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Beyond Governance: Understanding Corruption Opportunities and Networks in China's BRI Projects in Central Asia

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One of the emerging memes of China's Belt and Road Initiative's possible impact is a concern about the potential to fuel corruption in partnering countries. Often phrased as "governance problems," critics speculate that substantial investments in large-scale infrastructure projects— such as road-building, railways, pipelines and power generation plants— may flood BRI partner countries with loans and investments that they are unable to absorb and might fuel local bribe-taking and graft. Critics of the BRI frequently underscore China's policy of "[non-interference](#)" in the domestic matters of their partners, under which Chinese aid and investment is allegedly not subjected to the same type of oversight and conditionality as so-called Western aid. In response, defenders of the BRI rightly point out that most infrastructure projects, regardless of nationality of the donor, are subject to governance concerns, while others concede that even if the BRI enables some corruption, the overall developmental benefits of completing necessary infrastructure projects will surely outweigh any potential corruption-related losses.

But what exactly do we mean when we say "corruption" or "poor governance"? What are the range of behaviors that implicate local actors and politicians and how might they feed broader bilateral ties and the political economy of the BRI? And how might we better analytically understand the types of local and regional political networks that are being spurred by the BRI?

Drawing upon cases of recently completed Chinese infrastructure projects in Central Asia, I propose to unpack the issue of corruption, outline the broader transnational context in which corruption networks operate, and explore what the mechanisms of accountability reveal about a partner country's formal and informal political dynamics.

Project Phases and Varying Forms of Corruption

First, we need to distinguish what, exactly, we mean by "corruption." The standard definition, when referring to government actors, is the abuse of public office for private

gain. The definition includes more than bribery to include embezzlement, cronyism, extortion, fraud, kickbacks, graft and nepotism. [Scholars](#) and anti-corruption [watchdogs](#) usually distinguish between “grand corruption,” which take place at the highest tiers of government and involves major transactions versus “petty” or administrative corruption, which usually refers to everyday forms of corruption that citizens face when engaging with government institutions.

One way to distinguish between different forms of grand corruption in BRI projects is to disaggregate possible corrupt behaviors by project’s phase or sequence. At the beginning of a project, an obvious point for possible corruption is the awarding of a contract. All countries maintain procurement policies that regulate and guide how contracts involving public resources—including foreign donor funded ones—should be awarded. For example, consider the infamous case of the Chinese company TBEA, which was awarded a contract to refurbish a powerplant in Bishkek, Kyrgyzstan, but failed and left much of the Kyrgyz capital without power and heat in the winter of 2018. According to a [commission investigation](#), the company won the \$400 million contract despite the fact that other competitors, including an experienced Russian firm, had submitted lower cost bids. Former Kyrgyz Prime Minister Sapar Isakov was subsequently tried and [convicted](#) for rigging the TBEA contract. Similarly, just a few years before, former Kyrgyz Prime Minister Temir Sariyev [resigned](#) in April 2016 after being accused of illegally awarding a \$100 million highway contract to a Chinese firm.

But while the tender process is perhaps the most obvious point of potential bribery, subsequent stages of the construction process itself also offer opportunities for collusion and graft. This is especially a danger in a large-scale construction project, where sourcing and subawards can hold lucrative opportunities for kickbacks and embezzlement. Consider the recent revelations by the *Financial Times* about an [elaborate scheme](#) in the construction of the China-Central Asia gas pipeline, perhaps the signature Chinese investment in Central Asia which, after opening in 2009, provided a regional network to source gas from Central Asia and deliver it to Western China. The *FT* investigation revealed a sourcing kickback scheme that was designed to funnel the excess profits from over-inflated costs of physical pipeline construction to a powerful family member of the former President of Kazakhstan. According to documents, the scheme itself involved an intermediary company, which agreed to buy steel from a Chinese steel source and then

resell it to a pipeline construction company, with 70% of the mark-up profit being funnelled to the Kazakh official.

Once built, the operation of an infrastructure project offers opportunities for both the rent-seeking project and its regulatory-related corruption. Although usually considered “public goods,” infrastructure projects like highways and railways can provide additional opportunism for private profit-making to connected insiders. Consider the telling example of the Dushanbe-Chanak highway, completed in Tajikistan in 2010. The project was built by the China Road and bridge Corporation and mostly financed by a \$280 Chinese state loans. However, just weeks after its completion, [tollbooths](#) appeared on the highway, operated by a previously unknown company—Innovative Road Solution—registered in the British Virgin Islands with no corporate history, which was later traced to a member of the Presidential family. Although the government claimed that the tolls were intended to pay back the Chinese loan, the company insisted it was only responsible for road maintenance while a [local economist estimated the tolls generated \\$49 million](#) annually in opaque revenues. Beyond operational revenues, once completed, the operations of large-scale infrastructures also demand regulation and oversight, which can also afford opportunities for bribery and graft.

Regional and Transnational Networks of Corruption

A second analytical lesson to keep in mind is that although we often think of corruption as a domestic phenomenon, grand corruption seldom takes place solely within the legal boundaries of a single state or even within the bilateral relationship between China and its partners. True, there are several ways in which governance issues can complicate the bilateral relationship, including implicating Chinese actors in domestic political corruption and influence peddling, ballooning a country's debt, and using BRI partnership to influence other aspects of a partner's foreign policy such as UN votes or expressions of disapproval about sensitive matters to Beijing such as its [human rights practices](#), the status of Taiwan or its policies towards its Western province of [Xinjiang](#).

However, our cases instructively show that even these cases of Chinese-related corruption are nested in much broader regional and transnational dynamics. As John Heathershaw and I have [explored](#), perceptions that Central Asia is somehow isolated or Central Asian

economies are somehow closed belie the reality that elites and officials have been globally and regionally connected through informal corruption networks.

For example, returning to the Kazakh pipeline case, the project was originally financed by Chinese loans for an estimated \$10.5bn. However, the key role played in the steel kickback scheme appears to have involved a Singaporean-registered company, ETK, owned by a Russian national. ETK was the intermediary that purchased steel from the Chinese manufacturer Jiangsu Shagang at \$935 a tonne and resold it to the Russian pipeline manufacturer TMK for \$1,500 a tonne, thus netting a \$75 million profit for the intermediary. Contra much geopolitically-framed coverage at the time that China had outcompeted Russia by constructing this pipeline as an alternative to the old-Soviet network used by state giant Gazprom, the payoff scheme reveals a complex regional network of interests that appeared to have been mollified by the Chinese-funded project.

More broadly, the use of offshore-registered anonymous shell companies as intermediaries for corrupt schemes has been a standard feature of Central Asian grand corruption networks. In his groundbreaking work [Global Shell Games](#), political scientist Jason Sharman and his colleagues simulated thousands of solicitations to global providers of shell companies under fictitious Central Asian names to see if these providers would sell to potential clients who displayed high risk of corruption without proper verification of their identities and residence. As he showed, and as we further explored in our examination of Central Asia's [transnational corruption networks](#), company service providers from the US and the UK were especially non-compliant with global transparency standards. Moreover, global anti-kleptocracy efforts are increasingly highlighting the role played by professional service providers—including lawyers, accountants, wealth managers, real estate brokers and bankers—who, through selling legal services, help to create the legal instruments that facilitate the underlying transactions from corrupt activities, maintain their clients' confidentiality, and repurpose them into acceptable personal assets, usually deposited in the West or other jurisdictions where personal property is guaranteed. Indeed, even after a corruption scandal breaks, professional public relations crisis managers vigorously deny allegations on behalf of their clients and initiate legal action with media outlets to try and stem publications.

The Politics of Anti-Corruption and Accountability

A third important issue raised by focusing on BRI-related corruption in Central Asia is how exactly grand corruption schemes are exposed and documented. As is well-known, barring Kyrgyzstan, the Central Asian states are authoritarian polities with deep networks of informal and patrimonial politics. Exposing corruption schemes often involves exposing the activities of the most privileged and powerful elites in these countries. Yet, we still see an important role played by civil society— especially in Kyrgyzstan— as well as the independent media outlets. As Laruelle and Peyrouse have noted in their study of [Central Asian attitudes towards China](#), Chinese-related corruption stories and investigations appear broadly permissible in the Central Asian media environment, if only to play upon the meme that China is actively corrupting state and local government officials. One rarely sees similar exposés of Russian-related schemes or scandals.

At the same time, a corollary of most grand corruption networks operating at the transnational level is that various global aspects of these networks can be exposed and investigated by global journalists and regulators. For example, the scandals that implicated Gulnara Karimova, the daughter of Uzbekistan's former President Islam Karimov, and her associates in a series of money laundering and kickback schemes involving three international communications companies— all of which substantial settlements with the US Department of Justice for violating their Foreign Corrupt Practices Act. Accused of taking \$885 million in bribes by US authorities, Karimova's telecom dealings were originally exposed by a [Swedish news investigation](#) into the pay-to-play activities of the Scandinavian telecommunications company Teliasonera (now Telia). Eventually, the Swedish journalists with Finnish and US counterparts exposed the massive bribery scheme that led to Karimova's political downfall and [house arrest](#) in Uzbekistan. International investigative consortia like the OCCRP, which actively network local and international journalists, have been at the forefront of investigating and exposing [grand corruption schemes](#) in Central Asia.

But perhaps the most analytically interesting vehicle for revealing corruption has been the insider information provided by opposition politicians in exile. Much of the information obtained by the *FT* about the pipeline scandal was reportedly provided by Aisultan Nazarbayev, grandson of former President Nazarbayev, whose father Rakhat Aliyev, who became a fierce regime critic before he was found dead in 2015 in an Austrian prison while awaiting extradition back to Kazakhstan. Aisultan reportedly described some of the

corruption schemes in the Central Asian oil and gas sectors to the *FT* before he was found dead in London in August 2020 (autopsy determined the cause of death was cocaine toxicity). Similarly, a prior scandal that detailed how Chinese state oil giant CNPC had rigged a tender to acquire Kazakhstan's Aktobe Munaigaz in 2003- as detailed in the [Wall Street Journal](#)- was triggered by open letters and documents provided by Mukhtar Ablyazov, Kazakhstan's most wanted fugitive who now has secured political asylum in France. More broadly, allegations of corruption are frequently both levelled at prominent political exiles and made by them as a way of battling over political legitimacy, [image-making](#) and global reputation-laundering. In other words, as scholars and analysts, we need to be as aware of the messengers who deliver important exposes of grand corruption and situate them in the political context- domestic and external- of their particular countries.

Conclusion

By way of conclusion, this brief dive into Central Asia's corruption dynamics also suggests that even in BRI-related issue area and projects, Chinese actors may not be able to control or even influence the local political actors and networks in which their infrastructure investments are embedded. When faced with allegations that the BRI promoted corruption and poor governance, Chinese officials and analysts often reject allegations, downplay the scale of these problems, and even blame scandals on messengers such as the Western media or NGOs. But, as recent experiences in Central Asia suggests, corruption allegations against Chinese-funded projects are as likely to be part of the political landscape for some time. It is imperative that we provide more nuanced assessments of these schemes and networks.

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