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HIGH-LEVEL CORRUPTION AND TRANSNATIONAL ORGANIZED CRIME

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Transnational Organized Crime (TOC) Analysis and Integration Support

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ACRONYMS

FRELIMO	<i>Frente de Libertação de Moçambique</i>
GDP	Gross Domestic Product
MSI	Management Systems International, Inc.
PRI	<i>Partido Revolucionario Institucional</i>
RENAMO	<i>Resistência Nacional de Moçambique</i>
SIEDO	<i>Subprocuraduría de Investigación Especializada en Delincuencia Organizada</i>
TOC	Transnational Organized Crime
USAID	United States Agency for International Development
UNODC	United Nations Office on Drugs and Crime

INTRODUCTION

Corruption linked to transnational organized crime (TOC) represents a serious governance challenge in many countries. Like other types of corruption, it invokes deviations from rules and regulations leading to inconsistent and ineffective public administration. Depending on the TOC activity, corruption linked to TOC can undermine such government operations as customs controls, natural resource protection, product regulation and banking oversight. It also weakens the rule of law and distorts electoral competition as criminals bribe police and judges to escape prosecution and make sizeable contributions to political campaigns. As a result of these distortions, management of public resources deteriorates, public security worsens and government legitimacy falls.

Yet corruption linked to TOC may pose a greater threat than other kinds of corruption because the large profits allow for greater distortions, often reaching to the highest levels of government. Profits amounting to hundreds of millions of dollars every year can exert substantial influence especially in less developed countries where government salaries are lower, alternative sources of revenues are smaller, and the rule of law is weaker than in wealthier countries. The extent of the corruption and complicity of government officials can go so deep as to be considered criminal infiltration of government structures. Infiltration represents the more pernicious manifestation of corruption as the interests of illicit networks dominate more broadly across state policies rather than just in specific transactions.

In light of this threat, this paper examines three questions related to corruption and TOC in developing countries. First, it asks what kinds of TOC activity are more likely to lead to corruption of high-level officials and criminal infiltration of the state, looking across a range of illicit activities. Second, it asks how high-level corruption and criminal infiltration affect the political system and politics in different contexts. Third, it asks how durable illicit networks are in the face of political upheavals when new political leaders replace corruption officials. This study helps elucidate the kinds of TOC that are most harmful to governance, the governance challenges that high-level corruption is likely to engender, and the durability of illicit networks linked with organized crime. This information will help shape the prioritization of development assistance and the kind of programming that is recommended in different contexts.

This research focuses on the intersection between TOC and corruption. It distinguishes TOC from local organized crime. Whereas TOC crosses national borders and may pose threats at the local, national or international levels, local crime affects primarily local economies, politics and security. Local organized crime involves such activities as protection rackets, gambling, prostitution, loan sharking, illegal services (e.g., unauthorized waste disposal), fraud, robbery and kidnapping. TOC involves trafficking in a range of licit and illicit goods—drugs, arms, minerals, oil, timber, wildlife, persons, alcohol, foodstuffs, cigarettes, stolen vehicles, counterfeit products and hazardous waste—as well as maritime piracy, kidnapping of foreigners, cybercrime and other acts of transnational predation. These activities represent the primary activities from which organized criminals generate a profit. Enabling activities, on the other hand, facilitate the conduct of these primary activities. Enabling activities include corruption, intimidation/violence and money laundering.¹

Corruption to facilitate TOC may involve different levels of government from low-level officials such as customs agents or police officers, to mid-level officials such as mayors or judges, to high-level officials such as presidents, ministers or members of parliament. Corruption at lower levels usually targets the immediate application of laws and procedures within an office while corruption at higher levels may involve interference in the application of laws and procedures from outside an office or the distortion of the laws and procedures themselves. Even as TOC groups target higher-level officials, they continue to

¹ U4 *Organised Crime and Corruption 2009* makes the distinction between primary and enabling activities with a slightly different list of activities.

direct corruption efforts at lower levels of government to facilitate the conduct of their business. Corruption at higher levels of government is more damaging to notions of democratic accountability and is harder to counter.

HIGH-LEVEL CORRUPTION ACROSS TOC ACTIVITIES

The first research question asks what characteristics of TOC drive the involvement of high-level officials in a particular criminal enterprise. A cost-benefit perspective suggests that money is the primary benefit of their involvement and the fallout from revelations of their involvement is the main cost. The fallout could entail criminal convictions and jail time if the official cannot manipulate the judicial process or loss of office and political standing if the activity is regarded with social opprobrium. Assuming the likelihood of getting caught and the official's ability to manipulate the judicial process do not vary significantly across criminal activities, the social acceptance of the activity may represent the main difference in political risk across activities. Therefore, profits and social acceptance should be key determinants of high-level participation in a particular TOC activity. This hypothesis finds support in the literature on TOC.²

To test this hypothesis, I analyze media reporting on corruption and TOC in Africa for selected years between 2001 and 2013.³ I focus on one region (sub-Saharan Africa) with the assumption that TOC activities, profits, and social acceptance of TOC activities may be broadly similar within a region but different across regions. I use the following search terms in looking for articles linking corruption and TOC: drug trafficking (including heroin, cocaine, methamphetamines, precursor chemicals, hashish, marijuana, khat), trafficking in persons, migrant smuggling, arms trafficking, trafficking in illicit commodities (including counterfeit medications, stolen vehicles, hazardous waste), maritime piracy, wildlife poaching, natural resource smuggling (including gold, diamonds, cassiterite, oil, timber, fishing), kidnapping for ransom, and cybercrime.

I code the articles for the kind of TOC activity and the involvement of lower-level or higher-level officials and then count the number of articles in each category as shown in Figure 1. Higher-level officials include presidents and their staff, ministers, members of parliament, senior party officials and governors, whereas lower-level officials include police, border guards, immigration officers and local officials. It is possible that media reporting reflects activities where enforcement efforts are concentrated and therefore over-represents those activities, but the sampling of all countries in sub-Saharan Africa over more than a decade should minimize the bias that may result from one country's crackdown on a given activity at a given time. The sample consists of 113 articles, which is not large enough to draw fine-grained distinctions between each TOC activity, but does reliably suggest patterns.

Figure 1. Media Reporting on Corruption linked to TOC Activities

TOC Activity	Articles involving higher-level officials	Articles involving lower-level officials	Total articles on corruption ⁴
Drug trafficking	14	22	36
Wildlife trafficking	7	15	22

² See, for example, Robert Mandel, *Dark Logic: Transnational Criminal Tactics and Global Security* (Stanford, CA: Stanford University Press, 2011); Roy Godson, ed., *Menace to Society: Political-Criminal Collaboration Around the World* (New Brunswick, NJ: Transaction Publishers, 2003); and Alfredo Schulte-Bockholt, *The Politics of Organized Crime and the Organized Crime of Politics* (New York, NY: Lexington Books, 2006).

³ Media reports come from a search of Nexis Lexis and AllAfrica.com for the years 2002, 2007, 2011, 2012 and the first 9 months of 2013 as well as the years 2001 and 2006 for AllAfrica.com.

⁴ Two articles refer to two TOC activities, so the 113 articles in the database yield 115 counts in this table.

Mineral trafficking	12	9	21
Arms trafficking	5	3	8
Timber trafficking	4	3	7
Alcohol/food trafficking	0	4	4
Kidnapping	1	3	4
Migrant trafficking	0	4	4
Abalone poaching	0	3	3
Trafficking in persons	1	1	2
Cigarette trafficking	1	0	1
Counterfeit money	1	0	1
Maritime piracy	1	0	1
Stolen car trafficking	0	1	1
Totals	47	68	115

I turn to UNODC for estimates of profits across TOC activities, which provides estimates for some, but not all, of these markets. As seen in Figure 2, cocaine and heroin trafficking are the most lucrative illicit markets in Africa, followed by gold trafficking, trafficking in persons and migrant smuggling. Based on the higher profits derived from them, we expect to see more high-level official participation in these markets. Conversely, we expect to see less high-level involvement in the smaller markets.

Estimating the social acceptance of TOC activities is more difficult as opinion surveys on the topic are lacking. We can posit some differences across TOC activities, but there is little evidence to substantiate it. For instance, we can surmise that maritime piracy is less socially accepted than trafficking-based crimes as it is a predatory rather than a facilitative act. Drawing from the TOC literature, moreover, we find Naím’s assertion that the trade in people—both trafficking in persons and migrant smuggling—is the most morally repugnant of all the trafficking crimes since it reduces human beings to commodities.⁵ Mandel agrees, but suggests that trafficking in persons is even more morally repugnant than smuggling migrants and that leaders’ involvement in the former erodes a country’s integrity and moral compass.⁶ Yet Reitano and Shaw’s analysis of communities’ perceptions of organized crime in West Africa and the Sahel suggests that migrant smuggling carries no stigma but rather is regarded as a way to in make a living.⁷ The social acceptance of wildlife trafficking in many African countries may also be lower than that of other illicit activities since many counter-wildlife trafficking efforts actively engage communities

⁵ Moisés Naím, *Illicit* (New York, NY: Anchor Books, 2005), 89.

⁶ Mandel, *Dark Logic*, 126.

⁷ Tuesday Reitano and Mark Shaw, “People’s Perspectives of Organised Crime in West Africa and the Sahel,” Institute for Security Studies, Paper 254, April 2014.

and build popular opposition to the crime, and its impact on animal populations and tourism is becoming more widely understood.⁸

On the other end of the spectrum, the social acceptance of drug trafficking is likely higher, especially in transit countries, as many view illicit drugs as causing harm primarily to individual users and not to societies more broadly and regard drug trafficking as a viable means of making a living.⁹ Popular opposition to drug trafficking in sub-Saharan Africa is limited, and mostly found in communities affected by problematic drug use such as coastal Kenya.¹⁰ Treating these assertions as merely suggestive, I will examine whether the involvement of high-level officials is lower in maritime piracy, trafficking in persons, migrant smuggling and wildlife trafficking, and higher in drug trafficking.

Figure 2. Annual Profits in TOC Markets in Africa (millions of dollars)

Cocaine trafficking	1,800
Heroin trafficking	1,400
Gold trafficking	1,200
Trafficking in persons	150*
Migrant smuggling	150
Cassiterite trafficking	130
Maritime piracy	50-100
Ivory trafficking	62
Rhino horn trafficking	8

*This number is calculated by taking the estimate of \$3 billion annual profits from trafficking in persons in Europe, which is the primary destination for African victims, and multiplying it by the percentage of African trafficking victims in the European market, which is 5%.

Source: UNODC, *World Drug Report 2011*, 2011, 126; and UNODC, *The Globalization of Crime: A Transnational Organized Crime Threat Assessment*, 2010.

I turn now to the data to analyze corruption patterns across TOC activities. I look first at those activities with the largest involvement of senior officials. In our sample of African media, drug trafficking is the illicit activity with the greatest involvement of senior officials. This fact is consistent with the hypothesis laid out above since drug trafficking is also the most profitable illicit market and may face relatively limited popular opposition in Africa. Mineral trafficking is the illicit activity with the next highest level of high-official corruption, and it is also the next most profitable illicit market as seen in Figure 2 (which has data for gold and cassiterite trafficking).

Unexpectedly, wildlife trafficking is the illicit activity with the third highest level of high-official corruption in the database even though the size of the market is considerably smaller (roughly \$70 million

⁸ See, for example, the focus on this topic at the 2014 international tourism fair, “Poaching and illegal wildlife trade threaten tourism and development options in Africa” available at <http://www.traffic.org/home/2014/3/7/poaching-and-illegal-wildlife-trade-threaten-tourism-and-dev.html>

⁹ Mandel, *Dark Logic*, 110; and Reitano and Shaw, “People’s Perspectives of Organised Crime in West Africa and the Sahel.”

¹⁰ See, for example, Brooke Stearns Lawson and Phyllis Dininio, “The Development Response to Drug Trafficking in Africa: A Programming Guide,” U.S. Agency for International Development, April 2013.

compared to \$3.2 billion for drug trafficking). It is possible that media reports on wildlife trafficking are greater than the size of the market would predict because the activity is more visible to affected communities and leaves behind significant evidence in the form of slaughtered animals. The data also show a larger ratio of lower-level corruption to higher-level corruption in this activity compared to other TOC activities, which is consistent with the hypothesis that it may be less socially acceptable than other types of TOC.

I look next at other TOC activities for which we have market size data in Figure 2. Trafficking in persons, migrant smuggling and maritime piracy are medium-sized markets that I expect would attract high-level official involvement, yet there are almost no articles reporting that link in the database. Social disapproval of trafficking in persons and migrant smuggling could explain the low numbers for these two markets. In the case of maritime piracy, it is possible that a country's weak interdiction capabilities are sufficient enabling conditions for illicit operations so pirates have less need to resort to corruption. It is also likely that revelations of high-level involvement in maritime piracy would create political fallout among economic elites that would bear the cost of the attacks and would therefore deter the involvement of high-level officials.

Overall, the data provide initial support for the hypothesis that profits and social acceptance drive high-level corruption in TOC. This finding makes intuitive sense. Especially in countries that have smaller licit economies as those in Africa do, illicit markets that reach a certain size represent a notable resource that senior officials will seek to tap. The illicit rents become one of the main sources of wealth and power in the country. At the same time, senior officials will take political risk into account and may avoid involvement in TOC activities that are regarded with more disapproval.

Yet this relationship between profits in the criminal market and higher-level corruption may weaken where legitimate business opportunities are more plentiful and the economy is diversified. In those settings, TOC groups will likely represent a smaller element in government. As Cornell points out, "In Kazakhstan, the oil wealth of the country implies that even if criminal connections to government exist, the relative value of the drug trade is lower compared to the total economy of the country; the incentive to involve in the drug trade is hence lower. Likewise in Uzbekistan, the country's economy is more varied and provides other opportunities than the drug trade."¹¹ By contrast in neighboring Kyrgyzstan and Tajikistan, profits from the shadow economy represent one of the top sources of wealth, and criminals have infiltrated all levels of government. In Guinea-Bissau, for example, we would expect the high value of the drug trade compared to the total economy to lead to extensive high-level corruption; in Ghana, we would expect the strength of TOC groups to be countered to some extent by the representation of legitimate business interests in government.

IMPACT OF HIGH-LEVEL CORRUPTION ON THE POLITICAL LANDSCAPE

The second research question asks how high-level corruption linked with TOC affects the political landscape in different contexts. Like lower-level corruption, high-level corruption undermines public administration and the rule of law, corroding the system of government. But high-level corruption linked with TOC generates additional distortions that alter the political landscape, notably due to the large rents stemming from illicit activities. This research posits the theoretical impact of high-level corruption and criminal infiltration on political liberalization, political competition, and stability in different political contexts. It provides a useful starting point for future research on the impact of high-level corruption on a country's political system and politics.

¹¹ Svante E. Cornell, "The Narcotics Threat in Greater Central Asia: From Crime-Terror Nexus to State Infiltration?" *China and Eurasia Forum Quarterly*, Volume 4, No. 1 (2006), 52.

Although research on the topic is limited, available evidence suggests that high-level corruption linked with TOC inhibits political liberalization in authoritarian regimes. USAID research on authoritarianism finds that one of the primary factors explaining authoritarian resilience is the state's control of economic resources, notably from natural resources, state-owned enterprises and illicit rents.¹² In these regimes, leaders' access to illicit rents provides the means to keep supporters in line, co-opt opponents, and pay for a strong coercive apparatus. The illicit rents undermine forces of political liberalization in these contexts. The military junta in Burma, for example, withstood popular calls for democracy and separatist insurgencies in part because rents from natural resources and heroin trafficking financed a strong military.

High-level corruption is also likely to inhibit political liberalization in semi-democratic regimes. Senior leaders' involvement in TOC increases the stakes of an electoral turnover as they risk losing access to the illicit rents and possible prosecution by their successors. Although not the purview of TOC-linked leaders alone, they may undertake political machinations to maintain power such as changing the constitution so they can run for another term, grooming an inside candidate to succeed them, restricting opposition candidates' access to media, restricting media freedom, and manipulating the ballot count. President Fujimori's efforts to override constitutional term limits so he could stand for a third term and manipulate the ensuing election in 2000 provide a notable example of such tactics.¹³ Similar machinations explain the Tajik Constitutional Court's decision to allow President Akayev to run in the 2000 presidential elections for a third term despite constitutional provisions to the contrary.¹⁴ While the aim of these corrupt leaders is personal, their actions have a broader impact on political rights and civil liberties in a country.

In semi-democratic and democratic regimes, high-level corruption also inhibits political competition. Political candidates with ties to TOC are able to attract voters with their largesse. USAID case studies in Kenya and Ghana, for example, show that some members of Parliament linked with drug trafficking have invested in community projects and handed out cash to communities during their regular visits in order to maintain the support of their constituents.¹⁵ Handouts beyond the customary levels supported by party politics price out political candidates not complicit in the activity and limit competition.

The distribution of illicit rents across political parties shapes how much TOC money skews competition. Political competition is less skewed where political candidates have similar financial resources. This is more likely to be the case where politicians from different parties have access to illicit rents, a situation more typical in coalition governments and multi-party systems. In Kenya, for example, both parties in the coalition government of President Kibaki and Prime Minister Odinga had access to drug trafficking revenue.¹⁶ Similarly, in Nepal since the end of the civil war, all major political parties have had access to illicit rents which they have used to strengthen their political prospects via vote buying, street demonstrations and other campaign expenses.¹⁷

By contrast, political competition is more skewed where TOC profits flow disproportionately to one political party as they do in one-party dominant regimes. In Mozambique, for example, the governing FRELIMO (Frente de Libertação de Moçambique) party is the primary beneficiary of illicit rents at the

¹² Phyllis Dininio, Gwendolyn Bevis, David Timberman and Lynn Carter, "Democracy and Governance Programming in Authoritarian Settings: Issues and Evidence," prepared by Management Systems International for USAID, September 27, 2010.

¹³ John McMillan and Pablo Zoido, "How to Subvert Democracy: Montesinos in Peru," April 21, 2004.

¹⁴ Marat, 86.

¹⁵ Brooke Stearns Lawson and Phyllis Dininio, *The Development Response to Drug Trafficking in Africa: A Programming Guide*, prepared by Management Systems International for USAID, April 2013.

¹⁶ Phyllis Dininio and Brooke Stearns Lawson, "Narcotics and Development Assistance in Kenya Field Assessment," prepared by Management Systems International for USAID, December 2011.

¹⁷ Vanda Felbab-Brown, "Annex I - The Impact Of Organized Crime On Governance: A Case Study of Nepal," *Getting Smart and Scaling Up*, June 2013 available at http://cic.nyu.edu/sites/default/files/kavanagh_crime_developing_countries_nepal_study.pdf and Charles Goredema, "Annex III - The Impact of Organized Crime on Governance in Developing Countries: A Case Study of Mozambique," *Getting Smart and Scaling Up*, NYU Center on International Cooperation, June 2013.

national level and in many local offices that it controls, while the opposition RENAMO (Resistência Nacional de Moçambique) party primarily has access to illicit rents through selected local offices where it is in power.¹⁸ Indeed, U.S. government-designated drug kingpin Mohamed Bashir Suleiman is a major contributor to the FRELIMO party and has a personal relationship with former President Joaquim Chissano, current President Armando Guebuza, and other senior-level officials. Following the designation of Suleiman as a drug kingpin, newspaper articles pointed to these connections and noted the party's complicity in "riding dirty Bashir."¹⁹ Another major narcotrafficker, Ghulam Rassul Moti, is a direct contributor to President Guebuza's and FRELIMO's political campaigns.²⁰

Across regimes types, high-level corruption is also likely to increase instability. Illicit rents can exacerbate political tensions and attract challengers who vie for access to them. Guinea-Bissau illustrates the threat posed by political elites fighting for control of TOC activity within the state. The drug trade is largely believed to have at least partially motivated the double assassination of President Joao Bernardo Nino Vieira and Chief of Defense Staff General Batista Tagame Na Wai in March 2009²¹ and the 2011 coup attempt by Bubo na Tchuto, a U.S. government-designated drug kingpin and former Head of the Navy.²²

High-level corruption can also contribute to instability by eroding legitimacy and fueling opposition to the government. Revelations of senior leaders' corruption can spark regime change through the ballot box, popular protests, court cases, resignations or military action. In Peru, for example, release of a video showing President Fujimjori's senior aide bribing a congressman led to the president's resignation and new elections to replace him.²³ The erosion of legitimacy eventually triggers crises. As discussed by della Porta and Vannucci, external forces may contribute to a crisis, but the primary explanation for the breakdown of a corrupt system is endogenous.²⁴ In the case of the Clean Hands campaign starting in 1992 in Italy, for example, the end of the Cold War and integration with European markets contributed to a drop in support for the corrupt system, which had managed to contain the domestic communist threat through the Cold War. Yet the growing inefficiency in public administration and personalization of power were the main factors contributing to erosion of the system from within.

DURABILITY OF ILLICIT NETWORKS

As the foregoing outlines, high-level corruption linked with TOC undermines many aspects of governance, including political liberalization, political competition and stability. The system of privilege and exclusion linked with TOC may lead to popular demonstrations, electoral rejection of incumbents, judicial investigations, coups or wars. In the wake of these upheavals, the old guard leaves office and new political leaders take their place. But what is the likely trajectory of illicit networks at these junctures? Do they simply reestablish themselves with new leaders, or is there likelihood of reduced corruption? How is the balance of power between political leaders and criminals likely to shift? To answer these questions, I look at the examples of Mexico, Kyrgyzstan and Peru, for which there is sufficient information from secondary sources to inform this research.

¹⁸ Goredema.

¹⁹ Marcelo Mosse, "MBS: the Fall of the Mask," June 3, 2010 at http://macua.blogs.com/moambique_para_todos/2010/06/mbs-a-queda-da-m%C3%A1scara.html.

²⁰ "Mozambique Drug Barons 'Protected by President,'" Free Italian Press, December 13, 2010 at <http://www.freeitalianpress.org/2010/12/13/mozambique-drug-barons-protected-by-president/>.

²¹ See, for example, "Guinea-Bissau: Mutually Assured Destruction," *Africa Confidential*, vol. 50, no. 5, March 6, 2009.

²² "Poder military na Guine e 'permeavel ao narcotrafico,'" Lusa, May 17, 2012 as cited in International Crisis Group, "[Beyond Turf Wars: Managing the Post-Coup Transition in Guinea-Bissau](#)," Africa Report No. 190, August 17, 2012.

²³ Kirsten Lundberg, Robust Web of Corruption: Peru's Intelligence Chief Vladimiro Montesinos" Kennedy School of Government Case, 2004.

²⁴ Donatella della Porta and Alberto Vannucci, *Corrupt Exchanges: Actors, Resources, and Mechanisms of Political Corruption* (Hawthorne, NY: Aldine de Gruyter, 1999).

Mexico

For seven decades, Mexico's Institutional Revolutionary Party (Partido Revolucionario Institucional or PRI) held power in a centralized authoritarian system. PRI leaders used the police to control and extract rents from organized criminals. Officials protected criminals who operated quietly and paid their dues, and jailed or killed those who did not.²⁵ By the 1990s, PRI officials collected roughly \$500 million a year in bribes from criminal organizations.²⁶

Corruption, lack of democracy and economic mismanagement led to increasing dissatisfaction with the PRI. By the end of the century, opposition parties had won a number of state and local government elections. As local power increasingly fell outside PRI-controlled networks, the centralized state could no longer guarantee its side of the corrupt bargain.²⁷ With the PRI's defeat in the 2000 presidential election came a further loosening of the central state's control over organized crime.

The breakdown of the PRI's hegemony shifted the balance of power in the corrupt relationship. The criminal organizations increasingly decided what markets to operate in and who to ally with under what terms. Political decentralization gave the criminal organizations more freedom to operate, but it also introduced greater uncertainty as their allies in the state had diminished capacity to direct the actions of their colleagues. This heightened uncertainty contributed to an increased reliance on violence to enforce the compliance of officials outside their network.

In the same time period, the Mexican drug market became more lucrative. In response to increased U.S. interdiction efforts in the Caribbean, Colombian cartels began moving cocaine to the U.S. market through Mexico. By 2000, more than 70 percent of cocaine entering the U.S. market transited through Mexico.²⁸ The expanded market drew more criminal groups to the trade and increased the competition among them.

Under the Fox administration from 2000 to 2006, violence increased as competing criminal groups fought each other for control of illicit markets and confronted officials resisting their terms. But it was under the Calderón administration from 2006 to 2012 that violence skyrocketed. In an effort to reign in the violence and criminality, the Calderón administration embarked on a campaign to take down the kingpins in the criminal organizations. During his term in office, the administration succeeded in either capturing or killing 25 of the 37 most wanted cartel leaders.²⁹

Yet the decapitation strategy failed to stem the violence and instead led to violent succession struggles, shifting alliances among the organizations, a proliferation of new gangs and small criminal organizations, and ongoing battles between criminal groups and the state (see Box 1). The violence reached roughly 10,000 trafficking-related homicides per year under the Calderón administration with the brutality marked by beheadings, public hanging of corpses, killing of innocent bystanders, car bombs, torture, and the assassination of journalists and government officials.³⁰ The violent and fluid criminal market has featured the presence of multiple criminal organizations operating in an area, as depicted in Figure 3.

In addition to targeting drug kingpins, the Calderón administration attempted to strengthen the law enforcement apparatus. The administration purged corrupt officials from the ranks of police,

²⁵ See Stanley A. Pimentel, "Mexico's Legacy of Corruption," in Roy Godson, ed. *Menace to Society* for a description of the corrupt system.

²⁶ Paul Kenny and Monica Serrano, ed. *Mexico's Security Failure: Collapse into Criminal Violence* (New York: Routledge, 2011), 41, cited in Stephen D. Morris, "Corruption, Drug Trafficking, and Violence in Mexico," *The Brown Journal of World Affairs*, Spring/Summer 2012, Volume XVIII, Issue II, 31.

²⁷ Morris, "Corruption, Drug Trafficking, and Violence in Mexico."

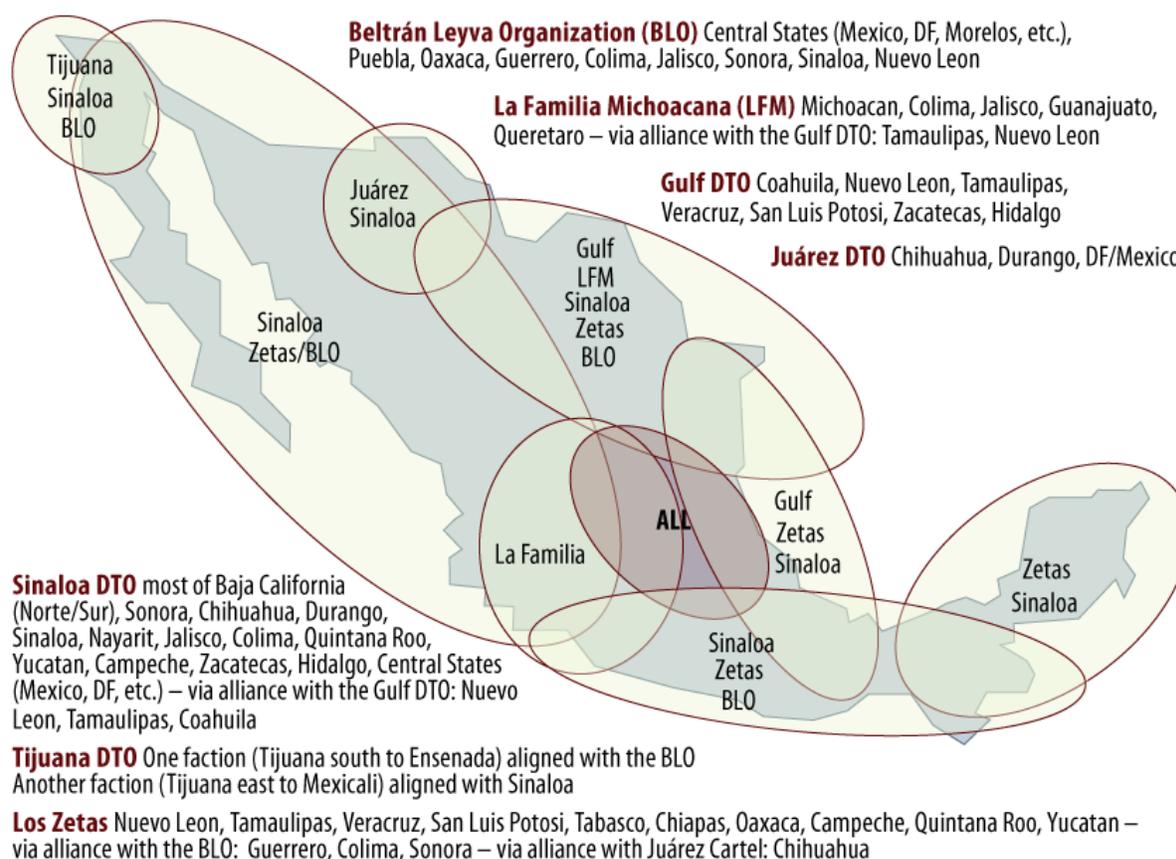
²⁸ Intelligence Center, *National Drug Threat Assessment 2005*, February 2005 cited in Morris, "Corruption, Drug Trafficking, and Violence in Mexico," 35.

²⁹ June S. Beittel, "Mexico's Drug Trafficking Organizations: Source and Scope of the Violence," Congressional Research Service, April 15, 2013, 1.

³⁰ *Ibid.*

investigators, prosecutors and customs officials through several rounds of dismissals. Between 2006 and 2010, the dismissals totaled 1.2 million police officers from city, state and federal forces.³¹ The administration also deployed 50,000 soldiers and 5,000 federal police to go after the criminal organizations as historically they had been less compromised.³² In addition, the government cooperated with hundreds of extradition requests from the U.S. government and initiated restructuring of the Mexican judicial system and the federal police. Corruption has persisted as the continuing arrests of high-level officials indicate, however. The arrests have included four high-ranking army officers (three of them generals) in May 2012;³³ the former governor in the state of Quintana Roo in April 2010; 38 public officials in the state of Michoacán in May 2009 including the former director of public security, the former state attorney general, and various mayors; and in November 2008, during the Operation Clean House, six members of the Assistant Attorney General's Office for Special Investigations on Organized Crime (Subprocuraduría de Investigación Especializada en Delincuencia Organizada or SIEDO), along with the head of the Mexican office of Interpol, directors of the federal police and close associates of the secretary of public security.³⁴

Figure 3. Map of Major Mexican Drug Trafficking Organizations' Areas of Influence, 2010



³¹ Morris, "Corruption, Drug Trafficking, and Violence in Mexico," 37.

³² Vanda Felbab-Brown, "The Violent Drug Market in Mexico and Lessons from Colombia," Brookings Policy Paper Number 12, March 2009, 33.

³³ Beittel, "Mexico's Drug Trafficking Organizations."

³⁴ Morris, "Corruption, Drug Trafficking, and Violence in Mexico."

Source: U.S. Drug Enforcement Administration, September 2010, adapted by CRS graphics, in June S. Beittel, "Mexico's Drug Trafficking Organizations: Source and Scope of the Rising Violence," Congressional Research Service, January 7, 2011.

A 2010 study on the presence of drug trafficking organizations in Mexican local governments provides further evidence that corruption has persisted. Entitled "Municipal Government and Organized Crime" and prepared for a committee of the Mexican Senate, the study found that 8% of Mexican municipalities were completely under control of organized crime and another 63% were infiltrated by organized crime. The study concluded that criminal groups operate with logistical support from corrupt municipal police and politicians in a majority of Mexican municipalities.³⁵

This case shows that the electoral shift away from PRI domination unsettled the corrupt arrangements between high-level public officials and criminal organizations. Political liberalization and decentralization shifted control toward the organized criminals, who began operating with more autonomy. They continued to use corruption as a primary tool in their dealings but increasingly used violence to intimidate officials, secure turf, and enforce deals.

While corruption stemming from organized crime is no longer organized and run from the highest levels of government, it is still extensive. Yet the support provided by the U.S. government in fighting the drug trafficking organizations through the nearly \$2 billion Mérida Initiative has bolstered the resources and political will of the central government and provided a counterbalance to the traffickers' resources. Although President Peña Nieto (elected in 2012 for a six-year term) may alter some aspects of President Calderón's security strategy, it seems unlikely that his administration will shift toward the high-level corruption and complicity that marked the PRI rule of the previous century.

Kyrgyzstan

Key officials in the authoritarian regime of President Akayev in Kyrgyzstan (1990-2005) played a central role in illicit markets. They used state structures to facilitate and extract rents from illicit activities, notably drug trafficking and smuggling of minerals, which accounted for roughly half of GDP. They also relied on criminal leaders to intimidate their competitors. Corruption within the administration was organized in a vertical hierarchy and the relationship between these officials and criminal leaders was collusive and largely reciprocal.

Sparked by allegations of corruption and vote fraud surrounding a legislative election, the Tulip revolution of 2005 ousted Akayev and brought then-opposition leader Bakiyev to power. The revolution caused a substantial weakening of the central state as officials tied to the old regime were pushed out of office leaving vacuums of leadership and institutional knowledge. Amid the chaos in state structures, criminal leaders seized the opportunity to grasp political and economic power. The dominant criminal figure in the south, Baiaman Erkinbaev, had provided financial and logistical support to the protests and became an informal ruler of the Osh region after the regime fell. The dominant criminal leader in the north, Rysbek Akmatbaev, organized demonstrations in the immediate aftermath of the Tulip revolution to demand the prime minister's resignation and then won a seat in the parliament. His motivations were allegedly personal as he sought revenge against the prime minister, whom he accused of complicity in the murder of his younger brother and member of parliament, Tynychbek Akmatbayev.³⁶ In a grab for

³⁵ "Measuring the Extent of Drug Cartel Control in Mexico," *LatinNews Daily*, September 15, 2010. Ricardo Ravelo, "Los Cárteles Imponen Su Ley," *Proceso*, October 24, 2010 cited in Beittel, "Mexico's Drug Trafficking Organizations."

³⁶ Erica Marat, "The State-Crime Nexus in Central Asia: State Weakness, Organized Crime, and Corruption in Kyrgyzstan and Tajikistan," *Silk Road Paper*, October 2006, 68.

economic assets, criminal groups also carried out over a dozen contract killings of businessmen during this time of unrest.³⁷

The subsequent assassinations of Baiaman in September 2005 and Rysbek in May 2006 restored some control over the illicit markets to the political elites. Many in their criminal groups were sent to jail or left the country, and some of their businesses were taken over. A member of parliament and former criminal from the south, for example, took over part of Baiaman's drug business.³⁸

Through the appointment of family members to key positions, President Bakiyev began constructing a shadow state that fused the government together with organized criminals and private interests. For example, one of his brothers took over the state protection service, exercising control over the police and intelligence service of the country. He allegedly used the security services, especially in the south along the transit route for Afghan heroin, to profit from drug trafficking. His son Maxim Bakiyev operated an extensive system of rent-seeking in all sectors of the economy, and appropriated businesses through manipulation of tax and prosecutor's offices.³⁹ Corruption became more centralized under Bakiyev's family than it had been under the Akayev regime, with larger bribes being paid to a smaller number of senior officials.

During Bakiyev's time in office, there were roughly 22 criminal groups operating in Kyrgyzstan,⁴⁰ but only three major groups with roughly 60 members.⁴¹ Members of the groups usually came from the same villages and ethnic groups. Their main sources of revenue were drug trafficking, contraband, gambling, prostitution, and licit businesses.

In April 2010, anti-regime protests once again erupted in the country and pushed Bakiyev out of office. In the wake of this upheaval, interethnic clashes erupted in the south in June 2010. The interim government alleged that Bakiyev's family instigated the violence and asked Britain to extradite Bakiyev's son Maxim on suspicion of financing the clashes.⁴² Bakiyev's brother Akhmat was later convicted of leading civil unrest in southern Kyrgyzstan in May-June 2010. There is speculation that Bakiyev's family fomented unrest in a bid to reestablish control over drug trafficking routes and other illegal businesses in the south.⁴³

Many hoped the introduction of a semi-parliamentary system later in 2010 would inhibit one family, region or group from capturing the government. The new constitution established a greater balance between the president, the prime minister, and the legislature. Yet so far this has replaced family-based corruption with coalition-based corruption, where the country's major economic and political assets are divided among political parties. The legislative parties making up the ruling coalition have parceled out responsibility over ministries, regional administrations, and some businesses through a kind of quota system. The fall of one coalition government and creation of another have led to constant reshuffling of staff. As Engvall notes, "the most pressing governance problem is no longer that of limiting presidential power, but how to restrain a roving parliament where the 120 deputies are mainly concerned with their own interests, not ideology, political reform programs, or effectively enacting legislation."⁴⁴

³⁷ Alexander Kupatadze, "Organized Crime Before and After the Tulip Revolution: the Changing Dynamics of Upperworld-Underworld Networks," in Sally Cummings, ed. *Domestic and International Perspectives on Kyrgyzstan's 'Tulip Revolution': Motives, Mobilization and Meanings* (New York, NY: Routledge, 2010).

³⁸ *Ibid.*

³⁹ Mahabat Baimyrzaeva, "Analysis of Kyrgyzstan's Administrative Reforms in Light of its Recent Governance Challenges," *International Public Management Review* Vol. 12, Issue 1, 2011.

⁴⁰ Alexander Kupatadze, "Smuggling and organized crime in Kyrgyzstan," Social Research Center, Bishkek, Kyrgyzstan, 2007.

⁴¹ Marat, "The State-Crime Nexus in Central Asia."

⁴² Kyrgyzstan to seek extradition of ex-president's son over riots," *RIA Novosti*. 15 June 2010.

⁴³ Baimyrzaeva, "Analysis of Kyrgyzstan's Administrative Reforms."

⁴⁴ Johan Engvall, "The Political Sources of Kyrgyzstan's Recent Unrest," *Central Asia-Caucasus Analyst*, June 26, 2013.

Several incidents illustrate continued corruption linked with organized crime. In March 2012, the brother of former President Bakiyev, Akhmat Bakiyev, escaped from prison and left the country, reportedly helped by corrupt officials. In April 2013, officials released organized crime leader Aziz Batukayev from prison on health grounds after he had served only one-half of a 16-year sentence. He had organized the 2005 prison riot in which Rysbek Akmatbaev's brother was killed. Some protested that his release violated a new law which bans amnesty for criminal bosses. The following month, the Kyrgyz legislative approved a resolution calling for the dismissal of several officials connected to Batukayev's release.⁴⁵

This case traces the shift in criminal-state relations over two regime changes. It shows how weakening central authority in the wake of the Tulip revolution shifted power to criminal leaders, but the Bakiyev regime's strategy of going after criminal leaders was effective in halting criminal ascendance. The success of that strategy, compared to its failure in Mexico, is perhaps explained by the smaller number of major criminal organizations in Kyrgyzstan. The second regime change under the new constitution has curtailed executive authority and increased legislative power. Corruption may be less centralized in this new system but is just as extensive. As one report summarized, corruption is persistent as "it is big business in a small country with limited resources."⁴⁶ It is unclear at this time how the new configuration of power will shift relationships between criminal groups and officials.

Peru

In 1990, Peruvians elected Alberto Fujimori to the presidency. A political outsider, he did not have a platform as his actual aim was to use the publicity from campaigning for president to win a seat in the Peruvian Congress. Once in office, he aligned with the military and focused on defeating the Shining Path insurgency and restarting economic growth. After Congress rejected various measures to increase the military's powers, Fujimori mounted a coup against his own government in 1992, closing the Congress and suspending the constitution.

Under Fujimori, the military relied on collusion with drug traffickers to supplement their operations. Drug traffickers paid the military based in the Huallaga Valley, the main coca-producing region in the country, to allow passage of narcotics and even to use military vehicles and infrastructure to move the drugs. In official court testimony in 1996, one of the country's foremost drug traffickers, Demetrio Chavez Pennaherrera, known as "Vaticano," testified that he had paid the military \$5,000 for every airplane of drugs he moved out of Peru.⁴⁷ The military used these illicit rents to finance the war against the Shining Path and even buy food for the troops.⁴⁸

Drug money extended beyond the military based in the Huallaga Valley. Both the senator and deputy from Huallaga Valley had open links to the drug world⁴⁹ and the de facto head of the National Intelligence Service, Vladimiro Montesinos, was receiving \$50,000 a month for his protection according to Vaticano's testimony.⁵⁰ Montesinos was Fujimori's closest advisor, and prior to his work in the government, had made a career as a lawyer defending Colombian drug-traffickers.

During this time, about forty trafficking groups operated in Peru, supplying mostly raw coca paste rather than the more profitable final product to Colombian cartels. Because the illicit market was less centralized and profitable, Peruvian drug trafficking groups did not have the political and economic clout

⁴⁵ Jim Nichol, "Kyrgyzstan: Recent Developments and U.S. Interests," Congressional Research Service, August 30, 2013.

⁴⁶ The report notes that key sources of corrupt rents are narcotics, energy, extractive industries, public finance and parastatals. See AETS Consortium, "Background Note on Transparency and Accountability in the Kyrgyz Republic," Support to Preparation of new Rule of Law Action in the Kyrgyz Republic for the European Union, December 2011.

⁴⁷ Schulte-Bockholt, *The Politics of Organized Crime and the Organized Crime of Politics*, citing *La Republica*, August 31, 1996: 16-17.

⁴⁸ Kirsten Lundberg, "Robust Web of Corruption: Peru's Intelligence Chief Vladimiro Montesinos" Kennedy School of Government Case, 2004.

⁴⁹ State Department cable, "Narcotics corruption in Peru: several shades of black," May 22, 1991.

⁵⁰ Sebastian Rotella, "Secrecy and Scandal in Peru," *Los Angeles Times*, September 26, 1996.

of their counterparts in Colombia and did not attempt to insert themselves into the political system as candidates or major campaign funders.⁵¹

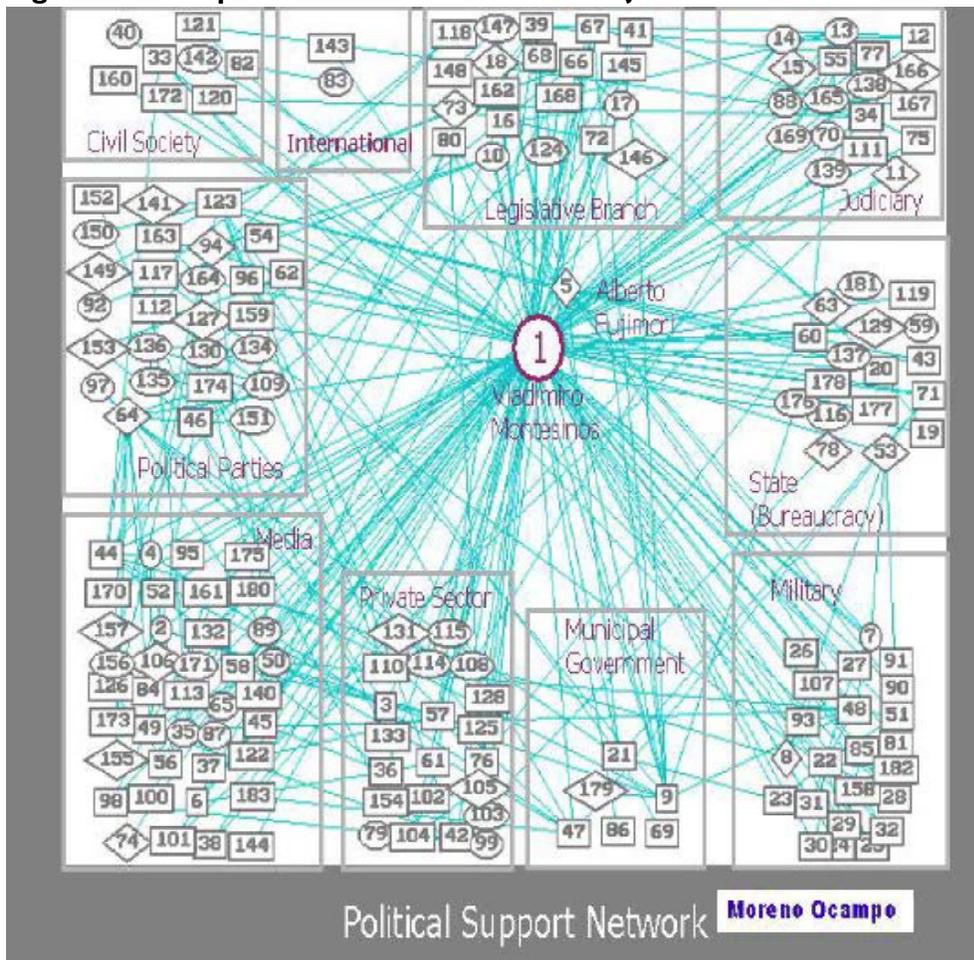
The corrupt arrangements between drug traffickers, the military and the National Intelligence Service under Fujimori operated throughout the 1990s. Success in fighting the insurgents and in sparking economic growth had led to Fujimori's reelections in 1995 and 2000. However, a web of corruption at the heart of the Fujimori administration was exposed in September 2000 when Congressman Fernando Olivera released a video which ran on television. The video showed Montesinos handing Congressman Kouri US\$15,000 per month to change his party affiliation and support the president. The ensuing outcry caused Fujimori to announce he would halt the National Intelligence Service's operations and call new elections in July 2001. But in November when he left the country to attend an Asia-Pacific Summit, he never returned and resigned the presidency by fax. Congress appointed Valentin Paniagua to head an interim government. Meanwhile, Montesinos fled the country and was later arrested in Venezuela and returned to Peru to face charges for corruption, murder, arms running, and drug dealing.

Over a thousand other videotapes subsequently surfaced and many were broadcast on television. The vladivideos, as they came to be called, showed Montesinos methodically bribing judges, congressmen, cabinet members, the news media owners and business leaders. Montesino had made the tapes as proof of the others' complicity. They gave a rare view into a network of corruption involving more than 1,400 people with Montesinos at the center. Figure 4 depicts the ties in the network based on the videos. Interestingly, analysis of the bribe prices paid by Montesinos shows that television was by far the priciest of the checks on executive authority and probably posed the greatest threat to the corrupt network. Bribes to television channels totaled more than \$3 million per month, while bribes to congressmen totaled less than \$300,000 per month and bribes to judges were approximately \$250,000 per month.⁵²

⁵¹ Schulte-Bockholt, *The Politics of Organized Crime and the Organized Crime of Politics*.

⁵² MacMillan and Zoido.

Figure 4. Corrupt Networks in Peru under Fujimori



Source: Kirsten Lundberg, “Robust Web of Corruption: Peru’s Intelligence Chief Vladimiro Montesinos” Kennedy School of Government Case, 2004.

The fall of Fujimori regime and election of Alejandro Toledo in April 2001 raised hopes for a credible effort to root out corruption. Tens of army generals hand-picked by Montesinos and implicated in corruption scandals resigned and investigations started into some 1,400 people. Yet the judicial system moved slowly with only 187 arrests and 58 convictions by October 2004. The special prosecutor for these cases, Luis Vargas Valdivia, complained that the Toledo government was obstructionist.⁵³ The vast majority of those involved in the web of corruption under Fujimori and Montesinos remained in place. The Toledo administration undertook no purging of the army or the judiciary.

Corruption and the penetration of drug money in politics have continued. Toledo and his successor Alan García are under investigation for corruption. García stands accused of selling presidential pardons to drug traffickers for \$150,000 at the end of his second administration during which at least 400 hundred convicted drug traffickers received pardons.⁵⁴ A further five members of Congress, three governors, and

⁵³ KSG epilogue note citing Juan Forero, “Peruvians Fight Graft One Case at a Time,” *New York Times*, April 5, 2004, 6.

⁵⁴ Jeremy McDermott, “4 Reasons Why Peru Became World’s Top Cocaine Producer,” December 25, 2013 at <http://www.insightcrime.org/news-analysis/why-peru-top-cocaine-producer>.

11 mayors are under investigation for money laundering and drug trafficking.⁵⁵ And reports indicate close ties between the military and drug traffickers continue.

This case shows the persistence of corruption even in the face of revelations, investigations and regime change. Coca production continues to represent a sizeable amount of the Peruvian economy and provide illicit rents to politicians and the military. With the departure of Montesinos and Fujimori, the large, organized network was disrupted and parts were disassembled, but many aspects of the corrupt system continued under subsequent administrations.

Analysis

As these country cases show, political upheavals represent a time of promise and uncertainty for efforts to curb corruption. The shift in political leaders leads to new coalitions and confrontations in illicit markets, and can alter the balance of power between officials and organized criminals. Where state power is weakened, criminals can gain ascendance in their operations and may become more violent as was the case in post-PRI Mexico and in post-Tulip revolution Kyrgyzstan. In both these cases, criminal groups were large and powerful enough to challenge the state. In Peru, by contrast, criminal groups were smaller and less powerful and did not challenge the state upon the collapse of the Fujimori administration. Moreover, the state arguably retained more of its strength during the political upheaval in Peru than was the case in Mexico and Kyrgyzstan, as most officials remained in their positions and provided continuity in government operations.

Political upheavals can weaken the state amidst significant shifts in staffing and rules, which break up patterns of authority and control. But this weakening is often temporary. New political leaders can use the powers of the state to redefine the relationship with criminal groups. Where new political leaders insert themselves into criminal markets, a semblance of stability may return as in Kyrgyzstan under Bakiyev. Where political leaders continue to struggle with criminal groups as in Mexico under Calderón, violence and instability in illicit markets may continue.

New leadership and officials in government represent a time of promise to root out corrupt arrangements. Most promising are transitions that bring in leaders committed to clean and effective government. Along with this commitment, leaders must move quickly to strengthen the rule of law and broader accountability framework and reduce institutional vulnerabilities to corruption. If the underlying conditions that contribute to high-level corruption do not change, it is hard for a change in people to do so. An interview with a senior official in the Kibaki government in Kenya explains how illicit networks can reassert themselves after a shift in political leadership. He explains that at the end of the Moi regime, corruption had assumed new heights, but the election of the National Rainbow Coalition in 2002 brought hopes for change and disrupted the corrupt networks in place. While many of the new officials brought on under Kibaki had good intentions, they had few resources and succumbed to businessmen who offered them large cash bribes. As more officials succumbed to these offers, he explained, “The few of us who were clean became more and more isolated.”⁵⁶

CONCLUSION

This research suggests a number of lessons for development assistance to address TOC-related challenges. First, high-level officials are more likely to engage in TOC activities characterized by high profits than other kinds of crime. Development actors should pay particular attention to the more

⁵⁵ Marguerite Cawley, “Peru Investigates 19 Politicians for Narco Ties,” September 5, 2003 at <http://www.insightcrime.org/news-briefs/19-peru-politicians-investigated-for-narco-links-money-laundering>

⁵⁶ Interview conducted for Phyllis Dininio and Brooke Stearns Lawson, “Narcotics and Development Assistance in Kenya Field Assessment,” prepared by Management Systems International for USAID, December 2011.

lucrative TOC activities, which in many countries are drug trafficking and mineral trafficking. In addition to fostering accountable governance and strengthening judicial institutions to increase the risks of engaging in criminal activities, development efforts should consider ways to make lucrative crimes less profitable. In the case of drug trafficking, this could include education and treatment to reduce drug demand. In the case of mineral trafficking, this could include support for such efforts as the Extractive Industries Transparency Initiative and the Kimberley Process Certification Scheme.

Second, high-level officials are more likely to engage in socially accepted TOC activities, to the extent that there are differences across them, to reduce any personal and political fallout from their involvement. Accordingly, development actors could work to make the more lucrative TOC activities less socially acceptable. Efforts could support research, media programming, investigative journalism, local media development, community mobilization, civil society advocacy and diplomatic pressure.

Third, high-level corruption is likely to inhibit liberalization, depress political competition and increase political instability. In more repressive regimes, the involvement of political leaders in TOC activities may give the regime resources to endure longer than it might otherwise, but it also may spark challengers and political upheaval. In more democratic regimes, high-level corruption erodes legitimacy, and may potentially trigger crises. One way development assistance can help to dampen the distorting effect of criminal profits in politics is to foster economic development, which creates alternative sources of power. As the discussion of Kazakhstan and Uzbekistan above suggests, where legitimate business opportunities are more plentiful and the economy is diversified, the impact of TOC revenues on politics will be smaller. Development assistance can also help limit the influence of money in politics through such reforms as limits on campaign contributions, public funding of candidates, party financing disclosure requirements and official wealth declarations. In addition, development assistance can make other contributions to reducing the impact of TOC-related corruption on politics, such as fostering media freedom and supporting a politically active civil society.

Finally, illicit networks linked with TOC are durable and often reestablish themselves after a political transition. The change in political leadership is not sufficient to reduce the involvement of high-level officials in TOC activities. To weaken the influence of organized crime in government, new leaders need to address institutional vulnerabilities to high-level corruption. Principally, this effort involves strengthening the rule of law, improving the accountability framework and increasing political and economic competition. These are key institutional measures to reduce the penetration of TOC activities into the political establishment and provide a long-term foundation for the control of corruption.

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