

# On Strategies for Combating Corruption in Russia

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**T**he scale and scope of corruption in Russia are well known, and most observers agree that a new approach to fighting corruption is needed. In early 1998, the government newspaper, *Rossiiskaya Gazeta*, published a draft of a government anticorruption program, but it was blocked by Russian president Boris Yelstin. Now, while the state Duma debates two different strategies for combating corruption, the absence of a definite program still harms the country.<sup>1</sup>

For years, the highest echelons of power in the country have seemed neither ready nor willing to combat the dangerous phenomenon of corruption. The reason for this is no secret here or even abroad. American legislators view Russian President Boris Yeltsin and his circle as a corrupt clan, occupied primarily with their own survival.<sup>2</sup>

Russian crime statistics illustrate the growth in crimes of corruption. In 1998, the number of cases of taking and giving bribes increased by 6 percent, misuse of power by 9.8 percent, and illegal participation in enterprise activity by 32 percent. According to Ministry of Internal Affairs data for 1999, the number of cases of bribery by public officials increased by 18.3 percent last year, while the number of cases of “commercial bribery”—bribery by officers of non-state organizations—increased by 26.9 percent. The second half of 1999 was marked by enormous scandals tied to the publication by international media of numerous details of money laundering through the Bank of New York, and the publication of the notorious “Geneva List” of twenty-three Russians suspected of illegal financial operations.<sup>3</sup> The General Procuracy of the Russian Federation initiated a criminal case that fixes the responsibility for the illegal bank activity.<sup>4</sup>

Speaking at the Carnegie Foundation on U.S.–Russian relations in September 1999, Secretary of State Madeleine Albright expressed concern about the level of corruption in Russia and called on the Russian government to devote primary attention to this problem.<sup>5</sup> But since the highest circles of power in Russia have been overtaken by corruption, one loses hope that any serious discussion aimed

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at finding ways out of this political and moral crisis will ever take place. However, it is important to account for the upcoming change of power. A new president should make one of his priorities the implementation of a new strategy to combat corruption—a strategy that takes into consideration the scale of corruption in Russia and its main causes.

Although Russia has a very high degree of corruption, according to the data of various polls, it is a global problem.<sup>6</sup> A memorandum of the legal committee of the Council of Europe, "On Fighting Corruption," noted that the phenomenon is "like an epidemic, taking over the entire continent and creating a serious threat for all countries."<sup>7</sup> In the view of American professor Alan Block, the United States today has the same levels of corruption that it did a hundred years ago.<sup>8</sup> Russia is a part of that problem. According to David Kaplan, American federal agencies suspect that Russian swindlers and their partners in America have penetrated the highest levels of the U.S. financial system. In 1998, several foreign firms concluding contracts of almost \$30 billion were caught bribing American public servants.<sup>9</sup>

Because of the necessity of using foreign banks to launder money, corruption is increasingly becoming a transnational phenomenon. But although the problem is universal, in Russia it is especially severe and threatens the viability of the state. To determine the critical nature of the problem, it is necessary to understand that corruption has a social role in Russia. A common opinion is that corruption is "the oil that greases the wheels of the state mechanism" (*ne podmazhesh, ne podyedesh*). However, the true danger of corruption is that it corrodes and deforms governmental institutions and destroys the fabric of society and the state.

That corruption afflicts all levels of power illustrates the seriousness of the situation. For instance, the relatively small number of corruption cases that have gone to court suggests that corruption plagues law enforcement agencies as well. The continuous blockage of anticorruption legislation by the Presidential Administration for the past five years underscores this supposition. It is important to consider the degree to which socioeconomic conditions like unemployment have exceeded permissible levels and have created a real threat to the economic health of the state and society.<sup>10</sup>

It is also important to consider the additional sources of danger emanating from the economic crisis of August 1998, permanent changes in governmental appointments, and the war in the Caucasus. The fall in the ruble occurred immediately after Russia was given its next installment of International Monetary Fund (IMF) credits. Many well-informed people who owned short-term state treasury bills sold them for rubles the day before Russia received money from the IMF. As a result, the ruble lost value and the hard currency ended up abroad. According to audit data, the Central Bank of Russia wasted over \$9 billion during July and August 1998 in artificially supporting the ruble. Now the main Russian bank is accused of assisting the "right" people to buy dollars at discount rates and transfer their money abroad.<sup>11</sup>

The war in the Caucasus has had a commercial as well as a political character because it has involved the sale of weapons, the ransoming of hostages, and

other activities. Russian television viewers still remember the reporting of the war in Chechnya from 1994 to 1996. One of the reporters spoke of traitors among the federal armed troops who sold their weapons to Chechens in the evenings after waging war against them in the daytime. It goes without saying that there were other methods of illegally arming combatants that brought big profits to merchants and corrupt officials.

Since that war, the liberation of hostages caught in Chechnya has often been accompanied by ransoming. According to the *Komsomolskaya pravda*, Federal Security Service headquarters reacted negatively to rumors that famous Russian oligarch Boris Berezovsky was involved in selling hostages to ringleaders of criminal groups to use for their own mercenary purposes.<sup>12</sup> It is interesting that on the same day, in the same paper, a journalist describes a night when Berezovsky fell asleep on his briefcase, which contained three million dollars, while he sat in an airplane surrounded by militia while waiting for certain traffickers in persons.<sup>13</sup> It has now become known that the attack of Chechen criminal combat groups on Dagestan in summer 1999 was accompanied by and tied to the betrayal and buying off of several important officials. Moreover, according to M. Ter-mibulatov, an officer in the North Caucasus regional department for fighting organized crime, some senior officers of troops located in North Ossetia have sold junior officers into slavery.<sup>14</sup> However, it is necessary to emphasize that this corruption does not affect the latest stage of military operations in Chechnya, where the army defends the unity and integrity of Russia.

Russia has become a “society of enormous risk” incapable of developing normally.<sup>15</sup> According to Sergei Glaz’ev, there are certain “rules of the game” in the ruling elite. To maintain one’s position as an influential businessman one must buy up bureaucrats, avoid paying taxes, export capital abroad, and make deals with wealthy authorities to seize valuable pieces of state property.<sup>16</sup> Grigory Yavlinsky claims that nomenklatura-oligarchic capitalism in Russia has turned into a predatory system, feeding on itself and on everything around it. Concentrated in one place, money, authority, and media have become respectively criminal monies, corrupt power, and a bought-up media.<sup>17</sup> Sergei Karaganov, secretary of the Foreign and Defense Policy Council, affirms that corruption in Russia has systemic features. The country’s main decisions are made on the basis of corruption or protection of officials who have participated in corruption and who fear disclosure.<sup>18</sup> In other words, “corruptionism” (using the expression of Yuri Shchekochikin) in Russia has reached such dangerous levels that without a radical solution to the problem the state will die or break up into independent entities.

### **Roots of Corruption**

Some of the fundamental reasons behind Russian corruption are shadow economy, improper economic orientation, insufficient legal mechanisms, and so forth.<sup>19</sup> The most important source of corruption, however, lies in the crookedness of public authorities, who determine the condition and parameters of the society’s economic, social, and spiritual spheres. As is known, Marxism supports the defining role of economics, which in turn provides an orientation for the political super-

structure. Recently, the state has superseded its narrow definition as a political superstructure to become the most basic and important factor of public life.<sup>20</sup>

Corruption feeds not only on weakness and disorganization of state mechanisms, but also on alienation of the state from the people, which arises to a large degree from the misguided strategies of state leaders. If authorities would orient themselves to the interests of the citizens not only in words but in practice, this would motivate citizens to solve their problems in a legal manner. But the shock therapy of 1992 and the process of privatization were not, as was discovered later, directed primarily at the interests of the majority of people, but rather they served a narrow class of elite.

Thus, an anticorruption strategy for Russia must include the following elements:

- Government economic strategies must be geared toward the interest of average Russian citizens instead of the political elite. The short-lived Primakov government managed to earn the precarious trust of the people. Then the government changed two more times in six months, when what was really needed was a change in the presidency. The change in presidency indeed occurred at Yeltsin's own initiative on the last day of 1999.
- Public authority must be legally distributed. Today the real levers of power in the country are in the hands of large financial-industrial groups (clans), "oligarchs," and shadow economic and criminal leaders. Power must finally be transferred to the people by means of elected leaders and collegial agencies in which the citizenry truly places its trust.
- The Russian state and its institutions must be strengthened. If it is still possible, Russia must return to a course of democratic, civilized development on the basis of social justice, freedom (for the majority and not only for the "elected"), and real, not proclaimed, humanism.

It is imperative to adopt and implement all-embracing anticorruption legislation immediately. However, as is well known, President Yeltsin repeatedly blocked the efforts of legislators in this area. But recently, two alternative drafts on combating corruption were published. One was prepared by a working group of the State Duma's Security Committee, and the other was introduced in the State Duma by President Yeltsin as an alternative.<sup>21</sup> They are almost identical in size (containing seventeen to twenty articles). However, their contents are much different. The presidential version can be described as "soft" on corruption and the alternative as "hard." According to State Duma deputies, the presidential version was viewed in parliamentary readings as too liberal and as merely giving lip service to the battle with corruption.<sup>22</sup> It is noteworthy that the criminal law and criminology departments of the Russian Academy of Science's Institute of State and Law also evaluated the president's proposal in a negative way, but that did not stop its drafters from presenting it to the Duma unchanged.<sup>23</sup>

The definition of corruption in the "hard" version is broader and includes not only the acceptance of material and nonmaterial favors and advantages, but also bribery. The authors of the presidential version refer only to "offenses tied to cor-

ruption.” The Security Committee’s version provides a broader interpretation of the offenses that are considered corruption, which it describes as “offenses that create conditions for corruption.” The Duma version includes a broader list of potential offenders, as well: “without exception, public servants occupying key public positions” and assistants to public servants who have received salary from the budget or from other funds created by public agencies.

Other provisions of the Security Committee’s draft cover various aspects of Russian corruption:

Article 5 requires the Security Council of the Russian Federation to present the president and the Federation Council an annual report on the status of the struggle with corruption in the country.

Article 7 provides tougher rules for declaring taxes.

Article 9 prohibits individuals from setting up accounts and concluding contracts in the name of another person.

Article 11 prohibits nepotism in hiring practices.

Article 18 ensures that illegally obtained money becomes the income of the state and is appropriated by the state.

The design of an effective anticorruption strategy depends, among other things, on the careful and comprehensive examination and evaluation of foreign and international experience, which would lead to constructive recommendations. It would be advisable to have a broad group of specialists, including foreign specialists, conduct a comparative analysis of the two versions. In my comparison above, I show that the version put forth by the Security Committee of the State Duma is better grounded and therefore preferable. To a certain degree, this version takes into account the positive experiences of other countries, but it would be advisable to include the so-called “twenty guiding principles in the fight against corruption,” which were adopted 7 October 1997 at the 101st meeting of the ministers of justice of European countries.<sup>24</sup>

The Security Committee must also coordinate several criminal policies:

- Criminalizing corrupt activities
- Devising methods of arrest and sentencing for money laundering crimes
- Limiting immunity for the political elite from search, investigation, or trial for crimes of corruption
- Specializing persons and agencies responsible for combating corruption
- Preventing the use of legal entities as screens for money laundering (an aspect especially relevant for Russia)
  - Creating a “code of conduct” for public servants and deputies of various ranks
  - Devoting attention to the tight links between corruption and organized crime and money laundering
- Finally, and importantly, forming anticorruption mindsets and mentalities

The new Convention of Criminal Responsibility for Corrupt Activity, adopted by the Council of Europe in early 1999, should play an important role in this. Corruption in Russia has reached crisis proportions and the absence of measures

for strengthening the state (including the election of honest leaders) is threatening Russia and the world with serious consequences.

#### NOTES

1. "Russia and Corruption: Who Will Win?" *Rossiiskaya gazeta*, 19 February 1999.
2. See, for example, V. Nikonov, "How Do We Look?" *Izvestiya*, 24 August 1999.
3. I. V. Sedykh, "In Russia Even Children Launder Money," *Segodnya*, 4 September 1999; "We Export Scandals," *Novaya gazeta* 3 (1999).
4. *Komsomolskaya pravda*, 29 September 1999.
5. V. Skosyrev, "USA and the Iron Curtain," *Izvestiya*, 18 September 1999.
6. M. Bivens and J. Bernstein, "The Russia You Never Met," *Demokratizatsiya* 6, no. 4 (1998): 613–47.
7. A. Block, *Korrupsia i biurokratizm: istoki i puti preodoleniia* (Moscow, 27 February), 5.
8. *Ibid.*, 48.
9. T. Frey, "Fearless Bribe-taker Drives Society into Destitution," *Rossiiskaya gazeta*, 16 December 1998.
10. V. K. Senchagov, ed., *Ekonomicheskaya bezopasnost* (Moscow, 1998), 32–34.
11. V. Virkunen and V. Gerashchenko, "Around the Ruble," *Argumenty i fakty* 39 (1999).
12. V. Baranets, "Khattab Is Already Sentenced," *Komsomolskaya pravda*, 5 October 1999.
13. S. Gerasimenko, "From Whom Are Russians Running to Russia?" *Komsomolskaya pravda*, 5 October 1999.
14. "While Some Surround the Territory, Others Sell Soldiers in Chechnya," *Rossiiskaya gazeta*, 6 October 1999. See also, N. Gritchyn, "Trading in Slaves Will Flourish in Army," *Izvestiya*, 23 October 1999.
15. O. N. Yanitsky, "Rossiia: riski i opasnosti 'perekhodnogo' obshchestva," *Sotsiologiya i riskologiya* (Moscow, 1998), 26.
16. S. Yu. Glaz'ev, *Genocide* (Moscow, 1999), 99.
17. G. A. Yavlinsky, *Krizis v Rossii: konets sistemy? Nachalo puti?* (Moscow, 1999), 27, 62.
18. S. Karaganov, "Corruption As a Threat to National Security," *Argumenty i fakty* 38 (1999). See also S. S. Boskholov, "Problems of Criminal Policy in the Sphere of Combating Corruption," Issues of Combating Corruption Roundtable, American Bar Association, 1999, 17; Keith Henderson, "Corruption: What Can Be Done about It? A Practitioner's Perspective through a Russian Lens," *Demokratizatsiya* 6, no. 4 (1998): 681–91.
19. V. I. Popov, ed., *Korrupsiya v Rossii*, issue 1 (Moscow, 1996), 9, 54, 56.
20. E. A. Pozdnyakov, *Filosofiya gosudarstva i prava* (Moscow, 1995).
21. A. I. Dolgova, ed. *Organizovannaya prestupnost'* 4 (Moscow: Criminological Association, 1998).
22. An unprecedented exchange was published in the press: a letter of the president on the reasons behind the rejection of the Duma's draft law "on fighting corruption" and an analytical report of criminologists (in which I took part). In my view, the report contained the fundamental objections and contending arguments of the authors of the letter. See *Organizovannaya prestupnost'* 3 (Moscow, Criminological Association, 1996): 338–47.
23. V. Luneev, "The Leniency of Powers towards Corrupt Officials Leads to the Absurd," *Chistye ruki* 2 (1999): 31–32.
24. *Korrupsiya i biurokratizm*, appendix III.