

# **FFI RAPPORT**

## **RUSSIAN MILITARY CORRUPTION - Scale and Causes**

BUKKVOLL Tor

**FFI/RAPPORT-2005/03484**



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THESAURUS REFERENCE: 8) ABSTRACT <p>This report discusses the scale of and the causes for the high level of military corruption in Russia. While it for obvious reasons is difficult to find hard data for the true scale of this phenomenon, it is still possible to make calculations based on publicly available data. The sources used here are mainly figures released by the Russian Military Procuracy, and estimates made by independent Russian experts and journalists as reported in the Russian press.</p> <p>The causes of military corruption in Russia are discussed on three levels: the individual, the institutional and the political level. At the individual level the attention is on rational cost-benefit analysis. The main question is if Russian officers are most often faced by "low-risk, high profit" or "high risk, low-profit" calculus when they decide on whether or not to engage in corrupt activities. At the institutional level the focus is on the web of informal rules, constraints and habits that exist within the Russian officer corps with regard to corrupt activities. Finally, at the political level the relationship between the Armed Forces, the controlling and prosecuting agencies, and the political leadership is discussed.</p>				
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## RUSSIAN MILITARY CORRUPTION - Scale and Causes

*“While they are in the service, their main aim is the acquisition of money”*

Leo Tolstoy, 1854

### 1 INTRODUCTION

It is generally taken for granted both in Russia and abroad that one of the main stumbling blocks for a successful reform of the Russian Armed Forces is the rampant military corruption. It appears that little has changed since Tolstoy’s times. According to former Russian General Prosecutor, Iurii Skuratov, already in 1998 “the Armed Forces were the most corrupt government structure in Russia”. In April 2002 Defence Minister Sergei Ivanov said that the most important current task of the Ministry of Defence is to stop the “epidemic of theft in the forces”, and a 2005 report on the state of corruption had as one of its main findings a further “fantastic rise” in military corruption.<sup>1</sup> Although corruption – understood as the “misuse of public power for private gain”<sup>2</sup> – features in most analyses of Russian military transformation, it is rarely singled out for its own scholarly investigation.<sup>3</sup> This report aims to make a contribution in this regard by presenting data and analysis on two dimensions of military corruption: scale and causes.

The main reason for the lack of in-depth study is probably that it is difficult to find systematic data. Russian and foreign press often carry articles on individual cases of corruption in the Russian military, but more comprehensive presentations of data are hard to come by. According to Putin’s former anti-corruption adviser, Georgii Satarov “the scale of army corruption has never been studied since the Defence Ministry remains one of the least transparent of the ministries”.<sup>4</sup>

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<sup>1</sup> Skuratov quote in Mark Galeotti, “Russia’s grafting generals”, *Janes’s Intelligence Review*, no. 4, 1 April 1998. Ivanov quote at <http://news.aif.ru/news.php?id=7267>. Marina Saidukova, “Fond INDEM zafiksiroval trekhkratnyi rost korruptsii” (The INDEM foundation found a threefold increase in corruption), *Nezavisimaia Gazeta*, 21 July 2005 and Andrew Osborn, “Massive scale of corruption in Russia revealed”, *The Independent*, 22 July 2005.

<sup>2</sup> According to Rasma Karklins this definition is the most widely used. Rasma Karklins, “Institutional Approaches to Explaining Postcommunist Corruption and its Containment”, paper presented at the annual convention of the American Political Science Association, Philadelphia, 31 August 2003.

<sup>3</sup> A few examples here include: Graham H. Turbiville (1995), *Mafia in Uniform: The Criminalization of the Russian Armed Forces*, Foreign Military Studies Office, at <http://fmsso.leavenworth.army.mil/fmsopubs/issues/mafia.htm>; Richard F. Staar (1998): “Russia’s Military: Corruption in the Higher Ranks”, *Perspective*, vol. 9, no. 2, November-December, at <http://www.bu.edu/iscip/vol9/Staar.html>; and

<sup>4</sup> Oksana Yablokova, “Crime Invades Military Ranks”, *Moscow Times*, 28 July 2004.

The lack of data is particularly true when it comes to the question of the general magnitude of the phenomenon. This report starts with a short discussion of what we know about the scale of military corruption in Russia. In the continuation, there is a more detailed investigation of four areas where the problem of corruption is especially troublesome, either because they to a large extent drain the defence budget or because they are of special interest internationally. These four sectors are: the system of weapons acquisitions (*gosoboronzakaz*); manipulations with the number of troops (*mertvye dushi*); purchases of domestic civilian goods and services; and corruption during military operations, domestically and internationally. In the final part of the report, different explanations for the exceptionally high level of military corruption in Russia are discussed. To the extent possible, the analysis is illustrated with concrete examples.

The report is one study within the FFI project “The New Russia and the Use of Military Force”, which aims to investigate when, how, and under what circumstances Russia has used and might use its Armed Forces.

## 2 THE QUESTION OF SCALE

In a 2000 survey of the theoretical literature on corruption, the authors state: “ideally the data applied in research on corruption should be based on direct and first-hand observations of corrupt transactions made by unbiased observers who are familiar with the rules and routines in the sector under scrutiny”.<sup>5</sup> This is for obvious reasons seldom possible, and it is definitely not possible in the case of Russian military corruption. Measures short of this optimal but illusionary method include: conduction of surveys, such as Transparency International’s Corruption Perception Index; aggregation of data from secondary sources such as newspapers; officially released information such as Audit Chamber statements or court convictions; or the comparing of budget allocations with their expected outcomes in terms goods and services delivered to the public with actual results.<sup>6</sup> In this section of the report the data is derived from secondary sources and officially released information, and in the final section of the report the budget allocation method will be briefly illustrated in the case study on weapons acquisitions.

All figures presented in this report should be considered with caution. We do not know how accurate the official estimates are, and journalists rarely explain in any detail how they have made their own calculations. The figures are therefore presented under the assumption that despite their inherent uncertainties they are, in lack of better data, still valuable as a starting point for analysis and indications of the scale of the problem.

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<sup>5</sup> Jens Chr. Andvig, Odd-Helge Fjeldstad, Inge Amundsen, Tone Sissener and Tina Søreide (2000): *Research on Corruption – A policy oriented survey*, report by Chr. Michelsens Institute & Norwegian Institute of International Affairs.

<sup>6</sup> On the question of how to measure corruption, see Thomas D. Lancaster and Gabriella R. Montinola (2001) “Comparative Political Corruption: Issues of Operationalization and Measurement”, *Studies in Comparative International Development*, Vol. 36, No. 3, pp. 3-28.

## 2.1 Pieces of Data

According to journalists from the daily *Komsomolskaia Pravda*, the Russian auditing and prosecutorial agencies have for the period 1991 – 2001 uncovered cases of corruption in the Armed Forces totalling about 350 billion 2002 roubles (11,5 billion USD).<sup>7</sup> In comparison, the total defence budget for the year 2001 was at 214,7 billion roubles.<sup>8</sup> In July 2003 the same newspaper prepared and published a survey based on information from the Military Procuracy on criminal charges levelled against generals and admirals since 1992.<sup>9</sup> It came up with a list of 120 names, and claimed that there were an additional 40 names on which they had been denied information due to reasons of national security. All but five officers on the list of 120 came from the Armed Forces.<sup>10</sup> When summarising information on losses to the state finances as a result of these crimes *Komsomolskaia Pravda* came up with the figure of 43 billion roubles (presumably 2003 roubles) referring only to the corrupt actions of generals and admirals. If we trust these figures, generals and admirals were responsible for 12,3% of the total of 350 billion lost to corruption.<sup>11</sup>

In January 2004, Chairman of the Russian Audit Chamber Sergei Stepashin claimed that in 2003 approx. 14 billion roubles of the defence budget's allocation for maintenance of the forces had not been spent according to plan (*netselevoe ispolzovanie sredstv*). That amounts to approx. 10% of the upkeep part of the 2003 defence budget. However, Stepashin made it clear that this figure covered much more than theft. According to him, most of the 10% were due to unwarranted use of funds.<sup>12</sup> Theft, nevertheless, is only one type of corruption. Russian military criminal statistics operate with four types of corruption related crime: extortion, embezzlement, theft and fraud. In the first quarter of 2004, these types of crime constituted 38% of all registered military crimes.<sup>13</sup> It is for example likely that Stepashin's 2003 figure covers overpayment for purchases of domestic civilian goods and services. Such deals are often the result of corrupt acts, where local officers accept to purchase goods or services at overprice and take bribes in return. It would obviously be unreasonable to claim that all of the "dislocated" 14 billion roubles derived from corrupt actions, but one cannot exclude that a significant proportion did.

## 2.2 Calculation Experiment

It is of course not possible to arrive at any overall figure for the losses the Russian defence budget endures as a result of corruption. On the other hand, from the scattered data presented

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<sup>7</sup> Viktor Baranets, Sergei Gerasimenko and Mikhail Falaleev, "Kak razvorovivaiut rossiiskoiu armiiu" (How they rob the Russian army), *Komsomolskaia Pravda*, 16 August 2002.

<sup>8</sup> Julian Cooper, "Russian military expenditure and arms production", *SIPRI Yearbook 2001*, p. 314.

<sup>9</sup> See the series of articles under the title of "Nepodsudnye generaly" (Generals not brought before the court), in *Komsomolskaia Pravda*, 8,9,10,12, and 15 July 2003.

<sup>10</sup> Of the remaining five, four were from the Interior Ministry (MVD) and one from the Ministry of Emergency Situations (MChS).

<sup>11</sup> No cross-checking of these estimates has been possible, thus they are based on only one source.

<sup>12</sup> Vladimir Mukhin, "Poschitali – proslezilis" (They counted and started to cry), *Nezavisimaia Gazeta*, 23 January 2004.

<sup>13</sup> Vadim Saranov, "Uboinaia sluzhba" (Slaughtering service), *Versia*, 31 May 2004.

at the Military Procuracy's press conferences, it is still possible to make a few calculations that might be of interest. In the year 2003, about 1000 cases of officer corruption were registered.<sup>14</sup> Also according to the Military Procuracy, officers embezzled about 500 million roubles (£10 million) from the state in the first six months of that year.<sup>15</sup> If we assume that embezzlement was relatively evenly spread throughout the year, we can roughly estimate that detected officer embezzlement for that year would be about 1 billion roubles. Officers account for the vast majority of economic crimes, but no exact figure is known for the officer – private ratio in economic crimes. If 1000 officers embezzled 1 billion roubles from the state in 2003, then the average officer embezzlement was 1 million roubles. In the same year the Russian Armed Forces had roughly 560 000 officers (from second lieutenant to general).<sup>16</sup> The defence budget of that year was approx. 344 billion roubles. Given these approximate figures, it is possible to calculate potential losses to the military budget for different officer corruption ratios:

*Table 2.1 Officer corruption proclivity and estimated losses to the defence budget*

If one in five officers embezzled at the average embezzlement ratio, the losses to the defence budget would be →	112 billion roubles (33% of the budget)
One in ten	56 billion roubles (16% of the budget)
One in 20	28 billion roubles (8% of the budget)
One in 50	11,2 billion roubles (3% of the budget)
One in 500	1,12 billion roubles (0,3% of the budget)

Where, between one in five and one in 500, Russia is, is of course difficult to say. The last estimate, of one in 500, is relatively close to the actual number of 1000 registered cases. Thus, if all actual cases of corruption in 2003 were uncovered, that would mean that approximately one in every 500 officers were corrupt. No country in the world, however, is that efficient in uncovering corruption. It is therefore reasonable to assume that the corruption proclivity is higher than one in 500. At the other end of the scale, one in five is probably too high. A very large proportion of the 560 000 officers are officers of low rank, with only very limited or no possibility to engage in corruption of significance. If we accept the previously mentioned figure of 350 billion roubles lost to corruption between 1991 and 2001, and divide that figure by 10, we get an average yearly loss to corruption of 35 billion roubles. This would place Russia somewhere between one in ten and one in twenty officers being corrupt. Taking into account that the 350 billion figure is based on uncovered cases, Russia will probably be closer to one in ten than one in twenty.

<sup>14</sup> Andrei Kamakin, "Dela voennye. Kradut!" (Military affairs. They steal!", *Itogi*, 26 October 2004.

<sup>15</sup> Andrew Osborn, "Red Army shamed by thievery and corruption", *Belfast Telegraph*, 29 July 2004.

<sup>16</sup> Andrei Lipskii, "Pogolovnyi prizyv" (Universal draft), *Novaia Gazeta*, 19 July 2004. Lipski estimates 556 000 officers in 2004.

The above calculation is based on the implicit assumption that the 1000 officers charged with corruption denote a reasonably representative selection of Russian officers. If, for example, this selection is strongly biased in favour of higher officers, the average of 1 million pr. corrupt officer will be higher than the real average for all officers, because higher officers will have possibilities to embezzle more money than lower officers. The Military Procuracy source does not detail the spread of these 1000 officers along the rank chain. Nonetheless, the majority of the sources used for this study unambiguously claim that there is a much higher tendency for “the big fish” to go free than for “the small fish”. This is because “the big fish” have political and personal connections (*krysha*) in the Kremlin and the MOD that can stop or prevent investigations. Such coverage is progressively less available the lower on the rank scale you get. Thus, if there is a bias in the 1000 selection, it is more likely to be towards the lower ranks, and this means that the 1 million average is more likely to be a conservative estimate than a radical estimate.

Another source of misrepresentation in this estimate is that some of the 1000 officers probably have committed crimes of corruption that do not directly effect the state budget. These would mostly be cases of bribery, and chief among the bribery cases would be officers taking bribes from ordinary citizens for falsely testifying that their sons are not fit for compulsory military service because of health reasons. This source of misrepresentation will have the same consequence for the 1 million average as the lower ranks bias above, namely that it is a conservative rather than radical estimate.

### 2.3 Changes Over Time and by Service

If we look at what officials as well as independent experts say about the phenomenon of military corruption, both groups seem to agree on two points:

- the peak period of plain theft of military state property was in the early and mid-1990s, and has since substantially decreased
- military corruption has gradually become more sophisticated

Audit Chamber Chairman Stepashin has claimed that in the early 1990s as much as 50% of the defence budget just “disappeared” (*ischezla*).<sup>17</sup> The independent observer Aleksandr Golts also finds that military corruption in the early and mid 1990s was in a division of its own.<sup>18</sup> However, while it might have dropped in the late 1990s, there are many indications that it is again on the increase. According to official estimates from the Military Procuracy, plain theft rose by 21% from 2003 to 2004.<sup>19</sup>

The military corruption in the early 1990s probably also differ in character from the Putin era corruption. In the early 1990s theft and resale of military property was particularly prominent,

<sup>17</sup> Nikolai Poroskov, “Voina spishet. Sergei Stepashin pereschityvaet armeiiskie rubli” (The war..?.Sergei Stepashin is recounting the army roubles), *Vremia Novostei*, 23 January 2004.

<sup>18</sup> Aleksandr Golts (2004): *Armiya Rossii: 11 poteriannykh let* (The Russian army: 11 lost years), Moscow, Zakharov, p.19.

<sup>19</sup> Vitalii Strugovets, “Postoiannaia polugotovnost” (Eternal half-readyness), *Russkii kurer*, 18 November 2004.

especially in connection with the withdrawal of troops from Germany. In the Putin period, embezzlement of budget money seems to have become more prominent. Still, according to Viktor Baranets, who worked in the General Staff from 1983 to 1998, rumours of huge embezzlements of budgetary funds started as early as 1993 – 1994.<sup>20</sup>

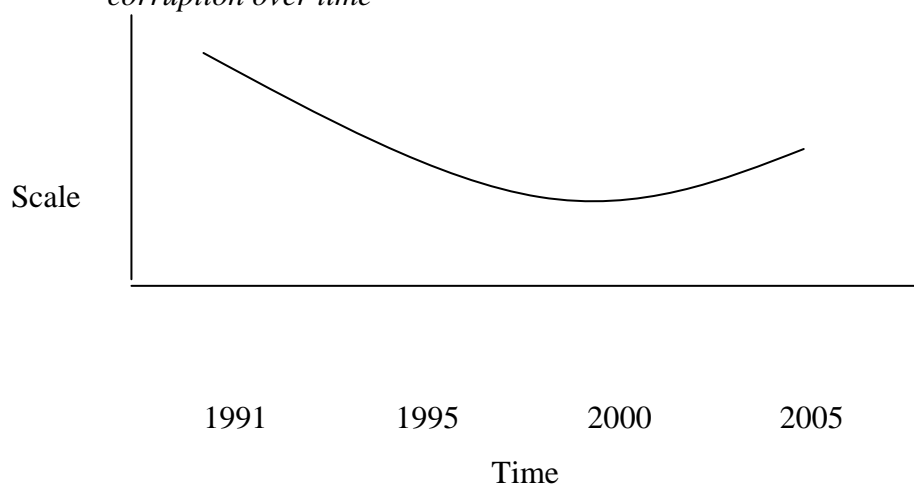
It is fair to assume that corruption is not equally distributed among the different services. Two services that are often singled out for being particularly infected by corrupt practices are the rear services (*Uchrezhdenia tyla*) and the railway forces (*Zheleznodorozhnye voiska*). Both of these branches illustrate well some of the potential causes for corruption.

The rear services probably have better possibilities to engage in corrupt activities, and might also have better opportunities to cover their traces. Thus, the particularly high corruption rate in the rear services can as least partly be explained by the “cost-benefit” incentive structure.<sup>21</sup> According to the Chief military prosecutor, Aleksandr Savenko, in the first six months of 2004 alone his department discovered corruption in the rear services amounting to half a billion roubles.<sup>22</sup>

The high corruption rate in the railway forces has been explained by the social composition of the personnel of that particular branch. The railway forces tend to be filled with “residual” officers and conscripts that do not find their places in other forces, and therefore contain a higher percentage of former criminals, alcoholics and drug abusers than the other services.<sup>23</sup>

Based on the data presented above, the development of Russian military corruption in the post-Soviet period can be illustrated by Figure 2.1.

*Figure 2.1 An illustration of losses to military property and budget funds as a result of corruption over time*



<sup>20</sup> Viktor Baranets, 1998, *Poteriannaia armia* (The lost army), Moscow, *Sovershenno Sekretno*, p. 383.

<sup>21</sup> Viktor Miasnikov and Vladislav Kramar, “Armeiskaia prestupnost: ataka s tyla” (Army crime: attack from the rear), *Nezavisimaia Gazeta*, 13 October 2004.

<sup>22</sup> *Ibid.*

## 2.4 Sectors of Particular Concern

The following section takes a closer look at military corruption within particular areas of the Armed Forces. The first three: domestic state armament orders; the number of troops; and domestic purchases of goods and services; are chosen because corruption in these areas in particular drain the state budget. The fourth, corruption during military operations, is chosen because it can say something about whether war time conditions have a different effect on corruption than peace time conditions, and because corruption related to Russian peacekeeping operations is an area of particular concern to other states that are cooperating, or in the future will cooperate, with Russian troops.

### 2.4.1 The State Defence Order

The budget allocations for domestic arms purchases started to rise in the late Yeltsin period, and have seen a particularly steep increase in the Putin period.

*Table 2.2 The State Defence Order*

Year	2001	2002	2003	2004
Budget allocation	55 billion roubles	80	119	188

(Gazeta.ru, 12 April 2004)

In light of these increases, and despite the fact that only about one third of the *Gosoboronzakaz* is allocated to purchases of new armaments for the non-nuclear forces, a number of observers have noted how surprisingly little new hardware that has actually entered service since 2000/2001. According to one source, for the year 2004 almost no money reached the defence contractors. They disappeared without traces in the ‘entrails’ of the MOD. As a result, the state program for rearmament is at best being realised by 10 – 15% at the moment”.<sup>24</sup>

Ruslan Pukhov of the Moscow based Center for the Analysis of Strategy and Technology has pointed out that in 2004 total military exports and the total state order for arms purchases were about equal – approx. 5,5 billion USD. For this amount of money Russia exported 36 Su-27/Su-30 fighter jets, four Mig-29 fighter jets, two frigates and 80 T-90-C tanks, while the Armed Forces only received the modernization of five Su-27, one submarine, and 14 T-90-C tanks. The number of conventional items actually entering the forces appears particularly low when taking into consideration that the domestic price for such military items is many times lower than the export price. For example, for the price that India has to pay for one T-90-C tank, the Russian army could probably buy five or six such tanks.<sup>25</sup>

<sup>23</sup> Sergei Vladimirov, “Generalny voruiut po-prezhnemu” (The generals steal as before), *Vremia MN*, 6 August 1999.

<sup>24</sup> Aleksei Khazbiev, “Russkii biznes. VPK. Poslednii shans oboronki” (Russian business. The Military-Industrial complex. The last chance for the complex), *Ekspert*, no.4, 31 January 2005.

<sup>25</sup> Interview with Ruslan Pukhov in *Radio Maiak*, 24 September 2004.

From 2003 to 2004, the MOD *gosoboronzakaz* rose by 25,4%, from 109,8 billion roubles to 137,7 billion roubles. Still, turnover for the 10 largest domestic defence contractors in the same period rose by less than 2%.<sup>26</sup> It should also be remembered that the military industry through subsidies and other channels of budget allocation receive budget funds beyond the direct defence orders. Prime Minister Fradkov claimed in December 2004 that one way or another “every 10<sup>th</sup> budget rouble works for the *gosoboronzakaz*”.<sup>27</sup> This means that the defence industry is seen as having other important functions than just supplying the Armed Forces with arms. According to Fradkov, the *gosoboronzakaz* “is an efficient regulator of the social-economic development of the country, and also an important instrument for the federal government to support the regions”.<sup>28</sup>

What has happened to the money that should re-equip the Russian Armed Forces? Some might simply have been stolen, but other explanations are probably more applicable. One particular problem is the mechanism by which domestic prices for military equipment are determined. Today this is mainly done on the basis of reports from the defence contractors about the manufacturing price of each item. In November 2004, Defence Minister Sergei Ivanov identified the increasing domestic prices for military goods as one of the main reasons why the large increases in the *Gosoboronzakaz* did not result in more equipment for the forces.<sup>29</sup> Making the government pay extra for military equipment is not necessarily corruption. But, if it is done by artificially inflating the manufacturing price, and those who set that price pocket some of the resulting surplus privately, then it qualifies as corruption. Contributing to the non-transparency in this sphere is the manner in which the composition of the *Gosoboronzakaz* is decided. This takes place in a closed meeting of the government, after the Duma has adopted the budget. Thus, there is no parliamentary control over this part of public spending.

One example of how money can disappear in the *gosoboronzakaz* system is the story of the efforts to produce a Russian fifth generation stealth fighter. Preliminary work on this aircraft started in 1983, and it was meant to be the Soviet answer to the US F-22 program. Unknown amounts of money have been allocated to the Russian military aircraft industry for this project. Finally, in January 1999, the Russian military aircraft producer MAPO MIG invited domestic and foreign dignitaries to attend the first presentation of this “21st century fighter” at the Zhukov military airport outside Moscow. The presentation went well, but a minor scandal erupted a few days later, when the weekly *Moskovskie Novosti* revealed that the airplane presented had neither been stealth nor particularly new in any respect. In fact, the same fighter had been presented four years earlier to then First Deputy Defence Minister Andrei Kokoshin. The 1999 show came to be seen as an attempt by MAPO MIG to throw dust in the government’s eyes, and the government changed the leadership of MAPO MIG. First Deputy

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<sup>26</sup> Aleksei Nikolskii, “VPK na golodnom paike. Dengi gosudarstvo v proshlom godu ne doshli do oboronki” (The Military-Industrial Complex on starving rations), *Vedomosti*, 9 June 2005.

<sup>27</sup> “Fradkov uvelichil ne chetvert oboronnyi goszakaz” (Fradkov increased by a fourth the defence order”, *Lenta.ru*, at [http://www.lenta.ru/russia/2004/12/23/oboron/\\_Printed.htm](http://www.lenta.ru/russia/2004/12/23/oboron/_Printed.htm)

<sup>28</sup> *ibid.*

<sup>29</sup> Aleksei Nikolskii, “Torg umesten” (Convenient trade), *Vedomosti*, 22 December 2004.



Prime Minister, Iurii Masliukov, later admitted in connection with the MAPO MIG affair that there was a need to seriously improve the control of how budget money was spent in the military-industrial sector.<sup>30</sup> There were at the time strong rumors that the chief engineer of the new aircraft, Mikhail Korzhuev, for years had had personal commercial interests in the private company Russkaia Avionka, which was an important subcontractor for MAPO MIG. The suspicions were strong that money designated for the fighter project had been siphoned off to this company.<sup>31</sup>

#### 2.4.2 “Dead souls”

The exact number of personnel serving in the Russian Armed Forces at any particular time is very difficult to establish, and it is an open question whether anyone really knows that figure. In addition, the MOD seems to do its best to keep such information as secret as possible. The MOD has even refused to release figures on this topic to Duma deputy Vladislav Reznik, who is chairman of the Duma Committee for the Secret Sections of the State Budget.<sup>32</sup> It is generally acknowledged that the number of actually serving personnel differs substantially from the authorised number of personnel. Ground Troops Commander General Nikolai Kormiltsev mentioned as a major achievement that in 2001 the number of actually serving personnel in the Russian army had climbed to 82% of the authorised number.<sup>33</sup>

The main suspicion in this regard is that officers at many levels deliberately manipulate the figures by presenting the number of authorised personnel as input to the calculation of the budget allocations, and the number of actually serving personnel when they are asked about their reform implementation. Thus, they get budget allocations for more personnel than they actually have, and might be able to pocket some of this money themselves.<sup>34</sup> This possibility is enhanced by the fact that Russian military salaries are paid in cash, and not transferred to bank accounts.

#### 2.4.3 Domestic Purchases of Goods and Services

In December 2002 Colonel Sergei Serkin was removed from his position and put under criminal investigation for possible fraud with government funds. Serkin was at the time chief provisions officer for the North Caucasus Military District. He had held this position for only two years, and in that time been able to acquire for personal use several apartments, a house and an Audi automobile with a total value of approx. 200 000 USD. He had obtained the money through several dubious schemes, including accepting bribes for purchasing 3000 tons low quality *potassa* codfish for close to twice the market price. The *potassa* is explicitly forbidden to purchase for food by army regulations because it tends to rot very fast. It is mostly used as cheap cattle food. The losses to the defence budget from Serkin’s various dealings were estimated by the Military Procuracy at 35 million roubles. Despite the

<sup>30</sup> Aleksandr Zhilin, “Seans razoblacheniia” (A show of disclosure), *Moskovskie Novosti*, 16 February 1999.

<sup>31</sup> See for example Ibid., and Viktor Petrov, “Vikhri vrazhdebnyie veit nad MIGom” (Threatening storm clouds over MIG), *Komsomolskaia Pravda*, 9 December 1999.

<sup>32</sup> Aleksandr Golts, *Armiya Rossii: 11 poteriannykh let*, p.171.

<sup>33</sup> Ibid.

<sup>34</sup> Ibid., and Vladimir Urban, “Mertvyie shtyki” (Dead bayonets), *Novye Izvestia*, 16 January 2003.

seriousness of the case, Serkin was treated more than mildly. The Rostov Garrison Court ruled that Serkin was only guilty of negligence in service and not of anything more intentional, such as fraud or embezzlement. He escaped both prison and loss of military rank, and was only ordered to pay 100 000 roubles in compensation to the state.<sup>35</sup>

Serkin's story is just one on a long list of similar court cases, and probably a much longer list of cases that have never been discovered. In the first half of the 1990s, the system of domestic purchases of goods and services by the armed services was largely unregulated by laws. However, rumours and occasional court cases similar to Serkin's led Deputy Prime Minister Boris Nemtsov to initiate legislation in 1997 that should ensure that all purchases thereafter would take place only after open competition for contracts among civilian providers. Nevertheless, despite that regulation this only takes place in rare cases. According to official sources, by 2003 only 9% of all state domestic purchases took place in correspondence with the requirement for open tenders, and there is no reason to think that this situation is any different for the purchases made by the military.<sup>36</sup> In addition, even if contracts are concluded on the basis of real tenders, there are numerous ways by which the agreements can be tampered with later. For example, in terms of military purchases, it has according to sources in the Russian Audit Chamber turned out to be quite easy to provide only a first delivery of the merchandise to the forces at the agreed upon price, and then renegotiate with the MOD for a higher price for the remaining deliveries.<sup>37</sup>

The head of the Audit Chamber department for the control of the resources spent on national defence, Aleksandr Nozdrachev, stated in a June 2005 report that up to 30% of the defence budget is used to buy domestic goods and services. According to the same source, just the purchases of food for the troops through intermediary firms set up by the MOD itself, led to 100 million roubles in losses to the budget in the period 2001 – 2004.<sup>38</sup>

The MOD itself is not totally deprived of internal control mechanisms, but they seem to be of limited effect. In June 2001 the investigative reporter Anna Politkovskaia claimed to have obtained original documents from the MOD on an internal report for 2000 on the activities of the Main Directorate for Special Building (MDSB) within the Military Building Complex (MBC). It turned out to be a particularly worrisome case of how internal detection of corruption and questionable economic conduct is dealt with within the MOD. The internal investigating group found the indicators of financial-economic efficiency for the MDSB for

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<sup>35</sup> Sergei Gerasimenko, "Polkovnik Serkin kormil soldat v Chechne tukhloi ryboi" (Colonel Serkin fed the soldiers in Chechnya with rotten fish), *Komsomolskaia Pravda*, 26 February 2004; Arkadii Iuzhnyi, "Rybnyi den. S nadezhdoi na russkii avos" (The fish day. In the hope of Russian chance), *Gazeta*, 17 February 2004; and Liudmila Karamysheva, "Stala putassu zolotoi rybkoi" (The *putassa* became a golden fish), *Trud*, 26 February 2004.

<sup>36</sup> Evgenii Dmitriev, "Koridory vlasti. Druzia, otchizne prodadim..." (The corridors of power. Friends are selling to the fatherland), *Profil*, 20 October 2003.

<sup>37</sup> Veronika Sivkova, "Kto kormit armiu?" (Who is feeding the army?), *Argumenty I Fakty*, 4 July 2001.

<sup>38</sup> Irina Granik, "Goszakupki. Chetnaia palata nashla korruptsiu v Minoborony" (The state defence order. The Audit Chamber found corruption in the MOD), *Kommersant daily*, 29 June 2005.

2000 should “lower than minimal acceptable standards” and concluded that the budget had been inflicted with a loss of 1,12 billion roubles just for that year. Despite this conclusion and loss estimate, the MBC Economic Council, which handled the report, decided that the financial dispositions of the MDSB for 2000 be found “acceptable”, and even that the MDSB should start giving courses to other MOD divisions where they could demonstrate their superior abilities in financial-economic work.<sup>39</sup> This surprising reaction to the internal revision report was possible because the revision was a case of the MBC investigating its own sub-division, the MDSB, and because the head of the MBC, General Aleksandr Kosovan, according to Politkovskaya most probably used the MDSB for his private commercial purposes.<sup>40</sup> The dubious activities of General Kosovan led to external investigations by the Military Procuracy in 2003, and criminal charges were raised, but Kosovan only figured as a witness in the case. In March 2003 he quietly left the military service and was appointed deputy head of the service dealing with architecture, building and development in the Moscow city administration. It was according to the same source suspected that the powerful head of Putin’s presidential administration, Aleksandr Voloshin, had helped Kosovan secure this safe retreat.<sup>41</sup>

#### 2.4.4 Corruption During Military Operations, Internationally and Domestically

Corruption is not only a peacetime activity for the Russian military. In the case of Chechnya one would perhaps expect that officers and servicemen had both a personal and a patriotic interest in the efficient working of the military organizations and that they therefore abstained from corruption. In the international operations that Russia has participated in, one could expect that the international prestige of Russia led to the country making strong efforts to send only non-corrupt officers. Likewise, one could expect that the officers themselves had an extra incentive to abstain from corruption. Yet, available data testify to the contrary.

The reports of corruption hardest to believe are the stories about how Russian officers and privates have sold weapons to the Chechen resistance, their own enemies. It is now well documented that this has taken place, although the scale of these sales is of course very difficult to ascertain.<sup>42</sup> These arms sales, however, are far from the only type of corruption reducing the war fighting abilities of the MOD forces in Chechnya. Large sums of money allocated to housing of officers and privates are stolen before they reach the North Caucasus Military District. Fuel for the forces is being sold off to private citizens for personal gain. Higher officers give themselves *boevie* (extra money for taking part in battles) without exposing themselves to danger, while depriving those of lower rank who actually take part in fighting the same benefits.<sup>43</sup> These and numerous other methods of illegal personal enrichment

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<sup>39</sup> Anna Politkovskaia, “General oligarkhi” (Generals oligarches), *Novaia Gazeta*, 25 June 2001.

<sup>40</sup> Ibid.

<sup>41</sup> Leonid Sergienko, “Meniaiem kadry, meniaiem trubny” (Changing cadres, changing pipes), *Vremia MN*, 4 April 2003.

<sup>42</sup> See James Rupert, “Russians Sell Arms to Foes In Chechnya; Goods Available For Dollars Only”, *The Washington Post*, 18 February 1995; Carey Scott, “Russian general linked to arms sales”, *The Australian*, 9 December 1996;

<sup>43</sup> Aleksandr Tolmachev, “Sait Kavkaz i drugie boevye tseli” (The Kavkaz web-site and other operational targets), *Moskovskie Novosti*, 13 June 2000 and interview with Aleksandr Tolmachev in *Moskovskie Novosti* 9 March 1999.

have a negative effect on the combat potential and troop morale among the Russian military fighting in Chechnya.

Also the Russian participation in international peacekeeping operations has been plagued with corruption. The *Washington Times* reported in October 1994 that according to US military officials in Croatia, “corruption among the Russian peacekeeping forces has been a major problem since they were first deployed to Croatia in March 1992”. One military official claimed that “in peacekeeping, the Russians are part of the problem in that area of the world”.<sup>44</sup> Another source told Reuter “the corruption among the Russian troops has reached unbelievable proportions”.<sup>45</sup> The Russians may also have taken with them abroad the practice from Chechnya of officers grabbing the lion’s share of the resources, and leaving only crumbs to the soldiers. In August 1999 the first Russian conscript deserted to Greece from the Russian contingent in KFOR. He stated as his reason for defection that officers lived in luxury while soldiers received poor food and accommodation.<sup>46</sup>

The most notorious case of Russian military corruption in international peacekeeping is the case of General Aleksandr Pereliakin. In April 1995 Pereliakin was the first senior UN officer in the UN mission in Croatia to be ousted from his position for corruption, in a scandal that reached international headlines. He was accused of a mixture of corruption and insubordination activities. Among other things he had engaged in both political and commercial cooperation with the infamous Serb paramilitary Arkan. An internal UN investigation had also revealed that fuel consumption in the Russian contingent was four times that of the Belgian battalion serving together with the Russians. Few were in doubt that the Russians, under Pereliakin’s supervision, were engaged in the resale of UN fuel.<sup>47</sup> The Russians then sent their own investigating commission to Croatia, which found no incriminating data. According to an anonymous former senior UN official, the Russian ambassador to the Security Council pressured the UN. mission to close its inquiries and the Russian fuel resale continued unabated.<sup>48</sup> Still, pressure on the Russians mounted to have Pereliakin replaced, and in April 1995 he was brought back to Moscow. The Russian MOD did not flatly deny the charges against Pereliakin, but MOD spokesman Andrei Beketov said they were exaggerated and did “not exactly correspond to the reality”.<sup>49</sup>

Nothing was ever heard about legal action taken against Pereliakin in Russia, but Western powers were still surprised when only four years later Pereliakin was back in the Balkans, this time as liaison officer for the Russian contingent in KFOR in Kosovo. Whether it had anything

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<sup>44</sup> Bill Gertz, “U.N. seeks recall of Russian troops for Croatia crimes”, *The Washington Times*, 21 October 1994.

<sup>45</sup> Quoted in Maksim Iusin, “OON uvolniaiet rossiiskogo generala” (The U.N. sacks Russian general), *Izvestia*, 13 April 1995.

<sup>46</sup> Paul Beaver and Tim Ripley, “Juggling act by military gets harder”, *The Scotsman*, 10 August 1999.

<sup>47</sup> John Pomfret, “Planners of NATO-Led Bosnia Force Wary of Graft Among Russians”, *The Washington Post*, 6 November 1995.

<sup>48</sup> *Ibid.*

<sup>49</sup> Steven Erlanger, “Another Shelling of Sarajevo Underlines Political Stalemate; Moscow Defends General”, *The New York Times*, 13 April 1995.

to do with Pereliakin is not known, but according to NATO sources the Russian practice of reselling fuel on the black market continued also in Kosovo.<sup>50</sup>

Why Russia decided to reappoint scandalised Pereliakin to a senior international position is not easy to understand. Some interpreted the move as a Russian way of showing disapproval of the operation in Kosovo as such.<sup>51</sup> But, it could also be a result of the Russian political indifference to corrupt officers in general. A more worrying interpretation could be that the Kremlin did not wish to cross the military top brass in this question, despite the very predictable costs to Russian international prestige that the re-appointment would cause. One Whitehall official called Pereliakin's return "another piece of unhelpfulness by Russia".<sup>52</sup> In June and July 2003 all Russian forces were withdrawn from KFOR, and one major reason for this decision seems to have been officer corruption in connection with the training of the forces.<sup>53</sup>

### 3 CAUSES OF RUSSIAN MILITARY CORRUPTION

The causes of military corruption in Russia will be discussed on three levels: the individual, the institutional and the political level. At the individual level the attention is on rational cost-benefit analysis. The main question is if Russian officers are most often faced by "low-risk, high profit" or "high risk, low-profit" calculus when they decide on whether or not to engage in corrupt activities? At the institutional level the focus is on the web of informal rules, constraints and habits that exist within the Russian officer corps with regard to corrupt activities. Finally, at the political level the relationship between the Armed Forces, the controlling and prosecuting agencies, and the political leadership will be discussed. These levels should not be understood as three autonomous variables affecting the degree of corruption. They are not theoretically independent from each other – the distinction is made for the purpose of structuring the discussion – and processes at one level are often dependent on processes at another level.

#### 3.1 The Individual Level

At the individual level it seems fair to say that most Russian officers today are faced with a "low-risk, high profit" context when they decide on whether or not to engage in corruption. At least that appears true for officers of higher ranks. The claim that military corruption is disproportionately represented at the top is also supported by the fact that of the 150 higher fleet officers under investigation for corruption in 2005, one third were admirals.<sup>54</sup> Consider in

<sup>50</sup> Tim Ripley, "Kosovo Liberation Army attacks on Russian troops are almost a daily occurrence, according to NATO intelligence officers", *Jane's Intelligence Review*, vol. 11, Issue.9, September 1999.

<sup>51</sup> Bill Gertz and Rowan Scarborough, "Russian subversion", *The Washington Times*, 6 August 1999.

<sup>52</sup> Andrew Gilligan, "Kosovo: After the war: Moscow's new peacekeeper was sacked by UN", *The Sunday Telegraph*, 25 July 1999.

<sup>53</sup> Vadim Soloviev, "Russkie soldaty ukhodiat s Balkan, potomu chto ikh komandiry provorovalis" (Russian soldiers are leaving the Balkans because their officers stole from them), *Nezavisimaia Gazeta*, 23 January 2003.

<sup>54</sup> Viktor Baranets, "Kto spaset rossiyskii flot?" (Who will save the Russian fleet?), *Komsomolskaia Pravda*, 11 August 2005.

addition the previously presented figure that about 160 Russian generals and admirals have been investigated for corrupt activity, but only a very small number have been punished to any significant extent. Russia today has approx. 1500 generals and admirals. That figure represents 0,3% of all officers. Still, according to the calculation in chapter 2.1, they were responsible for 12,3% of the sums lost to corruption 1991 – 2001.<sup>55</sup>

One illustrative example of this “low risk – high profit” condition might be the case of Admiral Oleg Yerofeev, who was the commander of the Northern Fleet from 1992 to 1998. In 1997 the Military Procuracy accused the admiral of illegally using the Fleet’s funds and conscript manpower to build a private summerhouse outside Moscow. The Military Procuracy estimated the losses to the Fleet’s budget to about 65 million roubles. Considering that an admiral’s monthly pay in 1997 was about 12 000 roubles, Yerofeev had stolen 5417 times his own monthly salary from the state.<sup>56</sup> Yerofeev was found guilty, but was dealt with surprisingly mildly considering the losses he had inflicted on his employer. After returning some of the money to the treasury, Yerofeev was amnestied. Further investigation was stopped, and Yerofeev stayed in his position until December 1998, at which time he retired. The only real punishment was that Yerofeev’s further career advancement had been blocked. The independent military observer Pavel Felgengauer stated in 1996 that “high-ranking military personnel know that even if they are drummed out of the service under cloud of scandal, they will get by”.<sup>57</sup>

This situation does not seem to have changed much from Yeltsin to Putin. The only real exception is perhaps the conviction of the leader of the Main Directorate for the military budget and finances in the Ministry of Defence, General Georgii Oleinik, in July 2003. Oleinik was convicted for having carried out a number of “financial manipulations”, and sentenced to five years of prison for his crimes. The court ruling was appealed, but again confirmed by the Moscow military court in July 2004. The Military Procuracy estimated his “financial manipulations” to have costed the treasury some 70 million USD.<sup>58</sup> The Oleinik case was the first case involving a general where a relatively severe sentence was given for corruption since General Nikolai Seliverstov from the Western Group of Forces (East-Germany) was sentenced to five years in prison in the early 1990s.<sup>59</sup> It could be interpreted as indicating that both Russian legal and political authorities had become more willing to take action against high-level corruption in the military under Putin. However, a more sceptical interpretation would be

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<sup>55</sup> See page 10.

<sup>56</sup> For these data, see Viktor Baranets, Sergei Gerasimenko and Mikhail Falaleev, “Kak razvorovivaiut rossiiskoiiu armiiu” (How they rob the Russian army), *Komsomolskaia Pravda*, 16 August 2002; Iliia Bulavinov, “Perestroika. Voенno-morskaia bolezn” (Perestroika. The military-naval disease), *Kommersant-Vlast*, 11 December 2001; and “Kto komandoval rossiiskim Severnym flotom” (Who commanded the Russian Northern Fleet?), unknown author, *Kommersant Daily*, 31 May 2004.

<sup>57</sup> Quoted in Olivia Ward, “Corruption on the march. Racketeering is rife in Russia’s military but, until now, no one dared to fix it”, *Toronto Star*, 21 July 1996.

<sup>58</sup> Alek Akhudnov, “Delo Generala. Generala Oleinika osvobodili” (The General’s case. General Oleinik freed from prison), *Kommersant Daily*, 1 June 2005.

<sup>59</sup> Anton Malinovskii, “Delo ZGV gotovo dlia suda” (The case of the Western Group of Forces ready for court), *Izvestia*, 9 August 1995.

that the Oleinik case was used only to create that impression, and that there were no further plans to deal with others in the same way.<sup>60</sup> So far no others have been dealt with as severely as Oleinik, but his case might still have had some preventive effect since it showed that even officers of his rank were not immune to criminal prosecution. The Oleinik case may have increased the level of perceived risk in higher officers' "risk – profit" calculations. However, in June 2005 Oleinik was prematurely freed from prison after having served only two and a half years of his five-year sentence. This probably ruined some of the preventive effect of the sentence.

The findings of a report on corruption in Russia released by the independent think tank INDEM and the ROMIR survey agency in July 2005 strongly suggest that military officers have not become more afraid of engaging in corruption under Putin. This survey only studied the development of bribery, and not other forms of corruption, but the findings are still relevant as an indicator of risk willingness among military officers to engage in corruption. In this light it does indeed become paradoxical when former head of the Defence Ministry's department for international military cooperation, Leonid Ivashov, explains the army leadership's resistance to a professionalization of the Armed Forces by claiming that this will lead to an army "filled with people who see it only as a source of income".<sup>61</sup>

In addition to the low risk of being punished, the individual risk-profit calculus has another important element. How many of one's colleagues that are engaged in corruption will likely also influence the risk-benefit calculations of the individual level. Robert Klitgaard has observed that "at some point there is a spiral of increasing corruption, even honest citizens may have to be corrupt to get by".<sup>62</sup> Obviously, it is almost impossible to estimate when such a point is reached in any organization or institution, but one could imagine that this was the case among Russian generals, especially in early Yeltsin years. As mentioned earlier, as many as 160 of Russia's generals and admirals have been officially charged with corruption, and although some of these might be innocent, it seems reasonable to assume that the actual number of admiral and general corruption cases is larger than the number of uncovered cases. One specialist on the Russian Armed Forces, Aleksandr Zhilin, has pointed out how corruption "ties all the top brass together".<sup>63</sup>

### 3.2 The Institutional Level

Military corruption might also be caused by institutionalised norms and beliefs in the Russian officer corps. The word institution should here be understood as ideas of right and wrong, which in the words of Elinor Ostrom are "shared [...] by humans in repetitive situations organized by rules, norms and strategies", and where these exist as "implicit knowledge rather

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<sup>60</sup> Vladimir Statskii, "Minnoe pole armeiskogo nachfina" (The mine field of the financial controllers), *Nezavisimoe Voennoe Obozrenie*, no. 041, 21 November 2003.

<sup>61</sup> Fred Weir, "Russia debates a military of the future: The defense minister unveiled a blueprint for professionalizing a sagging Army", *Christian Science Monitor*, 30 November 2001.

<sup>62</sup> Robert Klitgaard (1988), *Controlling Corruption*, University of California Press, Berkeley, p.42.

<sup>63</sup> Robyn Dixon, "Putin taps new defence chief in push to reform military", *Los Angeles Times*, 29 March 2001.

than in an explicit and written form”.<sup>64</sup> In the present context, that means that a perception might have spread among Russian officers that at least some types of corrupt behaviour are legitimate even if illegal. Most officers would, of course, deny that there is such a perception, but in connection with trials and investigations, some officers have tried to legitimate their actions with statements that suggest that there is such a culture. When confronted with data of his illegal sales of military property for personal benefit, one officer told representatives of the Military Procuracy that “we are not stealing, just compensating for what the government is not giving us”. He continued with the racist statement that even a general from Tanzania “who has barely climbed down from the trees” was now materially ahead of most Russian generals.<sup>65</sup>

In fact, representatives of the Military Procuracy assert that a huge majority of officers investigated for corruption claim that the state is making it impossible for them “to provide a decent living for themselves and their families” as their main motive for what they have done.<sup>66</sup> Such statements do, of course, sound very much like justifications for crimes that in reality were motivated by less noble intentions. Nevertheless, it cannot be ruled out that many Russian officers also have come to believe that they have a right to a certain amount of stealing and embezzlement since the state is not providing properly for them. If such ideas for years have been the talk in officer quarters and mess halls, it is not surprising that a consensus might have appeared on the admissibility of certain types of corruption.

In this context one should recall that the military profession in Soviet days was both prestigious and relatively well paid. This is no longer the case, and the relative decline in status has produced considerable grievance and dissatisfaction in the officer corps. When Major General Vladimir Rodionov, commander of a major Russian air base in the Far East, in 1993 was charged with using military aircraft to smuggle goods to and from China, he angrily replied “Why should I, a general, receive 30 000 roubles (around £ 39) a month while businessmen grab millions? I have no flat and no prospect of one. Am I alone in this? Practically the whole army is dirtying its hands with this kind of thing”.<sup>67</sup> Thus, the argument is partly that corruption is necessary in order to cope with post-Communist conditions, and partly that the state no longer is able to distribute resources and that everybody therefore has a legitimate right to look after himself.

When Lieutenant-Colonel and *Moscow News* journalist Aleksandr Tolmachev in 1999 revealed how the military hotel Zvezda near Rostov-on-the-Don had been illegally privatised, and the money from the sale split among local high officers, he was summoned to meet General Vlasov from the main directorate for military housing in the MOD. Vlasov, according to Tolmachev, came to Rostov and reproached him for his idiocy “ lieutenant-colonel, why are

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<sup>64</sup> Elinor Ostrom, “Institutional Rational Choice – An Assessment of the Institutional Analysis and Development Framework”, in Paul A. Sabatier, *Theories of the Policy Process*, Boulder CO, Westview Press, p.35.

<sup>65</sup> Oleg Rashidov, “Ot suda iz generalov ni odin ne postradal” (Not one general has suffered at the hands of the court), *Komsomolskaia Pravda*, 21 September 1998.

<sup>66</sup> *Ibid.*

<sup>67</sup> Anatol Lieven, “Russians take criminal path to justice”, *The Times*, 28 January 1993.



you digging into this business, the whole country is up for sale and you make a fuss about some hotel, have you no understanding of what is going on?”<sup>68</sup>

Thus, the difficult conditions the Armed Forces found themselves in after the fall of communism might have given rise to widespread perceptions within the officer corps that some degree of corrupt behaviour is at least legitimate if not legal. These perceptions may in many instances themselves have been the cause of corruption, and not just attempts at justification for actions undertaken with other motives.

This picture, however, needs some modification. If officer morale with regard to corruption was generally high under communism, when officers enjoyed high prestige and good salaries, and post-communist military corruption can at least partly be seen as a response to difficult social conditions, then we should expect the level of corruption to be low at the beginning of the post-communist era, and then slowly rising. This, on the other hand, does not correspond with data presented earlier in this report. This data shows that corruption was high in the early 1990s, then slowly decreasing, and then rising again in the late 1990s. These changes in the level of corruption instead suggest that officer morale in matters of corruption was quite low already under communism, and that the overall level of corruption has been more a result of changes in opportunities than changes in the moral codex.

One example that illustrate well the lack of officer moral in the early 1990s is the corruption in the Western Group of Forces in Germany. One might have expected a low level of corruption here, since these troops were withdrawn from Germany by August 1994, and the idea of “legitimate corruption” should not have had time to fester strongly so early after the fall of communism. It is, nonetheless, a recognised fact that the level of corruption in this particular case was extremely high. Michael Brandwein, a Belgian businessman of questionable repute, secured many lucrative contracts with the Western Group of Forces in the early 1990s. In 1995 he told Aleksandr Zhilin from *Moscow News* how “it was a revelation for me when I came to understand shortly after, that their personal gain overshadowed everything else: the interests of the cause, the state and their own army. You cannot even imagine what sums of money were thrown to the wind for some official to be able to receive a bribe”.<sup>69</sup>

Mark Galeotti has described how the system of “circular guarantees” (*krugovaya poruka*) developed among party bureaucrats and also military officers already in the Soviet era. In this system “senior officers network together, sometimes actively involving themselves in each others’ deals, but more often simply looking out for each other”.<sup>70</sup> The *krugovaya poruka* apparently did not need social and economic degradation of the officer corps to develop. Thus it might be that the difficult post-communist conditions for the Russian military simply strengthened already established attitudes in the officer corps towards the legitimacy of certain kinds of corruption, rather than creating them anew.

<sup>68</sup> Aleksandr Zhilin, “Kastetom v litso” (A glove in the face), *Moskovskie Novosti*, 9 March 1999.

<sup>69</sup> Interview with Michael Brandwein in *Moscow News*, 14 April 1995.

<sup>70</sup> Mark Galeotti, “Russia’s grafting generals”, *Jane’s Intelligence Review*, no.4, April 1998.

### 3.3 The Political Level

An important question on the political level is whether the institutions assigned to investigate and punish corruption in the Armed Forces are independent enough to do this job. They need to be independent from both the executive branch of power, so that their activity is not directed by the aims of political actors, and from the organizations that they are set to control.

There are two main organs controlling the use of public money in Russia – the State Procuracy (*Generalnaia prokuratura*) and the Audit Chamber (*Chetnaya palata*). Both have their own special divisions for controlling the Armed Forces and the other ‘militarised’ structures such as the Ministry of the Interior (MVD) and the Federal Security Service (FSB) – respectively the Military Procuracy (*Glavnaia Voennaia Prokuratura*) and the office of Auditor for all activities related to national defence. In addition, the Defence ministry has its own financial inspection service (*Finansovaia Inspektsia Minoborony*), and the state Duma has its own Commission for the Fight Against Corruption (*Komissiiia po borbe s korruptsiei*), but these appear to be less important than the first two.

The focus here will not be on the judicial and constitutional aspects of these institutions’ ability for independent action, but whether or not they actually operate independently. In this regard, one of the most decisive factors has been who the leader of these organs has been at any one time.

The Russian Audit Chamber was established in 1995, and in the first five years it was chaired by Khachim Karmokov. In this period the chamber was seen as either unimportant or as a mouthpiece for the Communist opposition in the Duma.<sup>71</sup> That changed when former Director of the Federal Security Service and former Prime Minister, Sergei Stepashin, became chairman in 2000. There is no doubt that Stepashin has made the Audit Chamber a very important institution of domestic power in Russia, but it is also a widespread opinion among observers that this importance mostly stems from the fact that the Audit Chamber is an instrument at the hands of the Kremlin.<sup>72</sup>

It is true that Stepashin as head of the chamber has shown considerable initiative in expanding both the chamber’s activities and its prerogatives, but he has been very careful not to antagonise the Kremlin. In fact, although the Russian constitution clearly states that the Audit Chamber’s main role is to control the fiscal outlays of the executive on behalf of the parliament, Stepashin after he became chairman actively lobbied for the constitutional transfer of his agency away from parliamentary control and towards direct subordination to the president. In this matter, however, Putin decided not to support Stepashin.<sup>73</sup>

<sup>71</sup> Sergei Antonov, “On vam vsekh pochitaiet” (He is counting you all), *Ezhenedel’nyi Zhurnal*, 31 May 2004.

<sup>72</sup> Ibid.; Ekaterina Golovanova, “Politicheskii kalendar ot Sergeia Stepashina” (A political calendar from Sergei Stepashin), *Konservator*, 13 September 2002; and Kakha Kakhiani, “Chas rasplaty” (Time to pay), *Novye Izvestia*, 3 February 2004.

<sup>73</sup> Irina Granik, “Karerizm. Chetnaia palata bolshe ne schitaetsia” (Carrierism. The Audit Chamber does not count anymore), *Kommersant-Daily*, 28 May 2002.

The level of political independence of the Russian Procuracy is today similar to that of the Audit Chamber. The Procuracy did in fact become increasingly independent under Iurii Skuratov in the mid 1990s.<sup>74</sup> However, after he was removed for investigating corruption in Yeltsin's inner circle in 1999, the tide turned. Skuratov's replacement, Vladimir Ustinov, has been a loyal Putin subordinate. One observer remarked that the Procuracy under Ustinov has "remained one of the Kremlin's repressive instruments".<sup>75</sup> This has in particular been the case in Putin's fight against the oligarchs. Still, Ustinov has also shown independence from the Kremlin. In an April 2001 speech to the Duma he shocked the parliamentarians present by castigating a proposal for judicial reform developed in the presidential administration and explicitly supported by Putin. It was the points in the proposal that suggested diminishing the prerogatives of his own agency that had upset him.<sup>76</sup> Thus, he demonstrated independence in a matter of turf war, but in most other matters he seems to have kept the Procuracy loyal to the Kremlin.

Still, the loyalty from the General Prosecutor does not necessarily entail the same degree of loyalty from his subordinate, the Chief Military Prosecutor (CMP). In the early 1990s, when Valentin Panichev was heading the CMP office, the Military Procuracy was a very careful and timid institution. Panichev was careful not to provoke the generals. It was a telling example that when the rumours of excessive corruption in the Western Group of Forces erupted in 1992 – 1993, *Panichev* was called to the *Defence Minister* for questioning rather than the other way around. One anonymous source within Russian counter-intelligence said that the Military Procuracy would not become an efficient combatant of military corruption until "Panichev summons Grachev (then Defence Minister) for questioning, and not Grachev Panichev, and that will never happen".<sup>77</sup> In a Duma hearing on military corruption in July 1996, Panichev defended the generals accused of using conscripts to build private datchas by claiming there exist "no law prohibiting the use of soldiers to construct datchas".<sup>78</sup>

In 1996 the daily *Izvestia* quoted a conversation that one of its journalists had allegedly had with a representative of the Military Procuracy (MP) about military corruption and the role of the president in the period 1991 – 1993:

MP representative: "It is not the first time that the question of *datchas* comes up. I remember there was a lot of noise about this also before, and we conducted investigations. At that time we sent our results to the Supreme Soviet."

*Izvestia*: "Why to the Supreme Soviet when you have sufficient prerogatives on your own to turn the perpetrators over to the courts?"

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<sup>74</sup> Louise I. Shelley, "Putin's Russia: Why a Corrupt State can't be a Strong State", *East European Constitutional Review*, vol.9, no.1/2, Winter/Spring 2000.

<sup>75</sup> Georgii Rozhnov, "Iaitso kak gosudarevo oko" (An egg as the state's eye), *Novaia Gazeta*, 15 January 2001.

<sup>76</sup> Ivan Rodin, "Genprokuror ne soglasen s prezidentom. Politicheskii bunt Vladimira Ustinova mozhet stoit emu dolzhnosti" (The General-Prosecutor disagrees with the president. Vladimir Ustinov's political rebellion might cost him his job), *Nezavisimaia Gazeta*, 26 April 2001; and Susanna Farizova, "Genprokuratura prevratilas v babu s voza" (The Procuracy has eased the burden), *Kommersant-Daily*, 26 April 2001.

<sup>77</sup> Viktor Baranets, 1998, *Poteriannaia armiia* (The lost army), Moscow, *Sovershenno Sekretno*, p. 309.

<sup>78</sup> Jonas Bernstein, "Deputy Piles On Army Graft Charges", *The Moscow Times*, 20 July 1996.

MP representative: “that was decided between them and the president”

*Izvestia*: “And is the investigation of theft any business of the president?”

The *Izvestia* journalist received no answer to that last question – an indication that the independence of the Military Procuracy was less than what this institution would have wanted.<sup>79</sup>

Another example of how political considerations might have effected investigation of military corruption is the case against General Konstantin Kobets. Kobets had been the main organizer of the military assistance given to Yeltsin during the 1993 fight with the parliament, and was for some time after that close to Yeltsin. After Defence Minister Grachev’s departure in 1996 Kobets was seen as a potential replacement, and Grachev himself lobbied for Kobets. However, accusations of corruption directed at Kobets by Chairman of the Defence Committee in the Duma, Lev Rokhlin, put an end to those plans. Kobets might very well have been guilty of the corruption charges against him, but the decision by the Military Procuracy to start investigations was at least partly seen as a result of a successful campaign by Rokhlin and Aleksandr Lebed to get rid of a potential competitor to their favoured candidate, Igor Rodionov. Rokhlin even publicly admitted a week later that the accusations against Kobets were timed to influence the choice of new defence minister.<sup>80</sup> Military analyst Aleksandr Golts commented on the investigations against Kobets by claiming that the military prosecutors only hunt for corrupt officers in strict accordance with a Kremlin list of approved candidates.<sup>81</sup>

Later Chief Military Prosecutors have been less happy with the Military Procuracy’s subordination to the Kremlin than Panichev was. When Iurii Demin left his position as CMP in June 2000, he bitterly complained that he was fed up of acting as a “requisition bureau for the Kremlin” (*stol zakasov*).<sup>82</sup>

It should be noted here that the General Prosecutor, when it comes to the appointment of CMP, has to agree this candidacy with the Federation Council. This constitutional arrangement, at least earlier, had the potential of increasing the political independence of at least the military branch of the Procuracy. For example, the appointment of Mikhail Kislitsyn to replace Demin in July 2000 was seen as an attempt by the Federation Council to select a candidate for CMP that was independent-minded vis-à-vis the Kremlin.<sup>83</sup>

But with the advent of Putin, the Federation Council has largely ceased to be an even occasional independent centre of power. According to the daily *Segodnia*, conversations with former Procuracy bureaucrats confirmed that the beginning of the Putin era had also meant

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<sup>79</sup> Unknown author, “Voennaia propuratura bessilna protiv generalov. Pochemu?” (The Military Procuracy is powerless against the generals. Why?), *Izvestia*, 19 July 1996.

<sup>80</sup> Jonas Bernstein, “Deputy Reiterates Charges Against Generals”, *The Moscow Times*, 9 July 1996.

<sup>81</sup> Aleksandr Golts, “Demokratia poedaet svoikh kobtsov” (Democracy is eating its kobetses), *Itogi*, 27 May 1997.

<sup>82</sup> Andrei Kamakin, “Pod kovrom ili ha kovre” (Under or over the carpet), *Segodnia*, 20 June 2000.

<sup>83</sup> Andrei Kamakin, “Neitralnyi voennyi prokuror” (A neutral military procurator), *Segodnia*, 8 July 2000.

further strengthening of Kremlin control over the Procuracy.<sup>84</sup> Paradoxically enough, however, the Putin era has also seen the first public conflict between the Kremlin and the Military Procuracy in the post-Soviet period.

The CMP has for many years given annual press conferences on the status of crime in the Armed Forces and other militarised formations. The MOD has patiently tolerated these conferences. Nevertheless, after CMP Aleksandr Savenkov's press conference in the end of May 2005, Defence Minister Sergei Ivanov publicly scolded both Savenkov and the Military Procuracy in general for painting a far too negative picture of the state of law and order in the Armed Forces. Savenkov fought back by defending himself and his agency. This was the first time ever that the Minister of Defence and the CMP had engaged in a public row. The incident led to numerous speculations. Some thought Savenkov had been especially harsh in his criticism of the Armed Forces because Ivanov had not wanted to promote him in rank. Others saw in Savenkov's criticism an orchestrated effort by anti-Ivanov individuals in the Kremlin to discredit Ivanov in the event he should try to become Putin's successor in 2008. An anonymous source, who according to the Internet newspaper *Gazeta* is highly placed in the Military Procuracy, explained the conflict as a result of how the Military Procuracy had become independent of the MOD after Vladimir Ustinov became Prosecutor General.<sup>85</sup> It is impossible to say whether one, some or maybe none of the above stated motivations are or is the real reason(s), but the whole episode does seem to underscore the point that the Military Procuracy in Russia is often seen as an instrument in the power-struggle among and between institutions, groups and individuals. This does not mean that the Military Procuracy is without ability to perform the role of an independent investigator of crime and corruption in the state apparatus, but it indicates that there are external forces making it very hard to carry out this function.

Thus, the two main supervisory and prosecuting organs have for most of the time since 1991 not maintained much of their constitutionally prescribed independence from the executive. It is not difficult to find examples of how this lack of independence has made both the Procuracy and the Audit Chamber step back when under political pressure, and thus contributed to the impression that political alliance and contacts (*krysha*) can save officers from prosecution for corruption. There is good reason to believe that this has diminished the risk side in officers', especially higher officers', "risk – profit" calculus.

In addition to the problem of limited independence from the Kremlin, there is also, especially for the Military Procuracy, a problem of limited independence from the Ministry of Defence. The most glaring example is probably the fact that the military procurators and judges receive their salaries and housing through the budget of the MOD and that they still depend on this institution for their promotion in rank. This is the very same institution they are set to

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<sup>84</sup> Andreii Kamakin, "Okno, ruka i dubina gosudarevy" (The eye, the hand, and the stick of the master), *Segodnia*, 12 January 2001.

<sup>85</sup> Aidar Buribaiev, "Konflikt. Ministr oborony nanes udar po glavnoi voennoi prokurature" (Conflict. The minister of defence attacked the Military Procuracy), *Gazeta*, 7 June 2005.

control.<sup>86</sup> The Ministry is therefore in a situation where it can punish unwelcome enquiries by giving the investigators trouble with their income, housing and rank.

One example of how the Military Prosecutor's office not only takes orders from the Kremlin "above" but also from the MOD "below", could be the case against Deputy Commander of the Ground Forces, Colonel-General Anton Terentiev. In autumn 1997 the Military Procuracy opened a corruption case against Terentiev based on charges of illegal appropriation of apartments in four Russian cities. Commentators at the time interpreted the case chiefly in the light of the ongoing struggle within the MOD between Defence Minister Igor Rodionov and the Commander of the Ground forces Vladimir Semenov. Rodionov was seen as using the claim of corrupt subordinates to weaken Semenov's position. The year before, Rodionov had tried to get rid of Semenov in the same way, but could not get Yeltsin to sign the dismissal, most likely because the case rested on very weak legal foundations. According to anonymous sources in the Military Procuracy, the case against Terentiev similarly had almost no judicially incriminating foundations.<sup>87</sup> In addition to the pressure from Rodionov, the Military Procuracy also had a self-interest in officially opening a case against Terentiev. In response to a storm of criticism for inefficiency in a Duma hearing, the CMP, Valentin Panichev, had fought back by saying, before it actually was the case, that charges had been put forward against Colonel-General Terentiev. Once the words were said, there was no going back.

The Military Procuracy's strong dependence on the MOD changed, however, when Ustinov became General Prosecutor. According to one source "with the advent of Vladimir Ustinov, who enjoyed the full confidence of the president, the military prosecutors in reality became independent of the Armed Forces. Earlier the bureaucrats of the MOD themselves decided who should be investigated or not, and called in the military procurators only in order to formulate the documents necessary for the case to be sent to court".<sup>88</sup>

### 3.4 The Generals and the Political Leadership

When, as argued above, the executive has such a powerful hand over the Military Procuracy and the Audit Chamber, why are not these institutions used to clamp down on military corruption – in particular top brass corruption? Both Yeltsin and later Putin have at least occasionally seemed seriously intent to restore Russian military might, and it is no secret to any of them that military corruption is a major hindrance in this undertaking. In addition, it is more than clear that the extent of military corruption is harmful to Russia's international prestige. That is particularly true when Russian officers bring with them their domestic corrupt habits into international operations.

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<sup>86</sup> Author not identified, "Neposudnye generally" (Non-prosecuted generals), *Komsomolskaia Pravda*, 15 July 2003; and Aleksandr Golubev, "Ostavnye voennye prokurory stanut vdvoe bogache" (Retired military prosecutors become twice as rich), *Kommersant-Daily*, 13 May 1998.

<sup>87</sup> On the Terentiev case, see Nikolai Gvozdev, "Kvartirnyi vopros polomal generalskuiu karieru" (An apartment question destroyed a general's career), *Segodnya*, 20 March 1997; and Leonid Sharov, "Chetyre kvartiry generala Terentieva" (The four apartments of General Terentiev), *Obschaia gazeta*, 4 December 1997.

At least three possible answers to this apparent paradox can be found. First, the unique position that the military has within Russian political culture. Second, the advantages that corruption gives the Kremlin in terms of cadre control. Third, that the Kremlin is afraid of the generals.

Alexander M. Golts and Tonya L. Putnam claim that most analyses of why military reform has failed in Russia have overlooked what they call “defence-mindedness” (*oboronnoye soznaniye*). They trace the development of societal defence-mindedness back to the reign of Peter the Great, and argue convincingly that the privileged position that the Russian military has enjoyed through the centuries has “imbued the Russian public and its political leadership with an institutional deference to the military that is essential to explaining the fate of the government’s recent reform efforts”.<sup>89</sup> If Golts and Putnam are right, defence-mindedness could be part of the explanation also for the reluctance to clamp down on military corruption. It is important to note here that we are not talking about the political leadership’s fear of the military, but rather its reverence. Anatoly Kravtsov, Kremlin insider who according to *Toronto Star* had “waged an often-losing battle to alert the Kremlin to the problem of corruption”, in 1996 explained the inaction against military corruption exactly with the fact that “this is a military society. In a military society, the military are sacred”.<sup>90</sup>

Although Golts and Putnam may be right about the historical development of Russia’s defence-mindedness, with all the military corruption scandals that have been widely publicised since 1991 one could imagine that both the public and the political leadership had lost much of their historically inherited proclivity towards admiration of the military. Opinion polls, nonetheless, for a long time suggested that these scandals had only limited impact on popular perceptions of the Armed Forces. In 2002 the military was still the third most trusted institution after the presidency and the Orthodox Church.<sup>91</sup>

One explanation might be that the public tolerance for corruption in general is particularly high in Russia. Vitaly Nomokonov has argued that “corruption has a social role in Russia”, and that a common opinion is that a certain degree of corruption is necessary for the wheels to go round.<sup>92</sup> It is often argued that Russian political culture is higher than average collectivistic, and according to Michale W. Collier collectivist political cultures tend to have “the most lenient evaluation of corrupt behaviour, and thus the weakest boundaries between public and private spheres”.<sup>93</sup> It could therefore be that the Russian public accepts a certain amount of

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<sup>88</sup> Aidar Buribaiev, “Konflikt. Ministr oborony nanes udar po glavnoi voennoi prokurature”, op.cit.

<sup>89</sup> Alexander M. Golts and Tonya L. Putnam, “State Militarism and Its Legacies”, *International Security*, Vol. 29, No. 2, Fall 2004, p.138.

<sup>90</sup> Olivia Ward, “Corruption on the march. Racketeering is rife in Russia’s military but, until now, no one dared to fix it”, *The Toronto Star*, 21 July 1996.

<sup>91</sup> Golts and Putnam, op.cit., p.148.

<sup>92</sup> Vitaly Nomokonov, “On strategies for combating corruption in Russia”, *Demokratizatsiya*, Vol.1, No.1, 2000.

<sup>93</sup> Michael W. Collier, “Explaining corruption: An institutional choice approach”, *Crime, Law & Social Change*, vol.38, 2002, p.10. On collectivism in Russian political culture see Fritz Gaenslen, “Culture and Decision Making in China, Japan, Russia and the United States”, *World Politics*, Vol.39, 1996, pp.78-103; A. Bardie and S.H. Schwatz, “Relations Among Sociopolitical Values in Eastern Europe: Effects of the Communist Experience?”, *Political Psychology*, Vol. 17, No. 3, pp. 525-549; and

corruption in the military, especially since it knows that the social and economic conditions for many officers are appalling. Still, there are now signs that this public admiration for the military might be slowly eroding. In an August 2005 opinion poll carried out by the Levada centre, respondents were asked what kind of association first came to mind when they thought about the country's Armed Forces.<sup>94</sup> The results are shown in Table 3.1

*Table 3.1 Popular perception of the Armed Forces in August 2005*

Pride	3%
Respect	9%
Pity	20%
Fear	28%
Embarrassment	24%
No particular feelings	5%
Difficult to answer	2%

These figures, if they correctly mirror the popular mood, suggest that the Russian popular defence-mindedness might be weakening. Therefore, there is not much reason to fear that the public will react negatively if a serious effort at rooting out military corruption is initiated by the political leadership. Thus, if still nothing is done, this suggests that the political leadership might be imbued with a higher degree of defence-mindedness than the rest of the population.

A more instrumental explanation for the Kremlin's lack of enthusiasm in dealing with corrupt officers is probably that these officers' corruption is to the benefit of the Kremlin in military cadre policy. This phenomenon is today well known throughout the Russian state apparatus. Corruption is seen and registered, but not acted upon until it can be used as a lever to influence the behaviour of or even dismiss state employees. Iurii Boldyrev, who headed Yeltsin's anti-corruption department in the early 1990s, has described how he fed detailed information to Yeltsin on the corruption in the Western Group of forces and how much individual generals had stolen or embezzled, but that his revelations made little impression on Yeltsin.<sup>95</sup> Almost no punitive steps were taken against these generals. People close to the president told military journalist Aleksandr Zhilin in 1995 that the power that the knowledge of corrupt activities gave the president over his generals was one of Yeltsin's main motives for not cracking down on the generals. These Kremlin insiders explained the state of affairs by pointing to the managerial traditions and culture that Yeltsin had learned during the Soviet days, and that still guided his leadership style.<sup>96</sup>

<sup>94</sup> On the Internet at <http://www.levada.ru/army.html>

<sup>95</sup> Steven Erlanger, "Scandals Put Russian Defense Chief on the Defensive", *The New York Times*, 2 November, 1994.

<sup>96</sup> Aleksandr Zhilin, "How corrupt is Russia's military leadership?", *Prism*, vol. 1, Issue 20, 22 September 1995, The Jamestown Foundation.



Similar leakages from the inner circle about how Putin thinks corrupt generals should be treated have not come out, but also he is often seen as very Soviet in his style of leadership. There is reason to suspect that some of the same managerial reflexes might be part of the explanation why Putin is no more eager to go after corrupt generals than his predecessor was.

It should also be noted that the existence of stored compromising material (*compromat*) not only gives the Kremlin leverage in situations where it wants a certain officer to change his opinion or behaviour, or where the Kremlin wants him to leave his position. The military top brass also knows that the Kremlin might know, and the incentive is therefore strong to stay loyal to the Kremlin as much of the time as possible.

Finally, there might at times also have been an element of fear behind the Kremlin's inaction on the issue of military corruption. Yeltsin was several times in his presidency in situations where he strongly needed the loyalty of the top brass. In these times, turning a blind eye to corruption might have been one way of buying the generals' loyalty. Oksana Antonenko, analyst at the International Institute for Strategic Studies, told *Associated Press* in 1998 "if they are allowed to steal they do not rebel".<sup>97</sup> Putin has in many ways shown himself more independent from the generals than Yeltsin was. Although many officers have been promoted to high positions in Moscow and in the provinces during his presidency, the military as an institution was never the core of Putin's power base.<sup>98</sup> But in spite of this independence, Putin has not embarked on a more active anti-corruption policy than his predecessor. Putin might have been less under the heels of the generals than Yeltsin was at times, but even if he personally should be appalled by the level of military corruption, he does not seem to have seen himself strong enough vis-à-vis the generals to crack down on their corrupt practices. Russian corruption expert Georgii Satarov said in July 2005 that he did "not see that the present ruling authorities have the resources or capabilities to follow an anti-corruption policy in earnest", and Aleksandr Golts claims that "the military's upper echelon is the only segment of the federal government that can afford to ignore or even undermine presidential orders".<sup>99</sup>

#### 4 CONCLUSION

An exact measure of the scale of corruption in the Russian Armed Forces can not be provided. Nevertheless, by integrating data from many different open sources it is still possible to paint a rough picture of the state of affairs. This has been attempted in this report, in addition to also suggesting some ideas as to why corruption is such a frequent phenomenon in the Russian military.

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<sup>97</sup> *Associated Press*, 30 August 1998.

<sup>98</sup> Tor Bukkvoll, "Putin's Strategic Partnership with the West: The Domestic Politics of Russian Foreign Policy", *Comparative Strategy*, Vol.22, No.3, 2003, pp.223-242.

<sup>99</sup> Georgii Satarov, "Russia. Corruption grows tenfold in four years", *Moscow News*, 27 July 2005, and Aleksandr Golts, "The Social and Political Condition of the Russian Military", in Steven E. Miller and Dmitri Trenin, (eds.), 2004, *The Russian Military – Power and Policy*, Cambridge MA, The MIT Press, p. 88.

Four conclusions seem warranted in light of the data I have presented. First, corruption is a significant and pervasive problem in the Russian Armed Forces. Few military organizations around the world can claim to be totally free of this problem, but the presented data and analysis suggest that military corruption might be particularly grave in Russia. Second, losses to the defence budget as a result of corrupt actions are probably smaller today than they were in the early and mid 1990s, but they are still substantial and anew on the increase. Third, the corruption has become more sophisticated. Plain theft is less widespread, while different kinds of fraud and embezzlement schemes have become more common. Fourth, the risk side of the individual “risk-profit calculus” remains low. Few, at least among the higher military echelons, are convicted for corruption, and penalties are too light to have any deterrent effect. Thus, changes in the scale of corruption through the post-Soviet period seem to be largely caused by changes in the access to state property and funds. Corruption was high in the early 1990s, because there was an abundance of poorly controlled military hardware to steal and resell. It fell as the deposits of such hardware decreased, but then rose again when rising military expenditure late in the Yeltsin era and in the Putin era again made resources available. It is difficult to see any systematic change in the political handling of military corruption from the Yeltsin regime to the Putin regime.

The *de facto* political acceptance of military corruption in Russia probably has many causes. Three of them have been discussed in this report. First, the particularly strong Russian “defence mindedness” has traditionally given and might still be giving the military an elevated social position in Russia. Second, letting officers commit corrupt acts, and later using knowledge about these acts in order to push through military cadre-decisions that would otherwise have been hard to implement, does give the Russian political leadership considerable added leverage in its dealings with the top brass. In this latter case it is hard to say whether we are talking about a process of rational calculation, a managerial reflex inherited from Soviet times or a combination of the two. Third, not cracking down on this behaviour might be one of the political leadership’s ways of appeasing a crucially important element of the social fabric of Russia that has lost tremendously in terms of living standards and prestige in the post-Soviet period.

The continuing and rising level of military corruption in Russia has a number of very unfortunate consequences.

The most obvious consequence is a deteriorating effect on the military’s combat potential. Even serious increases in military spending have little improving effect on capabilities if much of the new money is stolen or diverted to other uses. We have also seen how even major increases in the domestic defence order, including military research and development, have so far yielded only minor improvements in the technological modernisation of the Russian Armed Forces. In addition, if we are to believe Steven Biddle’s argument that the ability of modern force employment is as important for a nation’s military capacity as quantity and technology, then also in this area will the prevalent corruption have a potentially deteriorating effect on Russian war-fighting ability. The modern system of force employment presupposes among

other things small-unit independent maneuver and advanced combined arms integration.<sup>100</sup> All of this is more difficult to achieve in a military organisation where the mechanisms of trust and respect have been shattered by the moral decay associated with corruption. To give one example, a superior officer secures for himself *boievye* without taking part in actual fighting. At the same time he prevents his subordinate officers the same *boievye* even though they took part in fighting. Under these circumstances it is questionable both how much the higher officer will trust his subordinates to make battlefield decisions according to his intent, and it is questionable how much the subordinate officers will trust and respect their superior's orders and instructions.

On the other hand, several scholars on corruption have pointed out that all effects of corruption are not necessarily negative. Tefvik Nas, Albert Price and Charles Webber, for example, talk about "beneficial corruption". They claim that in certain situations "individuals participating in the illegitimate activity [corruption] directly benefit from the transaction, while simultaneously raising social welfare by creating opportunities for production that would otherwise be restricted".<sup>101</sup> One cannot exclude that corruption in the Russian military sometimes also has this effect. A new and improved type of weaponry that would otherwise not have reach a certain military unit might still do so because a few wheels were greased. Still, the data presented in this report indicate that the negative effects outweigh any positive ones with a clear margin.

Thus, the negative effect of corruption on ability to use force seems uncontroversial. However, to what extent this unresolved problem also has, and in the future will have, an impact on the political leadership's willingness or propensity to resort to military force is less certain. Since the corruption is no secret to the political leadership, one could expect that it would be one factor among others making it less likely that Russia resorts to the use of military force than if the Armed Forces had been relatively free of corruption. However, there are for example few indications that worries about corruption had much restraining impact when the second Chechen campaign was initiated. In terms of international operations, the data are ambiguous. The decision to withdraw from Kosovo was probably at least partly caused by a recognition of problems of corruption, but Russia had no qualms about reappointing corruption scandalized General Aleksandr Pereliakin to liaison officer for the Russian contingent in KFOR in Kosovo. One conclusion could therefore be that the high level of military corruption might have little effect on the political leadership's willingness to resort to force in domestic low intensity conflicts, but some effect on the willingness to participate in international operations. There is so far no data to suggest what the potential effect of corruption on the leadership's willingness to engage in high intensity conflicts or low intensity conflicts abroad might be.

An additional point could be that the existence of high military corruption gives the military leadership additional incentives to persuade the political leadership to go for military solutions.

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<sup>100</sup> Stephen Biddle, (2004): *Military Power – Explaining Victory and Defeat in Modern Battle*, Princeton, Princeton University Press, p.35.

<sup>101</sup> Tefvik F. Nas, Albert C. Price and Charles T. Webber, "A policy-oriented theory of corruption", *American Political Science Review*, Vol. 80, No.1, March 1986, p.110.

As demonstrated in the case of Chechnya, new operations open up new funds and thus new possibilities of corruption. This would especially be the case for those officers who can expect to get a hand on the resource flow without having to serve in combat.

An additional effect of the Russian military corruption is that it might also make the Armed Forces a direct threat to the Russian society. The numerous accidents with military material often have civilian consequences, and there is also data of close cooperation between officers and Russian organized crime. There is a worry that the Russian Armed Forces in time could start to resemble the European 17<sup>th</sup> century armies, which caused such havoc in the country in which they resided in peacetime, that this in itself became a major motive for sending them abroad. While these problems are not a result of military corruption only, it is a fair assumption that the moral decay associated with corruption is at least part of the explanation. It is interesting that in the previously cited 2005 opinion survey about which association people first thought of when the words Armed Forces were mentioned, “fear” was highest with 28%.<sup>102</sup>

A further consequence, which until recently did not seem very likely, could be that the Russian Armed Forces lose the exceptional trust they have enjoyed from the Russian population. The phenomenon that Aleksandr Golts and Tonya Putnam have called the Russian “defence-mindedness”, formed as a result of the Russian Armed Forces privileged position in Russian society at least since the time of Peter the Great, might according to recent opinion polls be on the decline. If such a popular “de-sanctification” really takes place, it would certainly be an event of historical proportions in Russia. While such a de-sanctification would be the result of negative and potentially dangerous developments within the Armed Forces, some could also argue that it would make it more likely that the country at a later stage might join the Western security community.

A final consequence of the continuing high level of military corruption is that it complicates the integration of Russia in military cooperation internationally, including NATO-Russia cooperation. As pointed out in this report, there are no indications that the potential loss of international prestige for the country has any dampening effect on officer corruption proclivity. As one US military source said in connection with corruption among the Russian troops in Croatia, “the Russians have got to send down better soldiers”.<sup>103</sup>

Many of the reasons for the high level of military corruption in Russia might be explained by political traditions from the Soviet period, and even before that. Nevertheless, they can be changed. While the social tolerance for corruption might be higher in Russia than in many Western countries, it is far from absolute. Corrupt officers need to be punished independent of rank and political loyalties. The auditing and prosecuting agencies need to be independent from the executive, and politicians must learn to resist the temptation to use “compromat” as a

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<sup>102</sup> On the Internet at <http://www.levada.ru/army.html>

<sup>103</sup> John Pomfret, “Planners of NATO-Led Bosnia Force Wary of Graft Among Russians”, *The Washington Post*, 6 November 1995.

political tool. It is more than doubtful that a successful reform of the Russian Armed Forces is possible unless the problem of military corruption is dealt with in an honest and transparent way, and even then it will take a long time to achieve decisive effects.