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CORRUPTION

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Analysis

Fighting against Corruption, and Struggling for Status

Diana Schmidt, Bremen

Abstract

Anti-corruption efforts have gained new impetus through more determined governmental commitment in Russia in 2006. We have seen anti-corruption measures ranging from traditional high-level arrests, the ratification of the United Nations (UN) and Council of Europe (CoE) Conventions on corruption, increased collaborative engagement with international efforts, as well as intensified activities by the Duma Anti-Corruption Commission and provision of support, resources, and contact points for civic involvement in the anti-corruption field. But, as in the early 2000s, it is too soon to be content with these actions. Moreover, since the relations and financial flows between foreign donors and Russian non-governmental organizations have become subject to state control, new tensions have arisen at the intersection of international and domestic efforts. These include struggles over who gets the most recognition for initiating measures in this field and providing information on corruption in Russia. While such cleavages are most pronounced in Moscow, they should not be ignored in cross-regional and international collaboration.

Anti-Corruption during the Putin Era

By the late 1990s, when Russia was increasingly seen as an unreliable actor in international relations and a poor recipient of Western financial assistance, the financial ministers of the G-7 stressed the critical need for Russia to fight corruption. This call was re-iterated at the 2006 G-8 Summit in St. Petersburg, which indeed triggered a joint international anti-corruption document, and, in conjunction with which, Russia ratified the UN and CoE Conventions on corruption. These are not merely milestones of a steady anti-corruption policy in Russia. Governmental, non-governmental, and foreign efforts have taken twists and turns over the last years. Corruption, which should have been the focus of the various efforts, has meanwhile grown and diversified, as reported by Transparency International's Corruption Perception Index (CPI) and INDEM studies released in 2005. The 2006 CPI released on 6 November 2006 seems to only confirm a worrisome situation.

Officials continue to call for strengthening law and order in Russia. President Putin's Address to the Coordination Meeting of Law Enforcement Agency Directors on 21 November 2006 and a speech made by Prosecutor General Yury Chaika one week later criticised the unchanged ineffectiveness of the law enforcement system in recent years – despite improvements in its financing, staffing, structures, and, accordingly, overall potential. Underlining that corruption problems keep growing while control mechanisms keep failing, both speakers emphasised the urgent need for improving the legal foundations of corruption prevention. This goes in line with the necessity to start implementing the provisions of the UN and CoE Conventions on corruption, which Russia rati-

fied this year, and to both discipline and protect the law enforcement personnel and judges in their functioning within the domestic context. Chaika further stressed that, given the systemic nature of corruption, anti-corruption must not be regarded as a one-time action, but understood as a continuous and joint effort, involving both state and society, which does not allow pauses or forbearance.

These confessions of state failure in the fight against corruption evoke the question: What has been done against corruption under the Putin administration? From the very beginning of his presidency, Putin had emphasized the country's corruption problem and underlined his anti-corruption commitment. Since the beginning of Putin's tenure, Russia has ratified the most significant conventions: the *CoE Convention on Laundering, Search, Seizure, and Confiscation of the Proceeds from Crime* in 2001, the *UN International Convention for the Suppression of the Financing of Terrorism* in 2002, the *UN Convention against Transnational Organized Crime* in 2004, the *UNCAC* (UN Convention Against Corruption) and the *CoE Criminal Law Convention on Corruption* in 2006. Moreover, albeit not an OECD member-economy, Russia has applied to accede to the OECD Anti-Bribery Convention and become a participant in the OECD Working Group on Bribery in 2001. Russia is also a participant in the OECD-hosted regional Anti-Corruption Network for Transition Economies (ACN) – and thus party to the *Istanbul Anti-Corruption Action Plan* for the post-Communist region. So far, however, Russia has managed to avoid subjecting itself to the implementation monitoring under the ACN and failed to actively work with the network, particularly regarding its knowledge-sharing mandate. Other actions on the

international scene in late 2005 contradict Russia's apparent commitment to fighting corruption, including controversial support for Russian officials convicted during the UN Oil-for-Food Program or the appointment of the former German chancellor as chairman of the Russian-German pipeline consortium.

Domestically, administrative reform, while criticized by Russian anti-corruption advocates for having slackened off, has been pursued on a number of fronts during the restructuring of federal agencies and regional governance reforms, frequently on the grounds that corruption, trafficking, and patronage will be reduced. Still, such efforts seem too scattered while a frequently demanded specific anti-corruption policy has not been adopted. According to opinion polls, the failure to effectively counteract corruption is considered as one of the main shortcomings of President Putin (see Table xx).

2006 – Russia Resumes the Fight Against Corruption

Following intensified press reporting on the CPI and INDEM surveys' claim that corruption had increased during the Putin era, the Russian government had to begin addressing the issue with new vigor. 2006 was announced as a critical year in the Duma's struggle against corruption and President Putin admitted in his 2006 State of the Nation Address that "despite all the efforts we have made, we have still not yet managed to remove one of the greatest obstacles facing our development, that of corruption". Also at the 10th International Business Forum in St. Petersburg in June 2006, Putin himself addressed the necessity of anti-corruption initiatives in his opening speech, underlining that "it is not easy to combat these negative practices ... But we have never ceased this fight against corruption, and intend to carry it on permanently." Indeed, this year has seen a new flurry of governmental anti-corruption activities on all conceivable fronts. But aren't we witnessing a Potemkin performance? Similar to the high international hopes when Putin assumed office in 2000 and declared anti-corruption his priority, aren't key international actors such as the United Nations Office on Drugs and Crime (UNODC), European Anti-Fraud Office (OLAF), or Tacis representatives prematurely emphasizing their positive experiences with collaborative Russian authorities during their most recent projects and their general impressions that the government is pro-actively approaching them in the anti-corruption field?

The occasion of Russia's ratification of the UNCAC in February 2006 is but one example of a practical step accompanied by rhetorical acknowledgement of the problem at the highest levels of government and re-

directing the blame domestically, a move that was not unaffected by internal power struggles and individual motivations. The authorities pointed the finger at notorious corruption-prone elements of society, including the customs services, the usual unspecified masses of businessmen and civil servants, or even "Russia's southern areas." President Putin and then Prosecutor General Vladimir Ustinov supported a new series of corruption probes that hit senior security, legal and customs officials as well as regional leaders. Following Putin's Address, 14 federal level officials were dismissed, 6 high functionaries put on trial, dozens of regional officials investigated. While more committed Duma deputies and activists had frequently blamed the investigation and prosecution agencies for their failure to act, Ustinov in turn tended to redirect the blame on "certain biased media outlets" for hindering their operations and publishing accusatory articles sponsored by criminal groups.

After Putin replaced Ustinov with Chaika in June 2006, the new Prosecutor General praised the office's ability to fight corruption in terms of its political will and functions, while acknowledging a need for reform. Yet, whether the (ongoing) restructurings of the Prosecutor General's office will finally lead to tackling judicial reform as a way to address corruption remains to be seen. Chaika, the former Justice Minister under Putin and earlier the Prosecutor General under Yeltsin, set off by removing several prosecutors claiming that they were incompetent or corrupt, including, among others chief military prosecutor Alexander Savenkov. This move has caused consternation among soldiers' rights activists, since Savenkov has been reputed to be qualified and fair, concerned about investigating army crimes, and has publicly criticized Defense Minister Sergei Ivanov for failing to prevent hazing, a serious problem in the Russian military. As announced by Chaika and Putin in their most recent speeches, anti-corruption efforts in the law enforcement field will be continued by strengthening the monitoring and coordinating functions of the prosecutor's office, drafting a bill on the procuracy, and implementing the federal program "Developing Russia's Judicial System" (2007–2011), including reform of the judicial system internally as well as greater public access to this system.

Since the 2006 CPI, which seems to only confirm a worrisome situation, was released on November 6, the Prosecutor General and his new deputy Aleksandr Buksman have frequently underlined the impressive results of the new anti-corruption campaign: 47,000 violations of the civil service legislation and about 600 corruption-related criminal cases were revealed and about 2,700 officials called to account. Yet according to Chaika, despite impressive figures, anti-corruption measures are still insufficient and an alarming number

of corrupt officials have not been brought to account, in particular within the lower strata of the state structures, including regional and municipal administrations, as well as within the law enforcement and court systems themselves. One should add that, beyond impressive figures, little remains known about investigation procedures and follow-up measures. Putin at least noted in his speech the persistence of a well-known problem: only half of the registered crimes are actually solved.

There have also been more subtle measures that remained less visible to (foreign) press coverage, while a variety of media channels were utilized and diverse audiences addressed within the country. The Ministry of Justice's journal *Chelovek i Zakon* (Man and Law) launched an anti-corruption competition among journalists. Since February 2006, state-owned *Radio Rossiia* hosts a broadcast series on Saturdays which seeks to connect ordinary citizens, who can call in with questions, and key deputies or experts in the anti-corruption field, who are invited into the studio. Also the Internet has become an interactive media for governmental anti-corruption campaigns, and websites of some agencies and ministries provide sections where people can submit corruption-related complaints. Also less documented in Western media are internal reform plans such as those resumed by the Ministry of Economic Development and Trade in 2006, which also focus on the constantly blamed bureaucrats. But the expansions into the public sphere also indicate underlying struggles over prominence in initiating measures and providing information on Russia's corruption problems.

Any Room Left for Non-Governmental Efforts?

These measures revive discussions about the nature of corruption and possible ways of fighting it in the Russian context. Importantly, for the first time, the chosen approaches claim to integrate popular opinion, professional insights, existing experience, and new research. As primarily civic groups have been active in these areas during recent years, one may wonder whether the state seeks to supplement or replace these activities. In the course of strengthening the state's sovereignty, an important instrument in counteracting corruption becomes weakened: the involvement of civic expertise and initiative.

For example, the Duma Anti-Corruption Commission, created in April 2004 and headed by deputy Mikhail Grishankov, declared that it is pursuing goals similar to the activities of Moscow-based civic anti-corruption groups, including analysis of existing legislation, proposed bills, and materials coming from citizens and organizations, for the purpose of develop-

ing positions and standards, and identifying corruption-fostering provisions in the bills. To this end, an expert council has been formed with the Commission that comprises representatives of the law-enforcement agencies, the Prosecutor General's Office, and leading scientific and public organizations specialized in the study of corruption. At closer look, however, this Duma Commission and Council appear as a response to the establishment of an *Anti-Corruption Council* by core Moscow-based non-governmental groups (OPORA, NAK, TI-Russia, INDEM) in February 2004. This council had announced its openness to collaboration with public and business structures and readiness to contribute to anti-corruption legal projects – activities which the Duma Commission has proclaimed as its priorities and taken charge of in practice. Grishankov himself stressed that the priority tasks are to immediately reconcile the Russian legislation with international anti-corruption standards (UNCAC, CoE conventions) and to establish public monitoring, supplemented by anti-corruption efforts at the regional level.

Evidence, Estimations, Assertions ... Networking or Rivaling?

Furthermore, the 2005 CPI and INDEM surveys have incited new anti-corruption bustle with regard to the questions of expertise and information provision. Despite the move against foreign financing of Russian civic advocacy organizations, some forms of civic anti-corruption engagement have survived or even become increasingly active. TI-Russia continues its efforts as part of a global network; NAK (Natsional'nyi Antikorruptsiionnyi Komitet) continues advocacy in Moscow and at the federal level; INDEM presents results of cross-regional surveys; USAID-assisted anti-corruption coalitions are active in several Russian regions; an all-Russian movement *Protiv Korruptsii* (Against Corruption) has emerged since 2005. With increasing frequency, 'anti-corruption' is adopted as a side task by civic rights or environmental groups, and the few existing specific anti-corruption groups are located in Moscow. TI-Russia formally uses foreign grants, and being linked into the international TI movement, it may also access well-organized professional consultation and exchange beyond grant programs. Both NAK and *Protiv Korruptsii* deliberately distance themselves from foreign financial support, albeit remaining open to international collaboration. NAK works closely with TI-Russia and INDEM; these groups are critical of the government and active across several Russian regions. *Protiv Korruptsii* works closer to government and business and seeks to integrate anti-corruption experts from all Russian regions. If it comes to signing international

agreements, the Duma Anti-Corruption Commission informally interacts with all these groups as well as with international organizations, whereas the latter are unaware of the various civic groups. While these seek different strategies to perform their work within the given international and domestic environments, such examples highlight the importance of seeking a better understanding of the continuing but diverse potentials for civic anti-corruption engagement. This should include an awareness of local tensions building up at the intersections of international and domestic efforts.

Following the government's campaign against foreign financing of advocacy NGOs, the attribute '*po grantam*' (funded by grants from) is not any longer a necessarily positive one in Russia. In contrast to human rights and environmental advocacy, direct governmental repression and harassment are lesser problems to anti-corruption groups. Rather, increasing state control on foreign funding introduces more complex cleavages into relations among foreign and domestically funded groups in this field. These inhibit essential networking domestically and entail negative implications for international-local relations. For example, if *Protiv Korruptsii* presents itself as a new all-Russian anti-corruption movement working without foreign funding, it has on this ground formal reason to exclude established organizations such as INDEM and TI-Russia. Local experts who join the new movement, in turn, bar their access to the latter networks. One should further note that INDEM had to justify itself and the validity of its survey results earlier also by proving that its 2005 study was financed by Russian sources (the 2001 study had been criticized for being sponsored by foreign foundations, including government-sponsored ones). That INDEM seems to have a monopoly on information about corruption in Russia through its internationally well-received studies is understood as a thorn in *Protiv Korruptsii's* side. The latter perceives INDEM's 2005 study, which attests rising corruption levels, as "a fruit either of non-professionalism or political order" and a threat to Russia's international standing, not least in the global energy market. Articles are posted on the movement's website

that openly accuse INDEM, and its president Georgy Satarov, of exaggerating the corruption problem by providing figures in its 2005 study that are deliberately impossible, mere assertions, probably ordered, and without doubt fed into the "clownish" but momentous international ratings such as the CPI. Underlining the problem that there are hardly any figures to compare, *Protiv Korruptsii* has become increasingly active in providing additional information on the issue, for example by distributing daily email newsletters, conducting online polls, and actively engaging journalists. The movement also warned earlier this year that internationally today the theme of corruption can become "a new battering ram" against Russia, despite an obviously fundamentally different state of affairs: the Russian administration constantly declares the fight against corruption and participates in international anti-corruption agreements. Following the 2006 G-8 Summit, it portrays the international initiative to fight against kleptocracy as an American concept, a new Marshal Plan, while stressing that Russians themselves should fight with corrupt officials. There is currently a danger that rhetorical feuding – involving both cross-regional and transnational anti-corruption dimensions – intensifies while true action against the common target, corruption, gets lost in the noise.

The current context calls for more sensitivity among researchers and practitioners about increasingly complex tensions over the assessment of Russia's corruption problems and over proposed antidotes at the international-local nexus. Perhaps understandably, foreign donors tend to distance themselves from local cleavages. However, this is often due to insufficient knowledge about their grantees' organizational strategies and affiliations within local contexts and such distancing may unintentionally intensify local cleavages. While anti-corruption assistance programs continue in the regions and at the federal level, it still remains an open question which of the Moscow-led anti-corruption initiatives will eventually take the lead in integrating regional activities. Importantly, transnational network and advocacy effectiveness may be disturbed if nodal points across the country are replaced by one (fragmented) center.

About the author:

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Further Reading:

- Diana Schmidt, *Anti-Corruption Advocacy in Contemporary Russia: Local Civil Society Actors, Transnational Networks and the State*, PhD thesis, Belfast: Queen's University Belfast, 2006.
- Jasmine Martirosian, "Russia and Her Ghosts of the Past," in R. A. Johnson (ed.), *The Struggle Against Corruption: A Comparative Study*, New York / Houndmills: Palgrave Macmillan, 2004, pp. 81–108.
- Centre for Independent Social Research, "Anti-corruption field in St. Petersburg: Actors and Activities, Final report. Prepared within the frame of Think Tank Partnership project "Mobilizing social support to fight corruption in post-socialist countries: cases of Russia and Hungary", St. Petersburg, 2004, <http://cisr.ru/corrupt02rep.pdf>.

Tables and Diagrams

International Level: Russia's Formal Anti-Corruption Commitments

Conventions

CoE Convention on Laundering, Search, Seizure, and Confiscation of the Proceeds from Crime	ratified 2001
UN International Convention for the Suppression of the Financing of Terrorism	ratified 2002
UN Convention against Transnational Organized Crime	ratified 2004
UN Convention Against Corruption (UNCAC)	
CoE Criminal Law Convention on Corruption	ratified 2006

Other Agreements

European Commission Regulation (EC) No 2584/2000 of 24 November 2000 establishing a system for the communication of information on certain supplies of beef, veal and pork delivered by road to the territory of the Russian Federation. - including paperless Anti-Fraud Information System (AFIS) at customs	signed 2000
OECD Working Group on Bribery	participant since 2001
OECD / ACN: Istanbul Anti-Corruption Action Plan (Anti-Corruption Action Plan for Armenia, Azerbaijan, Georgia, the Russian Federation, Tajikistan and Ukraine)	signed 2003
UN Global Compact 10th principle (anti-corruption) since 2004	launched 2001
Fighting high level corruption Joint international document at G-8 Summit, St. Petersburg	signed 2006

In Russia: Anti-Corruption Initiatives (Online Portals)

Duma Counter-Corruption Commission (Mikhail Grishankov)	http://www.duma.gov.ru/anticorcom/index.html http://www.grishankov.ru/KORR_PAGE.htm
Ochnaia stavka s Olegom Vakulovskim (Confrontation with Oleg Vakulovsky) Saturdays on Radio Rossiia	http://www.anticorr.ru/news/news134.html (broadcast archive)
INDEM (professional think tank, democratization and anti-corruption)	http://www.indem.ru/ ; www.anti-corr.ru
Transparency International Russia (local anti-corruption NGO, affiliated with global TI movement)	http://www.transparency.org/
Protiv Korruptsii (all-Russian anti-corruption movement)	http://www.anticorr.ru/

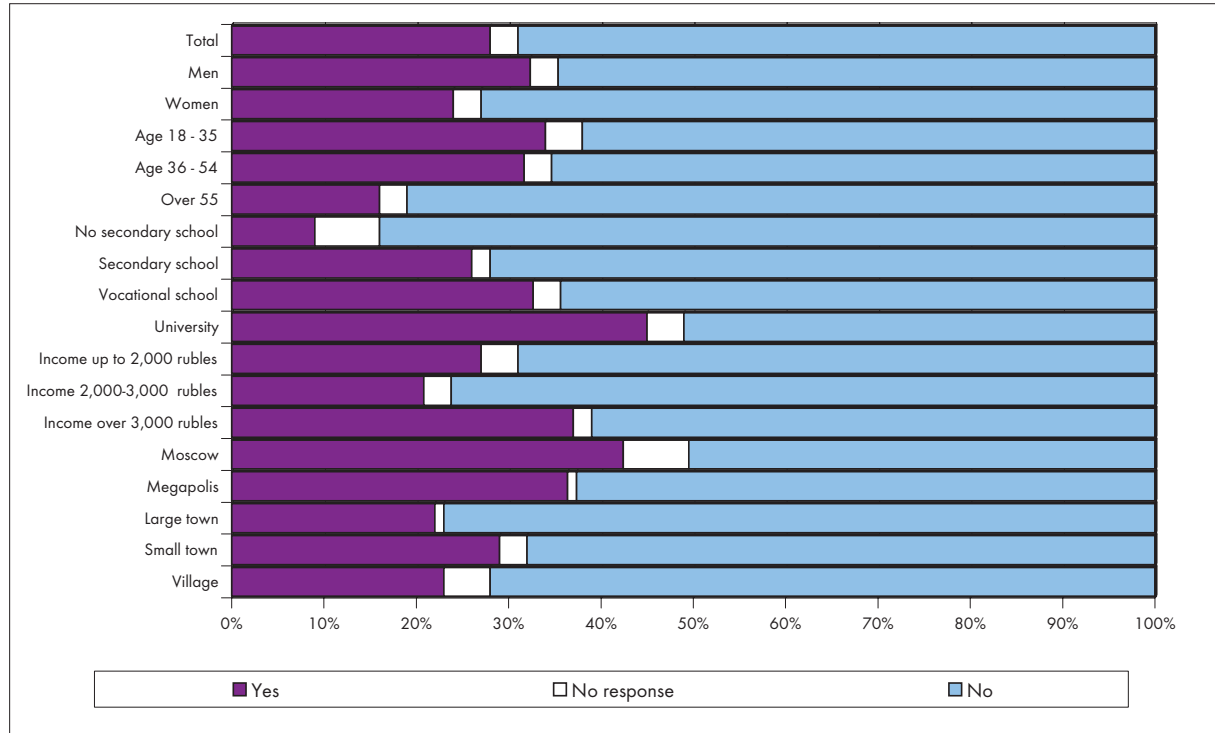
Corruption and Anti-Corruption as Viewed by the “Public Opinion Foundation”

Source: Opinion polls of the „Public Opinion Foundation“ (FOM) of 17–18 and 24–25 December 2005

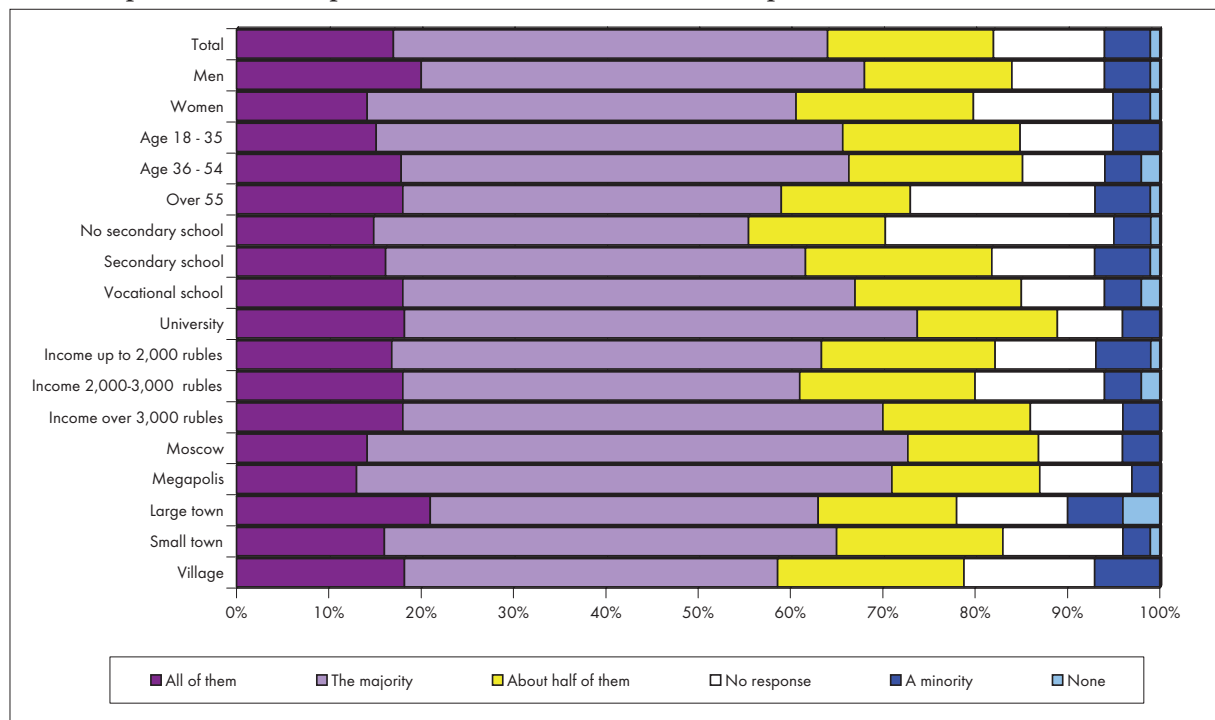
http://bd.fom.ru/report/map/projects/dominant/dom0601/domt0601_4/tb0600106 and

http://bd.fom.ru/report/map/projects/dominant/dom0601/domt0601_4/tb0600107

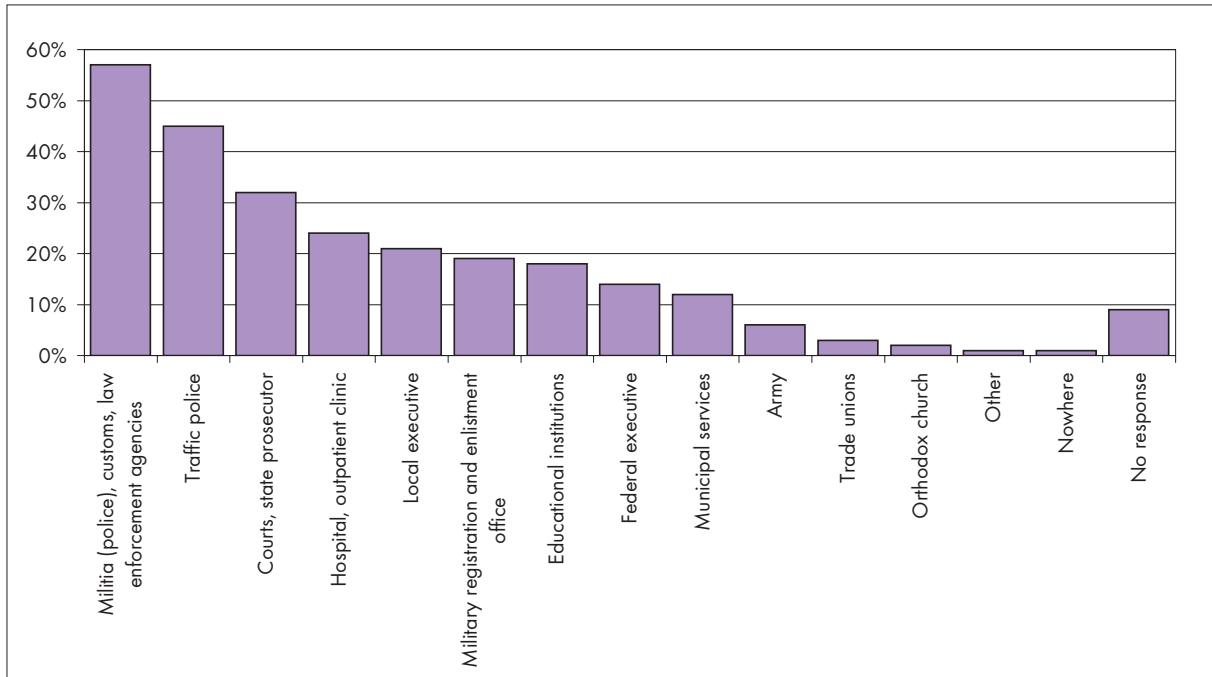
Within the Last One or Two Years, Have You Encountered an Official Who Expected an Unofficial Payment/Service from You?



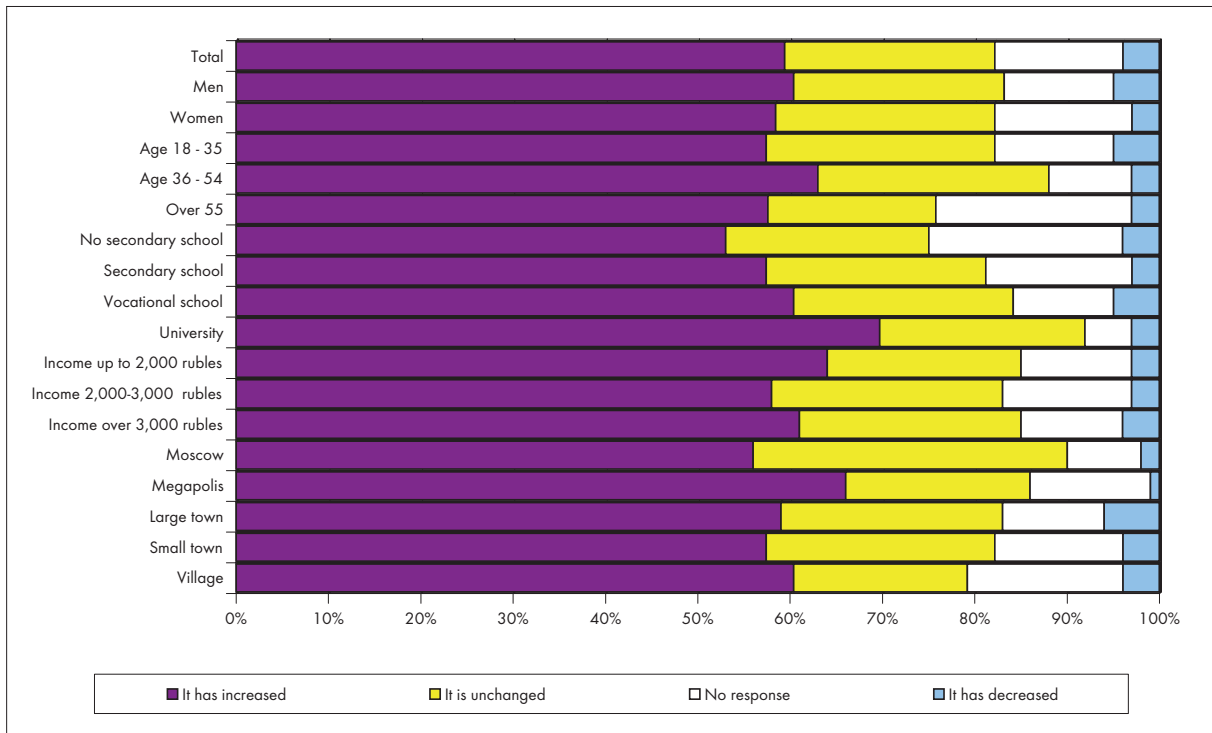
In Your Opinion, What Proportion of Officials in Russia is Corrupt?



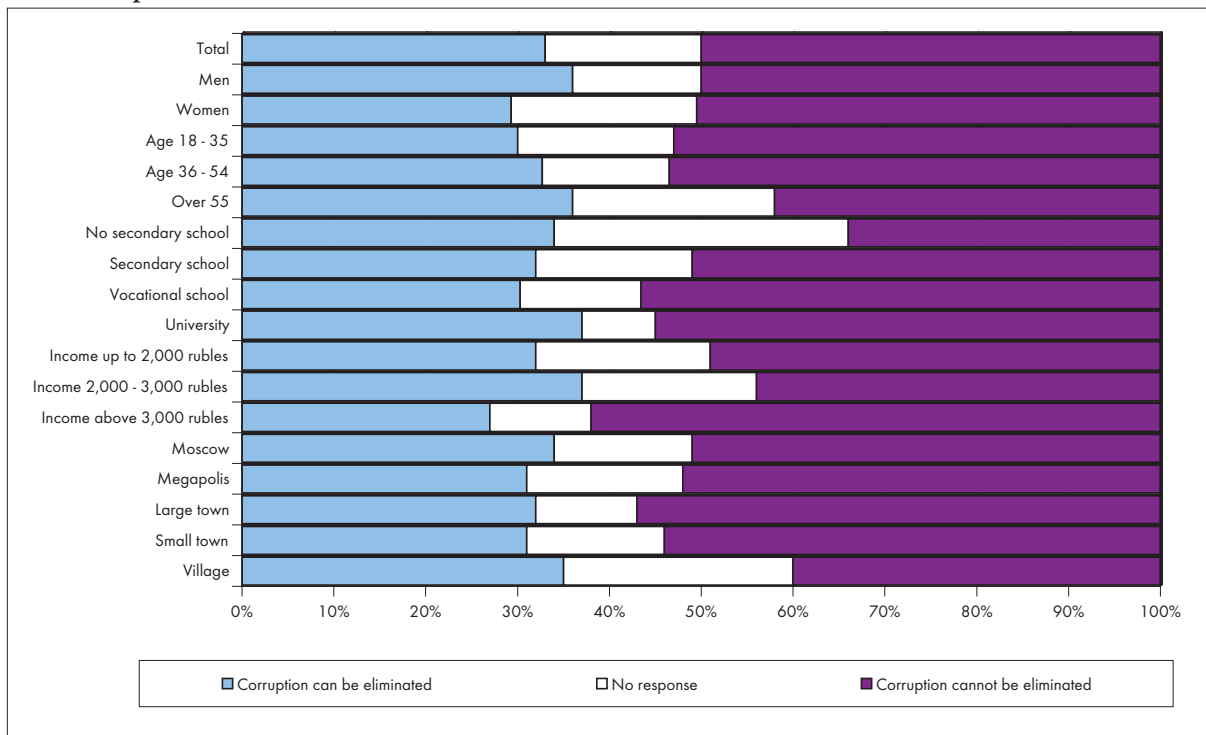
In Your Opinion, in Which Agencies and in Which Institutions Does One Encounter the Most Corruption?



Has Corruption Among Officials Decreased or Increased Within the Last One or Two Years?

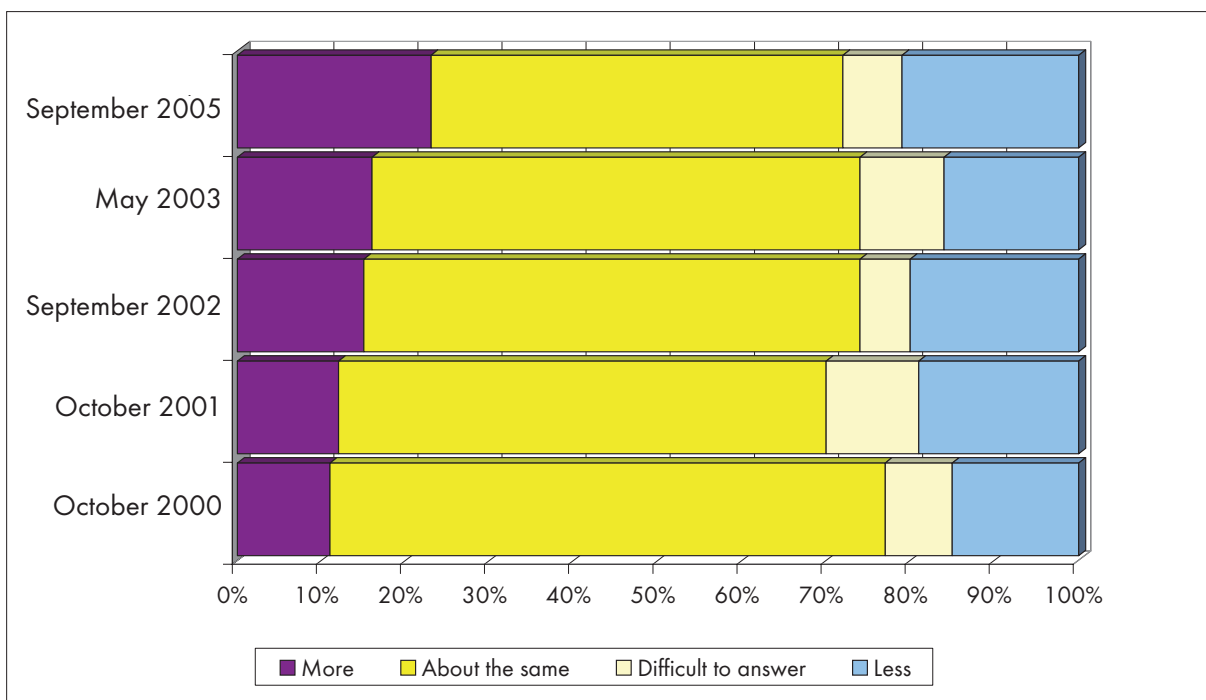


Can Corruption in Russia Be Eliminated?



Scale and Relevance of Corruption According to Polls Conducted by the Levada Center

Is There More Theft and Corruption in the Government of the Country after V. Putin was Elected President of Russia Than There was Under B. Yeltsin?



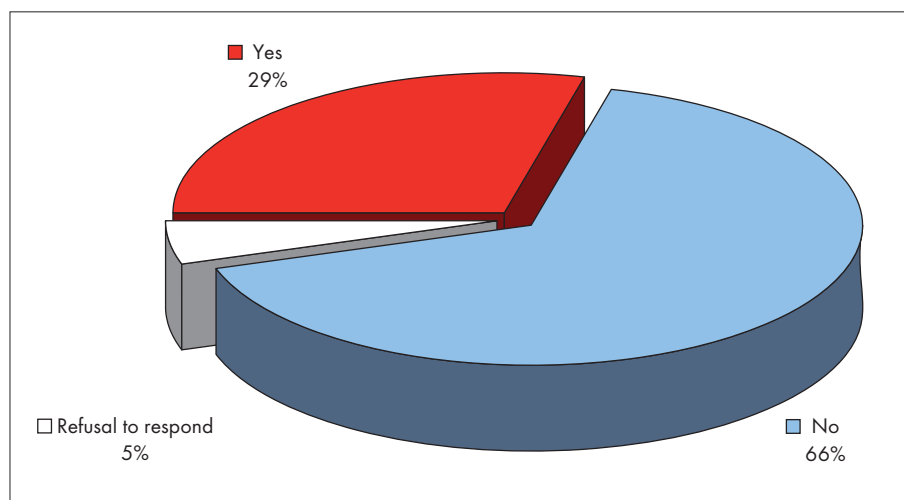
Source: Russian Public Opinion 2005, Levada-Center, Moscow 2006, p. 39.

What Would You Call V. Putin's Main Achievement During His Period in Office and What Did He Deal With the Least Successfully? (In %)

	Achievements		Failures	
	2004	2005	2004	2005
Economic development of the country	21	14	18	19
Raising the citizens' living standards, raising salaries and pensions	37	29	21	21
Raising the level of optimism and hope for a better situation in the country in the near future	27	21	6	6
Introducing order in the country, maintaining a quiet political situation	18	19	10	7
Creating the economic and political conditions for the development of private business	11	8	4	4
"Harnessing" the oligarchs, restraining their ascendancy	18	15	19	14
→ Combating corruption, bribery	14	12	28	27
Combating crime	8	10	25	20
Solving the Chechen problem	10	10	34	27
Securing higher military efficiency and reform of the armed forces	11	13	6	5
Defending democracy and political freedoms of the citizens	6	5	3	3
Eliminating the threat of terrorism in the country	3	6	24	15
Cooperating with other CIS countries	15	16	3	3
Improving the relations between Russia and the West	21	26	3	1
Strengthening Russia's position in the world	19	22	3	3
Improving the relations between people of different ethnic groups in Russia	3	5	7	5
Safeguarding of morals public	2	3	13	13
Economic development of the country	24	26	2	2
Difficult to answer	19	15	10	10

Source: Russian Public Opinion 2005, Levada-Center, Moscow 2006, p. 46.

Did You Have to Pay Bribes Anywhere Within the Last Five Years?



Source: opinion polls by the Levada Center, March 2006 <http://www.levada.ru./press/2006042002.html>

How Much Did You Pay the Last Time You Had To Pay a Bribe?

	Less than 500 rubles	500–1,000 rubles	1,001–4,999 rubles	5,000 rubles and more	I have never paid bribes	Don't know, do not want to answer
Sex						
Men	4%	6%	3%	5%	65%	18%
Women	4%	6%	5%	4%	68%	14%
Age						
18–24	3%	10%	5%	8%	61%	13%
25–39	3%	8%	5%	6%	60%	19%
40–54	7%	5%	6%	4%	60%	18%
55 and above	3%	2%	1%	1%	83%	12%
Education						
University	4%	7%	3%	6%	60%	20%
Secondary school	4%	6%	6%	4%	63%	17%
No secondary school	4%	4%	1%	3%	78%	11%
Place of domicile						
Moscow	1%	9%	4%	7%	47%	32%
Town with population of more than 500.000	3%	6%	2%	4%	66%	19%
Town with population of 100–500.000	6%	5%	4%	4%	62%	19%
Town with population of 10.000–100.000	5%	5%	6%	5%	65%	14%
Village	3%	6%	4%	3%	76%	8%
Federal District						
North-Western	7%	6%	7%	5%	68%	6%
Central	6%	5%	4%	3%	57%	24%
South	3%	7%	8%	7%	60%	16%
Volga	3%	7%	4%	4%	68%	15%
Urals	3%	3%	1%	0%	72%	22%
Siberian	2%	5%	0%	5%	83%	6%
Far Eastern	4%	10%	7%	8%	65%	6%
Consumer status						
Income not sufficient for food	6%	3%	2%	2%	84%	4%
Income only sufficient for food	5%	6%	3%	2%	70%	14%
Income sufficient for food and clothing	3%	6%	4%	6%	64%	18%
Income sufficient for durable consumer goods	3%	8%	8%	5%	53%	22%
Social status						
Upper middle class	1%	8%	7%	6%	60%	17%
Middle middle class	3%	6%	4%	6%	61%	21%
Lower middle class	4%	7%	5%	3%	68%	13%
Lower class	8%	3%	0%	2%	77%	9%

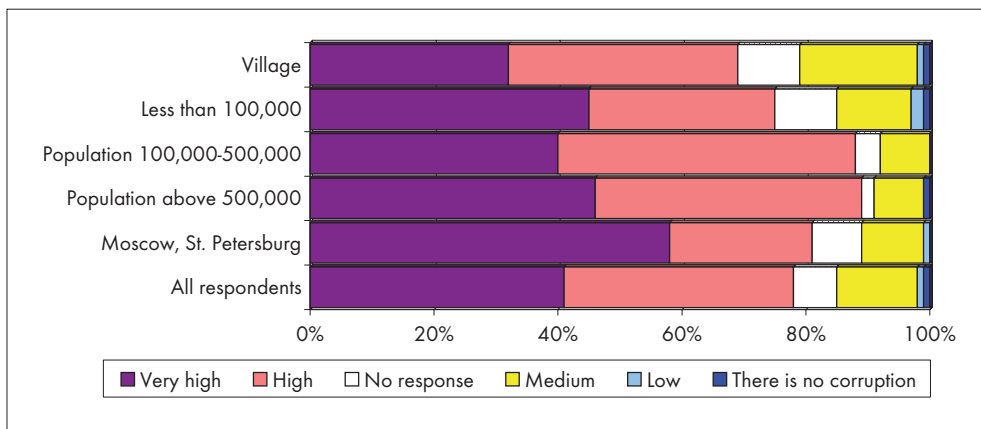
How Much Did You Pay the Last Time You Had To Pay a Bribe? (Continued)

	Less than 500 rubles	500–1,000 rubles	1,001–4,999 rubles	5,000 rubles and more	I have never paid bribes	Don't know, do not want to answer
Occupation						
Entrepreneur	12%	12%	3%	6%	30%	37%
Supervisor (manager)	0%	11%	4%	10%	52%	23%
Specialist (engineer etc.)	3%	7%	4%	3%	61%	21%
White-collar worker	5%	4%	8%	5%	61%	17%
Skilled worker	3%	7%	5%	4%	66%	16%
Unskilled worker	2%	5%	8%	4%	69%	13%
Unemployed	1%	6%	2%	7%	67%	17%
High school or university student	4%	9%	3%	9%	68%	8%
Pensioner	3%	1%	1%	1%	86%	8%
Housewife	4%	12%	1%	8%	55%	21%

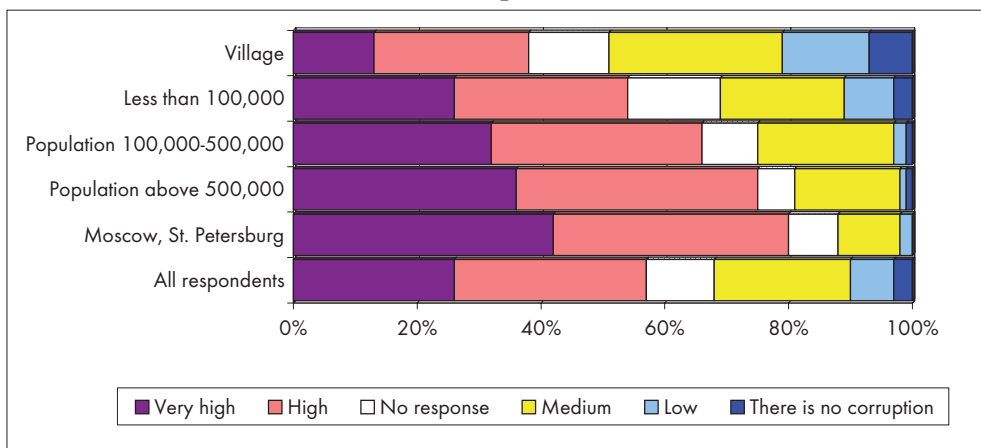
Source: opinion polls by the Levada Center, March 2006 <http://www.levada.ru/press/2006042002.html>

Polling Institution VTsIOM (with Links to the Government) on Corruption in Russia

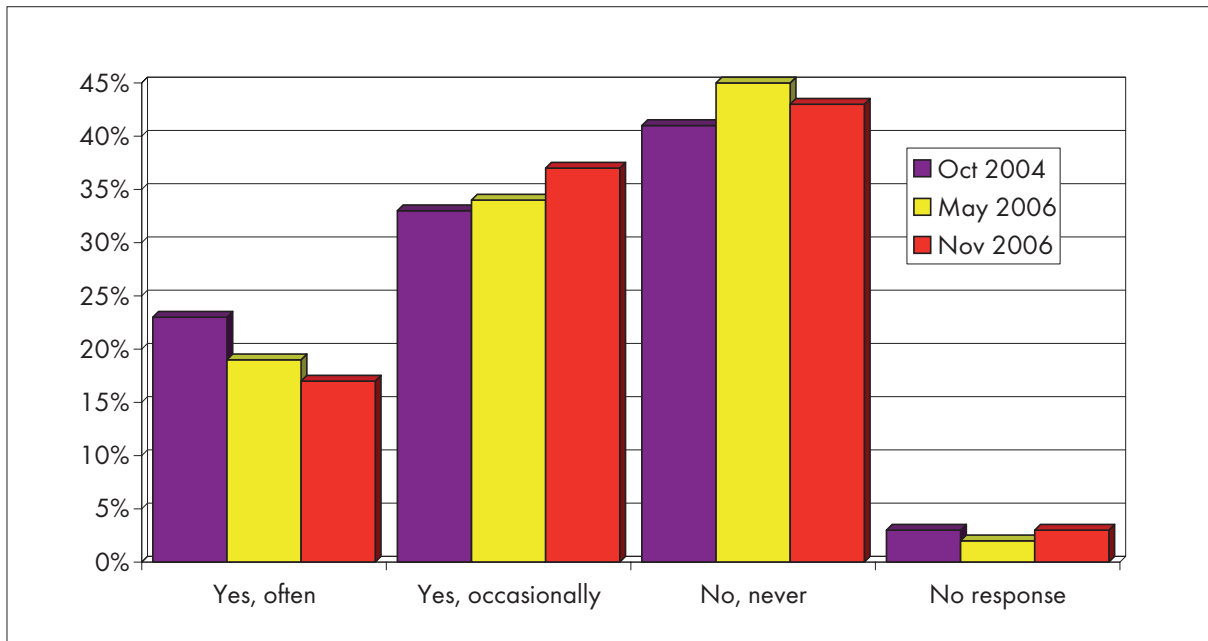
How Do You Rate the Prevalence of Corruption in Society on the Whole?



How Do You Rate the Prevalence of Corruption at Your Place of Residence?



Have You Had to Give Money or Presents to Persons on Whom You Depended for the Solution of Your Problems?



Have You Had to Give Money or Presents to Persons on Whom You Depended for the Solution of Your Problems?

	October 2004	May 2006	November 2006
Yes, often	23%	19%	17%
Yes, occasionally	33%	34%	37%
No, never	41%	45%	43%
No response	3%	2%	3%

	All respondents	Assessment of one's own material situation		
		Very good, good	Intermediate	Bad, very bad
Yes, often	17%	15%	17%	17%
Yes, occasionally	37%	45%	40%	29%
No, never	43%	37%	41%	52%
No response	3%	3%	2%	2%

Source: Opinion polls conducted by VTsIOM on 11–12 November 2006

<http://wciom.ru/novosti-analitika/press-vypuski/press-vypusk/single/3642.html>, 28 November 2006

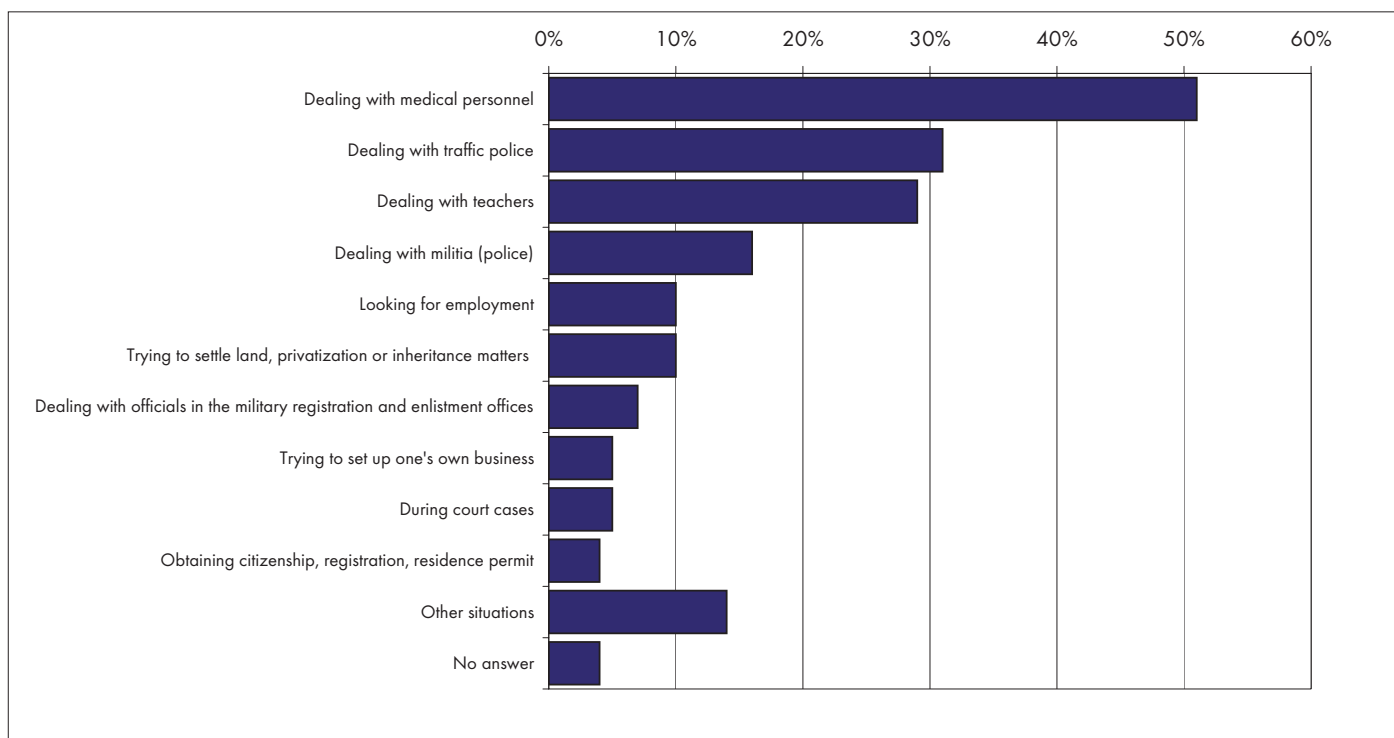
What Are the Main Reasons for Corruption?

	October 2004	November 2006
Greed and lack of morals of Russian businessmen and bureaucrats	37%	43%
Inefficiency of the state, flaws in legislation	40%	35%
A low level of judicial culture amongst a majority of the population	19%	18%
No response	4%	4%

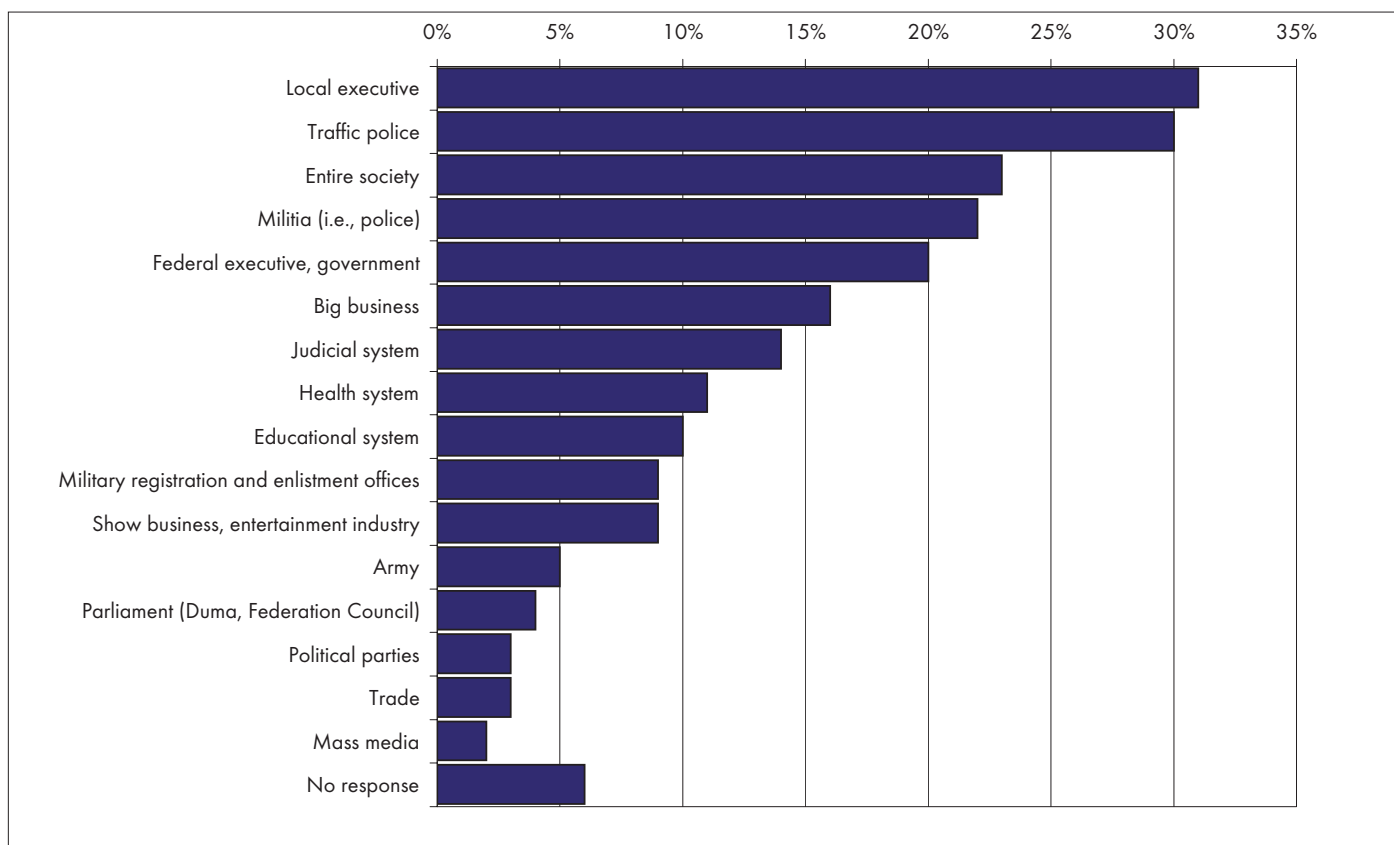
Source: Opinion polls conducted by VTsIOM on 11–12 November 2006

<http://wciom.ru/novosti-analitika/press-vypuski/press-vypusk/single/3642.html>, 28 November 2006

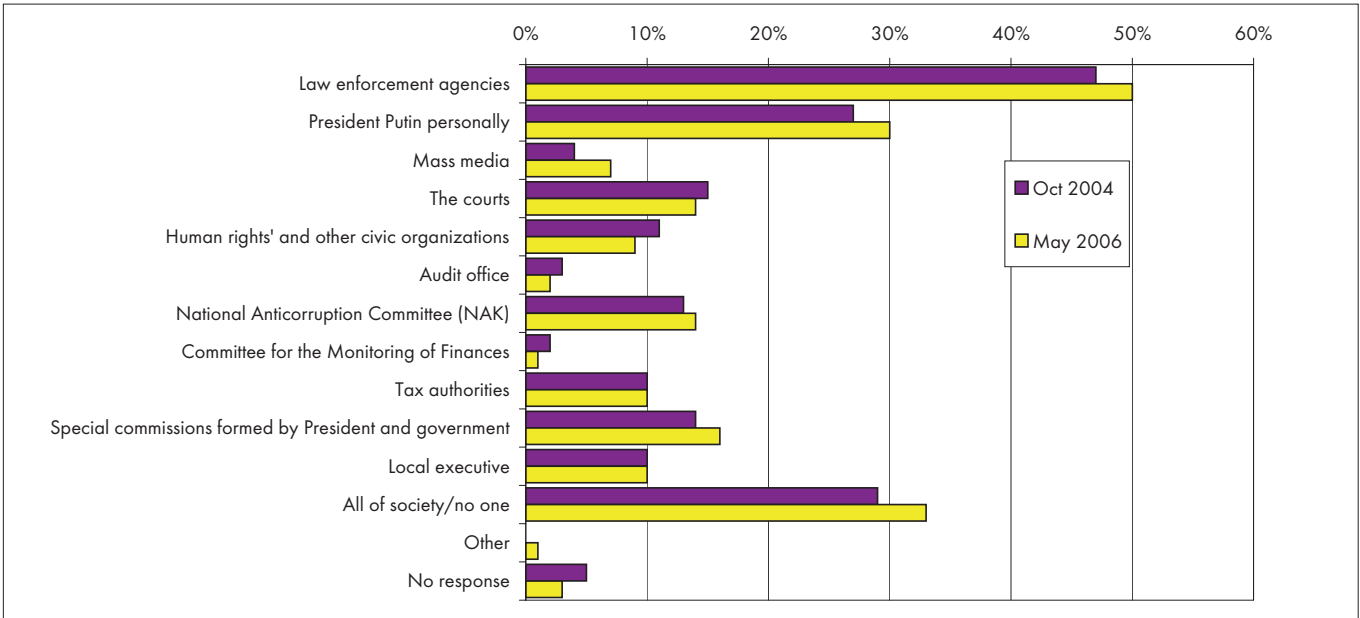
Under Which Circumstances Did You Give Money or Presents in Order to Facilitate the Solution of Your Problems? (Percent of Respondents Who Gave Money or Presents)



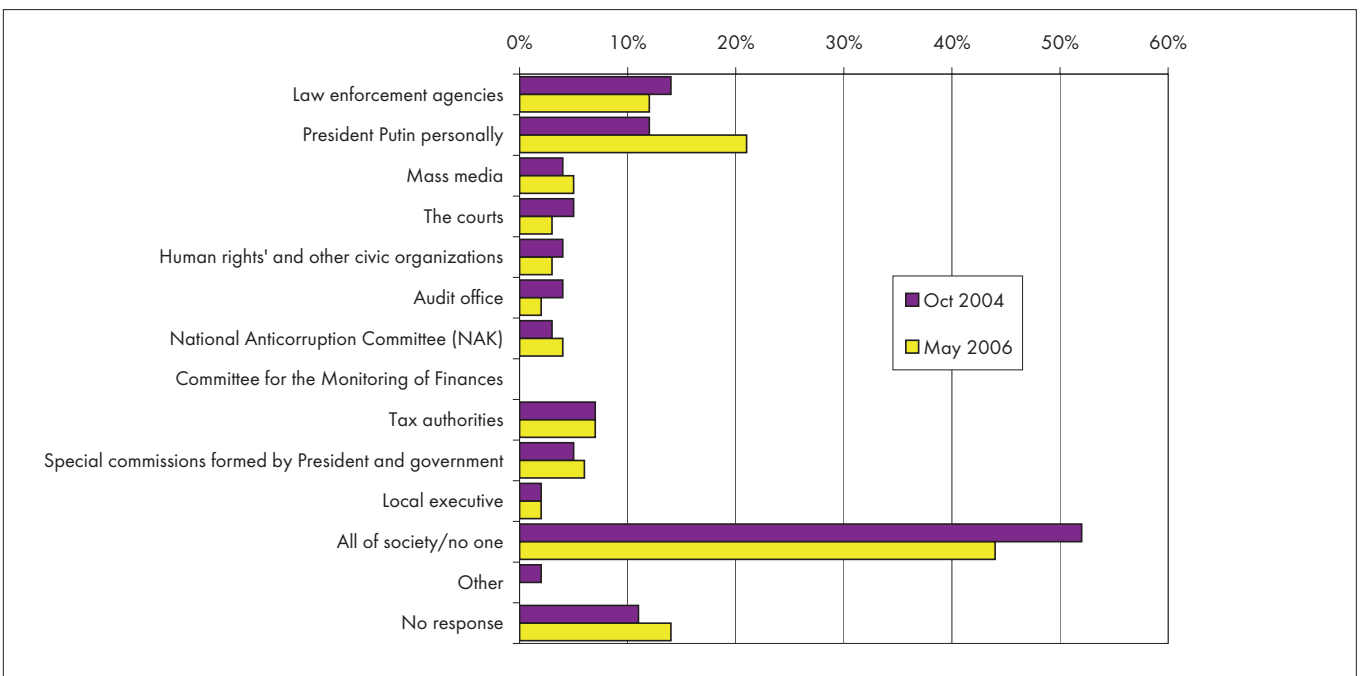
Which Areas and Institutions in Today's Russia are in Your Opinion Most Affected by Corruption? (Up to Three Answers Possible)



**In Your Opinion, Who Should Take Action Against Corruption First and Foremost?
(Up to Three Answers)**



In Your Opinion, Who Fights Most Effectively Against Corruption? (Up to Three Answers)



Source: <http://wciom.ru/?pt=40&article=2826>, 30 June 2006

In Your Opinion, Which Anticorruption Measures Are the Most Effective? (Up to Three Answers)

	May 2006	November 2006
Better monitoring of officials by society and democratic institutions	35%	38%
Perfecting legislation	30%	38%
Confiscating the property of corrupt officials and their relatives	39%	36%
Reducing the size of the state apparatus	38%	26%
Introducing the death penalty for corruption and white-collar crime	28%	16%
Awards (and material rewards) for persons who voluntarily inform about corruption	17%	15%
Additional powers and more funding for law enforcement agencies	19%	12%
Legalizing less socially harmful forms of corruption (tips, presents for medical doctors and teachers, etc.)	8%	11%
No response	4%	7%

Source: Opinion surveys by VTsIOM on 11–12 November 2006

<http://wciom.ru/novosti-analitika/press-vypuski/press-vypusk/single/3642.html>, 28 November 2006

Transparency International: Corruption Perceptions Index (CPI) 2006 (Selected Countries)

Country Rank	Country	2006 CPI Score	Surveys Used	Standard Deviation
1	Finland	9,6	7	9,4 – 9,7
1	Iceland	9,6	6	9,5 – 9,7
1	New Zealand	9,6	7	9,4 – 9,6
11	Austria	8,6	7	8,2 – 8,9
11	Luxemburg	8,6	6	8,1 – 9,0
11	United Kingdom	8,6	7	8,2 – 8,9
14	Canada	8,5	7	8,0 – 8,9
15	Hong Kong	8,3	9	7,7 – 8,8
16	Germany	8,0	7	7,8 – 8,4
17	Japan	7,6	9	7,0 – 8,1
18	France	7,4	7	6,7 – 7,8
18	Ireland	7,4	7	6,7 – 7,9
20	Belgium	7,3	7	6,6 – 7,9
20	Chile	7,3	7	6,6 – 7,6
20	USA	7,3	8	6,6 – 7,8
24	Barbados	6,7	4	6,0 – 7,2
24	Estonia	6,7	8	6,1 – 7,4
121	Gambia	2,5	6	2,3 – 2,8
121	Guyana	2,5	5	2,2 – 2,6

Country Rank	Country	2006 CPI Score	Surveys Used	Standard Deviation
121	Honduras	2,5	6	2,4 – 2,7
121	Nepal	2,5	5	2,3 – 2,9
121	Philippines	2,5	9	2,3 – 2,8
121	Russia	2,5	8	2,3 – 2,7
121	Rwanda	2,5	3	2,3 – 2,6
121	Swaziland	2,5	3	2,2 – 2,7
130	Azerbaijan	2,4	7	2,2 – 2,6
130	Burundi	2,4	5	2,2 – 2,6
130	Ethiopia	2,4	7	2,2 – 2,6
130	Indonesia	2,4	10	2,2 – 2,6
130	Togo	2,4	3	1,9 – 2,6
130	Zimbabwe	2,4	7	2,0 – 2,8
142	Kenya	2,2	7	2,0 – 2,4
142	Kyrgyzstan	2,2	6	2,0 – 2,6
142	Nigeria	2,2	7	2,0 – 2,3
142	Pakistan	2,2	6	2,0 – 2,4
142	Sierra Leone	2,2	3	2,2 – 2,3
142	Tajikistan	2,2	6	2,0 – 2,4
142	Turkmenistan	2,2	4	1,9 – 2,5
151	Belarus	2,1	4	1,9 – 2,2
151	Cambodia	2,1	6	1,9 – 2,4
151	Ivory Coast	2,1	4	2,0 – 2,2
151	Equatorial Guinea	2,1	3	1,7 – 2,2
151	Uzbekistan	2,1	5	1,8 – 2,2
163	Haiti	1,8	3	1,7 – 1,8

Source: http://www.transparency.org/news_room/in_focus/cpi_2006/cpi_table, 7 November 2006

Regional Report

Will Moscow Crack Down on Far Eastern Corruption?

Oleg Ssylka, Vladivostok

Summary

In the Far East, everyone is waiting to see how Moscow's high profile battle with corruption on the Russian-Chinese border will end. In recent months, several high level officials have been fired and the head of the Customs Service has been arrested. However, many local observers claim that recent events are not part of a real campaign against corruption, but simply an attempt by one group to exert its power over others. What the ultimate outcome will be remains unclear.

Problems with the Customs Service

During the last six months, the Far Eastern Customs Service, one of the most effective revenue generators in the Russian government, has struggled from scandal to scandal. Everyone has long ago become accustomed to the fact that corruption has pervasively invaded this state organization. Nobody even hoped that the battle against corruption would begin here. Nevertheless, it is taking place. President Vladimir Putin declared war, in pronouncing his famous phrase that in Russia business and the customs service had united in economic ecstasy. Many then had the impression that the president was speaking about the Far East and Primorskiy Krai in particular. And, indeed, the federal authorities are now working to separate business and customs beginning in the Far East.

The campaign began when the authorities detained 150 freight train cars of Chinese consumer products in Moscow in April 2005. The goods arrived by railroad after traveling across the country from the Primorsky port of Nakhodka. This shipment was hardly the only case of undeclared goods transiting across Russia. Two months before the authorities detained these goods, they uncovered a well-organized shipment route from China to Moscow. The goods on that route were sent by sea to the Vostochnyi port and then by train to Moscow, according to various Russian newspapers. The Russians who received and then forwarded the goods simply acted as fronts for the real owners. Ultimately, the goods ended up at the Cherkizov market, where they were distributed to Chinese businessmen, the real owners, for sale to the public.

As a result of that case, the authorities filed criminal charges against approximately 25 people. Within a few weeks investigators claimed that they had traced the trail to Primorsky Krai Federation Council member Igor Ivanov, who had previously served as a deputy governor under Governor Sergei Darkin. At that time, he was considered one of the most influ-

ential figures in the Far East in the field of foreign economic and customs relations. After the investigators conducted a search of his apartment, Federation Council Chairman Sergei Mironov "recommended" that Governor Darkin remove Ivanov from office and Darkin quickly complied. Given his position, it is conceivable that Ivanov could have helped set up ties in the Russian government and among the federal law enforcement authorities to facilitate the smuggling activities.

Shortly before Ivanov was forced out of the Federation Council, Ernest Bakhshetsian, the head of the Far Eastern Customs Service, and his deputy Aleksandr Vorobev were arrested and incarcerated in a Vladivostok prison. The procurator has accused them of abusing their office and a Vladivostok court is now considering the case. According to the investigator, they "illegally ordered their subordinates to expedite consumer goods through customs without oversight." Apparently, the testimony of former customs agents subordinate to Bakhshetsian facilitated the arrests.

Bakhshetsian's arrest raises interesting questions. One year before he was detained, he won appointment as the head of the Far Eastern customs service thanks to the backing of Minister for Economic Development German Gref. Bakhshetsian, who had no ties with the local elite, announced then that his goal was to root out corruption and the contraband trade while increasing the income the agency generated for the state. He started his new job by replacing the chief officials in the local customs service, forcing many out of their jobs. Additionally, he personally monitored the system for moving freight and making declarations.

Bakhshetsian told the local newspaper *Dal'nevostochnyi kapital* that he would return all of the customs inspection stations to the state. Both then and now, all of the infrastructure for inspecting automobiles on the Far Eastern border, and particularly in Primorsky Krai, belongs to private individuals. In Primorsky Krai, they are rich businessmen who are

members of the Krai Duma.

These plans immediately angered the local foreign trade elite. Individuals responsible for the greatest amount of Chinese trade sought the help of the Primorsky Krai administration, hoping to persuade the government to give them exclusive rights to establish a semi-governmental entity to manage all the auto inspection points in the Krai. The ostensible purpose was to improve service for tourists and freight shippers. They were not able to realize this goal.

Charges Against the Customs Chief

The new head of the Far Eastern Customs Service clearly had Moscow's support and Minister Gref blocked all attempts by the local oligarchs to remove him. Bakhshitsian also began to travel with two bodyguards and took other security measures. However, he had no defense against the law enforcement authorities, who now accuse him of working out a "separate agreement" with the smugglers. The gist of the deal allegedly is that the customs agents do not inspect all freight shipments passing through their stations, while the shippers pay an agreed amount for every cubic meter to the budget. Thus, in a relatively short period of time, the Customs Service was able to increase the amount of money it contributed to the state budget by 50 percent. As a result, several local observers claim that the major shippers faced significantly reduced profits since the new customs head was making life more difficult for them. Eventually they were able to get rid of him.

Many famous people in the kraï came to Bakhshetsian's defense after his arrest. Among them were members of the law enforcement community claiming that such an agreement was the only way to increase revenue for the budget. Increasing revenues was exactly what the federal authorities had asked Bakhshetsian to do. At the same time, other observers suggested that Bakhshetsian's mistake was that he did not seek to root out the smugglers completely, rather seeking a compromise with them.

Others Sought in the Case

The authorities are seeking a variety of other individuals for questioning. Currently, for example, they are looking for Vladimir Khmel, a former Primorsky Krai legislator and one of the region's richest residents. The authorities suspect that he was one of the co-organizers of the Rostek-DV Servis company, the largest shipper of Chinese consumer goods and meat products through Primorsky Krai. This firm has come under investigation several times. Allegedly, Khmel was in charge of transporting the goods, in-

cluding to Moscow. Notably, as soon as word leaked about the reasons for Ivanov's departure from the Federation Council and his possible relationship to the smuggling case, Khmel went into hiding in Spain. There are now rumors in Primorsky Krai that he is selling all of his business interests and does not plan to return. Another wanted figure is Denis Pavlov who is suspected of moving the money in the case. The authorities are also seeking Sergei Khe, currently a co-owner of one of the Nakhodka ports. He allegedly organized the smuggling of meat and consumer goods from China through the port.

All of these people associated with the company Rostek-DV Servis attracted the attention of the law enforcement authorities on many occasions over the last ten years, according to the local newspaper *Zolotoi rog*. However, all of the cases against them were closed without being prosecuted. That was what happened with the scandalous "meat affair" in 2003 in Nakhodka. Then customs agents detained a ship coming from China with more than \$3 million worth of meat on board. Documents claimed that the ship was only carrying one-tenth of that amount. The case went to the procurator, the ship with meat returned to China, and the owner only had to pay a fine. Similarly, the case surrounding the contract killing of Rostek Primore General Director Sergei Popov was settled quietly last year.

There have been several attempts to punish the smugglers. And, although investigators came up with promising leads, even high level officials of the law enforcement agencies were forbidden to continue this work. It seems that the most influential smugglers have their own people working within these agencies.

Moscow Sends in the Troops

It is not clear how things would have turned out in this case under ordinary circumstances. Most likely the customs chief would have received a light penalty and the authorities would have forgotten about the other corrupt officials and smugglers. However, in June Yury Chaika was appointed as Russia's new procurator general and began to pursue the customs case with new energy.

He sent Deputy General Procurator Yurii Gulyagin to Vladivostok, where he promptly announced that the most interesting cases were still to come. On the last day of October, around 30 fighters from the Vityaz special Interior Ministry unit and procurator staff arrived at the military airport in the suburbs of Vladivostok and began investigating the most influential politicians and businessmen connected with importing Chinese goods and meat in Primorsky Krai.

In their first stop, the group visited the office of Gennady Lysak, one of the krai's most influential entrepreneurs and a deputy of the krai legislature. Lysak is a tireless organizer of the border trade: there are more than 20 businesses registered at his address dealing with Russian-Chinese trade. The investigators thoroughly searched the premises and seized many documents. They also searched the "36 Hours" law bureau, which provided legal services to these firms and played a role in the case of the 150 train cars filled with smuggled goods in Moscow.

Even though these investigations were conducted in an atmosphere of secrecy and the arrival of the Muscovites was a complete surprise for the local law enforcement agencies, the targets of the investigations had been warned in advance. At least that is what people who are involved in the case think. Otherwise, how is it possible to explain how the documents that the Moscow investigators sought were not found in the offices they raided? Ultimately, there were many raids throughout the region and it is not clear what the results will be.

What Is Really Going On?

Everybody is trying to figure out the true purpose of these investigations. It would be fine if the authorities finally decided to get rid of the corruption in the customs service that is now fed by the smuggling and illegal interests of the region's powerful local oligarchs. However, the Primorsky Krai law enforcement authorities claim that what is happening now is closer to a classical redistribution of spheres of influence. These observers suggest that the Moscow-based investigators are working in the interests of groups in the capital that are seeking to gain control of black market financial flows.

Other observers argue that Moscow is now really trying to impose order on the Far East. In this far flung region many businessmen and public officials have long since stopped obeying the law. They associate the new crackdown with the appearance of a new presidential envoy, Kamil Iskhakov, in the Far East, the rise of General Procurator Yury Chaika, who has an intimate understanding of the Far East due to his

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previous experience there, and the most recent statements by Putin, who has called for legislation that would strengthen monitoring over the income and property of law enforcement employees, including those working in the Customs Service.

One wants to hope that the president's words will be translated into deeds. In Primorsky Krai, it is only possible to fight with the "gray schemes" drawing on strong support from the federal leadership. One honest general will not be able to address the problem of smuggling alone.

Kondratov Returns

In this sense it is interesting to examine how Governor Darkin has reacted to the customs scandal. Whether by chance or not, he has recently fired almost all of his deputy governors.

Moreover, shortly after the Moscow inspectors arrived in Vladivostok, he proposed replacing Federation Council member Ivanov with former Federal Security Service (FSB) General Viktor Kondratov. Lt. Gen. Kondratov is famous in the Far East above all for his conflict with former Governor Yevgeny Nazdratenko. In 1997-1998, Kondratov combined the posts as regional FSB chief and presidential representative in Primorsky Krai. He was not able to bring Nazdratenko into line and in April 1999 was moved to the FSB's central staff in Moscow and then sent as the FSB representative to Moldova and Transdnistria. More recently, Kondratov has lived in the krai. His reputation is not unblemished. His son Ruslan is one of the region's most prominent local businessmen and a member of the Krai Duma.

It is too difficult to say now how the case surrounding the Customs Service will end for its various participants. It is not clear if Moscow has the will to battle corruption from the Far East back to the capital. There is still time before the presidential elections. That means that the authorities must demonstrate that they are working to improve the life of ordinary citizens as well as fighting crime and corruption. For the Far East, and especially Primorsky Krai, these issues are especially timely.

About the Russian Analytical Digest

The Russian Analytical Digest is a bi-weekly internet publication jointly produced by the Research Centre for East European Studies [Forschungsstelle Osteuropa] at the University of Bremen (www.forschungsstelle-osteuropa.de) and the Center for Security Studies (CSS) at the Swiss Federal Institute of Technology Zurich (ETH Zurich). It is supported by the Otto Wolff Foundation and the German Association for East European Studies (DGO). The Digest draws on contributions to the German-language *Russlandanalysen* (www.russlandanalysen.de), the CSS analytical network on Russia and Eurasia (www.res.ethz.ch), and the Russian Regional Report. The Russian Analytical Digest covers political, economic, and social developments in Russia and its regions, and looks at Russia's role in international relations.

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Research Centre for East European Studies [Forschungsstelle Osteuropa] at the University of Bremen

Founded in 1982 and led by Prof. Dr. Wolfgang Eichwede, the Research Centre for East European Studies (Forschungsstelle Osteuropa) at the University of Bremen is dedicated to socialist and post-socialist cultural and societal developments in the countries of Central and Eastern Europe.

The Research Centre possesses a unique collection of alternative culture and independent writings from the former socialist countries in its archive. In addition to extensive individual research on dissidence and society in socialist societies, in January 2007, a group of international research institutes will be assembled for a collaborative project on the theme "The other Eastern Europe – the 1960s to the 1980s, dissidence in politics and society, alternatives in culture. Contributions to comparative contemporary history" which will be funded by the Volkswagen Foundation.

In the area of post-socialist societies, extensive research projects have been conducted in recent years with emphasis on political decision-making processes, economic culture and identity formation. One of the core missions of the institute is the dissemination of academic knowledge to the interested public. This includes regular email service with more than 10,000 subscribers in politics, economics and the media.

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The Center for Security Studies (CSS) at ETH Zurich

The Center for Security Studies (CSS) at the Swiss Federal Institute of Technology (ETH Zurich) is a Swiss academic center of competence that specializes in research, teaching, and information services in the fields of international and Swiss security studies. The CSS also acts as a consultant to various political bodies and the general public.

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