

## Corruption in Russia

By Robert Ortung, Washington

### Abstract

The fall of Viktor Yanukovich from the presidency of Ukraine exposed the extensive corruption of his rule and suggested that Russia might face a similar scenario in the future. The Putin administration has created conditions that allow corruption to flourish by cracking down on civil society, the media and the courts. Anti-corruption efforts have had little impact, leading people to assume that bribes are often the best way to deal with government bureaucrats, even if they do not like doing so.

### Presidential Palaces

After former President Viktor Yanukovich fled Kyiv, the protesters who finally overcame his Berkut snipers took possession of the Mezhyhirya palace, revealing for the first time to the citizens of Ukraine the leader's opulent lifestyle, which had been financed with public funds. While the protests began because Yanukovich refused to sign the Association Agreement with the European Union, they continued on, and drew fuel from, a desire among part of the population to put an end to high level corruption. People were willing to go into the street during the dead of winter to establish a more transparent and accountable government.

Immediately after the Ukrainian president fled, Russian President Vladimir Putin ordered an invasion of Crimea, violating Ukraine's sovereignty. Of course, it is impossible to know Putin's true motives. Perhaps he saw an opportunity to take advantage of the weak, new government in Kyiv and grab territory where many ethnic Russians lived. Maybe, he reacted emotionally to the humiliating removal of his ally Yanukovich, even if the two men reportedly could not stand each other. Potentially, the aggression against Ukraine is a reflection of Putin's desire to establish Russia as a great power and a country that others must reckon with. Another possibility places domestic politics in Russia as being central to Putin's action.

According to this logic, Putin invaded Ukraine in order to erase the precedent of a population rising up to remove a corrupt leader because allowing such a precedent to stand could serve as a lesson to Russian citizens who had similar desires to remove their own leader. Putin's government is defined by its pervasive corruption. The president can never leave office because he fears that he would be prosecuted for the crimes of the vast kleptocracy that he has presided over for 15 years. Putin chose to invade Ukraine to prevent any kind of anti-corruption revolution from taking hold in Russia.

### Systematic Crackdown

The most logical way to fight corruption would be to encourage a robust civil society, free media, and inde-

pendent courts. Putin's policy is antithetical to all of these goals.

Since Putin returned to the presidency in May 2012, he has systematically cracked down on all forms of political expression in Russian society that could be seen as questioning his power. Much of 2013 was consumed with a campaign of intimidation against the country's non-governmental organizations, in which the government threatened to force all civil society groups that received funding from abroad to declare themselves as "foreign agents." The law was never fully enforced, however, and served mainly as a lever to intimidate organizations. Once the protests began in Ukraine in late November, Putin's crackdown at home intensified—with only the upcoming Winter Olympic Games providing a brief respite when Putin unexpectedly released Mikhail Khodkovsky, the Pussy Riot members, and the Greenpeace Arctic protesters. The day after the closing ceremonies, the court sentenced seven of the 2012 Bolotnaya protesters, who went to the street to protest Putin's return to the Kremlin, to multi-year sentences while police detained 400 more demonstrators protesting peacefully outside the courtroom. As a result of that action, the authorities banned Russia's premier anti-corruption blogger, Alexei Navalny, from using the Internet for two months.

In December, Putin ordered the closure of RIA Novosti and transferred its assets to Russia Today, a new entity to be headed by the poisonous television commentator Dmitry Kiselev, who uses his national television platform to savagely mock the protesters in Ukraine. Businessmen close to Putin have been buying up media assets and the appointment of Mikhail Lesin, famous for orchestrating the takeover of NTV shortly after Putin became president, as the director of Gazprom media helped consolidate this control. After the new year, Putin's administration forced Russia's cable companies to drop Dozhd' TV (TV Rain) from their services, depriving the independent, on-line broadcaster of vital revenue streams. On-line TV in Ukraine had been broadcasting the protests live for weeks, helping to build support and awareness for them. Dozhd' first came to prominence for its extensive coverage of the

protests in Moscow following Putin's election to a third presidential term.

In European countries, corruption exposed in the media often leads to courts cases. There is no similar connection in Russia.

Putin took aim at the courts by signing legislation on February 6 merging the arbitration courts into the courts of general jurisdiction, a plan that had first appeared in the middle of 2013, before the Kyiv protests started. The arbitration courts were widely viewed as the most independent and competent in Russia and in some cases were able to protect Russian businesses from predation by the state. Corporate claims filed with arbitration courts in recent years have succeeded in overturning decisions by the tax authorities and other official agencies in over 60% of the cases, according to the Bank of Finland. Placing the arbitration courts under the courts of general jurisdiction makes them much more vulnerable to predators since the regular courts rarely overturn official decisions. Many judges and business groups protested this move, pointing out that it will make it even more difficult to do business in Russia.

### Simulating Anti-Corruption Efforts

The Kremlin frequently denounces the rampant corruption in Russia, but the measures it adopts in response are not designed to fight corruption. Their purpose is to help Putin keep the political elite, who could potentially oppose him, under control. The widely publicized moves against corruption also serve to increase Putin's popularity with the public, since corruption is generally despised within the population and an effort presented as being designed to combat it is well received.

Typically, in Russia anti-corruption campaigns remove a few low level offenders while leaving the top leaders unscathed. However, the charge of corruption is useful in political battles between key members of the elite. When Putin decided to move against former Defense Minister Anatoly Serdyukov, it was easy to charge him in connection with embezzlement schemes. Such charges, however, were limited to this one case and did not signal a thoroughgoing investigation of corruption in the Defense Ministry.

In 2013, the presidential administration sought to gain greater control over the lower level officials working in the executive branch. It began to check for cases when an official's expenses greatly exceeded his income. All of this information is going into a giant database which can be used to track officials. Presidential Chief of Staff Sergei Ivanov claimed that ultimately only 200 corrupt officials were caught this way.<sup>1</sup> The number of

corrupt officials uncovered is relatively small considering that more than one million such bureaucrats were subject to inspection.

In April 2013 Putin launched a process dubbed "the nationalization of the elite" by ordering key officials charged with leading Russia's security policies to repatriate any money that they held in foreign bank accounts or securities. In many cases, high wealth Russian citizens prefer to hold their assets abroad to protect them from confiscation by Russian authorities. Forcing the officials to bring the assets back home would make them more vulnerable to the authorities. However, critics of this move point out that such requirements are easy to circumvent because the Russian authorities have little ability to monitor the activities of their citizens abroad.

Such measures started to have some impact when applied to members of the Russian legislature. Vladimir A. Pekhtin, chairman of the State Duma's ethics committee and a member of the pro-Kremlin United Russia, had to resign after Navalny published material in his blog demonstrating that he owned real estate in Florida valued at more than \$1.3 million. Pekhtin had failed to report his ownership of these assets, as required by law. Other members of parliament had to resign as well when their property holdings were revealed. Reportedly, members of the Duma were reluctant to approve these measures and pushing them through required extra pressure from the presidential administration. Ultimately, thirty parliamentarians divorced their wives in order to avoid revealing how much they make, according to RT, Russia's propaganda broadcaster.

Some cases are meant to serve as examples. Former Tula governor Vyacheslav Dudko is now serving a 9.5 year sentence. However, only 8 percent of those found guilty of taking bribes serve time.

### A New Anti-Corruption Office

The Kremlin announced the creation of a new Department for Countering Corruption on December 3 and appointed Oleg Plokhoy, whose background is in the KGB, as its leader. The task of the new office is to coordinate anti-corruption efforts at all levels of government. However, initial responses to the new office suggested that it was not doing anything new.

Other innovations do not promote optimism. In October Putin submitted a bill that would give the police the right to open criminal cases involving tax issues without approval from the tax agency. When he was president, Dmitry Medvedev ended this practice, which often made it possible for the law enforcement agencies to target businessmen. Medvedev's reform had an impact, as the number of cases dropped from approximately 12,000 per year in 2009 and 2010 to about 2,000

1 <<http://state.kremlin.ru/council/12/news/19520>>

in 2012. While the law has not been approved yet, Putin has continued to defend it as an important step. Medvedev has publicly criticized returning to this practice.

Various bureaucratic delays have pushed back the launch of new measures designed to eliminate corruption from the state procurement process until 2016. In 2013, overcharging for goods and services cost the budget \$8 billion, according to the National Association of Electronic Commerce Participants. The Russian government and legislature have so far failed to adopt the necessary legislation to ensure oversight over the procurement process, allowing the process to remain unregulated.

### Consequences of Corruption

The key consequences of corruption in Russia are the opportunity costs which inevitably keep the economy performing well below its potential. Central concerns for Russia include a high capital flight rate and a poorly performing stock market, according to Economist Sergei Guriev.

#### *About the Author*

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#### *Recommended Reading*

- “Corruption in Russia” Special issue of *Russian Politics & Law* 51: 4, July–August 2013.
- Jadwiga Rogoża, “The Nationalization of the Elite: Kremlin Tracking Officials’ Foreign Assets,” April 10, 2013, <<http://www.osw.waw.pl/en/publikacje/analyses/2013-04-10/nationalisation-elite-kremlin-tracking-officials-foreign-assets>>.
- Krzysztof Bobinski, “Kleptocracy: Final Stage of Soviet-Style Socialism,” *OpenDemocracy*, February 28, 2014.
- G. A. Satarov, ed., *Rossiiskaya korrupsiya: uroven', struktura, dinamika: opyt sotsiologicheskogo analiza*, Moscow: Fond INDEM, Fond Liberalnaya Missia, Fond Kudrina, 2013, <[http://liberal.ru/upload/files/satarov\\_light.pdf](http://liberal.ru/upload/files/satarov_light.pdf)>

The 28 countries of the European Union lose \$162 billion a year to corruption. This figure is similar to the EU’s total budget. But it is less than 1 percent of the bloc’s total gross domestic product of \$16.7 trillion. Russia’s National Anti-Corruption Committee estimates losses to corruption at \$300 billion a year, which is 15 percent of Russia’s GDP.

According to research completed by the Information Science for Democracy Foundation (INDEM), the Russian population is tolerant of corruption and often fears that the costs of fighting it would be higher than the corruption itself. In fact, Vladimir Rimskii describes corruption as a social norm by which Russian citizens solve their problems with government officials. But having to pay bribes does not mean that the Russians support the system. The research of Timothy Frye and his colleagues has demonstrated that Russians pay bribes even though they do not like doing so.