group<sup>1111</sup> has grown into a venture of considerable regional importance,

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<sup>1106</sup> Civil Georgia (December 8, 2005).

<sup>1107</sup> Definition from Webster’s Third International Dictionary, as quoted in Chapman (1968, p. 431).

<sup>1108</sup> For more information on police reform see A. Kupatadze et al. (2007).

<sup>1109</sup> Ofitser deistvuisheva rezerva in Russian, translated as “acting reserve officer.”

<sup>1110</sup> Author’s interview with G32, 23 June 2009, Tbilisi, Georgia.

<sup>1111</sup> Vera brotherhood. Vera is a central Tbilisi district mainly populated by urban Tbilisi intelligentsia.

diversifying away from its original focus on logistics and oil trading and transshipment. The Group's interests now extend into Central Asia, the United States and Switzerland.

According to due diligence conducted by the author on behalf of a Western company, this business group has extensive links with the political elite of Georgia. Their main associate and protector was an influential Member of Parliament before 2008, when he became a cabinet minister. This individual's brother was also a member of the *Borotebi* criminal brotherhood and his brother committed at least one murder.<sup>1112</sup> This MP has very close relations with the President's inner circle, including Saakashvili himself.

The company operated by these individuals currently conducts legal business, but empirical evidence shows it operates on the brink of legality. Two major findings are relevant here: first, the group demonstrates the capacity to use violence or the threat of violence against adversaries or critics. An influential and well-informed source, familiar with business in Georgia, said of the company, "one can expect anything from them... they do anything to achieve their goals."<sup>1113</sup>

Second, the company uses corruption and political pressure to attain their goals, including political pressure to win public tenders. Previously a representative of the company was "caught" announcing that they had won a government tender before the tender commission released the results.<sup>1114</sup> In another case, the political opposition criticised the government's decision to lease an historical building to this company.<sup>1115</sup> Despite opposition in parliament, the company still won the bid.<sup>1116</sup> Another case indicates that the company used its contacts in the government to damage the property of a competitor,<sup>1117</sup> pointing to trends of state capture. Despite these concerns, research shows that this company is intent on ensuring that their business interests remain legal, and that direct criminal activity in their operations remains low.

Additionally some research shows that in certain regions local power networks remained intact despite formal reshuffles of bureaucracies. Mkhedrioni are integral parts of these local networks, and crucial players in redistribution of assets.<sup>1118</sup> In at least one Western Georgian city the head of the Sakrebulo (local council) is a former Mkhedrioni member, and now a local National Movement activist.

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<sup>1112</sup> Some sources have alleged that he was also a member of the same group.

<sup>1113</sup> Author's personal communication with G7, 12 January 2009.

<sup>1114</sup> Statement in the newspaper *Saqartvelos Respublika* (2005).

<sup>1115</sup> *Khvalindeli dge* (2005).

<sup>1116</sup> *24 saati* (2005).

<sup>1117</sup> Transparency International (2007, p. 10).

<sup>1118</sup> *Dadalaure* (2006).

In general, no government policy bars the creation of monopolies by companies with political links.<sup>1119</sup> These links are frequently used against legitimate competition, so the Georgian state has remained captured, and state institutions used for private purposes. In November 2006, the Financial Police was manipulated by Samtrest, a Georgian Agriculture Ministry wine company, against an Italian company: 100 tonnes of Italian wine were disposed of on allegations it was counterfeit.<sup>1120</sup> Later, the allegations were proven groundless.

In 2006 the Austrian meat producer Schirnhofner had problems with the Georgian authorities in launching a business, rumoured to be because the Head of one law enforcement agency, had interests in the meat business.<sup>1121</sup> The issue was raised by Wolfgang Schussel, Austrian Chancellor, during his meeting with Zurab Nogaideli, Georgian Prime Minister. The issue was resolved in favour of the Austrian company and Saakashvili gave the order to eradicate “artificial obstacles” for businesses in Georgia, stating that “even the smallest business should not feel that there are officials – governors, deputy governors, police chiefs who create obstacles for their business.”<sup>1122</sup> After he was removed from government, this official’s interest in the meat producing company emerged; he is often seen at Mitana’s premises,<sup>1123</sup> and multiple business sources corroborate that he is at least partial owner.<sup>1124</sup>

## 2.4. The re-emerging political-criminal nexus?

Mass street protests in late 2007, the first time since the Rose Revolution were partially motivated by increased perceptions of corruption, wrongdoings and abuse of power by the government. The legitimacy of the regime was significantly damaged then, and as a consequence political elites have reportedly re-established links with criminals. The Saakashvili government has lost much of its initial legitimacy to unpopular reforms, an adverse socio-economic situation and high unemployment rates. The government moved more slowly on reform in the social welfare sector than it did in other sectors.<sup>1125</sup> According to a survey conducted by ICCN, 68.5 percent of the respondents said that they participated in

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<sup>1119</sup> Transparency International (2007, p. 10).

<sup>1120</sup> Civil Georgia (November 15, 2006).

<sup>1121</sup> Author’s interview with a G14, 10 July 2007, Tbilisi, Georgia.

<sup>1122</sup> Civil Georgia (May 10, 2006).

<sup>1123</sup> Author’s personal communication with the residents of Nakhalovka district, January 2009, Tbilisi, Georgia.

<sup>1124</sup> Author’s interview with G14, G15, G18, G27, Tbilisi, Georgia.

<sup>1125</sup> Transparency International (December 2006).

2007 demonstrations due to economic hardship.<sup>1126</sup> Regardless of the inspiration for the protests, the authorities used excessive force against these peaceful November 2007 anti-government demonstrations, as well as raiding and vandalizing a critical TV company.<sup>1127</sup> Consequently, Saakashvili called for snap presidential elections and the authorities made a number of concessions, for instance ceasing probes into disputed properties.<sup>1128</sup>

The consequent weakening of the regime allowed the political-criminal nexus to re-emerge. Since late 2007, the use of criminals by ruling regime for political purposes was reported by some local observers. Before the parliamentary election of 2008, a number of criminals were released from prison in exchange for their assistance in the election campaign of the ruling party. The criminals were reported to act as “enforcers” pressuring the population to vote for the candidate of the ruling National Movement party.<sup>1129</sup> Later, Irakli Okruashvili, the opposition politician exiled in France, also alleged that the authorities freed and used criminals during the elections.<sup>1130</sup> According to these reports, weakened elites were obliged to re-establish relationships with criminals, though to a lesser extent compared to the pre-revolutionary period.

Table 6 summarizes the above discussion and draws some parallels between the practices of professional criminals and political elites that came to power after the revolution. In fact much of the illicit practices survived.

*Table 6. Parallels between the practices of professional criminals and political elites*

<i>Pre-revolutionary practices of professional criminals</i>	<i>Post-revolutionary practices of ‘revolutionary elites’</i>
Extorting businesses through violence or intimidation	Levying fees from businesses for past wrongdoings through pressure (applied through tax enforcement structures) or blackmail (threat of criminal prosecution)
<i>Tsilshi chajdoma</i> (acquiring a share) through violence or intimidation	Property transfers from businessmen to individuals linked to new elites or to the state through pressure or blackmail

<sup>1126</sup> ICCN (2008).

<sup>1127</sup> Human Rights Watch (2008).

<sup>1128</sup> Ibid.

<sup>1129</sup> Mtivlishvili (2008).

<sup>1130</sup> Okruashvili (2008).

Using state institutions for private purposes through collusion and corruption	Using state institutions for private purposes through political pressure (threat of dismissal, manipulating public finances, etc)
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As this section shows, organized crime, or illicit activity practiced by groups, continues in Georgia, though the perpetrators have changed. This has to do with the general cultural environment in the country. Indeed, illegality in Georgia developed its own *raison d'être*. My own conversations with political elites suggest that in the logic of the rulers, illicit profiteering is a side effect and should be tolerated in the name of “re-building” or “saving” Georgia.

This kind of illegality cannot be fought only by massive campaigns against thieves-in-law. It requires the transformation of political culture and changing the way the people think about certain issues such as *friendship*, understood as a link to be potentially exploited for illicit benefits if the friend succeeds in a professional career; rules understood as a regime imposed from above with no ultimate purpose other than intimidation, and *manhood* proven by a supposed display of courage through rule-breaking. The institutional context of corruption has been dealt with to some extent, although little has been done to address cultural facilitators of corruption, arguably the most important component.<sup>1131</sup> In this regard no “revolution” took place. State-building in the post-revolutionary setting was processed in the same political culture that watered down the overarching efforts to fight criminality and corruption. As Lawson points out, “a revolution is only successful if the principal institutions and organizations in a society are systemically transformed.”<sup>1132</sup> Certainly this kind of transformation is a very long term perspective.

A key variable explaining the persistence of corruption is the survival of informal institutions, or “socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels”<sup>1133</sup> that may also constrain the enforcement of formal rules.<sup>1134</sup> These institutions may include illicit institutions such as various forms of clientelism and patrimonialism. These informal institutions also may knowingly or unknowingly serve the purposes of organized crime, for instance by reinforcing corrupt networks based on *blat*. Most important here is the capacity of these institutions to survive regime transition and changes in formal structures. As North puts it, “while formal

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<sup>1131</sup> Tupman (2005, p. 262).

<sup>1132</sup> Lawson (2005, p. 73).

<sup>1133</sup> Helmke and Levitsky (2004, p. 727).

<sup>1134</sup> Raiser (1997, p. 18).



rules can be changed overnight, the informal norms change gradually... revolutionary change is never as revolutionary as its supporters desire and performance will be different than anticipated.”<sup>1135</sup> The persistence of these informal institutions accounts for the survival of organized crime *per se* defined as “a continuing criminal enterprise that rationally works to profit from illicit activities, that is maintained through the use of force, threats and/or the corruption of public officials.”<sup>1136</sup>

Additionally, despite significant efforts to reform the police, it remains a political tool used by the ruling elite to safeguard itself. To transform policing culture requires the introduction of European values in policing such as respect for human rights and serving the larger community instead of the regime. Again this requires political will and is a long-term perspective. Currently, a European legal-rational bureaucracy is difficult to establish in an environment which lacks distinction between private and public and where rules are applied with partiality.

### 3. Kyrgyzstan’s Drug Trafficking: from *Sportsmeny* and *Ugalovniki*<sup>1137</sup> to Police and Elites

#### 3.1. Drugs trade in Kyrgyzstan

In Soviet times Kyrgyzstan was known as a *krasnaia respublika* (red republic)<sup>1138</sup> implying low crime rates, rigid control by the Soviet police (militia) and weak influence of professional criminals, or “thieves-in-law” (*vory v zakone*).<sup>1139</sup> Organized crime was always under the control of Soviet police, according to a Kyrgyz police official. Officially the Kyrgyz were not represented in the thieves’ community, but there were ethnic Russian professional criminals in Kyrgyzstan.<sup>1140</sup>

Proximity to Afghanistan is a key variable in why organized crime emerged so powerfully in Kyrgyzstan after the breakup of the Soviet Union. Kyrgyzstan’s development as one of the key transit countries for Afghan heroin to the markets west of Afghanistan has become a major factor corrupting the Kyrgyz political system. Drug money has derailed law

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<sup>1135</sup> North (2006, pp. 8-9)

<sup>1136</sup> Albanese (2004, p. 19).

<sup>1137</sup> *Sportsmeny* denotes crime groups composed of sportsmen and *Ugalovniki* refers to mere criminals.

<sup>1138</sup> Author’s interview with Melis Turganbaev, Colonel of Police, Head of Organized Crime Unit, Interior Ministry, June 2007.

<sup>1139</sup> There are only two *vory* in Kyrgyzstan: the Chechen criminal leader Aziz Batukaev (although his title of *vory* is contested and arguably he is self-named) and Kamchy Kolbaev (reportedly he was nominated as a “thief-in-law” in Moscow in 2006, demonstrating the influence of Russian organized crime on Kyrgyzstan).

<sup>1140</sup> Parmankulov (2008).

enforcement efforts, corrupted courts, and influenced local council and parliamentary elections,<sup>1141</sup> hijacking the country's political institutions. It also created "sources of income" for the peasants involved in limited local cultivation, and for drug transporters from Afghanistan to Russia.

Central Asian drug trafficking is more disorganized than organized. Currently, drug traffickers are becoming more streamlined and specializing only in narcotics. However, these groups remain largely nationally-based as opposed to transnational.

In Soviet times, about 98 collective farms (*kolkhoz*) in the Issyk-Kul region of Kyrgyzstan provided 80 percent of the Soviet Union's legal supply of opium, and 16 percent of the world's legal supply, from roughly 1916 to 1973.<sup>1142</sup> Opium poppies were widely cultivated in the South and the city of Osh was previously known as the "Bogota of the East."<sup>1143</sup> In order to use drug production to the country's advantage, the Kyrgyz elite actually considered legalizing the cultivation of opium poppies in early 1993, but were forced to retract under international pressure.<sup>1144</sup> Now Kyrgyzstan is not considered a major drug producer. Local production is limited to cannabis, marijuana and opium.

Drugs production involves numbers of impoverished people. For instance, in Osh entire families go to plantations to pick opium poppies. The parents make hashish and marijuana and children sell it.<sup>1145</sup> Recently, police officials admitted that there are heroin-producing laboratories in Kyrgyzstan.<sup>1146</sup> Already in 1996 there were some streets in Osh where one could buy opium from every house.<sup>1147</sup> Extreme poverty and unemployment explain why large parts of the population were drawn into the illicit business. Drug prices were nearly double in Bishkek compared to Osh, making illicit trade very profitable.<sup>1148</sup> The price goes up to 10,000 USD on the Kazakh-Russian border, 25,000 USD when packaged for retail sale in Moscow, 30,000 USD as a bulk wholesale item in Western Europe or between 130,000 USD and 150,000 USD when sold on the streets of Europe.<sup>1149</sup> Significant profits guarantee that the funds available to corrupt law enforcement officials are unlimited. By comparison,

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<sup>1141</sup> On drug money involved in elections see for instance Interfax Central Asia News (2004).

<sup>1142</sup> Silk Road Studies program (2004).

<sup>1143</sup> Redo (2004, p. 98).

<sup>1144</sup> Galeotti (1994).

<sup>1145</sup> Karakg.net. (2007).

<sup>1146</sup> BBC Monitoring Central Asia (2008).

<sup>1147</sup> Reuters News (October 2, 1996).

<sup>1148</sup> Agence France Presse (March 27, 2005).

<sup>1149</sup> Jane's Sentinel Security Assessment (2008).

the average licit monthly wage is 30-40 USD in the capital and in rural areas it is much lower, with unemployment at 17 percent.<sup>1150</sup>

Kyrgyzstan became the conduit for illicit drugs<sup>1151</sup> due to its geopolitical location, insecure borders and corruption in law enforcement. Twenty percent of the opium and heroin produced in Afghanistan is likely to transit through the “Northern route,” or ancient “Silk road” through the former Soviet Central Asia, with the rest passing through Iran and Pakistan. According to estimates 60,000 kilograms of heroin are trafficked through Kyrgyzstan annually;<sup>1152</sup> however, seizures are small. In 2005, only 202 kilograms, and in 2006 only 260 kilograms of heroin were seized.<sup>1153</sup> That means that only 0.34 percent in 2005 and 0.43 percent in 2006 of the overall heroin traffic was detected. In 2005 Bakiev admitted that only 2-3 percent from all drug turnover is confiscated, and the “drug mafia” does not bear big losses.<sup>1154</sup> According to a knowledgeable journalist from Osh, “only small portions of drugs are seized; the big ones pass freely.”<sup>1155</sup> The big seizures take place when competing groups inform law enforcement about their rivals’ shipments.<sup>1156</sup>

The drugs mainly pass through the Osh region, the so-called “Osh knot,” along the Osh-Bishkek highway or the Talas region to Kazakhstan and Russia. In Russia the narcotics business is estimated to be worth 15 billion USD a year and the largest part of it finds its way to Russia through the Central Asian or “Northern” route.<sup>1157</sup> Drug traffickers from Afghanistan and Pakistan earn 1 billion USD a year selling and moving drugs in Kyrgyzstan,<sup>1158</sup> and volumes had been rising continually.<sup>1159</sup>

Drugs transiting Kyrgyzstan are mainly distributed in the Russian market, especially to Siberia and the Ural region<sup>1160</sup> although trafficking to China is already a problem and is expected to grow in the coming years, considering opiate and heroin trafficking has become more professional and the drug market in China is growing. Small part of the drugs remains in Kyrgyzstan. According to the National report on drug policy of Kyrgyzstan there are

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<sup>1150</sup> Ibid.

<sup>1151</sup> US Department of State (2006).

<sup>1152</sup> Mardi (2004, p. 262).

<sup>1153</sup> Agency for Drug Control of the Kyrgyz Republic (2006).

<sup>1154</sup> Akipress (June 7, 2005).

<sup>1155</sup> Author’s personal communication with K1, Osh, May 30, 2007.

<sup>1156</sup> Mardi (2004, p. 262).

<sup>1157</sup> Reuters News (February 16, 2006).

<sup>1158</sup> Dow Jones International News (October 19, 2000).

<sup>1159</sup> Toursunof (2002).

<sup>1160</sup> Author’s interview with A. Kniazev, Professor of the Kyrgyz-Russian Slavonic University, April 2007.

26,000 drug users in the country;<sup>1161</sup> however, unofficial estimates range from 70,000 up to 250,000.

Marat argues that drug smuggling thrived in Kyrgyzstan due to the government's more liberal approach to trade generally. For similar reasons, Kyrgyzstan became a regional central point for the shuttle trade of Chinese goods, both legally and illegally imported.<sup>1162</sup> The drug trafficking routes on the territory of Kyrgyzstan coincide with the trade routes for goods arriving from China including contraband,<sup>1163</sup> but drug trafficking is more organized than the smuggling of Chinese goods. It is difficult to give exact estimates of what percentage of smuggling in illegal or legal goods is organized.

Local drug production as well as transit has risen since the breakup of the Soviet Union, and in 1993 officials noted the first "sharp upsurge in underground plantations of opium poppies."<sup>1164</sup> The newly independent Kyrgyz state lacked the resources as well as willingness to fight the expanding drug trade. At the same time, groups involved in the drug trade were becoming increasingly professional. Already in 1992 they were well-armed<sup>1165</sup> while in 1994 the drug traders began "capturing small district towns and regional centres while law enforcement officials and state employees joined in selling and distributing narcotics."<sup>1166</sup> In 1998 Akaev said that "the drug mafia has even made its way into law enforcement bodies, and we must fight it decisively."<sup>1167</sup>

In 1996 the "drug mafia" had developed transnational linkages, and Kyrgyz officials were complaining about its growing sophistication and ties with Kazakhs and Russians.<sup>1168</sup> The technical capacity of the groups was also improving, their refined communication methods making it more difficult for law enforcement to locate them.<sup>1169</sup> At the same time "links between government officials and criminal groups are exposed increasingly often," according to Askar Akaev.<sup>1170</sup> In 2001 it was reported that every drug trader had his own *roof*, and that in the rare instances where drug cases reach court the dealers received absurdly short prison

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<sup>1161</sup> The Times of Central Asia (March 2009).

<sup>1162</sup> Marat (2006b, p. 33).

<sup>1163</sup> See for instance Townsend (2006, p. 8).

<sup>1164</sup> BBC Monitoring Service (1993).

<sup>1165</sup> Doughty (1992).

<sup>1166</sup> BBC Monitoring Service (1994).

<sup>1167</sup> Akaev quoted in Daily News Bulletin (May 15, 1999).

<sup>1168</sup> Reuters News (October 1, 1996).

<sup>1169</sup> Collett-White (1998).

<sup>1170</sup> Daily News Bulletin (July 30, 1999).

terms.<sup>1171</sup> Already in 2000, Kyrgyzstan was exporting more drugs than either Myanmar or Thailand.<sup>1172</sup>

The elites of Kyrgyzstan have always been profiteering from drug smuggling, since other opportunities were limited, due to a lack of either natural resources or a developed industrial base. During the 1990s, Akaev's rule was challenged by Bekmamat Osmanov, head of Jalalabad region. Osmanov remained an important figure in South, being elected to Parliament in 1995 and allegedly playing an important role in the regional drug trade.<sup>1173</sup> The elite-drug smuggling nexus was especially problematic in the South, because it was a conduit for Afghan heroin. The Khorog-Osh highway linking Tajikistan and Kyrgyzstan was also a major supply route for drugs. The political elite and law enforcement officers were involved in the early and mid-1990s, as well. As Anderson observes, the Osh militia was also involved in the drug trade, and 1997 witnessed several arrests of regional militia officials on allegations of complicity.<sup>1174</sup> In June 2001, Marat Kurbanov, the head of the personnel department of the National Security Service, was jailed for 10 years and his property confiscated, for drug dealing.<sup>1175</sup> In 2002, the former deputy head of a district interior department and his associate and bodyguard, a boxer holding the title of master sportsman, were arrested for drug dealing.<sup>1176</sup> One of the members of an organized drug trafficking group arrested in September 2004 was a colonel of the regional traffic police in South Kyrgyzstan.<sup>1177</sup>

Nowadays, mainly groups comprised of a blend of upperworld and underworld operate in the drug trade, for instance groups of policemen and criminals. Islamic militants are also involved in drugs. In the late 1990s, they controlled significant drug flows in Southern Kyrgyzstan;<sup>1178</sup> more recently, Hizb Ut Tahrir has been active in drug trafficking through the Southern regions of the country.<sup>1179</sup>

Frequently the lines are totally blurred among groups complicit in the drug trade. Empirical evidence also suggests that after the assassination of the main drug baron, Bayaman Erkinbaev, shortly after the Tulip Revolution, representatives from the police and

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<sup>1171</sup> Kyrgyz-Press International News Agency (2001).

<sup>1172</sup> Jane's Intelligence Review (2000).

<sup>1173</sup> Anderson (1999, p. 40).

<sup>1174</sup> Ibid., pp. 93-4.

<sup>1175</sup> Vecherniy Bishkek (June 12, 2001).

<sup>1176</sup> Vecherniy Bishkek (July 10, 2002).

<sup>1177</sup> KyrgyzInfo News (September 22, 2004).

<sup>1178</sup> Mameyev (1999).

<sup>1179</sup> Author's interview with Sanjarbek Tadjimatov, Senior Lecturer, Osh State University, Analyst of FTI (Foundation for Tolerance International), May 31, 2007, Osh, Kyrgyzstan.

special services became more involved in the smuggling chains. Interestingly, the drug trade temporarily stalled in the immediate aftermath of the revolution, when criminal groups were unsure how to proceed.<sup>1180</sup> This hesitation was short lived. Nazaraliev estimated “the drug barons will immediately buy the new functionaries.”<sup>1181</sup> A drug trader in Osh told a journalist “initially the political changes will hurt my family, but we will find common ground with the new authorities.”<sup>1182</sup> Hence the illicit business was resumed, albeit with the representatives of the underworld now playing a more important role.

Corruption and rent-seeking hampers the country's fight against drug smuggling, due to the low salaries of law enforcement staff and their broad, poorly-defined responsibilities. Single bribes paid to border guards or customs officers may equal their official monthly salaries. The law enforcement officials formally responsible for fighting drug smuggling usually live lavishly. Due to this apparent disparity, there is a good deal of public speculation about the involvement of government officials in narcotics trafficking. Allegedly at least three mid-level officers of the Drug Control Agency of Kyrgyzstan are involved in drug trafficking.<sup>1183</sup> In the South the majority of law enforcement personnel are complicit in the illegal drug trade.<sup>1184</sup> According to one observer in Osh “now primarily it’s the police and local authorities that are engaged in drug trafficking.”<sup>1185</sup> In 2004 Bakhtiyar Mambetov, Kyrgyz coordinator for a UN anti-drug programme and officer from the Kyrgyz State Drug Control Agency, told the press that “Kyrgyz power-wielding structures are involved in drug trafficking, particularly in the country's south.”<sup>1186</sup>

The involvement of law enforcement officials varies from simple bribes to direct participation. Some observers argue that law enforcement agencies are totally engulfed in the drug trade. In 2008 Russian drug expert Alexander Knyazev stated that senior officials are involved in drug smuggling.<sup>1187</sup> Evidence suggests that major drug flows are controlled by police, and rivalry for market shares can lead to inter- and intra-agency struggles. For instance, in early 2007 several police officers were arrested on charges of drug smuggling in Osh. It became clear later that the policemen were victims of internal strife over drug trade

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<sup>1180</sup> Isakov (2005).

<sup>1181</sup> Komsomolskaya Pravda (March 31, 2005).

<sup>1182</sup> Agence France Presse (March 27, 2005).

<sup>1183</sup> A statement made by a former officer of the Kyrgyz law enforcement structures, at a roundtable dedicated to corruption issues, May 2007, Bishkek, Kyrgyzstan.

<sup>1184</sup> Interview with K3, Bishkek, 10 April 2007.

<sup>1185</sup> Interview with K12, May 31 2007, Osh, Kyrgyzstan.

<sup>1186</sup> KyrgyzInfo News (April 12, 2004).

<sup>1187</sup> Knyazev quoted in Komsomolskaya Pravda v Kyrgyzstane (2008).

profits.<sup>1188</sup> In August 2008, Police Colonel Anvar Aliyev, the deputy head of Kyrgyzstan's anti-drug police, was shot dead in the centre of the capital, Bishkek.<sup>1189</sup> Later, a Kyrgyz MP commented that some of Kyrgyzstan's assassinations concerned the redistribution of illicit drug market shares between law-enforcement agencies, and that "drug fighters are merging with drug barons."<sup>1190</sup>

Kyrgyzstan's senior officials are rarely arrested or convicted. One government executive alleged in 2003 that civil servants commit one in four economic crimes in Kyrgyzstan, yet not one high-ranking official has been apprehended.<sup>1191</sup> In the drug trade and other crimes, investigations usually do not go beyond the couriers and "foot soldiers." Several police officers are worth mentioning, however, because they might have been prosecuted for "their independent initiative to traffic drugs while not paying the drug barons' networks".<sup>1192</sup>

- In September 2007, one hundred and nine kilograms of opium was found in a car driven by a high-ranking police officer.<sup>1193</sup>
- In November 2008, a colonel from the Interior Ministry's internal troops was detained near a military base in possession of about 8 kg of Afghan heroin.<sup>1194</sup>
- In December 2007, a senior investigation officer from the Osh anti-narcotic department was arrested for drug trafficking. The police search uncovered seven kg of heroin and 25 kg of Afghan opium in his house.<sup>1195</sup>
- Police officers were implicated in selling of 2 kg of heroin in February 2006<sup>1196</sup> and in transporting 18 kg of Afghan opiates from Osh to Bishkek in September 2006.<sup>1197</sup>
- In September 2005, three officers from the Kyrgyz Drug Control Agency (DCA) funded by the US government were convicted for narco-trafficking operations. Neither the head of the agency nor the Kyrgyz President, whose direct authority the

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<sup>1188</sup> Personal communication with K13, 30 May 2007, Osh, Kyrgyzstan.

<sup>1189</sup> Agence France Presse (August 5, 2008).

<sup>1190</sup> AKI Press, Bishkek, online, September 19, 2008.

<sup>1191</sup> Dzhanuzakov (2003).

<sup>1192</sup> Author's interview with Sheradil Baktygulov, political scientist, June 2007, Bishkek, Kyrgyzstan.

<sup>1193</sup> 24.kg (September 27, 2007).

<sup>1194</sup> RIA Novosti (November 26, 2008).

<sup>1195</sup> Vecherniy Bishkek (December 18, 2007).

<sup>1196</sup> Akipress (February 6, 2006).

<sup>1197</sup> 24.kg (September 4, 2006).

DCA is under, made any comments. The three corrupt DCA officers were fired only after a protest letter from the US embassy.<sup>1198</sup>

Former police and security service officers are also involved in the drug trade. Former policemen know law enforcement tactics and how to evade them. Over their careers, they also gained experience of the best drug smuggling routes and the mechanisms of drugs traffic. In March 2007 a former officer of the National Security Service directorate in the [southern Kyrgyz] town of Osh was arrested because after he retired as a lieutenant colonel in 2004, he had set up a major drug trafficking operation and provided intelligence to dealers.<sup>1199</sup>

Policemen are involved not only in trafficking but in distribution as well.<sup>1200</sup> Re-sale of seized drugs by policemen is also common. Some drug traders buy drugs from policemen.<sup>1201</sup>

Hence, the chaotic trading period of the 1990s was by the 2000s replaced by organized drug smuggling by sophisticated criminal groups with political connections. Before the Tulip Revolution, drug traffickers had managed to infiltrate the government, and corrupt law enforcement officials also got their share of the trade. On April 13, 2004, Askar Akaev charged that “criminals have penetrated the state structures, terrorizing the nation.”<sup>1202</sup> Hence drug trafficking was increasingly perceived as a threat during the 1990s and early 2000s. In 2004, Askar Akayev told the Security Council that terrorism, the proliferation of weapons of mass destruction, organized crime and drugs were threatening the nation’s security.<sup>1203</sup>

Here it is worth concentrating on an important figure in Central Asian drug trafficking, Bayman Erkinbaev. Erkinbaev was a wrestler<sup>1204</sup> and started his criminal career as a racketeer, and he soon managed to get control over both the drug trade and some legal businesses. In 2005, the Minister of the Interior estimated that his business assets and property were worth 20-25 million USD.<sup>1205</sup> Erkinbaev controlled several markets/bazaars including the Karasuu market in Ferghana Valley, one of the largest in Central Asia. Bayman became a Member of Parliament in 2005, despite nearly 40 criminal cases<sup>1206</sup> raised against him since 1991. None of these cases were concluded. Furthermore, Bayman received the

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<sup>1198</sup> Author’s communication with K23, 24 March 2007, Bishkek, Kyrgyzstan.

<sup>1199</sup> Kabar (March 14, 2007).

<sup>1200</sup> Slovo Kyrgyzstana (March 13, 2007).

<sup>1201</sup> Vecherniy Bishkek (April 6, 2001).

<sup>1202</sup> Akaev quoted in Ibraev (2004).

<sup>1203</sup> Toktogulov (2004).

<sup>1204</sup> On sports-crime nexus see pp. pp. 54-56.

<sup>1205</sup> Associated Press (November 29, 2005).

<sup>1206</sup> Ferghana ru (2005).



highest number of votes (95.45 %) in Kyrgyzstan.<sup>1207</sup> Certainly, major election fraud would greatly contribute to this return, although Bayman's popularity was genuinely high.

In his early career, Bayman extorted from the most profitable cafes and restaurants in Osh, according to a local resident. Reportedly he was promoted by the political elites in order to balance the Uzbek criminals in the South, similar to the role of Rysbek Akmatbayev against the Chechens in the North. According to local observers, Uzbek organized crime has almost no stake in drug smuggling in Osh, thanks to Bayman's involvement and his state support.<sup>1208</sup>

The main pillars of Bayman's power were successful sportsmen in *Alysh*, the national wrestling. Bayman was the President of the International Federation of Alysh Wrestling,<sup>1209</sup> headquartered in Osh. It was estimated that Bayman could gather more than 2000 wrestlers in case of need and he always had 400 on stand-by.<sup>1210</sup> After his assassination, the members of the club decreased to 500 in Osh and 300 in Bishkek.<sup>1211</sup>

Erkinbaev played a major role in the public uprising in the South that resulted in the Tulip Revolution. He provided logistics and financial support for the demonstrations estimated at several million USD.<sup>1212</sup> Reportedly, Bayman was trying to defend and expand his business in this way.<sup>1213</sup> Interestingly, unlike in Bishkek, no looting occurred in Osh after the revolution, due to Bayman's control, according to local residents.<sup>1214</sup>

Bayman's popularity reached its peak during the March 2005 events, and he became informal governor of the region before his assassination in September 2005. In this period slogans like "Bayman is our *batir* (hero)" and "Bayman is the hero of Kyrgyz nation" were common in Osh and Batken,<sup>1215</sup> his home district. He controlled the personnel policy of regional and city administrations as well as law enforcement structures after the revolution.

Reportedly Bayman's main source of income was drug trafficking and he had extensive linkages with Tajik and Uzbek transnational drug traffickers.<sup>1216</sup> It is believed that Bayman and his associates laundered drug money through the Alysh wrestling federation.

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<sup>1207</sup> KCHR (2005).

<sup>1208</sup> Author's field research in Osh, May 2007.

<sup>1209</sup> After his death, his wife took over the presidentship. For more information on the federation see <http://www.wrestling-belts.org/index2.php>

<sup>1210</sup> Vestnik evrazii (2005).

<sup>1211</sup> Agim (March 7, 2007).

<sup>1212</sup> Author's interview with Sanjarbek Tadjimatov, Senior Lecturer, Osh State University, Analyst of FTI, May 31, 2007.

<sup>1213</sup> Graubner (2005, p. 18).

<sup>1214</sup> Author's field research in Osh, May 2007.

<sup>1215</sup> Author's interviews with K1, K12, Osh, May 2007.

<sup>1216</sup> Author's interview with A. Kniazev, Professor of Kyrgyz-Russian Slavonic University, April 2007.

One laundering method was Bayman's organization of the 2002 World Alysh Championship in Osh, for which he brought mainly students from Bishkek who had nothing to do with wrestling.<sup>1217</sup> Drug money was also invested in Bayman's regional markets, and factories such as the Liquor Spirits plant in Osh (*Likiora Vodochnyi Zavod*).<sup>1218</sup>

Bayman was assassinated in September 2005. The official investigation concluded that the assassination was ordered by Sabyr Batyrov, Erkinbayev's close friend, in revenge for failing to fulfill an agreement to supply 20 kg of heroin to a prison for crime boss Bolot Tynychbekov. Batyrov together with another criminal were found guilty in July 2008.<sup>1219</sup>

After his death Bayman's wife Cholpon Sultanbekova and his 4 sisters inherited his businesses, including shares in several regional markets.<sup>1220</sup> According to a journalist in Osh, after Bayman's assassination many members of his group were jailed and others found refuge in neighbouring countries. Others went into the service of Bayman's wife, who assumed the presidency of the Alysh Federation.<sup>1221</sup> Still other illegal and legal businesses were taken over by Bayman's rival Sanjar Kadiraliev, a Member of Parliament.<sup>1222</sup> Arabpai Tolonov, another MP, a key ally of Erkinbaev, emerged as a new mediator between Uzbek and Kyrgyz crime groups in the South.<sup>1223</sup>

Kadiraliev, Bayman's rival, was a racketeer and criminal from the South<sup>1224</sup> who was linked through tribal kinship networks<sup>1225</sup> with one of the leading political figures in the Kyrgyz state.<sup>1226</sup> He had a background in boxing and before being elected to the Jogorku Kenesh, he ran a crime group, "Sanjar and Kanjar," from the cover of a sports complex called "Turbaza."<sup>1227</sup> When he was elected, his crime group was removed from the police watch list.<sup>1228</sup> He took over part of the drug business after Bayman Erkinbaev was killed, and was

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<sup>1217</sup> Author's interview with K1, Osh, May 30, 2007.

<sup>1218</sup> Author's interview with K11, April 3, 2007, Bishkek, Kyrgyzstan.

<sup>1219</sup> Akipress (July 16, 2008).

<sup>1220</sup> Author's interviews with K1 and K12, May 2007, Osh, Kyrgyzstan.

<sup>1221</sup> Interview with K1, Osh 30 May 2007. See the website of Alysh Federation. Available from: <http://www.wrestling-belts.org/index2.php>. On Cholpon Sultanbekova's participation in Erkinbaev's business see Weekly Bulletin of the Foundation for Tolerance International, Issue 40, Review of 3 – 9 May 2006, Published on 10 May 2006; On her participation in an election campaign as a candidate for Parliament see Weekly Bulletins No.7, 10, 13, 14, 16, 18, 19, 28, 29, 31, 32, 35, 38, 39.

<sup>1222</sup> Marat (2009).

<sup>1223</sup> Author's field research in Osh, May 2007.

<sup>1224</sup> Interestingly, his brother worked for the State Customs Committee. For more information on this individual and his crime group, see Weekly Bulletins of Foundation for Tolerance International (2007).

<sup>1225</sup> They are from the same village in South Kyrgyzstan.

<sup>1226</sup> Interviews with K11, K14, K16 and K23, Bishkek, Kyrgyzstan. This has been corroborated by a police officer from organized crime fighting unit of Ministry of Interior on the conditions of anonymity.

<sup>1227</sup> FTI Weekly Bulletin, Issue 15, October 12, 2005.

<sup>1228</sup> Interview with Mamat Tursugbaev, Deputy head of OC fighting unit, regional administration of Ministry of Interior, Osh, 11 May, 2007

assassinated himself in early 2009. This and other plausible allegations suggest the drug trade involves the highest levels of government in Kyrgyzstan.

### 3.2. State Capture by political elites: ruling families in Kyrgyzstan

More than decade-long rule of Akaev resulted in rampant corruption in every sector of the political and economic life of the country, as Akaev's family played a major role in rent-seeking and corruption schemes. Many lucrative business activities in Kyrgyzstan had to have endorsement from Akaev's son, Aidar, and son-in-law, Adil Toigonbaev.<sup>1229</sup> Aslund indicates that the ruling family held monopolies on medium and large enterprises<sup>1230</sup> and Collins reports that Akaev's relatives had controlling interests in sugar, cooking oil, bars and minibuses.<sup>1231</sup> Other observers noted that Askar Akaev indirectly controlled the Kumtor gold mine and Krakeche coal mine as well.<sup>1232</sup> The family also controlled many media sources. For instance, Adil Toigonbaev's holdings allegedly included the daily *Vecherniy Bishkek*, the television station KOORT, the weekly Avtoradio, and the Kyrgyzinfo website.<sup>1233</sup> Aidar owned Bitel, the country's largest mobile phone operator<sup>1234</sup> and together with Adil controlled jet fuel supplies to the American military base in Kyrgyzstan and Manas international airport.<sup>1235</sup> The company received 200 million USD in fuel contracts from the US government. Aidar also controlled a group of young representatives from the National Security Service and Ministry of Finance. Additionally, the President's daughter Bermet and her husband were both actively involved in "Alga, Kyrgyzstan" one of the most influential political parties.<sup>1236</sup>

The ruling family directly owned shares in many enterprises, and sold protection to others, illegally extorting shares from them. If the businesses refused protection, they would be threatened with tax inspections and other pseudo-law enforcement measures.<sup>1237</sup> Kyrgyz prosecutors later raised five criminal cases against Aidar Akaev for embezzling USD 4,5 million,<sup>1238</sup> though observers allege this was the tip of the iceberg.

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<sup>1229</sup> Author's interviews with K11, K12, K14 and K16, March-May 2007, Bishkek, Kyrgyzstan.

<sup>1230</sup> Aslund (2005a).

<sup>1231</sup> Collins (2006, p. 234).

<sup>1232</sup> Graubner (2005, p. 18).

<sup>1233</sup> Ibraev (2004).

<sup>1234</sup> Sydykov (2007).

<sup>1235</sup> See for instance, International Oil Daily (2005), and Energy Intelligence Group (2003).

<sup>1236</sup> Graubner (2005, p. 11).

<sup>1237</sup> Aslund (2005a).

<sup>1238</sup> Akipress (September 30, 2008).

Mairam Akaeva, the president's wife, who informally oversaw staffing in state organizations, used to distribute government positions in exchange for bribes.<sup>1239</sup> Good connections with her were vital for advancing one's career.<sup>1240</sup> Reportedly foreign companies planning to do business in Kyrgyzstan, for instance in the gold mining sector, paid Akaeva for a favourable government decision.<sup>1241</sup> The fund "Meerim," run by Akaev's wife, was repeatedly accused of diverting budgetary funds and money laundering.<sup>1242</sup> Various state institutions, like the President's administration and the Bishkek mayor's office, continuously transferred money to "Meerim" and it eventually held 6 buildings in Bishkek alone, and more property in the regions.<sup>1243</sup> Perhaps most sickeningly, the fund was a legal cover for human trafficking to the United States.<sup>1244</sup> In a study conducted by Kyrgyz group *Sotsinformburo*, Akaeva was ranked as the most influential figure in Kyrgyzstan by an expert opinion survey in 2003.<sup>1245</sup>

As a result of these activities, Akaev's family amassed vast wealth and property which Anders Aslund estimates to be at least several hundred million US dollars.<sup>1246</sup> Allegedly, some criminal leaders were also related to and supported by ruling family representatives who wanted leverage over organized crime. However, over time these criminals wrested free of their patrons, even contributing to their ouster.<sup>1247</sup>

Informal channels of illegal payments were institutionalized in Kyrgyzstan. In the chaos immediately after the Tulip Revolution, these channels were temporarily disrupted and businessmen were confused as to whom, how much and when they should pay the regular illegal amounts.<sup>1248</sup> Engvall writes there was "no actor in a position to define the rules of the game."<sup>1249</sup> With Akaev's family and its operatives removed from informal control of crime and bribery, the centre of power became vague. Since then, the corruption pyramids have been restored in Kyrgyzstan and, as some analysts have put it, "one family has been

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<sup>1239</sup> Author's interview with Elena Avdeeva, Chief editor, Newspaper Belyi Parakhod, March 28, 2007, Bishkek, Kyrgyzstan.

<sup>1240</sup> Graubner (2005, p. 11).

<sup>1241</sup> See for instance the account of the former government official Isaev (2006, p. 41).

<sup>1242</sup> Marat (2006b, p. 83).

<sup>1243</sup> Delo No (May 4, 2005).

<sup>1244</sup> RFE/RL (2009).

<sup>1245</sup> AKIpress (May 21, 2004).

<sup>1246</sup> Aslund (2005a).

<sup>1247</sup> Author's field research in Kyrgyzstan, March-May 2007.

<sup>1248</sup> Author's interview with Nur Amorov, a lecturer in political science, Kyrgyz-Slavic University, April 18, 2007, Bishkek, Kyrgyzstan.

<sup>1249</sup> Engvall (2007, p. 37).

substituted for another.”<sup>1250</sup> Azimbek Beknazarov, the Prosecutor General, acknowledged in 2005 that most of Akaev’s property and companies had been transferred to the new powerbrokers.<sup>1251</sup> Beknazarov was shortly dismissed from his position. Later he argued that the family members of Bakiev applied pressure to the President and played a key role in his dismissal.<sup>1252</sup> According to unconfirmed but widely corroborated allegations, Maksim Bakiev, the president’s son dubbed “The Prince”<sup>1253</sup> and Janish Bakiev, the president’s brother, are now the main *kryshas* of all legal and illegal businesses.

Bakiev gradually consolidated power. He removed his former allies in the revolution<sup>1254</sup> firing among them Azimbek Beknazarov, a fervent fighter against Akaev-era corruption. Simultaneously Bakiev is demonstrating increasing willingness to halt constitutional reform and increase his powers.<sup>1255</sup> The process of re-asserting Presidential power limited the influence of organized crime but also has contributed to strengthening of illicit control of informal elite groupings over the licit and illicit economy.

The process of redistribution itself was violent in Kyrgyzstan, resulting in contract killings after the Tulip Revolution. The process remained outside the control of legitimate public institutions. Political elites acting in their own private interest, in addition to criminal groups all seized assets during property redistribution. Reportedly, political elites used non-state actors such as criminals, or even used the state, to obtain spoils. The infamous list of Daniar Usenov is a good example of representatives from the political elite using government structures to advance their interests. Usenov, as deputy prime minister after the Tulip Revolution and head of the newly created commission for investigating the assets of the Akaev family, was allegedly linked to the new president’s son Maksim Bakiev. Some of the companies that appeared on Usenov’s investigation list were unconnected to Akaev’s family, although they came under the scrutiny of the incoming elites. One expert alleged that Usenov’s list was an “organized racket” with businesses paying bribes to be removed from the list, and the others falling into the hands of the new ruling family.<sup>1256</sup>

The career success of other members of the Bakiev family also raised eyebrows. Other Bakiev’s brothers also did well after the Tulip Revolution. Adil Bakiev was appointed

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<sup>1250</sup> Author’s interviews with K11 and K23, March-May 2007, Bishkek, Kyrgyzstan. See also Ababakirov (2007).

<sup>1251</sup> Sydykov (2007).

<sup>1252</sup> Beknazarov (2009).

<sup>1253</sup> RFE/RL (July 10, 2008).

<sup>1254</sup> IWPR (January 23, 2006).

<sup>1255</sup> IWPR (December 23, 2005).

<sup>1256</sup> Kupatadze (2008, p. 289).

as the ambassador of the Kyrgyz Republic to China, and also heads the federation of Karate-Dou.<sup>1257</sup> Another brother, Marat, is ambassador to Germany. Kanybek heads a village administration, while Akhmat is a successful businessman in Jalalabat, the Bakievs' home town.<sup>1258</sup> And yet another of Bakiev's brothers - Jusupbek Bakiev, was briefly the deputy director of Kyrgyzstan's Agency for Community Development and Investment before his death in early 2006.<sup>1259</sup> President Bakiev claimed no connection to the career success of his brothers.<sup>1260</sup>

State institutions are frequently used in private interests for political infighting. In September 2006, Omurbek Tekebaev, a political opponent of the government, a former speaker of parliament, was jailed in Poland when airport border guards discovered heroin in his luggage; he was soon cleared by a Warsaw court, and an airport official claimed he was instructed by Janysh Bakiev, a brother of President Kurmanbek Bakiev and deputy head of the national security services, to plant the drugs.<sup>1261</sup> President Bakiev was obliged to dismiss his brother, and a parliamentary commission established that the incident was organized by Janysh Bakiev, although the latter appealed the decision and had it reversed.<sup>1262</sup> In June 2008 he was re-appointed to a senior position as Chief of the State Guard Service.<sup>1263</sup> Many of the officials in government institutions, especially in the criminal justice system, are related to and lobbied by various members of the Bakiev family, especially Janysh and Maksim. For instance, Bolotbek Nogoybayev, former Interior Minister, was Janysh's protégé.<sup>1264</sup> The subsequent Interior Minister, Moldomusa Kongantiev, worked with Janysh in the Jalalabad police in the mid-1990s. There is some evidence that Janysh and his associates are involved in drugs smuggling through the country.<sup>1265</sup> Akhmat, another brother of President, is also believed to control organized crime and drug trafficking in southern Kyrgyzstan.<sup>1266</sup>

Hence it can be safely argued that the state in Kyrgyzstan has been captured by a small clique of powerful individuals related through blood kinship.<sup>1267</sup> This discussion leads to the question whether the agents of underworld are penetrating the legal system trying to

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<sup>1257</sup> Delo No (May 21, 2008).

<sup>1258</sup> Sydykov (2007).

<sup>1259</sup> Sydykov 2007.

<sup>1260</sup> Delo No (May 4, 2005).

<sup>1261</sup> The Economist (2006).

<sup>1262</sup> AKIpress (September 18, 2007).

<sup>1263</sup> AKIpress (June 3, 2008).

<sup>1264</sup> 24.kg (February 6, 2007).

<sup>1265</sup> Marat and Isa (2010).

<sup>1266</sup> Marat (2008, p. 234).

<sup>1267</sup> See for instance International Crisis Group (2008).

use it for their own benefit or the agents of upperworld are increasingly engaged in organized criminal activity pursuing illicit profits. The following section addresses this issue.

#### 4. Criminals hijacking the law enforcement system or law enforcers monopolizing organized criminal activity?

Collusion between underworld and upperworld began in the earliest Soviet period, but was under-reported. An extortion racket group was first reported in Odessa as late as 1972.<sup>1268</sup> However, the vector of dominance was changing in Ukraine similar to the other two cases.

All three countries experienced similar trajectory. In the conditions of limited state capacity, inefficient law enforcement and a corrupt court system, business disputes were often solved outside of legal institutions in the early 1990s. Businesspeople started to develop contacts with the criminal world, using their services for collecting debts and enforcing contracts. Even earlier, in the late 1980s, government officials had resorted to working with the criminal world. In many instances, major criminal leaders were created and promoted by the political elites through the security apparatus of the state. A former secret service officer from South Ukraine indicated that the KGB, renamed SBU (Special Service of Ukraine) after independence, used criminal groups to rob foreigners in Odessa.<sup>1269</sup> Soviet KGB had infiltrated professional criminal groups by placing KGB recruits in the prison systems and creating conditions for their advancement among professional criminals. Thus, the KGB acquired some organizational control over crime.<sup>1270</sup>

Afterwards, some crime groups got so strong and wealthy that they escaped the informal control of the authorities. Simultaneously, the secret services of independent Ukraine were much less powerful than their Soviet predecessors. As a result, dependence reversed and by the early 1990s former or acting KGB/SBU officers were on the payroll of organized crime.<sup>1271</sup> According to Ukrainian police data, in 1995, crime rates had increased by 500 percent compared to those of 1973. In early 1990s, organized crime groups directly or indirectly used law enforcement structures against rival crime groups, by, for instance, informing law enforcement on the plans and activities of competing groups. When police

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<sup>1268</sup> Fایتelberg and Blank (2003, p. 320).

<sup>1269</sup> Author's interview with Oleksandr Evgolenko, former officer of SBU, December 2007, Odessa, Ukraine.

<sup>1270</sup> Albin and Anderson (1998, p. 31).

<sup>1271</sup> Author's interview with Oleksandr Evgolenko, former SBU officer, December 2007, Odessa Ukraine.

arrested those criminals, they knowingly or unknowingly eliminated the informant group's rivals. However, in many instances, crime groups were directly buying police assistance.<sup>1272</sup>

The situation began to change in 1997-8 as the state cracked down on organized crime. By this time most of the post-Soviet states have accumulated significant resources to fight criminality and meet increasing popular demands for public safety and order. Political elites were monopolizing control over the means of coercion and taking the states out of post-independence chaos. Certainly this process was manipulated for private ends by some agents of upperworld.

Crackdowns indirectly led to the legalization of some criminals, because the process of post-Soviet violent redistribution had nearly been completed, and the criminals that survived were the strongest in terms of criminal standing and potential for penetrating the upperworld. They controlled thousands of fighters and had lasting influence. The head of the SBU claimed in 1996 that criminal structures controlled 60 percent of the overall capital in the country.<sup>1273</sup> In the 1998 elections, many individuals with direct or indirect connections to criminal activities were elected. Thus, Zhdanov quotes Crimean Interior Ministry data stating that nine active members of organized criminal groups were deputies on the Kerch city council.<sup>1274</sup> One of the powerful Crimean organized crime groups has even established a political party, "the Christian-Liberal party of Crimea" uniting wealthy entrepreneurs, former officials, sportsmen and religious authorities.<sup>1275</sup>

Police, special services and the prosecutor's office are also putting forward their interests in legal and illegal business. In the continuing fight between law enforcement structures and bandits, law enforcement started to get rid of competing organized crime groups informally. One Ukrainian law enforcement officer reported that authorities planned to eliminate an organized crime leader in Eastern Ukraine by staging a prison "escape attempt."<sup>1276</sup> Special services sometimes provoked conflicts between various crime groups, fulfilling two major goals: first, weakening these groups, and second creating legal ground to send them to prison.<sup>1277</sup> This is similar to the practices of the Spanish government in the 1810-1820s, when they employed one group of maritime predators to catch others in an attempt to protect Spain's extensive coastline from smugglers.<sup>1278</sup> This kind of practice leads

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<sup>1272</sup> Author's interview with U5, 10 December 2007, Kyiv, Ukraine.

<sup>1273</sup> Beliaev (1996).

<sup>1274</sup> Zhdanov (2002).

<sup>1275</sup> *Kommersant Ukraina* (2006); *Pervaya Krimskaya* (2003).

<sup>1276</sup> Officer quoted in Kuzin (2006, p. 69).

<sup>1277</sup> Author's interview with Oleksandr Evgolenko, former officer of SBU, December 2007, Odessa Ukraine.

<sup>1278</sup> Gallant (1999, p. 50).



to the incorporation of organized crime groups into the state elites, and collusion between upperworld and underworld.

Following organized crime groups' change of tactics to less violent means, private security companies proliferated in the late 1990s to serve as covers for "formerly criminal" gangs. The trend has continued since and currently organized crime is mainly involved in small-scale racketeering and debt enforcement, as well as raiding under the cover of private security companies. The traditional protection racket and arms smuggling by organized crime groups has almost disappeared. Now there is a racket by police and prosecutors who extort money from wealthy businessmen without political connections.<sup>1279</sup> Joint research by Canadian and Ukrainian researchers shows that money is extorted regularly on the basis of fabricated criminal cases. Well-organized networks of policemen, prosecutors and judges make the entrepreneurs pay money under the threat of prosecution, and if they pay the case is recorded as "solved." Thus the investigation statistics get better even while rents are extorted.<sup>1280</sup>

In 2001, Tulyakov found that most business extortion was conducted by government regulatory inspectors to supplement their official salaries. He determined that business victimization had "changed from mass criminal extortion to mass legalized extortion by government abuse of power."<sup>1281</sup>

In 2003, 40 percent of surveyed Ukrainian law enforcement officers indicated collusion between law enforcement and organized crime. The same figure for Russia was as high as 64 percent.<sup>1282</sup> Police officers explained to a journalist their support for Yushchenko as an attempt to prevent "things getting worse" under Yanukovich. They said that the police had become an adjunct to organized crime under Kuchma and expressed their extreme dislike of someone with criminal convictions taking power.<sup>1283</sup>

Ukraine's post-Soviet transition resulted in strong linkages between police generals and criminals. These criminals frequently relocate together with their protectors. For instance, if the policemen are promoted to central offices from regional ones, the criminals move to Kyiv as well.

In Ukraine several high ranking law enforcement officials were accused of alliances with organized crime groups. For instance, former SBU director Leonid Derkach (1998-

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<sup>1279</sup> Author's interview with U6, 25 October, 2007, Kyiv, Ukraine.

<sup>1280</sup> Canadian International Development Agency (2004, p. 18).

<sup>1281</sup> Juravlyov, Tulyakov (2004, p. 6).

<sup>1282</sup> Shandula (2003, p. 269).

<sup>1283</sup> Krushelnysky (2006, p. 272).

2001) reportedly protected the infamous criminal Semyon Mogilevich. In one newspaper interview, the former said “there is not a single episode on the territory of Ukraine where this person (Mogilevich) or his accomplices have violated the law.”<sup>1284</sup> In another example, Andrey Derkach, the son of Leonid Derkach and MP, elected to the Rada on the Socialist ticket in 2006, reportedly has business links with Aleksandr Angert, alias *Angel*, an infamous criminal from Odessa.<sup>1285</sup>

Another example is Igor Belozub, first deputy Minister of the Interior and head of the police anti-organized crime department (2006-2008) who formerly led the section fighting organized crime in Donetsk (2000-2004). Reportedly he headed the investigation into the assassination of Akhat Bragin,<sup>1286</sup> and the case remains unresolved. According to the police officers Belozub is a long-standing protector of *Mishania*,<sup>1287</sup> a Donetsk criminal discussed above. Belozub was also linked with the private security agency Axim. Axim is associated with Vladimir Malishev, Akhmetov’s close associate, a former head of Donetsk police and now an MP from the Party of Regions.

However, organized crime is normally ignored by law enforcement, while petty criminality is targeted. Many of the organized crime groups keep low profiles and engage mainly in predatory crimes. The most important illicit networks have been partially or fully legalized.

Importantly, on average 51.7 percent of organized crime groups detected in 1994 - 2005 had only 2-3 members, while only 2.8 percent of all detected crime groups comprised more than 10 members in the same period. Moreover, more than 70 percent of detected crime groups had existed only over 1 year, and the rest up to 2 years. Hence, it can be safely concluded that only small and less important groups are investigated, while organized crime networks stay untouched. Solomon and Foglesong found that the groups reported as “destroyed” by Ukrainian police could have just taken on new names and partners.<sup>1288</sup> This also means that the most efficient and ruthless groups face less competition.<sup>1289</sup> Hence organized crime becomes more effective overall, aided by state policies.

Organized crime groups have penetrated many important sectors of the economy. The chart below reflects the main trends.

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<sup>1284</sup> Derkach (1999).

<sup>1285</sup> Author’s field research in Odessa, Ukraine, November 2007.

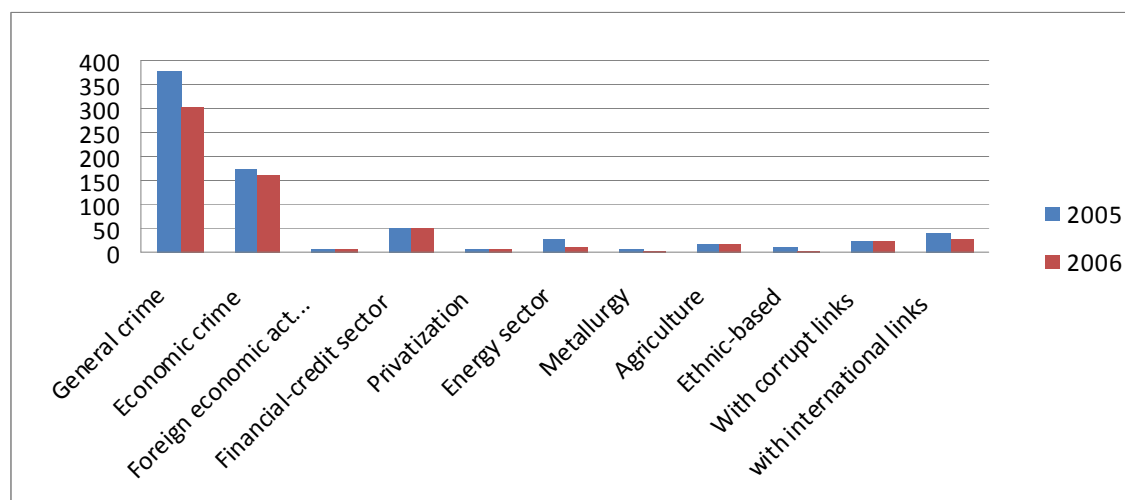
<sup>1286</sup> Ukraynskaya Pravda (September 13, 2006).

<sup>1287</sup> Author’s interview with U14, 21 December, 2007, Kyiv, Ukraine. See also Ord.com.ua (2007).

<sup>1288</sup> Solomon, Foglesong (2000, p. 5).

<sup>1289</sup> Williams and Picarelli (2002, p. 64).

*Chart 12. The dynamics of sectoral engagement of organized crime groups (Ministry of Interior of Ukraine)<sup>1290</sup>*



As the diagram shows, most organized crime groups are involved in general criminal activities (burglaries, robberies), economic crime and financial crime. Only 5 percent of all organized crime groups are reported to have corrupt links with government officials, as crime groups' collusion with the underworld is rarely detected. This is further confirmed by the survey of law enforcement officers, who believe 60 to 80 percent of the crime committed in the financial-credit sector go unregistered.<sup>1291</sup> Usually this type of crime is highly sophisticated and involves corrupt officials. A National Police Academy study concluded that only 15 percent of perpetrators of financial or credit crime are brought to justice.<sup>1292</sup>

Corruption in the police and secret services was tolerated for years in the post-Soviet setting. Law enforcement's loyalty was bought through rewarding them with the right to seek bribes. Both Shevardnadze and Akaev chose the Ministry of Internal Affairs as their main power base, while decreasing the powers of the KGB.<sup>1293</sup> Arguably, both distrusted the KGB as the apparatus formerly used by Moscow to repress the republics. In Ukraine, the SBU (KGB successor) was thought to be "used by Russia to obstruct, disrupt, and undermine the development of sustainable capitalism and democracy in Ukraine."<sup>1294</sup> The politics of ruling by compromat was instituted by Kuchma, who made the SBU his main pillar of support despite the way this undermined Ukrainian independence. SBU became especially important under the leadership of Derkach, a personal friend of Kuchma.

<sup>1290</sup> Ministry of the Interior of Ukraine (2007).

<sup>1291</sup> Organizovanna zlochinosts v Ukraini ta krainakh evropi (2006, p.139).

<sup>1292</sup> Ibid., p. 139.

<sup>1293</sup> On Georgia see Kupatadze (2007b); on Kyrgyzstan see Collins (2006, p. 161).

<sup>1294</sup> Anderson and Albini, (1999, p. 288).

Turning from Ukraine to Georgia, Eduard Shevardnadze's distrust of the MGB, the successor of the KGB, emanated from his Soviet experience as Georgian Minister of the Interior. A clear-cut, although not public, conflict existed between the two law enforcement agencies. The conflict reached its peak under Yuriy Andropov as chairman of the KGB and Nikolay Sholokov, as Chief Policeman of the USSR.<sup>1295</sup> Some sources suggest that Sholokov even attempted to arrest Andropov in 1982. Also in the same period the employees of the Ministry of the Interior badly beat Andropov's son in Tiraspol, Moldova. After these incidents, the KGB initiated a wide scale information campaign against the Soviet *militsia*.<sup>1296</sup>

The conflict continued in post-Soviet times. The functions of fighting various forms of crime were duplicated in both Ministries, which frequently resulted in "turf wars" for the control of illicit revenues. Although Shevardnadze catapulted senior policemen into high-ranking positions at the Ministry of State Security, the process was viewed with suspicion by the KGB veteran officers who called it the "policization of the KGB."<sup>1297</sup>

As a rule, in all three countries under discussion in this study, the political authorities turned a blind eye to bribery in law enforcement structures in exchange for loyalty. Bribery in these symbiotic systems engulfed all levels. In Georgia, for instance, police cadets were obliged to pay bribes for admission to the police academy as well as for all examinations during several years of study. Nearly all had paid teachers at least 3,000 USD for entry into the police academy.<sup>1298</sup> This corrupted the whole system. The cadets would look for ways to get this money back through corruption. This bribery also created loopholes for criminals to penetrate the law enforcement system. For instance, in 1993, three individuals whose studies were funded by organized crime groups reportedly entered the police academy of Kyrgyzstan.<sup>1299</sup>

Equally importantly, rent-seeking in the highest ranks was customary. Levan Kenchadze, former head of the traffic police and former head of the anti-terrorist centre of the Ministry of State Security, was arrested in 2004 on allegations of illicit arms trade with Chechens and involvement in the abduction of Spanish businessmen. Afterwards, Kenchadze was working as Deputy Director General of the Tbilisi office of the Gazprom-linked

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<sup>1295</sup> Reportedly, Shevardnadze was a close associate of Sholokov.

<sup>1296</sup> Kuchynskyi (1997, pp. 372-375).

<sup>1297</sup> Author's personal communication with former KGB officers, June 2008, Tbilisi, Georgia.

<sup>1298</sup> Jack (2004, p. 20).

<sup>1299</sup> Akipress (March 6, 2007).

company ITERA.<sup>1300</sup> Kenchadze was sentenced to eight years in prison for “illegally writing off and utilizing [service] firearms, which caused the loss of 18,000 lari to the state”<sup>1301</sup> and it was also corroborated that he was at least indirectly linked with the abduction case.<sup>1302</sup> A police search of the Kabadoni printing house, owned by Kenchadze, revealed fake Russian excise labels, fake police IDs signed by former Georgian interior minister Koba Narchemashvili, and fake ballots intended for use in the November 2003 elections.<sup>1303</sup> This indicates the vast criminal interests of law enforcement official. The authorities also confiscated Kenchadze’s shares in a hotel in downtown Tbilisi, his Tbilisi residence, and his summer house.<sup>1304</sup>

Hence rent-seeking by high-ranking officers has often developed into direct involvement with organized crime. Criminals were also used to hide complicity. A criminal of Ossetian origin operating in drug smuggling within South Ossetia was actually “created” by top Interior Ministry officials in the mid 1990s. This “created” criminal was a key actor in drug trafficking through South Ossetia that fed illicit money into networks of high ranking police officers and government officials in Tbilisi and in Tskhinvali for many years.<sup>1305</sup>

To summarize, the illegality of the post-Soviet transition also engulfed the law enforcement system. Police generals became the key actors in organized crime networks, sometimes directly involved in criminal activities. The political-criminal nexus based on alliances between criminals and law enforcement officials dominated the domain of organized crime in the late 1990s and early 2000s.

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<sup>1300</sup> Prime News (April 29, 2004).

<sup>1301</sup> Rustavi-2 (2005).

<sup>1302</sup> Prime News (March 5, 2002) and (July 9, 2003).

<sup>1303</sup> Center for Journalism in Extreme Situations (2004).

<sup>1304</sup> Prime News (November 19, 2004).

<sup>1305</sup> Kviris palitra (2004).

## Conclusions

Organized crime has become a subject of interest within the disciplines of Political Science and International Relations only recently.<sup>1306</sup> From a political science perspective, it is worthwhile to investigate how organized crime is embedded in a larger political context, and how politics interconnects with criminality. Similarly, the correlation between a post-revolutionary society's political-environmental transformation and accompanying changes in organized crime merits further attention. I therefore focused on the regime transitions or "revolutions" in post-Soviet Kyrgyzstan, Georgia and Ukraine and their impact on organized crime.

As I demonstrated in this dissertation, the three countries experienced different paths of post-revolutionary development. The effects of the revolutions on organized crime and corruption were also different. It can be safely argued that the Tulip revolution of Kyrgyzstan and Ukraine's Orange Revolution failed to curb crime and corruption, while in Georgia, regime transition hindered organized crime. However even in Georgia there has been a reverse of the many advances brought about by the Revolution. Nevertheless structure and forms of corruption as well as the balance between upperworld and underworld actors has changed substantially as documented in eighth chapter and appendix two.

Explaining different outcomes of similar events was a key puzzle, whose solution I sought by engaging my extensive field research in Kyrgyzstan, Georgia and Ukraine. I conducted roughly one hundred interviews with representatives of government and non-government structures, including criminals and corrupt officials. Data from primary sources were cross-checked with secondary research, and the findings were presented in the eight chapters above. To conclude, I will briefly summarize the main findings and offer an explanation for diverging patterns in the case studies. Following my final thoughts below on the interaction between the state and organized crime, the discussion moves to an assessment of the impact of the revolutions on crime and corruption, including an account of the key explanatory variables, such as geography, natural resources, industry, and regional wars. All of these factors shape the nature and form of organized crime differently in the three countries.

### Interaction between the State and Organized Crime

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<sup>1306</sup> See for instance Andreas and Nadelmann (2006, p. 6).

Soviet rule and the path of post-Soviet development produced a type of organized crime that is defined in this dissertation as the nexus between politicians, businessmen and criminals. As the theoretical discussion in the second chapter demonstrates, competition between these groups for dominance was a crucial aspect of post-Soviet state formation. The eighth chapter proposes that control over the state domain shifted between organized criminals and the political elite. In periods of abrupt change or of more gradual transition, the dominance of one of these factions may be challenged as a new equilibrium emerges, since revolutions are windows of opportunity for acquiring power. Depending on the wider socio-political setting, new alliances and power sharing are able to emerge between organized criminals and politicians.

In the fourth and eighth chapters, I discuss cooperation or conflict between various actors in the illicit market or “underworld,” including “thieves-in-law” (*vory-v-zakone*) and the “new criminal entrepreneurs.” I concluded these chapters by showing how the competition became more peaceful over time as a result of the criminals’ legalization process, which blurred boundaries between the licit and illicit milieux.

As chapter four’s discussion of the Ukrainian economy shows, the chaos and instability associated with the transition to a market economy bred the political-criminal clans that hijacked the process of privatisation. Due to the nature of the post-Soviet transition, criminals won ownership of vast resources and became indispensable instruments of the new “legitimate” authorities, who needed the criminals’ capital and social support, not to mention occasional physical force, to entrench their political power. As a result, many members of organized crime groups infiltrated the elites and legalized themselves politically by winning elected office. The others were co-opted by the political elites in an attempt to increase their own power. These processes spread throughout the whole political and economic system, corrupting it.

Profiteering from illicit activities has been monopolized by the dominant group at the time, criminals or politicians. The extent of the criminal monopoly depends on the nature of the illegal activity monopolized, and the amount of government control of the territory in which it takes place. In regions that are little-controlled due to geographic features (mountainous, remote) or political reasons (stand-off between regional and central government) the political-criminal nexus thrives. The most profitable illicit activities also attract more attention and rivalry between political and criminal groups. Contrary to frequent assumptions, the most sophisticated networks are involved in smuggling legal (tobacco, oil,

timber) vice illegal (radioactive materials, arms) goods as demonstrated in the section on the relevance of the network approach for the study of organized crime in post-Soviet Eurasia. The nature of the goods involved shows the importance of high-ranking official complicity in smuggling and trafficking. The more uncertain the market (such as that of radioactive materials) and the higher the risk in trafficking particular items (such as weaponry) the less participation by corrupt officials and criminal actors acting at the brink of legal and illegal markets.

Collaboration between criminals and government officials has also been sustained and reciprocally beneficial, and shows some trends. In the three countries politicians use criminals for certain purposes, such as:

- *Intimidation of political and commercial rivals* (threat of violence, violence, collecting *compromat*, blackmail, destruction of property, assassination)
- *Ballot rigging* (buying votes, intimidating voters, mobilizing their own supporters behind a particular candidate, provoking conflicts in the camps of rival politicians)
- *Money laundering* (establishing front companies, laundering illicit incomes earned through bribery through underground currency exchange centers, or through the “legal businesses” under their control, such as casinos and restaurants)
- *Assistance in forceful takeover of enterprises* (raiding)
- *Smuggling of licit and illicit goods*

In return, criminals receive:

- *Information* (on rival criminals, on future possible raids by law enforcement)
- *Support* (lobbying in legislative and executive bodies, financial rewards)
- *Protection* (immunity from criminal prosecution, avoiding tax enforcement inspections, protection against rival criminals)

Sometimes the interests of elites and organized crime converge: in times of crisis, legal authorities may need the assistance of informal or criminal authorities to ensure social order. Given the societal influence of organized criminals, the elites may use them to control petty street crime. As discussed in the fourth chapter, organized crime was reportedly used by authorities to control the prisons, a practice that continues in the post-Soviet period. When legal authorities are strong, the influence of professional criminals is curbed in the prisons.



However, when government structures weaken, professional criminals emerge as the main power wielders and dictate their conditions to the prison authorities. Sometimes criminals and government authorities share influence.

The conceptualization of the political-criminal nexus as an alliance between the state and organized crime is sometimes not helpful, because in post-Soviet societies there is not always a dichotomy between licit and illicit activity. Criminal networks straddle both the under- and upperworlds, and both licit and illicit structures. As chapter eight demonstrated, frequently policemen or secret service officers cooperate in or take over organized criminal activities, such as drugs smuggling or human trafficking. This collusion derails the law enforcement effort, showing that authorities are not always offering passive consent to crime, but sometimes actively assisting in and benefiting from it. Hence I prefer the term “sub-state” to “non-state” when referring to criminal networks in post-Soviet Eurasia, because it more accurately describes the links between and embeddedness of criminal networks in licit state structures.

In line with the argument developed by Serio,<sup>1307</sup> rather than a triangle to conceptualize the political-business-criminal nexus, it would be better represented by a line that captures the frequent blurring of distinctions between the three. Similarly, an idea of collaboration of distinctive actors is replaced by overarching, intermingling networks of collusion.

A final point of consideration is that the term *organized crime groups* may be a type of defamation used by rival factions of political elites to accuse and weaken each other. Instead of singling out individuals or groups as criminal or legitimate, it is more helpful to look at *organized criminal activity* and see who the perpetrators are. As various parts of this dissertation show, mere low-level criminals are rarely directing organized criminal activities, in the same way groups with both upper and underworld presence in business, crime and politics do.

### Explaining the diverging patterns

The first factor accounting for the diverging post-revolutionary patterns of the three countries is the influence of “the West.” The West has been a factor of allure in the cases of Georgia and Ukraine, where it was widely understood that the rule of law is a prerequisite for

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<sup>1307</sup> Serio (2008).

conforming to Western and European social and legal standards. Becoming part of the European Union is a clear-cut goal of Georgia and Ukraine, where it was a major “push” and “pull” factor, while a desire for European acceptance was absent in Kyrgyzstan. Further, Russia is a significant “pull” factor in Kyrgyzstan as a role model for the large part of country’s political elites and general public.

Second, Westernisation and democratisation were widely used in the 1990s and 2000s in Georgia to legitimize both public discourse and some elites, which “westernized” themselves to a great extent.<sup>1308</sup> In Ukraine, Westernisation also occurred, albeit to a lesser extent due to the country’s huge size and regional differences. Mitchell observes that no ideology competes with the Western democratic model in Georgia and there is little nostalgia for the Soviet Union.<sup>1309</sup> This is not necessarily the case with Ukraine or Kyrgyzstan, where in each a significant part of the population aspires to join Russia, especially in the Ukrainian East and Kyrgyz North.

As various researchers argue the anti-corruption measures in post-Soviet Eurasia was largely delineated by external pressure from international organisations such as World Bank, EU, Council of Europe (CoE) and others.<sup>1310</sup> CoE is regularly monitoring the anti-corruption progress in post-Soviet states through GRECO (Group of States against corruption) for instance. The implementation of the recommendations are frequently portrayed as the issue of international prestige.<sup>1311</sup> Hence the ‘pro-Western’ leaders are largely concerned with their image as anti-corruption crusaders and actually try to fight corruption on the ground.

The experience of statehood is another important factor. While Georgia and Ukraine had at different historical points existed as independent entities, Kyrgyzstan had not until being established as such under the Soviet system. Independence from the Soviet Union was not desired by the general public nor was the dissident or anti-Soviet movement present. This syndrome of “unexpected independence” still exists, according to the leading political scientist in Kyrgyzstan.<sup>1312</sup> This exacerbates the lack of trust toward the state, making family and blood kinship-based networks the major source of legitimacy.

The different patterns of state capture are delineated according to the political economy of a particular country. Ukraine, an industrially developed state with a large

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<sup>1308</sup> Broers (2005, 337).

<sup>1309</sup> Mitchell (2006, p. 671).

<sup>1310</sup> Grodeland (2010, pp. 239-240).

<sup>1311</sup> Di Puccio (2010).

<sup>1312</sup> Statement by Muratbek Imanaliev, founder of the Institute of Public Policy, at a roundtable at the American University of Central Asia, Bishkek, Kyrgyzstan, April 4, 2007.

resource base, produced powerful and super-rich individuals who influence state policies. Economically weaker Georgia and Kyrgyzstan have been shaped less by oligarchic capital, with the state instead hijacked by other agents. Professional criminals in Georgia and ruling families in Kyrgyzstan have had great impact on the state, by neutralizing state power or directing state resources for the sake of their own interests. In the countries where blood kinship networks hold power, such as Georgia and Kyrgyzstan, rather than the money-based functional cooperation as in Ukraine, the state is more likely to be captured by family groups, such as relatives of the incumbent president. Explanations for diverging patterns in state capture must therefore encompass both political-economic conditions and social-cultural characteristics.

The historical context of the post-Soviet transition is also important. The ethnic conflicts in Abkhazia and South Ossetia in the early 1990s directly contributed to the strengthening of the underworld through illicit revenue-generating opportunities based on the war economy. These criminal networks successfully hijacked the weakened central authority that lost control over more than twenty percent of the country's territory.

Finally, geography strongly influences the nature of state capture. For instance, the proximity to Afghanistan made Kyrgyzstan an ideal candidate for capture by organized crime groups involved in drugs trafficking. In general, states with a role in the production or supply of illegal commodities or in the storing and laundering of the proceeds of crime are more likely to be captured by organized crime.<sup>1313</sup>

### Impact of the revolution

As the fifth chapter shows, revolutions provide opportunity for elites or organized crime groups. Political elites may use this opportunity to suppress organized crime that is challenging the control of the elites, as in Georgia. Organized crime may benefit from the uncertainty and chaos to limit the influence of elites and influence the state domain, as in Kyrgyzstan. The balance between the underworld and upperworld may remain stable in the case of a division between the political elites and the surviving power of the previous government, as in the case of Ukraine.

The *impact of the revolution* can be situated in several variables:

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<sup>1313</sup> Levi (2007, p. 778).

- **political opposition to incumbent regimes**

The greater the divisions between the elites and the political opposition, the more opportunity exists for organized crime. Likewise, the more limited the financial, technical and logistical resources of the political opposition, the more chance for organized crime's participation. The degree of the political opposition's alignment with the West<sup>1314</sup> directly and negatively correlates with the extent of their cooperation with organized crime. In the event of low alignment with the West and/or divisions between the elite and opposition, a great deal of operating room for organized crime exists during transitional periods, but I found that this is usually the case only if crime groups already possessed substantial resources before the revolution. My research indicated that sub-state and crime groups with resources before the revolution were ready for and interested in involvement in the revolution, while sub-state groups without pre-existing resources would not have been powerful enough to intervene.

- **the strength of civil society and the role of organized crime groups in the revolutionary process**

The more grassroots the civil society organisations are, the greater their chance for active participation in the revolution. Likewise, the stronger the role of civil society groups in the revolutionary process, the less important is the role for organized crime. Finally, the closer the links between organized crime and political elites, the more active the role of crime groups in the revolution.

- **personal morals of the leaders and their views on cooperation with organized crime**

The more integrated the leaders are in the *ancien regime*, the greater the likelihood of their involvement with organized crime. In general, the leaders of this kind of movement enjoy "clean reputations;" however, given the general political and economic context, the incentives/temptations to engage in criminality and corruption remain high in the post-revolutionary setting.

- **the presence and nature of the "pact" between outgoing and incoming elites**

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<sup>1314</sup> Exemplified by Western donors and non-governmental organisations.

A negotiated departure of the outgoing elites limits the ability of incoming elites to “clean the house.” Therefore, the more revolutionary elites negotiate with the incumbents, the more powerful organized crime remains in the post-revolutionary setting.

Each of the aforementioned variables’ explanatory power operates in concert with the others. The following table sums up the argument:

	<b>Georgia</b>	<b>Ukraine</b>	<b>Kyrgyzstan</b>
The strength of political opposition to ruling regimes during the revolutions	Strong	Strong	Weak
The role of organized crime groups in the revolutions	None	Limited	Present
The role of civil society in the revolutions	Significant	Significant	Limited
The influence of old guard in the post-revolutionary setting	Weak	Strong	Strong
Negotiated Pact	Absent	Present	Present
The intermingling of politics with business	High	High	High
Re-distribution of the spoils	Non-violent	Averagely violent	Violent
Corruption	Petty corruption has decreased, Corruption pyramids have been disrupted	Corruption schemes decentralized	Political and administrative corruption has remained the same, and even increased in some sectors
Strength of organized crime	Organized crime is keeping a low profile and playing a discreet role	Organized crime groups are continuously used by political elites, although largely under control	Organized crime is getting stronger, criminal leaders have political ambitions

	Georgia	Ukraine	Kyrgyzstan
Connecting nodes	Based mainly on personal friendship, family connections	Based mainly on regionalism	Based on blood kinship, family connections and friendship
Crime policies	Tough anti-crime measures	Weak anti-crime measures	Weak anti-crime measures

Considering the extent of institutional break with the past the Georgian case resembles more the Portuguese one<sup>1315</sup> rather than Polish or Spanish cases where the change was more gradual and piecemeal.<sup>1316</sup> The useful parallel can be drawn with Chile in the case of Ukraine. In the former, the policy of accommodation between the *Concertacion* government and the opposition in 1990 undermined the democratic government's capacity to reform.<sup>1317</sup>

#### The survival of illicit profiteering

Hence, diverging patterns are explained by a set of variables indicating a relationship between political transitions or revolutions and criminal activity. One of the most crucial variables, among others, that helps to explain the absence or limited success of anti-corruption and anti-crime reforms is the survival of informal institutions, including various forms of clientelism and patrimonialism.

Illegality has developed its own *raison d'être* in all three cases. State or sub-state actors are embedded in this illegality and, depending on who dominates, profit from it. This is exacerbated by societal acceptance. In Georgia, rule-breaking is frequently encouraged as a display of "courage" or "manhood." In Ukraine and Kyrgyzstan, corruption is considered part of the normal daily routine for a government officeholder. Cultural relativism produces different perceptions of corruption. The practices labeled as corruption from a "Western" perspective may be seen as a display of respect in Georgian, Kyrgyz and Ukrainian societies. Hence, there is a significant discrepancy between the social legitimacy of the illicit activity and its formal illegality.

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<sup>1315</sup> Maxwell (2009)

<sup>1316</sup> Smolar (2009)

<sup>1317</sup> Huneeus (2009)

As demonstrated in the sixth chapter, various forms of clientelism and patrimonialism survived, such as the nepotism that is still frequently practiced in government appointments. The survival of these institutions waters down reforms and perpetuates illegality. European legal-rational bureaucracy is difficult to establish in an environment where the rules are applied with partiality, where “friendly” companies are awarded with preferential contracts, and where financiers of political opponents are pressured through various state law enforcement structures, as shown in the discussion of anti-corruption politics in Georgia. Closely related to this is the pattern of diluted distinction between the public and the private realms. Frequently, it is difficult to distinguish where the public office ends and private office starts. Changes in informal institutions take time, and societal transformation cannot be an immediate outcome of any type of revolution. This brings us back to the dissertation title: ‘transition’ continues after transition.

## Appendices

### Appendix 1. Quantitative measurements of changes in organized crime

In this section several quantitative datasets will be used to discuss both changes in organized crime, and the measurement of organized crime itself. This process is complicated by differing definitions, uneven standards of police and judicial reporting, and socio-political factors.<sup>1318</sup>

Van Dijk constructs a composite organized crime index combining five interrelated proxy indicators: perceived prevalence of organized crime, especially racketeering; unsolved homicides; grand corruption; money-laundering; and the extent of the black economy.<sup>1319</sup> Unsolved homicides are used to measure the extent of violence and the co-optation of law enforcement. We can use the Global Competitiveness Reports cited by Van Dijk as the basis for tracking changes in organized crime.

In this section, I first present general indices for measuring the rule of law and organized crime; second, I introduce data on private property; third, I discuss changes in police efficiency and public trust in the police; and fourth, I treat the independence and incorruptibility of the courts. These four pillars allow inferences on the changes in organized crime, according to my analysis and based on the research of Varese.<sup>1320</sup>

Firstly, as Van Dijk argues, there is a strong correlation between high performance on rule of law scores and low rates of organized crime.<sup>1321</sup> Several institutions measure the rule of law, such as the World Bank. Their indicators measure “the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence.”<sup>1322</sup>

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<sup>1318</sup> See for instance Mesko, Dobovsek and Jesetovic (2009, pp. 58-62).

<sup>1319</sup> Van Dijk (2007, p. 42).

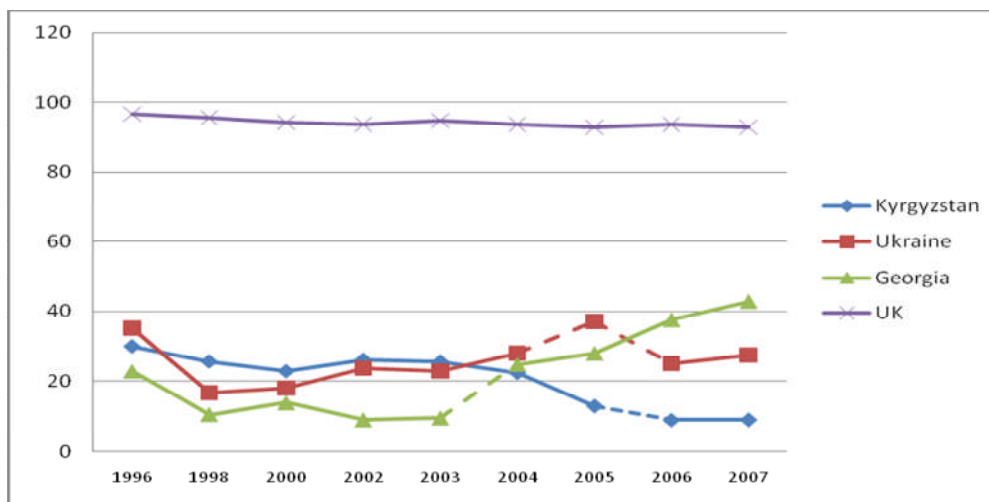
<sup>1320</sup> Varese (2001, p. 1).

<sup>1321</sup> Van Dijk (2007, pp. 46-7).

<sup>1322</sup> Kaufmann, Kraay and Mastruzzi (2007, p. 5).



Chart 13. Rule of Law Indicator in Georgia, Ukraine, Kyrgyzstan (World Bank)<sup>1323</sup>



The rule of law indicator developed by Bertelsmann Stiftung as part of the 2008 Bertelsmann Transformation Index <sup>1324</sup> measures the separation of powers, the independence of the judiciary, punishment in the case of abuse of office, and protection of civil rights.

Table 7. BTI Rule of Law Index<sup>1325</sup>

	Georgia	Ukraine	Kyrgyzstan
2003	2	3	2
2006	5	7	4
2008	6	6.8	5.3

The table 7 does not depict annual changes well, although it shows general trends. Both World Bank data and BTI data confirm the hypothesis that the rule of law has strengthened in Georgia since the revolution, while there is mixed impact in Ukraine and only slight improvement in Kyrgyzstan.

Now, turning to the organized crime index developed by the World Economic Forum (WEF) in its annual Global Competitiveness Reports (GCR), <sup>1326</sup> it supports the hypothesis

<sup>1323</sup> World Bank, Worldwide governance indicators 1996-2007.

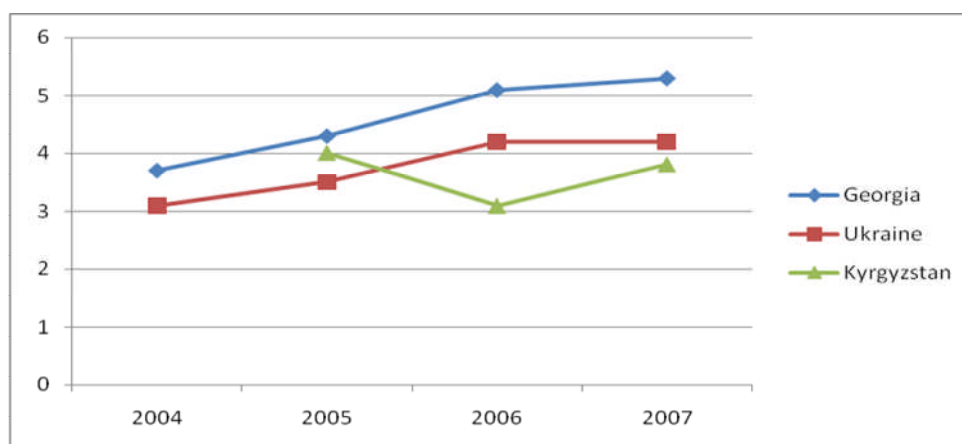
<sup>1324</sup> BTI index, available online at <http://www.bertelsmann-transformation-index.de/27.0.html?&L=1>

<sup>1325</sup> The scale is from 1 to 10, with a higher number corresponding to a better ranking.

<sup>1326</sup> The raw data are from the Expert Opinion Survey conducted annually for the World Economic Forum's Global Competitiveness Report. The survey covers the CEOs and senior management of businesses in 130 countries. The response rate ranges from 75 in 2003 to over 100 in 2007, and the survey results are used by academic institutions and governments worldwide, including USAID and Transparency International. The

that organized crime decreased in Georgia, increased in Kyrgyzstan and remained stable in Ukraine.

*Chart 14. Organized Crime Index(World Economic Forum)*<sup>1327</sup>



In 2007, Georgia was ranked 52<sup>nd</sup> in the world for organized crime, but with the third best results in the former Soviet Union behind Estonia and Latvia. Kyrgyzstan showed rapid deterioration in 2006 and improvement in 2007.

One of the indicators measured in the Failed State Index by Fund for Peace is the criminalization and/or delegitimization of the State. The indicator is based on massive and endemic corruption or profiteering by ruling elites; resistance of ruling elites to transparency, accountability and political representation; widespread loss of popular confidence in state institutions and processes (widely boycotted or contested elections, mass public demonstrations, sustained civil disobedience, inability of the state to collect taxes); resistance to military conscription; rise of armed insurgencies; and growth of crime linked to ruling elites.<sup>1328</sup>

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annual reports prove that the raw data are subject to a thorough quality control process. See in particular the reports on the methodology of Global Competitiveness Reports 2003-2004, World Economic Forum; Global Competitiveness Reports 2004-2005, World Economic Forum; Global Competitiveness Reports 2005-2006, World Economic Forum; Global Competitiveness Reports 2006-2007, World Economic Forum; Global Competitiveness Reports 2007-2008, World Economic Forum.

<sup>1327</sup> Organized crime (eg mafia-oriented racketeering, extortion) in your country (1=imposes significant costs on businesses, 7=does not impose significant costs on businesses).

<sup>1328</sup> For more details see the Fund's website at

[http://www.fundforpeace.org/web/index.php?option=com\\_content&task=view&id=229&Itemid=366](http://www.fundforpeace.org/web/index.php?option=com_content&task=view&id=229&Itemid=366)

*Table 8. Criminalization and/or delegitimization of the State (Fund for Peace).*<sup>1329</sup>

	Georgia	Ukraine	Kyrgyzstan
2005	N/A	8.9	8.9
2006	7.7	7	8.3
2007	7.9	7.5	8.2

These data correlate well with other quantitative measurements and indicate improvement in Georgia since 2004; a downward trend in Kyrgyzstan following its revolution; and a 2006 downturn in Ukraine followed by improvement in 2007.

The second pillar of property rights is measured by data analyzed in the BTI and GCR. Lack of clear definition of property rights is usually associated with high levels of organized crime.<sup>1330</sup> Ability to enforce property rights is one feature of a strong state.<sup>1331</sup> Weakly defined property rights invite organized crime to play a role in securing private property.

The BTI index tries to establish whether there is an adequate framework to support a functional private sector and asks two questions: first, do government authorities ensure well-defined rights of private property, and do they regulate the acquisition of property? Second, the BTI index determines whether private companies are permitted and if state companies are privatizing.

*Table 9. BTI Private Property Index*<sup>1332</sup>

	Georgia	Ukraine	Kyrgyzstan
2003	2	3	3
2006	4	6	6
2008	7.5	6	7

The data in the table indicate how much progress the countries made since 2003 in terms of ensuring adequate regulatory framework. Presently, in all countries property rights and the regulation of property acquisition are well defined in principle, but there are problems

<sup>1329</sup> Measured on a 10 point scale, where the greater the number, the better the performance.

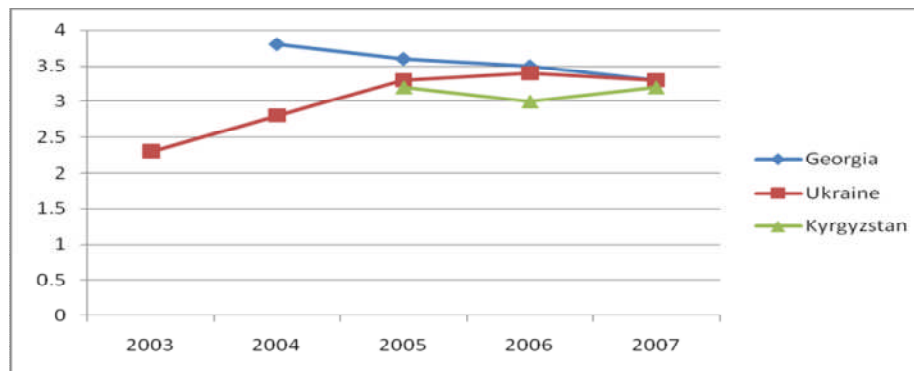
<sup>1330</sup> Buscaglia and Van Dijk (2003, p. 7).

<sup>1331</sup> Volkov (2002, p. 83).

<sup>1332</sup> The scale is from 1 to 10, with a higher number corresponding to a better ranking.

with implementation under the rule of law.<sup>1333</sup> On paper all looks good; problems abound in practice. Here, bringing in the data from Global Competitiveness Reports adds more insight:

*Chart 15. Property rights indicator (World Economic Forum)*<sup>1334</sup>



The deterioration of the Georgian indicator might be related to the erratic attitude of the Saakashvili government towards property rights. The poor property index is more an indicator of “state racketeering” than of rising organized crime. Kyrgyzstan’s 2006 score shows the near-collapse of governance and state institutions there. Interestingly, Ukraine was ranked 3<sup>rd</sup> from the bottom among 130 countries in 2003, and has since manifestly improved.

The third pillar concerns the efficiency of and extent of public trust in the police. As mentioned, the general trust between citizens and government directly correlates with the success of organized crime.<sup>1335</sup> The greater the trust the less successful organized crime is. The police service reliability indicator as measured in the Global Competitiveness Report depicts the trends:<sup>1336</sup>

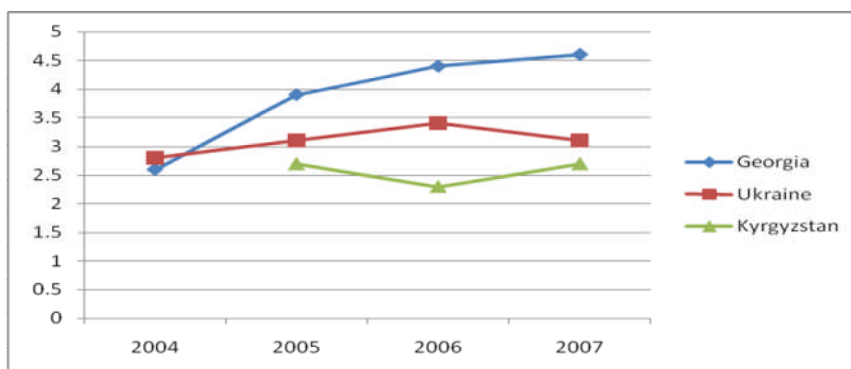
*Chart 16. Police service reliability indicator (World Economic Forum)*

<sup>1333</sup> Bertelsmann Transformation Index 2008 (2008, p. 30).

<sup>1334</sup> Property rights, including over financial assets range from 1 (poorly defined and not protected by law) to 7 (clearly defined and protected by law).

<sup>1335</sup> Levi (2007, p. 786); Liddick (1999, p. 2).

<sup>1336</sup> Police services are ranked in a range from 1 (cannot be relied upon to protect businesses from criminals) to 7 (can be relied upon to protect businesses from criminals).



The indicator for Georgia has increased from 2.6 points in 2004 (one of the lowest among over 130 countries) to 4.6 points in 2007, now on par with Slovenia and Turkey and the second highest indicator behind Estonia among former Soviet countries. By contrast, Kyrgyzstan in 2006 ranked fourth from the bottom of the table, with Chad and Bolivia.

Simultaneously, Georgian police did well in terms of public trust. The level of trust in the Georgian police increased to 65 percent in 2005 from 32 percent in 2004, according to a Caucasus Resource Centre survey. In 2005, 53.9 percent of the respondents thought that the police were effective in securing personal safety and civic rights, as opposed to a 5.7 percent level of trust in criminal leaders (in 2004 the figure was slightly greater, 7.3 percent).<sup>1337</sup> Strikingly, in 1997, only 1.7 percent of the population expected fair treatment from the police (!) and only 12.1 percent from the courts.<sup>1338</sup> Additionally, while 80 percent of the population considered in 2000 that the police would ask for a bribe, only 24.6 percent still thought so in 2006.<sup>1339</sup>

The police ranked fourth in a national survey of confidence in Georgian state institutions, with a level of 65 percent in 2007. The creation of the patrol police is considered one of the major achievements of the Saakashvili government. In Kyrgyzstan, law enforcement structures come 7<sup>th</sup> in the achievement list with a confidence level of 58 percent.<sup>1340</sup> In Ukraine only 11 percent of citizens trusted the police and prosecutors and 17.5 percent trusted the Security Service in the early 2000s.<sup>1341</sup> More recently the trust in Yuri Lutsenko, Minister of the Interior, was relatively high<sup>1342</sup> before an incident in Frankfurt airport in 2009 when Lutsenko made a drunken scene. However, more than 50 percent of the respondents interviewed by the Razumkov centre had low or no trust in the police (34.4

<sup>1337</sup> CRRC (2006).

<sup>1338</sup> Poll carried out by the Caucasian Institute for Peace, Democracy and Development in cooperation with the Arnold Bergstraesser Institute as quoted in Darchiashvili and Nodia (2003, 22).

<sup>1339</sup> Bonvin (2006).

<sup>1340</sup> For Kyrgyzstan, see IRI (2007b); for Georgia see IRI (2007a).

<sup>1341</sup> Rakhmanin and Mostovaya (2001, p. 370).

<sup>1342</sup> Ukrainian National News Agency (2006).

percent rather mistrust and 22.1 percent fully mistrust police officers).<sup>1343</sup> Levels of trust in the police did not change greatly as a result of the revolution: according to another poll, in 1994, 57 percent mistrusted the police; in 2004, 58 percent; and in 2008, 56 percent.<sup>1344</sup>

The fourth pillar concerns judicial independence and bribery, measured through the data of the Global Competitiveness Reports and BTI. The independence of the judiciary is the single most important predictor of the extent of organized crime.<sup>1345</sup> The BTI question asks whether an independent judiciary exists.

*Table 10. BTI judiciary independence index*

	Georgia	Ukraine	Kyrgyzstan
2006	7	6	3
2008	5	7	4

Thus the judiciary is less independent in Georgia and more independent in Ukraine and Kyrgyzstan now, compared to 2006. The data of GCR<sup>1346</sup> does not correlate with BTI findings.

*Table 11. Judiciary independence index (World Economic Forum)*

	Georgia	Ukraine	Kyrgyzstan
2004	2.4	2.2	N/A
2005	2.4	2.3	1.7
2006	2.1	2.5	2.0
2007	2.5	2.5	2.0

It confirms that the courts are more independent in Georgia and Ukraine than in Kyrgyzstan, although it does not confirm that judiciary independence is decreasing in

<sup>1343</sup> Razumkov Center (2009).

<sup>1344</sup> White and McAllister (2009, p. 245).

<sup>1345</sup> Buscaglia and Van Dijk (2003). See also Van Dijk (2006, p. 10).

<sup>1346</sup> Respondents were asked whether the judiciary in your country is independent from the political influence of members of government, citizens, or firms, with 1 indicating “no, heavily influenced,” to 7 “yes, entirely independent.”

Georgia or Ukraine. Again in Georgia, it is more probable that the independence of the courts decreased at the expense of more influence from the executive branch of power and not from organized crime or other interested groups. The issue has been discussed above in light of Georgian property rights.

#### *Appendix 2. Georgia's anti-corruption drive – an old tune*

Immediately after the Rose Revolution, Saakashvili made it clear that fighting corruption and crime would be one of his top priorities.<sup>1347</sup> The fight against corruption was carried out fervently, although the process was flawed. Saakashvili's government fought corruption as a tool of legitimizing themselves as new authorities, demonstrating the stronger state's new capacities, and displaying to international observers the new administration's seriousness about rebuilding state institutions. In his annual parliamentary address in 2009 Saakashvili stated:

“We have defeated corruption and neither Bulgaria, Romania – which are now EU members – or even Germany can say it; we can say it – we have defeated corruption and we have defeated organized crime.”<sup>1348</sup>

Many reading this statement would think that the comparison with Germany is misplaced if not ridiculous. However, many improvements can be observed in terms of fighting corruption in the post-revolutionary period, and the major reform efforts of the Saakashvili government laid a good basis for this. The executive branch has been reorganized and streamlined and has introduced a cabinet style of government. The government has greatly simplified the regulatory framework for the business sector, implemented major tax reform, improved management of public finances through adoption of a medium-term expenditure framework (MTEF) and a single treasury account for the central government, and strengthened oversight institutions.<sup>1349</sup> 17 percent of the money turnover in the private sector came out of the shadows in one year after the revolution.<sup>1350</sup> However, the reform agenda was pursued with little concern for democratic principles such as contestation and citizen input. The absence of debate and discussion over the reforms engendered lower awareness among the Georgian public about the reforms' potential impact. Furthermore, the

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<sup>1347</sup> Saakashvili (2004).

<sup>1348</sup> Saakashvili (2009).

<sup>1349</sup> Anderson and Gray (2006, p. 19).

<sup>1350</sup> Chamber of Control of Georgia (2006, pp. 24-25).

Saakashvili government showed a tendency to “raise expectations and oversell its accomplishments.”<sup>1351</sup> As discussed earlier in the thesis, Saakashvili’s government failed to manage exaggerated expectations.

The new administration’s anti-corruption policy was based on administrative methods, such as cutting unnecessary bureaucracy, increasing salaries for state employees, and cancelling unnecessary licenses, procedures and institutions. Immediately after the Rose Revolution, extensive media coverage of the arrests of corrupt state officials broadcast the new state policy of “intolerance toward bribery.” One report by Transparency International complained about the absence of a research-based approach to addressing the root causes of corruption.<sup>1352</sup>

Arrests of former Shevardnadze elites included: Akaki Chakhaidze, Head of Georgian Railways; Merab Zhordania, Chairman of the Georgian Football Federation; Merab Adeishvili, former Minister of Transport; and David Mirtskhulava, former Minister of Fuel and Energy. Overall, about 80 officials and entrepreneurs were arrested.<sup>1353</sup> In 2004 alone, 50 million USD was confiscated from the corrupt Shevardnadze representatives,<sup>1354</sup> and property worth EUR 40 million was reclaimed.<sup>1355</sup>

The anti-corruption campaign was an “old tune,” though. In fact, Saakashvili and his inner circle have earned dividends from the anti-corruption platform. For instance, Ivane Merabishvili, close associate of Saakashvili, who emerged as the most powerful member of government since the revolution as the Interior Minister, was the first to declare to foreign media on the corruption of the Shevardnadze regime in the late 1990s.<sup>1356</sup> Merabishvili played an important role in the revolution. Although he was not a public figure, he was one of “the engines and driving forces” in Zurab Zhvania’s words.<sup>1357</sup>

Saakashvili’s popularity owes much to his anti-bribery drive during Shevardnadze’s tenure of office.<sup>1358</sup> He was seen as an “island of honesty” in the heart of the corrupt system. The Georgian public remembered very well Shevardnadze’s meeting with the government when Saakashvili, then Minister of Justice, showed photographs of the impressive mansions owned by corrupt officials (some of them present) and demanded immediate action against

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<sup>1351</sup> Mitchell (2007).

<sup>1352</sup> Transparency International (2007a).

<sup>1353</sup> Stefes (2006, p. 166).

<sup>1354</sup> IWPR (August 4, 2004).

<sup>1355</sup> Council of Europe (2006, p. 9).

<sup>1356</sup> See Merabishvili’s quote in Baker (2001)..

<sup>1357</sup> Zhvania (2005, p. 35).

<sup>1358</sup> Freizer (2004, p. 4).



them. Certainly this rhetoric did not go unnoticed. His resignation from the Minister's position was seen as "a hopeless single-handed effort" of a brave "corruption-crusader" against the whole machinery of state bribery. He said that his departure had been "caused by the impossibility of reforming the government from within." He said "it is impossible to remain in this government and witness how the leadership is sinking in the morass of corruption and how the state apparatus is merging with international criminal bodies and how the country is turning into a criminal enclave."<sup>1359</sup> Here, a striking analogy has to be made to Shevardnadze himself, who, when Minister of the Interior in the Soviet Socialist Republic of Georgia, used the pretext of exposing corruption pyramids headed by Mzhavanadze, the first secretary of Communist party to campaign against the Mzhavanadze regime and family.<sup>1360</sup>

Shevardnadze tried to uphold his anti-corruption apparatchik image. He replaced over three hundred high party and state officials, arrested hundreds of underground businessmen and restricted the free flow of farm produce out of Georgia.<sup>1361</sup> One of the first victims of Shevardnadze's anti-corruption reforms was Petre Gelbakhiani, corrupt rector of Tbilisi Medical Institute, who was ripping off bribes from the students to pass entrance examinations.<sup>1362</sup> However, proof has emerged of rampant corruption during Shevardnadze's tenure. For instance, corruption in fruit and juice production led to the extreme deterioration of the quality of its products. In the 1970s, an entire city above the Arctic Circle got food poisoning from one of these fruit products. The crackdown ordered from Moscow only had minor implications for the group, which simply moved to wool production.<sup>1363</sup> So, contrary to what was publicly stated, Shevardnadze's rule led to a steady growth of a clan-based corruption culture.<sup>1364</sup>

After Shevardnadze's promotion to working in the central Communist *apparat* in Moscow in 1985, Dzhumbar Patiashvili, known for his animosity to Shevardnadze, became the first secretary of the Georgian Communist party. Patiashvili moved shortly against the key allies of Shevardnadze on allegations of bribery. The court ruled that Soliko Khabeishvili, the Communist Party central committee secretary and Shevardnadze ally, accepted bribes to ignore his subordinates' professional misconduct, and moreover that Khabeishvili became their *krysha* and promoted them in exchange for additional bribes. The investigation concluded that Khabeishvili collected 412,000 roubles in 24 cases from 10

<sup>1359</sup> BBC Monitoring Former Soviet Union (September 19, 2001).

<sup>1360</sup> Voslensky (1984, pp. 194-5).

<sup>1361</sup> Suny (1983, p. 381).

<sup>1362</sup> Prosecutor's office of Georgia, briefing on Gelbakhiani's 1973 court sentence.

<sup>1363</sup> Nizharadze (2005, pp. 106-7).

<sup>1364</sup> Baev (2003, p. 129).

individuals.<sup>1365</sup> In a press interview, Khabeishvili indicated his arrest was related to a “bigger game” between Shevardnadze and Patiashvili.<sup>1366</sup> As in this case, the punishment of high-ranking officials for corruption-related issues was more likely to be related to political infighting, or to serve as a signal that some unspoken rule of rent-seeking had been breached, such as showing ostentation or excess.<sup>1367</sup> These practices continue today.

Clark writes that Shevardnadze’s career advancement flowed from his successes as an anti-corruption policeman.<sup>1368</sup> *The Times* reported in 1985, “the promotion of Eduard Shevardnadze gives Mr Mikhail Gorbachov a Politburo ally with a reputation for combating corruption.”<sup>1369</sup>

Saakashvili effectively used similar campaign tools to weaken Shevardnadze’s grasp on power. During Soviet times, Shevardnadze, as the first secretary of the provincial republic’s Communist party, was hoping for the support of his patrons in Moscow; in post-Soviet independent Georgia, the opposition leader Saakashvili was hoping for the support of the masses.<sup>1370</sup> On February 14, 2003, in an expanded government meeting chaired by Shevardnadze himself, Saakashvili declared that “corruption in Georgia could be eradicated only after President Shevardnadze left his post.”<sup>1371</sup>

Corruption was largely tolerated during Shevardnadze’s tenure. The political elite gave the green light to state employees for rent-seeking in exchange for their continued loyalty to the regime.<sup>1372</sup> In 2001, the amount paid in bribes to state officials was estimated between USD 75 and 105 million,<sup>1373</sup> while the state budget revenues the same year were USD 499 million.<sup>1374</sup> The state could not provide a living wage to the vast majority of its employees and the salaries were delayed for months. Hence, corruption and bribery engulfed every level of the state apparatus.<sup>1375</sup> For instance, Ministry for Fuel and Energy officials might have embezzled USD 380 million, half of the foreign aid for reconstruction of Georgia’s energy sector.<sup>1376</sup> The Ministers were often engaged in business activities in the

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<sup>1365</sup> Prosecutor’s office of Georgia, briefing on Khabeishvili’s 1985 court sentence.

<sup>1366</sup> Khabeishvili (1992, pp. 217-223).

<sup>1367</sup> Feldbrugge (1984, p. 542).

<sup>1368</sup> Clark (1993, p. 152).

<sup>1369</sup> *Times* (1985).

<sup>1370</sup> This is not to imply that Shevardnadze did not care at all about public opinion, even though he governed in a totalitarian system. Suny (1983, p. 381) reports that as Minister of Internal Affairs in 1966, he organized an Institute for the Study of Public Opinion.

<sup>1371</sup> Black Sea Press (February 14, 2003).

<sup>1372</sup> Nodia (2006, p. 94).

<sup>1373</sup> Godson, Kenney, Litvin and Tevzadze (2004, p. 9).

<sup>1374</sup> CIA World Fact Book (2002).

<sup>1375</sup> Nodia (2002, p. 420).

<sup>1376</sup> Stefes (2006, p. 95).

sphere which they were supposed to regulate<sup>1377</sup> resulting in conflicts of interest or at worst, outright corruption. For instance Fridon Injia, the Minister of Communications in the 1990s, emerged as a major entrepreneur in the communication sector.

Since natural resources are limited in Georgia, international aid became a major source of illicit income for corrupt state bureaucrats. Experts estimate that as much as 50-60 percent of international aid money was pocketed by corrupt officials in the 1990s.<sup>1378</sup> In 2003, Thomas Adams, deputy coordinator for US assistance, stated that corruption resulted in the loss of over one-hundred million GEL from the Georgian state budget.<sup>1379</sup>

All pre-Rose Revolution anti-corruption initiatives were permanently derailed by corrupt interest groups. For instance, Shevardnadze's program for fighting the shadow economy, created in the 1990s, was never executed. As soon as the Ministry of the Economy began implementation, it was sabotaged by the corrupt business-political nexus.<sup>1380</sup>

1997 was declared "the year of the crusade against corruption" by Shevardnadze.<sup>1381</sup> Again in 2000 he said "we are preparing for a serious fight against corruption...my hand will not shake."<sup>1382</sup> No real progress was seen over the years, each one declared a "decisive year" for the anti-corruption fight. In fact, government efforts were targeting only petty bribery, leaving corruption pyramids untouched. Nodia thinks that corruption was an important stabilizing factor, allowing Shevardnadze to balance various interest groups against each other.<sup>1383</sup> The capacity of Shevardnadze to balance among different factions and to accommodate their illicit rent-seeking interests led some academics to argue that the Georgian state in fact was not weak, but represented a rational construct that served specific interests.<sup>1384</sup> A real fight against corruption would change the status quo power balance.<sup>1385</sup> In 2000 a leaked memo from a closed government meeting suggested that Shevardnadze ordered the Tax Ministry and Interior Ministry to study the oil business interests of his nephew. But, despite claims from Shevardnadze's office that participants in illicit business would be punished,<sup>1386</sup> no real steps were taken.

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<sup>1377</sup> Christophe (2003, p. 203).

<sup>1378</sup> Esadze (2004).

<sup>1379</sup> Katz (2006, p. 116).

<sup>1380</sup> Kikabidze and Losaberidze (2000, p. 45).

<sup>1381</sup> CIPDD (1997).

<sup>1382</sup> Shevardnadze (2000).

<sup>1383</sup> Christophe (2004).

<sup>1384</sup> Ibid.

<sup>1385</sup> Nodia (2002, p. 430).

<sup>1386</sup> BBC Monitoring Service (July 15, 2000).

As it became increasingly difficult for Shevardnadze to balance various rent-seeking interests, in his last years in office he dropped the reformist image,<sup>1387</sup> and his primary objective became retaining power.<sup>1388</sup> His inner circle powerbase eroded after the appointment of a State Minister who was tied with the Soviet nomenklatura, Avtandil Jorbenadze, in 2001.<sup>1389</sup> By April 2003, a meeting of the large businessmen's interest group, the Taxpayers' Union, accused authorities of "ignoring the interests of business" and threatened radical action.<sup>1390</sup> Emergence of multiple power centres further weakened Shevardnadze's grasp on power, as in the Kyrgyz case.

Saakashvili knew the political and public support-building benefits of anti-corruption drives. He knew that exposure of the corruption in Shevardnadze's government would serve as a pretext to clean up the system and install his own supporters in newly vacant posts. Some critics allege that anti-corruption measures by the new government were aimed at the political enemies of Saakashvili,<sup>1391</sup> such as Sulkhan Molashvili, a long-standing opponent arrested for embezzlement. Another case was the focus on Magticom, the cell phone company owned by Shevardnadze's son-in-law, Gia Jokhtaberidze. He paid USD 15,5 million in damages after being arrested on charges of evading payment of 700,000 *lari* (about 390,000 USD) in income taxes. After payment was made, Jokhtaberidze was released from pre-trial detention and the charges against him were dropped.<sup>1392</sup> Investigations were carried out unevenly. Another big cellular phone operator, Geocell, avoided a similar investigation, adding to suspicions that the anti-corruption drive was political. Okruashvili alleged in 2008 that Saakashvili owns 40 percent of the shares in Biline, a Geocell subsidiary.<sup>1393</sup>

Later on, the financial amnesty offered by Saakashvili's administration with regards to unpaid taxes excluded Jokhtaberidze and the Omega group. Katz called this politics, not justice.<sup>1394</sup>

Another case of using corruption as a pretext for political prosecution was the arrest of the editor of the local newspaper in Gori, the *People's Newspaper*, for alleged drug trafficking in early 2005. The arrest was made immediately after his paper stated that the Shida Kartli administration and local police chiefs continued to participate in illegal trade and

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<sup>1387</sup> Nodia (2005, p. 101).

<sup>1388</sup> Chiaberashvili, Tevzadze, Fluri, Cole (2005, p. 198).

<sup>1389</sup> Ibid., p. 189.

<sup>1390</sup> Eurasia Net (2003).

<sup>1391</sup> See for instance Esadze (2004).

<sup>1392</sup> Rimple (2006).

<sup>1393</sup> Okruashvili (2008).

<sup>1394</sup> Katz (2006, p. 318).

smuggling via South Ossetia. He was released only after major protests from human rights groups.<sup>1395</sup> The family of the detainee argues that the Governor of Shida Kartli, Mikheil Kareli, as well as the region's police chiefs were alarmed by publications in the newspaper, and acted in retaliation.<sup>1396</sup>

Hence, the use of anti-corruption and anti-crime policies for political purposes in Georgia continues. And yet, a shift since the Rose Revolution is apparent: before, anti-corruption policy was mainly used to snatch control over illicit markets and cultivate new bribe opportunities. In the post-revolutionary period anti-corruption policy targets the remnants of the *ancien regime*, while eliminating political threats to regime stability by cracking down on democratic freedom and the opposition. Unlike Shevardnadze, whose public approval came from supplying basic law and order,<sup>1397</sup> Saakashvili's government draws legitimacy from curtailing the thieves-in-law and decreasing corruption. Susan Rose-Ackerman warns that holding the prior rulers responsible for past actions should not become the goal in itself, but rather the creation of a functioning criminal justice system, a task Saakashvili might not be accomplishing.<sup>1398</sup> Aware of the appearance of a one-sided anti-corruption policy, the authorities tried to send clear signals that corruption would not be tolerated even in their inner circle. In August 2005, an independent TV journalist was arrested for attempted blackmail of MP Koba Bekauri, demanding USD 100,000 not to air compromising footage, allegedly showing Bekauri illegally acquiring shares in the customs terminal Opiza.<sup>1399</sup> The journalistic investigation showed that the Opiza terminal, formerly owned by a Shevardnadze official, passed into the hands of incoming Rose Revolution elites. The terminal's incomes increased speedily at the expense of shrinking revenues for another terminal, Lilo, that was artificially bankrupted through state financial manipulations by Opiza's owners.<sup>1400</sup> The journalist was imprisoned on extortion charges and Bekauri voluntarily left parliament under the pressure of opposition and ruling party representatives. Hence elite corruption remained a problem, as seen in another example. In May 2004, a Member of Parliament from the National Movement party, Gia Kenchadze<sup>1401</sup> was arrested for extorting money from a Batumi-based businessman.<sup>1402</sup> In October 2006, MP Gia Nutsubidze was arrested for attempting to bribe

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<sup>1395</sup> Civil Georgia (March 13, 2005).

<sup>1396</sup> Civil Georgia (August 5, 2004).

<sup>1397</sup> Nodia (2002, p. 428).

<sup>1398</sup> Rose-Ackerman (2004, p. 184).

<sup>1399</sup> Civil Georgia (August 30, 2005).

<sup>1400</sup> Batumelebi (newspaper).

<sup>1401</sup> Gia Kenchadze is an engineer-technologist by profession; he kept seat N 57 in the pre-election list as a member of the National Movement: Democrats.

<sup>1402</sup> Prime-News (May 19, 2004).

Deputy Education Minister Teimuraz Samadashvili. The MP was lobbying for the renewal of a construction contract the Education Ministry had cancelled when the company failed to fulfil its obligations.<sup>1403</sup>

The first major crisis the authorities faced since the Rose Revolution was a direct consequence of the arrest of Irakli Okruashvili, a close ally of Saakashvili and former Defence Minister. Okruashvili broke away in November 2006 and made a political comeback in September 2007, alleging Saakashvili's involvement in corruption and other illicit activities, such as ordering the murder of tycoon Badri Patarkatsishvili. Earlier, during the 2007 war of *compromats* between the Saakashvili administration and Patarkatsishvili, Imedi TV, owned by the latter, released video of a conversation between Uvais Akhmadov, Chechen criminal, and senior officials of the Ministry of the Interior. The latter was trying to negotiate the details of Patarkatsishvili's assassination with the former. Confidential police sources have confirmed that this kind of negotiation was really underway, demonstrating ongoing use of transnational political-criminal links for political purposes.

Okruashvili made two other main allegations of the involvement of Saakashvili's family in illicit activities. He claimed that as Minister of Interior he (Okruashvili) detained Saakashvili's uncle, Temur Alasania, for extortion and taking a 200,000-dollar bribe, but released him on the president's demand.<sup>1404</sup> Additionally, he alleged that another relative, Nika Alasania, controlled the import of munitions for the armed forces from Israel.<sup>1405</sup> Other similar allegations were made by the Deputy Governor of Mtskheta-Mtianeti region, who resigned having accused the relatives of the President including Temur Alasania of constructing two huge residencies in a closed zone, the village of Choporti, and that these residencies were illegally financed from the state budget.<sup>1406</sup> Several credible sources corroborate that Temur Alasania is involved with other major businesses, such as mining.<sup>1407</sup>

Okruashvili's comeback sparked a heavy-handed response from the authorities, who raided the most critical TV station Imedi and put it off the air;<sup>1408</sup> seized the office of Okruashvili's newly formed political party and arrested Okruashvili himself. The law enforcement structures quickly brought criminal charges against some allies of Okruashvili, such as Dimitry Kitoshvili, former chairman of the National Regulatory Commission for

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<sup>1403</sup> On this case see Civil Georgia (October 28, 2006); The Georgian Times (June 14, 2007).

<sup>1404</sup> Okruashvili (2007).

<sup>1405</sup> Civil Georgia (September 26, 2007).

<sup>1406</sup> Black Sea Press (October 25, 2007).

<sup>1407</sup> Author's interviews with G13, G15, G16, G18, G21, G257 Tbilisi, Georgia.

<sup>1408</sup> For a comprehensive account of these developments see Human Rights Watch (2007).

Communications.<sup>1409</sup> Political opposition leaders alleged that the arrest was politically motivated and directed against Irakli Okruashvili although later on Kitoshvili confirmed the accusations were true.<sup>1410</sup> The prosecution of Okruashvili displays a striking resemblance to the case of Ismail Isakov, former Minister of Defence in Kyrgyzstan. After Isakov changed his stance and joined Bakiev's political opposition, he was charged with corruption and abuse of public office.<sup>1411</sup>

In the same period Mikheil Kareli, a close associate of Okruashvili and former governor of Shida Kartli region, was arrested and charged with bribery and illegal business practices. In October 2007, he was released on GEL 200,000 bail (over 122,000 USD) after pleading guilty.<sup>1412</sup> These associates of Okruashvili were indeed involved in illicit activities and bribery, but releasing the evidence only after Okruashvili's change of political stance implies using an anti-corruption pretext for political purposes. These moves were aimed at "silencing dissent" and warning high-ranking officials that their corrupt behaviours would be exposed if they dared to join the opposition.<sup>1413</sup>

The arrest of Okruashvili sparked a wave of anti-government protests that culminated in the November 7 dispersal of public demonstrations by the authorities. Okruashvili recanted his charges, confessed, and was released after posting 6 million USD bail. However, after escaping to France he reiterated that everything he said about Saakashvili was true and he was obliged to deny these facts and make a confession under pressure. In short, Okruashvili was the first major insider source that defected from the authorities and his accounts of hidden government practices contributed to the partial verification of numerous other sources' allegations.

Another question mark was the presence of private funds set up by several state agencies, including the main funding-destination ministries of Defence and the Interior<sup>1414</sup> These funds were obtained through confiscation of the property of corrupt officials or plea bargaining deals. The allegations were that the official accounts of money received that were released to the press differed from the real, unofficial accounts. For instance, one respondent claimed that Akaki Chkhaidze paid 70 million USD instead of the 3 million reported to the press. Reportedly the money went to Saakashvili's Nationalist Party coffers and private funds.<sup>1415</sup>

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<sup>1409</sup> RFE/RL (September 25, 2007).

<sup>1410</sup> Kavkas-Press (2007).

<sup>1411</sup> See for instance Delo No (2009a).

<sup>1412</sup> Prime News (July 31, 2008).

<sup>1413</sup> Papava (2007).

<sup>1414</sup> Rimple (2006).

<sup>1415</sup> Author's personal communication with G1, G2, G12, G13, G16, G26, Tbilisi, Georgia.

This practice was encouraged since in the administration's view, it was mobilizing additional sources of income and returning stolen money and property back to the state. Yet the funds were not subject to public scrutiny.<sup>1416</sup> The financial monitoring program conducted by the Georgian Young Lawyers Association of the foundations of regional governors demonstrates that both the incomes and spending of these foundations are arbitrary and obscured from public view, and often controlled by government pressure. The report also demonstrates that public purchase contracts are made in a *force majeure* manner through directly contracting companies, in gross violation of the law on public tenders. The regional administrations state that this practice has been used under direct orders of the president for the sake of rapid development.<sup>1417</sup> Transparency International in 2006 found that 30 percent of all procurements conducted by the ministries were the sole source variety.<sup>1418</sup> A confidential source informed me that a close university friend of one of the ministers has, under this *force majeure* absence of public scrutiny, won a food supply contract and profited from it enormously.<sup>1419</sup>

The high prevalence of corruption in the procurement sector was confirmed by the Okruashvili case. As Minister of Defence, he arranged with businessman Kibar Khalvashi, the former owner of Rustavi-2 Television and his close friend, to form a construction company, International Building Company, that later received three defence ministry contracts worth some 140 million *lari* (roughly 84,400,000 USD).<sup>1420</sup> The charges date back to 2005 when then-Defence Minister Okruashvili founded a construction company that had 146 million *lari* (about 90 million USD) worth of contracts with the Defence Ministry.

Later Okruashvili said in his interview with Kavkasia TV that roughly USD 80 million was accumulated in the fund for development of law enforcement structures. This money was mainly spent on repairing buildings and purchasing cars for officials of the Ministry of the Interior and Prosecutor's office.<sup>1421</sup> Therefore, efforts to retrieve looted funds were not combined with sustained reform efforts, the practice against which Rose Ackerman warns.<sup>1422</sup> Hence the new rulers have risked laying a basis for new corrupt structures. The

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<sup>1416</sup> Papava (2007).

<sup>1417</sup> See for instance GYLA (2006); Dolidze (2007).

<sup>1418</sup> Transparency International, (2007b).

<sup>1419</sup> Author's personal communication with G2, Tbilisi, Georgia.

<sup>1420</sup> Owen and Corso (2008).

<sup>1421</sup> Okruashvili (2008).

<sup>1422</sup> Rose-Ackerman (2004, p. 185).



practice continued until spring 2005 when the extra budgetary accounts were closed under pressure from the IMF.<sup>1423</sup>

A SDC (Swiss Development Agency) survey found that the most corruption-affected sectors were customs, healthcare, procurement and privatisation.<sup>1424</sup> Corruption is more likely to be a problem on the central level since the local decision-making bodies have limited rights and resources.<sup>1425</sup> In August 2008, several officials of the Ministry of Economic Development, including Deputy Minister of Economic Development Beka Okrostsvadze, and high privatization officials, were detained on charges of bribe-taking in exchange for rights to a land plot on the Rustavi-Tbilisi highway.<sup>1426</sup> The individuals offering the bribe were also arrested.<sup>1427</sup>

The 2008 Human Rights Report by the US Department of State acknowledges that in Georgia, petty corruption decreased while “high-level corruption remained a persistent concern” with an anti-corruption policy based on “prosecution as opposed to prevention...and ad hoc rather than systemic.”<sup>1428</sup> The Global Integrity Report puts Georgia on the watch list of countries with large corruption problems.

### Appendix 3. Interview questionnaire

#### **Background**

How clear are the boundaries between the public and private sectors? Do leaders see state institutions mainly as a means of rent-seeking and personal corruption?

#### **Post and pre-revolutionary political and economic elites**

Who were the members of old elites who were arrested? How far did the arrests go (low, mid or senior level)? Were the arrests selective: i.e. corrupt members of previous regimes who declared loyalty to the new governments stayed away from the prosecution?

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<sup>1423</sup> Papava (2007).

<sup>1424</sup> SDC (2005, p. 4).

<sup>1425</sup> Transparency International (2009).

<sup>1426</sup> Black Sea Press (August 2, 2008).

<sup>1427</sup> Interfax Information Services (2008).

<sup>1428</sup> US State Dept. Bureau of Democracy (2009).

How deep was the reshuffle of the elites? Did the previous elites manage to maintain power? What are the cases of continued influence of past figures? What are the reasons for their continued influence?

Who are the new elites? Are there any individuals with a criminal background? What level of bureaucracy are they in (low, mid or senior)? What are their links with the individuals with a questionable past, or with organized crime groups?

What are the reasons for cooperation, if any, between “revolutionary forces” and organized criminal groups? Is there any evidence of the new political elites’ being financed by criminal money?

Kryshas: what was the effect of the removal of old *kryshas* from certain criminal activities? For instance, what was the effect on human trafficking in Kyrgyzstan when its *krysha*, Akaev’s wife, was removed? Who are the new *kryshas*? Why do the *kryshas* act as protectors: because of family connections, friendship, tribal relations, or purely due to material interest, such as bribes?

### **Re-privatization/re-distribution of spoils**

What are the methods of illegal property re-distribution, for instance informal pressure, threats, use of violence?

Are there any cases of re-privatization according to legal processes (nationalization and then re-announcements of tenders) when the questionable practices have been applied again? For instance, via pressure from political elites on tender commissions, lobbying by businessmen with links to new elites?

### **Reforms**

What are the reforms implemented in the criminal justice system after the “revolutions,” in particular in the:

- a) Prosecutor’s Office

- b) Ministry of the Interior
- c) Secret Services
- d) Courts

Were the reforms comprehensive and sustainable? Were cost-benefit analyses done? Were concrete action plans drafted? How much money was allocated to the reform budgets?

What were the side effects of reforms? For instance, over-concentration of power in particular structures? What was the result of the reforms – centralization or decentralization of power?

Regarding legal reforms, have there been any new anti-corruption or anti-crime laws passed in the post-revolutionary period? What are the side effects of new laws? For instance, are there any increased correlations between higher taxes and smuggling/the shadow economy?

Are the new staff policies comprehensive? Are there any indications of nepotism and favoring of one's allies in the "revolutions," including criminals? How many people were fired as a result of re-structurization and reorganization of law enforcement bodies? Where are they now? Did they join criminal networks?

### **Informal politics**

How are informal rules practiced? Do they provide mechanisms for enforcement and dispute settlement?

Are the relevant political decisions made by parliament and government? Does one need personal protection, if one wants to influence a political decision or reach an administrative position?

Where is the centre of power?

Does one need to consider other rules and "laws" that are not indicated by the official law? Are these rules in contradiction to the official law?

How prevalent are favors and special considerations for constituents? How widely are patronage jobs and contacts distributed? Who is appointed?

Are there particular sectors that exhibit high degrees of clientelistic practices? Which ones?

Who are the patrons? Intermediaries? How personalized are patronage relationships? Are there direct links to national leaders, or are relationships mediated by political parties, by ethnic or religious groups, or by lower-level administrative officials?

### **The structure/composition of organized crime groups**

What are the layers of society that criminal activity draws on?

- a) political elites
- b) economic elites, private entrepreneurs
- c) law enforcement structures
- d) sportsmen
- e) impoverished parts of the population

How do the criminal networks function? Do they have any constant centre of power? Do they have strict hierarchical structures or they are fluid? Are the connections changing?

How do criminal networks recruit their members from the political and business realms? Is it a case of criminals co-opting politicians through bribery and/or the threat or use of violence, or is it a matter of politicians and businessmen forming alliances with criminal groups?

How, if at all, do the borders of organized crime networks coincide with those of:

- a) Kyrgyzstan: firstly, tribes, clans, mahallas; and secondly, the North and South regional division
- b) Georgia: Families and sub-ethnic identities (Imeretian, Mingrelian, Svanetian)
- c) Ukraine: old school ties, ethnic (Russian, Ukrainian) or sub-ethnic (Crimean) identities, families; West and East regional division

How important are friendships, “old school” ties (from previous workplaces) and other connections (anything other than blood-based kinship) for the membership of criminal networks?

Do the criminal networks play a quasi-governmental role? For instance, do criminal networks help financially impoverished populations, create jobs in illegal industries or perform similar functions?

Which are the nodes and connections most critical to the functioning of the criminal network? Do the criminal networks continue functioning if certain rings are removed, for instance, if a politician’s protection stops or a major criminal leader is arrested? Have you seen a criminal network that stopped functioning? As a result of what event/activity/circumstance?

How do criminal networks legitimize themselves? What are the mechanisms of laundering dirty money, is it real estate, construction, casinos? What are the legal businesses in which illegal networks are involved? Do they completely retire from their criminal business or use the legal front companies for illegal activities?

Are the criminal networks “pragmatic coalitions of convenience, which may break apart under pressure or simply as conditions change?”

What are the illegal businesses in which legal companies are involved? For instance, do tourist companies cover human trafficking?

Do criminal groups seek monopoly over the markets, or just a share?

Tell me about private security companies, including staff, methods of operation, connections, involvement in crime, the origins of their capital.

Post-revolution, how did criminal networks change their structure? How did they adapt to new circumstances?

## **The infrastructure for criminal activity**

What are the main groups involved in smuggling? Did they change structure, operating modes, or connections after the revolutions?

What are the main routes of smuggling? Have any routes been closed after the revolutions? Did any new routes appear? For instance, is the drug route along the Khorog-Osh highway linking Tajikistan and Kyrgyzstan still operational?

Is there any system of interaction between criminal groups and law enforcement structures?

What are the most frequently practiced bribery schemes? Who participates?

How are the incomes from smuggling distributed between governments, businessmen and criminal groups? Is there a pyramid of income and control?

Can the networks engaged in smuggling of legal goods (such as fuel) get involved in the smuggling of illegal goods (such as drugs)?

Why is controlling smuggling difficult?

### *Appendix 4. Maps*

#### 1. Georgia



## 2. Ukraine



### 3. Transdniester



#### 4. Kyrgyzstan





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## List of Respondents

### Georgia

1. Interview with senior official, public defender's office, 3 June 2006 and 16 January 2009 Tbilisi (referred as G1 in the text).
2. Interview with lawyer, July 19, 2006 and 17 January 2009, Tbilisi (referred as G2 in the text).
3. Interview with senior officer, analytical department of Ministry of Interior, 4 August, 2006, Tbilisi (referred as G3 in the text).
4. Interview with senior official, analytical department of Ministry of Interior, 4 August, 2006, Tbilisi (referred as G4 in the text).
5. Interview with a representative of Supreme Court of Georgia, 5 June 2006 (referred as G5 in the text).
6. Interview with representative of Center for Protection of Constitutional Rights (NGO), 10 July 2006, Tbilisi (referred as G6 in the text).



7. Interview with officer of Ministry of Interior, 19 June 2006 and 12 January 2009, Tbilisi (referred as G7 in the text).
8. Interview with officer of Ministry of Interior, 28 June 2006, Tbilisi (referred as G8 in the text).
9. Interview with Vladimer Jugeli, Head of the Regional Police of the Shida Kartli region, 14 July 2005, Gori.
10. Interview with senior official, border guards of Georgia, 7 June 2006, Tbilisi (referred as G9 in the text).
11. Personal communication with Alexander Kukhianidze, political scientist, expert on corruption and crime, 27 June 2006, 14 January 2009, Tbilisi (referred as G10 in the text).
12. Interview with senior official, Poti seaport, 25 August 2006, Poti and 19 January 2009, Tbilisi (referred as G11 in the text).
13. Interview with entrepreneur, oil sector, 11 July 2006, Tbilisi (referred as G12 in the text).
14. Personal communication with senior official, Ministry of Economy, 11 August, 2006, Tbilisi (referred as G13 in the text).
15. Interview with entrepreneur, food production and processing sector, 10 July 2006, Tbilisi (referred as G14 in the text).
16. Interview with entrepreneur, banking sector, 7 June 2006, Tbilisi (referred as G15 in the text).
17. Interview with lawyer, 5 June 2006, Tbilisi (referred as G16 in the text).
18. Interview with former police officer, head of general inspection of Ministry of Agriculture, 17 June, 2006 (referred as G17 in the text).
19. Interview with entrepreneur, 16 July 2006, Tbilisi (referred as G18 in the text).
20. Interview with Aluda Goglichidze, director of Human Development center (NGO), 28 June 2006, Tbilisi.
21. Interview with Ketevan Bebiashvili, Chairperson of Georgian Young Lawyers Association, Gori Regional Office; 15 July, 2005, Gori.
22. Interview with Journalist of Rustavi-2, 24 June, 2006. Zugdidi (referred as G19 in the text).
23. Interviews with journalists of radio Atinati, 24 June, 2006, Zugdidi (referred as G20 in the text).
24. Interview with Roland Akhalaia, regional prosecutor of Samegrelo, 25 June 2006, Zugdidi.
25. Interview with former official of Anti-terrorism Unit of Ministry of State Security, 26 June 2006, Tbilisi (referred as G20 in the text).
26. Interview with banker, 11 August, 2006, Tbilisi (referred as G21 in the text).
27. Interview with officer Ministry of Interior, 10 January 2009, Tbilisi (referred as G22 in the text).
28. Interview with Davit (no family name is known) and Lado K. (full family name is not known), former officers of Ministry of State Security, 18 January 2009, Tbilisi (referred as G23 in the text).
29. Interview with former deputy Minister of Interior, 21 January 2009 (referred as G23 in the text).
30. Interview with entrepreneur, construction materials production sector, resident of Gamarjveba, entrepreneur, 23 July 2006, Tbilisi (referred as G24 in the text).
31. Interview with former official of Customs Department and Chamber of Control, 20 August 2006 (referred as G25 in the text).
32. Interview with lawyer, 15 July 2006, Tbilisi (referred as G26 in the text).

33. Interview with entrepreneur, 8 June 2006, Tbilisi (referred as G27 in the text).
34. Interview with officer in the special operative department, Ministry of Interior, 7 June 2006, Tbilisi (referred as G28 in the text).
35. Interview with school director, former member of Mkhedrioni, 27 August, 2006, Tbilisi (referred as G29 in the text).
36. Interview with former professional criminal, 11 January 2009, Tbilisi, Georgia (referred as G30 in the text).
37. Interview with Kmara activist, 3 August 2006, Tbilisi, Georgia (referred as G31 in the text).
38. Interview with former officer of Ministry of State Security, 23 June 2009, Tbilisi, Georgia (referred as G32 in the text).

### Kyrgyzstan

1. Interview with reporter, journalist, 30 May, 2007, Osh (referred as K1 in the text).
2. Interview with former Kelkel activist, 22 March, 2007, Bishkek (referred as K2 in the text).
3. Interview with, expert on drugs smuggling, 10 April, 2007, Bishkek (referred as K3 in the text).
4. Interview with expert on organized crime, 17 April, 2007, Bishkek (referred as K4 in the text).
5. Interview with representative of Future without corruption, Transparency International, 10 May, 2007, Bishkek (referred as K5 in the text).
6. Interview with representative of UNDP, 7 May, 2007, Bishkek (referred as K6 in the text).
7. Interview with representative of American Bar Association Central European Eurasian law initiative, May 13, 2007, Bishkek (referred as K7 in the text).
8. Interview with vice-rector, American University of Central Asia, 3 May, 2007, Bishkek (referred as K8 in the text).
9. Interview with director of news briefing central Asia, IWPR, 10 June, 2007, Bishkek (referred as K9 in the text).
10. Interview with Edil Baisalov, politician, 26 March, 2007, Bishkek.
11. Interview with Elena Avdeeva, Chief editor, Newspaper Belyi Parakhod, 28 March, 2007, Bishkek.
12. Interview with representative of OSCE academy, 27 March, 2007, Bishkek (referred as K10 in the text).
13. Interview with freelance reporter, 3 April, 2007, Bishkek (referred as K11 in the text).
14. Interview with journalist of Transitions Online, 31 May, 2007, Bishkek (referred as K12 in the text).
15. Interview with the representative of OSCE, 30 May, 2007, Osh (referred as K13 in the text).
16. Interview with former police officer and freelance crime reporter, 27 March, 2007, Bishkek (referred as K14 in the text).
17. Interview with representative of Financial police, May 3, 2007, Bishkek (referred as K15 in the text).
18. Interview with freelance reporter, 28 March, 2007, Bishkek (referred as K16 in the text).

19. Interview with Mamat Tursugbaev, Deputy head of OC fighting unit, regional administration of Ministry of Interior, 11 May, 2007, Osh.
20. Interview with Manas Akmatvekov, Head of White-collar corruption fighting unit, Ministry of Interior, 2 May, 2007, Bishkek.
21. Interview with Melis Turganbaev, Colonel of police, Head of organized crime fighting unit in Ministry of Interior, 4 June, 2007.
22. Interview with Nur Amorov, political scientist, former Analyst with National Security Service 18 April, 2007, Bishkek.
23. Interview with police major, 27 April, 2007, Bishkek (referred as K17 in the text).
24. Interview with Rakhat Khasanov, economist, 29 March, 2007, Bishkek.
25. Interview with Sanjarbek Tadjimatov, senior lecturer at Osh State University and analyst of Foundation for Tolerance International, 31 May, 2007, Bishkek.
26. Interview with representative of Institute of Public Policy, 5 April, 2007, Bishkek (referred as K18 in the text).
27. Interview with the representative of Human Rights Center/Citizens against Corruption (CAC), 4 April, 2007, Bishkek (referred as K19 in the text).
28. Personal communication with representative of Social Research Center, American University of Central Asia, 25 March 2007 (referred as K20 in the text).
29. Interview with police major, 27 April, 2007, Bishkek (referred as K21 in the text).
30. Interview with officer, Bishkek department of Ministry of Interior, 22 April 2007, Bishkek (referred as K22 in the text).
31. Personal communication with freelance reporter, 24 March 2007, Bishkek (referred as K23 in the text).
32. Interview with Sheradil Baktygulov, political scientist, June 2007, Bishkek, Kyrgyzstan

## Ukraine

1. Interview with Oleksandr Evgolenko, former officer of SBU (Ministry of State Security), 10 December 2007, Odessa (referred as U1 in the text).
2. Interview with former employee of Aleksandr Zhukov, 22 October 2007, Kyiv (referred as U2 in the text).
3. Interview with representative of Committee against Organized Crime and Corruption (NGO), 17 October, 2007, Kyiv (referred as U3 in the text).
4. Interview with Andrey Semidedko, head of Anti-raiding association (NGO), 11 November, 2007, Kyiv.
5. Interview with researcher working on organized crime and corruption issues, 1 November, 2007, Kyiv (referred as U4 in the text).
6. Interview with Viktor Driomin, Professor, head of criminology department in Odessa National Law Academy, 11 December 2007, Odessa.
7. Interview with Alexander Kostenko, Professor, Head of Criminology department, Academy of Sciences of Ukraine, 20 November 2007, Kyiv.
8. Interview with academic, former official of regional SBU, 10 December 2007, Odessa (referred as U5 in the text).
9. Interview with Marianna Yevsyukova, La Strada (NGO), 18 November, 2007, Kyiv.
10. Interview with reporter on organized crime and corruption, 25 October 2007, Kyiv (referred as U6 in the text).
11. Interview with Valeryi Glushkov, Professor, head of criminology department in Shevchenko National University, 2 November 2007, Kiev.



12. Interview with Olga Mashtaler Program Manager, Anticorruption Committee, Transparency International, National Contact Group in Ukraine, 1 November 2007, Kyiv
13. Interview with Stas Rechinskyi, former official of SBU (Ministry of State Security), reporter on organized crime and corruption issues, 1 November, 2007, Kyiv.
14. Interview with reporter on organized crime and corruption issues for ord.com.ua, 5 November, 2007, Kyiv (referred as U7 in the text).
15. Interview with Yuryi Vasilenko, former judge, lawyer, 5 November, 2007, Kyiv.
16. Personal communication with journalist of Kyiv Post and Financial Times, 10 October 2007, Kyiv (referred as U8 in the text).
17. Personal communication with expert on law and lecturer, 12 November, 2007, Kyiv (referred as U9 in the text).
18. Personal communication with Svitlana Gorna, Monitoring Activity Manager for Promoting Active Citizen Engagement (ACTION) in Combating Corruption in Ukraine (funded by USAID), 18 November 2007, Kyiv.
19. Personal communication with representative of Transparency International, 8 November, 2007, Kyiv (referred as U10 in the text).
20. Interview with representative of Academy of Interior Ministry of Ukraine, 6 December, 2007, Kyiv (referred as U11 in the text).
21. Personal communication with officer of Interagency department on fighting organized crime, 6 November 2007, Kyiv (referred as U12 in the text).
22. Personal communication with Oksana Kuziakiv, Chief Executive, Institute for Economic Research and Policy Consulting, 20 October 2007, Kyiv.
23. Personal communication with employee of General Prosecutor's Office of Ukraine, 15 December 2007, Kyiv (referred as U13 in the text).
24. Personal communication with two police officers, Kyiv department of Ministry of Interior, 21 December 2007, Kyiv (referred as U14 in the text).
25. Personal communication with officer (captain) of central directorate fighting organized crime, Ministry of Internal Affairs, 22 December 2007 (referred as U15 in the text).
26. Interview with analyst of Ukrainian affairs, 10 November 2007, Kyiv, (referred as U16 in the text).