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**CRIMINALIZATION AND STABILITY IN CENTRAL  
ASIA AND SOUTH CAUCASUS**

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**INTRODUCTION**

In assessing the prospects for stability in Central Asia and South Caucasus, it is essential to consider the impact of crime and corruption. Since the collapse of the Soviet Union there has been a process of criminalization in both subregions that make up CASC, involving drug trafficking, organized crime, shadow economies, and corruption and rent seeking. Once on the margins—or more accurately in the shadows—of the Communist systems, in the post-Soviet world these phenomena have moved to the center of political and economic life. They play a critical role in the success or failure of transitional measures toward democracy and free markets. It is generally assumed that their impact is negative, not only complicating and inhibiting the transition process but contributing significantly to instability and creating new insecurities in society. Yet their effects do not point unequivocally in this direction: the criminalization of societies has many negative consequences but also provides some benefits. The precise balance between positive and negative varies from country to country and changes over time. Indeed, in the short term, organized crime, drug trafficking, and the operation of shadow economies and informal markets give to many citizens means of economic advancement that are not available in the legal economy. Consequently, they act as both a safety valve and a safety net. But this is not to ignore either their negative short-term consequences or their even more serious long-term effects. In the long term, the criminalization process is likely to add significantly to the prospects for instability. The choice of illegal over legal economic activity is a

rational short-term choice, but it chokes off legitimate activity and reduces the flow of resources to the state by avoiding taxation.

These negative consequences are particularly marked in relation to the fourth component of this criminalization syndrome: corruption and rent seeking by political elites. Long-term political corruption combined with inadequate state capacity in other areas can ultimately lead to widespread disaffection. In such circumstances protest movements, whatever their origin or impulse, will very likely garner widespread support, not necessarily because of their intrinsic appeal to populations but as a means of channeling broader political and economic dissatisfactions. Indeed, Central Asia has already witnessed the emergence of an Islamic insurgent movement fueled not only by support from elsewhere in the Islamic world but also by the alienation of populations that are politically oppressed and economically depressed.<sup>1</sup>

If one component of the criminalization process is likely to catalyze support for insurgencies, such movements can also benefit from the direct or indirect involvement of their own in illegal activities. Crime can be lucrative, and drug trafficking in particular can provide opportunities for insurgent groups to fund their activities—either through direct participation or through the imposition of taxes on traffickers or growers. This pattern has been evident elsewhere in the world, particularly Colombia and the Balkans, and it is unlikely that Central Asia deviates markedly from it. Thinking 10 to 15 years into the future, therefore, it seems likely that any short-term stabilizing effects of the criminalization syndrome will be more than outweighed by the long-term destabilizing consequences.

Before elucidating and developing these themes, however, it is necessary to identify characteristics of CASC that determine the extent and impact of the criminalization syndrome. That is followed by an analysis of the major components of the criminalization syndrome, with reference both to the region as a whole and to individual states. Succeeding sections explore the relationship between criminalization and the dominant regimes, then consider several plausible sce-

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<sup>1</sup>The Islamic Movement of Uzbekistan is generally referred to as a terrorist movement but is better understood as an insurgent movement.

narios for the period 2010 to 2015. The final section offers some brief concluding observations.

## CHARACTERISTICS OF CENTRAL ASIA AND SOUTH CAUCASUS

Central Asia is sometimes seen as a unified region in which the member states share many characteristics. There are good reasons for this. The five “stans” occupy a large swath of land marked by aridity and the need for irrigation agriculture. They also share a history of integration within the Soviet empire and subordination of their own economic needs to those of the bloc as a whole, a subordination that left them with massive environmental problems, highly skewed trade patterns, and distorted production bases. Since independence, they have all suffered to one degree or another from hyperinflation, the growth of unemployment, the loss of traditional markets and trade outlets, and limited investment capital. The transition process has proved both painful and protracted—and progress in all five countries toward democracy and a market economy has been limited. Much the same is true of the South Caucasus. In this subregion, animosities between Azerbaijan and Armenia provide an added complication, while Georgia has exhibited severe growing pains.

Looking at CASC from a regional perspective, one of the most significant factors is the high level of poverty. The collapse of the Soviet Union and the subsequent transition process were enormously disruptive, involving large-scale economic dislocation, serious social and economic deterioration, and major hardship (See Chapter Three). It is estimated that the economies of former Soviet republics are, on average, 40 percent lower than in 1989.<sup>2</sup> In Armenia, for example, an estimated 80 percent of the population lives in poverty on less than \$25 a month, and although the official unemployment rate is 17 percent, there are claims that the real figure is 50 percent.<sup>3</sup>

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<sup>2</sup>Gustavo Capdevila, “Former Soviet Republics Still 40% Worse Off,” CIS, *Inter Press Service*, May 14, 2001, [www.atimes.com/c-asia/CD11Ag02.html](http://www.atimes.com/c-asia/CD11Ag02.html).

<sup>3</sup>“Despite Foreign Aid, 80% Live in Poverty,” Armenia, May 2, 2001, [www.times.kg](http://www.times.kg).

The problems confronting the two subregions are reflected in the Human Development Index (HDI) used by the UN to assess overall quality of life around the globe. The HDI is a composite index that encompasses a variety of factors such as GDP per capita, availability of water, and accessibility of health and welfare services.<sup>4</sup> The countries of CASC generally fall into the level of “medium” development as ranked by the HDI.<sup>5</sup> In 2000, they were ranked as follows: Kazakhstan 76 (down from 64 in 1995), Georgia 85, Armenia 87, Uzbekistan 92, Turkmenistan 96 (down from 86 in 1995), Kyrgyzstan 97 (down from 86 in 1995), Azerbaijan 103, and Tajikistan 108 (down from 103 in 1995).<sup>6</sup> Within this broad category, clearly there are considerable variations. Kazakhstan, for example, because of its oil potential, has attracted considerable foreign investment, while Tajikistan, the lowest-ranked state, has little or no appeal for outside investors. Uzbekistan, for its part, witnessed the withdrawal of some foreign investment in 2001, partly in response to overregulation and corruption.

In terms of economic growth, in 2000 and 2001 many of these economies started to improve, with some instances of double-digit growth. The overall outlook remains gloomy, however. Even where there has been foreign investment in the oil industry, this has generated sectoral dynamism but has contributed to a two-tier economy rather than comprehensive across-the-board growth. In short, these are countries in which many of the needs of citizens are not met by government or by business, and where there is considerable capacity for alienation and subsequently violence in an attempt to improve conditions.

Common problems, however, should obscure neither the political diversity of the countries in CASC nor the differences between the two subregions. In many respects, for example, the five states of Central Asia—Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan, and Uzbekistan—differ markedly from one another. This is not surpris-

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<sup>4</sup>For an overview and explanation of the HDI, see [www.undp.org/hdro/anatools.htm](http://www.undp.org/hdro/anatools.htm).

<sup>5</sup>The “high” development category encompassed countries ranked from 1 to 46 in 2000; “medium” countries were ranked 47–139 and “low” 140–174. Sierra Leone was ranked last, Canada first.

<sup>6</sup>The Human Development Annual Reports can be found at [www.undp.org/hdro/highlights/past.htm](http://www.undp.org/hdro/highlights/past.htm).

ing: although Soviet rule and central planning deformed the politics and economics of the Central Asian states, each state was affected differently.<sup>7</sup> The same is true in the South Caucasus. Each country has unique problems that, in some cases, greatly complicate the general regionwide problems. Among these regional problems is an ethnic kaleidoscope that results in cross-national loyalties and a potential for intercommunal violence that could in turn seriously increase tensions among governments. Ironically, this is accompanied by incomplete nation building. Even within ethnic groups, national identities constantly have to compete with tribal and clan affiliations.<sup>8</sup> This has been a huge problem in Tajikistan and Georgia, but it also has the potential to be troublesome in other countries.

Both Central Asia and the South Caucasus are vulnerable to external forces that could all too easily combine with internal weaknesses to create far-reaching instability. These forces differ, of course, between the two subregions. In the South Caucasus, Georgia in particular faces the danger of spillover from the Chechnya conflict. For its part, Central Asia needs to be viewed as a border region with Afghanistan and Iran, with close proximity to Pakistan. In other words, it has the misfortune to be located next to the largest heroin-producing region in the world. Moreover, states bordering Afghanistan have suffered to one degree or another from the spillover effects of the drug trafficking and internecine warfare in that country. The rise of religious fundamentalism has also created new dangers and tensions for Central Asia. And because borders in both subregions are so porous, weapons are easily transshipped into and through the countries of the region, offering easy opportunity for those intent—for whatever reason—on challenging the regimes, revising the political status quo, or pursuing ethnic agendas.<sup>9</sup> The ready availability of arms is a potent vulnerability for countries in which governments have limited legitimacy and state capacity is low. In sum, the permeability of the region to external forces adds to the

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<sup>7</sup>S. Frederick Starr, "Making Eurasia Stable," *Foreign Affairs*, January/February 1996, p. 81.

<sup>8</sup>S. Akiner, "Post-Soviet Central Asia: Past Is Prologue," in P. Ferdinand (ed.), *The New Central Asia and Its Neighbors*, London: RIIA/Pinter, 1994, pp. 10–11.

<sup>9</sup>See Bobi Pirseyedi, *The Small Arms Problems in Central Asia: Features and Implications*, Geneva: UNIDIR, 2000.

demands placed on governments, while also offering more serious opportunities for interethnic violence, terrorism, or insurgencies.

The removal of the Taliban regime in Afghanistan as part of the U.S. war against terrorism is likely to have both positive and negative consequences. On the one side, it has removed from the region a destabilizing regime. On the other, it could contribute significantly to the radicalization of Islamic forces in Central Asia and possibly even in the South Caucasus. Part of the reason for this latter danger is the other long-term characteristic of most of the countries of CASC: the alienation of populations. Rooted in both political oppression and the stark contrast between mass poverty and elite wealth, the alienation process has been accentuated by the collapse of basic social provisions such as health services that were widely and readily available during the Soviet era. The lack of progress toward democratic accountability combines with continued elite dominance and exclusivity to limit opportunity for legitimate expressions of political opposition. The corollary is that political opposition is increasingly likely to take violent forms.

With the blocking of both economic advancement in the legitimate economy and the effective articulation of legitimate grievances in the political arena, alternative strategies for both economic and political advancement are increasingly attractive. Drug trafficking or involvement in organized crime and black market activity become a means of making money for those with few or no legitimate alternatives, while political frustration can all too easily result in violent strategies to articulate grievances. The addition of Islamic fundamentalism renders the mix even more volatile. In some respects, turning to religion is an understandable response to material deprivation: salvation in the next world is possible even if there are acute problems in this world. Yet the attraction of Islam is not confined to spiritual comfort: Islam also offers an attractive form of political activism (see Chapter Two). Although Islam is, in some quarters at least, a messianic religion, recruitment in Central Asia is propelled as much by domestic factors as by the crusading activities of external forces. The irony of the U.S. military attack on Afghanistan and its cooperation with Pakistan is that this has eliminated the prospect of Taliban-inspired militancy while strengthening the domestic forces in Central Asia contributing to the rise of Islamic militancy—including

ing the desire of Uzbekistan's government to clamp down on all political dissent.

The implications of alienation for the rise of organized crime, insurgency, and Islam are profound. Disenfranchised, poor, and alienated populations provide an excellent recruiting pool for criminal organizations, insurgent groups, or fundamentalists intent on replacing the dominant secularism with a religious state. Criminal groups offer economic advancement and higher status; insurgencies offer opportunities for political expression; and religious groups offer salvation and an alternative vision of political life. In looking at the rise of fundamentalism in Central Asia, therefore, its broad appeal is obvious. Repressive societies, in which benefits are concentrated within the elite, encourage citizens to turn to any movements that offer some promise of alleviation. In this sense, growing support for militant Islamic movements is in large part a protest against economic and social conditions. In sum, the quality of governance in CASC states is such that citizens will turn to crime, political violence, or religious fundamentalism as a means of coping with political oppression and economic deprivation. It is against this background that the criminalization syndrome must now be elucidated.

### **THE CRIMINALIZATION SYNDROME**

One of the most important components of the new reality in CASC is what is termed here the "criminalization syndrome." This term is particularly useful because it encompasses several distinct but reinforcing components:

- The involvement of many of the countries (in both subregions but particularly in Central Asia) in the drug trafficking industry that has centered around Afghanistan and its huge opium production.
- The emergence of organized crime as an intrusive force in political, economic, and social life in both Central Asia and the South Caucasus.
- The emergence of large shadow economies that encompass illegal economic activities and informal activities that are beyond the reach of the state (and outside both tax and regulatory sys-

tems) and provide an important means of subsistence for many people.

- The prevalence of corruption and rent seeking on the part of government officials and even law enforcement personnel.

Each of these components of the criminalization syndrome must be examined in turn, with particular emphasis on its scope and characteristics in CASC.

### **Organized Crime**

The concept of “organized crime” has long been controversial, with many competing definitions. While most observers agree that organized crime is about the provision of illicit goods and services, there are intense arguments about the structure of criminal organizations. Those who focus on traditional “*mafiya*” families emphasize the need for a structured hierarchy and centralized leadership and control. Others contend that organized crime often manifests itself through loose, fluid, network-based organizations. Even recognizing that the “organization” of organized crime differs in different places and circumstances, the latter argument is generally more compelling: networks are highly functional and sophisticated organizational forms and offer criminals an efficient and effective way to conduct their activities while minimizing and countering the risks they face from law enforcement.

The UN grappled with the issue of definition for several years as it moved toward the creation of a convention against transnational organized crime, finally unveiled in Palermo in December 2000. The convention defined an organized criminal group as “a structured group of three or more persons existing for a period of time and acting in concert with the aim of committing one or more serious crimes or offenses established pursuant to this Convention, in order to obtain, directly, or indirectly, a financial or other material benefit.”<sup>10</sup> Although there can be argument about the number of people required, the part of the definition that captures the core of organized crime is the idea of profit through crime. Indeed, rather than

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<sup>10</sup>For the text of the convention, see [www.odccp.org/palermo/convmain.html](http://www.odccp.org/palermo/convmain.html).

becoming preoccupied with definitional issues, it is preferable to focus on essences. In this context, in a parallel to Clausewitzian thought, one can argue that organized crime can best be understood as the continuation of business by criminal means.<sup>11</sup> This obscures some aspects of organized crime—especially the fact that organized crime is often rooted in family and kinship and in patron-client relations—but it leads to a clear understanding of the pragmatism of organized crime and the desire to exploit any situation to maximize opportunities for profit so long as the risks are tolerable.

Organized crime is highly acquisitive and highly rational—and this has important implications for developments in CASC. Indeed, the most salient feature of organized crime in the transitional states of the former Soviet Union is the extent to which it pervades economic life: it has infiltrated most sectors of the economy to one degree or another and has influence or control over large chunks of economic activity—not simply the provision of illegal goods and services. Although it provides alternative employment opportunities and some income generation, organized crime is one of the most pernicious forces in contemporary political, economic, and social life in CASC: it undermines the rule of law, challenges the state monopoly on the use of violence, has a corrosive effect on state institutions, drives out legitimate economic activity, and frightens off foreign investment.

These consequences are pervasive throughout both subregions. Yet the manifestations of organized crime differ from country to country. In Kazakhstan, organized crime succeeded in establishing a strong foothold in the early 1990s. Racketeering and organized prostitution were merely two components of a much broader portfolio, which included infiltration of the banking system and the use of corrupt bank officials and forged letters of credit to conduct large-scale financial fraud.<sup>12</sup> Moreover, although there is little public discussion of this development, it is very likely that criminal organizations, operating through various front companies, are heavily involved in the oil sector in Kazakhstan, a development that could pose prob-

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<sup>11</sup>The Clausewitzian concept of organized crime has been enunciated by the author.

<sup>12</sup>Sergey Skorokhodov, “Kazakhstan—Morals Will Be Policed” (in Russian), *Moscow Rossiyskaya Gazeta*, March 22, 1994, p. 6.

lems for Western oil companies.<sup>13</sup> In Kyrgyzstan, extortion activities in the Osh market received a lot of attention, but these were part of a much wider phenomenon that encompassed car theft, trafficking in women, illegal trafficking in wildlife (particularly falcons smuggled to the Middle East), drug trafficking, money laundering, and a wide variety of financial crimes. Theft of livestock was also a problem—with many of the perpetrators never being identified.

In Uzbekistan, by the middle 1990s, there were close links between leaders of the major criminal organizations and the political elite.<sup>14</sup> It was thus not entirely surprising when in 2000, Australia refused to allow two Uzbek officials with the Olympic team to enter the country on the grounds that they were implicated in organized crime. If the political-criminal nexus was well developed in Uzbekistan, however, it did not preclude the successful operations of groups from outside the country.<sup>15</sup> Korean criminal organizations, for example, developed a strong base in the Fergana Valley and a handle on trade with the Far East, as well as important influence in the restaurant business.

In Georgia too, it is difficult to overestimate the political importance of criminal organizations. With deep roots in Georgian and Soviet history, they have been particularly important from the inception of Georgia's independence. When Eduard Shevardnadze took over the reins of power, he had to make expedient alliances with warlords and mafia figures such as Iosseliani and his paramilitary followers, the Mkhedrioni or "horsemen." Although Shevardnadze subsequently arrested his erstwhile ally and banned the Mkhedrioni, problems remain. Warlords are less important than they were in the early 1990s, but organized crime is still a powerful factor in Georgian political and economic life.

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<sup>13</sup>For a fuller analysis, see Tamara Makarenko, "Patterns of Crime in the Caspian Basin," *Jane's Intelligence Review*, April 1, 2001.

<sup>14</sup>This observation is based on a personal interview by the author with a U.S. official in Tashkent in March 1996.

<sup>15</sup>For a full articulation of the notion of the political-criminal nexus, see "Special Issue: Confronting the Political-Criminal Nexus," *Trends in Organized Crime*, Vol. 4, No. 3 (Spring 1999).

Indeed, the Georgian criminal world shares many characteristics with the Russian. There is pervasive penetration of the economy. Organized crime controls not only motor vehicle construction plants but also “manganese mining and ferrous-alloy producing enterprises in western Georgia.”<sup>16</sup> As in Russia, the looting of major enterprises is continuing, with rare metals being smuggled out of the country.<sup>17</sup> There are also close links between leading criminal figures and Georgian politicians and members of the government. As one report noted, criminal leaders “take a ride in the cars belonging to senior officials in the Georgian authorities, give business advice to businessmen, and if arrested, enjoy support from bureaucrats.”<sup>18</sup> Members of parliament even intercede with law enforcement on behalf of leading criminals who have been arrested.

Among the most influential criminal leaders are Shakro Kalashov, alias Molodoy, Dato Tashkenteli, Taniel Oniani, Gia Kvaratskhelia, and Babua Khasan. Kalashov, a young Russian, reportedly controls a number of banks and casinos in Russia, including the popular Kristall in Moscow, from his base in Georgia. Another criminal authority, Melia [Fox] in Kutaisi, controls banks and is believed to be involved in money laundering.<sup>19</sup> Most of the criminal authorities live in Tbilisi, with 120 in Kutaisi, 12 in Rustavi, and 21 in Khoni.<sup>20</sup> Even more of the authorities are based in Russia, particularly Moscow, although there are some reports that their influence there is declining. In January 2001, Mindadze, a key figure in a “West Georgian organized crime affiliate specializing in extortion, fraud, carjacking, drug pushing, and abductions” was arrested in Moscow.<sup>21</sup> In Georgia itself, however, they remain well entrenched. Indeed, in

<sup>16</sup>“Georgian president bans armed vigilante units in troubled eastern Georgian area” (in Georgian), Georgian Radio, Tbilisi, July 23, 2001, BBC Worldwide Monitoring.

<sup>17</sup>Ibid.

<sup>18</sup>Giorgi Kapanadze, “Members of Parliament Take Crime Bosses Under Their Wing” (in Georgian), *Tbilisi Rezonansi*, August 22, 2000, p. 1.

<sup>19</sup>A criminal authority is a criminal leader with high status in the criminal world. Although it is tempting to translate this as “godfather,” there are important differences that preclude a facile equivalence.

<sup>20</sup>Ibid.

<sup>21</sup>Andrey Mukhin, “A ‘Proper Criminal’ Nabbed on Narcotics: the Georgian Criminal Community Is Sustaining Losses” (in Russian), *Moscow Segodnya*, January 13, 2001, p. 7.

some quarters the number of leaders is regarded as an indicator of criminal influence, with some commentators suggesting that Georgia is becoming a criminalized state.<sup>22</sup> At the very least, there are parts of the country where the presence of the Georgian state is weak, if it even exists at all. This was evident in the crisis that erupted in the Pankisi Gorge in July 2001. Populated by ethnic Chechen citizens of Georgia and Chechen refugees, the gorge had become a “safe haven for criminals involved in drug trafficking and hostage-taking.”<sup>23</sup> An armed criminal group of about 70 people operates from the gorge, engaging in drug trafficking, kidnapping, and extortion. In the gorge itself, the writ of the state is meaningless, law enforcement is absent, and anarchy is tempered only by a criminal order based on relative power. This was evident in the offer of one of the criminal leaders, Vepkhia Margoshvili—who is wanted by Georgian law enforcement for drug trafficking and kidnapping—to guarantee order in the gorge in return for an amnesty. Although the tensions were gradually diffused, the episode revealed that while Georgia has come a long way from the violence of the early 1990s, stability remains fragile. Indeed, there have been several developments in recent years that indicate a possible intensification of competition among the elites. The Mkhedrioni have become an overtly political force, while the localized mutiny of an army detachment in spring 2001 highlighted the fragile nature of critical institutions.

The complexity of crime and politics in Georgia is surpassed only by that in Tajikistan. The civil war of 1992 to 1997 was a complex struggle between the old Communist leadership on the one side and a combination of democratic reformers and Islamic fundamentalists on the other. This was overlaid by old clan feuds (between the ruling “kuliab” clan—whose members, from the city of Kuliab, provided the Communist leadership in Tajikistan—and the rebellious clan groups “Lali Badakhshan” and “Rastochez”). The conflict also involved ethnic rivalries that reflected longstanding tensions between Tajiks and Uzbeks. It was exacerbated by a struggle among rival warlords, criminal groups, and drug traffickers for control of drug routes and

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<sup>22</sup>Giorgi Kapanadze, “Shevardnadze and godfathers of the thieving fraternity” (in Georgian), *Tbilisi Rezonansi*, September 1, 2000, p. 1.

<sup>23</sup>See “Georgian president bans armed vigilante units.”

markets.<sup>24</sup> Moreover, in a country in which the major economic activity centered on drugs and arms, drug traffickers and rival warlords were able to consolidate their position and power into the resulting peace. Although Tajikistan managed to restore a semblance of stability in the late 1990s, organized crime continues to have significant influence. This was particularly evident in the apparent contract murder of Tajikistan's deputy interior minister, Khabib Sanginov, in Dushanbe in April 2001. Significantly, Sanginov had been leading a government effort to combat organized crime. The assassination was reportedly carried out by eight gunmen, and Sanginov's driver and two bodyguards were also killed. The Islamic Renaissance Party said the killings posed a threat to stability in the country.<sup>25</sup>

In sum, although organized crime differs in some of its incidentals, in its essentials it is a major player in the economic and political life of CASC. In several countries it clearly overlaps with drug trafficking.

### Drug Trafficking

Although organized crime has taken on a variety of forms in CASC, in Central Asia much of it revolves around the drug trade. While some organized crime groups traffic in drugs as simply one among several illegal commodities, there are many groups that specialize in drug trafficking, developing expertise in moving the commodity, in circumventing or corrupting border guards, and in developing transnational linkages. A certain amount of cultivation also takes place in Central Asia, and several countries in the region produce acetic anhydride, an important precursor for heroin. The real problem for the countries of Central Asia, however, is that they are natural transshipment points for opium and heroin from Afghanistan on its way to the markets in Russia and Western Europe. In the late 1990s, Afghanistan emerged as the world's largest opium producer, surpassing Burma in the process. Producing 2,693 metric tons of raw opium in 1998, Afghanistan—in part as a result of the stability imposed by

<sup>24</sup>See Richard Pomfret, *The Economies of Central Asia*, Princeton N.J.: Princeton University Press, 1995, pp. 98 and 193.

<sup>25</sup>Gregory Gleason, "Tajikistan Minister's Murder Points to Drug-Route Conflict," *The Times of Central Asia*, [www.times.kg/times.cgi?D=article&aid=1017175](http://www.times.kg/times.cgi?D=article&aid=1017175).

the Taliban—produced 4,581 tons in 1999.<sup>26</sup> Although the Taliban had condemned drug cultivation, the exigencies of power encouraged both toleration and taxation of the activity, at least in the short term. In 2000, partly because of weather conditions, production fell to 3,275 tons.<sup>27</sup> There is some evidence that in 2001 the Taliban was implementing its promised ban on cultivation.<sup>28</sup> Prior to September 11, however, this had not led to a real reduction in trafficking, partly because of extensive stockpiles and partly because the opposition Northern Alliance was heavily involved in the business. Indeed, there appeared to be a clear relocation of heroin laboratories to northeastern Afghanistan near the border with Tajikistan. On July 15, 2001, Russian border guards on the Afghanistan-Tajikistan border seized over two tons of raw opium to complement the 1,000 kilograms of heroin and 1,500 kilos of other drugs they had already seized in 2001. As one commentary noted,

Three aspects of this incident are striking. First, it is officially described as the largest drug consignment ever seized “on any CIS border.” Second, the raw opium came from the northern Afghan area opposite Tajikistan, controlled by Russian-backed, anti-Taliban forces, where poppy cultivation has increased after the Talibs suppressed it in their territory. And, third, the massive smuggling of raw opium across that border, as recently reported, indirectly confirms the information about heroin-making laboratories thriving in Tajikistan.<sup>29</sup>

There have been reports for some years that the processing of opium into heroin is taking place in Tajikistan, especially in the Pamir mountains, and this seizure certainly gives credence to such contentions.

Nor is this the only way Tajikistan is becoming more centrally involved in the drug business. Widespread poverty has lent a certain attraction to participation, if only as couriers, in drug trafficking—

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<sup>26</sup>These figures are taken from S. Redo, “Uzbekistan and the United Nations in the Fight Against Transnational Organized Crime,” in Tadeusz Bodio (ed.), *Uzbekistan: History, Society, Policy*, Warsaw: Elipsa, 2001.

<sup>27</sup>Ibid.

<sup>28</sup>Ibid.

<sup>29</sup>*Jamestown Foundation Monitor*, July 18, 2001.

with the result that Tajiks have been increasingly obvious among those arrested for drug trafficking in Moscow and elsewhere in Russia. Yet there is also some evidence that Tajiks are being forcibly recruited by Afghan drug traffickers to act as couriers. Reports from the southern Shuroabad district suggest that

Shuroabad's key location has made its residents an easy target of Afghan dealers looking for Tajiks to carry the drugs on to the next point of transit—the capital Dushanbe, or even a location outside the country. The involuntary couriers are given a strict selling price for the drugs they are conveying. If the money they bring home is insufficient, the Afghan dealers may seize property or even a family member until the balance is paid. Some dealers have reportedly kidnapped relatives to ensure that the family will take their instructions seriously.<sup>30</sup>

As well as engendering violence and intimidation, the drug business also brings with it rampant corruption. With customs and police officers receiving extremely meager salaries, bribes from drug traffickers simply to look the other way are an attractive means of income augmentation. There have even been claims that the safest way to move heroin is to hire Russian border guards. In December 1997, twelve servicemen from Russia's 201st mechanized infantry division stationed in Tajikistan were arrested in a Moscow aerodrome while trying to carry in more than 8 kilos of drugs, including 3 kilos of heroin.<sup>31</sup> Perhaps most disturbing of all, however, is the high-level bureaucratic involvement. One official Tajik report acknowledged that “many drug merchants and couriers are members of Tajik state agencies, including law enforcement bodies and security services.”<sup>32</sup> The report criticized state authorities for “failing to implement presidential decrees, governmental programs, and Security Council decisions against the narcotics trade” and suggested that one cause of failure was “law enforcement officers themselves being involved in the drug trade and making it possible for the

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<sup>30</sup>Vasilina Brazhko, “Afghanistan Remains Main Supplier of Illegal Drugs to Central Asia and the CIS,” *The Times of Central Asia*, July 19, 2001.

<sup>31</sup>Ibid.

<sup>32</sup>“Drug Trade Engulfs Tajikistan, Spills into Russia,” *Jamestown Foundation Monitor*, January 31, 2001.

dealers to evade the law.”<sup>33</sup> Not surprisingly, the report concluded that the drug business “poses a direct threat to national security.”<sup>34</sup> Yet there are also allegations that personnel in the state security ministry are “complicit in the interrelated trades with drugs and arms. The president’s Kulob clan is over-represented in that ministry, and the Kulob area near the Afghan border is known as a major transit point for Afghan-made drugs.”<sup>35</sup> It is also where the Tajik state security ministry and Russian military intelligence operate the Parkhar airfield, by means of which they supply anti-Taliban forces in northeast Afghanistan—and, according to some allegations, bring drugs back to Tajikistan for onward shipment to Russia.<sup>36</sup>

Although one estimate suggests that the interdiction rate in Central Asia is about 0.4 percent, there are increasingly large seizures.<sup>37</sup> Russian authorities seized 30 kilos of heroin on July 2, 2000, in Astrakhan on a train arriving from Dushanbe, 100 kilos arriving by truck in Samara on July 7, and 120 kilos in Astrakhan on July 10.<sup>38</sup> The size of the loads suggests that the traffickers operate with a high confidence level. They are also diversifying routes and markets. Russian authorities, for example, have identified a trafficking channel that goes from Tajikistan through Kyrgyzstan and Kazakhstan to Novosibirsk in Siberia. In December 2000, Kyrgyzstan authorities seized 1,828 pounds of opium and 5.5 pounds of heroin that was en route to Russia, where unofficial estimates suggest that the number of addicts exceeds 3 million.<sup>39</sup>

Turkmenistan has also become a transshipment country. As the International Narcotics Control Strategy Report published in March 2001 noted,

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<sup>33</sup>Ibid.

<sup>34</sup>Ibid.

<sup>35</sup>Ibid.

<sup>36</sup>Ibid.

<sup>37</sup>Redo, op. cit.

<sup>38</sup>*Jamestown Foundation Monitor*, July 13, 2001.

<sup>39</sup>Scott Peterson, “Fabled Silk Road Now Paved With Narcotics,” *Christian Science Monitor*, January 8, 2001.

Turkmenistan is not a major producer or source country for illegal drugs or precursor chemicals, but it remains a transit country for the smuggling of narcotics and precursor chemicals. The flow of Afghan opiates destined for markets in Turkey, Russia and Europe, including drugs such as heroin, opium and other opiates enters Turkmenistan directly from Afghanistan, and also indirectly from Iran, Pakistan, Tajikistan and Uzbekistan.<sup>40</sup>

Turkmenistan is also a transshipment country for the precursor chemical, acetic anhydride, significant quantities of which are produced in India.

When countries are involved in transshipment, however, they also develop local consumer markets that result in a growing addict population—a development that can be particularly harmful where medical and health services are overstretched and underfunded. According to official U.S. estimates, there are “200,000 drug abusers among Uzbekistan’s 24 million inhabitants,” while in Kazakhstan, although “the official number of drug abusers is approximately 37,408,” authorities estimate the real number to be 7 to 8 times higher.<sup>41</sup> Increasing numbers of children (1,946) and women (3,488) were arrested in 2000 for drug abuse.<sup>42</sup> Marijuana and heroin are the drugs most often abused. For its part, the Turkmen ministry of health estimates that approximately 6 to 7 percent of the population use illegal drugs, though, according to the 2001 INCSR, unofficial estimates put the user population at 10 to 11 percent, up from 8 to 9 percent in 2000.<sup>43</sup> In Kyrgyzstan, there is enormous concern that drug addiction and the use of needles will also contribute enormously to the spread of HIV—a further burden on inadequate health services.

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<sup>40</sup>*International Narcotics Strategy Control Report 2001*, Washington, D.C.: Department of State, March 2002.

<sup>41</sup>*International Narcotics Strategy Control Report 2000*, Washington, D.C.: Department of State, March 2001. For the electronic text, see [www.state.gov/g/inl/rls/nrcrpt/2000/index.cfm?docid=891](http://www.state.gov/g/inl/rls/nrcrpt/2000/index.cfm?docid=891).

<sup>42</sup>Ibid.

<sup>43</sup>The lower figure is from the 2000 INCSR report. The higher figure is from the 2001 report.

With this litany of consequences, it is easy to categorize drug trafficking as an unmitigated negative and to ignore the possibility that there are positive consequences—particularly in countries where opportunities in the legal economy are limited and legitimate routes to capital accumulation are few. The drug business provides employment, the importance of which is underlined by the fact that peasants often engage in what can be termed spontaneous crop substitution, moving from other crops into opium cultivation. During the mid-1990s in both Kyrgyzstan and Tajikistan, opium became the one currency that was accepted in countries wracked by widespread poverty. Acknowledging this, however, is not to ignore the reality that drug trafficking provides a potentially important source of revenue for insurgent organizations. Moreover, the drug business can also be a prize of military competition—and under some circumstances the desire for this prize can provoke conflict. Any short-term positives, therefore, are outweighed by the negatives, particularly in the medium and long terms.

### **The Shadow Economy**

The term “shadow economy” is comprehensive. It encapsulates not only illegal or black markets but also the informal economy that helps to provide subsistence and sustenance to ordinary citizens. Barter trade, undeclared second jobs, and economic activity that is not controlled by governments and is not reflected in official government statistics about the economy are the kinds of activity included here. These informal activities are sometimes captured in the notion of the gray—as opposed to the black—market. In most Western countries the shadow economy is a relatively small part of the totality of economic activity. In major advanced economies such as those of Western Europe and the United States, for example, the shadow economy is rarely more than 10 to 15 percent of economic activity. In many developing countries and states in transition, in contrast, the shadow economy is much more important, accounting for a more significant portion of total economic activity. Precisely how important, however, is often difficult to assess, as there are many problems in calculating the size of the shadow economy. Such activity is difficult to assess precisely because it is not open, easily observed, or carefully regulated. Nevertheless, economists and scholars of the transitions in the former Soviet Union have developed

various methodologies to use in calculating the size of the shadow economy. The figures here are drawn from a study undertaken by Yair Eilat and Clifford Zinnes, two scholars at Harvard who developed a composite index using a combination of several different methodologies of measurement.<sup>44</sup> The figures in Table 4.1 reflect assessments of the countries of CASC in 1997 and show the size of the shadow economies in relation to the official GDPs. Russia and Ukraine are included as comparisons. Although this assessment is somewhat dated, and it is unlikely that the numbers in Table 4.1 are still valid today, they can be taken as an indication of the situation at that time, the aftereffects of which continue to be felt. Three observations can be made about these figures:

- In Tajikistan and Kyrgyzstan, unofficial economic activity was approximately as large as the formal economy. While not quite as high, in Georgia, Armenia, and Azerbaijan it was close to this level. The figure for Uzbekistan, in contrast, was surprisingly low, but this is consistent with continued government control of economic activity and the slow pace of economic reform at that time.
- Although they conform to international norms regarding GDP assessments, the official figures—by ignoring the shadow economy—no doubt continue to greatly underestimate the extent of economic activity in most of the countries of CASC. In some cases, the inclusion of the shadow economy might effectively double the size of GDP, providing a *de facto* (as opposed to *de jure*) assessment. The implication of this, of course, is that the shadow economy—depending on its character and structure—goes at least some way toward alleviating poverty and providing opportunities for the unemployed. It mitigates, even if it does not offset, the economic dislocation that occurred through the 1990s. In other words, there are elements of both safety valve and safety net inherent in these figures.
- The positive consequences cannot be understood without also considering the negatives. The shadow economy is outside the

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<sup>44</sup>See Yair Eilat and Clifford Zinnes, “The Shadow Economy in Transition Countries: Consequences for Economic Growth and Donor Assistance,” on the Internet at [www.hiied.harvard.edu/caer2/html/content/papers/paper83/paper83.htm](http://www.hiied.harvard.edu/caer2/html/content/papers/paper83/paper83.htm).

taxation system and therefore deprives the state of much-needed revenues that could contribute to the building of state capacity. Moreover, for individuals participating in the informal economy and the gray market, it is a slippery slope to the illegal economy and the black market. Certainly, they are a potential target for criminals seeking new recruits.

**Table 4.1**  
**Shadow Economy Size Relative to Official GDP**

Country	Shadow Economy Size Relative to Official GDP (percent)
Armenia	78
Georgia	85
Azerbaijan	90
Uzbekistan	13
Kazakhstan	39
Turkmenistan	60
Kyrgyzstan	100
Tajikistan	100
Russia	53
Ukraine	80

### **Corruption and Rent Seeking**

Economists use the term “rent seeking” to cover nonproductive activities that are designed to generate personal wealth. Political corruption comes under this heading. Generally accepted as the use of public office for private gain, corruption is pervasive in the states in CASC. In large part, it is related to forms of government that still place a premium on government control over economic activity, that maintain exclusive and strict control over political and economic life, and that have few checks in place against the use of public office for private gain. As Robert Klitgaard has noted, corruption generally occurs when there is both monopoly and discretion and an absence

of accountability.<sup>45</sup> The states in CASC generally exhibit these conditions.

This is reflected in the rankings contained in the annual Corruption Perception Index issued by Transparency International, an NGO based in Berlin.<sup>46</sup> These rankings generally encompass between 90 and 100 states and go from least to most corrupt. Based on reports by transnational corporations and businessmen subject to requests or demands for bribes, the rankings do not always include all the countries in CASC. When they are included, however, these countries appear near the bottom of the list (among the most corrupt countries). Azerbaijan, for example, appears to have a particularly acute corruption problem. Although its position improved slightly between 1999 and 2001, it comes close to the bottom of the rankings: in 1999 it was ranked 96 of 99 countries; in 2000 it was ranked 87 of 90, on a par with Ukraine and only a little above Nigeria, the lowest country; and in 2001, it was ranked 84. Uzbekistan was ranked 94 in 1999 but improved to 71 in 2001, the same position as Kazakhstan. Armenia generally does a little better than most other countries in CASC, while Kazakhstan has improved its ranking. In 1999 Kazakhstan was ranked 84, along with Georgia, and Kyrgyzstan 87. In spite of the annual variations, the rankings make it consistently clear that the countries of CASC suffer from pervasive and systemic corruption that has debilitating and ultimately destabilizing consequences.

Although corruption in these countries exists at all levels of society, one of its pernicious manifestations is elite corruption and rent seeking. In Kyrgyzstan, for example, parliamentary deputy Zainitdin Kurmanov complained that “only the bureaucrats live well—giving no material benefit to the country but keeping tight controls over all state mechanisms.”<sup>47</sup> In Georgia, television correspondent Akaki Gogichaishvili stated that “owing to corruption, the state budget is losing an annual one billion laris from customs. This sum is equal to

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<sup>45</sup>See, for example, Robert Klitgaard, “International Cooperation Against Corruption,” *Finance and Development*, Vol. 35, No. 1 (March 1998), pp. 3–7.

<sup>46</sup>The figures are drawn from the annual TI reports found on [www.transparency.org](http://www.transparency.org).

<sup>47</sup>Igor Grebenshchikov, “Central Asian Leaders Think Alike,” [www.iwpr.net/index.pl?archive/rca/rca\\_200103\\_45\\_4\\_eng.txt](http://www.iwpr.net/index.pl?archive/rca/rca_200103_45_4_eng.txt).

the official state budget, which means that Georgia has two budgets—the official one, which is applied to five million citizens, and an unofficial budget, which is exploited by fewer than a hundred high-ranking officials.”<sup>48</sup> Rent-seeking behavior is particularly pernicious in that it enriches leaders but not governments. In effect, it places private interests above the collective interest.<sup>49</sup> It can also perpetuate the power of corrupt elites and help them maintain their ruling position with all the attending privileges and perquisites. A good example of this occurred with the Milosevic regime in Serbia. Members of the governing elite maintained monopolies on such basics as oil and food supplies and were able to enrich themselves personally while also consolidating—in the short term—their grip on power. The situation in CASC has not been quite as blatant, but the potential for more ostentatious displays of corruption is clearly present.

The negative consequences of corruption and rent seeking include a reduction in state building capacity, increased gaps between elites and publics, a loss of faith in government and the free market economy, the radicalization of political opposition, and the alienation of youth groups and political activists. In the short term, rent seeking helps to maintain authoritarian regimes in power; in the longer term it can contribute to their collapse. This is not surprising: corruption and rent seeking can have a profoundly alienating impact on the populace—especially when the corruption benefits are concentrated rather than diffused more broadly to ensure a higher degree of support. Another adverse consequence of corruption and rent seeking is an inhibition on foreign investment—something that is crucial to the success of transitional economies because of the deficits in indigenous capacity to finance new ventures. In view of all these negative effects, the overall, long-term impact of corruption and rent seeking is the creation of profound domestic instabilities that can all too easily feed into regime collapse, revolution, or civil war.

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<sup>48</sup>Quoted in Michael Specter, “Letter from Tbilisi: Rainy Days in Georgia,” *New Yorker*, December 18, 2000.

<sup>49</sup>The importance of this point is elucidated very effectively in a different context by William Reno. See his *Warlord Politics and African States*, Boulder: Lynne Rienner, 1999.

### **Costs and Benefits of Criminalization**

Criminalization can be understood in part as coping mechanisms for people in societies and economies that are not working effectively. From this perspective, drug consumption is a means of escape from difficult social and economic conditions; drug cultivation is a means of subsistence; and drug trafficking is an opportunity to become part of a transnational business that provides one of the few forms of regional economic integration in Central Asia. Similarly, organized crime is a form of entrepreneurship, providing economic opportunities, a basis for capital accumulation, and multiplier benefits that would otherwise be absent in economies characterized by slow economic growth or even decline. On occasion, criminal organizations can even be paternalistic, sharing the spoils of their activities, an approach that often results in increased information and support from citizens. Even corruption can be understood as a way of circumventing regulations and allowing things to happen that would otherwise be severely hampered. Low-level corruption by police and other public servants is a form of income augmentation that is essential given the low wages they typically receive. Finally, the informal or shadow economy is a means of subsistence. Shadow economies flourish when, for whatever reason, legal economies are not working effectively in providing jobs and incomes. Indeed, organized crime, drug trafficking, corruption, and shadow economic activity can be understood as symptoms of underlying problems in both political governance and economic management. The presence of these phenomena, particularly on a large scale, is a critical indicator that other things are going wrong. The difficulty, of course, is that they exacerbate the conditions that give rise to them and render the underlying problems even more resistant to solution. The positive aspects of criminalization cannot be ignored, but they are far outweighed by the negatives.

Criminalization has seriously adverse implications for the effective functioning of the economy, for the integrity and legitimacy of the state and its institutions, for public confidence and faith in the transition process, and for the stability of society. Criminal capitalism inhibits the development of legitimate capitalism: it is difficult for legitimate entrepreneurs to compete with organizations that combine a maximum of liquidity with a minimum of accountability. Consequently, drug trafficking and organized crime can have a

dampening effect by hampering economic competition, stifling legitimate entrepreneurship, and discouraging foreign investment. In short, illicit capital either frightens off or pushes out licit capital.

Another consequence of drug trafficking and organized crime is the creation of a class of *nouveau riche* citizens who combine ostentatious wealth with political power. The danger is that in straitened economic circumstances and amidst widespread unemployment, these newly rich will be objects of emulation, with little consideration given to the manner of money making. The obvious result is an increasing number of recruits for drug trafficking and criminal organizations; the less obvious result is the development of a form of economic Machiavellianism in which the end—the accrual of wealth—justifies any means. Once again, licit entrepreneurship is placed at a major disadvantage.

In the final analysis, drug trafficking and organized crime are sources of illegitimate wealth and power, provide an important means of finance for terrorist and insurgency groups, and can spark conflict among rival clans or factions seeking control of lucrative routes and markets. Similarly, corruption undermines the functioning of government and the operation of civil society. High-level rent seeking by political and administrative elites provides personal enrichment at the expense of the state and its citizens. Moreover, the interplay among these phenomena significantly increases their adverse impact—particularly in CASC, where the vulnerability to instability is accentuated by the very nature of the regimes, the lack of state capacity, and the contrast, in many cases, between strong leaders and weak institutions. Indeed, the nature of the regimes in the CASC countries—and the relationship to criminalization—must now be examined.

## **GOVERNANCE AND CRIMINALIZATION IN CENTRAL ASIA AND SOUTH CAUCASUS**

The dynamics of governance in CASC can be understood in terms of two kinds of conditions: sultanistic regimes and contested states (see Chapter Two). The main characteristics of each of these forms of governance are such that they both encourage and facilitate key manifestations of the criminalization syndrome.

### Sultanistic Regimes<sup>50</sup>

The notion of a sultanistic regime has particular relevance to the countries of CASC and the way they have evolved since the collapse of the Soviet Union. This becomes obvious from a brief overview of the characteristics of such regimes.<sup>51</sup> Personal rule, a system of fears, rewards, and corruption, arbitrariness, repression, and the juxtaposition of weak institutions and strong leaders are all in evidence, to varying degrees, in most of these states. This system has perhaps gone furthest in Turkmenistan, where the president is known as Turkmenbashi and has developed a clear cult of personality. Karimov in Uzbekistan has gone in the same direction. Even in Kyrgyzstan, which a few years ago appeared to be moving toward greater freedom, President Akaev has consolidated personal power at the expense of democratic reform and the creation of a truly open society. Of course, the sultanistic regime's vulnerability to a succession crisis is magnified in both Central Asia and the South Caucasus because of the age of many of the leaders.

Not surprisingly, sultanistic regimes—as authoritarian regimes elsewhere—are prone to develop alliances with criminal organizations. In Uzbekistan in the mid-1990s, for example, there were three major criminal organizations, and it was common knowledge that each one had a cabinet-level protector.<sup>52</sup> Moreover, criminals provide services for the sultan and his family, offering an unofficial capacity to coerce or eliminate rivals and opponents of the regime. They also offer further opportunities for elite enrichment. Rent seeking by government elites often finds a perfect match in the use of corruption by criminal and drug trafficking organizations seeking to extend their influence into the higher reaches of government. Criminals use corruption to obtain support, protection, information, and knowledge and, in effect, to neutralize the instruments of social control—at least as these instruments apply to their particular criminal activities. Put in systemic terms, drug trafficking and criminal organizations

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<sup>50</sup>Much of the following discussion was stimulated by Anatol Lieven's review of H.E. Chelabi and Juan J. Linz (eds.), *Sultanistic Regimes*, Baltimore: Johns Hopkins University Press, 1998, posted November 8, 2000 on [www.eurasianet.org](http://www.eurasianet.org).

<sup>51</sup>Discussed in greater detail in Chapter Two.

<sup>52</sup>See note 13 above.

flourish where state capacity is weak—and in spite of outward appearances, many sultanistic regimes are rooted in weak states. Moreover, criminals have a vested interest in ensuring that the state remains weak or at the very least willing to acquiesce in their activities. There is, in effect, a convergence of the interests of the sultan and his followers on one side and of criminal organizations on the other—in that neither of them wants a political process characterized by widespread legitimacy and accountability and that places collective interests above their private interests.

This is not to suggest that all criminal or drug trafficking organizations have equal importance. Clearly, some of them have far greater access and influence than others. The corollary is that efforts by sultanistic regimes to combat organized crime and drug trafficking will generally be selective, targeted against the criminal organizations not connected with the elite. In effect, the sultan, his family, and the members of his court will seek to combat those criminal activities that they do not control or benefit from through bribery and corruption.

Regimes will also seek to perpetuate the benefits they obtain from their links with organized crime and drug trafficking groups. Moreover, the natural desire of elites to limit the degree of openness in politics and society is likely to be intensified when individual members of the government apparatus who are benefiting from links with criminals wish to ensure that their activities do not become the focus of public and media scrutiny. When organized crime and trafficking is deeply embedded in symbiotic relationships with political elites, the entrenched interests in limiting the emergence of democratic forms of governance are formidable. Indeed, there is a major irony here: the lack of a free press, an effective opposition, and a high degree of transparency greatly weaken the prospects for reducing and containing criminal corruption; yet the regime can use drug trafficking and organized crime as pretexts for authoritarian measures that themselves stifle change. In effect, the political-criminal nexus both benefits from and obstructs the development of transparency in government, one of the key elements of democratic governance.

In the long term, of course, such conditions are highly corrosive—of governance, of institutions, and of the level of public trust. Corrup-

tion undermines the effectiveness of law enforcement, the impartiality of the judiciary, and the efficiency and fairness of administration. If a high level of corruption makes it more difficult to establish a civil society based on the rule of law, it also means that eventually, political activism will take other forms. It is at this point that a sultanistic regime can find itself operating what has become a contested state.

### Contested States

In contested states, too, organized crime and drug trafficking can become a significant factor in domestic politics. Such states are similar to sultanistic regimes in that the government or regime suffers from a lack of legitimacy, but in a contested polity, control of the state becomes the prize of political competition, in part because of the lucrative rent-seeking opportunities it provides.<sup>53</sup> The elites are usually divided, and in some cases this coincides or overlaps with ethnic divisions within the country. In these circumstances, tensions among different ethnic groups about the distribution of responsibilities and privileges within politics and society interlink with competition among the elites in ways that are generally destabilizing. Moreover, when there are ethnic agendas that are not being fully satisfied, dissatisfied groups will tend to resort to organized crime activities or drug trafficking to generate the resources necessary to pursue their agendas through campaigns of violence. Within contested states, violence also becomes a continuation of domestic politics by other means, as competing elites seek alliances with the more powerful criminal organizations in an effort to promote their own agendas. There is also an amplifying effect because of competition in the criminal world itself over control of legal markets such as oil and gas as well as illegal markets such as drugs. The dynamics of these cross-cutting alliances exacerbate tensions in both the legitimate and illegitimate worlds and intensify violence and instability in the society. In almost all societies in which they appear, drug traffickers and organized crime challenge the state's possession of an effective monopoly on the use of force within the society. When an ethnically diverse population leads to a fragile sense of nationhood, the chal-

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<sup>53</sup>Characteristics of contested states are discussed in greater detail in Chapter Two of this report.

lenge is even greater. Local wars, separatist ambitions and movements, and the drug trade are deeply interconnected in pernicious and damaging ways in the countries of CASC. This has been especially true in Tajikistan and Kyrgyzstan, where the drug trade is closely bound up with competing structures of power in society.

Drug trafficking can also be a source of funding for disaffected groups within a society and one that allows them to arm themselves for the struggle against the existing government. In CASC, where several states do not yet command overriding loyalty and support from the population and where drug trafficking and organized crime are pervasive, groups that have separatist ambitions or are otherwise disaffected have a readily available source of funding. Control of drug trafficking routes and markets can be a source of considerable profit and can be seen therefore as a prize that particular ethnic groups or clans are willing to fight for. Areas bedeviled by civil war or ethnic strife sometimes experience increasingly intense fighting as groups vie for control over growing areas, trafficking routes, processing laboratories, or local drug markets. Although the civil war in Tajikistan had complex and multifaceted causes, one of them was control over drug routes.

A corollary is that drug traffickers can take advantage of ethnic strife or civil war to pursue their activities, secure in the knowledge that although they have to transit some difficult areas, they do not have to worry about the threat from government. Perhaps the ideal situation is one in which there is a fragile cease-fire but in which the government has not yet been able to re-establish its power and authority and is unable to implement effective law enforcement activities. Tajikistan has been in this position for a few years, and it is hardly surprising that much of the drug trafficking activity in Central Asia has focused on Tajikistan.

In sum, the dynamics of criminalization feed naturally into both sultanistic regimes and contested states in CASC. Both sets of conditions provide environments in which organized crime and drug trafficking flourish. This is not entirely surprising. Although sultanistic regimes and contested states are in some respects ideal types that, at a superficial glance, appear to be at the opposite ends of a spectrum, in practice they share certain traits. These include the weakness of state structures and institutions, the absence of the rule of law, the

lack of accountability (cloaked in secrecy in sultanistic regimes and obscured by chaos in contested states), and the weakness of civil society. One implication of this is that governance in some countries in CASC might involve a hybrid of both types. Another implication is that it is possible for a country to go from one type to the other rather more easily than might be expected. In a contested state, for example, if one clan or faction emerges as the dominant force and is able to subjugate the opposition, it might rapidly develop many of the characteristics of a sultanistic regime. Conversely, sultanistic regimes almost invariably contain the seeds of their own destruction and at some point are likely to be transformed into contested states. In both these eventualities, organized crime and drug trafficking could play a significant role. They could increase domestic instability by creating no-go zones that undermine efforts at governance, by driving out the legal entrepreneurship that is essential to transitional economies, by intensifying divisions among political elites, and by supplying weapons or funding for protest movements and terrorist organizations or insurgencies.

## **GOVERNANCE, CRIMINALIZATION, AND INSTABILITY IN CENTRAL ASIA AND SOUTH CAUCASUS**

In considering the prospects for stability and instability in CASC, regional factors are important in providing a broad assessment. At the same time, variations among states make it necessary to move from the regional to the national level. Accordingly, the analysis now turns to the prospects for instability in several countries, within the framework of sultanistic regimes and contested states outlined above.

### **The Collapse of Sultanistic Regimes**

In considering the prospects for instability in CASC over the next 10 to 15 years, it seems probable that some of the sultanistic regimes in the region will weaken or collapse, resulting in the emergence of more states that are fundamentally contested. It is possible, of course, that sultanistic regimes will prove far more resilient than suggested here—not least because their monopoly on coercive and repressive power compensates for their limited legitimacy. But the inherent long-term weaknesses of sultanistic regimes, juxtaposed

with the major trends in the region and particularly the alienation of populations, suggest that there is an inexorable quality about their ultimate collapse—and it is really only a matter of the timing. It also seems clear, as one commentary noted, that when sultanistic regimes die, “they die hard.”<sup>54</sup> The collapse is unlikely to be smooth or sudden, and the resulting dislocation will almost certainly be far-reaching as various groups vie for the patronage and privileges that have come with power. As sultanistic regimes begin to collapse, the battle for the spoils that come with leadership will rapidly come to the fore.

Uzbekistan is perhaps the prime candidate for such a contingency. There are several reasons for this:

- Uzbekistan has a corrupt and repressive sultanistic regime that has maintained tight control over significant portions of the country’s economy, suppressed political dissent, and responded harshly to any criticism of President Karimov and his government. As one human rights observer has noted, “the escalation of repression has involved the forced displacement of people from their home villages, the indiscriminate use of mines along borders, the organization of ‘hate rallies’ against ‘enemies of the people,’ and widespread torture of political prisoners.”<sup>55</sup> The regime has almost certainly bought short-term stability through the immediate consolidation of power rather than through transitional processes that offer the prospect of enhanced long-term legitimacy.
- The government has maintained control of rent-seeking opportunities and has also established symbiotic relationships with organized crime. The concentration of corruption has continued, and the regime has done little to establish a wider power base through fuller and more comprehensive distribution of corruption benefits.

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<sup>54</sup>Anatol Lieven; see note 50.

<sup>55</sup>“Uzbekistan, Kazakhstan . . . : Repression Spreads in Central Asia,” *The Times of Central Asia*, February 16, 2000.

- The alienation process that is evident throughout CASC is particularly pronounced in Uzbekistan—and could well take a greater toll there than in some of the other states.
- The use of the threat from Islamic fundamentalism as the main rationale (or rationalization) for government oppression is a short-term expediency—buttressed, of course, by developments since September 11—that could prove highly counterproductive, leading in the longer term to a self-fulfilling prophecy. A militant Islamic movement has a much easier time gaining recruits when the government itself provides reasons for opposition.
- At present there are a few indicators of splits within the elite in Uzbekistan.<sup>56</sup> Although these are limited, they could presage a transition toward a contested state in which rival political factions are allied with rival criminal organizations.

One possibility, of course, is that nascent jealousies and rivalries within the political elite, resulting perhaps from unequal access to the benefits from corruption and rent seeking, will spill over into violence against Karimov and his key supporters. Another kind of split that can occur is between members of the elite and their criminal or drug trafficking allies. Such a development would be evident in contract killings targeted against political figures and criminal bosses. Although this might seem unlikely, it is certainly not out of the question, especially given the brutal nature of competition in the criminal world, the desire of criminal organizations to carve out monopolies, and the tendency to use violence in response to real or imagined slights. Indeed, something like this seems to have occurred in Belgrade prior to the collapse of the Milosevic government—which itself had many of the characteristics of a sultanistic regime. There was a period in which both government figures and organized crime leaders were victims of contract killings. If either kind of split happened in Uzbekistan, the competition could easily take on a dynamic comparable to that in Tajikistan during the early and middle 1990s.

The other possibility in Uzbekistan is of a grassroots opposition movement that gradually obtains sufficient political appeal or mili-

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<sup>56</sup>Ahmad Rashid, "Central Asia: Trouble Ahead," *Far Eastern Economic Review*, May 9, 2002.

tary power to challenge the regime. The prime candidate here is the Islamic Movement of Uzbekistan (IMU). The IMU represents domestic dissent and concern over the regime's repressive nature, backed by external forces. Prior to the U.S. military campaign in Afghanistan, the IMU appeared to have several characteristics that give it the potential to cause considerable problems for the regime.

Perhaps the IMU's most important asset was Juma Namangani, a charismatic leader who in 1992 was himself the victim of the Karimov regime's repressive policies. In some parts of Uzbekistan as well as Tajikistan, Namangani was a folk hero willing to challenge a government that has been patently unresponsive to both economic needs and basic freedoms of its citizens. The death of Namangani while he fought alongside the Taliban and Al Qaeda in Afghanistan in the fall of 2001 was a huge blow to the IMU.

The introduction of U.S. military forces into Afghanistan and the fall of the Taliban could also erode some of the funding for the IMU. Until the collapse of the Taliban and the flight of Al Qaeda, the IMU appeared to be well placed with respect to resource generation. As a result of developments in late 2001, however, the external funding that the IMU received from the Taliban, Bin Laden, and even the Pakistani intelligence service was obviously disrupted. Although Uzbek Saudis who intensely dislike Karimov and several other Islamic organizations are likely to continue with some funding, resources could be less readily available than they were.<sup>57</sup>

Yet these losses might have a silver lining. The collapse of the Taliban has enabled many Afghan farmers to start cultivating the opium poppy once again without fear of reprisals. Although the United States along with the UN is hoping that the Western presence will provide an opportunity to prevent the resurgence of opium growing, there is a recognition that drug cultivation and trafficking are "so ingrained in the economy of Afghanistan, and the economy is so wrecked, that it's an easy thing for the population to turn back to."<sup>58</sup> Unless eradication efforts are successful, the drug trade could be an

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<sup>57</sup>Mikhail Falkov, "The Islamic Movement of Uzbekistan" (in Russian), *Moscow Nezavisimaya Gazeta* (Internet Version), August 25, 2000.

<sup>58</sup>U.S. Assistant Secretary of State Rand Beers, quoted in Ed Blanche, "West Turns Attention to Afghan Drugs Trade," *Jane's Intelligence Review*, January 1, 2002.

increasingly important source of funding for the IMU. Indeed, even before the U.S. military involvement, there were frequent reports that the IMU had become a major player in the drug trafficking business, with claims that it was responsible for as much as 70 percent of the heroin and opium moving through Central Asia. One observer even argued that the IMU, although portraying itself as a group fighting for Islam, was “primarily concerned with financial gain” and had “successfully used terrorism to destabilize Central Asia to maintain and secure narcotics transportation routes.”<sup>59</sup> These allegations have to be treated with some caution, having come primarily from governments in Kyrgyzstan and Uzbekistan intent on stigmatizing and discrediting any opposition. At the same time, it would not be surprising to learn that the IMU had engaged in drug trafficking directly or imposed taxes on the traffickers. Such behavior would certainly be consistent with insurgencies elsewhere—and is likely to be more significant than before, given that other funding flows have been interrupted or dried up.

The IMU has two additional assets that speak against writing it off. The first is a safe haven in the Pamir mountains.<sup>60</sup> The importance of a sanctuary or safe haven for an insurgency or protest movement is well understood to be critically important. In this case, it continues to provide opportunities for recruitment and replenishment as well as a safe base from which to move into Uzbekistan when weather conditions permit and other circumstances are favorable. The second asset is the underlying alienation of the population: the IMU benefits considerably because it is the most obviously available funnel for the political, social, and economic dissatisfaction existing in Uzbekistan. In spite of the setbacks suffered by the IMU in late 2001 and early 2002, it could ultimately prove resilient enough to become a formidable adversary for the Karimov regime, particularly if the regime continues to use its existence to justify even more repression.<sup>61</sup> One possible scenario is that the IMU will actually

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<sup>59</sup>Tamara Makarenko, “Crime and Terrorism in Central Asia,” *Jane’s Intelligence Review*, Vol. 12, No. 7, July 1, 2000.

<sup>60</sup>Ahmen Rashid, “Pamirs Offer IMU Secure Base,” *Eurasia Insight*, August 12, 2001.

<sup>61</sup>Gregory Gleason, “Counterinsurgency in Central Asia: Civil Society is the First Casualty,” January 8, 2001, [www.eurasianet.org/departments/recaps/articles/eav092200.shtml](http://www.eurasianet.org/departments/recaps/articles/eav092200.shtml).

trigger government measures that are so unpopular they provoke even more opposition. Although the IMU still has to go beyond seasonal military activity and mobilize grassroots support that can challenge the regime and provide a viable political alternative, such a development is certainly not out of the question over the next 10 or 15 years. It is worth bearing in mind the old adage about insurgency movements (and the IMU, in spite of U.S. categorization, is far better understood as an insurgent movement than a terrorist group) that if they can avoid defeat in the short term, they have a reasonable prospect of securing victory in the long term.

At the same time there is no guarantee of such an outcome. Indeed, there is an alternative scenario very different from either of the instability scenarios. Sultanistic regimes, for all their shortcomings and weaknesses, can prove more resilient and enduring than suggested above. It is possible that Karimov has sufficient control over his repressive forces to maintain himself in power with relative ease.

Perhaps the most intriguing and important issue concerns U.S. military involvement in the region (as well as the involvement of the international community more broadly)—and its impact on the plausibility of these very different scenarios.

On the one hand, international involvement might provide opportunities to do something about the drug trade, especially if plans for cultivating alternative crops are implemented with any degree of success. This would probably result in some reduction in criminalization in the region and would certainly make it more difficult for the IMU to maintain its funding. On the other hand, both a military presence and an international aid presence provide new markets and new opportunities to generate criminal proceeds. The commercial sex trade, for example, which is largely controlled by organized crime, generally receives a boost from the insertion of a large foreign presence.

Perhaps the more serious issues, though, concern the relationship between the United States and the sultanistic regimes in the region, especially that of Uzbekistan. As the International Crisis Group has noted,

Far too often, the region's nondemocratic leadership has made repression its instrument of choice for dealing with religion and

civil society as a whole, thus creating greater public sympathy for groups whose agendas, methods and rhetoric are deeply troubling. There is a danger that the international community, in its understandable eagerness to combat terrorism, will give the regions' governments a free hand to continue and expand repression of all groups that are viewed as political threats—a dynamic that will only boomerang and further destabilize the region over time.<sup>62</sup>

Unqualified support for the Karimov regime that allows it to perpetuate repressive policies would buy short-term stability at a high price. It would involve a loss of legitimacy for the United States that, in turn, could intensify an impending legitimacy crisis for the Karimov regime. The Bush Administration needs to be sensitive to the possibility that—as with Iran in the 1970s—U.S. support for an unpopular regime could be the kiss of death.

It is clear that increased U.S. economic assistance has been the price to pay for Uzbekistan's support for U.S. military actions in Afghanistan. Yet there are also opportunities for U.S. policy. Support for Uzbekistan that is made conditional upon economic liberalization and more serious moves toward democracy and respect for individual rights offers some prospect for engineering reform. The danger here, however, is that this process will weaken the regime's coercive power while doing little to increase its legitimacy and authority.

### **The Escalation or Resurgence of Violence in Contested States**

Tajikistan is at the other end of the spectrum. During the 1990s it was clearly a failed state, wracked by a civil war driven by a complex mixture of religion, ideology, clan rivalry, and greed. At least one component in the war was the struggle for control of drug routes and markets. The cessation of hostilities in 1997 brought into being a fragile peace in what remained an intensely competitive state. The continued enmities and divisions in Tajikistan have been intensified by a collapsing infrastructure and a continued decline in living standards. An important spark to what remains a highly combustible mixture could well be provided (albeit inadvertently) by future de-

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<sup>62</sup>*The IMU and the Hizb-ut-Tahrir: Implications of the Afghanistan Campaign.*

velopments in Afghanistan. If the international community succeeds in reducing opium production in Afghanistan, then it is likely that a form of geographical displacement will occur, with some of the neighboring countries making up the shortfall. The prime candidate for this—partly because of geography and partly because of the weakness of the government—is Tajikistan. As suggested above, there is already some cultivation and processing in Tajikistan, and Tajiks are playing a major role in drug trafficking to Russia. The implications of deepening Tajik involvement in the drug industry could be far-reaching. Almost certainly there would be intense competition for control of cultivation areas, processing facilities, and trafficking routes. As a result, fierce and violent competition among rival warlords would probably result in yet another outbreak of civil war. Rather than being a period of postwar reconstruction, the present peace could simply be an interlude between two periods of intense fighting.

Another country providing a potential flashpoint is Georgia. Although President Shevardnadze has been an important unifying and calming influence, the country still has numerous problems that could all too easily degenerate into political instability. Criminal control over large sectors of the economy combines with corruption and widespread disillusionment and disaffection among the population to provide a potentially combustible mixture. In spite of continued Western aid, therefore, it would not be surprising if Georgia became a contested state without a viable and effective government—particularly after Shevardnadze ceases being the president. Once again the United States is in danger of supporting a regime with a low level of legitimacy. Although the United States has understandably agreed to help Georgia deal with Chechen rebels in the Pankisi Gorge, there are dangers in a longer-term commitment. In a contested or potentially contested state, U.S. military involvement could all too easily become a rallying cry for those forces opposing the existing government.

None of this is intended to suggest that Georgia, Tajikistan, and Uzbekistan provide the only potential for failed states in CASC. The analysis of the potential for collapse and instability in these states is intended to be illustrative rather than exhaustive. Kyrgyzstan, for

example, has been identified by the International Crisis Group as a potential flashpoint.<sup>63</sup>

## CONCLUSIONS

The war against the Taliban and U.S. military involvement in the region introduced additional elements of uncertainty into the evolving situation in CASC. Yet many of the underlying long-term realities remain starkly unchanged. One of these is widespread poverty. Although the recent trends toward rapid economic growth in several countries in CASC are promising—and suggest that formal economic activity might eventually become as important and dynamic as the illegal and informal versions—the overall prospects for large segments of the populations remain dismal. Not surprisingly, therefore, organized crime, corruption, and the alienation of people from their governments continue to provide a volatile mixture that could easily explode into violence and instability in particular countries. This was temporarily obscured by September 11, which allowed existing regimes to play the “Islamic card” with the United States sooner and with far more effect than would otherwise have been possible. Requests for financial and military assistance cast in terms of combating the forces of Islamic fundamentalism, and particularly associated terrorism, naturally found a receptive ear in Washington. The underlying reality, however, is that the policies of some of the regimes are doing much to galvanize support for fundamentalism, as well as the continued growth of organized crime and drug trafficking. The exigencies of the war in Afghanistan meant that these problems could, in the short term, be ignored. In the longer term, however, the United States may not have this luxury.

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<sup>63</sup>See International Crisis Group, *Central Asia: Crisis Conditions in Three States*, [www.intlcrisisgroup.org/projects/showreport.cfm?reportid=291](http://www.intlcrisisgroup.org/projects/showreport.cfm?reportid=291), August 2000.