

What Lies Ahead After a Year of Thieving

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The 2010 annals of corruption stories took a creative twist this week when the public learned that Moscow's metro chief is also a talented inventor.

Dmitry Gayev seems to have found time outside his day job to design automatic payment machines, video monitoring and ventilation systems, and unique technologies for building stations deep underground.

The Prosecutor General's Office says Gayev took credit for metro employees' work and personally earned 112 million rubles (\$3.6 million) in payments and royalties from partners who sold his inventions to the metro.

Gayev has denied wrongdoing, indicating that the inventions are indeed his own, Interfax reported.

But the \$3.6 million that he is suspected of collecting over 10 years is peanuts compared with the \$33 billion that President Dmitry Medvedev says was funneled into bureaucrats' pockets

this year. Medvedev has made battling corruption a priority since he took office, and he admitted in his state-of-the-nation address late last month that progress was slow.

"According to the most conservative estimates, inappropriate expenses including direct theft and kickbacks amount to at least 1 trillion rubles," he said Nov. 30.

The president, who has staked much on cleaning up corruption, "is in an unhappy position," said Kirill Kabanov, chairman of the National Anti-Corruption Committee.

Here's why.

The parade of big names and big events in the headlines began in February with the dismissal of IKEA's director for Eastern Europe, Per Kaufmann, for overlooking a bribe given to a contractor in St. Petersburg. No Russians were charged in the case.

Hewlett-Packard was in the spotlight in mid-April, when its Moscow offices were raided in connection with an investigation that originated in Germany. The company was accused of paying \$44.5 million in bribes in exchange for a contract to supply equipment to the Russian Prosecutor General's Office, whose own Investigative Committee was conducting the investigation. No charges against Russians have been filed.

Forty out of 680 members of the Russian-German Foreign Trade Chamber signed an anti-corruption pact later the same month. The signatories included Daimler and Siemens, both of which were in hot water in Germany and the United States for corrupt practices in Russia.

The summer got off to a dramatic start in June when a Federal Fisheries Service official threw 10 million ill-gotten rubles (\$320,000) in 5,000 ruble notes out the window of his car onto Varshavskoye Shosse in southcentral Moscow during a high-speed chase that ended in a crash.

By November, the prosecutor's office had also gotten around to investigating Daimler, accused of giving bribes in exchange for state orders of its automobiles. No charges against any officials have been filed.

The fall saw some actual arrests. A former Kremlin official, a former deputy health minister and three others were charged with extorting money from Toshiba and other makers of medical equipment.

The Toshiba case represents a major step forward, Kabanov said, noting that it was the first time officials of such a high level had been detained for corruption. Kabanov credited the Interior Ministry's 3rd Operational Investigative Bureau — which specializes in fighting high-level official corruption — with exemplary fulfillment of its duty.

Gaining a Reputation

But the conviction rate for corrupt practices is low and not rising.

Medvedev is not alone in his alarm. Russia fell eight places in Transparency International's influential corruption perception rating this year, from a dismal 146th place to 154th.

Vedomosti reported on Nov. 30 that the Council of Europe's Group of States against Corruption had given Russia low marks for its implementation of the group's recommendations for fighting corruption.

The negative image of Russian business practices is pervasive. When Russia was chosen to host the 2018 football World Cup, for instance, both FIFA president Sepp Blatter and Prime Minister Vladimir Putin felt it necessary to make statements denying that underhanded means had come into play in the choice.

"When bad things happen in Russia, investors know the next morning," said Ivan Tchakarov, director of the global markets division at Bank of America Merrill Lynch Russia. He said American investors are particularly cynical of Russia.

International resistance to corruption is making itself felt. The U.S. Justice Department has pressed charges under the Foreign Corrupt Practices Act against a number of companies, including Siemens, Daimler and Swiss logistics firm Panalpina, for their activities in Russia.

The pressure will increase next year, when the U.K. Bribery Act comes into force.

But action is more important than mere legal words, experts said.

"The president has made a diagnosis, but the people don't do anything," Kabanov said. "Society is infantile. It says, 'I can't change a thing.'"

In fact, there are few mechanisms available in Russian society for fighting corruption, he said.

Analysts and opposition leaders have blamed the slow progress in Medvedev's battle against corruption on the fact that the effort was entrusted to officials who are themselves most likely mired in corruption.

The president admitted as much in his state-of-the-nation address. Giving a greater place to noncommercial organizations in providing social services "will reduce corruption among government officials," he said, "which is crucial."

"For citizens," he said, "the state is the official to whose office they come with their problems, the judge who makes a ruling in their case, a local police officer or a tax inspector. ... Government officials should not discredit the state with their activities. Their main mission is to improve the conditions that people live in."

These same officials — including State Duma deputies and federal ministers who were forced to declare their incomes by Medvedev — quickly figured out that there is no formal body to investigate their formally stated wealth, not to mention keep track of their real possessions and activities, and try to match them to what they claim to earn.

Resistance Is Dangerous

A survey by Transparency International published earlier this month found that 52 percent of Russians would be willing to report incidents of corruption. But, according to head of the Transparency International Russian office Yelena Panfilova, only 7 percent have actually taken action to resist corruption. Twenty-four percent of respondents believe that progress is

being made in the fight against corruption.

Public inactivity in the face of corruption is understandable. The example of lawyer Sergei Magnitsky is instructive to all. Magnitsky died, possibly of maltreatment, in late 2009 after almost a year in police custody. He had been arrested on tax charges after accusing senior Interior Ministry officials of corruption.

A WikiLeaks memo attributed to U.S. Ambassador John Beyrle, published in The Washington Post on Dec. 2, paints a tawdry picture of police partnership with organized crime and all-encompassing corruption in former Mayor Yury Luzhkov's Moscow. The chilling massacre of 12 people in the village of Kushchyovskaya last month seems to bear out the ugly reality of the situation.

Georgy Satarov, president of Indem, an anti-corruption watchdog, told The Moscow Times that he saw no progress against corruption this year.

“Corruption in daily life hasn’t changed in the last five years,” he said. “Business corruption is harder to talk about because there is less reliable information. But I don’t see a change.”

Exposure Shows Hope

A less expert observer cannot help but be impressed by the increased attention paid to corruption. In addition to the case of the Moscow metro director-inventor, this week saw Alexander Bulbov, a former senior official in the Federal Drug Control Service, convicted of receiving \$21,300 in improper pension payments and granting traffic privileges to unauthorized people. (But, as is often the case in Russia, his trial is much more than a simple open-and-shut case into corruption.)

On Dec. 12, Vedomosti published excerpts from a 2006 WikiLeaks memo attributed to former U.S. Ambassador Williams Burns that claimed Chechen President Ramzan Kadyrov pockets a third of the federal aid that Chechnya receives.

The publication of that and much more material in the domestic media is also ambiguous — simultaneous proof of the impotence of honest citizens and officials, and the mounting attention and opposition to corruption.

One weapon in the armory, whose potential may shift from its fragile nascent state this year to something more solid in the future, is the growing use of information technology and the Internet.

Campaigners like lawyer Alexei Navalny leverage a combination of their blogs, minority shareholder status and attention from the media to try to shed light on malfeasance by big companies and bureaucrats.

The Communications and Press Ministry is seeking 80 billion rubles (\$2.6 billion) next year to help government agencies deploy systems that will allow citizens to get services through the Internet, a ministry official said in October.

“The battle against corruption is one of the main goals of this effort,” said Andrei Lipov, director of the ministry’s department for information technology policy.

“If we can provide even a part of the services people need via an e-government system, we expect corruption associated with government services to citizens to go down,” he said.

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