

BID ON GREED

The State Capture and Lessons Learned – Implications for Georgia

In the not-so-distant past, Georgia was among the captive nations, subjugated by the Communist regime. Unfortunately, contemporary Georgia finds itself in another form of captivity – a country with a state capture problem, as explained in detail by our editor. State capture is a form of political corruption where private interests significantly influence a state's decision-making processes to its advantage. This occurs when influential individuals, groups, or corporations manipulate state policies, laws, and regulations to their benefit, often through illicit means such as bribery, coercion, and nepotism. Unlike other forms of corruption, which typically involve isolated acts of bribery or embezzlement, state capture represents a systemic problem where private interests co-opt the entire state apparatus.

The most typical symptoms of state capture can be described as follows:

- **Legislative Influence:** Manipulating the legislative process to pass favorable laws.
- **Regulatory Manipulation:** Ensuring regulatory bodies serve private interests rather than public welfare.
- **Judicial Control:** Subverting the judiciary to secure favorable outcomes in legal matters.
- **Administrative Corruption:** Appointing loyalists to key bureaucratic positions to ensure compliance with private agendas.

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State capture can occur in various forms and to different extents, but its hallmark is the subversion of state functions to serve the interests of a



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select few rather than the public good. In Georgia's case, the "select few" refers to one man - Bidzina Ivanishvili, founder of the Georgian Dream party and former Prime Minister. He amassed his fortune, which exceeds Georgia's national budget, in Russia, where an oligarchic rule is well established. Often referred to as an oligarch due to his self-imposed distance from any official title or function but exuberant influence on Georgian politics, Ivanishvili effectively "owns" Georgia, with control over its ruling party, judiciary, legislature, businesses, media, etc. - all traits of state capture.

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Given the origins of his wealth, many inside and outside of Georgia believe he is manipulated by

the Russian leadership, and they offer numerous pieces of evidence to support this claim. The latest is the "foreign agents' law," poorly disguised as a "transparency law," which mimics similar legislation adopted in Russia and instrumentalized for the oppression of dissent. Whatever Ivanishvili's motives are, examining the behavior of other state capture cases worldwide reveals striking similarities with current events in Georgia, making it easier to understand the dilemma Georgians are facing.

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In Nicaragua, the Ortega family exemplifies state capture. President Daniel Ortega and his wife, Vice President Rosario Murillo, have centralized power and [undermined](#) democratic institutions. Their rule is marked by the erosion of checks and balances, suppression of dissent, and manipulation

of state institutions for personal gain. Ortega has maintained a tight grip on the National Assembly, ensuring laws are passed to consolidate his power. The judiciary in Nicaragua is heavily influenced by the executive branch, with judges often appointed based on loyalty to Ortega rather than merit, leading to biased rulings that favor the regime. Independent media outlets face constant harassment, censorship, and even shutdowns. Journalists critical of the government are often threatened, imprisoned, or forced into exile. The Ortega family has significant [control](#) over the economy, with numerous businesses linked to the family or their allies, further consolidating their political power.

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In Venezuela, state capture has been a critical factor in the country's descent into economic and political chaos. Under the leadership of Hugo Chávez and his successor, Nicolás Maduro, Venezuela has experienced severe financial mismanagement, widespread corruption, and human rights abuses. Chávez and Maduro [used](#) oil revenues to create a vast patronage network, ensuring loyalty among military and civilian elites. This patronage system has been crucial in maintaining their grip on power despite widespread opposition. The judiciary in Venezuela is primarily seen as an extension of the executive branch. Judges not aligning with the government's agenda are often replaced, ensuring that legal challenges against the regime are stifled. Electoral processes in Venezuela have been heavily criticized for lack of transparency and fairness. The government uses tactics such as gerrymandering, voter intimidation, and control over the electoral commission to secure electoral victories. The Maduro regime has cracked down on opposition leaders, activists, and journalists. Many have been imprisoned on dubious charges, while others have been forced into exile.

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State capture in Belarus involves the consolidation of power by a small elite, primarily centered around President Alexander Lukashenko, who has ruled the country since 1994. The phenomenon in Belarus is characterized by the centralization of authority, suppression of opposition, and the intertwining of state and private interests to maintain control over the political and economic landscape. Presidential decrees often override legislative decisions, diminishing the role of other branches of government. The parliament of Belarus functions more as a rubber stamp for Lukashenko's decisions rather than as an independent legislative body. Elections in Belarus are widely criticized by international observers for being neither free nor fair. Allegations of vote rigging and suppression of political opposition are common. The Belarusian economy is heavily state-controlled, with economic opportunities and privileges often granted to regime loyalists. This ensures the support of key business figures who benefit from state contracts and favorable regulations. The judiciary in Belarus is not independent and often acts in accordance with the interests of the ruling regime, resulting in biased rulings, particularly against political opponents and activists. Media is mainly state-controlled or heavily regulated, ensuring the regime can control the narrative and limit critical reporting. Political opponents, activists, and independent journalists face harassment, imprisonment, and violence.

Foreign Policy Consequences

State capture profoundly impacts foreign policy. When private interests and corrupt officials control state apparatuses, foreign policy often serves

to maintain their power and protect their economic interests. This results in alignment with other authoritarian regimes, economic dependencies, strategic alliances, and diplomatic isolation from democratic nations.

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Countries suffering from state capture often align their foreign policies with the interests of those who benefit from the corruption. Corrupt regimes may create or sustain economic dependencies that favor their personal or political survival. Such states face diplomatic isolation or sanctions from the international community. To mitigate those consequences, they form strategic alliances with other captured or authoritarian states.

The Ortega regime has tailored its foreign policy to sustain its power and align with other authoritarian regimes. The close relationship between Nicaragua and Venezuela has been a cornerstone of Ortega's foreign policy. Venezuela, under Chávez and later Maduro, provided financial aid and subsidized oil, which helped Ortega consolidate power domestically. Nicaragua has also strengthened ties with Russia and China, both of which have less stringent conditions regarding human rights and governance. These relationships provide economic and military support while counterbalancing Western influence. Ortega's policies and human rights abuses have led to strained relations with neighboring countries and regional bodies such as the *Organization of American States* (OAS), which has criticized Nicaragua's democratic backsliding.

Venezuelan foreign policy has been characterized by strong anti-US rhetoric and opposition to US influence in Latin America, justified by rhetoric of "resisting imperialism and external influence." Human rights abuses and electoral manipulation have led to extensive sanctions from the US, the European Union, and several Latin American countries.

These sanctions aim to pressure the regime but also contribute to Venezuela's economic crisis and isolation. To counteract international sanctions and diplomatic isolation, the regime has fostered close relationships with countries like Russia, China, and Iran.

One of the most significant foreign policy consequences of state capture in Belarus is the country's increased dependence on Russia. This relationship is multifaceted, encompassing economic, political, and security dimensions. Belarus's state-controlled economy relies heavily on subsidies and favorable trade terms from Russia. Russian energy subsidies are crucial for the Belarusian economy, providing discounted oil and gas essential for domestic consumption and export revenues. This economic dependence limits Belarus's ability to pursue an independent foreign policy and makes it susceptible to Russian influence. The behavior of the Belarusian regime has led to severely strained relations with the European Union and Western countries. In response to electoral fraud, political repression, and human rights violations, the EU and the United States have imposed multiple rounds of sanctions on Belarusian officials, businesses, and state-owned enterprises. These sanctions target key sectors of the economy, including finance, oil, and potash, and aim to pressure the regime to implement democratic reforms. High-level diplomatic engagements are limited, and Belarus has been excluded from various international forums and initiatives.

Long-term Foreign Policy Consequences

The long-term consequences of state capture on foreign policy are overwhelming. The regime's dependence on countries like Russia and China, strained relations with the West, and limited engagement with other international actors create a precarious foreign policy environment. Heavy re-

liance on other autocratic countries makes these states strategically vulnerable. Any changes in Russian or Chinese policy or economic conditions could have severe repercussions and limit their ability to pursue independent national interests.

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Ongoing diplomatic isolation and sanctions from the West hinder their ability to participate meaningfully in the international community. This isolation restricts opportunities for economic development and cooperation. Economic difficulties stemming from sanctions and dependence on Russia and China, combined with political repression, contribute to public discontent and social unrest. Since neither Russia nor China is particularly fond of the current international system, where smaller countries have a chance to advance their national interests, further isolation from the West undermines their sovereignty.

Consequences for Georgia

More examples of state capture can be brought to the table, but the cases mentioned offer a clear picture of Georgia's future. Any "Georgia watcher" can testify that all the abovementioned problems persist in today's Georgia. Given the consequences of the state capture phenomenon, it seems pre-determined what kind of direction Georgia would take. "Normalizing ties with Russia" has increased the Georgian economy's dependence on Russia which previous governments successfully diversified towards more stable, predictable, and resilient markets. Drastically increased interactions with China, including lifting the visa regime,

mimic modes other similar regimes take. All this is in the name of decreasing the "malicious influence of the West," whose critical and uncomfortable voices started to challenge and irritate the ruling elite and primarily the ruler himself.

It seems very logical that to consolidate and maintain power, the ruler would not only target, harass, and suffocate the political opposition and uncontrolled businesses but would extend oppressive measures to any independent institution, whether civil society organizations or media. The recently adopted "foreign agents' law" represents merely an instrument for such oppression, as well described in the special [report](#) by the Venice Commission of the Council of Europe. Unlike in the above-examined cases, where state captors claim the political title of the Head of the State, in Georgia, Ivanishvili believes he is playing a "little trick" (his words), officially distancing himself from any official labels. Ivanishvili probably believes that this way, he will avoid being subject to obligations, criticism, sanctions, accountability, or responsibility. That belief in impunity makes him more determined to pursue his malicious policies without fear of consequences.

Even though such actions were predictable and multiple times noted by many experts (including yours truly), this time, fortunately, the West seems to be moving from verbal condemnations to concrete actions, hence revealing the true anti-Western and authoritarian nature of the current Georgian leadership.

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All five previous presidents of Georgia (including the incumbent one), despite their differences and political preferences, never questioned Georgia's pro-Western stance and aspiration to be institutionally integrated into the EU and NATO, supported by more than 80% of the population. Contrary to the aspirations of the people of Georgia and contrary to the Constitution of Georgia, Ivanishvili

and his cronies are clearly driving the country toward the fate of Nicaragua, Venezuela, and Belarus. If they remain in power, Georgia will not only be a "one-man show," but it will surely become a "one-man shop," further eroding state sovereignty and pushing the country into the club of "international outcasts" with predictable consequences ■