

# POLITICAL CORRUPTION IN EURASIA: UNDERSTANDING COLLUSION BETWEEN STATES, ORGANIZED CRIME, AND BUSINESS

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## *Abstract*

*This article presents the problem of illicit collusion between states, organized criminals and white-collar criminals in the post-Soviet region, showing the blurring of these phenomena. The paper charts the development of political corruption and argues that this is a particular problem in the region due to the way state resources were sold off during the 1990s. The paper however shows that the countries of the region now diverge significantly in terms of the extent and form that collusion takes. The goal of the paper is understand this variation. The paper suggests that roughly two broad categories of state now exist in the post-Soviet region, excluding the Baltic States. These are broadly politically competitive states such as Ukraine, Moldova and Georgia and broadly politically non-competitive ones such as Russia, Belarus or Kazakhstan. I show that collusion takes differing forms across these categories due to the effect that the presence or absence of political competition has. In conclusion I argue that the post-Soviet region provides little evidence to believe that political competition actually reduces corruption and collusion. However, some cases from the region show that successful anti-corruption campaigns are more likely where there is more political contestation.*

## **Introduction**

In 2010, the then Prime Minister of Ukraine, Mykola Azarov, gave a revealing speech. Azarov publicly admitted that when working as Finance Minister (2002–4 and 2006–7) he had told other ministers: ‘have a conscience. [Steal] five per cent and the hell with you because there is no way you can track this money down, but please, don’t steal 50 per cent. Show some conscience’ (Azarov 2010). This statement demonstrates the degree to which public office is accepted as a means for private gain in the post-Soviet region. As Azarov alludes to, there are low moral costs to engaging in corrupt behavior, and without other mechanisms to ‘track’ state officials a sense of impunity results. Recent events in Ukraine have shown that government ministers failed to take Azarov’s advice. As a result, Ukrainian people

themselves were left to foster a conscience in their government officials through protest. Corruption was one of the major issues that brought people to Kiev to oust President Yanukovich from office in the spring of 2014, sparking conflict with Russia.

This article attempts to understand the continuing influence of corruption and collusion in the post-Soviet region. Unlike countries that have developed strict divisions between the formal | informal, licit | illicit, public | private, and political power | economic wealth, these boundaries are commonly blurred in the post-Soviet context. This blurring often involves some form of purposive coordination between organized criminals, state actors and businessmen. In all cases, the continued fuzziness of the borders between the state, business and organized crime is grounded in some form of political corruption. In this article, the criminal collaborations that make use of this political corruption will be referred to as collusion. Despite common legacies, the extent and form of this collusion varies. There are significant distinctions between the countries of the Baltic region, Russia, Belarus, Ukraine and Moldova and the states of the Caucasus and Central Asia. This article aims to provide a theoretical framework for understanding the variation in collusion within the region.

In essence, I argue here that, excluding the Baltic States, broadly two types of states exist in the post-Soviet region today. Levels of political competition distinguish these categories. There are non-competitive and centralized states, and competitive and centralized ones. These have emerged out of the chaotic and decentralised conditions of transition in the 1990s. These regime types exhibit variation in the extent and form of corruption and collusion between states, white collar and organized crime. Moreover, collusion in each regime type has led to a status quo in which the interests of political and private actors do not permit significant change. It is for this reason that serious reform in the region often only comes from revolutionary activity as seen in Ukraine recently, and previously in Georgia and Kyrgyzstan.

The most common type of state in the region now is the non-competitive and centralized type. In Russia or Kazakhstan, for example, the state is marked by high levels of centralisation of political power and by low political competition. There, the line between politics and organized crime is blurred due to the formal authorities' involvement in various types of criminal activity. Corruption functions in highly centralized pyramids where bribes are collected in the lower ranks of bureaucracy and passed up the chain of command. The govern-

ment also closely controls business in a setting that is often categorised as ‘state corporatism.’ Organized criminal groups have little independent room for maneuver and are usually closely controlled by the state.

In contrast, other states are centralized but politically competitive. In Ukraine or Armenia, corrupt actors such as organized criminals and unscrupulous business people have more bargaining capacity due to the diffusion and fragmentation of political power. In contrast to non-competitive states, political leaders in these places do not get everything their own way. They have to compete to capture some markets. Criminal and business interests have more choice over their patrons.

The goal of the paper is to give more depth and detail to such examples, in order to illuminate the way in which levels of political competition is affecting corruption and collusion in the region. It suggests avenues for hypothesis building concerning relationships between political systems and collusion as well as asking questions about where anti-corruption strategies are more likely to emerge. First, I provide some definitions of political corruption and some background into the issue of corruption and collusion in terms of its development in the post-Soviet period.

### *Soviet Legacies and Transition: The Development of Post-Soviet Collusion*

In political science as well as criminology, scholars tend to distinguish between crimes committed by public officials on behalf of the state and those they perpetrate for private advantage (Friedrichs 2007, Friedrichs and Rothe 2012). The former is usually understood as state crime and the latter as political corruption. Philp’s (2008) approach to political corruption is the most comprehensive because it accommodates often-overlooked issues such as influence trading, systems of patronage, the use of legal means to deliver favours, and illegal funding to groups rather than individuals that can indirectly lead to private gain (see also Yadav 2011). According to Philp (2008, p. 315),

‘corruption in politics occurs where a public official (A), acting in ways that violate the rules and norms of office, and that involve personal, partisan or sec-

tional gain, harms the interests of the public (B) (or some sub-section there-of) who is the designated beneficiary of that office, to benefit themselves and/or a third party (C) who rewards or otherwise incentivises A to gain access to goods or services they would not otherwise obtain.’

I will use this definition of political corruption as the grounds for the collusion of states, business and organized crime in the post-Soviet region.

Collusive links between politics and organised crime date back to the roots of the Soviet Union. The Soviet secret police drew heavily on criminals as informers and executioners, and Vladimir Lenin enlisted criminal groups to swell the treasury of the fledgling Communist Party (Coulloudon 1997, p. 75.) Josef Stalin also used Soviet criminal groups in an attempt to destabilise Western economies by printing massive quantities of counterfeit money (Shelley in Godson 2003, p. 207). Through the Soviet era, bureaucrats who controlled state-owned enterprises extended their criminal ties to secure access to a black market that filled significant gaps produced by incessant product shortages. These relationships, which transformed over time, ultimately helped shape a new elite in post-Soviet countries.

The most powerful groups to emerge were those which incorporated former members of the Communist Party elite, former and serving members of the state security organs, an emerging class of post-Soviet entrepreneurs, and professional criminals. These entities maintained ‘one foot in the black market, the old criminal world, and another foot in the official world, the world of politics and the old structure of the party’ (Shelley 1994). Individuals once in charge of Soviet bureaucratic structures and industrial enterprise were left in possession of vast human, material and administrative resources. This situation provided an avenue through which the benefits of occupying political office or having access to political office at a time of privatization in the 1990s were quickly recognised.

Through the early 1990s, criminal groups gained significant inroads in leveraging control over economic sectors of interest. Among the first sectors they targeted in Russia, especially between 1992 and 1996, was banking. Apart from the obvious benefit of simplifying money laundering, banks allowed direct access to capital resources (either directly or at preferential credit) and facilitated extortion and corruption. Banks thus were seen as holding a special kind of power in the market economy – they facilitated a way to further enmesh the

interests of these entities into the ‘foundations of the emerging Russian state’ (Lowther 1997). In August 1995, the MVD All-Russian Scientific Research Institute estimated that criminal groups operating in Russia alone controlled over 400 banks and 47 exchanges (Izvestia Analytical Centre 1994).

Criminal groups infiltrated other sectors too, including the production of aluminum and coal mining. In 1997, Russian Deputy Prime Minister Anatoly Kulikov remarked in a speech to the Duma that the aluminum sector was ‘completely criminalised despite remaining competitive in the world market’ (Kommersant Daily 1997). Political influence accompanied control over these industries, along with the ability to penetrate others, such as consumer markets, including alcohol and tobacco, the construction industry, the computer market, and the automobile sector.

The Russian experience was replicated in other post-Soviet republics, albeit with varying degrees of collusion between legal and illegal actors. In Kyrgyzstan and Tajikistan the alliances between state and organised crime emerged with shifting dominance between political and criminal leaders (Marat 2006). In Georgia, Jaba Ioseliani, a professional criminal and a member of a criminal elite caste born out of the prison camps of the Gulag and known as thieves-in-law, became one of the leading political figures in the 1990s. In Ukraine, regionally based corrupt networks comprising criminals and politicians took over large shares of local economies (Shelley 2003).

This period was essential in laying the framework for how private enterprise and state interests interacted in the post-Soviet context. Although the nexus between political and entrepreneurial actors was recognised, an undeveloped legal and regulatory framework was navigated in such a way as to conceal ownership. Dummy and front companies, straw men, and a maze of subsidiary firms became the norm of ownership structures. This nexus provided these composite groups with access to a plethora of foreign networks, providing routes to international markets, both for licit and illicit goods.

As Ganev (2005) argues, the major point of departure in studying the development of post-Soviet societies is the redistribution of the huge state resources inherited from the Soviet system. Post-Soviet economic reform involved the hollowing out of the state and the redistribution of its assets within tight circles of those with political influence. Economic elites in

the post-Soviet region formed as a creation of state actors who distributed assets in the immediate aftermath of the Soviet collapse (Easter 2012). Decisions about exactly who got the assets were most often grounded in political corruption. Competition for political influence often turned violent. Assassinations and murders of businessmen increased significantly in the early 1990s (Volkov 2002).

After this initial period of redistribution of wealth and the emergence of an ‘oligarchic’ class in the 1990s, the state in many countries of the region such as Russia, Belarus, Georgia and Kazakhstan re-gained coercive capacity toward the end of the decade. In doing so, large criminal organizations and newly privatized business had to renegotiate their relationship with state actors. Actors on illegal markets were displaced as state structures, and especially law enforcement structures, regained their strength in the 2000s. Thus, in Russia, for example, private security with links to the FSB (formerly the KGB) developed a monopoly on the market for private protection (Volkov 2002, Favarel-Garrigues 2010).

Despite an encroaching state and the weakening grip of organized crime groups on financial and political resources, criminal leaders remained influential in some areas. Organized crime is still often utilized by states for dealing with a number of problems including prison unrest or to control remote geographic areas under weak state control or simply to hide state involvement in hostile commercial takeovers. The use of organized crime groups for state purposes is the essence of the meaning of ‘mafia state’ a term used to describe Russia in the present day. This kind of state-organized crime relationship, forged out of the illicit networks that survived the turmoil of the 1990s, may allow the exercise of government authority (see Review Article, this issue).

The practice of corporate raiding provides one of the best illustrations of the emergent fusion between organized crime and the state in the 2000s. This new form of extortion has emerged in those post-Soviet countries where businesses have a large cash flow, especially extractive industries or large factories such as in Russia or Ukraine. Referring to the illegal or improper transfer of assets, or the value generated from those assets, corporate raiding generally involves the improper coercive role of state authorities and the use of criminals as straw men. It includes other crimes such as counterfeiting of documents, registration of companies

under dummy names, bribing law enforcement and ‘buying’ court decisions (Zerkalov 2007, Rojansky 2013).

In understanding this development of this form of post-Soviet collusion, some authors emphasize the legacies and resilience of Soviet understandings and governance patterns (Finckenauer and Voronin 2001) while others understand it as a product of the specific conditions of the transition from the planned to a market economy (Volkov 2002, Gilinskiy 2002). The latter under-emphasizes the importance of path dependency in framing practices, relationships and the criminal opportunity structures emerging from the experience of the Soviet period. Since post-communist Eastern European countries are far more corrupt than many other nation states, (Sandholtz and Taagepera 2005), the obvious explanatory factor, for this school of thought, can be found in patterns of communist social organisation that established power asymmetries, status groups and the practice of dealing with things informally (Mungiu Pippidi 2013). In contrast, the former underestimates the extreme shock of the chaotic period of the early 1990s. In fact, the post-Soviet transition often created new opportunities for exploiting long-standing relationships, old practices and understandings (Karklins, 2005, Schmidt 2007).

Despite similar historical trajectories and Soviet legacies, political corruption and collusion now varies significantly across the post-Soviet region. The rest of this paper uncovers the ways in which the countries of the region have diverged and the relationship of this divergence to the type of political system that has emerged. In particular, I look at the role of political competition and the centralization of power in influencing the extent of collusion across the countries of the region.

### ***From Chaos to Collusion: Dynamics of Political Competition and Centralization***

Political competition is generally held to be one of the most important mechanisms in controlling corruption (Gerring and Thacker 2004; Montinola and Jackman, 2002, p. 149). A multitude of actors vying for power are more likely to monitor and hold each other in check (Persson, Tabellini and Trebbi 2002, Grzymala-Busse 2003). However, the simple proposition that political competition reduces corruption lacks compelling empirical evidence

(Svensson 2005). From the politically decentralized and chaotic conditions of the 1990s, state rebuilding in the region, in part due to informal collusive agreements, has resulted in broadly two types of state: politically centralized and non-competitive states on the one hand and politically centralized and competitive ones on the other. These two broad categories exhibit very different features now in terms of the form and depth of corruption and collusion, as I will show. As the Baltic States – Estonia, Latvia and Lithuania - were in the Soviet Union for a shorter period of time (1940-1991) and are now part of the EU and NATO, their trajectory has been exceptional and corruption and collusion have been significantly reduced. Thus, in what follows I discuss only post-Soviet states outside of the Baltics.

The tumultuous transitions in newly independent states led to the temporary collapse of central authority in the early 1990s. This made it difficult for incumbent regimes to impose control over networks of corruption. The result was an unpredictable environment where a myriad of corrupt officials maximised personal gains in competition with each other (Stefes 2006). At a time of political weakness, organized crime assumed a quasi-governmental role in many places, not least Russia, Ukraine and Georgia meeting the demand for governance where the government could not (Finckenauer 2005, p. 74), including making and enforcing rules of conduct and settling disputes (Von Lampe 2003, p.16; Kelly 2003, p. 110). After the collapse of the Soviet state, career criminals from the Gulag penal subculture known as thieves-in-law emerged as one provider of extra-legal governance and protection in certain countries and territories, in particular Georgia, Armenia and Russia (Varese 2010, Slade 2013). Criminal leaders and drugs traffickers, for example, dominated certain regions of Kyrgyzstan in the aftermath of the ‘Tulip Revolution’ in 2005 (Marat 2006, Kupatadze 2007).

After such chaos, most countries of the region have stabilized, with a return to autocracy in many. A central authority emerged in countries like Russia or Azerbaijan that controls political competitors and enforces illicit agreements in dividing spheres of influence and imposing monopoly prices for those who wish to buy influence. This type of collusion, stymying political competition, centralizes around one figure who can deter defection and informal rule-breaking.

However, the region also includes examples, such as Ukraine or Moldova, of countries that have remained political competitive after the initial chaos. In these places, this com-

petition actually continues to foster corruption and collusive networks. Influence between the nodes of these systems flows vertically and is patronage based – politicians link with business and organized crime below them in political space. Economic and criminal elites seek to maintain the cracks and divisions in the political elite as a lack of monopoly benefits them in creating vulnerabilities, lowering the rents by providing greater choice in the market for patronage.

The table below shows the general movement of countries in the post-Soviet region from chaotic and decentralized regime types to politically centralized and either competitive or non-competitive types. This is not one-way travel. At times post-Soviet states have moved back towards chaotic conditions, such as in Kyrgyzstan in 2005 and 2010. However, in general, most countries have moved to a stable equilibrium. The table provides the basic features of the depth and form of collusion in these different regime types. I then go on to give examples and describe these forms of collusion in more detail in the two types of regime – competitive and non-competitive - that now predominate across the region.

Regime Type	Extent and form of collusion	Examples
Chaotic and decentralized: dysfunctional states and states in transition	Political corruption is chaotic and violent. Organized criminals may take over the state. Unscrupulous business people and politicians loot state assets. As a result the state fails to provide public goods.	Early years of transition in most post-Soviet republics Georgia (1991-2004) Russia (1991-1996); Ukraine (1991-1994; 2004-2005) Kyrgyzstan (1991-1996; 2005-2006), Tajikistan (1991-1996)

Regime Type	Extent and form of collusion	Examples
Non-competitive and centralized: autocracies and emerging autocracies	The distinction between political corruption and organized crime is blurred. The state organizes private economic collusion in return for patronage. State crime prevails and primarily benefits small political ruling groups. The state has coopted organized criminal activities and controls it.	Azerbaijan, Turkmenistan, Belarus, Uzbekistan, Russia, Kazakhstan, Tajikistan
Competitive and centralized: fragile democracies	State actors cannot monopolize or control the governance of collusive agreements. Businessmen have a choice of political patrons. Organized crime groups have leverage, as they possess a use value for political groups competing against each other. Anti-corruption campaigns aim at weakening political opponents. The authenticity of such campaigns depends on the cohesion and values of the ruling elite.	Ukraine, Kyrgyzstan, Armenia, Moldova, Georgia

*Table 1: to show the change from chaotic and decentralized regime types to centralized and either competitive or non-competitive regime types and the forms of collusion that accompany these.*

### **Non-competitive and centralized regimes**

The non-competitive and centralized regime type is the dominant category across post-Soviet Eurasia. Incumbent politicians in this type are the dominant actors. They control business and criminal networking. Organized crime is mainly at the service of the incumbent regime and develops in a framework defined by it. The position of economic actors is guaranteed by the state and as such business is subservient to politics.

Central Asian autocracies such as Kazakhstan, Turkmenistan and Uzbekistan are the best examples of this form of regime. These countries have a high degree of political centralization; one coherent authority controls the distribution of rents and sits at the top of a corrupt system. High centralization also means that the relationship between the state and organized crime is often dominated by the incumbent ruling elites who possess significant resources rather than particular criminal leaders (Kupatadze 2012). Thus, organized crime in many Central Asian countries is at the mercy of the state and utilized by it. Organized criminals work on behalf of the state, pressuring political opponents and opposition social movements. Most traditional organized criminal activities such as extortion rackets have been taken over by the representatives of state institutions especially law enforcement structures. The distinction between political corruption and organized crime is hard to find.

In many post-Soviet Central Asian countries strategic partnerships have formed between drug traffickers and state actors around the exploitation of drug rents with some of the drugs smuggling operations run by law enforcement officials (De Danieli 2014). As a consequence the term ‘werewolves in epaulettes’ has become popular in the media and everyday language, referring to policemen who engage in corrupt and criminal behaviour. There appear to be certain individuals or groups of individuals with varying extents of power and links to higher political leadership inside the police institutions of many Central Asian autocracies, and these groups run or protect organized criminal activity. However, if this involvement reaches the highest ranks as it did in Niyasov’s Turkmenistan (Lewis 2010), it becomes extremely difficult to draw the line between institutional and individual involvement.

Depending on the particular sector of the economy, relations between the government and economic actors are either imposed by a dominant actor, that is most likely the incumbent regime, or built through mutually beneficial contracts and ‘exchange’ of favors and services (Jones Luong and Weinthal 2004, 2010; Yakovlev, 2010, Frye 2002). State corporatism is

the dominant pattern. Despite the official denunciation of strong state intervention in the economy, the ruling regimes have consolidated control over the major natural resources including energy sector and maintain control through state-owned corporations. An example of this is Russia. The fractious nature of the early years of Boris Yeltsin's rule (1992-1995), in which political competition was solved with tanks on the street and business disputes were settled with guns, was stabilized by collusive agreements between political and economic elites. Yeltsin was able to centralize and hold power through quid pro quo illicit agreements, patronage and bargaining. In 1999, he handed over this 'systema' of collusive power to Vladimir Putin (see Review Article, this issue).

Putin has continued to hold power through this system. He has further centralized and reduced political and economic competition through cooptation of political parties and social movements and the threat of both re-nationalization of privatized state assets or direct seizure and transfer of company ownership – known as 'raiding', as mentioned above. The new term 'state oligarch' originated in 1990s Russia when a number of high-ranking government officials were installed in the boardrooms of major corporations (Frydman, Murphy and Rapaczynski 1998). State corporatism undermines the general standards of transparency and accountability because fiscal and regulatory institutions are weak and elites do not favor institutions that would constrain their behavior (Jones Luong and Weinthal 2006). Companies under direct or indirect ownership of the political elite get most of the public contracts.

Political corruption is rampant and corruption in the lower ranks of bureaucracy is often tolerated. The leadership prefers political stability to the kinds of reforms required by anti-corruption that would investigate the elite. There are temporary declarations against malfeasance but these are usually a reaction to international events. For example, a campaign in autocratic and majority Muslim Azerbaijan began immediately after the events of the Arab Spring (Rosenblum 2011). Campaigns of this type do not usually go beyond the arrest of several medium and lower ranking bureaucrats and they have no substantial impact. Non-competitive regimes are still interested in their international image and can use anti-corruption rhetoric to clean up the ranks of disloyal elites.

In these non-competitive post-Soviet states, the incumbent regimes have invested significant resources into strengthening their coercive apparatus. Such policies have eradicated

purely criminal groups involved in large-scale drug smuggling or corporate raiding of a large enterprise, without the tolerance, endorsement, protection or involvement of state actors. The representatives of government become part of the problem of organized crime, rather than passive victims (Woodiwiss 2000). Rent-seeking officials in law enforcement structures take over many traditional criminal activities, including extortion rackets. State officials become the most effective criminals (Chambliss 1999, p. 156).

In this non-competitive regime type, there is wide-ranging evidence of police involvement in organized crime (see Light et al, this issue). Interactions police with organized crime take several forms including a merger between police officials and criminal groups or the takeover of criminal activities by police officials. In Russia, thousands of police personnel are officially punished annually for different kinds of law violations including corrupt practices however this is likely only the tip of the iceberg (Beck and Robertson 2009). In a well-known scandal in the late 1990s, a group of Russian high-ranking policemen ran a criminal organization that engaged in blackmail and the racketeering of businessmen, trading in firearms and fabricating cases (Zernova 2012).

Thus, in terms of collusion, two key features stand out in the autocracies that have proliferated across the post-Soviet region. One is the blurring of state and organized crime and the use of organized criminals for state purposes. The second is the subordination of the economic elite and business to the interests of the state through collusive agreements enforced by state actors through patronage relationships. These relationships may be established and organized through violence or the threat of violence emanating from state-organized crime. Thus, the state, business and organized crime become heavily blurred.

The other states of the region resemble fragile democracies where some degree of political competition occurs. Many of these regimes, such as Ukraine, Moldova and Georgia have aspirations towards the European Union. Collusion here takes on very different forms, which I discuss below.

### ***Competitive and centralized regime type***

In the competitive and centralized regime type, the incumbent regime and hence the state is still the dominant actor. However, business people and criminal leaders have more room to maneuver due to several loci of power in a politically contested environment. Political elites are often keen to use criminal leaders in political battles especially for bullying political and economic competitors, blackmailing investigative journalists or as the muscle during the public demonstrations.

In this regime type, organized crime and the state function in an uneasy equilibrium. On the one hand, under certain conditions criminal leaders may try to dictate their interests. Prison riots in 2005 and 2010 appeared to counteract the state offensive against organized crime (Kupatadze 2013). Similarly, in Georgia, prison riots in 2006 were perceived as attempts to destabilize the political elite by organized criminals. On the other hand, political elites can enlist the help of organized crime. In Ukraine, the *titushki*, government-funded street-fighting young men, intimidated the activists of anti-Yanukovych protest in 2014. Some of these are almost certainly involved in organized crime (Salem and Stack 2014).

As these protests of 2014 have shown, Ukraine differs from its neighbours, Russia and Belarus, in one important respect: politics remain contested at the top. This contest has created incentives to use clientelism to mobilize supporters. This was the case in post-Orange Revolution Ukraine (2004-2005) when the struggle between President Viktor Yushchenko and Prime Minister Yulia Tymoshenko led to a dysfunctional state apparatus partitioning over a struggle for influence. Like Ukraine, in Kyrgyzstan political competition has not led to decreasing levels of corruption. Instead, competition has degenerated into a corrupt game of buying patronage between various political factions (Kupatadze 2012). In Kyrgyzstan, criminal leaders played a role in the re-distribution of spoils following two revolutions in 2005 and 2010 (Kupatadze 2007, Delo No 2010). Rysbek Akmatbaev a widely influential and popular criminal mobilized his business resources and supporters to challenge the newly installed government and force it into negotiations. Another influential criminal-turned-politician, Bayaman Erkinbaev played a major role in Southern Kyrgyzstan and became governor of the region after the Tulip Revolution in 2005. In such fragile democracies as Kyrgyzstan and Ukraine low-capacity institutions are unable to channel political interest. Competing elites then split along any number of dimensions, including societal, ideological, class, ethnic, linguistic, religious or regional divisions.

In Ukraine, these divisions were largely regional (east versus west), ethnic (Ukrainian versus Russian) and class-based (variations in regional industries). These divisions clearly overlap. The struggle to control assets by different factions, and profit from them, became a major element of Ukrainian politics. This struggle was enflamed by the fact that privatization came about slowly and unevenly, controlled by entrenched corrupt interests. Political contestation also resulted in the prosecution of former Prime Ministers (Pavlo Lazarenko and Yulia Tymoshenko) on charges of corruption. It remains unclear whether these individuals were in fact any more corrupt than their successors or predecessors because the exercise of ‘justice’ has been politically charged. However, Ukraine shows how a higher degree of political competition can lead to mutual monitoring and attempts to expose corrupt networks.

Political contestation also explains the emergence of a scandal involving government ministers in Moldova. Here the ministers of Finance, Culture and Health, faced corruption charges in 2013. Analysts argue that this anti-corruption action was ignited by splits in the ruling government coalition. One political faction close to the National Anti-Corruption Center decided to expose the ministers (Agence France-Presse February 13, 2013).

In Kyrgyzstan, elite divisions are based on regional and clannish differences. Kyrgyzstan and Ukraine follow the pattern established by research that shows how ethno-linguistic fractionalization is positively correlated with corruption indices (Mauro 1995, Easterly and Levine 1997, Kingston 2003). In such cases, different ethnic elites seize their share in the pool of assets (Persson, Roland, and Tabellini 1997). Each fraction can seek rents from regional bureaucracies, government ministries or sectors of the economy. Competition over these assets can be an uncoordinated process, where actors do not take into account the effect of their actions on the interests of others (Easterly and Levin 1997, p.1214-5), or a coordinated action that rests on an implicit agreement to cooperate in extracting wealth (Gebara 2007). In the latter case, the outcome is a collusive alliance between various informal networks that exacerbates the entanglement of state, business and organized crime. Elite competition over resources within these entanglements perhaps explains the frequency of revolutions in Kyrgyzstan (one in 2005 and one in 2010) (Gullette 2010). A vivid illustration of this frenzied rivalry for influence is the appointment of three different heads of customs over five days by three competing political groupings of the transitional government of Kyrgyzstan (24.kg,

2010). Thus, collusive agreements in Kyrgyzstan appear weak and unstable, creating political turbulence.

In contrast, Armenia, while not a full autocracy, has lower levels of competition and stable and strong collusive agreements. Here there is a collusive monopoly over the distribution of rents. Political factions illicitly cooperate to extract illicit rents from those looking to buy protection and influence. After the 2008 presidential elections in Armenia, in which peaceful protest was bloodily suppressed, three large networks emerged around two former and one acting president. The business sector has been organized into several informal commodity-based cartels and semi-monopolies in specific economic sectors or geographic regions. This is especially true for the trade in commodities such as sugar, flour and alcoholic beverages (Nranyan 2012, BTI 2012). Politicians governing these cartels enjoy parliamentary immunity and ‘represent a convergence between corporate, state, and in some cases even criminal interests’ (BTI 2012). Monopolists help incumbents to fake, and thereby win, elections and in return for political support incumbents allow monopolists into formal politics (Giragosian 2003, Danielyan 2005).

As these examples from the post-Soviet region show, even when clear competing political actors emerged within fragile democracies, these did not hold each other to account. Instead, they worked within a system in which the moral costs of engaging in corrupt behavior were low and independent monitoring by a robust media did not exist. In such situations, political actors simply competed to attract patronage. In such a scenario, political competition was only won with more corruption not less corruption. This was the case for example in Ukraine, a country marked by a dynamic, but under-regulated, process of political contestation. Ukraine is not perceived as much cleaner than autocratic Belarus (Transparency International 2013).

Yet, anti-corruption campaigns in competitive regimes are more frequent than in non-competitive ones but are also often politically motivated. However, unlike the non-competitive and centralized regime type, these campaigns may actually go far enough to touch the upper ranks of bureaucracy and push public attitudes to demand change. In certain cases for instance in Kyrgyzstan (since 2010) and Armenia (since 2012) there has been some willingness among political elites to change – for instance in both countries ‘one stop shops’

have been introduced to streamline and simplify business registration processes (EBRD 2012). However, anti-corruption strategies are poorly designed and often undermined by the ‘spoiler trap’ – the vested interests of entrenched networks that oppose any reform. Hence these strategies often fail because they target particular individuals or institutions instead of changing the rules of the game.

Georgia provides one example of an anti-corruption campaign that has attracted a lot of praise and is perceived as successful (Kupatadze 2012). Protests over entrenched corruption in a relatively competitive political atmosphere led to regime change in 2004. The new government targeted corruption and lack of transparency. Removing corrupt police, simplifying bureaucratic procedures, prosecuting politicians with links to organized crime and shaking down tax evading businessmen, their tactics were controversial but effective. While not as autocratic as countries such as Russia and Belarus, Georgia achieved gains in the fight with corruption due to a highly cohesive, relatively youthful and disciplined political elite that clamped down on the collusive arrangements of the past as well as reducing political competition. This elite was western-oriented. The key variable of leadership orientation meant that Georgia’s increasingly autocratic leadership attempted to dismantle collusive arrangements rather than appropriate them. However, the Georgian model of reducing collusion came at large social costs and damage to democratic accountability. It also emerged in very specific conditions of revolution that seem unlikely to be emulated in other countries of the region for now.

## **Conclusion**

As the events in Ukraine in 2014 have shown, collusion and corruption can be direct causes of protests and destabilization. Political, economic and criminal elites blur into one another. This paper attempted to understand collusion in post-Soviet Eurasia from a broad perspective. In what ways does collusion differ across the region and why?

As I have shown, from a chaotic and decentralized transition period the countries of the region, excluding the Baltic States, can be divided into two broad categories. These are roughly non-competitive, autocratic regimes and competitive, fragile democracies. I have

suggested that these two regime types exhibit variation in the form and extent of collusion in them. Fragile democracies at least provide the possibility for a genuine attack on collusion, as the case of Georgia, however controversially, shows. Unfortunately, the predominant regime type in the region is non-competitive autocracy. These regimes, from Russia to Kazakhstan and Azerbaijan, possess dominant ruling elites that collude to control business and organized crime.

In thinking about the wider lessons of this discussion, former Soviet Union countries possess some exceptionality due to the legacy of the strong Soviet state when compared to Latin America or parts of Africa. Post-Soviet countries exhibit the legacies of the experience of ‘the relentless enforcement of a monistic organization and ideology’ (Beissinger and Crawford 2002, p. 24). This experience of a strong state at least partially explains the relative capacity of the reemergence of ambitious post-Soviet political elites that aim to dominate and organize collusion in autocratic countries. The predominance of states to control collusion through violent resources in the post-Soviet region is higher than, for example, their African counterparts (Reno 2002). This means that post-Soviet organized crime has had less capacity for independent action in most post-Soviet countries and was coopted or replaced by representatives of the state toward the early 2000s (Volkov 2002).

On other hand, post-Soviet institutions show greater cohesion and still provide some public goods in the tradition of the Soviet state, hence the genuine popularity of autocrats such as Putin in Russia or Nazarbayev in Kazakhstan. Post-Soviet state institutions pursue interests greater than the sum of the private interests of individuals while postcolonial African states, for example, have been transformed into instruments solely for the pursuit of private ambition (Reno 2002, Medard 2009). The extent of regime involvement in the drugs trade may be similar under some circumstances for example in the case of Bakiev’s Kyrgyzstan (Kupatadze 2014) and contemporary Guinea-Bissau (O’Regan and Thompson 2013) but the Kyrgyz state has still always been better able to deliver public goods than many African or Latin American states with similar drug trafficking problems.

The non-competitive and centralized regime type can be observed in many world regions, for example contemporary Venezuela (Ruiz and Flores 2009) or Charles Taylor’s Liberia (Reno 1995). In these countries too, state structures dominate over criminal actors and large-scale criminal activities are rarely implemented without some kind of state involve-

ment. Elsewhere, the competitive and centralized regime type is more applicable. In Latin America, a number of countries fall under this category including Bolivia, Colombia, Guyana, Guatemala, Ecuador, El Salvador, Haiti, Honduras, Nicaragua, Paraguay, and Peru. In these countries the state is still relatively weak and fragmentation of political power allows collusion between the state and organized crime (Ruiz and Flores 2009). There are differences within these cases. For example in Mexico drug trafficking has always been dominated by the law enforcement structures that were designed to fight it while in Columbia the drugs trade initially developed among independent of political actors (Ruiz and Flores 2009) before drug traffickers penetrated politics.

Post-Soviet Eurasia differs from other world regions in at least two other aspects. First, in the former Soviet Union there is a long-established pattern of military subservience to the state while in many other parts of the world including some African states (Beissinger and Crawford 2002), Egypt (Abul-Magd 2013), Panama (Perez 2000) or Ecuador (Mani 2010) armies remain key players in the economy. Hence armies are often independent or semi-independent actors in crony capitalist systems that add to the dynamics of corruption in these countries. Second, as elaborated above, the nexus between politics and business is much more ingrained given the initial role of the state in the redistribution and privatization of state assets in the 1990s (Ganev 2005). Generally, cross-regional comparisons especially with Africa and Latin America are lacking and could become a fruitful area of further research.

This paper suggests that political competition delineates the nature of corruption and collusion in the post-Soviet region. It is outside of the scope of this paper to discuss fully how to tackle the blurring of states with organized and white-collar crime. Where greater competition exists, I have found that organized crime and business interests can exploit that competition and influence the state. However, political competition provides at least the possibility for robust anti-corruption campaigns. The experience of Georgia and the Baltic States suggests that a break with the past in which cohesive elites emerge with an agenda based on genuine commitment to reform is vitally important. So too is engagement from Western states and institutions. However, even in the cases of success stories political corruption and the interwoven networks of corrupt influence remain problematic. Low-level bureaucratic corruption is addressed while parts of the political elite may still be involved in corruption. Still,

fragile democracies in the region – the most pressing example is today’s Ukraine - are still the most likely future corruption fighters and therefore deserve support, even if they are much weaker in the present day than the autocracies of the region.

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