

# Russian Organised Crime

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## Introduction

The social and economic changes in the former Soviet Union over the last decade have brought to light the activities of Russian organised crime.

Criminal groups or "*Mafiya*" as the Russians have named them, have proliferated across the former Soviet Union, and their operations have been extended far beyond their own national boundaries to much of Europe, into the Middle East across to the Far East and the United States.

They have linked up with Russian emigre groups, particularly in the USA, Germany and Israel and are known to have established formal working relationships with the US and Italian mafia as well as with South American drug dealers.

In addition many current Russian crooks are exploiting the contacts they made in the days of the Warsaw Pact when as we all remember Soviet forces were stationed in much of Central and Eastern Europe.

Crimes in which Russians are involved include drug-trafficking, money laundering, organised prostitution, fraud, vehicle theft, arms trafficking, the smuggling of raw and nuclear material, art theft, counterfeiting, racketeering, extortion and the export of hired mercenaries.

In their own country it is estimated that there are 5-8,000 gangs with some 100,000 members. The Russian Interior Ministry claims that in addition to obvious crime there are perhaps 20,000 cases of corruption per year. 80% of businesses pay protection money and criminally controlled enterprises account for 40% of Russia's GNP. Further figures state that between 10 and 30 billion US dollars are transferred abroad each year.

How did this come about?

Large scale crime is not a new phenomenon in Russia and the CIS. Illegality and the absence of the rule of law could be said to stem from Lenin's time, since the time in 1918 when he dissolved what was a democratically elected constituent assembly by force of arms. The whole Soviet system was founded by a small minority - from day one the state practised criminal actions and imposed arbitrary decisions against its own people. One can see the current "*mafia*" as rooted in the lawlessness and general lack of morality operating across the whole of the FSU.

The communist leaders set the tone for illegality. Under Lenin hostages were shot arbitrarily. Peasants were forcibly conscripted for factory work during the Civil War. Stalin's regime had 30 million consigned to the gulag. Beria, KGB head, sent his officers out to pick up women in the streets, quite arbitrarily, and used them for his

own sexual gratification. In the 1960s Khrushchev had hundreds of workers shot by the KGB during a strike in Novorossiysk. Under Brezhnev \$30 billion of oil revenues disappeared and have still not been traced. Whilst Gorbachev reigned 2000 tonnes of gold ingots vanished to the West. After the failed 1991 coup, CPSU officials transferred an estimated £30 billion to western banks.

### **Crime's Political Roots**

Russia's history has always been one of autocratic rule, right up to modern times. Not until 1864 did the then reorganised Russian legal system provide for the election of judges, open hearings in court, and a jury system in criminal cases. Even these did not bring about any great respect for the law, since patronage and sycophancy ensured that the law could be circumvented. The system remained good for the strong only. The disparity between the upper and lower levels of society brought about a system of official corruption which still exists today.

In any country, organised crime will mirror society. Its significance depends on the government's will and ability to keep in check. So it seems to me that in order to understand what is an astounding growth in organised crime in the last few years, one should have some awareness of the system created by the Bolsheviks.

Under their system all power lay with the party, the power being wielded by the party apparatchiks, that is the functionaries and the elite. This system was not in fact legitimised by the constitution, and the general life of the party elite was hidden from the people and the mass media. Remember that the party members, ie those who actually held the party card, were always a minority of the whole population.

Lenin believed that for a party to seize power in Czarist Russia it would need an organisation of professional revolutionaries from whom would develop a cadre of professional politicians. Since the party's inception as the Russian Social Democratic Party, it had contained gangster-type groups whose task was to raise funds for the party by robbing banks and the wealthy. Stalin first rose to fame as head of such a group. The criminal groups had a clear hierarchy and adhered to a strict code of discipline. One can with some reason compare their way of operating both before the October revolution and after their seizure of power with the way that Mafia organisations operate. In the party all power lay with the Politburo which functioned much like a Mafia family head. Operations initially were founded on personal loyalty and dependence. The party apparatus kept its secrets from rank and file members, who did not question the actions of their leaders. Orders had to be carried out meticulously. Such obedience gained the member the support and favour of the leadership, and by this means they were then able to control rank and file members and even those outside the party structure. Disobedience on the other hand was punished immediately.

In the international field the communist party elite did not hesitate to use criminal methods. The Comintern and the International Department of the Central Committee of the CPSU were adept at operating inside other states and breaking their laws. They quickly established links with international terrorist groups, gave them financial support and even gave them military-type training in secret schools.

The party system spread across the whole of what was the USSR and one has seen in those states where, since the break-up of the FSU, communists have been returned to power, the old system continues to function. Such was the power of the party that it has been enabled to take over many of the wealthiest banks and businesses, since many of them were created on communist party money and are run nowadays by former party apparatchiks.

### **Crime's Economic Roots**

Under communism in the good old days of the USSR, it was axiomatic that crime as it existed in the West could not and did not happen with them. Crime was a result of rapacious capitalism. All that happened under communism was a manifestation of anti-state activity, a form of subversion.

According to Russian expert opinion the roots of the present-day criminal organisations can be found in the old legal soviet economy. Many of the “New Russians” - wheelers/dealers - are those who yesterday served the party or were involved in the “shadow economy”.

In the USSR the means of production belonged *de jure* to the state and the entire people. However *de facto* they were owned by government officials or what were called the “Nomenklatura” - these were officials and top industry executives appointed to their positions by the party, and entered into a special list. They were considered by the party as worthy of status or promotion. Although these people's political behaviour was controlled by the party they had a free hand in the economic sphere, since the party did not have the expertise to exercise more than partial control.

Under communism there was no thought of meeting the demand for consumer goods and services. Executives' personal prosperity was in no way linked to the performance of industries or profitability of enterprises, since there was really no understanding of proper business accounting, no concept of profit and loss as we understand it in the west. The system laid down norms for production, whether in heavy industry or agriculture and failure to produce could not be excused by equipment breakdown, due to lack of spare parts for instance. No great attention was paid to producing these, so managers turned to a fixer who could obtain parts by theft from the factory production line or by cannibalising equipment in another part of the country. Where hardware was not available, records were fiddled, creative accounting a new norm, with the consequent enhancement of corrupt practices throughout society.

All members of the nomenklatura knew that the way to survive did not depend on their abilities but on remaining in their superiors' good books and on maintaining close personal ties with as many other nomenklatura members as possible - and of course showing continuing loyalty to the party system. This was a somewhat precarious system, and officials used their positions to gain as much as possible today, because tomorrow they could be out.

But gaining more for oneself and a few cronies meant shortages of goods and services for others. In a system where there could often be total shortages the nomenklatura could sell goods and services under the table for fantastic prices.

Thus the elite, rather than the market, became the force controlling distribution of goods and services. Any shortage enhanced the nomenklatura's opportunity for bribe-taking. Thus the Soviet economy evolved into an extraordinarily corrupt system. By the early 1960s there were organised criminal entities operating within the existing legal economy, who thrived by putting together those in need and those who could supply.

During the period 1961-1982 there was a consolidation of the existing criminal structures which continued to refine their operations.

As I stated, the command economy could not meet consumer demand, only the most essential items were available from state run shops, anything else came from what was called the "shadow economy". This thrived by retailing luxury or even quite ordinary items smuggled in from abroad or locally made from materials stolen from state factories. The nomenklatura knew of the shadow economy, since this underground system was often used by State run firms to obtain such things as spare parts to enable them to function, furthering, of course the fallacy that official businesses were being run efficiently.

However the "black" market grew as people's awareness of their deprivation grew and there developed a situation in which private entrepreneurs installed modern equipment, brought in from overseas, in their factories, sometimes employing hundreds of workers. Many workers were employed to use state of the art technology and had no idea that they were working in private enterprises. Managers organised honour boards showing worker of the week citations and photos of best employees. Wages in such establishments were higher than in the state-run economy. By bribery from their vast profits many such facilities were not touched by the state authorities.

Since private entrepreneurs, if they were successful, were obviously not fools, they knew where to go to gain protection, '*krysha*', a roof - the top echelons of the party and nomenklatura. With such protection there developed a much bigger private sector than was suspected by many in the West.

In 1990, Oleg Bogomolov estimated that the shadow economy amounted to 25% of the USSR's gross domestic product and deputy Soviet Minister of the Interior estimated that the "shadow economy" employed 20 million people.

It is easy to see that a huge amount of tax-free cash circulated around the Soviet Union, much of it being used for bribes to patrons protecting the shadow economy. It is interesting that cash which the party elite received from the private sector could be converted into hard currency since it was not taxed or subject to control. The money was not only used for high living. As in any country money bought political power, either by gaining support or bribing adversaries. One can see how many former party officials are enjoying both political and commercial success to see how well the money was applied.

### **The Extent of the Shadow**

Thus the Soviet criminal world was shaped both by political and economic factors. Crooks managed to infiltrate the party, the government and law enforcement organisations. But in addition a further stratum of society became tainted by crime.

The gulag system swallowed up large numbers of persons innocent of what could be regarded as wrong-doing - so much so that it seems that every Soviet family had someone who had done time. Many, guilty of no crime, when in jail became friends with real criminals, learned their ways and how to beat the system. All of this stood them in good stead for the future.

Remember the state had contempt for private property and so in society as a whole there developed a contempt for property, both private and state-owned. "Theft from the state is no theft." Serfdom was not abolished till 1861, when there started to develop an economy based on private ownership, but that did not last long; after all some fifty odd years later came the revolution where the Bolsheviks abolished private ownership - thus Soviet citizens had no scruples about violating ownership rights of others.

In the '70s there began a series of "summit" meetings between the "shadow" businessmen and real crooks - what the Soviets called bandits, then employed in robbery, murder and general violence. This came about because businessmen needed protection from other criminals who were robbing them, and of course they could not turn to the police.

Shadow businesses developed regional links and formed what in the West would be trade and professional organisations. There began to emerge a clear hierarchy in which industry executives were often persons of standing or party members, and firms began acting as contractors or sub contractors, one to another.

As party members they had been well schooled in organisation and management. Liaising with out and out crooks they developed a common cash fund and a form of arbitration court. The money assisted those who were in jail, with the court settling disputes and where necessary punishing those who stepped out of line and particularly broke the code of secrecy.

But do not forget that the major factor in the protection that existed was the involvement of party officials. These members operated at city and regional level, they were found in the Council of Ministers and even the central committee of the CPSU. There was a classic case of one Ambartsunian who ran a major part of the shadow Moscow food retail system. He served nine terms as party deputy at district level, ultimately rising to being a member of the district party committee.

At this time there was established a code under which ordinary criminal thugs were paid 10% of shadow economy profits. This ensured, if you like, physical protection against theft or hijacking of cargoes. It is interesting to note that entrepreneurs state that the crooks were scrupulous in honouring agreements, unlike the government, and provided genuine security.

### **Perestroika and Democracy**

The legalisation of the private sector began with "*perestroika*". Its aims were the privatisation of public property and thus the expansion of the private sector. Of course it was helped on its way by the fact that the party was well aware of how efficient private commerce and industry could be. After all a major part of their income had come from bribes taken from private sector profit. Then \$1 = R1.

So in 1985 there was adopted the Law on Cooperatives. Apparently 20 million roubles changed hands to assist its passage into law. The government at the same time issued an order that forbade the police from interfering in business operations of the former shadow sector. Thus legalising of business came about rapidly. It was fairly soon estimated that nearly 70 per cent of new entrepreneurs had served prison terms for underground economic offences. Businessmen did not forget their old friends, many of whom were common criminals, as I mentioned earlier. Many of them (for a price) took into their employ criminals, prostitutes and other disreputables. By so doing they were able to provide these people with a form of legal document that proved their contribution to *perestroika*, ie “heroes”- thus to be left in peace by the militia.

Economic activity is developing rapidly in the FSU. The problem is that there is as yet no body of legislation nor the regulatory bodies that encourage and protect business in the west. The continued relationship between the old nomenklatura and new would-be entrepreneurs ensures that much privatisation is carried out not necessarily in the best interests of the state, with the party hacks becoming private owners of public property.

As the old system collapsed and thousands of underground operators attempted to become legitimate, bureaucrats became ever more omnipotent, since they allocated quotas, subsidies, credit, licenses, franchises etc. In Russia alone the number of bureaucrats increased by 30 per cent compared to the communist period for the whole of the USSR. Some of these bureaucrats have been taking steps to curb that segment of the private sector that they could not control.

Many shadow economy operators, their criminal contacts and corrupt officials have become very rich and have made efforts to export their wealth, much of which has been moved by Russian criminals who have expanded their operations abroad to prevent it losing its value through inflation or currency fluctuation, and of course money invested in safe enterprises, legal or illegal, makes more money.

When in 1992 the government launched full-scale privatisation, those with money could buy up state enterprises for a song, because those allocating values were corrupt. This, of course, excluded the average Russian citizen. Crooks who had, by now, become respectable financial-industrial operators controlled the banks who provided the funds to purchase at prices kept artificially low by corrupt officials.

Of the 500 biggest enterprises privatised by sale at auction, some 324 went for an average of under \$4 million. The “Uralmash” machine building giant was sold for \$3.73 million as was the Chelyabinsk metallurgical combine; the Kovrovskiy factory which made small arms for the army, MVD and the special services was privatised for \$2.7 million.

According to the Russian State Duma's Policy Committee, discussing privatisation from 1992 to 1996, losses exceeding 9.5 quadrillion roubles were amassed in 1995 alone and the total loss from privatisation was some 20 times greater than the state budget for 1996. From 1992 to 1996 the income from privatisation was only 0.012 per cent of total budget receipts. The committee's report stated that a system had been created generating more than 100 crimes a day. Their figures also state that during the period in question privatisation transactions averaged 104 per day. Thus just about every transaction was apparently flawed.

Privatisation, the report continues, was conducted hastily, unsystematically, without scientific foundation, ignoring foreign experience and in a number of cases completely flouting elementary legality and it is this which is a major cause of the criminalisation of society and the progressive growth of crime in Russia.

The criminal groups in Russia can and do influence elections to local authorities at city, district and regional levels, often by the simple expedient of distributing free food and vodka. Their influence extends in the State Duma, where according to the Russian press many newly-elected deputies have a criminal record.

Aleksandr Gurov who ran the Russian Interior Ministry's Chief Directorate to combat organised crime and corruption quoted a man involved in large-scale racketeering. "Sure, I am a crook, but my children will run this state". However it looks to many as if already the crooks and not their children manipulate the levers of power.

Unfortunately there is a tendency for Russian mass media to glorify many mafia figures. Young people perceive much criminal activity as having its own romance. So there is no shortage of volunteers to join the criminal ranks.

There exists a situation now where crime is growing. Government officials still create privileges for certain selected private businesses in the hands of former nomenklatura members whilst at the same time attempting to nip in the bud genuine free enterprise by the imposition of exorbitant taxes. So of course private enterprise still conceals its true scope and success from government. In some respects Russian government figures on production have no validity. Although figures from across the FSU show that much production is rapidly declining, the consumption of electrical and primary energy is still high. It cannot all be being used for domestic heating and lighting. Much of it must be finding its outlet somewhere in industry.

Unfortunately, as western investigators have revealed, any Russian entrepreneur declaring all his operations openly, and paying all the taxes and levies demanded by government is doomed to go bankrupt since these requisitions in many cases amount to 100% of turnover, not to mention profit.

Thus once again concealment is rife. Very little of a business deal is committed to paper. But that of course means that agreements between businesses can easily be broken. Then the aggrieved party turns to the crooks for enforcement one way or another. In 1996 there were more than 450 contract killings, many of them involving shady business deals.

In addition the average Russian citizen does not trust the average Russian policeman - they allege that many of them are as evil as the crooks they are supposed to apprehend. This should be no great surprise - we are all of us, I suspect, subject to temptation and Russian policemen are poorly paid and badly equipped.

### **The Military**

You will remember that I mentioned earlier that Russian criminal links with like-minded persons had been established during the time that the Soviet army had been stationed in former DDR and other countries of Central and Eastern Europe. Let me quote you a particularly striking example.

In early 1994 two An-12 Cub aircraft landed on the airfield at Sperenberg near Wunsdorf which was where HQ Soviet Forces was located. 327 crates were unloaded and taken away by a German truck which was escorted by some civilian cars. Some kilometres down the road, German police stopped the vehicles and arrested eleven persons, among whom was Russian Col Anatoliy Golubev, the director of the Wunsdorf Army Hunting Club. The trucks' contents were checked against the Colonel's loading list - which stated that the contents were sporting guns, being transported to a firm trading in Hamburg. However the contents turned out to be 9810 9mm "Makarov" pistols.

This seemed to run counter to the statements by the then Soviet CinC Burlakov that the Soviets were not involved in illegal arms trading. He claimed that his officers were not crooks, in spite of German traders purchasing truck loads of cigarettes and other goods from military sales outlets, as a consequence of which activity rival dealers were initiating gunfights to guarantee their piece of the action, and bodies were being found in local hotels or being fished out of the lakes.

Golubev's arrest showed that there had to be important links in the chain of crooked deals. So bad had the local situation become that the Minister of Defence, then Grachev, who had recently come into possession of two new Mercedes cars, sent a signal to Burlakov telling him to tighten up discipline. The cars, by the way, were purchased via a fund set up to help discharged officers!

Remember that the Soviets were due to have completed their planned withdrawal by the end of August so you can understand why activity was so frantic. One officer traded 11,000 photo negatives giving complete coverage of the former DDR to a scale of 1:22000, in exchange for 90,000 marks worth of computer equipment from Singapore - at the time a Russian colonel was being paid 120 marks per month!

But back to pistol-selling Golubev who, it turned out had established his own registered trading firm. He received 17 railway wagon loads of prefabricated timber dwellings, apparently for use by the officers' hunting club - however the intention was that they be sold to German customers as holiday homes or chalets - priced at 50,000 marks apiece! It happened that authorisation to ship them had been signed by retired Lt Gen Maganov, employed by the Ministry of Defence to head the hunting association for the Soviet military world wide. It seems incredible that he would authorise such a transaction so close to the Soviet withdrawal unless he were in for a share of the profits.

The Soviet deputy CinC - Shcherbakov - was accused by the Russians themselves of using military air transport to smuggle raw materials, mostly non-ferrous metals out of the USSR. In addition the Air Force deputy commander responsible for fuel is alleged to have sold 30% of a year's supply of fuel to traders in the West and so it still goes on.

Figures for all types of crime in the Russian armed forces for the first half of 1994 were 5,406; in 1995 the figures were 23,000. Crimes in the military involve:

General theft - fuel, de-icing fluid (the latter for booze).

Patronage for postings or promotion, or the buying off of military inspectors.

Misuse of manpower by officers to build dachas, saunas or swimming pools, which seem to be the favourites.

Bullying of young soldiers by the older ones. This can and does result in deaths in significant numbers. Interestingly the best counter to it seems to be those mothers who turn up at the barracks gate and physically remove their sons. The resulting furor, often stirred up by the soldier's and mother's local paper, has often proven efficacious!

Draft evasion is rife, and when draft evaders were picked up and charged in May 1994, the Volga MD deputy CinC noted that the fine was less than the price of a 'Snickers' bar .

The scandalous situation where there was no money for servicemen's pay or to buy his food has led to a situation where almost everyone in the military was prepared to chance his arm.

In 1996 there were instituted over 100 criminal cases involving officers of the rank of Colonel or higher including 15 generals and admirals. As an example of an extreme case there is Major General Perelyakin, who was a UN commander in a Serbian held sector of Croatia in April 1995. He was dismissed from his post for offences including smuggling, profiteering, corruption, negligence and cooperating with local Serb militias.

Weapons theft is perhaps the crime that interests us most - in April 95 the Russian Interior Ministry stated that more than half the weapons in Russia's black market came from army sources. Rosvooruzheniye, the Russian government armaments company established by Yel'tsin in 1993, became so deeply mired in corruption that it became known as Rosvor or 'Russian thief'. The organisation is largely run by Russia's military and in April 95 it was accused of concealing 137 billion roubles of profit, failing to pay 44 billion in taxes and being involved in illegal currency deals amounting to \$90 million. The figures, which have not been revealed, stated further that weapons thefts from its stores were 10% down in 1995 from the figures for 1994 - apparently the market was saturated.

The US analyst Graham Turbiville has observed: "The Russian military's criminal involvement in weapons trafficking for personal profit ranges from the sale of individual arms for a quick profit, to sophisticated large-scale weapons transfers for huge revenues."

The Russians are setting up a Military Police force to cope with the crime rate. How effective can it be?

## **CRIMINAL ACTIVITIES ABROAD**

In Russia the rate of crime has tripled since 1989. The criminal gangs have turned to more sophisticated business. The biggest danger that they represent to Russian society is through their control of an estimated 50,000 companies in Russia. Any foreigner nowadays wishing to do business is well-advised to take advice from his

embassy or some of the better known international security firms before becoming too closely involved. Russians have proven particularly adept at exploiting computers - cash, credit transfers, false info/docs etc.

Russian criminals have not been slow to move abroad. The interior ministry knows some 7,000 people working abroad, but the reality is that the number is much higher. Their territory includes Austria, Belgium, Bulgaria, Canada, China, Cyprus, Czech Republic, Finland, France, Germany, Greece, Hong Kong, Hungary, Israel, Italy, Japan, Netherlands, Poland, Spain, Switzerland, Turkey, UK, USA and former Yugoslavia.

### **Some Examples of Activity in Europe**

**Austria.** Russian specialisations are prostitution and economic crimes. They are thought to have 700 prostitutes in Vienna alone - total turnover in the country \$300m per annum. Russia's biggest gang, called the Solntsevaya band, has based its European HQ in Vienna because of Austria's lax banking and tax laws. The organisation is involved in drug smuggling which is very profitable, and is moving into more sophisticated activities such as credit card and bank transfer fraud.

**Belgium.** Russians are very active in prostitution - many women involved in this having been lured to the West with false promises of a job and work permit. Much of the Russian criminal effort is based in the port of Antwerp - Falcoplein Square is now known as "Red Square." Smuggling of all sorts, including drugs, is favoured. Many of the city's diamond dealers are Russian Jews with links to Russian gangs and are considered to be adept at laundering money and dodging taxes. This is also a convenient link for the supposedly large amounts of gemstones being pilfered from mines in Russia's Far East and then sold elsewhere.

**Cyprus.** This is a favourite spot for money laundering as well as a final destination for illegal Russian capital. Estimates say that \$1.3 billion arrives every month. The problem here is that Cypriot authorities have refused to cooperate with the Russian Central Bank on the matter of licenses for Russian companies to operate. There are a myriad of offshore bank accounts for Russians where capital is safe from inflation, low interest rates and of course the unstable rouble. The country is also a way station for money going into the London property market, for instance. There were bomb attacks in Limassol in 1995 caused by rivalry between Russian gangs. Just before these incidents cases were reported of attempted extortion against compatriot businesses which resulted in the Cypriot authorities deporting some Russian "businessmen".

**The Czech Republic.** Russian gangs use links forged during Soviet era. The businesses engaged in are extortion and protection as well as arms and drug smuggling. Prague is the source of 70% of the drugs entering Germany. There was an interesting case in which a leading Russian crook was released from gaol when the authorities received a bogus fax, apparently from the district court. The fax bore the court's official stamp and correct evidence number - a prime example of corruption, apparently.

In December 1995 the Head of the Czech Interior Ministry's investigation department was dismissed because of his links with Russian criminal gangs. There have been gunfights between Russian and Armenian gangs as well as cases of tit for tat killings

involving members of rival gangs, whose bodies tend to turn up in the boot of an abandoned car.

**Finland.** Has more than 50,000 ethnic Russians. Russians here are active in car theft and transshipment. They smuggle vodka, arms, drugs and precious metals, as well as controlling prostitution in certain cities. It is believed that the entire hashish and marijuana trade is in Russian hands. There has been very little serious violence between feuding gangs, but even so Helsinki's police chief has called for a Nordic, and ultimately European, register of known Russian criminals. What is known is that a significant number of former KGB, GRU and Soviet military are involved in organised crime here.

**France.** Russian mafia activity here is fairly low key, perhaps because a large number of Russians use France for holidays and as their place of residence. However, there is some Russian involvement in prostitution and in the running of bars and cabarets, which in addition to being profitable businesses also facilitate money-laundering.

**Germany.** A significant number of mafia bosses are located here, as a convenient spot from which to run their European businesses. Many of these people are now exploiting contacts made during military service spent stationed in Germany. German estimates blame Russians for one third of all crime committed here. Much of it is extortion, prostitution and car theft as well as currency counterfeiting and trading in arms and nuclear materials. BKA says 10,000 Russian women work as prostitutes. Berlin is a favourite location for the usual crimes, whilst those based in Frankfurt tend towards economic crimes although there was a celebrated case of violence in Aug 1994 in which a pimp, his wife and four of his girls were killed in a suspected mafia feud.

**Hungary.** Activity here is high. During the last week before the Soviet army withdrew in 1991, more than 1,000 Russians deserted - many to set up criminal operations. As well as the usual activities, Russians control much of Budapest's night life. There have been killings and kidnappings, but there is increased economic activity because of lax banking regulations. Indeed Hungary is seen as the white-collar crime capital of Eastern Europe.

**Italy.** There has been joint activity by Russian criminals and the Italians' own mafia. Russian arms enter Italy, whence they have been smuggled to Bosnia-Herzegovina. Russian economic crime is centred on Milan, where their activity grows even more sophisticated.

**Netherlands.** Russians here take advantage of the country's liberal drugs laws for the smuggling and transshipment of narcotics. Prostitution and pornography are favourite occupations. Many of those working in Amsterdam's red light district have Russian pimps. There is considerable activity in smuggling stolen cars through the eastern border towns such as Hengelo. There is a high level of money laundering and counterfeiting. There is also production of fake Stolichnaya vodka for resale in Russia.

**Poland.** Very like Hungary and Czech Republic. Most car crime committed by Russians. In 1995 car theft increased fivefold compared to 1994, with car jackings increasing particularly against foreigners. Most stolen cars end up in Russia where it is estimated that 20% of all foreign cars in Moscow are stolen. Favourites are Mercedes, BMW and VW Golfs as well as the usual four wheel drive vehicles. In

Warsaw a Mercedes is reckoned to last 3 months before it is stolen. Volvos and Japanese mid-range cars apparently have no market.

**Spain.** So far not much activity. Spain is too far away from other business locations, but is popular as a place to buy a house. Large number of Russians live in the popular coastal resorts. Interesting that most Russian businesses are based in the south close to Gibraltar - which is a tax-lenient locality.

**Sweden.** This country has been used as a way station when smuggling persons (refugees?) to the West (known as "criminal tourism"). Established centre for the production of false passports, visas etc. Also this is the only place where Russians outside of RF have attempted to kidnap a Westerner - even prepared a mini-sub for the abduction!

**Switzerland.** Since this is a major business centre for Russians, no overt "criminal" activity. Much money-laundering - with Russians having overtaken the Colombians in the amounts involved: amounts of "registered" money now reach \$4bn annually. Extortion cases in RF usually demand that resulting payments be made to Swiss bank accounts.

**United Kingdom.** Particular interest in using the City for laundering cash. In 1995 two people arrested during attempt to launder \$32 million over 18 month period. Chechens active in London. Many Russian crooks prefer to keep their families out of the action to purchase property in UK. High property prices attract money - as does public school education.

## **THE DRUGS TRADE**

That part of the world formerly known as Soviet Central Asia - the states of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan - is a remote and rugged area long known for narcotics growing and use and for smuggling in general. For a long time drug use was mostly limited to the local population with the smuggling bringing all types of goods on which a profit could be made across the borders with Iran, Afghanistan and Pakistan.

However the invasion of Afghanistan, where many soldiers became exposed to drugs for relaxation - remember alcohol was forbidden to Soviet soldiers - the political changes taking place in the USSR and the growing drug demand throughout USSR brought about the need for drastic law enforcement by the Soviet authorities. So in the mid sixties the soviets launched a series of operations under the codename "MAK" - the Russian for poppy - with the aim firstly to destroy the poppies which were the raw material for both hard and soft drugs at source.

It soon became clear that the problem was beyond the capabilities of the local police forces. The result was that Ministry of Defence assets in the form of helicopters and armoured personnel carriers became involved - to be followed fairly soon by the deployment of special forces. It had been imagined that there might be a requirement for an annual strike, but it soon became obvious that local growers were producing, in many cases, two crops annually. The operations were only partially successful. Plantations had been long established, some in very remote areas and cultivation even

took place under glass to provide a year round harvest. Furthermore it was discovered that areas of growth were not limited to Central Asia. The poppy grows wild from the North Caucasus to the Asiatic states, so local entrepreneurs were not slow to take advantage - production has now reached the Russian Federation and into Siberia.

As growers became more sophisticated so the law-enforcement effort, and the military's, increased. There were ever increasing commando-style raids across the country, air attacks and the employment of chemical means of eradication. Because the financial stakes were so high, the growers and dealers began to fight back, so much so that coordination of all anti-drug operations was centralised under the Soviet Ministry of the Interior.

1991 saw the first major assaults by Omon, the police's own special forces, into remote areas. They had some success, but most local farmers, who had previously existed at near subsistence level, had turned to growing the poppy. Tajkistan, Kazakhstan and Uzbekistan reported large areas destroyed, but found themselves faced by ever-increasing areas to be policed.

## **Post - 1991**

The drug problem has been exacerbated by the unravelling of the former Soviet Union. Independence of states has led to barriers in cross-border cooperation, the erection of which has not limited drug-trafficking. There has not been enough money anywhere in the former Soviet Union to update police operations or equipment, whilst the crooks can field fast vehicles and sophisticated communications when confronted by forces of law and order. Local consumption has increased perceptibly, with for instance large numbers of military conscripts suffering from some level of drug dependence across much of the FSU.

National rivalries and ethnic differences have greatly impeded any concerted CIS initiative, and the mafia have not been slow to profit.

Kyrgyzstan passed a law making private cultivation legal, but public outcry caused the law to be rescinded. The aim had been to limit cultivation to government land for medical exploitation. However one must have doubts as to whether the product could have been kept from criminal hands.

Afghan-produced heroin began to flow into the territory of the FSU. The war had allowed large numbers of automatic weapons to pass to criminal groups, and border clashes developed into quite serious fire-fights. One should not forget that many Afghans have very strong linguistic, ethnic and religious links with the peoples of Central Asia. There is one well-documented case where drugs from this region were tracked to the UK via St Petersburg. The perpetrators were apprehended and sentenced.

Much of what is cultivated is now being processed in situ which reduces bulk for shipment whilst meaning that cargoes have a very high street value. Activity is reported not merely from Central Asia but all around the Black Sea, with cases of addiction rising dramatically as availability increases. Furthermore the Colombian drug mafia have joined in by shipping their produce into the Black Sea whence it joins the well established routes into Europe and indeed the USA.

Russian and other citizens of the FSU have been actively involved in the movement of drugs across the FSU from as far afield as the Golden Triangle of Laos, Thailand and Burma, for consumption in both Western Europe.

Some of the money made from drug-trafficking is known to have purchased arms for the war in former Yugoslavia, which was formerly an important section of the drug route. The violence there limited its usefulness, so much of the narcotics traffic was re-routed through Albania by Albanians from Kosovo. In Albania proper the port of Durrës has become a major transit point - here because of the Muslim culture of most Albanians, Chechens and Azeris have replaced Russians in the business. However, the main aim of the trade is to satisfy addiction in Western Europe and USA and over much of the territory Russians are actively involved.

### **Europe**

One should not forget when discussing the drug business that Poland is a leader in the manufacture and provision of designer drugs and is a major producer and exporter of amphetamines, mostly aimed at Germany. Experts say that this product is 97-100% pure.

The Czech and Slovak republics together with Hungary have the problem of weak legislation. In Bulgaria, where it was once possible to grow tobacco and make a living - now farmers are turning to the poppy and Russians have capitalised on their cultural links with the state to move into the business.

There are clear links between Russian criminals and the Italian mafia throughout Central and Eastern Europe. Russian criminals are much in evidence in the region, whilst the Russians themselves complain that the blame for much of Russia's crime can be laid at the feet of nationals from former Soviet Central Asia and the Caucasus.

The problem with much of Central and Eastern Europe, as a conduit for drugs destined for the West, is that there is not enough legitimate money about. Ready money in large amounts is only available to the crooks, the Narco-mafia. So it is no surprise that local police forces are too often at a disadvantage. This is and will be a supranational problem that can only be dealt with at an international level through organisations like the UN and European Union.

There is a growth in multilateral agreements between Western states and those of Central and Eastern Europe to control drugs. But while money can be made in this trade and then laundered through the introduction of privatisation and the market economy, the eradication will be difficult.

### **Nuclear Smuggling**

So far, although there have been attempts to sell nuclear material stolen from the FSU, both the amounts involved and their quality have not been very high, most material having little or no military significance. There have been cases involving weapons grade material, but they are a rarity.

It is a fact that most of those who have attempted to buy such substances have either been themselves government officials or those acting on their behalf. One needs to realise that most governments have an interest in keeping both potential sellers and their customers under surveillance; so this does have an inhibiting effect. Much more important, however, to Russian criminals is that drugs, bank fraud, extortion and general smuggling provide easier, more guaranteed profits.

Interestingly, as the American researcher Lee has pointed out, most nuclear related material moves to the West, particularly Germany, and not, luckily, to such states as Iran, Iraq, North Korea or Libya. However one must be aware that much of FSU nuclear industry is in a parlous state and obviously susceptible to theft and bribery of its officials. The general lack of money for state enterprises in FSU means that much of the physical protection necessary to prevent nuclear theft is in a poor state.

Dual-use isotopes have been traded to the West, apparently because they are more readily sold to “respectable buyers”. There is a case where 4.4 tonnes of beryllium was smuggled from Yekaterinburg to Vilnius in Lithuania by a group from Sverdlovsk who were well known for more obvious criminal activity.

A more worrying threat to my mind is that of theft from the Navy. There have been raids against marine fuel stores and submarine repair and building facilities. The military Prosecutor of the Northern Fleet suspects that there is a Murmansk-St Petersburg gang offering naval officers between \$400,000 and \$1 million for each kilo of highly enriched uranium that they can get. So far there is not much hard evidence - but who knows?

General security procedures are poor all over the FSU, and one should remember that reactor waste can be a potent weapon in the hands of a terrorist if he combines it with a coincidental explosive weapon to contaminate a wide area. Shamil Basayev, one of the Chechen military commanders, once threatened to turn Moscow into an “eternal desert” from radioactive waste. He stage-managed the burial and subsequent disinterment of a canister of Cesium-137 in Moscow's Izmailovskiy Park.

In this field the CIS has not shown much evidence of joint interest in countering the trade in materials of this sort. Unfortunately much of Russia's effort has been curtailed for economic reasons. So things could get much worse. It will obviously pay the West to invest in assisting Russia's efforts at enhancing nuclear security.

### **Threats to Business in Russia**

**Extortion** is the most common crime in RF. Up to 50% of all companies have received extortion demands. Similar activity has been attempted throughout Europe, mostly against compatriot-owned business. Attempts are not merely to squeeze money, but to control business. They demand payment in stocks and shares; Some crooks end up on the board. Extortion attempts of overseas companies have resulted in withdrawn executives being visited in their homes in Western Europe.

**Kidnapping.** This is regularly practised in Russia, mostly of locals, but sometimes foreigners since they may be perceived as providing bigger ransoms.

If carried out abroad, then usually against own compatriots. Many companies now take out insurance, which usually means they have specialist advice on crisis management before and after an incident.

**Car Theft** is a particular worry, though not so much within Russia, since most stolen cars emanate from outside Russia and are shipped there. A favourite crime is to rent an expensive car in the West and drive it East!

### **WHAT TO DO?**

In addition to the obvious fact of providing the police with better vehicles, radios, computers and enhancing their training there is a whole swathe of legislative activity that is needed. Aspects that need to be addressed are:

Banking laws - who may set up a bank; confidentiality of records

Insurance laws - to cover compensation for losses due to criminal activity

Laws against corruption, organised crime, when it is properly defined, and money-laundering. The latter to be linked to proper enforcement of the tax regime.

Provision of a witness protection programme.

Without these Russian prosecutors will not have the necessary tools to strike at the leadership of criminal organisations. Russian government responses so far have been characterised more by rhetoric than by substance.

Already organised crime is becoming an accepted part of the ordinary Russian's life: much of what one might describe as welfare - sports, cultural, philanthropic activity is run by criminal groups. They can use such activity to gain a tax advantage as well as using these channels for money-laundering. For instance those employers who give work to the disabled are exempt from taxes, indeed any charitable activity, even including light industry, is not liable to pay tax on profits. This is one of the reasons why ex-servicemen's and particularly ex-Afghanistan veterans' organisations have had their work disrupted by the assassination of their leaders. In addition the very lucrative cigarette importing trade was given by Yel'tsin to the Russian Olympic committee, with consequent very violent jockeying for power.

Organised crime has replaced a largely dysfunctional state structure. Organised crime provides much of what the State should:

Protection of commercial business

Employment

Mediation in disputes

Debt collection, since existing laws are not adequate

Security, since the police cannot cope.

The fight against organised crime is an international one. Russia needs the experience of Western States in drafting the appropriate legislation for business; something which has taken a long time to develop here in the West. The private sector needs regulating and there must be laws to protect private property. There needs to be a legislative

framework for the state apparatus as well as a concerted effort to enhance the standards, both in terms of the operational capability and in terms of enhancing the living standards of the police, many of whom do attempt, despite their reputation, to enforce the law and inhibit criminal activity.

But it will all take a long time.