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The Logic of Kleptocracy:
Corruption, Repression, and Political Opposition in Post-Soviet Eurasia

By

Jody Marie LaPorte

A dissertation submitted in partial satisfaction of the
requirements for the degree of

Doctor of Philosophy

in

Political Science

in the

Graduate Division

of the

University of California, Berkeley

Committee in charge:

Professor Jason Wittenberg, Co-chair

Professor Michael S. Fish, Co-chair

Professor David Collier

Professor Victoria Bonnell

Spring 2012

The Logic of Kleptocracy:
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by

Jody Marie LaPorte

Abstract

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Doctor of Philosophy in Political Science

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Professor Jason Wittenberg, co-chair

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This dissertation asks why some non-democratic regimes give political opponents significant leeway to organize, while others enforce strict limits on such activities. I examine this question with reference to two in-depth case studies from post-Soviet Eurasia: Georgia under President Eduard Shevardnadze and Kazakhstan under President Nursultan Nazarbayev. While a non-democratic regime was in place in both countries, opposition was highly tolerated in Georgia, but not allowed in Kazakhstan.

I argue that these divergent policies can be traced to variation in the predominant source and pattern of state corruption in each country. In Georgia, the primary source of rulers' illegal income was society itself, which created incentives for the government to tolerate political opposition. In this pattern of corruption, illegal income flowed into the state from society in the form of bribes, and then upward within the state. Private citizens made informal payments to state officials, who in turn were required to channel a percentage of the proceeds to their superiors and to political rulers. This pattern created a state that was dependent on society. Consequently, the elites were constrained: the government was more likely to tolerate political opposition in an effort to continue amassing private profits. In contrast, in Kazakhstan, political leaders faced a dramatically different set of incentives. Rulers embezzled natural resource wealth, which were outside of citizens' control. As a result, government officials could pursue unpopular policies—including aggressive repression against opposition groups—without jeopardizing the flow of illicit profits.

These findings contribute to the growing literatures explaining variation among non-democratic regimes and the sustainability of non-democratic rule. By tracing this cross-national variation to differences in state corruption, this study moves beyond the literature's current focus on how authoritarian rulers spend resource wealth to sustain authoritarianism. Rather, I emphasize how the variation in the sources of illegal wealth—and its profound effect on the autonomy of state elites vis-à-vis society—influences the regime.

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Chapter 1

Introduction

1.1 Introduction

The fifteen countries that emerged from the Soviet Union in 1991 were saddled with some very high expectations. Western observers and many post-Soviet citizens themselves optimistically heralded the end of communism as a sign that these societies were eager to embrace human rights, open politics, and free market economies. Most centrally, scholars and policymakers alike asserted that the fall of the Soviet Union represented the latest stage in the “third wave of democracy” that swept across Southern Europe, Latin America, Asia, and parts of Africa during the 1970s and 1980s.¹ In short, many observers envisaged post-communism as but “a variation on a larger theme” of worldwide transition from authoritarian to democratic rule (Bunce 1995: 11).

The countries of post-Soviet Eurasia, however, largely have failed to live up to these expectations. Of the countries that emerged from the Soviet Union, only Estonia, Latvia, and Lithuania adopted democratic regimes; non-democratic regimes were installed in the twelve other post-Soviet countries during the 1990s. In places as diverse as Belarus, Azerbaijan, and Turkmenistan, these regimes still endure today.

The non-democratic regimes of post-Soviet Eurasia exhibit significant differences, which have important implications for citizens’ quality of life and experience with politics. This dissertation examines one key point of diversity within the non-democratic regimes of post-Soviet Eurasia: the treatment of political opposition. I investigate this outcome through in-depth analysis of two countries: Georgia under President Eduard Shevardnadze (1995-2003), and Kazakhstan under President Nursultan Nazarbayev (1995-2010). Neither regime can be considered democratic, according to minimalist or electoralist standards (Przeworski 2000; Schumpeter 1942). In each case, although regular elections are held, vote fraud ensures that political leaders are not selected by representative means, but rather through patronage, cronyism, or force. But yet, the treatment of political opposition varies significantly across these polities. In Georgia, during Eduard Shevardnadze’s presidency, state officials allowed opposition groups to register as official associations, maintain public offices, organize rallies, and appear regularly on television. In contrast, in Kazakhstan, authorities have used both formal and informal methods to block opposition from engaging in any political or social mobilization. Opposition leaders there have been subject to harsh repression, including violent attacks, imprisonment, exile, and death.

Given that opposition groups inherently challenge the ruler’s authority, what explains these divergent outcomes? Why was opposition highly tolerated in Shevardnadze’s Georgia, but repressed in Kazakhstan? Why do some non-democratic regimes give political opponents significant leeway to organize, while others enforce strict limits on such activities?

I argue that, within these authoritarian regimes, variation in state policies towards political opposition can be traced to differences in the patterns of state corruption. Georgia under

¹ For discussion of the third wave of democracy, see Hagopian and Mainwaring 2005; Huntington 1991; Linz and Stepan 1996; Shin 1994, amongst many others. For debates regarding whether post-communism fits the third wave model, see especially Bunce 1995; Schmitter and Karl 1994; Terry 1993; Gans-Morse 2004.

Shevardnadze and Kazakhstan under Nazarbayev both represent cases of kleptocracy, in which rulers abuse their public office to extract private wealth. However, there is cross-national variation in the source of this illegal wealth. In Georgia, state officials relied on society. Officials in Shevardnadze's government resurrected the Brezhnev-era practice of extracting and aggregating bribes from private citizens. In Kazakhstan, the exploitation of oil and other natural resources has provided rulers an alternative source of illegal wealth. Rulers primarily appropriate natural resource rents directly, embezzling the vast funds generated by the extraction and export of oil, gas, and other minerals.

These sources of extra-legal funds create alternate patterns of corruption, which in turn affect the treatment of political opposition. In bribery-based corruption, illegal income flows into the state from society, and then upward. Bribes are paid to state officials who must channel a percentage of the proceeds to their superiors and to political leaders. This pattern creates a state that is dependent on society for illegal wealth. Consequently, the rulers are constrained: the government is more likely to tolerate political opposition in an effort to continue amassing private profits. However, when resources are the dominant source of illegal wealth, the state has more leeway. Government officials can pursue unpopular policies – including aggressive repression against opposition groups—without jeopardizing the flow of illicit profits.

This argument takes a novel approach to the study of corruption, mineral wealth, and authoritarian rule. Scholars have posited several explanations for the observed correlation between resource profits and the persistence of authoritarianism (Dunning 2008; Karl 1997; Ross 2001). Theories of “truncated modernization” suggest that mineral profits create high economic growth rates, but without producing the structural changes conducive to democratization—such as education, industrialization, and urbanization. A second set of explanations focuses on the coercive apparatus, arguing that resource wealth allows rulers to construct elaborate security agencies and thus to engage in higher levels of repression. Finally, theories of the rentier state argue that mineral profits can be used to buy off political opposition and average citizens through low tax rates and other benefits (Beblawi 1987; Herb 2005; Mahdavy 1970; Vandewalle 1998).

However, the shared legacies of Soviet rule suggest that these explanations cannot account for the observed variation in these cases. Georgia and Kazakhstan inherited from the Soviet Union highly modernized societies, with educated populations, industrialized economies, and reasonably high rates of urbanization. They also acquired similarly strong coercive agencies at the outset of independence, as the extensive republic-level KGB and police apparatuses were transferred to these newly independent states. In both these cases, the coercive agencies were capable of repressing the opposition, if political leaders had chosen to do so. Finally, there is little evidence that resource wealth was redistributed in order to buy political support. These countries shared similar rates of taxation and, moreover, efforts at tax collection remained similarly lax throughout the post-Soviet region in the 1990s and early 2000s. Thus, Georgia and Kazakhstan score similarly on many of the variables commonly hypothesized to affect this outcome.

Instead, I pinpoint a new causal mechanism linking resource wealth to the stability of closed authoritarian regimes. Existing explanations assume that rulers seek to maximize their political power. However, based on in-depth case analysis and extensive field research, I posit that many post-Soviet rulers' primary goal is to accumulate personal wealth, and they do so largely through illegal means. By comparing the effects of resource-based versus bribery-based corruption, this study moves beyond the literature's current focus on how resource profits are

expended. In contrast, I attribute causal force to the *source* of such illegal wealth—and its profound effects on the autonomy of kleptocratic state elites vis-à-vis society.

This chapter presents the theoretical argument put forth in this dissertation. The next section develops the dependent variable, or the outcome to be explained, describing the dimensions of government policy towards political opposition in non-democratic regimes. I then situate this outcome within the scholarly literature, highlighting my contribution to existing theories of non-democratic regimes, regime outcomes, and government-opposition interactions. The fourth section turns to the theoretical explanation. I develop the logic of kleptocracy and the effect of different sources of illegal rents on both state and society. The chapter concludes with a discussion of the research design and methods of inquiry.

1.2 The Question: The Toleration of Political Opposition

This study seeks to explain variation in the treatment of political opposition across non-democratic regimes. Specifically, I examine the degree to which governments within non-democratic regimes tolerate opposition political parties. *Opposition political parties* refer to those political parties that consistently and coherently challenge government policies and/or the government's legitimacy. Political parties are distinguishable from other types of interest intermediation, such as social movements and non-governmental organizations, in that they provide a public label under which candidates campaign, run multiple candidates on the basis of a common public platform and aspire to control the government. Although these other groups may seek to influence government policy, only political parties contest elections and seat candidates in office (Fish 1995; Hale 2006; Howard 2003; Sartori 1976; Tarrow 1998). Operationally, I identify political parties as those groups that have sought to register with the Ministry of Justice and/or have attempted to contest at least one parliamentary election.

Opposition parties are a subset of the larger party system in each country; they are political groups that act and speak in opposition to the government. I follow the judgments of international election observers and country experts in determining whether a party falls into the pro-government or opposition camp. Some opposition parties limit their dispute to concrete policies, challenging government initiatives on economic, social, or foreign policy matters and putting forth alternative proposals. These moderate opposition parties tend to accept the political rules of the game, voicing their opposition within the confines of state institutions of representation, such as parliament, and through negotiation with the government. In contrast, radical opposition calls for a change of regime. Both types of opposition parties exist in each of these two countries, and I include both in this study.

Yet, the phenomenon under investigation here is not the existence of opposition groups themselves, but rather the degree to which they are tolerated by the state. My case studies show that state repression varies little according to the level of threat posed by these groups. Counterintuitively, within each country, moderate and radical opposition groups are treated in broadly similar ways. Instead, variation in the toleration of opposition parties denotes different types of authoritarian regimes: those non-democratic regimes that maintain a respect for civil liberties versus those that blatantly disregard citizens' rights to organize politically.

I consider five different ways that opposition parties might be tolerated in a non-democratic context. Information on these indicators was collected from the U.S. State Department's annual Human Rights Reports, Freedom House's annual publication Freedom in

the World, and Human Rights Watch's annual World Report. These three reports represent the leading international human rights reports issued each year and offer a comprehensive view of the treatment of opposition parties in each country.

The first aspect concerns *registration*: How difficult it is for opposition parties to register with the Ministry of Justice? In each country, political associations are required to register with the Ministry in order to be recognized by the state. When a state tolerates opposition, this process is transparent, fairly enforced, and the requirements are not be unduly arduous. For example, Georgia has required political parties to collect the signatures of only 300 citizens to seek registration. Kazakhstan's the Law on Political Parties, however, sets a very high threshold for membership, stipulating that a party must have signatures from 50,000 citizens in order to petition for registration.

The second issue is *coercion*: Are opposition leaders, activists, or supporters subject to physical repression as a result of their political activities? For opposition to be tolerated, leaders and members must not be subject to violence, death, imprisonment, or exile as a direct or indirect consequence of their political affiliation and activities. In Georgia, opposition was largely free from physical repression, while in Kazakhstan numerous cases of violence were reported.

The third concerns *office space*: Are opposition groups allowed to maintain offices in easily accessible areas? To be fully effective, opposition groups need public space where they can hold organizational meetings, meet with members and citizens, and store materials. In Shevardnadze's Georgia, opposition parties maintained offices in professional buildings, located in easily-accessible downtown areas, and well-marked with signs and organizational symbols. In Kazakhstan, where opposition has been more restricted, activists gather in leaders' homes, in offices on the outskirts of town, and/or in unmarked buildings.

Fourth, I examine *mass media*: Are opposition parties allowed to appear on national media outlets? National media outlets include newspapers, television, and radio. Additionally, a growing number of citizens are using the Internet to obtain such information, so government policy on electronic media also is important. When a state tolerates opposition groups, such groups appear regularly on both state-owned and independent television, newspapers, and radio coverage, and are portrayed by newscasters in a positive or neutral light. This is the case in Shevardnadze's Georgia, where opposition groups had high access to the both state-owned and independent media. Governments that do not tolerate opposition might maintain strict control over media outlets, prevent coverage of opposition activities, and/or encourage media to portray such groups in a negative way. Kazakhstan fits this pattern; in both countries, mass media operates under strong state control.

The fifth aspect pertains to *public assembly*: Are opposition parties allowed to freely and publicly assemble? Public meetings, protests and rallies are one of the main ways that citizens in post-Soviet countries express their grievances against government and, conversely, demonstrate support for opposition groups and their platforms or demands. I take into account both the legal restrictions on holding protests, as well as the way such legislation is implemented by municipal officials and law enforcement officers. Georgia has less restrictive laws on freedom of assembly, requiring that organizations notify local authorities only if the assembly will block a road or highway. In practice, assemblies are rarely broken up and authorization is usually granted even for events that disrupt traffic in the center of cities. In contrast, Kazakhstan maintains very strict restrictions on mass assemblies, and existing legislation gives local authorities broad powers to regulate or prohibit public rallies. Organizers must apply to local authorities for permission to

hold an event at least 10 days in advance, and local authorities can—and regularly do—deny assemblies for a broad range of reasons.

Across these five indicators, Georgia exhibits higher toleration for political opposition. Under Shevardnadze, opposition parties frequently were allowed to exist, free of physical or administrative threats. The state also generally allowed these groups to actively engage in politics, by maintaining public offices, appearing on independent media outlets, and organizing political rallies. In Kazakhstan, the government maintained a strategy of low toleration for such groups. Both legislation and government practices made it difficult for political opposition to exist, much less organize effectively. Opposition activists were victims of violence, false criminal accusations, and in at least two cases, death, as a result of their political activities. Opposition groups were rarely allowed to maintain public offices, to access mass media, or to organize political protests.

1.3 Situating this Outcome in the Broader Literature

By examining variation in the treatment of political opposition, this study seeks to explain one aspect of diversity among non-democratic regimes across Eurasia. In doing so, this project fills a gap in the existing literature on non-democratic rule.

Scholars have tended to focus on two main issues in the study of non-democratic regimes. First, many studies have focused on description, as opposed to explanation. These works have particularly sought to typologize this regime type and to identify subtypes of authoritarian rule. Linz (1975), for example, distinguishes authoritarian regimes along four dimensions – pluralism, ideology, leadership, and mobilization. Geddes (1999) differentiates between personalist, military, and single-party regimes. Other studies conceptualize a single subtype, such as bureaucratic authoritarianism (Collier 1979; O’Donnell 1978), competitive authoritarianism (Levitsky and Way 2002), or electoral authoritarianism (Schedler 2006).

Second, the emerging literature on “nominally-democratic” institutions in authoritarian regimes strives for explanation of the emergence of particular democracy-like features, but fails to account for variation across cases of non-democracy. These theories argue that autocrats allow regular elections, strong ruling parties, and protests on carefully circumscribed topics to identify and co-opt potential sources of threat. Such institutions provide valuable information about local-level politics (Blaydes 2008), as well as a chance for citizens and opposition leaders to express their grievances and preferences, thereby helping the incumbent to tailor his policies to accommodate these demands (Gandhi 2008; Lorentzen 2008). Elections, political parties, and parliaments also set up a credible mechanism by which the autocrat can reward loyal subjects with political and economic power, and provide citizens who vote for the government with jobs, food, and privileges (Brownlee 2007; Geddes 2005; Lust-Okar and Zerhouni 2008; Smith 2005). In short, these studies argue that organized expressions of dissent are tolerated because they provide tangible benefits to the autocrat, and help to overcome the difficulties inherent in non-democratic rule.

Although these theories advance our understanding of the dynamics of non-democratic rules, neither literature can adequately account for differences across authoritarian regimes. These theories largely fail to address key questions of variation: Why are these institutions present in some authoritarian regimes, but not others? More broadly, what factors influence the type of authoritarianism that emerges in any given country? To fill this gap, this project sets out

to explain variation in the treatment of opposition in two cases of non-democracy. The next section offers an explanation.

1.4 The Explanation: The Logic of Kleptocracy

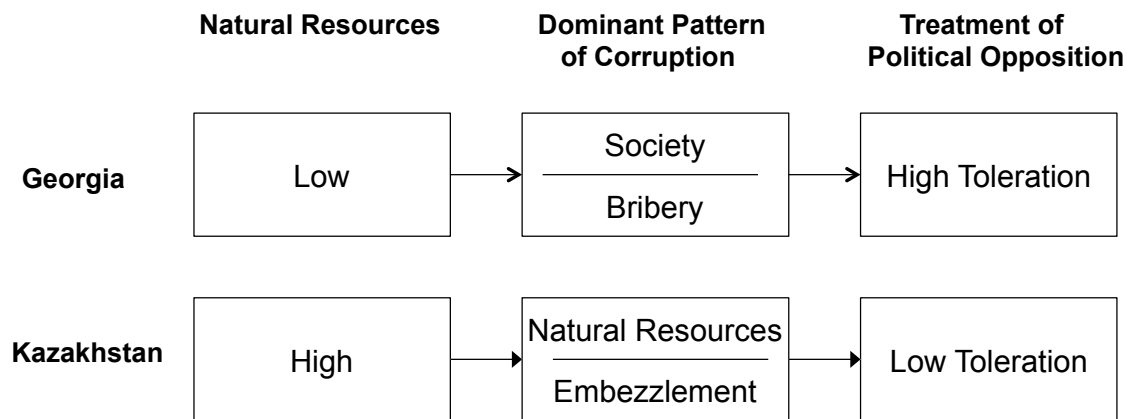
Why was political opposition highly tolerated in Georgia, but not in Kazakhstan? This outcome can be explained by variation in the source of illegal rents and the differing patterns of corruption that result. Rents are windfall profits associated with a non-competitive market. State rents can be generated from any resource or good over which the state has control. They become *illegal* when corrupt government officials steal the profits that are intended for public use.

Georgia under Shevardnadze and Kazakhstan under Nazarbayev are cases of kleptocracy – i.e., regimes in which individuals seek public office in order to extract private economic benefits. Kleptocratic rulers' first priority is to keep illegal rents flowing smoothly. While concentrating and centralizing power is a central goal of such leaders, it is secondary to the accumulation of private wealth for themselves and their families. Power is seen as a means of ensuring the flow of illegal rents and extracting private profits from the state.

However, the origin of illegal wealth differs across these regimes, which in turn affects the government's ability to repress political opponents. In Georgia, state officials relied on society for rents, building their wealth with bribes extracted from citizens. In the absence of resource deposits or other external sources of profits, these Brezhnev-era patterns of corruption were resurrected in the post-Soviet period by Georgian officials seeking to get rich. In bribery-based corruption, illegal income flows into the state from society, and then upward. Bribes are paid to state officials who must channel a percentage of the proceeds to their superiors and to political leaders. This pattern creates a state that is dependent on society. Consequently, the rulers become constrained: the government is more likely to tolerate political opposition in an effort to continue amassing private profits.

In Kazakhstan, where large deposits of oil and other natural resources create an external source of wealth, rulers primarily embezzle resource rents for their own personal use. In resource-based embezzlement, rulers collect resource rents an external source that is independent of society. As a result, the state becomes autonomous from society. Government officials can pursue unpopular policies – including aggressive repression against opposition groups—without jeopardizing the flow of illicit profits.

This argument is summarized below.



1.4.1 Kleptocratic Rulers

Georgia and Kazakhstan represent cases of kleptocratic regimes – that is to say, regimes in which individuals seek public office primarily to extract private economic benefits. Kleptocracy can be considered a subtype of neopatrimonialism. Neopatrimonialism refers to a specific method of rule, wherein rulers maintain power by disbursing patronage, or access to political and financial resources, in exchange for political support (Bratton and Van de Walle 1997; Eisenstadt 1973; Theobald 1982; Weber 1978). “The essence of neopatrimonialism is the award by public officials of personal favors.... In return for material rewards, clients mobilize political support and refer all decisions upward as a mark of deference to patrons” (Bratton and Van de Walle 1994, 458). The difference between neopatrimonialism and kleptocracy is subtle, but key. The concepts of neopatrimonialism and patronage describe *how* some rulers stay in power without making any claims on the benefits they receive from remaining in office. Kleptocracy, in contrast, refers to a specific set of motivations for why rulers want to stay in office—specifically, the desire to extract and accumulate private wealth from public coffers.

In both countries, rulers and their families have used their political access to amass formidable personal fortunes. In Georgia during the 1990s, “there were often cases where government officials of a high rank, working on a low salary over many years, accumulated property valued at hundred of thousands or even millions of laries [the Georgian currency]” (Chiaberashvili and Tevzadze 2005, 6). Allegations of corruption have been leveled against Shevardnadze and his close family members, though official charges were never filed. Since leaving office, many of Shevardnadze’s top deputies have faced embezzlement charges. For example, prosecutors have accused former Energy Minister David Mirtskhulava of stealing \$6 million from the state (Peuch 2004), former Communications Minister Fridon Injia \$14 million (Anjaparidze 2001), and the deputy chairman of the Ministry of Finance’s Tax Department of appropriating \$232,000 (Madoian 2004).

In Kazakhstan, the private fortune of President Nursultan Nazarbayev and his family is estimated at \$7 billion (Swami 2010), and there is ample evidence suggesting that most of this fortune was built on illegal rents. In 2002, for example, the Kazakh government admitted that up to \$1 billion in oil revenue was being held in secret Swiss bank accounts under President

Nursultan Nazarbayev's name (Hersch 2001; Kusainov 2002c; Kusainov 2002a). The Nazarbayev fortune extends to his children. His eldest daughter, Dariga Nazarbayeva, has controlled extensive media holdings and owns significant stocks in Kazakhstan's banking sector. Forbes (2007) estimates that Nazarbayev's second daughter and son-in-law, Dinara and Timur Kulibaev, hold a net worth of \$2.1 billion. Kulibaev wields extensive power in Kazakhstan's oil and gas industry, a position he reportedly abused to collect hundreds of millions of dollars of bribes from foreign oil companies. He served as chairman of the board of Kazakhstan's national oil and gas company for several years in the early 2000s, and in 2011 was appointed head of Samryk Kazyna, the country's sovereign wealth fund. Foreign diplomats have noted Kulibaev's "avarice for large bribes" from foreign companies, including over \$100 million from China's state oil enterprises, and using Swiss bank accounts to launder the proceeds (Orange 2010; Rayner and Orange 2010).

1.4.2 Variation in the Source of Illegal Rents

Where did these private fortunes come from? Although these regimes are similarly kleptocratic, the *source of illegal rents* differs across these two cases. In Georgia, state officials rely on society for rents, building their wealth with upward flows of bribes extracted from citizens. In Kazakhstan, rulers primarily appropriate natural resource rents to sustain their lavish lifestyles. Within kleptocracies, the different illegal rent sources have implications for the treatment of political opposition. Resource rents insulate the state from society, creating lower levels of political accountability, and facilitating repression. Where rulers rely on bribery rents, however, the state must be at least minimally responsive to society's demands; harsh, full-blown repression of political opposition becomes difficult to sustain.

This argument brings together two empirical phenomena that have generated separate bodies of academic literature. It is well established that the extraction and export of natural resources can generate windfall profits for the state, often with pernicious consequences. Mineral wealth, petroleum deposits, and other extractable resources have been associated with low rates of economic growth, stunted economic development, and the development of non-democratic regimes (e.g., Leite & Weidmann 1999; Ross 1999; 2001). A second body of literature has examined the ways that governments generate higher rents by instituting regulations and licensing mechanisms on the use or sale of government goods to private citizens (Appelbaum and Katz 1987; Buchanan 1980; Krueger 1974; McChesney 1987). These goods include licenses, permits, import quotas, passports, and visas. What commodity exports and licensing mechanisms share in common is the fact that they both generate rents – i.e., the outsized revenue “generated as producers and consumers devote otherwise productive resources in an attempt to obtain the rights to artificial scarcity created by government” (Euzent and Martin 1984, 255).²

State rents become *corruption* when government officials sell government property for personal gain. State rents themselves are not synonymous with corruption. The tender of licenses and property rights can be legal, institutionalized, transparent, and produce profits that accrue to state coffers. Similarly, rent-seeking rulers are not necessarily corrupt. “To argue that competition for entry into government service is, in part, a competition for rents does not imply that all government servants accept bribes nor that they would leave government service in their absence. Successful competitors for government jobs might experience large windfall gains even

² In his seminal piece, Buchanan (1980, 3) defines rents as “that part of the payment to an owner of resources over and above that which those resources could command in any alternative use”.

at their official salaries” (Krueger 1974, 293). That is to say, rulers also can profit from oil rents through entirely legal means, namely in the form of increased salaries and official government perks.³ However, state rents extracted as entirely personal, rather than as public revenue do constitute corruption. “For example, government officials often collect bribes for providing permits and licenses, for giving passage through customs, or for prohibiting the entry of competitors. In these cases, they charge personally for goods [i.e., licenses and permits] that the state officially owns” (Shleifer and Vishny 1993, 599). I term these private profits *illegal rents*.

In Shevardnadze’s Georgia bribery-based corruption predominated. Georgia’s deposits of oil, gas, and precious metals are not significant enough to create a steady stream of sizeable revenue for rulers. Instead, public officials extracted illegal rents from private citizens in the form of bribes, kickbacks, and other illegal informal payments. Between 1995 and 2003, state officials extracted illegal rents from society in exchange for informal permissions, licenses, and services. The smallest and most common payments were petty bribes. Road police were notorious for extracting bribes from drivers for traffic infractions – both real and imagined. The road police were so notorious that Georgian households predicted that road police would extract bribes 71% of time when given the opportunity (Anderson et al. 2000, 7). State officials also demanded private payment to process applications for registration and permits. Inspectors of various sorts – for example, from the sanitation, fire, and tax departments—frequently demanded informal payments in exchange for registering a business. In health care, doctors, nurses, and administrators collected small payments in exchange for better quality care, access to medicine, admission to a hospital, providing a doctors note, or for issuing an insurance card. In education, students routinely bribed teachers, professors, and administrators for higher grades and admission to institutes of higher education. High-level corruption proliferated as well. Police extracted large payments from criminals in exchange for allowing them to engage in illegal activity. In other cases, law enforcement officials worked in collusion with professional criminals. Security agents ran protection rackets and controlled smuggling and distribution networks, allowing high-level officials to effectively controlled certain highly profitable markets, including fuel and cigarettes. Bribes extracted from society were an important source of income for state officials.

In Kazakhstan, in contrast, corrupt rulers have relied on the illegal rents generated by the extraction and export of natural resources. Kazakhstan has enormous endowment of oil, gas, and other minerals. Amongst former Soviet countries, Kazakhstan holds the second largest oil reserves behind Russia. As of 2010, Kazakhstan was estimated to contain 30 billion barrels of proven oil reserves. Between 1991 and 2007, crude production grew 250% and oil exports grew by 275%. Kazakhstan ranked among the top 15 oil exporters in the world in 2009, exporting 1.54 million barrels per day. The country is expected to enter the world’s top 5 exporters by 2020. The Kashagan field alone, located in the northern Caspian Sea, is estimated to hold the world’s 5th largest reserve of crude oil (U.S. Energy Information Administration 2010). Oil is just one part of the story, however. Kazakhstan has extensive natural gas reserves, and became an exporter of natural gas in 2009. In addition, its uranium deposits are estimated to be the second largest in the world. The country also has extensive reserves of coal, chromite, lead, and zinc, amongst other metals. In all, Kazakhstan’s economy is highly reliant on the extraction of these resources. Since the early 2000s, oil production has accounted for more than one-half of the country’s annual industrial output (Asian Development Bank 2010).

³ In Norway state oil rents are disbursed to state officials through such means.

Political rulers extract illegal rents from these energy and mineral deposits. Top state officials have been accused of accepting direct payments in exchange for access to mineral deposits and favorable contracts. In 2003 an American businessman, James Giffen, was indicted by US prosecutors of funneling \$78 million in bribes from Western oil conglomerates to Nazarbayev and other top officials (Maass 2007). Less direct means of extraction involve embezzlement of the resource rents that have legally accrued to the state through export taxes, corporate taxes, and state-owned enterprises. In Kazakhstan, the political leadership granted both ownership and control of the oil and gas industries to foreign-owned companies (rather than retaining ownership through a strong state oil company), and extracted legal rents through taxes and fines levied on these private companies (Luong and Weinthal 2010). The usage of these funds has not been transparent.

1.4.3 Mechanism: Contrasting Patterns of Corruption

These different sources of illegal rents create contrasting patterns of corruption, which in turn affected the government's ability to repress political opposition. In both countries, the leaders of the political opposition were also the custodians of economic growth (both formal and informal) and a major source of illicit wealth for rulers. In Georgia, major crime bosses leaders worked in collusion with state officials to regulate the sizeable informal and illicit economies. Yet, these organized crime groups proved to have their own political interests that did not always align with the state's. They thus served as both a major source of illegal rents for state officials, but also an important source of political opposition. And in both Georgia and Kazakhstan, by the late 1990s most major opposition parties were headed by the winners of post-Soviet privatization. The leading political opposition figures were wealthy oligarchs, enterprise managers, and economic technocrats—in other words, the businessmen who paid the largest bribes. In both countries, repressing political opposition leaders risked driving these businessmen, their capital, and their economic expertise into exile or causing them reduce their investments in domestic industries.

This conflict between state and society occurs in all kleptocratic authoritarian regimes. However, rulers are more or less likely to undertake this risk depending on the source of their illegal rents. Where resource-based corruption predominates, illegal resource rents insulated rulers from society. As described above, in Kazakhstan, most of rulers' illegal income has been based on the bribes, taxes, fines, and fees collected from foreign companies engaged in mineral extraction and export. Such rents are external to society, in that citizens are not involved in the generation or collection of these rents. Rulers that rely on illegal resource rents can pursue aggressive policies against political opposition parties and the wealthy businessmen who support them without disrupting the flow of cash.

In Georgia's system of bribery-based corruption, however, society itself was the source of illegal rents. As a result, rulers were unwilling to risk alienating politicians-turned-businessmen. They preferred not to risk driving these crime bosses and oligarchs to emigrate abroad, to withhold illegal rents from the state, or in any way to disrupt the efficient collection of bribes. Instead, Georgia's rulers chose to tolerate political opposition in order to keep the illegal profits flowing.

In sum, citizens and opposition can disrupt the flow of bribes in all kleptocratic authoritarian regimes. Whether their protests will be effective, however, depends on what proportion of rulers' income these bribes constitute. In mineral-rich cases, rulers' illegal income

originates from resource profits, rendering bribery-based corruption insignificant. In resource-poor kleptocracies, however, political leaders depend on bribes as the main source of their income. The extraction of bribes from citizens becomes paramount. As a result, state and government officials work to appease society in order to keep these profits flowing efficiently.

1.5 Research Design and Case Selection

The cases of Georgia and Kazakhstan allow for maximum variation on the dependent variable. This case selection also holds constant several potential explanatory factors.

For one, these cases share a similar legacy of Soviet rule. These two countries emerged from the Soviet Union in 1991 with the same set of political, economic, and social institutions (LaPorte and Lussier 2011). Moreover, because they achieved independence at the same time, they faced a similar international context at the outset of post-communist rule. This similarity contradicts the notion that differing linkages to the international system produced this variation (Brinks and Coppedge 2006; Levitsky and Way 2006).

The political leaders of these countries also share similar backgrounds, suggesting that variation in toleration of opposition groups cannot be traced to the preferences of powerful individuals. Theories of elite agency argue that the intentions of rulers matter: “Inert, invisible structures do not make democracies or dictatorships. People do” (McFaul 2002, 214). However, these two presidents—Eduard Shevardnadze in Georgia and Nursultan Nazarbayev in Kazakhstan—were all socialized into the norms, practices, and ideals of Soviet politics. Each brought extensive experience in Soviet politics to their post-Soviet presidency, having served as First Secretary of their respective republics in the Soviet Union. This common background suggests that all took office in the early post-independence period with similar ideas, values, and understandings of political power.

Additionally, both of these countries experienced periods of political opening in the early years of independence. In the late Soviet and immediate post-Soviet period, political opposition groups developed in Georgia and Kazakhstan, and observers expressed optimism that these countries were transitioning to democracy. In Georgia, hundreds of political movements emerged in the late 1980s to champion environmental causes, to support Georgia’s cultural heritage, and ultimately to lobby for Georgia’s independence from the Soviet Union (Suny 1994). At the forefront of the Georgian opposition was Zviad Gamsakhurdia, a well-known dissident, and his Round Table bloc. In Kazakhstan, both Russian and Kazakh nationalist groups first emerged in the mid-1980s, especially in connection with the December 1986 Almaty public disturbances. These groups organized against Soviet rule and maintained active followings through the mid-1990s. Thus, in both countries, these presidents inherited societies with reasonably well-organized opposition movements.

Finally, economic factors also fail to explain this outcome. One of the few agreed-upon findings from the regimes literature is that higher levels of economic development are associated with a greater chance for political openness (Lipset 1959; Moore 1966; Przeworski and Limongi Neto 1997). However, these countries demonstrate similar levels of economic development and are both middle income countries. In 1995, the point at which my investigation begins, Georgia’s GDP per capita was \$1,009, and Kazakhstan’s \$2,421 (Economist Intelligence Unit 1999b, 36). The UN Human Development Index—which considers access to health and education services, average income levels, and economic inequality—suggests that these countries continue to share

similar levels of development. The HDI ranked Georgia 74th and Kazakhstan 66th in overall development amongst 135 countries (UNDP 2010).

In short, evidence from these cases casts doubt on the most common explanations for this outcome.

1.6 Source Material

My empirical inquiry is based on personal interviews, direct observation, and published materials collected during fourteen months of fieldwork between January 2008 and June 2009. This fieldwork was conducted in five non-democratic regimes across post-Soviet Eurasia: Georgia, Kazakhstan, Azerbaijan, Ukraine, and Belarus. Georgia and Kazakhstan are the subject of in-depth case analysis; the other three cases serve as comparative referents and are discussed in the conclusion.

Overall, I conducted over 160 semi-structured interviews with opposition leaders, government officials, members of parliament, journalists, and political analysts across the five countries. Of these, 31 were conducted in Georgia and 30 in Kazakhstan. While some of these interviews are cited in the following pages, many more inform the analysis in less direct ways. A full list of interviews is provided in Appendix A. All references to personal interviews are deliberately coded to honor the confidentiality requirements of UC Berkeley's Committee for the Protection of Human Subjects. The interview data are supplemented by hundreds of published documents, including government documents, press releases, and newspaper articles collected in the field, as well as online news archives.

The combination of elite interviews, direct observation, and published sources allows me to overcome many of the difficulties inherent in conducting research in non-democratic contexts. The interview data provides specific information about political events, including how decisions were made and other details rarely reported in the media, as well as participants' subjective understanding of political events. However, some people are unavailable or unwilling to sit for interviews and interview data is prone to bias, especially on sensitive topics. Researchers too frequently "ignore the reality that subjects have a purpose in the interview too: they have something they want to say. ... They're talking about their work and, as such, justifying what they do" (Berry 2002, 680). These challenges are especially acute in closed regimes and highly polarized contexts, where a wide range of issues are considered politically sensitive. Thus, government officials are frequently suspicious of foreign scholars, and shared narratives often arise to account for controversial events. In contrast, written documents and published sources can capture a historical event at the time that it happened. The written documents also provide alternative points of view to fill in for people and groups that could not be interviewed. They also contribute a level of detail that respondents may not have offered during the interview.

1.7 Outline of the Dissertation

The dissertation is organized as follows. Chapter 2 examines corruption and kleptocracy in the Soviet period and establishes that these countries inherited similar legacies of corruption from the Soviet Union. I find that illegal rent-seeking was prevalent among Soviet officials across the republics during the 1970s and 1980s, and the source of illegal rents in the republic-

level elite was society. Even in resource-rich republics, such as Kazakhstan, the resource profits accrued to the central government in Moscow and provided little opportunity for republican officials to feed.

Chapter 3 presents the case of Georgia under Eduard Shevardnadze, who served as president from 1995 to 2003. In Georgia, the lack of resource rents caused high toleration for political opposition. As in Kazakhstan, the government in Georgia was filled with rent-seekers who exploited their public office to amass private fortunes. However, Georgia is not endowed with the oil, gas, or other resources that could provide rulers with rents while also insulating them from society. Instead, in Georgia, the primary source of rents was society itself: Government officials relied on rents from private citizens, extracted in the form of bribes (petty and otherwise), in order to finance their outsized lifestyles. These practices represented a continuation of Soviet-era corruption patterns described in Chapter 2. Georgian government officials were constrained politically by their desire to extract rents from society. Because society controlled the flow of rents, private citizens retained some power and autonomy from the government. Allowing organized opposition and preserving civil liberties was an important way that Shevardnadze's government tried to appease citizens and keep the rents flowing smoothly.

Chapter 4 discusses the case of Kazakhstan between 1995 and 2010, under the leadership of President Nursultan Nazarbayev. Compared with Georgia, Kazakhstan presents the opposite pattern of corruption. In Kazakhstan, the overabundance of illegal rents from natural resource extraction enabled the government to repress political opposition. Kazakhstan's extensive deposits of oil, gas, uranium, and other minerals create an external source of illegal rents for government officials. As a result, government officials themselves controlled the flow of informal payoffs and did not need to appease society in order to generate private wealth. The Kazakhstani government thus could repress without disrupting the flow of illegal rents.

The conclusion places my argument in comparative perspective, discussing the implications of these findings for scholars' conceptual understanding of politics in non-democratic regimes.

Chapter 2

The Informal Economy and Informal Politics: Corruption in the Soviet Union

No one lives on wages alone. I remember in my youth we earned money by unloading railroad freight cars. So, what did we do? Three crates or bags unloaded and one for ourselves. That's how everybody lives in (our) country.

-- Leonid Brezhnev⁴

2.1 Introduction

Corruption was an integral component of political, economic, and social interactions in the Soviet Union. This observation is hardly novel. Through the 1970s and 1980s, Western scholars and media outlets regularly publicized the corruption endemic to the Soviet Union and the pervasiveness of underground economic activity (e.g., Jowitt, 1983; Lubin, 1984; Whitney, 1978). By the late 1980s, Soviet academics also began conducting studies into the existence of the informal economy and instances of corruption amongst government officials (e.g., Belikova & Shokhin, 1989; Rutgaizer, 1992).⁵ Given the extensive coverage that this topic has received, the primary purpose of this chapter is not to point out the fact of widespread corruption in the Soviet Union. Rather, this chapter draws from these sources to examine the *type* of corruption that prevailed during the Soviet period. I demonstrate that one particular form of graft, based on the vertical flows of bribes, predominated among party and state officials throughout the Soviet republics who sought to accumulate illegal personal wealth. This discussion focuses on corruption for private gain rather than corruption for bureaucratic gain. As Kramer (1977, p. 214) distinguishes, “The former involves illegal acts by public officials to provide themselves and/or others with government goods and services. The latter entails corrupt practices committed by officials to enhance organizational performance and efficiency to the benefit of the organization’s employees.”

In contrast to the post-Soviet period, when leaders of mineral-rich territories could steal resource rents, society was the sole source of illegal private wealth available to Soviet rulers. Corrupt state officials across the USSR relied on illegal and informal payments from private citizens in order to line their pockets. Officials regularly demanded bribes from Soviet citizens in return for providing goods, performing services, granting preferential access to state benefits, and turning a blind eye to illegal activities. The market for bribes was sustained by the blossoming of the informal economy. Illegal production and trading of goods on the black market required the tacit consent of state officials to function; this permission was often granted only in exchange for bribes.

The pattern of bribery-based corruption was organized hierarchically within each republic in a dynamic dubbed the “loot chain” for its pyramidal structure. Although corruption pervaded all levels of the Soviet party and state bureaucracy, the top leadership within the republics

⁴ Private comment made during a closed meeting (quoted in Trembl 1990: 1).

⁵ The Soviet press reported extensively throughout the Soviet period on the punishments meted out to corrupt officials. English translations of these articles can be accessed in the archives of the *Current Digest of the Soviet Press*.

maintained discretion over the flow of this informal revenue. And in republics with high levels of bribery, top-level leaders themselves reaped extensive private profits. Because they had far-reaching authority and undertook a broad range of important decisions, high-ranking officials could personally extract larger payments from a greater range of citizens. High-level officials could extract large bribes from managers of state enterprises in order to sanction illegal economic activity on a grand scale. In addition, as described below, higher-level officials shared in the informal earnings of their subordinates. When a state official collected a bribe, he was required to forfeit some portion of the profit to his supervisor, who in turn passed a percentage to his supervisor, and so on up to the highest rulers of the republics.

As the quote from Leonid Brezhnev above attests, this type of corruption for private gain was not seen as a violation of Soviet socialism system, but rather was entirely consistent with the Soviet political-economic system in practice. The dynamics of bribery were an open secret in the Soviet Union, officially outlawed but recognized by everyone to be an inevitable consequence of—and, indeed, a crucial complement to—the shortage economy. In a system where housing, automobiles, and consumer goods were scarce, petitioning a state official with a bribe was frequently the only way to procure even the most basic items. Soviet rulers acknowledged that bribery and loot chains existed, but also recognized the inherent benefits they derived from the system. As the head of the Soviet-era Department for Combating the Embezzlement of Socialist Property and Speculation noted, “Contempt for the law found its source in the party structure” (quoted in Duhamel 2004). Although corrupt officials were exposed and publicly prosecuted throughout the Soviet period, such investigations did not reflect a genuine desire to preserve the sanctity of Marxism-Leninism. Instead, these trials were motivated by political ambitions. Individual inquiries usually signaled interpersonal jealousies within the state bureaucracy and/or attempts to disgrace a rival colleague. At other points, the government initiated larger-scale anti-corruption campaigns to garner popular support among an increasingly disillusioned citizenry.

This chapter discusses the dynamics of Soviet corruption in the 1960s through the 1980s, with a particular focus on the republics of Central Asia and the Caucasus. Discussion of Soviet-era corruption is particularly important for understanding post-Soviet politics in Georgia and Kazakhstan. The leaders of post-Soviet Georgia and Kazakhstan had deep roots in the Soviet party-state apparatus. Shevardnadze and Nazarbayev each cultivated decades of experience in the Soviet bureaucracy, and both came to serve as First Secretary of their respective republics. Shevardnadze rose through the Ministry of Internal Affairs to serve as First Secretary of the Communist Party of Georgia between 1972 and 1985. He went on to serve as Soviet Foreign Minister under Gorbachev between 1985 and 1990. Nazarbayev rose through the Communist Party ranks to become First Secretary of the Communist Party of Kazakhstan from 1989 to 1991. This continuity from the Soviet to post-Soviet periods extended beyond the presidents to include much of the ruling elite. With few exceptions, members of the Soviet nomenklatura retained their positions as government ministers, deputy ministers, and state bureaucrats in independent Georgia and Kazakhstan. Similarities in the pattern of Soviet-era corruption suggest that Shevardnadze, Nazarbayev, and their subordinates embarked on the post-Soviet period with a common background in kleptocracy, as well as a shared understanding of the dynamics of bribery-based corruption. Thus, the legacies of Soviet rule created an analogous starting point for informal economic practices in independent Georgia and Kazakhstan.

2.2 The Supply Side: Who paid bribes?

In the Soviet Union, citizens paid bribes in order to conduct a wide variety of transactions. On a regular basis, informal payments were proffered in order to obtain the myriad licenses and registrations required by the state bureaucracy, as well as to acquire preferential access to education, housing, and scarce consumer goods. Bribery was also a regular component of the state service sector; haircuts at state barber shops, seats at the state opera, and quality workmanship at state construction companies all required informal side payments. As one expert concluded, “Bribes and payoffs are a normal part of life in the USSR, beginning with the payoff for a good room in the obstetric ward, ending with the payoff for a quality burial plot” (Sampson 1987, 127). This section details the various sources of bribes and informal payments in the Soviet economy.

2.2.1 Everyday Bribery: Bribes to Obtain State Services

State officials regularly extracted small informal payments in exchange for access to state services that were supposed to have been provided free of cost. This practice was particularly common in those sectors in which bureaucrats had control over the supply of a scarce good. For example, citizens frequently paid bribes to obtain priority access to housing, automobiles, and admission to universities (Grossman 1977; Kramer 1977; Morton 1980; O’Hearn 1980). In a society where waiting lists for consumer goods stretched for years on end, these bribes were indispensable in securing such shortage goods. “The notary who certifies the sale of private homes and dachas is often ‘rewarded’ for completing the appropriate paperwork. Employees of organisations allocating cars and housing often taken bribes to move individuals up the waiting list or even provide them with these desired items years ahead of schedule” (Shelley 1990, 16). In Georgia, one regional official accumulated 80,000 rubles in bribes, in exchange for helping citizens to illegally procure apartments (Fuller 1980).

Citizens also were required to pay unofficial and illegal “tips” on top of the official price for state services. While these informal payments were the norm, they were formally outlawed as illegal private income. Grossman’s (1985) study of barbers in the Soviet Union illustrates how this practice worked. Customers frequently would pay the baseline price for a haircut at the rate officially set by the state, as well as a large private tip to the barber for the haircut and any additional services such as a shampoo, shave, etc. These tips worked to establish a personal relationship between the buyer and seller, while also ensuring that the service would be of acceptable quality. Tips made up approximately 40 percent of the total price for barbers’ services. This practice was repeated in other service industries, especially those at public bathhouses, as well as state-run beauty parlors, theater box offices, hotels, health resorts, taxis, and restaurants (Gaddy 1991a; Gaddy 1991b; Neuhauser and Gaddy 1989). In total, by the late 1970s the Soviet urban population spent an estimated 7 billion rubles annually in illegal tips (Neuhauser and Gaddy 1989, 1).

2.2.2 Bribery and the Informal Economy: Payments to Conduct Illegal Economic Activity

In addition to greasing the wheels of the state bureaucracy, bribery also sustained the second economy. Official policy—conceived of and written in Moscow—outlawed most private economic activity. However, on both the republic and local levels, officials had significant

leeway in terms of how they implemented and enforced these laws. As a result, black market trade and underground economic activity proliferated, especially in Central Asia and the Caucasus. Private businessmen and underground entrepreneurs paid bribes, kickbacks, and tribute to state officials in exchange for tacit permission to engage in illegal and informal economic activities.

The mainstay of illegal private activity in the Soviet was “speculation”, i.e. the buying and selling of goods for private profit. Illegal speculators ran elaborate businesses trading shortage goods, such as automobiles and other consumer durables, on the underground market. For example, the USSR automobiles were scarce. Soviet economic planners predicted that 80% of families would own cars by 1980. In fact, because of shortages and slow production, by 1980 only 8.4% did. Consequently, speculators illegally bought and resold used cars at high markups. In one Russian oblast, approximately two out of every seven cars sold were purchased by speculators who intended to resell the car for a profit (O’Hearn 1980, 220). Relatedly, reports suggest that 80 percent of gasoline purchased in Kazakhstan, and 67 percent of gasoline purchased union-wide, was procured illegally (O’Hearn, 1980, p. 220; see also Alexeev, 1987; Kramer, 1977). The black market also included trade of spare parts for tractors, motor vehicles, and agricultural equipment (Katsenelinboigen 1977); cultural goods, such as books and recordings (O’Hearn 1980, 223–225); and imported foreign goods, especially shoes, clothes, and furniture (Alexeev and Sayer 1987).

Where did these black market goods come from? While some black market goods were imported from abroad by private citizens (Alexeev and Sayer 1987), more frequently employees pilfered goods from state enterprises and in order to resell them on the side (Trembl 1990; Trembl 1992). Such stealing from the state was perhaps the most common economic crime in the USSR, and petty embezzlement was widespread. As Grossman (1977, 29) describes,

The peasant steals fodder from the kolkhoz to maintain his animals, the workers steals materials and tools with which to play his trade ‘on the side,’ the physician steals medicines, the driver steals gasoline and the use of the official car to operate an unofficial taxi; and to all of them income from private activity on the side may be more important than the wage or salary they earn in their official jobs.

In more extreme cases, factory managers redirected the efforts of state-owned factories to produce specifically for the private market. Such “underground entrepreneurs” embezzled state-owned materials, labor, and facilities to produce goods for profit. The official factory served “as a cover to conceal the illicit use of supplies, funds, labor, transport, and distribution networks. While the state enterprise operates normally and achieves its plan, the surplus capacity is unofficially used to manufacture additional goods” (Sampson 1987, 129). The goods that these underground factories produced ranged from biscuits (Mars and Altman 1987) to televisions (O’Hearn 1980).

Consent of state officials was key to the functioning of the illegal second economy. In places where second economy activities were widespread, officials were co-opted into the system through elaborate series of bribes, kickbacks, and payoffs. “In the Soviet Union, anything done out of line requires the buying off of some and often very many people” (Grossman 1977, 31). Those engaged in illegal production routinely paid bribes to economic planners, police, and local political officials to look the other way regarding the diversion of state resources, production for the second economy, and illegal private trade. Bribes also convinced Soviet economic planners to lower production requirements for their farm or factory. Paying a bribe

created a surplus of time, materials, and machinery that could be diverted to production for the second economy. In some cases, local officials even actively promoted underground private enterprise within their districts in order to collect more bribes (Grossman 1977; Kramer 1977). These illicit factories were extremely lucrative, and they could generate private earnings for the factory director and local officials alike. While underground factory directors routinely earned 10 million to 12 million rubles annually, informal payments could consume an additional 10 to 20 percent of an underground factory's earnings. According to transcripts from the trial of one Georgian underground entrepreneur, he paid at least 1 million rubles in bribes, extending to officials at the highest levels of the state and Party. (Simis 1982, 166–168). These bribes frequently became codified as part of the illegal factories' official payroll. Rather than receiving irregular side payments, party officials and police were placed directly onto the factory's payroll. Regularizing these payoffs built up a relationship of trust between the briber and the bribed (Mars and Altman 1983). These practices were strictly illegal, but represented an informal institution within the formal structure of socialism.

2.2.3 Organized Crime

By the 1970s, Soviet organized crime groups controlled many portions of the second economy, especially those involving illicit activities, as well as the large-scale production and transport of second economy goods. Criminal networks had been established in the 1930s. As political prisoners in Stalin's gulag, some convicts banded together to establish a shared code of conduct and a shared criminal brotherhood known as *vory v zakone*, or "thieves-in-law". Although they pledged not to cooperate with the Soviet state, these prisoners became critical actors in maintaining control in the labor camps and received special privileges from the guards in return. In the 1950s, after Stalin's death, these criminals returned to society and together formed organized crime networks throughout the Soviet Union.

In the 1960s, these gangsters started directing their efforts toward the underground economy. They used a combination of extortion, racketeering, and smuggling to monopolize certain sectors, trade routes, and territories. Leaders of the underground economy maintained extensive connections within and across republics and acted as middlemen between factory managers, bureaucrats, and consumers. In some cases, criminals cornered specific markets. Georgian crime syndicates, for example, controlled the production and transportation of citrus fruits and other agricultural products for private sale in Russian markets. In turn, these middlemen extracted a significant percentage of the profits (Frisby 1998; Handelman 1994; Shelley 2007).

The criminal gangs maintained close relationships with the state. At a minimum, these relationships involved large bribes to government officials in exchange for permission or assistance in conducting illegal activities. More frequently, the appropriate government officials were integrated directly into the criminal networks. Regional officials worked with the criminals to ensure the safe production and transport of their goods and, in exchange, received a share of the profits. These corrupt officials "included representatives of the administration of various enterprises who often were party members and had high positions... members of such criminal organisations lived a double life" (Frisby 1998, 34).

With increasing wealth, these gangs gained political power and even considered entering politics themselves. Through the networks of corruption and the mafia's penetration of the state, such gangs already exerted indirect control over political decisions. At a major meeting of

thieves in law in Tbilisi, Georgia in 1982, the thieves discussed—but voted against—directly entering politics. Nonetheless, the close political-criminal relationship continued in certain republics through the remainder of the Soviet period (Frisby 1998; Shelley 2007).

2.3 The Demand Side: Who collected bribes?

For every citizen who paid a bribe, there was someone to receive it. As this section describes, a wide range of Soviet apparatchiks extracted bribes. The patterns of bribery in the Soviet state caused even the highest republican rulers to rely on bribes from society to accumulate illegal personal wealth. This section details the patterns of corruption from within the Soviet state, outlining who collected bribes and how bribery profits were distributed within the party-state apparatus.

2.3.1 High-Ranking Officials in the USSR

Top-ranking Communist Party functionaries and state officials enjoyed a privileged life. The upper crust of Soviet political elite included officers of the Central Committee of the CPSU, the Council of Ministers, and the Presidium of the Supreme Soviet. Within the republics, the ruling elite consisted of the First Secretaries and the upper echelons of the republic-level Communist Party. These individuals were well compensated, receiving official salaries that were many times larger than the average workers' pay. More importantly, such positions also provided access to “legalized perquisites”, which made the top Soviet officials a caste unto themselves. Rulers were granted fully furnished mansions and exquisite cottages in exclusive neighborhoods equipped with armed guards, high walls, barbed wires, and gated access. They also had access to a private supply of gourmet food, Western clothing, and other goods unavailable to average citizens. Through a network of private dining rooms, food stores, and snack bars—all located in government office buildings—party officials procured imported sausages, fish products, cheeses, and bread, as well as American cigarettes, Scotch whiskey, and English gin. These perquisites extended to health care and end-of-life care. Exclusive government hospitals, pharmacies, and clinics provided better treatments, more privacy, and access to imported drugs that were unattainable to the ordinary citizen. Ruling elites even had their own cemeteries. For those granted access, these benefits and goods were provided for free or at nominal cost. The real cost of the goods was subsidized by the state budget (Duhamel 2004; Simis 1982, chap. 2).

Besides the large salaries, exclusive goods, and privileged lifestyles, ruling elites also had opportunities to extract bribes and illegal profits. And unlike the legal perquisites, which were conditional on remaining in the government's good graces, illegal wealth could be saved indefinitely. Officials of the central government in Moscow, as well as the party leadership in each republic, collected bribes in exchange for protection, permissions, and jobs. For example, in the early 1960s, Frol Kozlov, the Secretary of the Central Committee of the CPSU and member of the Politburo was exposed for accepting hundreds of thousands of rubles in bribes. In exchange for bribes, Kozlov provided prestigious jobs and bureaucratic promotions; he also used his influence to protect underground businessmen from criminal proceedings (Simis 1982, 48).

Even more widespread than outright bribery was the practice of *prinosheniye* (literally, “bringing to”) in which the rulers collected valuable gifts from the ruled. While bribery was “a more concrete exchange of money or goods for a specific service, *prinosheniye* was a general

and regular way of ingratiating oneself with authority, and one which is expected by both parties” (Grossman 1977, 32). The practice was particularly pervasive among republic-level secretaries and ministers. In the Uzbek republic, each minister in the republic maintained influence over a certain sector of the economy and collected regular tribute from the entrepreneurs in that sector. Collective farm chairmen and managers of state farm managers paid regular tribute in the form of cash and sheep, “whole herds of which would be driven for them from mountain pastures into the capital”. Underground entrepreneurs “made monthly protection payments in the form of money, gemstones, and very often, in accordance with Asian tastes and traditions, valuable handmade rugs” (Simis, 1982, p. 61; see also Critchlow, 1988; Schwartz, 1979).

Politicians who had the authority to appoint and promote government officials were particularly adept at extracting bribes. Procuring a ministerial or deputy ministerial post in many republics required bribing the first secretary of the Communist Party Central Committee or the Chairman of the Council of Ministers. In Georgia through the 1960s, the wives of the first and second secretaries of the party Central Committee collected bribes in exchange for access to their powerful husbands. “It was well known that with their assistance one could be nominated to a lucrative or prestigious post. It was equally well known that the influential ladies were loath to accept Soviet rubles in payment for their services; they preferred either foreign hard currency or merchandise such as precious stones (but only very large ones), paintings by important artists, or antiques” (Simis 1982, 56). In Azerbaijan in the early 1970s, high party and state positions required payment of bribes ranging from 10,000 rubles for less lucrative positions to 250,000 rubles for the office of Minister of Trade. To put those prices into perspective, the average salary in the USSR at that time was 122 rubles per month (Grossman 1977, 32). Such positions were often purchased on credit, based on the promise of the new employee to provide his superior with a steady stream of bribery kickbacks.

The case of one underground millionaire in Georgia is illustrative of the close relationship between politicians, bribery, and underground millionaires. Mr. Babunashvili was the head of an underground factory that produced and sold fabrics, from which he received a multi-million-ruble salary each year. He purchased the post of Minister of Light Industry by paying large bribes to both First Secretary Mzhavanadze, who cast the deciding vote on ministerial appointments as well as the Chairman of the Council of Ministers, who approved such decisions. Several reports suggest that similar cases of underground entrepreneurs bribing their way into government posts occurred regularly throughout the Caucasus (Simis 1982, 54). In the early 1970s less lucrative posts, such as Ministry for Social Security, could be purchased for 100,000 rubles, while posts that offered unlimited feeding troughs such as the Ministries of Trade or Light Industry would cost up to 300,000 rubles. “The acquisition of these posts were not cheap, of course, but, once installed, the minister would be able to derive considerable income from it by peddling, in turn, jobs as sector and territory chiefs, which, in a ministry like that of Light Industry, could fetch 100,000 to 125,000 rubles” (Simis 1982, 56).

2.3.2 Regional and Local Officials

Officials on the regional and district level did not have access to most of the legalized perquisites enjoyed by the top elite, but they did have access to bribes, tribute, and other illegal sources of revenue. Just like the top leaders, regional and district officials maintained power over all enterprises within a given territory, and they operated without close oversight or interference

from the central state. Members of regional Party committees as well as executives of local government could extract bribes and gifts from private citizens and state enterprises proportional to their place in the district hierarchy. “Their official salaries are not large (for example, a district committee secretary might earn 250 rubles a month), but on the other hand they wield great power in the life of their districts, and they can make up for what they do not get from the state and party by using this power to extort payments in goods and services from people who are dependent on them” (Simis 1982, 68).

Local officials used their position to extract tribute from local citizens, enterprises, and industries. These tributes took the form of goods, services, and material misappropriated from state-owned factories. The staple of local-level *prinosheniye* was basic food provisions. Citizens of provincial towns faced regular shortages of basic foodstuffs and, consequently, relied on small plots, subsistence farming, and occasional purchases at the market to get by. In these places, state and collective farms provided district officials with free vegetables, fresh dairy products, and meat. In urban areas, similar patterns of corruption occurred, though privileged access to fruits, vegetables, and other food was provided through state stores, rather than directly from the farms (Duhamel 2004).

State enterprises also offered paid tribute to the authorities by offering free services. In rural areas, restaurants reserved a private room for use only by the district elite. The officials would be served fancy food that was unavailable to average citizens, and they were not charged for their meals. The range of services received by district and regional officials was nearly limitless, ranging from free use of state cars and airplanes for private travel, to free household repairs by the district construction offices (Schwartz 1979, 436). In return for these gifts, the officials rarely provided any specific or discrete benefits. Rather “they are offered services to make sure that they do not use their power against the giver, to forestall any possible trouble, and to ensure that if one of their tributaries was threatened by prosecution they would exercise their authority to defend him or her” (Simis 1982, 75).

2.3.3 Law Enforcement and the Judiciary

Law enforcement had its own networks of bribery and corruption. Police officials in the passport section of district or municipal police offices extracted bribes in exchange for residence permits and internal passports. Soviet citizens were required to register their address and whereabouts with the police of their town. They also had to obtain permission from these offices in order to move apartments, to move to a different town, or to stay in a city for longer than three days. Such permission frequently required a bribe to the chief of the local or district passport office (Morton 1980).

The traffic police extracted bribes from citizens seeking drivers’ licenses, annual vehicle registration certificates, or pardon on a traffic violation. In the case of drivers’ licenses, citizens regularly bribed examiners either directly (through a 100 ruble note handed to the examiner once in the vehicle for the road test) or indirectly through a middleman, usually the instructor at a state driving school. Vehicle inspectors collected bribes during the required annual maintenance inspections of private automobiles. Inspectors of these departments annually collected an estimated 150,000 to 200,000 rubles in bribes from vehicle registration. And finally, a separate branch of the traffic police was responsible for traffic enforcement on roads and highways. These officers used their position to extract bribes from drivers who had committed moving violations.

These bribes were quite small in the case of minor offenses, often only 3 to 5 rubles, but could reach as high as 50 rubles for pardoning drunk driving (Simis 1982, 186).⁶

In contrast, the criminal police extracted larger bribes and kickbacks in exchange for protecting professional criminals – for example, professional shoplifters, prostitutes, and foreign currency speculators. Simis (1982, 187–191) recounts the story of one career shoplifter in Moscow who met monthly with her police contact, a major in the criminal investigation unit, and would pay him 500 rubles from her in return for protecting her. Similarly, police accepted informal payments in exchange for allowing prostitutes to solicit customers in public areas, such as restaurants, theaters, and hotels (Gaddy 1990). One particularly profitable source of illegal income for criminal police was foreign currency speculators, who paid regular bribes to police officers in exchange for permission to conduct their illegal business (Meyendorff 1991).

When Soviet citizens were charged with a crime, they faced a judicial system that was rife with corruption. Public prosecutors, investigators, and judges from the district level up to the Supreme Court of the republics took bribes and, in return, found ways to exonerate the accused. For example, investigators in the prosecutor's office collected payments in order to make cases of grand embezzlement appear to be mere petty larceny. They would keep the number of defendants to a minimum and implicate only minor participants in the crime. Prosecutors also accepted bribes in exchange for lenient sentences or to retry cases that resulted in unfavorable verdicts. Judges solicited payments in exchange for finding defendants not guilty or for assigning lenient punishment (Solomon 1987, 548). In provincial regions, these payments were in kind, consisting of food and other forms of *prinosheniye*. In urban centers and in cases against underground entrepreneurs, bribes more frequently involved large sums of money or luxury goods. In the Uzbek republic, the President of the Supreme Court, Pulat Khodzhaev, demanded payments between 25,000 and 100,000 rubles to return verdicts of not guilty (Simis 1982, 62). In Georgia, an underground entrepreneur bribed the public prosecutor to reduce the sentence for his son, who was convicted of killing a man during a drunken brawl. The bribe consisted of an elaborate foreign-made furniture set, which the entrepreneur traveled to Moscow to purchase. Shortly after the gift, the prosecutor lowered the son's sentence from the death penalty to thirteen years in prison (Simis 1982, 183).

2.3.4 Vertical Distribution of Bribery Profits.

Officials who collected bribes rarely kept the full profit for themselves. The bribes collected by state officials were aggregated and shared with colleagues and superiors. While a bribe or *prinosheniye* may be paid to one individual, that person was required to forfeit some portion of the profit to his supervisor, who in turn passed a percentage to his supervisor, and so on up through the Soviet hierarchy. For example, In Uzbekistan, one director at state consumer goods supplier collected 5,000 rubles in exchange for hiring an individual for the position of warehouse manager. In turn, the new employee was expected to extract bribes and to share the profits with his boss. The director forced the new manager to swear that he would share one half of the proceeds from his illegal activities (Kramer 1977, 219).

Thus, even petty bribes, when collected with high frequency in small denominations by local and low-level bureaucrats, provided an important source of private, illegal income for high-level officials in the Soviet republics. Evidence suggests that these patterns of shared revenue

⁶ The official punishment for drunk driving was suspension of one's drivers license for one year.

extended upwards, reaching to the leaders of the republics as well as the central apparatus in Moscow (Gaddy and Ickes 2002, 10).

Take the example of a salesclerk in a state department store. The clerk controlled the supply of scarce consumer goods and faced pressure to illegally hoard such goods and sell them to the highest bidder. “Even if a young salesgirl is honest, she is forced to engage in this activity by the department head, to whom she must ‘kick back’ part of the income” (Katsenelinboigen 1977, 76). However, the kickbacks did not end there. The department head “in his turn, must give a ‘kick back’ to the shop director who, in turn, gives one to the area trade office or to the wholesale base where he was given the scarce commodities (for, after all, they could have given them to someone else), and so it goes until one reaches the very pinnacle of the trade hierarchy” (Katsenelinboigen 1977, 76). In the case of the sales clerk, such bribes eventually accumulated to the Minister of Trade and his deputies.

Profits from informal payments were also shared vertically in the judicial branch. Within the Soviet sentencing code, prosecutors had significant leeway over the length of sentence they requested. However, requesting no imprisonment at all required a supervisors’ approval. “Therefore the guarantee that a given sentence will result from a bribe can be offered only by building up a group on the vertical principle – that is, with the participation of officials higher up in the chain of command” (Simis 1982, 120). Both prosecutors and defense attorneys also had the right to file for appeal of a verdict. Such appeals could result in a reexamination of the case, either by the appeals court or by a different judge within the lower court. Judges who collected bribes secured their verdicts by distributing a portion of the profit upwards to justices on the appeals court, as well as to their colleagues who might be ordered to reopen the case. Sometimes these bribes would involve collusion between multiple layers of the judicial system: “the lawyer simply has a preliminary conference with the investigator or judge about the prospects of the case, the amount of money that the lawyer will receive from his client if the outcome is successful, and how that money is to be divided” (Simis 1982, 110).

2.4 Pervasive Bribery in Central Asia and the Caucasus

Evidence suggests that corruption was particularly high in Central Asia and the Caucasus, especially the republics of Georgia, Azerbaijan, and Armenia. Several trends underscore this point. For one, the second economy, which was the basis for much of the bribery and corruption during the Soviet period, was more extensive and active in these republics. Treml and Alexeev (1993, 5) note that “all Western studies and anecdotal evidence from Soviet sources strongly suggest distinctly different regional patterns of second economy activity and transactions... the second economy was more conspicuous in the South (Armenia, Georgia, Azerbaidzhan, and Central Asia), less so in the West and the North (Russia, Ukraine, Byelorussia, and Moldavia)”. Households in Georgia, Moldova, and Armenia derived a significantly higher proportion of their income from the second economy than households in other republics (Alexeev and Sayer 1987, 11–12). Labor input into the second economy was highest in the Caucasian and Central Asian republics, and considerably lower in the Slavic and Baltic regions (Treml 1992, 17–19). The Georgian republic’s second economy had “a reputation second to none” (Grossman 1977, 34).

In addition, anecdotal evidence suggests that the size of bribes—i.e. the amount of money exchanged during informal transactions—tended to be higher in Central Asia and the Caucasus than in other parts of the Soviet Union. For example, bribes to gain admission to institutes of

higher education in the 1970s ranged from 10,000 to 15,000 rubles in Georgia and 10,000 to 35,000 rubles in Azerbaijan. In contrast, similar institutions in Russia, Ukraine, and Belarus required between 3,000 and 5,000 rubles in informal payments for admission (Simis 1982, 167).

Moreover, underground entrepreneurs were particularly brazen in the Caucasus. Though such individuals existed throughout the Union, in most parts of the USSR, they concealed their wealth from party officials and ordinary citizens. In Georgia and Azerbaijan, however, underground businesses operated less surreptitiously. Businessmen there “all shared the same expansive hospitality, the same big spending and the same open-handed lifestyle”. In a raid on one millionaire’s houses, located in elite districts in Tbilisi and the resort town of Tskhaneti, authorities found luxurious home furnishings and antiques, as well as hundreds of liters of wine, an extensive jewelry collection, and 45,000 rubles in cash (Simis 1982, 113, 119). While co-owners of underground businesses in other republics would communicate by messengers and go-betweens, in Georgia and Azerbaijan shareholders congregated in public. Meetings between shareholders “traditionally take the form of banquets lasting several hours, during which decisions are taken, business discussed and revenues distributed. In Moscow, and in other Republics... more circumspection is in order” (Simis 1982, 113).

2.5 Absence of Resource Rents in the Soviet Republics

While Soviet officials acquired enormous personal wealth from society, these same officials did not have access to the windfall profits from natural resources. By the 1970s, the USSR was the world’s largest producer and exporter of petroleum products. With estimated reserves between 6.5 and 10.5 billion tons of oil, the USSR contained more oil than any other country at the time, besides Saudi Arabia (Gustafson 1989, 63). The republics were also major producers and exporters of timber, iron ore, manganese, copper, zinc, nickel, lead, and other precious metals. Although minerals composed a significant percentage of Soviet exports in the 1970s and 1980s, the profits generated by the sale of such resources were used to prop up the Soviet economy, rather than to line the pockets of the political leadership. Thus, the revenue derived by the extraction and sale of oil, gas, and other natural resources were not a main source of illegal wealth for state officials in Moscow or in the mineral-rich republics of Central Asia.

By the 1970s, natural resource exports composed a significant percentage of the USSR’s exports.⁷ Between 1960 and 1980 Soviet crude petroleum production rose four-fold, from 148 million tons to 603 million tons; natural gas production rose ten-fold over the same period from 45 to 435 billion cubic meters. Through the 1980s, crude oil production remained steady, while natural gas production continued to rise, nearly doubling between 1980 and 1989 (International Monetary Fund, World Bank, and Organisation for Economic Co-operation and Development 1991, 1:89). In the early 1970s, prior to the 1973 explosion of world oil prices, fuels composed nearly 30 percent of all Soviet exports to the West; by 1976, this percentage had risen to 53 percent. Energy exports peaked in 1985, when fuels composed 53 percent of all USSR total export earnings and generated 80 percent of the USSR’s annual hard currency earnings

⁷ Azerbaijan was the main source of oil and gas for the USSR in the early Soviet period. Over time, though, oil production shifted to Siberia – at first, to the region surrounding the Volga River and Urals, and later to Western Siberia. In the 1970s and 1980s, the Western Siberian fields dominated oil and gas production in the Soviet Union (Travin and Marganiya 2010).

(Gustafson 1989, 263–264; International Monetary Fund, World Bank, and Organisation for Economic Co-operation and Development 1991, 1:103).

While the Soviet Union maintained the export profile of an energy-rich rentier state, the extraction and sale of natural resources did not generate illegal rents for political leaders of the resource-rich republics. For one, the production and trade of natural resources was highly centralized and tightly controlled by the central government in Moscow. Five ministries together controlled the output, processing, and conversion of primary energy sources: the Ministry of Gas Industry, Ministry of Petroleum Industry, Ministry of Petroleum Refining and Petrochemical Industry, Ministry of Coal Industry, and Ministry of Power and Electrification. Central ministries made decisions regarding production targets, investments, and technology, largely independent of the republic-level officials (Campbell 1976; Dienes and Shabad 1979). Foreign economic relations also were managed by the central government in Moscow, and the state maintained a monopoly on all foreign trade. The Ministry of Foreign Trade, established in 1930, was charged with negotiating and signing contracts with foreigners and was the only body, public or private, with this right (Gustafson 1989, 267).

More importantly, the Ministry's decisions and policies regarding the trade of oil, gas, and other natural resources were driven by domestic political and economic goals, leaving little room for corruption in this sector. The "main purpose" of exporting oil "was to obtain the imports necessary to meet internal goals, while exports were viewed as a necessary evil and limited to the value required to pay for imports profits generated from the trade of natural resources" (Gustafson 1989, 268). The goal of foreign trade, then, was not to generate illegal profits and resource rents for top officials, but rather to pay for equipment and technology necessary for economic development (Campbell 1968, chap. 11). Resource profits were used to "buy grain to feed Soviet cattle, to cushion the impact of the two world oil shocks on his East European clients, and, as Khrushchev had done, to gain fast starts in policy areas of interest to him, such as purchases of foreign plants to make passenger automobiles and synthetic fibers" (Gustafson 1989, 56). Resource exports were also used to restore trade imbalances when increasing imports produced a balance of payments deficit.

In short, the embezzlement of resource profits was notably absent from Soviet officials' repertoire of corruption. Because of the institutional structure and economic policies of the Soviet Union, rulers had little opportunity to appropriate the windfall profits generated by the sale of oil, gas, and minerals. Instead, bribes and payoffs from society constituted the bulk of the political leadership's illegal income during the Soviet period.

2.6 Conclusion

This chapter has delineated the kleptocracy of the Soviet Union, arguing that one type of corruption prevailed across the republics. During the Soviet period, bribery rather than resource wealth predominated for party-state officials seeking to accumulate illegal personal wealth. The pattern of loot chain corruption, in which informal payments from private citizens were shared vertically within the party-state, created a situation wherein both high and low officials were dependent on society for their illegal wealth. Moreover, the practices of corruption remained similar across the Soviet territory, creating an analogous starting point for informal economic practices after 1991.

From this common starting point, rulers in Georgia and Kazakhstan developed divergent patterns of corruption in the post-Soviet period. In Georgia, Shevardnadze and his cronies continued on a path of bribery-based loot chains. In Kazakhstan, however, bribery was superseded by the embezzlement of resource profits from the sale of oil, gas, and other minerals. These matters will be taken up in the following two chapters.

Chapter 3

Bribery and Toleration in Georgia

For it is said that even in hell a bribe settles matters.

-- Shota Rustaveli⁸

3.1 Introduction

This chapter argues that the high prevalence of bribery in Georgia caused high toleration for political opposition between 1995 and 2003. After independence, the Georgian government remained stacked with rent-seeking rulers who exploited their public office to amass private fortunes. However, unlike Kazakhstan, Georgia is not endowed with the oil, gas, or other resources that could provide elites with illegal rents while also insulating them from society. Instead, the primary source of illegal rents was society itself. Political elites relied on rents from private citizens, extracted in the form of bribes (petty and otherwise), in order to finance their lavish lifestyles. These practices represented a continuation of the Soviet-era corruption patterns described in Chapter 2.

Georgian elites were constrained politically by their desire to extract illegal rents from society. Because opposition figures were also a key source of bribes and illegal rents, political repression would have been economically costly for Georgia's rulers. In seeking to protect their stream of illegal rents, Georgian rulers presided over an unusual type of non-democratic regime, one in which authoritarian institutions were combined with protection of civil liberties.

In presenting this argument, I focus on the time period between 1995 and 2003. Although Shevardnadze came to power in 1992, a stable, institutionalized political system was established only in 1995. Between 1992 and 1995 Georgia experienced active civil war and violent internal conflict on multiple fronts – secessionist ethnic violence in Abkhazia and South Ossetia, as well as serious attempts to overthrow the elected government. In 1995, violence subsided, Shevardnadze was elected to the newly created post of president, and state agencies restored a monopoly over the use of violence within most regions of Georgia. As described in the chapter's conclusion, Shevardnadze's government collapsed in November 2003 with the events of the Rose Revolution.

This chapter outlines this argument, by first describing the outcome to be explained – the high toleration for opposition parties under President Eduard Shevardnadze's government. The bulk of this chapter is devoted to explaining this outcome. I demonstrate that Georgia had few natural resources—and no reliable resource rents—leading state officials to rely on bribes to accumulate their personal fortunes. I then explain how the reliance on society for illegal wealth constrained the government's ability to repress opposition. The conclusion explores the implications of these patterns for the development of political society in Georgia and the Rose Revolution that brought down Shevardnadze's government in 2003.

⁸ From *The Lord of the Panther Skin*, Georgia's national epic written in the 12th century.

3.2 Who was the opposition in Georgia?

Within Georgia's authoritarian regime, the Shevardnadze's government pursued a strategy of high toleration for opposition political parties. As explained in Chapter 1, I consider a political group to be a *political party* if it fulfilled at least one of the following two criteria at any point during Shevardnadze's time in power between 1995 and 2003: (1) if the group seeks registration as a political party with the Ministry of Justice; (2) if the group fields candidates for public office, specifically for seats in parliament. On the latter point, I consider a political group to be a party only if it registers a party list for parliamentary seats allocated by proportional representation. Georgia during this period maintained a mixed electoral system: 150 parliamentary deputies elected on the basis of a nationwide proportional representation, while the remaining 85 deputies were selected by single-member district. This stringent definition of political parties elides the measurement problem inherent in the fact that, in Georgia and other post-Soviet elections, party affiliation is often not salient for voters or candidates contesting SMD seats. Many SMD candidates misrepresent their party affiliation when registering for elections, often omitting their party membership entirely.

Political parties proliferated in independent Georgia through the 1990s and early 2000s. Over 100 parties were registered with the Ministry of Justice by the late 1990s, including Shevardnadze's ruling party, the Citizens' United of Georgia (CUG) (Kandelaki et al. 1998). However, many parties existed in name only, having been formed immediately prior to an election for the sole purpose of fielding a candidate for office (National Democratic Institute 1999). Dozens of parties competed in each parliamentary election: 53 parties in 1995, 32 in 1999, and 43 in 2003 (National Democratic Institute 1999; OSCE/ODIHR 2003; Slider 1997). However, as election observers pointed out, only a handful of these parties had any chance of clearing the 7% threshold needed to gain a seat in parliament.

A list of political parties in Georgia is included in Appendix A. To simplify this discussion, in the appendix I have included only major parties – i.e. those parties that received major national and international attention, as recorded in international election monitors' reports.

The first political groups to organize in opposition to Shevardnadze's rule were his predecessors—specifically, supporters of Zviad Gamsakhurdia, who served as president in 1991-1992, as well as the militia leaders and organized crime figures who ruled Georgia during the 1992-1993. Most of these political figures did not organize formal political parties, but rather exerted political influence through other means. Although the armed insurrection by Zviadist forces ended with the death of Gamsakhurdia himself in December 1993, the Zviadists' peaceful political activities continued for years. The Zviadists denounced Shevardnadze's government as illegitimate, arguing that Shevardnadze had usurped power through a military coup while Gamsakhurdia remained the legitimate, elected president. Zviadist political activities largely included contentious forms of political participation, such as public demonstrations, rather than electoral efforts to regain power. Nonetheless, some Gamsakhurdia supporters and former members of his government did go on to form political parties. The Conservative Party was amongst those parties. It was established in 2001 by Zviad Dzidziguri, who had served as a regional governor under Gamsakhurdia, as well as an envoy for Gamsakhurdia's government in exile before being arrested and serving five years in prison (G-2632, interview, Spring 2009; Nodia and Scholtbach 2006). Earlier parties organized by Gamsakhurdia supporters included the 21st Century/Konstantin Gamsakhurdia/United Georgia group, as well as the Way of Zviad/Voice of the Nation bloc—both of which contested the 1995 parliamentary elections but

did not win seats in that parliament (Slider 1997). In contrast, the warlords that governed Georgia in 1992-1993 did not formally organize parties losing power, and in fact faced significant repression. However, through the late 1990s and early 2000s these crime bosses remained political active behind the scenes, as described below.

By the mid-1990s, several other parties also came to oppose Shevardnadze's policies. Most of these parties emerged during perestroika and initially aligned themselves with Shevardnadze when he came to power in 1993 in an effort to capitalize on his early popularity. However, by 1995 these parties had crystallized into a stable anti-Shevardnadze opposition force. The most notable party fitting this description is Aslan Abashidze's Revival Party. Abashidze was the leader of the Autonomous Republic of Adjara, and ran the region as his personal fiefdom. Abashidze pursued his own foreign policy, independent from Tbilisi; exerted monopoly control over the extremely profitable ports, border crossings, and customs checkpoints in Ajara; and at times refused to transfer tax revenues to the central state budget. Nonetheless, Abashidze organized the Revival Party in the early 1990s to compete in national-level politics. The party was formally in alliance with the ruling CUG through the mid-1990s, but by the end of the decade Abashidze became formally opposed to Shevardnadze and headed the largest opposition bloc in the 1999 parliamentary elections (Nodia and Scholtbach 2006, 16). One of the more successful opposition parties from this period is the Labour Party, a leftist party created in 1995 to represent the interests of those segments of society who lost out in the transition to capitalism. The party lobbies for the creation and protection of social welfare policies, such as free healthcare and education, pension benefits, and subsidized utility provision (Nodia and Scholtbach 2006). I also include the United Communist Party here; this party called for the restoration of the Soviet Union (Slider 1997). Smaller parties in this category are the National Independence Party, the United Republican Party, and the Union of Georgian Traditionalists, which supported the restoration of the 12th century Georgian monarchy.

In the late 1990s, political opposition began to develop from two other sources. Business elites who made fortunes in the new market economy organized political parties to protect their economic interests and promote business-friendly policies. The beer magnate Gogi Topadze, owner of the Kazbegi/Castel Brewery, founded the party Industry Will Save Georgia in 1999, in order to protect the interests of the business and manufacturing sectors. The party, which developed from the civic organization Industrialists' Union, was established on a conservative platform of liberalizing tax laws and developing protectionist measures to protect Georgian goods from foreign competition. Similarly, the New Rights Party (at times known as the New Conservative Party) was formed in 2001 upon the initiatives of a number of successful entrepreneurs originally affiliated with the CUG. Party leaders included David Gamkrelidze, the founder and president of Aldagi Insurance, which had become Georgia's largest insurance company; Levan Gachechiladze, founder of Georgian Wine and Spirits; and Irakli Iashvili general director of Georgian Trans Expedition, a major cargo and shipping company. New Rights' leaders and constituents were the oligarchs and major business owners in post-privatization Georgia. Indeed, both Gamkrelidze and Gachechiladze had been named Georgia's businessman of the year. The New Rights Party's platform focused on further market liberalization, secure property rights, rule of law, and other programs to create an economic environment generally conducive to business and industry (G-3724, interview, Spring 2009; Nodia and Scholtbach 2006).

A final group of opposition parties arose from young, liberal politicians who split from the ruling CUG in the early 2000s over the pace of political reforms. Figures such as Mikhail

Saakashvili and Zurab Zhvania had co-existed uneasily within the CUG, despite having served as Minister of Justice and secretary of the party, respectively, under Shevardnadze. Between 2001 and 2003, these politicians left the CUG and went into opposition, forming political parties with platforms based on more extensive political liberalization. The National Movement was founded in December 2001 by Mikhail Saakashvili, while the United Democrats was established in 2003 by Zurab Zhvania in concert with other reformist leaders. These parties contested the November 2003 parliamentary elections and were instrumental in events of the subsequent Rose Revolution of November 2003.

3.3 High Toleration of Political Opposition in Georgia

These opposition parties faced low levels of repression in Shevardnadze's Georgia, despite the authoritarian regime in place. By definition, in democracies citizens hold control over the state, exerted by holding free and fair elections in which the electoral outcome is uncertain in the lead-up to the elections. In contrast, none of the presidential or parliamentary elections under Shevardnadze were certified as free or fair by international observers. For example, OSCE monitors concluded that the 1999 parliamentary elections "failed to fully meet all commitments" to democracy (OSCE/ODIHR 2000a, 1), while the 2000 presidential campaign similarly demonstrated that "further progress is necessary" in the conduct of elections (OSCE/ODIHR 2000b, 1). By 2003, Georgia's elections "demonstrated that the authorities lacked political will to conduct a genuine democratic process" (OSCE/ODIHR 2003). Georgia therefore failed to fulfill the criteria for democracy, because opposition parties competed on an inherently unlevel political playing field.

Nonetheless, opposition parties still had significant leeway to organize. Most were allowed to register with the state and activists generally were free to mobilize with few constraints. They also maintained visible professional offices, they generally had access to independent and opposition media outlets, and they organized public rallies with only rare chance of dispersal or police violence. To be sure, there were crackdowns on some political opponents; supporters of former President Zviad Gamsakhurdia (known as Zviadists) in particular were treated harshly. Yet, as I describe below, Georgian authorities adopted a much more liberal policy towards political opposition than officials in other post-Soviet authoritarian regimes.

3.3.1 Few challenges registering with the state.

Registering parties was not difficult in Georgia, both in law and in practice. For one, the number of members required for a party to register was very low. The 1997 Law on Political Parties stipulates that parties seeking registration had to submit documentation to the Ministry, including a list of at least 1,000 members. In contrast, parties in Kazakhstan must demonstrate at least 50,000 members. Moreover, Georgia is the only country under study that sets a time limit for the Ministry to decide about registration and gives parties recourse if their application is rejected. The law states that if an applicant does not receive a notice of refusal from the Ministry within 7 days, then the party is automatically granted registration. If denied, parties could appeal

the decision to the Supreme Court within a month, and/or they could re-submit their documents for reconsideration.⁹

In practice, there were no reports of parties being denied registration between 1995 and 2003. The scores of parties registered represented the entire political spectrum—from the Union of Georgian Traditionalists, which sought to restore the Georgian monarchy, to the new parties that developed to represent new entrepreneurs and those led by the “young reformers” who defected from Shevardnadze’s government in the early 2000s. By 2005 at least 180 parties had been registered (Nodia and Scholtbach 2006). Only one party’s registration was revoked during this period on the basis that it violated the Constitution. In January 1995, the Supreme Court and Ministry of Justice revoked the registration of the National-Liberation Front, a political group led by Tengiz Kitovani and Tengiz Sigua, paramilitary leaders and former officials from the 1992-1993 interim government. “A number of statements of the NLF leaders on their apparent intention to restore Georgian jurisdiction over Abkhazia by military force, without authorization from the government, became the ground for the decision of the Ministry of Justice” (Caucasian Institute for Peace, Democracy, and Development 1995, 1).

3.3.2 Few personal attacks against opposition leaders.

There were no confirmed cases between 1995 and 2003 wherein opposition was targeted for arrest, imprisonment, violence, or death as a result of their political activities. Although a narrow group of opposition party leaders did face arrest and imprisonment in the mid-1990s, it is not clear that these arrests were politically motivated. These arrests targeted paramilitary leaders, who orchestrated Georgia’s civil wars in 1991-1995, as well as loyalists to Shevardnadze’s predecessor, Zviad Gamsakhurdia, many of whom had staged an armed resistance to Shevardnadze’s government in 1992-1993. Both the paramilitary leaders and Gamsakhurdia supporters were prosecuted for criminal acts committed during Georgia’s civil wars and/or for participation in a 1995 assassination attempt against Shevardnadze. For example, after the 1995 assassination attempt, Shevardnadze accused the Mkhedrioni—the strongest paramilitary in Georgia—and arrested its leader, Jaba Ioseliani, as well as 13 others on charges of banditry. Around the same time, government officials closed the Tbilisi headquarters of the United Communist Party of Georgia—a group closely affiliated with the Mkhedrioni militia—and charged its leader and candidate Panteleimon Giorgadze with attempted terrorism (Human Rights Watch 1997). Supporters and high-ranking officials in Gamsakhurdia’s government suffered a similar fate. Many of them were arrested after the 1995 assassination attempt and charged with plotting this act.¹⁰ Other paramilitary leaders, including Tengiz Kitovani, his deputies were arrested 1995 and charged with crimes relating to the civil war, including creating illegal armed groups and illegally undertaking an armed invasion of Abkhazia in 1994.¹¹ But in contrast to arrests in Kazakhstan, international observers agree that in Georgia at least some of

⁹ Republic of Georgia, Organic Law on Political Unions of Citizens, 1997.

¹⁰ Multiple leaders of Gamsakhurdia’s movement were charged with high treason, banditry, hooliganism, and illegal possession of weapons—including Loti Kobalia, Badri Zarandia, Nugzar Molodinashvili, Valter Shurgaia, Zviad Dzidziguri, Guram Absandize (former finance minister). These sentences were pardoned or reduced in 2000-2002; by 2002, approximately 95% of the imprisoned Zviadists had been released (U.S. Department of State 2002a).

¹¹ These individuals were put on trial in 1996 and 1997, receiving sentences of between 10 and 20 years in prison. Most of them were pardoned and released in 1999-2001.

these opposition figures may have instigated the crimes of which they are accused, and thus these acts should not be considered repression of political parties, per se (G-2591, interview, March 2009).

3.3.3 Access to office space

The Georgian state generally respected opposition's right to associate and organize without interference. Opposition parties maintained open and accessible offices in downtown areas of Tbilisi and other major cities. Opposition headquarters also were largely free from systematic vandalism, burglary, or raids by state authorities. There was only one reported attack on an opposition office under Shevardnadze. In February 2003, the headquarters of the largest opposition group at the time, the New Rights Party was attacked by between 20 and 30 armed men who "went specifically after New Rights leader David Gamkrelidze, throwing furniture and threatening him with firearms" (Areshidze 2003a). Crucially, these were isolated incidents, while authorities in other countries conduct ongoing campaigns of violence and intimidation against political opponents. As a rare event, this attack also generated widespread criticism of the government, though it remained unclear whether the government instigated the attack.

3.3.4 Access to media outlets

In Georgia, foreign observers agreed that the press "operated largely without undue government interference" (OSCE/ODIHR 2003, 12). Journalists did not face the same level of violence, censorship, or obstacles to operation reported in Kazakhstan. Independent media outlets provided ample opportunities for opposition activities and criticism of the government to be aired. By 1997, over 200 independent newspapers were in circulation and, as a result, the independent press "emerged as serious and reputable sources of information" and "increasingly serve[d] as a check on government, frequently criticizing the performance of high-level officials" (U.S. Department of State 1997). By the late 1990s, the leading opposition paper, *Alia*, had a national circulation 20% higher than the official government newspaper (U.S. Department of State 1999a).

Parallel trends are observed in television broadcasting. The number of independent television stations in Tbilisi grew to seven by 2000, and "[i]ncreasingly, independent TV stations replaced State media as the main source of information. Their content was frequently critical of the government" (OSCE/ODIHR 2003). Political opposition groups also had access to state-owned media, albeit to a lesser extent. In 1995, opposition activists complained that they did not have equal access to government-operated television stations. In response, "government-operated stations... introduced some programs designed to air opposition viewpoints" (U.S. Department of State 1995). Nonetheless, the state-owned media remained committed to airing official state viewpoints throughout the late 1990s and early 2000s.

Yet, independent and opposition media did not completely escape authorities' notice. In Georgia, state officials tried to intimidate the press through largely non-violent means, including harsh comments about the opposition press in both public and private meetings, harassment by tax authorities, and (in an isolated case) attempted conscription of a journalist into the Georgian

army.¹² The government's strategy "was to ignore specific criticism. There were instances of media representatives being harassed or attacked, but no persistent, concerted persecution campaign against them took place" (Kokashvili 2005, 10). Human rights monitors listed amongst the difficulties facing journalists in Georgia that "government officials are sometimes unwilling to answer press inquiries" and the fact that "although the government's near monopoly on printing and distribution of newspapers was broken, distribution remained a vulnerable area" (U.S. Department of State 1997). Although these factors represent serious challenges to freedom of the press, they do not indicate the grave, systematic, and widespread threat to independent journalists' safety and livelihood seen in Kazakhstan.

The government's ultimately unsuccessful attempts to close the independent television station Rustavi-2 are illustrative of these dynamics. In June 1995, the Ministry of Communications revoked the station's license after it refused to submit to censorship by municipal authorities. The license was restored a month later, after vocal protest by media and diplomatic groups. A similar scenario played out a year later. Ultimately the Supreme Court overturned this decision and Rustavi-2 resumed broadcasting in May 1997 with uncensored independent programming. By the following year, the station "emerged... as an important alternative to state television and was considered the only station other than the state-run channel with a national audience" (U.S. Department of State 2000a). The station's journalists faced serious harassment and death threats from state officials as a consequence of its investigations into official corruption. As noted above, violence against the station escalated in 2001, with the suspicious murder of one of the station's popular reporters, Giorgi Sanaia, in July, and a raid by tax authorities in October. However, despite these isolated incidents, authorities did not attempt to shut the station, take it over or restrict its broadcasting. Its hard-hitting weekly investigative journalism program, *60 Minutes*, which exposed corruption and misdeeds amongst high-level government officials, remained one of the most popular television shows in Georgia throughout the late 1990s and early 2000s.

3.3.5 Ease of organizing public protests and rallies

In stark contrast to Kazakhstan, there were few legal or practical impediments to opposition rallies in Georgia. Until 1997, official legislation permitted citizens to organize public assemblies in three locations in Tbilisi without prior permission from authorities. Rallies at all other locations in the capital required 24 hour advance notice to local officials. The June 1997 Law on Freedom of Assembly loosened these restrictions, requiring political parties and other groups to file for permission from authorities only if they planned to gather on a public thoroughfare.¹³

In practice, local authorities generally respected the spirit of these laws. The U.S. State Department's Human Rights Report (1999a) found, "Most permits for assembly generally are granted without arbitrary restriction or discrimination", while Human Rights Watch (1998) confirmed, "Such fundamental civil rights as freedom of speech and of assembly were generally

¹² Amiran Meskhelia, a journalist with the *Orioni* newspaper, was conscripted in 1998 after publishing an article detailing sexual abuse in the Georgian military (Committee to Protect Journalists 1998).

¹³ Republic of Georgia, Law on Assemblage and Manifestations, 1997. See also Georgian Young Lawyers' Association, Zaal Tkeshelashvili, Lela Gurashvili and others v. Parliament of Georgia, N2/2/180-183 (5 November 2002).

well protected in Georgia”. As the exception, however, public gatherings by Zviadists (supporters of former President Zviad Gamsakhurdia) frequently were broken up. Local authorities regularly denied Zviadists’ applications for permission to stage public meetings and police thwarted their attempts to stage protests. For example, police and Interior Ministry troops consistently dispersed the Zviadists’ annual protests on May 26, the Georgian Independence Day, often using violence and detaining dozens of protesters each time. In contrast, public protests were a regular occurrence in Georgia, and only a handful of protests organized by other groups were dispersed. For example, in the summer of 2001 a series of large anti-government demonstrations occurred in downtown Tbilisi, sparked by the killing of Giorgi Sanaia, a popular investigative journalist. These protests were tolerated for days, despite the anti-government tone and demands for the government’s resignation. Similarly, in spring and summer 2003, the student movement Kmara organized a series of public rallies to push for free and fair elections, routinely attracting thousands of protesters to downtown Tbilisi (Areshidze 2003b). For example, in April 2003, “roughly 300 protesters burned a flag portraying Shevardnadze and his entourage in front of the State Chancellery” without disruption from law enforcement agents (Lomsadze 2003). State officials allowed these protests to proceed, despite their explicit anti-government nature. A leader of an opposition party in the early 2000s recalled that “manifestations” under Shevardnadze were “fully free” (G-2632, interview, March 2009).

Because of the government’s liberal policies towards political opposition, an active political society emerged in Georgia in the 1990s. By the early 2000s, dozens of opposition groups representing a variety of political views were registered and active. International observers pointed out that groups did not need seats in parliament to be politically active. “Only two other parties qualified for representation in Parliament, often leading the debate on important issues. The non-parliamentary opposition is also active and outspoken” (Human Rights Watch 2002). Similarly, “a wide range of lively and public-spirited human rights nongovernmental organizations were based in the capital” (Human Rights Watch 2002). The mass media emerged as a critical forum for political debate, while protests, rallies, and other public political events were a regular occurrence.

3.4 Society as the Source of Illegal Wealth

Why was political opposition given so much leeway under Shevardnadze? A common, but insufficient, explanation suggests that the Georgian state was too weak to repress political opposition. Lucan Way (2002; 2005) has argued that Georgia—like Moldova, Ukraine, and Yeltsin’s Russia—represents a case of “pluralism by default”, in which the source of regime competitiveness can be traced to state weakness. Way and Levitsky (2006) point out multiple facets of alleged state weakness in Georgia: tax collection remained low, the Georgian state faced enormous budget deficits and difficulties paying public salaries, and even after the violent civil conflicts were resolved in 1994 there remained multiple regions (including South Ossetia, Ajara, and Abkhazia) outside the control of Tbilisi.¹⁴

However, the Georgian state was far stronger than it may have seemed. First, the state retained ample coercive capacity and demonstrated it at times. With the collapse of the Soviet Union, Georgia inherited the extensive Soviet-era security apparatus. Notwithstanding the

¹⁴ This perspective also was common among journalists and within policy circles (e.g., Darchiashvili & Nodia, 2003; Lieven, 2001).

disorder associated with the collapse of the USSR and the ensuing civil conflict in Georgia, the institutions of power remained intact and, after assuming office in 1993, Shevardnadze reconstructed the Georgian security apparatus with associates from the Soviet era. Shevardnadze himself had risen to the top ranks of Soviet leadership through the KGB, amassing considerable knowledge on coercive tactics (Suny 1994; Willerton 1987). Moreover, this same coercive apparatus carried out ongoing, sustained violence against the Zviadists, Mkhedrioni, Abkhaz secessionists, and other Shevardnadze foes between 1993 and 1995 (Darchiashvili 2005; Nodia 2002; Zurcher 2005). Such acts suggest that the ability to repress was present.

Second, it is clear that those features of alleged state weakness were the product of choice, rather than necessity. Even when the financial means for reform and state-building were clearly in place, the government chose not to undertake the reforms and recommendations. In 2002, the Open Society Georgia Foundation contributed \$300,000 to the government's anticorruption campaign, but the government never pursued the program (*Eurasianet* 2004). In fact, when given the opportunity to make the state stronger, Shevardnadze deliberately moved in the other direction, undertaking initiatives that clearly undermined state-building and rule of law efforts. When reshuffling his cabinet in 2002, Shevardnadze made the puzzling decision to replace Mirian Gogiashvili with the less experienced Kakha Ugulava as executive director of the state's Anti-Corruption Council. Political analyst and civil society activist Levan Ramishvili suggested, "These moves have one aim, and that is to make the anti-corruption campaign weaker. The president is very unhappy with the criticism he is receiving from the Anti-Corruption Council" (Stier 2002a). Within mere months of replacing Shevardnadze as president in 2004, Mikhail Saakashvili increased tax collection, asserted control over the lawless areas, and cracked down on corruption. The state thus appears to have been entirely capable of repressing opposition parties had rulers chosen to do so.

Instead, I show that the toleration of political opposition was a deliberate choice by Shevardnadze and his cronies, designed to maximize their illegal wealth. The low rates of tax collection, the lawless regions, and other indicators of alleged state weakness were actually part of a system that served to the benefit of Georgia's rulers. In Georgia, in the absence of resource rents, rulers relied on society to extract illegal rents. Bribery-based corruption was so endemic to the Georgian state under Shevardnadze that a governmental anti-corruption working group convened at the time concluded it had "become the way of life in certain areas. Corrupt thinking so broadly embraces public perception that we have to be extremely cautious while drawing a line between the roots of national originality and corrupt customary practices" (as quoted in Darchiashvili 2003, 118). In Georgia, bribery thrived on both an elite level, wherein entrepreneurs and economic elites paid large bribes to high-level state officials in order to conduct business and gain insider access to privatization deals, as well as on a mass level, wherein low-level state officials (police officers, health practitioners, educators) extracted small bribes from average citizens. This form of corruption, in turn, constrained elites' ability to repress political opposition. Rulers faced constraints on the amount of repression they could engage in while still preserving their informal revenue flow.

3.4.1 A Resource Poor Country

In Shevardnadze's Georgia, as in Kazakhstan, political elites were centrally interested in using their political power to amass private personal fortune. Unlike Kazakhstan, however, Georgia does not have significant reserves of oil, gas, or minerals from which rents could be

extracted. Georgia historically has served not as an energy producer, but rather as a transit country for the flow of oil and gas from the resource-rich countries to its east. Neighboring Azerbaijan contains abundant oil and gas reserves and Georgia has been a trade route for Azerbaijani resources to European markets for centuries—a role that was revived with the opening of the Baku-Tbilisi-Ceyhan Oil Pipeline and South Caucasus Gas Pipeline in 2006 (Transparency International Georgia 2008).

On its own, however, Georgia has negligible reserves of oil, gas, and other minerals. Georgia has very small oil fields, which began operation in the 1970s, and peak production occurred in the 1980s.¹⁵ The sale of oil and oil products made up only a small fraction of Georgia's exports under Shevardnadze's government. For example, in 1999 oil exports generated \$11.9 million, or 5% of total exports; in 2000 these profits climbed to \$19.2 million, or 5.8% of exports (\$19.2 million); by 2002 they had fallen to only \$10.5 million, or 3% of exports revenues (Economist Intelligence Unit 1999a; Economist Intelligence Unit 2002).¹⁶ A similar story can be told regarding natural gas. Georgia had miniscule gas reserves and “remains heavily dependent on foreign suppliers of natural gas to meet domestic demand” (Inogate 2011). Precious metal extraction also did not produce rents under Shevardnadze. Georgia has some deposits of copper, gold, and manganese. However, only a small percentage of Georgia's gold reserves has been tapped, because of a lack of investor interest in supporting large-scale mining (Levine and Wallace 2007, 17.2). As concerns copper, copper exports peaked in 1998 at \$15.1 million, comprising only 7.9% of Georgia's export revenue at the time (Economist Intelligence Unit 2002, 30).

Instead, Georgia's economy was primarily based on agricultural production. Consumable crops, such as grain, wheat, potatoes, and vegetables, accounted for 20-30% of GDP during the Shevardnadze years. Significant amounts of grapes for winemaking, tea, and citrus were also cultivated. In contrast, Georgia's total industrial output—including mineral extraction as well as manufacturing—accounted for less than 15% of GDP. In fact, the export of all extractable

¹⁵ The largest oil deposit discovered in Georgia is the Samgori field, found in 1974, which is estimated to hold 105 million tons of oil. Extraction peaked at this field in 1980-1983 when 3 million tons of oil was recovered annually. Production has declined considerably since then. Other oil deposits—such as the Samgori South Dome field – are smaller, but similarly old. Georgia's proven oil reserves are composed largely of small deposits buried well beneath the surface. Since 1991, oil companies that have conducted exploration of Georgia's potential oil fields have failed to find any major new deposits. At least one major extraction company, Ramco, has pulled out of Georgia after disappointing exploratory results (Transparency International Georgia 2008).

¹⁶ In contrast, oil and other energy products accounted for the largest portion of Georgia's imports at the time: In 2001, oil made up 10.9% of Georgia's imports (2001, 19). By 2003, oil, electricity and other energy products were Georgia's largest imports, accounting for more than 20% of total import expenditure (Economist Intelligence Unit 2003, 33). As Transparency International-Georgia (2008: 1) noted: “In 2007 only 55-60 thousand tons of oil were extracted, which is a very low indicator for a country that consumes 750 thousand tons of oil products annually”.

resources generated less revenue than the export of wine, mineral water, and other beverages during Shevardnadze's administration.¹⁷

In summary, political elites in Georgia did not have access to the rents generated by large endowments of natural resources. Although Georgia has small amounts of oil, gas, and precious metals, these deposits were not significant enough to create a steady stream of sizeable rents for political elites.

3.4.2 *The Extent of Bribery*

In the absence of resource rents, political elites had to rely on society for their illegal fortunes. Bribery was endemic to the Georgian state under Shevardnadze. A 1998 World Bank survey found that 87% of households said that bribes were an "essential" or "useful" part of doing business in Georgia, and even more than half of state officials admitted that bribery was "frequent". Informal payments took up a noticeable portion of both household and business expenses. 9% of business income and 3% of household income was budgeted towards paying bribes (Anderson et al. 2000, i, 10, 11). The same survey (Anderson et al. 2000, ii) revealed that such practices were institutionalized:

When a domestic enterprise pays a bribe, 50 percent of the time both sides know in advance what needs to be done, and 18 percent of the time 'there is no other way to accomplish what needs to be done.' There is also a high degree of certainty about the amounts of the bribes, and about how closely linked bribes are with outcomes (i.e., once the bribe is paid, how certain can the briber be of getting what is wanted).

By 2002, "92% of respondents thought that corruption proliferated among the vast majority of officials of the public sector" (Kukhianidze 2009, 222).

Bribery occurred across a wide range of sectors, ranging from medical services, to the energy industry, to the judiciary and law enforcement. The practice of petty bribery occurred in nearly every department that provided state services directly to private citizens. For example, obtaining a car registration typically required a bribe of \$1,500 (Dudwick, 2002). The state health sector was one important recipient of household bribes. Citizens felt that without high-level political connections or personal connections to individual doctors, it was necessary to make informal payments in order to receive treatment. Sometimes providers demanded bribes, while other times patients offered them unsolicited. Yet, bribery was highly regularized in this sector. There was a hierarchy of pricing of informal payments according to the type of care needed. Bribes for inpatient care were the most onerous, while outpatient services and drug purchases were smaller, though more common. In addition, bribes were solicited for administrative services too, such as admission to a hospital, providing a sickness certificate/doctors note, or for issuing an insurance card. One health care provider reported that approximately 50% of all payments in hospitals were off the books (Belli and Shahriari 2002, 12). In Congressional testimony, Nancy Lubin describes how doctors colluded in post-Soviet Eurasia to extort patients in need of medical care: "Health care professionals have linked up to ensure that no treatment is provided to patients unless they buy medicine directly from the doctors or nurses at highly inflated prices. According to a number of physicians and hospital

¹⁷ In 1999 beverages accounted for 9.5% of Georgia's exports, generating profits of \$22.7 million. In contrast, oil and oil products comprised 5% of exports (\$11.9 million), gold made up 3.9% (\$12.5 million), and copper ore .4% (\$1 million) (Economist Intelligence Unit 1999a, 6).

employees, many physicians are part of a bigger ‘syndicate’ where they receive medicine from the government to be distributed free, but sell them to their patients at high prices” (Lubin 2000, 77).

Out of the entire state bureaucracy, however, bribery was perhaps most prevalent in the various branches of law enforcement. That police and security officers extorted bribes from citizens and businesses was well-known, well-publicized, and widely discussed: “the police are also widely recognized as probably the most corrupt institution, or at least the most conspicuously corrupt, and this issue is very widely discussed in the media” (Nodia 2002, 431). Another analyst adds, “The matter is that despite the honesty and professionalism of individual officers, power agencies are rife with corruption. In this sector, unauthorized expenditures of budgets, bribing from both the business-sector and ordinary citizens and cooperation with the organised criminal world are all usual phenomena” (Darchiashvili 2006, 10). By 2001, even the head of the State Anti-corruption Council was willing to admit in government hearings that “all ‘power structures’ had become heavily involved in various forms of corruption and the creation of patronage systems based on it” (Darchiashvili 2003, 136).

3.4.3 *Petty Bribes*

Low-level bureaucrats of all stripes collected petty bribes. The road police were particularly notorious for this practice. By 2003, “the traffic police were only functioning to accept bribes” (G-5895, interview, March 2009). Georgian households predicted that, when given the opportunity, the road police would extract bribes 71% of the time (Anderson et al. 2000, i). Officers would flag down drivers, inform them of the infraction—which sometimes were accurate and other times fabricated—and demand a small informal payment in exchange for not writing a ticket. Police frequently pulled over drivers for petty infractions such as not keeping their vehicles clean enough. “To avoid the fines, which ranged from 80 to 300 lari, for example, trucks had to stop to be washed virtually every 10 kilometers” (Dudwick 2002, 224–225). Road police especially targeted private entrepreneurs in the small-scale cargo industry. With the privatization of state farms, many individuals began offering transportation of agricultural and other goods between rural areas and Tbilisi, as well as between Georgia and Armenia, Russia, and Turkey. Indeed, Soviet-era vehicles (including small commercial trucks, as well as privately-owned Volgas and Ladas) loaded with melons, apples, or vegetables were common sights on Georgian roads throughout the Shevardnadze years. This informal cargo industry was subject to frequent informal fees: “By the author’s count, a farmer attempting to take a cargo of melons or potatoes from southern Georgia to the Tbilisi market must expect to make between 11 and 19 payoffs to Georgian road police officers during the day-long trip, at a cost of roughly 5-10 lari per payoff” (Bhatty 2002, 26).

In Georgia’s system of bribery-based corruption, the bribes collected by low-level officials were then funneled up the administrative hierarchy to the highest levels of state and government. State officials who collected bribes were required to channel a percentage of the proceeds to their superiors and/or to political leaders. “Georgian officials... reported that, in 64 percent of the cases, bribes were shared with superiors” (Anderson et al. 2000, 22). This process repeated itself up the chain of command: As each state official received bribe-revenue from subordinates, he would keep a percentage of the amount and channel the rest of the cash to his superior. Within the Ministry of Internal Affairs, for example, each person in the hierarchy kept one-third of the bribe profits and transferred two-thirds of the money to his superior (G-9425,

interview, March 2009). Christoph (2004, 25) describes this process as one of “side payments [passed] up the ladder of the administrative hierarchy”. These bribe profits extended up to the highest levels of the bureaucracy. Analysts have traced the chain as high as deputy- and cabinet-level ministers (G-9099, interview, March 2009; G-9425, interview, March 2009).

3.4.4 Bribes to Higher-Level Officials

Top officials collected illegal rents from society as well, both through this aggregation of petty bribes, as well as through much larger direct payments from organized crime and large businesses. One major source of illegal revenue to top officials—especially to the security ministers—was organized crime (Darchiashvili 2006). Within law enforcement, high-level security agents actively preyed on criminal networks, frequently extorting a portion of revenue from criminal gangs in exchange for allowing such networks to engage in illegal practices (G-8825, interview, March 2009; G-9425, interview, March 2009). “In the opinion of some analysts, collection from thieves of regular ‘tax’ for policemen is the most painless illegal income for state officials” (Darchiashvili 2006, 11).

Law enforcement agents colluded with organized crime to manage smuggling networks and protection rackets. Customs agents and security officials oversaw widespread smuggling rackets, reselling the smuggled and stolen tobacco, fuel, and food to domestic consumers (G-2591, interview, Spring 2009; Stier 2002b). In March 1993, a governmental commission admitted that 90 percent of flour, 40 percent of gasoline, and 40 percent of cigarettes consumed in Georgia were illegally imported with the complicity of law enforcement agents (Stefes 2006). The Georgian Ministry of Finance estimated that approximately 5,000 tons of fuel was smuggled into Georgia each month. Many of these smuggling networks ran through Georgia’s secessionist republics, especially Abkhazia and South Ossetia, areas that were dense both with criminal gangs and Georgian security officials. At one point, up to 3,400 tons of petroleum (worth up to US\$1.26 million) was smuggled into Georgia through Ossetia each month (Gotsiridze 2003). Smuggling extended to illegal drugs and narcotics as well. “A report broadcast by the independent Rustavi-2 television station on 23 June 2002 showed secretly filmed footage of Kote Kurashvili, head of the ministry’s anti-narcotics department, purportedly giving heroin to an associate to be sold” (Kukhianidze 2009). Analysts estimate that in 2001 alone, illegal customs revenues totaled almost 1 billion lari, or approximately the size of Georgia’s national budget (Bhatty 2002, 23).

In the most extreme case of a state driven by the extraction of bribes, security officials and mafias manipulated their control over the means of violence to generate artificially illegal profits. In the early 2000s, law enforcement agents and criminals colluded to kidnap prominent businessmen and extort ransom for their release. Criminals took advantage of the lawless areas near Abkhazia and Chechnya, especially the Pankisi Gorge where “hostage hotels” were rumored to operate, to hide the abducted victims while waiting for the ransom. This occurred with the aid of law enforcement agents, who also received a percentage of the profits from such illegal activities (Silverman 2002; Devdariani 2002; Cohen 2002; Stier 2002c). In the summer of 2001, for example, ‘Tbilisi’s new police chief led an operation that freed a Lebanese businessman, held for ransom near the city. However, the police appeared to have known for some time where he was held, and they allowed the kidnappers to escape” (Human Rights Watch 2000).

A second major source of illicit payments to top officials was private business. Powerful officials extracted large bribes from legal, private entrepreneurs in exchange for overlooking tax

evasion, for granting registrations, and for issuing inspection documents. Formal tax collection remained low, specifically because tax officials frequently collected bribes instead. In 2002, 43% of firms openly admitted that bribery was frequently necessary to deal with taxes and tax collection (EBRD-World Bank 2006a, 4). Many of the state's top tax and auditing officials were intimately and personally connected to the Shevardnadze family, suggesting that this informal tax revenue was shared with the rulers. "In one high-profile case", pursued after Shevardnadze's resignation in 2003, "Sulkhan Molashvili, a Chief Auditor in the Shevardnadze government, was held in detention, and prosecutors say that he profited from corruption and significantly assisted corrupt practices for the Shevardnadze family" (Chiaberashvili and Tevzadze 2005).

In addition, inspectors—for example, from the sanitation, fire, and tax departments—frequently demanded informal payments from entrepreneurs. In 2002, 20% of Georgian businesses reported that bribes frequently were required to obtain business licenses and permits (EBRD-World Bank 2006a, 4). Registering a business required a bribe up to \$500, though in some cases, these informal payments became regularized over time. "Entrepreneurs found it cheaper to pay the tax inspector 20 lari a month under the table than to pay the required registration fee (equivalent to \$50) to the state" (Dudwick 2002, 224). In interviews conducted in the mid-1990s, "Entrepreneurs said it was essential to have a protector, to have good relations with powerful figures in the police force, and to publicize the fact of this relationship, to protect oneself against unforeseen 'accidents'" (Dudwick 2002, 224).

Naturally, the size of these bribes to tax collectors, inspectors, and registration officials grew in proportion to the size of the domestic enterprise. As with formal taxation, the state could demand larger illicit payments from bigger and more profitable domestic enterprises.

3.5 How Society Constrained Georgia's Rulers

In Georgia, rulers' reliance on society for illegal wealth led to higher levels of toleration for opposition parties, because the citizens who paid the biggest bribes were the opposition leaders themselves. Georgia's kleptocrats were concerned about the economic effects of political repression—and specifically, the effect that repression would have on their ability to extract bribes. Georgia's leading opposition figures wore many hats: they were also organized crime bosses, wealthy oligarchs, and managers of major enterprises. In other words, opposition leaders were the engines of economic growth and potential sources of revenue (both legal and illegal) for the state. Repressing political opposition leaders risked limiting illegal rent streams from domestic producers to Georgia's rulers. In Georgia, where bribes from society constituted a large proportion of elites' illegal income, wealth-maximizing rulers were not willing to take this risk.

Key sources of illegal wealth for Shevardnadze and his cronies were politically mobilized, and often in support of the opposition. First, the leaders of these criminal gangs were actively engaged in politics. As described above, state officials colluded with and extorted bribes from the large-scale criminal networks that existed in Georgia through the 1990s. The shadow economy accounted for up to 70 percent of economic activity and was dominated by organized crime syndicates. This informal and illicit economic activity generated enormous wealth for both mafia bosses as well as the state officials they paid to "look the other way". However, crime bosses were actively engaged in political endeavors and at times actively disagreed with the government on policy and personnel appointments. The power of such organizations is evident by the fact that criminal leaders were known to review election results and to influence the

tallying of votes (Darchiashvili 2006), as well as to hold local political positions. Such dynamics “increas[ed] the power of criminal organizations over official bodies and citizens” (Closson 2010, 195). Second, wealthy business owners and managers of profitable enterprises, who themselves were a major source of bribes, were also leading members of the political opposition. As described above, all businesses were subject to myriad inspections, protection payments, and other forms of informal taxation. Yet, Georgia’s most successful private entrepreneurs led the New Rights Party, the Union of Georgian Traditionalists, and other important opposition groups.

What recourse was available to these individuals if they faced significant political repression? Opposition leaders could have registered their protest by simply refusing to pay bribes—or at least, being less willing to provide informal payments. Less directly, they could have emigrated to London, Moscow, or other European cities, and taken their investment capital as well as their entrepreneurial expertise with them. Given their enormous wealth, these oligarchs could have lived quite comfortably in the West. In the face of political repression, businessmen-politicians also could have invested less enthusiastically in their companies, leading to less profitable businesses in the long run. Indeed, in the case of Kazakhstan discussed in Chapter 4, we see that economic elites followed all of these courses of action in the face of high political repression.

These responses ultimately would have hurt state officials’ illegal private revenue. Refusing to make illicit payments would have had a very obvious effect on rulers’ private profits. However, even the less direct responses of emigration and lower capital investment would have produced brain drain, capital flight, and lower economic productivity in both the formal and informal sectors of the economy. In turn, there would have been considerably less capital in society for rulers to informally tax. Moreover, when economic growth slows, the effects trickle down to average citizens. When citizens lose their jobs or have their wages cut, then they are less able to pay even petty bribes to traffic police, registration officials, and health care providers. Because of the loot chain system wherein such petty bribes are aggregated and distributed upwards, even top rulers would feel the effect of disrupting the collection of petty bribes.

Preserving civil liberties was an important way that Shevardnadze’s government tried to appease wealthy citizens and keep the illegal rents flowing. In Georgia, bribes originated from a variety of non-state sources, including private businesses, criminal gangs, and average citizens, all of whom had a stake in the opposition parties. These supporters would have been antagonized by repressive measure taken against opposition parties—and would likely have responded by withholding illegal rents from the state through various means. The toleration of political opposition therefore was a concession to private citizens in exchange for their continued endurance of “the constant humiliation of being shaken down for bribe money while receiving little, if any, police protection” (Mitchell 2009, 173).

3.6 Conclusion

This chapter has argued that Shevardnadze’s government tolerated organized opposition in order to preserve the flow of illegal rents from society. In Georgia, the fact that bribes were extracted from private citizens and channeled upwards to superiors created a state that was highly reliant on society for its illicit income. Because rulers depended on illicit payments extorted from society, they could not afford to antagonize private citizens by repressing political opposition.

The Rose Revolution of 2003, which culminated in the resignation of Eduard Shevardnadze's government, demonstrated the instability of bribery-based kleptocratic regimes. In November 2003, the organized opposition led hundreds of thousands of protesters to the streets of downtown Tbilisi to protest fraud in recent parliamentary elections. In the face of protest from political opposition, President Eduard Shevardnadze and his government resigned after weeks of sustained protest. Subsequent elections in January 2004 brought a new generation of young reformers to power to replace the Shevardnadze government.

Chapter 4

Resources and Repression in Kazakhstan

The head of state was left with no other choice except to take all responsibility upon himself. That was when the appropriate decree was signed on the secret fund as a reserve fund of the government...

-- Prime Minister Imangali Tasmagambetov, April 4, 2002¹⁸

I was not involved day-to-day but I supervised where the money went.... I give you my personal word that everything was clean.

-- President Nursultan Nazarbayev, April 16, 2002

4.1 Introduction

Post-Soviet Kazakhstan presents a contrasting case of kleptocracy. As in Georgia, Kazakhstan's ruling class was stacked with rent-seeking officials who had deep roots in the Soviet party-state apparatus. President Nursultan Nazarbayev rose through the Communist Party ranks to become First Secretary of the Communist Party of Kazakhstan from 1989 to 1991. He oversaw the transition from Soviet rule to post-Soviet independence in 1991, seamlessly assuming the post of president with no disruption in his rule. With few exceptions, members of the Soviet nomenklatura retained their positions as government ministers, deputy ministers, and state bureaucrats. Nazarbayev and his subordinates embarked on the post-Soviet period having accumulated years' worth of experience navigating the dynamics of kleptocracy.

Yet, in stark contrast to post-Soviet Georgia, starting in the 1990s Kazakhstan's rulers also had personal access to the vast profits from the extraction and export of minerals. Kazakhstan's territory is rich with oil, gas, and other resources that generate billions of dollars each year. With independence, the management of these profits fell under the tight, personal control of the Nazarbayev family. As one Western expert summarizes, "the president of Kazakhstan himself still is at the center of the country's oil and gas policy" largely because "the president is also consulted in key appointments in the country's oil and gas sector" (Olcott 2007, 23). Nazarbayev, his family members, and his handpicked advisors have used their public offices to extract illegal rents from these resource profits.

As a result, rulers in Kazakhstan did not have to worry about the economic effects of political repression. This access to illegal resource rents enabled the government to quash opposition groups without jeopardizing the flow of illegal private profits. As in Georgia, repression against political opposition risked hurting economic performance because of the close link between opposition politicians and wealthy businessmen in Kazakhstan. In turn, slower economic growth jeopardizes rulers' ability to extract illegal payments from society. However, because of their access to illegal resource rents, rulers in Kazakhstan could bear that potential cost. Political elites did not fear alienating key segments of society, because any illegal rents from society were a pittance compared with the illegal rents from resource extraction.

¹⁸ From speech made to parliament, in which it was revealed that up to \$1 billion in oil profits had been deposited in a secret Swiss bank account in President Nursultan Nazarbayev's name.

In making this argument, I focus on the time period between 1995 and 2010. After limited political opening in Kazakhstan in the early 1990s, a number of events in 1995 coincided to mark the beginning of stable, heightened authoritarian rule in Kazakhstan. In March 1995, Nazarbayev dissolved the elected parliament and announced he would rule by decree until new parliamentary elections were held; in April of that year, a referendum was passed to forego presidential elections for four years and extend Nazarbayev's term until 2000; and in August, voters adopted a new constitution that greatly strengthened the presidency at the expense of both the legislative and judicial branches. The Kazakhstan case study ends in 2010 because of the practical purposes of data collection and field research, although Nazarbayev's presidency and this period of stable authoritarianism have continued beyond that year. While the subsequent years of Nazarbayev's rule are not directly under study here, I expect that my findings remain valid for understanding Kazakhstan's regime for the years beyond 2010.

This chapter outlines this argument for Kazakhstan, first by describing the outcome to be explained: the low toleration for opposition parties under President Nursultan Nazarbayev. The bulk of this chapter then is devoted to explaining this outcome, demonstrating that Kazakhstan had extensive natural resources and that these resources generated a plentiful, reliable stream of rents from which officials extracted personal fortunes. I explain how the reliance on illegal rents from resources enabled the government to repress political opposition by providing access to alternative sources of private wealth other than society. The conclusion discusses the effects of these dynamics on political party development and prospects for regime stability in Kazakhstan.

4.2 Who is the opposition in Kazakhstan?

Within Kazakhstan's authoritarian regime, the government has pursued a strategy of low toleration for opposition political parties. As explained in Chapter 1, I consider a political group to be a *political party* if it fulfills at least one of the following two criteria at any point between 1995 and 2010: (1) if the group seeks registration as a political party with the Ministry of Justice; (2) if the group fields candidates for public office, specifically for seats in parliament. Until 2007, Kazakhstan had a mixed electoral system, wherein 67 Majilis seats are apportioned by single-member districts and 10 seats allocated by proportional representation. In 2007, constitutional amendments increased the Majilis to 107 deputies: 98 seats directly elected via proportional representation, and 9 seats chosen by an appointed body. The sources used to gather data on these points were OSCE election reports, Human Rights Watch, Freedom House, and the annual U.S. State Department annual Human Rights Reports. A full list of parties meeting these criteria, along with their political orientation, is listed in Appendix 1.¹⁹

The most prominent opposition parties in Kazakhstan in the period under study were those organized by wealthy oligarchs and former high-ranking government officials. In the late 1980s and early 1990s, some small parties and movements emerged claiming to represent the interests of ethnic Russians, ethnic Kazakhs, and Communists. However, starting in the mid-1990s, the most active and engaged parties in Kazakhstan were those led by the former policymakers and technocrats who designed and implemented market reforms, as well as the oligarchs who benefitted from them. Beginning in 1994, the government enacted a series of reforms aimed at mass privatization, price liberalization, and strengthening the banking sector,

¹⁹ For alternative perspectives on the development of political parties in Kazakhstan, see Kenzhebay 2008; Mamiraimov 2008; Seudymanov 1997; Temirbolat 2007; B. Junisbai 2010.

which in turn created the environment for small and medium businesses to grow. The state also privatized many large industrial enterprises. Privatization of large industrial enterprises was undertaken on a case-by-case basis. Enterprises associated with both the extractive industries and public utilities remained under government control. In total, by 1999, 100% of small firms had been privatized, while 49% of medium firms and 67% of large firms were held under private or mixed public-private ownership (European Bank of Reconstruction and Development 1999, 230–233). Most of these medium and large businesses were privatized to financial industrial groups, i.e. well-connected interest groups composed of high-ranking government officials and wealth businessmen (B. Junisbai and Junisbai 2005).²⁰ By the late 1990s, “Kazakhstan saw the emergence of an independent capitalist class that gained control of major privatized assets” (Radnitz 2010, 141).

Much of Kazakhstan’s political opposition between 1995 and 2010 arose from this nascent capitalist class and the desire to protect their business interests. As one interview respondent put it, government-opposition relations have centrally concerned *torgovlye*, meaning business, commerce, and trade (K-8836, interview, Spring 2008). Many oligarchs in Kazakhstan acquired their private enterprises by maintaining close relations to government (Khlupin 1998). Indeed, many of these individuals served in government themselves, and resigned their posts or fell out of government favor before joining the opposition. The first opposition party organized along these lines was the National Republican Party of Kazakhstan (NRPK), initiated in 1998 by the former prime minister, Akezhan Kazhegeldin. Kazhegeldin was a wealthy businessmen, who “amassed his wealth as a rogue salesman in the waning years before the Soviet Union’s dissolution, selling scrap metal on the black market” (Stodghill 2006). Kazhegeldin co-founded several major financial industrial groups in the early 1990s, and then oversaw far-reaching economic reforms during his tenure as Prime Minister from 1994 to 1997. After reportedly falling out of favor with Nazarbayev, Kazhegeldin resigned his post in 1997 and went on to form the NRPK with the stated goal of representing the interests of Kazakhstan’s industrialists and businessmen (Cummings 2005; Fuller 1999; Olcott 2010; Ruvtsov 1999).

In the 2000s, opposition politics was dominated by the emergence of the movement Democratic Choice of Kazakhstan (DCK). The DCK itself was short-lived but spawned a new generation of opposition leaders and a number of splinter parties that survive today, including Ak Zhol, Real Ak Zhol, Alga!, and Azat. The DCK movement was established in November 2001 by five signatories, all of whom had stakes in the country’s leading investment firms and financial-industrial conglomerates. These wealthy oligarchs included Mukhtar Ablyazov, who in the early 1990s founded the hugely successful Astana Holding Company, and served as president of Kegos, the national energy company (1997-1998); chairman of the board of directors of Kazakhstan Airlines (2001) and chairman of Temirbank (2001-2002). A second signatory to the DCK party was Bulat Abilov, one of the wealthiest men in Kazakhstan, who established Butya-Kapital investment company in 1991 and directed it until 2000. Additionally, Galymzhan Zhakiyanov co-founded and directed the Semey financial-industrial group before entering politics. Nurzhan Subkhanbedrin chaired the Kazkommertsbank investment conglomerate, which includes Kazkommerts Bank, the largest bank in Central Asia. And Tolegen Tokhtasynov headed a number of companies in the post-Soviet period, including the Alel financial investment company (1995-2000). Most of these oligarchs also served as government ministers. Ablyazov was Minister of Energy, Industry and Trade between 1998 and 1999. Abilov was an MP, as well

²⁰ For discussion of insider privatization in post-Soviet Russia, see Barnes, 2003 and Kryshtanovskaya & White, 1996, amongst many others.

as head of the government's Committee for Economic Reform and Regional Development (2001-2002) before joining the DCK, and Zhakiyanov served as governor of the Pavlodar region (Ashimbaev 2010).

Thus, in Kazakhstan, many of the major opposition figures in the late 1990s and 2000s served a dual role. Not only were they politicians, but they also personally served as the custodians of economic growth, development, and reform. Nonetheless, as described below, when they joined opposition politics, they faced swift repression with significant effects on their business holdings and Kazakhstan's economy more generally.²¹

4.3 Low Toleration of Political Opposition

In Kazakhstan, restrictive legislation and repressive government practices made it difficult for political parties to exist, much less to mobilize effectively. Many of these measures have targeted party leaders. Opposition activists have been the victims of violence, false criminal accusations, and in at least two cases, death as a result of their political activities. However, the government has also attempted to eradicate political opposition by preventing these parties from contacting citizens and garnering public support. Opposition groups are unable to maintain public offices, access major media outlets, or organize political protests. One state official summarized the government's approach to dealing with political opposition: their activities "should not bother other citizens—normal citizens, inhabitants who are just trying to live, go to work... trying to go about their life" (K-2028, interview, Spring 2008).

This section discusses the treatment of political opposition in Kazakhstan, examining the strategies that Kazakhstan's government has employed to suppress opposition parties. As in the previous chapters, the events discussed below are gathered from international observer reports, specifically the U.S. State Department's annual Human Rights Reports, Freedom House's annual Freedom in the World country studies, and Human Rights Watch annual reports.

4.3.1 Challenges registering with the state.

In Kazakhstan—as in Georgia and most other post-Soviet countries—civic and political associations are required to register with the Ministry of Justice. However, the Kazakhstani government has enacted a series of legal and practical impediments to party registration, which have severely limited the opposition's ability to gain the rights and recognition associated with political parties.

For one, the government has instituted a burdensome registration process. The 2002 Law on Political Parties significantly raised the threshold for registration. The official petition to the Ministry of Justice must include signatures from 50,000 citizens, including 700 members in each oblast (region), which is a dramatic increase from the 3,000 signatures previously needed.²² Registration also poses a stiff financial burden on political parties. A registration fee of 19,845 tenge (approximately \$135) must be paid to the Ministry, and most groups employ lawyers and consultants to expedite their application, at an average charge of 29,400 tenge (roughly \$200)

²¹ To be clear, not all entrepreneurs went into opposition politics. Some businessmen were apolitical; many more remained politically active in support of the government.

²² In 2009, this threshold was lowered to 40,000 signatures. In contrast, Georgia requires political parties to collect the signatures of only 300 citizens to seek registration.

per application process.²³ “Some groups consider these costs to be a deterrent to registration” (U.S. Department of State 2003). Although the 2002 Law required all parties re-register according to the new standards by January 2003, only eight of Kazakhstan’s nineteen parties managed to meet the re-registration requirements.

Besides these legal requirements, the government sets up practical impediments against the registration of opposition parties. Petitions from opposition parties face intense scrutiny from bureaucrats, and state officials routinely reject opposition petitions, citing various problems with their applications. This protracted registration process—involving multiple applications, rejections, and appeals—holds opposition groups in “registration purgatory” for months or years on end. During this time, the unregistered groups are barred from conducting political activities, including holding public rallies and participating in elections. The most notable case of registration purgatory concerns the opposition group Alga’s application for party status. The party, which represents one reincarnation of the banned DCK, first sought registration in 2006. In total, the party was denied registration on four separate occasions between 2006 and 2008 because of alleged errors in the 50,000 signatures it had collected. The party submitted an entirely new application in November 2009, which was also denied. Also in 2009, the state brought charges against one of the party organizers for his work with Alga. Despite Alga’s multiple attempts to register, Vladimir Kozlov was found guilty of leading the unregistered political organization and fined 127,000 tenge (approximately \$900).

Even after successfully registering with the state, opposition parties risk having their registration revoked. After struggling unsuccessfully to register as a public association for several years, the Democratic Choice of Kazakhstan was registered as a party in May 2004 (Blua 2003). However, less than a year later, in January 2005, the party was liquidated by court order on the grounds that it had made statements threatening national security during a party congress. In court proceedings, prosecutors alleged that party members had “criticized Nazarbayev’s policies, declared the government to be illegitimate, and urged the public to engage in acts of civil disobedience” (Freedom House 2006). International observers assessed that the trial was politically motivated and lacked due process.

4.3.2 *Subjection to personal attacks.*

Kazakhstan’s government also has targeted opposition leaders for personal attack, including criminal charges and political violence.

Criminal Charges: Charges of criminal wrongdoing, often resulting in prison time, are one of the most common ways that the government penalizes opposition leaders. Government officials who quit their posts to join the opposition often faced subsequent charges of corruption and abuse of office. While these charges may have merit, they would not have been levied had these officials remained loyal to the government (Darden 2008).

In the late 1990s, these allegations focused on the leaders of the Azamat Party and the Republican People’s Party. In 1996, a co-founder of the Azamat party, Petr Svoik, was charged with corruption during his tenure as head of the State Antimonopoly Commission. “[R]aising these accusations at a time when Azamat was gaining authority, and the subsequent prolonged, inconclusive investigation, point to an attempt to discredit and isolate a powerful political figure” (Human Rights Watch 1998b). Similar abuse of office charges were pursued against Akezhan Kazhegeldin in 1998. As noted above, after falling out of favor with the government and

²³ Republic of Kazakhstan, Law on Political Parties, 2002.

resigning from his post as Prime Minister in 1997, Kazhegeldin moved to establish the Republican People's Party. He immediately became the focus of a government investigation for tax evasion, money laundering, and illegal weapons possession, for which he was sentenced in absentia to ten years of hard labor. This investigation, according to international observers, "while possibly grounded in facts, appeared motivated politically" (U.S. Department of State 2000b). The government also pursued other RNPk with similar investigations. Rashid Nugmanov, a film director and member of RNPk, was detained by customs and tax officials in May 2000. His brother, a businessman, was simultaneously interrogated by the tax authorities. And in September 2003, the government prosecuted RNPk leader, Amirzhan Kosanov on tax evasion charges. He was subsequently convicted, given a 1-year suspended sentence, and fined 374,000 tenge (approximately \$2,670). Human rights monitors noted: "The charges were the latest in a pattern of harassment and politically motivated charges against him" (U.S. Department of State 2004).

Similar tactics were used against the high-ranking officials and prominent businessmen who founded the Democratic Choice of Kazakhstan in 2001. Amongst those who faced criminal charges was Mukhtar Ablyazov, a prominent oligarch who (as noted above) also served as head of the national power company KEGOC in 1997-98, before being promoted to Minister of Energy in 1998. After leaving government and joining DCK in 2001, Ablyazov was charged with embezzling \$1.65 million in state funds during his time as head of KEGOC, as well as misappropriation of additional state funds from when he served as Minister of Energy. At the same time, several private companies under his control faced scrutiny from the tax authorities. Another DCK co-founder, Galymzhan Zhakiyanov, also was charged with corruption and abuse of power, stemming from the four years he served as governor of the Pavlodar region. In July 2002, both Ablyazov and Zhakiyanov were convicted and sentenced to six years and seven years (respectively) in prison. A third DCK signatory, the prominent businessman Bulat Abilov, faced a series of embezzlement and tax evasion charges. In Abilov's case, these allegations began to emerge in 2004, when he was charged with criminal libel and fined 5 million tenge (\$38,462) for insulting a member of parliament, Mukhtar Tinikeyev. According to human rights reports, "Abilov had accused Tinikeyev in a television interview of both taking and offering bribes related to his selection to the Parliament" (U.S. Department of State 2005). In 2005, Abilov was charged with embezzlement and tax evasion based on his business dealings in the 1990s. In 2006, he was convicted of insulting a police officer, a crime that carried a suspended sentence.

Political Violence: Less frequently, opposition leaders in Kazakhstan find themselves the victims of random violence and intimidation tactics, often perpetrated by unknown individuals in crimes that the government fails to investigate. Several of these attacks in the late 1990s and early 2000s targeted activists of the RNPk. In October 1998, gunshots "of unknown origin" were fired at party leader Kazhegeldin and "unknown assailants beat his press spokesman, Amirzhan Kosanov, and one of his public relations advisers, Yelena Nikitenko" (U.S. Department of State 1999b). Two years later, in April 2000, several men violently assaulted Sergey Bondartsev, a youth organizer for the RNPk in Almaty, in an attack that observers concluded was clearly premeditated and resulted in serious internal injuries requiring two operations. Leaders of other parties also suffered from violent attacks. In January 2001, several unidentified people broke into the house of Platon Pak, leader of the Karaganda regional branch of the Azamat Party, and stabbed him four times. According to reports, the assailants "told him the Azamat Party was 'getting in the way' and to tell Svoik [party chairman, Peter Svoik] to stop his activities" (U.S. Department of State 2002b). While there is not concrete evidence to prove that state officials

orchestrated these attacks, authorities did little to investigate these attacks or to find the perpetrators. In the Bondartsev case, for example, “Law enforcement authorities made no arrests in the case, claiming that Bondartsev had never filed a complaint. Bondartsev asserted that he filed a complaint and that police from the Medeu district of Almaty interviewed him about the assault while he was in the hospital” (U.S. Department of State 2001).

Assassination: In stark contrast to more open regimes, in Kazakhstan two opposition leaders were murdered under suspicious circumstances in the time period under study. Both cases, which occurred within months of each other in late 2005 and early 2006, involved leaders of the DCK, were widely believed to be politically motivated. In November 2005, Zamanbek Nurkadilov was found dead at his family’s compound in Almaty. Although Nurkadilov suffered three separate gunshot wounds – two to the chest and one to the head – government investigators concluded that the wounds were self-inflicted (Kusainov 2005). Three months later, in February 2006, Altynbek Sarsanbayev was found dead outside of Almaty, along with his bodyguard and his driver. As Freedom House (Freedom House 2007) describes,

The subsequent investigation pointed to the involvement of state security officers in the killing, but left many questions unanswered. The trial, which was marred by claims that confessions had been coerced, culminated in the sentencing of Yerzhan Utembayev, former head of the Senate administration, to a 20-year prison term for organizing the murder. Prosecutors said Utembayev had been acting on a personal grudge, but conflicting theories implicating higher government officials were aired by trial witnesses and the opposition.

Both Nurkadilov and Sarsanbayev were co-founders of DCK and had previously served in high-level government posts before defecting. Nurkadilov had served as Minister for Emergency Situations as well as mayor of Almaty before defecting to the opposition. Sarsanbayev was the former Minister of Information and a former ambassador to Russia.

4.3.3 Challenges maintaining professional, publically accessible headquarters.

To be fully effective, political parties need safe, accessible spaces where they can hold organizational meetings, meet with members and citizens, and store party documents. However, in Kazakhstan, opposition parties’ offices are constantly under threat of violence or vandalism. In September 2005, arsonists firebombed the regional office of For a Just Kazakhstan in Kostanai, using Molotov cocktails to destroy the office, including computers and other equipment. Later that year, the party filed a complaint against the police alleging that a police officer had monitored the entrance to the party’s office in Almaty and videotaped illegally people entering and leaving. While the courts did not deny that the officer had staked out the party’s office, “[t]he suit was dismissed on the grounds that the officer had not been acting pursuant to official orders but rather on her own initiative” (U.S. Department of State 2006).

Opposition parties also are frequently prevented from renting indoor spaces for press conferences and organizational meetings. There are numerous examples of parties encountering such problems, including an incident in 1998 in which hotel managers tried to prevent the Republican People’s Party from holding a press conference. “The hotel manager reportedly said that the Government had told the hotel not to permit the press conference”, and he went so far as to turn off the lights in the hotel to prevent the event from proceeding (U.S. Department of State 1999b). This was not an isolated incident: “According to credible reports, government agents repeatedly pressured managers of conference facilities to deny access at the last moment to

government opponents who had arranged to use the facilities for meetings and press conferences. When opposition meetings and press conferences did take place, electricity at the facilities was often interrupted” (U.S. Department of State 1999b). In April 1999, a labor union hall was sealed by firemen the day before it was scheduled to host the founding congress of a new opposition party, Orleu. “There were credible allegations that the office of the mayor of Almaty instigated the fire department action for political reasons” (U.S. Department of State 2000b).

4.3.4 *Lack of access to media outlets.*

In Kazakhstan, the government uses a multi-pronged strategy to prevent mass media—including newspapers, television, radio, and internet sites—from covering opposition party activities or expressing opposition viewpoints. All major national media outlets are directly owned by the government or controlled by close associates of Nazarbayev, and opposition figures are essentially blocked from appearing on these media outlets. During most of the 1990s and 2000s, the president’s daughter Dariga Nazarbayeva and her then-husband Rakhat Aliyev directed the Khabar media holding company and owned stakes in several other media outlets, through which they controlled the nominally-independent media space. Furthermore, the government controlled all print publishing facilities. These state printing houses refused to print or distribute opposition newspapers at various points between 1995 and 2010. Moreover, all internet access is centrally controlled in Kazakhstan. Internet service providers must route their lines through a state registration system, and the state uses this centralization to periodically block access to popular opposition websites. Amongst the more prominent cases, in January 2005 access to the Ak Zhol party’s website was blocked after the site posted a statement denouncing the government’s ban on the DCK party. In October 2008, access to the site LiveJournal was blocked after Rakhat Aliyev used the site to publicize allegations of corruption against Nazarbayev and other government officials. These practices were codified in legislation passed in 2009, which classifies all websites in the .kz domain as media outlets, thus subjecting the sites to strict scrutiny and regulation.

The handful of small, marginalized, independent media outlets that do exist face persecution for broadcasting opposition activities and viewpoints. Authorities routinely shut down independent media outlets as punishment for their coverage of the opposition. In some cases, these closures stemmed from a newspaper’s inability to pay the damages from a libel lawsuit. In Kazakhstan, libel laws prohibit publication of any remarks deemed to insult the honor and dignity of the president. Additionally, all information about the health, financial status, and private life of the president and his family is considered to be a state secret. Dozens of journalists have been prosecuted under Kazakhstan’s criminal libel law, resulting in heavy fines, lengthy prison sentences, and suspended publication. In other instances, the state has revoked the broadcast licenses of media outlets directly. For example, in 2002, “the government intensified its crackdown against media outlets critical of the regime, particularly those allied to the opposition political group Democratic Choice of Kazakhstan. During the year, authorities recalled the broadcasting licenses of a number television stations and suspended the publication of several independent newspapers for alleged technical violations” (Freedom House 2004). One particularly clear illustration concerned the TAN-TV station, which lost its broadcasting rights in March 2002. “TAN-TV’s broadcasting rights were suspended in a move widely considered to be a politically motivated response to the station’s unprecedented live broadcast of a January demonstration by opposition parties, including the DCK. While the station was granted

temporary broadcasting rights just days later as a result of international and domestic pressure, its offices were attacked and equipment destroyed in late March” (Freedom House 2004).

Finally, journalists who report on opposition activities have faced violence, physical attacks, and intimidation. Dozens of such cases were reported between 1995 and 2010, with the most severe violence occurring in 2005. That year’s violence is summarized by Freedom House (2006):

In January, Radio Free Europe/Radio Liberty journalist Zhuldyz Toleuova was beaten by unknown assailants, an attack which her colleagues believed was connected to her work, including reporting on the activities of the political opposition. Later that month, police beat journalist Svetlana Rychkova of the opposition paper *Assandi Times*—formerly known as *Respublika*—which had printed articles about government corruption, politics, and media rights. In March, unknown men attacked *Vremya* sports journalist Maxim Khartashov, who had frequently exposed corruption scandals in the country's sports sector. Independent journalist Ashkat Sharipzhan, who had interviewed leading opposition figures and reported on government corruption scandals, died of injuries he sustained in a suspicious car accident in July. In June, a fake special edition of the *Assandi Times* was published which contained false statements by opposition politicians. The newspaper charged that the government was behind the printing of the fake issue in an effort to discredit the opposition in advance of the September parliamentary elections. The authorities responded with a libel suit against the *Assandi Times*, which they won in July, and the paper was ordered to pay nearly \$370,000 in damages.

In addition to physical attacks, other forms of intimidation and retribution have been used against opposition journalists. In May 2002, Irina Petrushova, editor of the independent newspaper *Delovoye Obozreniye Respublika* (later renamed *Respublika*) “found a decapitated body of a dog hung on an office window with a note saying that this would be the last warning. She later found the dog's head and a similar note near her home. Three days later, the newspaper's office was destroyed by Molotov cocktails. The paper, owned by DCK co-founder Mukhtar Ablyazov, had been reporting on a financial scandal allegedly involving Nazarbayev” (Freedom House 2003).

4.3.5 Challenges organizing public protests and rallies.

Kazakhstan maintains very strict restrictions on mass political assemblies. Although the Constitution guarantees citizens the right to peaceful assembly, the Law on Freedom of Assembly specifies that organizers must apply to local authorities for permission to hold an event at least 10 days in advance. Otherwise, the event is considered illegal and is subject to dispersal. The law specifies a number of reasons for denying such applications, including protests that interfere with transportation, that take place near government buildings and public institutions of health and education, or that risk damaging shrubbery. It also gives local authorities broad powers to regulate or prohibit public rallies (Berg 2008; Duvanov and Tyuleneva 2010). The Law on National Security (1998) further criminalizes unsanctioned gatherings, public meetings, marches, demonstrations, pickets, and strikes, defining them to be threats to national security.

Local authorities use the law to strategically deny applications from political opposition parties or restrict their activities to the outskirts of town. For example, in Almaty municipal

authorities have designated a particular square—a “dump” according to one opposition activist—on the outskirts of town as appropriate for the opposition to gather (K-4815, interview, Spring 2008). This square is located in the Almaty suburbs, behind the Sary Arka theater, several miles from downtown Almaty. In a symbolic gesture towards the opposition’s irrelevance, this square also serves as the final resting grounds of the statues of the defunct Soviet regime, a point that even Almaty city officials acknowledge (K-7085, interview, Spring 2008). Opposition parties that file petitions to protest in downtown Almaty were either denied permission or redirected to this square. Such practices were not limited to Almaty. In the city of Tadylkorgan, city officials ruled that protests could only take place so far outside of the oblast center that it was described by an opposition leader as being located “on the steppe” (K-9387, interview, Spring 2008).

The government has taken several creative steps to prevent opposition rallies, even when such events have received official authorization. For example, in March 2000, Almaty authorities sanctioned a rally of the RNPK, but prevented party leaders from attending. Their apartment doors had been jammed shut and sealed with cement. According to one report, “RNPK member Nurbulat Masanov... awoke to find that he had been sealed into his apartment”; the apartment doors had been jammed shut and sealed with cement. The apartments of RNPK leader Amirzhan Kosanov and Seidakhmet Kuttykadam, leader of the Orleu movement, were similarly barricaded (Human Rights Watch 2001).

Despite these difficulties, opposition activists sometimes proceed with unsanctioned protests. They incur harsh penalties for doing so, and average citizens rarely attend these events. Unsanctioned rallies are almost always dispersed by police, and activists are subject to jail time, usually between five and fifteen days of administrative detention. Courts also levy fines against protest organizers, totaling tens of thousands of tenge (hundreds of dollars). Two examples illustrate this very common dynamic. In February 2006, after the suspicious death of Altynbek Sarsenbayev, approximately 4,000 citizens gathered in downtown Almaty to commemorate Sarsenbayev and to protest political violence. Almaty police attempted to block a planned procession and, after the rally, several organizers were arrested and sentenced to 5 to 15 days in prison, as well as received heavy fines. Similarly, in July 2009 the Almaty administrative court charged Azat party leader Bulat Abilov with holding an unsanctioned rally, and imposed a fine of 64,8000 tenge (\$430). Abilov maintained that he had sought municipal approval, but city authorities had improperly denied his requests for a permit.

In sum, both in legal terms as well as in practice, opposition parties face many restrictions in Kazakhstan. Opposition parties are prevented from registering with the state, organizing activities, and mobilizing popular support. Most centrally, opposition leaders have been targeted with violent attacks, criminal charges, and even assassination for their criticism of the government. What factors enable Kazakhstan’s rulers to repress opposition parties? Why did kleptocracy facilitate low toleration for political opposition in Kazakhstan, but high toleration for similar parties in Georgia? The rest of this chapter addresses these questions.

4.4 Resource Profits as the Source of Illegal Wealth

Why was Kazakhstan’s government able to crack down on opposition parties between 1995 and 2010, while Georgia’s was not? I argue that the key to understanding this outcome lies in the source of rulers’ private wealth. Like in Georgia, Kazakhstan’s rulers were rent-seeking kleptocrats who sought political power in order to accumulate personal fortune. According to

estimates, the wealth of President Nursultan Nazarbayev and his family approaches \$7 billion (Swami 2010). And as former governor Zhakiyanov has noted, in Kazakhstan “[s]tate officials like their comforts and everything that goes with the status” (Korolev 2006). In contrast to Georgia, however, the illegal rents that built Nazarbayev’s fortune came from the extraction and export of natural resources. Whereas Georgian rulers were restricted in their treatment of political opposition, access to these natural resources enabled Kazakhstan’s rulers to pursue repression against their political opponents without disrupting their own illegal income. This section describes Kazakhstan’s vast resource wealth, and the myriad ways that Kazakhstan’s rulers appropriated this wealth for their own private fortune.

4.4.1 An Abundance of Natural Resources

Kazakhstan is richly endowed with oil, gas, and other minerals. Kazakhstan’s proven oil reserves, estimated at 30 billion barrels of oil, top those of the United States, Mexico and Norway, and are on par with those of Nigeria and Libya (International Monetary Fund 2010). The Kashagan field alone, located in the northern Caspian Sea and expected to come online in 2013, is estimated to hold the world’s 5th largest reserve of crude oil and the largest reserve outside of the Middle East. Kazakhstan has been a net oil exporter since 1992. Between 1991 and 2007, crude production grew 250% and oil exports grew by 275%. Kazakhstan ranked among the top 15 oil exporters in the world in 2009, exporting 1.54 million barrels per day. By 2010, a total of eight major oil fields were operational in Kazakhstan, making Kazakhstan a world leader in the extraction and export of oil. The country is expected to enter the world’s top five exporters by 2020 (U.S. Energy Information Administration 2010).

Oil is but one facet of Kazakhstan’s resource wealth. Kazakhstan’s proven natural gas reserves stand at a total of 85 trillion cubic feet, ranking it among the 15 largest gas reserves in the world. Kazakhstan’s natural gas production skyrocketed through the 1990s and 2000s; production nearly tripled in the decade between 1999 and 2009. Kazakhstan holds one of the largest gas condensate fields in the world, the Karachaganak field, which is estimated to hold 42 trillion cubic feet of gas. Kazakhstan is also a world leader in the production of several other minerals, including uranium, coal, chromite, lead, and zinc (U.S. Energy Information Administration 2010).

In all, Kazakhstan’s economy—as well as the state budget—have been highly reliant on the extraction and export of these resources. The IMF reports that by 2009, oil accounted for nearly 25% of GDP, 60% of total exports, and 40% of state budget revenues (International Monetary Fund 2010). These figures represent the culmination of long-term trends. As early as 2000, oil and gas profits composed over one-quarter of the state budget revenue (Husain et al. 2005). The oil and gas industry has also attracted a lion’s share of the country’s foreign direct investment, attracting \$30.7 billion in FDI and accounting for 76% of the FDI injected into Kazakhstan’s economy between 1993 and 2010 (U.S. Department of State 2009).

4.4.2 Illegal Rents from Natural Resources

The presence, production, and sale of these natural resources generated a steady stream of illegal rents for Kazakhstan’s rulers through the 1990s and 2000s. According to Martha Brill Olcott (2007, 24), “The government of Kazakhstan holds the major reins of power in the country’s oil and gas industry”. The government has used various means to extract illegal rents

from the industry.

For one, rulers accepted illicit payments from foreign oil companies seeking access to Kazakhstan's energy and mineral deposits. In the 1990s, political leaders in Kazakhstan privatized most enterprises in the oil and gas industry, selling resource and development rights to foreign-owned companies (Luong and Weinthal 2010). Many of these deals were brokered through middlemen, most prominently the oil broker James Giffen. Giffen served in an official capacity as adviser to Nazarbayev, and his investment firm Mercator Corporation secured many of Kazakhstan's most profitable deals with Western oil companies. In 2003, Giffen was indicted in U.S. Federal Court for passing a total of \$78 million in bribes from Mobil Oil to the senior government officials who had decision-making authority over these deals. During negotiations over Mobil's access to the Tengiz oilfield in 1996, in which Mobil paid \$1 billion for a 25% share in the field, Giffen allegedly transferred millions of dollars in fees received from Mobil to bank accounts controlled by two top officials in Kazakhstan. Those officials were later named to be Nazarbayev and former Prime Minister Balgimbayev.

The indictment states that millions of dollars of the fees paid by US oil companies found their way into a Swiss bank account in the name of Orel Capital Ltd, a company beneficially owned by Nazarbayev and his heirs, according to Swiss court filings. Nazarbayev allegedly spent this morning on, amongst other things, some US\$45,000 of fees for an exclusive Swiss boarding school for his youngest daughter. Balgimbayev allegedly bought with the money more than US\$180,000 in jewelry and a stay at a Swiss spa. Giffen is alleged to have purchased an array of luxury items, including millions of dollars' worth of jewelry, fur coats, a speedboat and two American snowmobiles for the Nazarbayev family (Global Witness 2010, 15; See also Global Witness 2004; Hersch 2001)

Second, observers also suspect that Kazakhstani officials have embezzled resource revenues from state accounts. The state collects revenue from private oil companies through a combination of corporate income taxes, royalties, bonuses, and excess profit taxes (Coronel et al. 2011; Hansen et al. 1998; Husain et al. 2005). The revenue from these taxes has been managed with relatively low levels of oversight or transparency—thus creating significant opportunity for graft and embezzlement. Local analysts have estimated that 15 to 20 percent of energy revenues are stolen or misdirected (International Crisis Group 2007). In 2002, the government revealed that \$1 billion in the government's oil revenue was held in a private Swiss bank account under Nazarbayev's name. In response, as noted in the epigraph above, Kazakhstan's prime minister at the time commented, "The head of state was left with no other choice except to take all responsibility on himself" (Global Witness 2010, 15).

These dynamics have continued with the creation of the extra-budgetary National Fund of the Republic of Kazakhstan (NFRK) in 2001 to manage resource revenue. This account, under the control of the National Bank of Kazakhstan, ostensibly serves to balance out fluctuations in commodity prices, to spread wealth over ensuing decades, and to increase transparency in the usage of resource revenue. While the rules governing the NFRK have evolved after its inception, since July 2006 "all payments from the oil sector to the republican budget (not only revenue in excess of the budgeted oil price) are to be allocated to the National Fund... [and] all enterprises in the oil sector that are engaged in the extraction and/or sale of crude oil and gas condensate are included in the list of contributors into NFRK" (Lohmus & Ter-Martirosyan, 2008, pp. 70–71; see also International Monetary Fund, 2002). NFRK funds are invested in foreign assets and the investment revenue is used in several different ways. While most profits are reinvested, a portion is put towards Kazakhstan's public spending. For example, the NFRK contributes 4.5% of GDP

annually towards Kazakhstan's budget for development spending. In total, the NFRK's assets increased exponentially between its creation in 2001 and 2010. The fund held \$3.7 billion in January 2004 but quickly rose to \$13.2 billion in November 2006; \$22 billion in March 2009; and \$36 billion in April 2011 (Coronel et al. 2011; Husain et al. 2005; International Crisis Group 2007).

However, the NFRK is managed by Nazarbayev's closest personal associates, raising doubts about the transparency and oversight of the Fund. The president handpicks the NFRK's managing council, which is composed of the president, prime minister, finance minister, chairmen of the two houses of parliament, head of the Central Bank, and other leading government officials. In addition, the fund is housed within the Central Bank, under whose supervision hundreds of millions of dollars were secretly transferred between Nazarbayev's personal accounts and the NFRK. In April 2003, Kazakh National Bank Chairman Marchenko endorsed this decision, telling journalists that 'this was the right decision from the economic point of view', although it may have been flawed from a political or legal perspective (Kalyuzhnova 2008, 60). This management arrangement was designed to increase transparency, and in some ways it has done so. For example, information on the fund's revenues and expenditure, and the audit result, are published in the local press. The fund is subject to an annual independent audit (Kalyuzhnova 2008, 49).²⁴ Yet, some analysts have pointed out that the structures and rationale of management are not open to public scrutiny (International Crisis Group 2007, 26). Large international financial institutions, such as Citibank, UBS and ABN AMRO, manage 60% of the fund's wealth, and it is unclear how these banks acquired the management contracts, or what is the rate of their commissions and fees. While high-level embezzlement of energy revenues seems to have slowed since the 1990s, corruption has intensified at the regional level. Often the corruption is brazen; residents of Atyrau point to a small dome added to a municipal building, actually for \$50,000 but officially for \$1 million, with the difference enabling the laundering of stolen oil or gas revenues (International Crisis Group 2007, 24)

Third, Kazakhstan's kleptocrats have access to the vast revenue accruing to state-owned enterprises in the oil and gas industry. While there have been no explicit scandals surrounding these SOE's, there is ample evidence that such companies are privately controlled by Nazarbayev and his close associates. The most important of the state-owned companies in the extractive industries is the national oil and gas company, KazMunaiGaz (KMG). KMG, created in 2002, is the third-largest oil producer operating in Kazakhstan and "has a minority stake in virtually all major oil and gas projects in the country and a controlling stake in most of the projects initiated since 2000" (Olcott 2007, 9).²⁵ KMG controls 25 companies that operate in the fields of exploration and production, marketing, oil and gas transportation, and supporting sectors. Of these, the most valuable asset—and the source of a majority of KMG's income—is KMG Exploration and Production, which controls the Uzen and Emba oil and gas fields, as well as several other onshore reserves in Kazakhstan. Through these sub-companies, KMG is involved in all aspects of exploration, extraction, and export/transportation through a combination of profit sharing arrangements and equity partnerships with foreign investors

²⁴ Transparency further increased when Kazakhstan signed on to the EITI initiative in 2005.

²⁵ KMG was created through the merger of national companies KazakhOil and Oil and Gas Transportation, and thus completed a longer process of consolidation within the state-owned oil industry.

(Coronel et al. 2011).²⁶ KMG also owns or controls many of the major export pipelines for Kazakhstan's oil and gas, as well as several key refineries. In total, these activities generated \$6.78 billion in revenue and a net income of \$1.15 billion in 2005 alone (Kalyuzhnova 2008; Olcott 2007).

KMG is supervised by a five-person board of directors, who maintain “both a direct and indirect relationship to the government, and to the president of Kazakhstan, Nursultan Nazarbayev” (Olcott 2007, 23). This board is chaired by President Nazarbayev's son-in-law, Timur Kulibayev, who chaired KazTransOil before KMG was created in 2002. “His presence likely serves as a way to protect the interest of the Kazakh president and his family” (Olcott 2007, 10). Kulibaev reportedly has abused his positions in the oil industry to collect hundreds of millions of dollars of bribes from foreign oil companies. Foreign diplomats have noted Kulibayev's “avarice for large bribes” from foreign companies, including over \$100 million from China's state oil enterprises, and his use of Swiss bank accounts to launder the proceeds (Orange 2010; Rayner and Orange 2010).

In Kazakhstan, Nazarbayev and his associates have had access to the vast profits generated by the extraction and export of oil, gas, and other natural resources. Evidence suggests that these rent-seeking kleptocrats have used their political power in order to accumulate personal fortune. While this discussion has focused on the oil and gas industry, these patterns of embezzlement have been reproduced throughout the extractive industries in Kazakhstan (Global Witness 2010; Pannier 2009)

4.5 How Resource Wealth Enabled Kazakhstan's Rulers

Access to the rents associated with resource extraction meant that, unlike in Georgia, rulers in Kazakhstan were not concerned about the economic effects of political repression. Kazakhstan's leading political opposition figures were wealthy oligarchs, enterprise managers, and economic technocrats; in other words, they were major sources of revenue for the state. Repressing political opposition leaders risked constraining illegal rent streams from domestic producers to Kazakhstan's rulers. The difference between Kazakhstan and Georgia, however, is that in Kazakhstan rulers did not need these domestic sources of illegal rents in order to get rich. Consequently, rulers in Kazakhstan could alienate, beat down, and chase away these entrepreneurs and still get rich.

Pursuing a strategy of repression against opposition parties had the ancillary effect of sabotaging overall economic growth in non-extractive sectors of the economy. The key to understanding this mechanism lays in the fact that opposition leaders responded to political repression in their dual role as wealthy oligarchs. For one, many opposition leaders chose to liquidate their companies. For example, in the face of politically-motivated charges of financial wrongdoing, Bulat Abilov liquidated his investment fund, Butya-Kapital in December 2004 and distributed the company's 1.2 billion tenge (\$9.4 million) assets to the company's shareholders. In an open letter to depositors, Bulat Abilov said that his decision was motivated by the fact that

²⁶ Amongst other assets, KMG controls a 20% interest in the TengizChevroil project; an 8.3% interest in the Kashagan reserves; a 50% stake in Kazgermunai; 51% interest in Kazakhturmunai LLP—a joint venture with the Turkish national oil company that controls five oil fields currently under exploration; a 50% stake in Kurmangazy (a project in partnership with Russia's Rosneft); and a 73% stake in the Zhambyl field.

the government was impinging on the operation of his business (*BBC Monitoring* 2004). Zhakiyanov also dissolved his commercial holdings, and Ablyazov moved his assets offshore after he came under government suspicion for his political activities.

Second, many of these oligarch-oppositionists chose to move abroad, and they took their technical knowledge and investment capital with them. Kazhegeldin, for instance, has lived abroad in self-imposed exile since 1997, when he fled Kazakhstan to escape the charges levied against him. Although Kazhegeldin personally retains a fortune estimated in the millions of dollars, he does not appear to have any remaining financial investments or businesses in Kazakhstan. Repression against the DCK also chased entrepreneurs, companies, and capital abroad. In 2002, Abilov predicted such a response, noting that political repression:

is a real strike at both major and medium-sized businesses in Kazakhstan. I know many businessmen who are now thinking of taking their businesses out of Kazakhstan. They believe that continuation of [such] repression in relation to any businessman is possible. These businessmen are jumping to the conclusion that it is safer in Russia now. Therefore, they are negotiating the sale of their companies here and have already started to work out ways of transferring their businesses to Russia. (Kusainov 2002d)

Abilov's comments proved true. While he himself remains in Kazakhstan, within several years several members of the DCK had left. Ablyazov has moved to London; he and his family were granted political asylum in the UK in 2011. Zhakiyanov has focused his investments on companies in China and Mongolia rather than Kazakhstan.

These measures jeopardized growth in non-mineral sectors of the economy. By pursuing political repression, Kazakhstan's rulers exposed the weakness of property rights and created a risky climate for foreign and domestic investors. One of the most consistent findings in the literature on political economy is the importance of strong property rights for economic development. In the absence of strong property rights, owners and financiers alike have little incentive to pursue business ventures, nor to invest additional capital and energy to develop their companies (e.g., De Soto 2000; North 1982). While this dynamic is enough to hurt economic growth, it becomes compounded when it spills over into foreign direct investment. By the late 2000s, foreign investors were wary of investing in Kazakhstan. The U.S. State Department's (2008) statement on investment climate declared that "in practice the application of tax laws has been uneven, and in some cases blatantly unfair. This has been particularly true in cases where a company is involved in another, unrelated dispute with the authorities". As a result, "together with vague and contradictory legal provisions that are often arbitrarily and inconsistently enforced, these negative tendencies feed an enduring perception that Kazakhstan is becoming less open to investment".

In other settings, this dynamic might have hampered rulers' illegal income. Equating extractive rulers to thieves, Olson notes that thievery is less profitable amongst impoverished populations. "Other things being equal, a criminal is better off in a rich society than in a poor society: there is more to steal" (Olson 2000, 3). Outside of the resource sector, the repression of oligarchs has left Kazakhstan's society with less money for rulers to steal. One local analyst, for example, commented:

The country is rich with oil and natural resources, but only a few people are benefiting from that. There is nothing in the way of agriculture, production, small/medium businesses. There is much talk of small-medium businesses these days, but it's mostly limited to small little shops in the underpasses and such.

Sugar used to be produced here (Rakhat Aliyev had a monopoly), but that was taken away from him. As for agricultural production, everything is now imported from China. Even things like green onions and apples, which used to grow everywhere here, are not produced but just imported.... In any case, so while there is economic growth, there is no such thing as economic development because of the lack of small-medium businesses and an actual market. (K-3798, interview, Spring 2008)

Kazakhstan's kleptocrats were only willing to undertake this economic risk because they had access to alternative sources of private wealth other than society. In fact, there is ample evidence that the government consciously engaged this risk. Nazarbayev openly presented these oligarchs with a clear choice they could either engage in business or opposition politics, but they would not be allowed to pursue both. In a speech to law enforcement officers in March 2002, Nazarbayev announced, "We need them [entrepreneurs]—both large businesses and especially small- and medium-sized businesses. We should and will support them in the future, too. But they should not interfere either directly or indirectly, through their people in power, in taking political decisions". In response to this threat, some entrepreneurs backtracked on their political goals. Just days later, Yerzhan Tatishev, a DCK leader and chairman of BTA Bank, issued a public statement removing himself from politics: "The very decision to join [the DCK leadership] was originally taken by all banks somewhat spontaneously. Taking part directly or indirectly, through managers, in various political movements is not correct with respect to the professional form of business" (Kusainov 2002b). Nurzhan Subkhanberdin and Mukhtar Ablyazov also quit politics in return for keeping their business holdings.

To be clear, government officials in Kazakhstan *did* extract illegal rents from society, even if they did not rely on such societal sources for their personal wealth. Private citizens and private enterprises were regularly solicited for informal payments in Kazakhstan (Werner 2000). For example, in a 2005 survey, 20% of firms stated that bribery was frequent in dealing with taxes; 13% of firms stated that bribery was frequent in dealing with customs and imports; and 7% stated that unofficial payments were frequent in dealing with the judicial system (EBRD-World Bank 2006b).²⁷ But illegal rents from society make up only a small portion of rulers' overall illegal income. The sheer size of the illegal rents available from extractive industries renders societal rents nearly irrelevant for rulers in Kazakhstan.

4.6 Conclusion

In summary, rulers in Kazakhstan could pursue harsh policies against political opposition because they did not have to worry about the economic effects of political repression. Rulers' illegal income was based on bribes collected from foreign companies, as well as the embezzlement of taxes, fines, and fees derived from mineral extraction. These external, illegal rents enabled rulers to pursue aggressive policies against certain segments of society—specifically, political opposition groups—without disrupting the flow of cash.

The logic of kleptocracy produced a different outcome than in Kazakhstan than in Georgia. A kleptocracy fed by natural resources impedes the development of viable political groups, as well as a competitive party system. Political parties in Kazakhstan are weakly

²⁷ For 2008, the percentage of firms reporting that unofficial payments were common in these sectors were 13%, 13%, and 9% respectively.

institutionalized; their basis of organization tends to be the personality of the party leader, rather than substantive platforms, and these groups are “largely known for their leaders or leadership conflicts more than their ideas” (Bowyer 2008, 11). To be sure, none of the parties discussed here represent mass parties. With the exception of the ruling Nur Otan party, Kazakhstan’s political parties garnered little popular support from average citizens and have little resonance beyond the urban elites of Astana and Almaty.

In turn, these dynamics can shed light on the remarkable stability of Nazarbayev’s rule. In other post-Soviet countries, such as Georgia, Ukraine, and Kyrgyzstan, ruling kleptocrats have been forced out of office by disgruntled citizens and mobilized opposition parties, who took to the streets to protest fraud in the political sphere and corruption in the economic domain. Yet, in Kazakhstan, where the ruling family has amassed a personal fortune in the billions of dollars, citizens have remained quiescent. These outcomes are not coincidental, but rather can be traced to a common cause. In Kazakhstan, as in other resource-based kleptocracies, rulers’ access to illegal resource rents has allowed them to have the best of both worlds: to procure astounding personal wealth, while also consolidating political power.

Chapter 5

Conclusion

All the leaders of the world have castles and palaces in France, whether they are from the Gulf, Europe, or Africa.

-- Denis Sassou-Nguesso, President of Congo-Brazzaville

5.1 Summary of the Argument

This dissertation has explored the dynamics of kleptocracy—that is to say, non-democratic regimes with high levels of state corruption. In kleptocracies, rulers are motivated foremost by wealth. Rather than viewing power as a means in itself, kleptocratic rulers seek public office in order to illegally extract private fortune. Yet, the cases of kleptocracy examined here—Georgia and Kazakhstan—present a puzzle: within such regimes, why do some rulers give political opponents significant leeway to organize, while others enforce strict limits on such activities? The foregoing discussion has shown that these divergent policies can be traced to variation in the predominant form of state corruption in each country—specifically to variation in the *source* of rulers' illegal rents.

In Georgia, where society is the main source of rulers' illegal rents, the government has proven more likely to tolerate political opposition. In the system of bribery-based corruption set up by Shevardnadze, illegal income flowed into the state from society, and then upward. Private citizens made informal payments to state officials, who in turn must channel a percentage of the proceeds to their superiors and to political leaders. This pattern created a state that was dependent on society. Rulers were unwilling to risk driving these crime bosses and oligarchs to emigrate abroad, to withhold illegal rents from the state, or in any way to disrupt the efficient collection of bribes. Consequently, the rulers were constrained: the government chose to tolerate political opposition in order to continue amassing private profits.

In contrast, in Kazakhstan, rulers gather illegal rents from the extraction and sale of oil, gas, and other natural resources. The embezzlement of these resource profits presents Kazakhstan's political leaders with a dramatically different set of incentives. Government officials can pursue unpopular policies—including aggressive repression against opposition groups—without jeopardizing the flow of illicit profits. Rulers have few incentives to tolerate political opposition, as the state is independent from society.

By way of conclusion, I take up the question of generalizability. What broader lessons can we draw from the study of these two cases? The rest of this chapter addresses the topic through closer examination of the prevalence of kleptocracy in the contemporary world.

5.2 How common is kleptocracy?

5.2.1. *Other Post-Soviet Kleptocracies*

Besides the cases of Georgia and Kazakhstan discussed here, there are many other instances of kleptocracy across post-Soviet Eurasia. As Chapter 2 described, the Soviet Union was an incubator for kleptocratic rulers, so perhaps it is no surprise that after 1991 many party-state apparatchiks across Eurasia sought political power in order to extract private wealth. In cases throughout this region, we see that the source of rulers' illegal fortunes is highly correlated with the level of repression exerted on political opposition.

In the resource-rich countries of post-Soviet Eurasia, kleptocratic rulers demonstrate little toleration for opposition parties. One case of particular concern to Western observers is Russia, where foreign diplomats have assessed that a “corrupt autocracy” that “operates more as a kleptocracy than a government has developed under the administration of Vladimir Putin” (Harding 2010a). Putin himself has amassed an illicit fortune of at least \$40 billion, and investigative reports have detailed the lavish estates, yachts, and luxury watches that Putin, Medvedev, and members of their inner circle have purchased, including one villa being built for Putin at an estimated cost of \$1 billion (Harding 2010b; Milov et al. 2011).

Yet, as in Kazakhstan, in Russia natural resources are the ultimate source of these bribes, kickbacks, and ill-begotten wealth. Russia is richly endowed with oil, natural gas, timber, nickel, iron, copper, lead, zinc, and dozens of other precious metals—which in turn contribute a sizeable chunk to the country's economy overall, as well as to rulers' private wealth. Much has been made of Putin's economic re-centralization programs, in which privatized enterprises within the natural resource sector—such as Yukos Oil and Russneft—have been re-appropriated by the state and transferred to individuals with close ties to Putin (A. E. Kramer 2007). In addition to direct or indirect ownership over the resource sector, Kremlin officials also extracted illegal resource rents in the form of bribes, kickbacks, and insider deals from the oligarchs, governors, and state officials who preside over the sector and rule in resource-rich regions. In turn, Putin and Medvedev have the luxury of pursuing high repression against political opponents, and chasing wealthy businessmen and revenue-producing classes abroad. There is considerable evidence that such policies have produced massive emigration of the educated middle class, thereby hurting economic development in non-extractive industries but leaving their streams of illegal resource rents largely intact (Milov et al. 2011).

These dynamics are repeated in the other oil-producing countries in the region. In Azerbaijan, where authorities allow opposition only limited space in which to exist, members of the ruling Aliyev family control major sections of the country's oil sector and exploit their position to embezzle vast wealth. Both Heydar Aliyev, who ruled from 1993 to 2003, and his son, current President Ilham Aliyev, have been accused of accepting personal bribes from American oil companies seeking to acquire access to Azerbaijan's sizeable oil reserves. One witness in the investigation described paying large payments, typically of \$1 million, that were destined for the Aliyev family. Heydar Aliyev “directed that we wire transfer sums of money into bank accounts held for the benefit of relatives of Heydar Aliyev” and “instructed that money be sent to members of Heydar Aliyev's family for ‘shopping sprees’” (Higgins 2010). These shopping sprees included the acquisition of nine waterfront mansions in Dubai, which were purchased for \$44 million over the course of 2 weeks in 2009, and registered in the name of Ilham Aliyev's 11-year old son. These acquisitions brought the Aliyev's property assets in Dubai

alone to an estimated \$75 million in 2009, despite the president's official government salary of \$228,000 annually (Asadzade and Ismayilova 2010; Higgins 2010; International Crisis Group 2004).

The dynamics of kleptocracy in Uzbekistan and Turkmenistan stand in even harsher contrast. Both countries have significant resource wealth that is misappropriated by the country's ruler. In 2010, Transparency International ranked Uzbekistan and Turkmenistan as tied for the fourth most corrupt countries in the world in their Corruption Perceptions Index. And international researchers were surprised to discover that in Turkmenistan, during President Saparmurat Niyazov's time in power, "it seems that no money from the sale of Turkmen gas even makes it into the national budget" (Global Witness 2006, 4). In turn, access to this vast resource wealth has allowed these rulers to repress political opposition with impunity.

In contrast, kleptocrats in the resource-poor countries of Eurasia have engaged in much lower levels of repression. Although Kyrgyzstan and Tajikistan stand amongst the poorest of the post-Soviet countries, they still have been ruled by wealth-seeking leaders. In Kyrgyzstan, President Askar Akayev and his family personally had a hand in 178 businesses during his presidency in 1992-2005, either officially or through informal financial ties (Engvall 2011). Akayev's replacement, Kurmanbek Bakiyev, in office from 2005 to 2010 was no better. Prosecutors have documented that Bakiyev and members of his government pocketed \$60 million during their time in power, though reports suggest that the true figure is upwards of \$300 million (Tynan 2010). In Tajikistan, though exact figures are unknown, under Emomali Rakhmon a "kleptocracy [has] centered on the presidential family" (International Crisis Group 2011, i). Despite high levels of graft, neither of these countries has considerable mineral wealth. Kyrgyzstan has gold mines, and Tajikistan has aluminum deposits, but profits from these natural resources do not approach the stream of rents available in Kazakhstan, Russia, or Azerbaijan. Given rulers' comparative inability to extract illegal rents from natural resources, most of their illicit earnings were gleaned from societal sources. In both countries, rulers have extracted illegal private wealth from society through a variety of means, including the sale of public office, extortion, and bribery of state officials (Engvall 2011; Kimmage 2005; Center for Strategic Studies 2010). Consequently, as in Georgia, these rulers could not repress political opposition groups without interrupting the flow of illegal rents. Opposition parties, many of which are led by wealthy businessmen, have been allowed to organize and are given significant political space in both countries.

5.2.2 Kleptocracy in Africa, Asia, and the Middle East

Kleptocracy is by no means limited to post-Soviet Eurasia. A perusal of the headlines of major international news headlines suggests that avaricious rulers preside over a disturbingly large portion of the developing world.

One of the most notorious kleptocrats currently in power is President Teodoro Obiang of Equatorial Guinea. Thanks to vast oil wealth, Equatorial Guinea has one of the highest per capita incomes in the world, \$37,900, similar to Belgium—but also one of the lowest standards of living, with 80% of the country's population living in poverty (Silverstein 2011). Much of that oil wealth has been appropriated by Obiang and his family, who have pilfered hundreds of millions of dollars from state coffers since assuming power in a 1979 coup. "The ruling family and associates pulled freely from a government account set up for oil-company payments, grossly inflated government contracts for companies they owned or controlled, and extorted

companies seeking to lease land” (Palazzolo 2011). In one particular inquiry, the US Senate Subcommittee on Investigations found that Obiang “personally controlled as much as \$700 million in state funds deposited at Riggs Bank in Washington, D.C., overwhelmingly by U.S. oil companies” (Silverstein 2011).

The most lurid allegations have focused on Obiang’s son, Teodorin, an international playboy who maintains opulent residences and a fleet of luxury cars in the United States, despite earning an official annual salary of only \$81,000 as Equatorial Guinea’s Minister of Forestry and Agriculture. As a former member of his staff attested, “I never witnessed him perform anything that looked like work... His days consisted entirely of sleeping, shopping and partying” (Silverstein 2011). In 2001, Teodorin purchased a \$6.5 million estate in the Bel Air neighborhood of Los Angeles, which he later traded for a luxurious oceanfront villa in Malibu. For this second house, Obiang paid \$30 million in cash and furnished it with (among other things) \$59,850 worth of rugs, a \$58,000 home theater, and a pair of wine glasses for which he paid \$1,734.17. Obiang’s personal fleet of cars in the US alone is worth \$10 million and includes two Bentleys, eight Ferraris, seven Rolls-Royces, four Mercedes-Benzes, two Lamborghinis, a Porsche, an Aston Martin, and a Maserati (Grimaldi 2011). Nonetheless, Teodorin’s clearly had a favorite car:

a blue Bugatti Veyron, a car that can reach speeds of more than 250 miles per hour and sells new for about \$2 million. One night, Teodorin parked his toy near the entrance of L’Ermitage, a favorite hangout where he’d gone for drinks. When he saw gawkers stop to admire it, he sent [his driver] Giacalone back to Malibu by cab so Giacalone could drive back his second Bugatti to park next to it. (Silverstein 2011)

Obiang’s other acquisitions include two high-performance racing boats (purchased in 2005 for \$2 million), a Gulfstream G-V jet (purchased in 2006 for \$38 million), and hundreds of thousands of dollars in Michael Jackson memorabilia.

In addition to Mr. Obiang, leaders of two other oil-rich countries in Africa have come under investigation by French authorities for embezzlement and illegally acquiring lavish properties with misused funds. Prosecutors have traced 39 luxury properties in France, 70 bank accounts, and at least nine luxury cars to the leader of Gabon, Omar Bongo, and his family. As the human rights lawyer who brought the case against Mr. Bongo asserted, “It’s the crime of receiving stolen goods, acquiring property through illicit means. Nobody can imagine that these properties were acquired through his salary of 20,000 euros a month” (Nossiter 2009). Denis Sassou-Nguesso, President of the Republic of Congo (Brazzaville) also allegedly purchased a portfolio of French properties using misappropriating state oil profits and illicitly funneling such funds out of the country. He also allegedly accepted hundreds of millions of dollars in illegal payments from Elf, the French oil group, and a report released in 2007 documented his son’s lavish shopping sprees paid for with hundreds of thousands of dollars in state oil revenue. In August 2006 alone, his son spent \$35,000 on purchases from designers such as Louis Vuitton and Roberto Cavalli (Global Witness 2007).

Kleptocracy has been well documented in Asia as well, from Kim Jong-Il in North Korea (Harden 2009) to the Sultan of Brunei (Alderson 2006). Pakistani President Asif Ali Zardari and his deceased wife, former Prime Minister Benazir Bhutto, allegedly abused their political power to accumulate billions of dollars in personal wealth through illegal kickbacks, customs fraud, and embezzlement. Ms. Bhutto’s former press secretary described Bhutto’s attitude towards her position in the 1990s as quintessentially kleptocratic: “She no longer made the distinction

between the Bhuttos and Pakistan. In her mind, she was Pakistan, so she could do as she pleased” (Burnes 1998). A 1996 inquiry revealed that Bhutto, her family, and her associates had found evidence that her family and associates had extracted more than \$1.5 billion in illicit revenue from the state through “kickbacks in virtually every sphere of government activity—from rice deals, to the sell-off of state land, even rake-offs from state welfare schemes” (Burnes 1998). These illegal profits, in turn, were applied to the purchase of a \$4 million 355-acre estate outside of London, as well as \$660,000 worth of jewelry (including \$246,000 at Cartier, Inc. and Bulgari Corp. in Beverly Hills in one month), amongst many other assets. Other properties linked to Bhutto and Zardari include a \$2.5 million estate in Normandy and a portfolio of luxury apartments in London (Burnes 1998).

State corruption was an important motivation behind the 2011 Arab Spring revolts across the Middle East and North Africa, as citizens took to the streets to protest against high-level corruption, embezzlement, and kleptocratic rule. Foremost amongst the Middle East’s kleptocrats was Libya’s Muammar Gaddafi, who misappropriated billions of dollars from state oil revenue to purchase luxury mansions, commercial properties, and investment shares in companies around the world. Gaddafi personally oversaw more than \$200 billion in state bank accounts and sovereign wealth funds, which he used as “personal trust funds”. Upon his ouster and death in 2011, Gaddafi owned tens of billions of dollars assets around the world; the US government alone seized \$30 billion of Gaddafi assets (Bawden and Hooper 2011; Durgy 2011). In Tunisia, where President Zine el-Abidine Ben Ali was deposed in January 2011, many protests focused on the private wealth acquired by the president’s family, especially relatives of his wife, the former hairdresser Leila Trabelsi. A classified U.S. State Department cable, released by Wikileaks in 2010, aptly summarized the government’s attitude towards property in its title: “Corruption in Tunisia: What’s Yours is Mine”. Since her marriage to Ben Ali in 1992, many in her family, along with the president’s, have ascended to the pinnacle of wealth, owning major stakes in many of Tunisia’s most prominent companies (Kirkpatrick 2011). The Trabelsi family came to be known as The Family or The Mafia in popular parlance, and in the lead-up to Ben Ali’s ouster a popular protest slogan was “No, no to the Trabelsis who looted the budget” (Kirkpatrick 2011). Similar allegations have been lodged against members of Hafez al-Assad’s family in Syria (Rubenfield 2011).

Thus, worldwide there is a large body of cases to which my findings can be applied. Amongst these cases of kleptocracy in Africa, Asia, and the Middle East, there is considerable variation in the source of illegal wealth for these rulers. While some rely on illegally obtained resource wealth to fill their personal bank accounts and fund their extravagant shopping sprees, others rely on illegal rents extracted from their own citizens. I expect that these divergent sources of ill-begotten wealth generate similar political effects as in the post-Soviet cases examined here.

5.3 Conclusion

Through the study of kleptocracy, this dissertation has made three important contributions to comparative politics. The first concerns the resilience of authoritarianism. In the 1970s and 1980s, scholars of the third wave of democracy wrote off authoritarian regimes as old-fashioned, old-dated, and irrelevant. The collapse of the Soviet Union in 1991 seemed only to provide further evidence to support their belief. However, from the perspective of 20 years later, and as examination of Georgia and Kazakhstan have demonstrated, non-democratic regimes are

alive and well in the developing world. This study thus joins a number of recent works in suggesting that scholars are well overdue to revise their assumptions about the fragility of non-democratic regimes.

Second, this argument has highlighted the variations that exist among non-democratic regimes. Western scholars often mistakenly assume that authoritarianism is a homogeneous category, with few differences in the institutions, policies, or outcomes across cases. However, by focusing on variation in patterns of corruption and repression, I have pointed out that there is wide variety among non-democratic regimes. Indeed, ignoring the heterogeneity among authoritarian regimes risks missing many of the most important political dynamics the stability of such regimes, as well as the quality of life for citizens living within them.

The third issue concerns micro-foundations, or the assumptions about the nature of human behavior. Within the study of politics, two factors that are most commonly assumed to motivate politicians' actions are wealth and power. However, I have pointed out that wealth and power are not always compatible. Under certain circumstances, specifically when the source of wealth is external to society, rulers can extract vast wealth while also consolidating power over their opponents. However, when rulers' private riches originate from society, they face a trade-off. Extracting wealth prevents them from repressing political opposition and consolidating power.

Nonetheless, a number of questions remain. For instance, under what conditions are kleptocracies likely to emerge? Certainly, non-democratic regimes exist in which rulers are not motivated foremost by material self-gain, but rather by power, status, or other factors. Identifying the conditions under which wealth-seeking individuals come to power is an important next step in understanding kleptocratic regimes. A reasonable observer might also ask: What about the effect of other sources of illegal rents besides the two examined in this study? Rulers can also extract illicit wealth from foreign aid and drug trafficking. These questions certainly are valid. Although it is not possible to address these points here, my goal in undertaking this analysis of kleptocracy has been to open up a new set of questions for exploration within the study of non-democratic regimes. These lingering questions suggest I may have succeeded in that modest goal.

Concern about kleptocracy extends beyond academic circles. International organizations and Western policymakers have begun to take notice of these dynamics. International think tanks have begun to investigate and to publicize the illegal activities, private fortunes, and ostentatious purchases of wealth-seeking rulers. In 2004, Transparency International released a top-10 list of the world's most corrupt heads of government, along with a call to action to foreign business and government leaders "to bring integrity and accountability into governance, to stop bribery by multinational companies, and to curb the flow of stolen assets into secret bank accounts in the west".²⁸ Global Witness, a London-based organization, has issued a similar appeal. The organization investigates corruption and conflict in resource-rich countries and publishes regular country-specific reports on their findings. A number of major international organizations have also launched collaborative programs aimed at fighting state corruption in the developing world—including the International Monetary Fund (IMF), Organization for Economic Cooperation Development (OECD), United Nations, World Bank, and World Trade

²⁸ The list can be downloaded from Transparency International at www.transparency.org/.../file/GCR_2004_press_release_FINAL.pdf

Organization.²⁹ Foreign governments have also pitched in to publicize, pursue, and prosecute large-scale public corruption. In July 2010, the U.S. Department of Justice announced the Kleptocracy Asset Recovery Initiative, through which foreign leaders can be investigated and prosecuted for bringing ill-begotten wealth into the United States. This program complements the Foreign Corrupt Practices Act, passed in 1977, which prohibits U.S. companies and citizens from paying bribes to foreign officials.

The logic of kleptocracy is a logic of greed, ill-begotten wealth, and the whims of dictatorship. It is also one point of insight into the relationship between wealth and power in modern politics. As a result, the study of kleptocracy bears relevance not just for Western scholars and policymakers. Further understanding of these regimes may one day hold the key to creating a more equitable and free society for citizens of these countries.

²⁹ For more information, see the OECD's website on Global Anti-Corruption Initiatives: http://www.oecd.org/document/18/0,3746,en_2649_34857_2751250_1_1_1_1,00.html.

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 G-2632, Personal Interview, March 2009, Tbilisi, Georgia
 G-3724, Personal Interview, Aril 2009, Tbilisi, Georgia
 G-5895, Personal Interview, March 2009, Tbilisi, Georgia
 G-8825, Personal Interview, March 2009, Tbilisi, Georgia
 G-9099, Personal Interview, March 2009, Tbilisi, Georgia
 G-9245, Personal Interview, March 2009, Tbilisi, Georgia
 K-2028, Personal Interview, Spring 2008, Almaty, Kazakhstan

K-3798, Personal Interview, Spring 2008, Almaty, Kazakhstan
K-4815, Personal Interview, Spring 2008, Almaty, Kazakhstan
K-7085, Personal Interview, Spring 2008, Almaty, Kazakhstan
K-8836, Personal Interview, Spring 2008, Almaty, Kazakhstan
K-9387, Personal Interview, Spring 2008, Almaty, Kazakhstan

Appendix A

List of Author's Interviews

Identifying Code	Description of Interviewee ³⁰	Date	Location
GEORGIA			
G-1719	Former government official	March 2009	Tbilisi
G-2182	Director, local NGO	March 2009	Tbilisi
G-2449	Foreign businessman	March 2009	Tbilisi
G-2591	Scholar / MP ³¹	March 2009	Tbilisi
G-2632	Leader, opposition political party	March 2009	Tbilisi
G-2735	Program officer, foreign NGO	December 2008	Tbilisi
G-3463	Director, think tank	March 2009	Tbilisi
G-3724	Leader, opposition political party	April 2009	Tbilisi
G-3890	Scholar / Political analyst	March 2009	Tbilisi
G-4048	Political Analyst ³²	December 2008	Tbilisi
G-4129	Staff, local think tank	April 2009	Tbilisi
G-4731	Civil society activist / Human rights defender	March 2009	Tbilisi
G-5221	Government official, security sector	March 2009	Tbilisi
G-5775	Director, think tank	December 2008	Tbilisi
G-5895	Government official, security sector	March 2009	Tbilisi
G-6965	Director, local NGO	March 2009	Tbilisi
G-7018	Foreign diplomat	March 2009	Tbilisi
G-7313	Member of parliament / Civil society activist	April 2009	Tbilisi
G-7328	Former government advisor	March 2009	Tbilisi
G-7722	Political analyst	April 2009	Tbilisi
G-7800	Former government official, security sector	March 2009	Tbilisi
G-8166	Director, local NGO	March 2009	Tbilisi
G-8825	Journalist	March 2009	Tbilisi
G-9099	Scholar / Political analyst	March 2009	Tbilisi
G-9148	Government official	April 2009	Tbilisi
G-9245	Scholar / Political analyst	March 2009	Tbilisi
G-9324	Government official, security sector	April 2009	Tbilisi
G-9494	Scholar / Political analyst	March 2009	Tbilisi
G-9673	Leader, opposition political party	April 2009	Tbilisi
G-9815	Scholar / Political analyst	April 2009	Tbilisi

³⁰ In many cases, multiple identifiers apply. I have specified all relevant identifiers where it is possible to do so without exposing the identity of the interviewee.

³¹ MP denotes a member of parliament.

³² A “political analyst” refers to someone employed as a scholar, a journalist, and/or director of a think tank. I use this term where multiple identifiers apply and the salient identification for the purposes of my interview was the individual’s knowledge of current politics.

G-9939	Scholar / Political analyst	December 2008	Tbilisi
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KAZAKHSTAN

K-1386	Political analyst	Spring 2008	Almaty
K-1396	Leader, opposition political party	Spring 2008	Almaty
K-1489	Director, local NGO	Spring 2008	Almaty
K-1860	Scholar	Spring 2008	Almaty
K-2028	Government official, Almaty city	Spring 2008	Almaty
K-2819	Journalist	Spring 2008	Almaty
K-2904	Civil society activist	Spring 2008	Almaty
K-3617	Journalist	Spring 2008	Almaty
K-3798	Director, local NGO	Spring 2008	Almaty
K-4116	Political analyst	Spring 2008	Almaty
K-4815	Journalist	Spring 2008	Almaty
K-4835	Journalist	Spring 2008	Almaty
K-5016	Civil society activist	Spring 2008	Almaty
K-5354	Leader, opposition political party	Spring 2008	Almaty
K-5571	Government official, Almaty city	Spring 2008	Almaty
K-6027	Leader, opposition political party	Spring 2008	Almaty
K-6270	Political analyst	Spring 2008	Almaty
K-6906	Political analyst	Spring 2008	Almaty
K-7013	Journalist	Spring 2008	Almaty
K-7085	Government official, Almaty city	Spring 2008	Almaty
K-7548	Government official, security sector	Spring 2008	Almaty
K-7567	Journalist	Spring 2008	Almaty
K-7928	Director, local NGO / Former leader, opposition political party	Spring 2008	Almaty
K-8836	Journalist	Spring 2008	Almaty
K-9387	Director, local NGO	Spring 2008	Almaty

AZERBAIJAN

A-1417	Director, foreign NGO	October 2008	Baku
A-1641	Journalist	February 2009	Baku
A-1716	Foreign Diplomat	October 2008	Baku
A-1792	Journalist	October 2008	Baku
A-1828	Journalist	February 2009	Baku
A-2076	Director, local NGO / Civil society activist	February 2009	Baku
A-2099	Scholar / Political analyst	September 2008	Baku
A-2204	Government official, judicial branch	October 2008	Baku
A-2447	Government official, presidential administration	November 2008	Baku
A-2861	Leader, opposition political party	February 2009	Baku
A-3372	Foreign Diplomat	October 2008	Baku

A-3749	Political analyst	February 2009	Baku
A-3775	MP	October 2008	Baku
A-3922	Political analyst	October 2008	Baku
A-4203	Political analyst	February 2009	Baku
A-4478	Journalist	November 2008	Baku
A-4511	Political activist / Former government official	December 2008	Baku
A-4873	MP, ruling party	February 2009	Baku
A-5047	Government official, security sector	December 2008	Baku
A-5111	Political analyst	May 2009	Phone interview
A-5158	Political analyst	November 2008	Baku
A-5277	Foreign diplomat	October 2008	Baku
A-5506	Political analyst	February 2009	Baku
A-5527	Political analyst	February 2009	Baku
A-5546	Political analyst	February 2009	Baku
A-6009	Political activist	February 2009	Baku
A-6107	Director, foreign NGO	October 2008	Baku
A-6498	Scholar / Political analyst	October 2008	Baku
A-6511	Government official, presidential administration	December 2008	Baku
A-6905	Leader, opposition political party	February 2009	Baku
A-7056	Foreign diplomat	October 2008	Baku
A-7103	Government official, security sector	December 2008	Baku
A-7145	Director, local NGO	February 2009	Baku
A-7179	Journalist	February 2009	Baku
A-7265	Government official, foreign affairs	October 2008	Baku
A-7642	Political analyst	October 2008	Baku
A-7661	Journalist	February 2009	Baku
A-7715	Director, pro-government NGO	November 2008	Baku
A-7943	Scholar	October 2008	Baku
A-8189	Leader, opposition political party	February 2009	Baku
A-8480	Political analyst	November 2008	Baku
A-8640	Scholar / MP, ruling party	October 2008	Baku
A-8661	Private businessman / Former government official	November 2008	Baku
A-8804	Leader, opposition political party	December 2008	Baku
A-8896	Government official, Central Election Commission	December 2008	Baku
A-8900	Journalist	February 2009	Baku
A-8921	Foreign diplomat	October 2008	Baku
A-8964	Director, foreign NGO	October 2008	Baku
A-8995	Director, foreign NGO	October 2008	Baku
A-9035	Political analyst / Political activist	November 2008	Baku
A-9183	Leader, opposition political party	September 2008	Baku
A-9533	Political analyst	September 2008	Baku
A-9706	Director, local NGO	December 2008	Baku
A-9720	Political analyst	April 2009	Baku
A-9776	Government official, security sector	November 2008	Baku

UKRAINE

U-2304	Director, foreign NGO	June 2009	Kyiv
U-3038	Scholar / Political analyst	May 2009	Kyiv
U-3214	Political analyst	June 2009	Kyiv
U-3333	Journalist / MP	June 2009	Kyiv
U-3342	Foreign diplomat	May 2009	Kyiv
U-3411	Foreign diplomat	May 2009	Kyiv
U-3995	Political analyst	May 2009	Kyiv
U-4070	Government official, security sector	June 2009	Kyiv
U-4262	Political analyst	June 2009	Kyiv
U-4445	Government advisor	May 2009	Kyiv
U-4468	Civil society activist	May 2009	Kyiv
U-4744	Government official, security sector	June 2009	Kyiv
U-5979	Former civil society activist / MP	June 2009	Kyiv
U-6414	Foreign diplomat	June 2009	Kyiv
U-6487	Foreign diplomat	June 2009	Kyiv
U-6584	Former government official, presidential administration	June 2009	Kyiv
U-7631	Scholar / Political analyst	June 2009	Kyiv
U-7954	Civil society activist	May 2009	Kyiv
U-8334	Government official, Kyiv city	June 2009	Kyiv
U-8351	Political analyst	May 2009	Kyiv
U-8599	Scholar / Political analyst	May 2009	Kyiv
U-8641	Journalist	June 2009	Phone interview
U-9556	Leader, political party	June 2009	Kyiv
U-9837	Political analyst	June 2009	Kyiv

BELARUS

B-1442	Director, foreign NGO	May 2009	Kyiv
B-3274	Civil society activist	May 2009	Kyiv
B-3911	Civil society activist	May 2009	Kyiv
B-5042	Civil society activist	May 2009	Kyiv
B-5391	Civil society activist	June 2009	Minsk
B-6623	Foreign diplomat	May 2009	Kyiv
B-7129	Political analyst	June 2009	Minsk
B-8268	Civil society activist	June 2009	Minsk
B-8346	Director, foreign NGO	May 2009	Kyiv
B-9228	Leader, opposition political party	May 2009	Kyiv
B-9345	Civil society activist	May 2009	Kyiv
B-9943	Civil society activist	May 2009	Kyiv

Appendix B

Major Political Parties in Georgia, 1995-2003

Party	Orientation	Evidence of Partyhood	Other Information
<i>Pro-Government Parties</i>			
Citizens' Union of Georgia (CUG)	Ruling party	Contested 1995 elections; Contested 1999 elections; Contested 2003 elections in For New Georgia bloc.	Founded in 1993 uniting various pro-government groups under President Eduard Shevardnadze.
Green Party	Pro-government	Contested 1999 elections; Contested 2003 elections in For New Georgia bloc	Established in early 1990s by Zurab Zhvania. Absorbed into CUG.
<i>Opposition Parties</i>			
United Democrats	Opposition	Contested 2003 elections in Burjanadze-Democrats	Established 2002. Led by Zurab Zhvania
National Democratic Party	Opposition	Contested 1995 elections; Contested 1999 elections in National Democratic Alliance Third Way bloc; Contested 2003 elections in For New Georgia bloc	Founded 1989. Led by Irina Sarishvili-Chanturia. Christian democratic.
Georgian Labour Party (Labourists)	Opposition	Contested 1999 elections; Contested 2003 elections	Founded in 1995. Leftist party, lobbies for social provisions such as state healthcare, pensions, and public utilities.
United Communist Party of Georgia	Opposition	Contested 1999 elections	Founded in 1994 through merger of Stalin Society, Georgian Workers Communist Party, Union of Communists of Georgia. Led by Panteleimon Giorgadze.
Industry Will Save Georgia (Industrialists)	Opposition	Contested 1999 elections; Contested 2003 elections	Led by beer magnate Gogi Topadze. Seeks to protect business interests, lower taxes, etc.
National Movement	Opposition	Contested 2003 elections	Founded 2001. Led by Mikhail Saakashvili
New Rights Party	Opposition	Contested 2003 elections	Founded in 2001 by David Gamkrelidze and Levan Gachechiladze, both business leaders. Maintains pro-business platform
People's Party	Opposition	Contested 1999 elections	Founded in 1996, through split from NDP. Socially and economically

			conservative.
Republican Party	Opposition	Contested 1995 elections; Contested 1999 elections in National Democratic; Alliance Third Way bloc	Established in early 1990s. Absorbed into National Movement in 2001.
Revival Party	Opposition	Contested 1995 elections; Contested 1999 elections in Batumi Alliance / Georgia's Revival bloc; Contested 2003 elections	Led by Aslan Abashidze. Regional party based on Adjara. Platform based on law and order.
Socialist Party	Opposition	Contested 1995 elections; Contested 1999 elections in Batumi Alliance / Georgia's Revival bloc; Contested 2003 elections in For New Georgia bloc	Opposition party, but contested 2003 elections in alliance with ruling party.
Union of Georgian Traditionalists	Opposition	Contested 1995 elections; Contested 1999 elections in Batumi Alliance / Georgia's Revival bloc; Contested 2003 elections in alliance with Burjanadze-Democrats.	Led by Akaki Asatiani, chairman of parliament under Gamsakhurdia. Center-right party, originally supported restoration of the monarchy in Georgia.

Appendix C

Major Political Parties in Kazakhstan, 1995-2010

Party	Orientation	Evidence of Partyhood	Other Information
<i>Pro-Government Parties</i>			
Agrarian Party	Pro-government	Contested elections: 1999, 2004 (part of AIST bloc). Re-registered in 2004.	Merged with Nur Otan in 2006.
Asar	Pro-government	Contested elections: 2004. Officially registered as a party: 2003; re-registered 2004.	Merged with Nur Otan in 2006. Dariga's party.
Auyl Social Democratic Party	Pro-government	Contested elections: 2004, 2007. Re-registered in 2003.	Established 2002.
Civic party	Pro-government	Contested elections: 1999, 2004 (part of AIST bloc). Re-registered in 2003.	Merged with Nur Otan in 2006.
Nur Otan	Ruling	Contested elections: 2007. Registered.	Established in 2006. Formed by merging of Asar, Civic, Agrarian, Otan parties.
Otan	Ruling	Contested elections: 1999, 2004. Re-registered in 2004.	Established in 1999. Merged with Nur Otan in 2006.
Party of Patriots of Kazakhstan	Pro-government	Contested elections: 2004, 2007. Re-registered in 2004.	Established in 2000.
Renaissance Party	Pro-government	Contested elections: 1999.	
Rukhaniyat	Pro-government	Contested elections: 2004, 2007. Registered in 2003.	Established in 2003.
Ak Zhol	Opposition	Contested elections: 2004, 2007. Re-registered in 2004.	Established in 2002. Absorbed Adilet party.
Alash	Opposition	Registered 2002. Temporary re-registration granted in 2004.	Small Kazakh ethnic nationalist party.
Alga!	Opposition	Sought / Denied registration four times between 2006-2008.	DCK spin-off. Established in 2006. Led by V. Kozlov.
<i>Opposition Parties</i>			
Association of Russian and Slavic Organizations (Lad)	Opposition	Contested elections: 1999 (part of Republican bloc).	

Azamat	Opposition	Contested elections: 1999. Registered in 1999. Officially boycotted 2004 party registration.	
Communist Party of Kazakhstan	Opposition	Contested elections: 1999 (part of Republican bloc), 2004 (part of Oppositional People's Union). Registered in 1994; Re-registered in 2003.	Established in 1991.
Communist People's Party	Opposition	Contested elections: 2004, 2007. Registered in 2003.	Established in 2004 when faction split from CPK.
Congress Party	Opposition	Contested elections: 1999.	
Democratic Choice of Kazakhstan	Opposition	Contested elections: 2004 (part of Oppositional People's Union bloc). Registered briefly in 2005.	Established 2001, dissolved in 2005.
Officers' Union	Opposition	Contested elections: 1999 (part of Republican bloc).	
Orley	Opposition	Contested elections: 1999 (part of Republican bloc).	
People's Congress of Kazakhstan	Opposition	Officially boycotted registration.	Established in 1991.
Real Ak Zhol Party (2005-2008) Azat Party (2008-2009)	Opposition	Sought registration. Contested 2007 elections with ANSDP.	Established in 2005. Split from Ak Zhol in 2005. Merged with ANSDP in 2009.
Republican Party of Labor	Opposition	Contested elections: 1999.	
Republican People's Party (RNPK)	Opposition	Contested elections: 1999 (part of Republican bloc; party withdrew from elections). Attempted registration: 1999. Boycotted re-registration in 2003.	Established in 1999. Led by A. Kazhegeldin.
All-National Social Democratic Party (ANSDP)	Opposition	Contested elections: 2007.	Merged with Real Ak Zhol in 2009 to form ANSDP-Azat.
<i>Parties of Undetermined Orientation</i>			
Ata-Meken		Sought party registration: 2006.	Established in 2006.
Compatriot party		Contested elections: 2000/2001.	Party of ethnic Russians, advocates Russian

		Denied registration 2003.	integration.
Democratic Party of Kazakhstan		Contested elections: 2004.	
Democratic Party of Women / Yel Dana / Wisdom of the Nation		Registered as of 2002; Sought re-registration in 2003.	
Kazakh Yely		Registered: 2002; Granted temporary re-registration in 2003.	Small Kazakh ethnic nationalist party.