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# **Russian Organized Crime and the National Security of the United States**

Jessica Nelson

Candidate for B.A. Degree in International Relations with Honors

May 2005

## Abstract

This thesis examines the impact of Russian organized crime on the national security of the United States. It begins by defining why Russian organized crime should be of concern to U.S. policymakers addressing the effects of Russian organized crime on the U.S. economy, national security, and domestic law enforcement. The thesis then analyzes the evolution of Russian organized crime from its emergence during the Soviet Union, through its growth during privatization, to its structural transformation in the modern era. This analysis establishes the fundamental principles of any potential U.S. policy on Russian organized crime and prompts several policy recommendations for the local, national, and international levels.

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## **Preface**

The desire to conduct an honors thesis came at the end of my sophomore year. After spending two years studying what professors wanted me to learn, I decided it was time to focus on a subject of my own choosing. I knew I wanted to do something exciting, something that could keep my interest through two years of research and writing. I had no idea what I wanted to do, and casually thought about topics over the summer. Really, I thought the perfect thesis might strike me in a brilliant moment of revelation. Not surprisingly, divine intervention failed to supply a topic by the start of my junior year. Thus, I entered my first thesis seminar class no closer to knowing what I wanted to write.

I decided that I needed to modify my strategy and settled on becoming an academic leech. I attended my honors seminar class, listened to my classmates' thesis ideas, and hoped to find guidance from their creativity. The first day of class I sat attentively with notebook in hand, ready to record my classmates' pearls of wisdom. As we went around the room, I was consistently disappointed with their ideas and began thinking of ways to transfer into a seminar with students who could satisfy my parasitical needs. I wasn't disappointed with my classmates' intelligence, they were plenty smart; I was disappointed with their lack of vision. One history major wanted to demonstrate how modern boxing is similar to the gladiatorial games of ancient Rome. Who cares? Not I. A policy studies major wanted to write her thesis on the activities of the Franciscan nuns of Syracuse and how Syracuse

University students could become involved in the sisters' community service projects. I considered suggesting that she simply ask one of the nuns how to become involved and avoid two years of research. From that point, I decided my thesis would be exciting, sexy, perhaps even dangerous.

The second week of class we again went around the room and described how our thesis ideas were evolving. My idea has a fairly static state rate of development—from nothing into nothing. However, as I faked interest in a psychology major's plan to conduct a survey on the sleep habits of 20-25 year olds, it suddenly came to me, that elusive spark of inspiration. My thesis would be: international organized crime. It was exciting, it was sexy (picture Steve McQueen in the original *Thomas Crown Affair*), and it could be potentially dangerous, should I decide to interview Bulgarian smugglers and Nigerian drug runners in shady Berlin nightclubs. I firmly intended to do. I immediately knew that international organized crime was too broad of a topic and began considering ways to focus it. I pondered the most notorious international criminals. Who was the best at being bad? Answer: the Russians! Every spy thriller, every cop movie, features an obligatory Russian mobster as an essential member of the villain's inner circle. Russian organized crime was a perfect topic (although, I quickly learned, "there's no such thing" as the Russian Mafia).

In the fall of 2003 I researched summer internships while simultaneously deciding upon a thesis topic. I looked into several NGOs and government agencies but was drawn to one in particular—the U.S.

Department of State. If I wanted a career in international relations, the State Department was the place to be. While there, I would have the opportunity to live in Washington, D.C., socialize with Colin Powell, and potentially go overseas. The application required that you list three bureaus in which you would like to work at the State Department. My preference was the International Narcotics and Law Enforcement Bureau (INL), an organization that I knew little about, but which sounded perfect for my thesis.

While I waited at Syracuse University to hear from the State Department (waiting is a job qualification for government work), I had to decide what graduate courses I would take to fulfill my requirement of two thesis-relevant graduate classes. I fought to get into a very popular class, aptly named “Drugs and Thugs,” taught by a former American Ambassador to Brazil and Bulgaria, for the spring of 2004 but was unsuccessful. The closest class I could find remotely related to international organized crime was a new interdisciplinary course titled “Perspectives on Terrorism.” Although I enrolled in it on a whim, “Perspectives on Terrorism” became the most meaningful class of my college career. It would greatly shape my thinking about how organized crime and terrorism are intimately related to one another.

Two weeks into the spring semester I got a call from my mother, saying a letter had arrived from the State Department. It was January 31<sup>st</sup>, dangerously close to the acceptance deadline. I naturally assumed that some bitter bureaucrat had decided to send my rejection letter early. To my surprise, I was selected to intern at the State Department and would work in

INL. When I arrived at INL in the summer of 2004 I was put on the most understaffed and politically pressing portfolio, counternarcotics in Afghanistan. Because our office was so shorthanded and the needs were so great, I was given greater responsibilities than the other interns I occasionally interacted with and was treated as an equal among the program officers in the building.

Over ten weeks I became well versed on all topics related to opium cultivation and the effects of the narcotics trade on Afghan security and stability. I learned how opium is like a cancer that has irrecoverably wormed its way into every aspect of the Afghan state—the conflict with remnants of the Taliban, the conflict with power hungry warlords in the provinces, agriculture, the economy, terrorism—nothing was left untouched. As I conducted my research on Russian organized crime (ROC) I noticed striking similarities between it and Afghanistan. ROC, I would come to realize, is just as insidiously pervasive as Afghan opium. This knowledge would greatly impact my opinion on the urgency of the ROC threat and how the international community should address ROC. My experience with having to define specific goals in briefings before State Department officials helped me narrow down my thesis topic to: the impact of Russian organized crime on U.S. national security.

Throughout the summer of 2004 and into the fall of my senior year, I researched. In the fall, I selected my second graduate course for the spring of 2005, an anthropology class titled “Transformations of Eastern Europe.”

“Transformations of Eastern Europe” was a class about the impact of the collapse of communism during the demise of the Soviet Union and the introduction of democracy and capitalism on ordinary people living in the Newly Independent States (NIS). While taking this class, I realized the degree to which socialism and the Soviet state influenced the formation of modern ROC and decided to examine the differences between ROC before December 1991 and ROC after December 1991. Examining the root causes of ROC helped me decide on the types of solutions I should recommend.

I have spent nearly two years on this topic and am officially done with my honors thesis, but I feel as if I have only scratched the surface of the implications of ROC on U.S. national security and what policies should be pursued by the U.S. government to address this threat. I am amazed at the wealth of information I have been able to find on ROC and even more stunned on the lack of a comprehensive strategy to contain ROC and protect American interests. There has been plenty of research into ROC but very little effort at merging this research in a comprehensive policy proposal. I believe that those who need to be most concerned about ROC are policymakers in the U.S. government, *not* just academics.

*I cannot forecast to you the action of Russia.*

*It is a riddle wrapped in a mystery of enigma.*

-Winston Churchill<sup>1</sup>

*The nature of organized crime in the contemporary world cannot be understood separately from the concept of globalization*

- The United Nations.<sup>2</sup>

## **The Problem**

The defining feature of globalization is the increasing interconnectedness and interdependence of organizations and individuals that previously had little contact or influence on one another. Globalization has freed the individual from the limitations of his physical location allowing him to connect with others across the globe instantaneously. Along with increasing connectivity comes increasing interdependence. The life of the individual is bound to the lives of other people and societies in the farthest corners of the world. Modern organized crime, like the individual, is both freed from the limitations of physical location and is significantly affected by global phenomena that previously had little impact.

Unfortunately, international organized crime thrives under these new conditions, while governments, in typical bureaucratic fashion, have yet to

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<sup>1</sup> "U.S. Representative Jim Leach (R-IA) Holds Hearing on the [sic] Russian Corruption." FDCH Political Transcripts 21 Sept. 1999. 07 April 2005 <<http://web.lexis-nexis.com/universe>>.

<sup>2</sup> United Nations. Office on Drugs and Crime. Global Programme [sic] Against Transnational Organized Crime. Results of a Pilot Survey of Forty Selected Organized Criminal Groups in Sixteen Countries. 2002. 9 Oct. 2004 <[http://www.unodc.org/pdf/crime/publications/Pilot\\_survey.pdf](http://www.unodc.org/pdf/crime/publications/Pilot_survey.pdf)>., p. 2

adapt. There is a significant threat in states with weak government that powerful organized crime groups will usurp the authority of elected officials and establish a kleptocracy. The government of Russia is very vulnerable to such an attack and has already been infiltrated at every level of governance by corrupt officials with ties to organized crime. In a globalized world, instability in Russia leads to insecurity in the United States. Thus it is in the self-interest of the United States government to take action to contain the spread and influence of organized crime.

A Russian organized crime (ROC) group is a structured group of three or more people from the former Soviet Union who commit a serious crime(s) in order to obtain material gain.<sup>3</sup> The former Soviet Union includes the states of: Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. Organized crime groups based in the defunct Council for Mutual Economic Assistance (COMECON) states—Albania, Bulgaria, Cuba, Czechoslovakia, East Germany, Hungary, Mongolia, Poland, Romania, the Soviet Union, and Yugoslavia—are sometimes included under the title of Russian organized crime. In this paper I will focus primarily on organized crime groups originating in Russia and will use case studies of Armenian and Balkan organized crime.

ROC threatens the stability of the Russian Federation and challenges the legitimacy of the government by corrupting existing state institutions and filling the vacuum left by a government lacking the economic resources, legal

and physical infrastructure, and personnel to fulfill its duties. Justice and law enforcement officials are understaffed, underpaid, and underfunded and are, thus, ripe for corruption and bribery.<sup>4</sup> Laws exist but they are not enforced and are riddled with deficiencies from a legal system inherited from Russia's Soviet past.<sup>5</sup> The Russian Far East (RFE), labeled the most crisis-ridden district in Russia by President Vladimir Putin, is a perfect example of the breakdown of law and order. According to a 2001 Drug Enforcement Agency (DEA) intelligence report, there are over 149 organized crime groups operating in the RFE, 40 of which have international connections. Legitimate businesses shipping out of the ports of Nakhodka and Vladivostok (a.k.a. the "Wild East"), Russia's largest ports on the Pacific, have to pay protection taxes to ROC or their shipments will be halted. Corrupt and intimidated local officials restrict use of the ports to those businesses owned by local politicians, oligarchs, or ROC (usually one in the same).<sup>6</sup>

Regional governments like the RFE are puppets controlled by Russian organized crime. Political parties depend on the financial support of ROC to survive, state officials are easily bought, and ROC even elects its own candidates to political office. For example, in the summer of 2004, Vladimir Nikolayev, an entrepreneur with significant ties to organized crime, reached the second round of the Vladivostok mayoral election with less than 3% of the

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<sup>3</sup> Ibid., p. 5

<sup>4</sup> United States. Cong. House. Committee on International Relations. The Threat from Russian Organized Crime. 104<sup>th</sup> Cong., 2<sup>nd</sup> sess. Washington: GPO, 1996., p. 5

<sup>5</sup> Finckenauer, James O., and Yuri A. Voronin. National Institute of Justice. "The Threat of Russian Organized Crime." Issues in International Crime. 2001. 10 Oct. 2004 <<http://www.ncjrs.org/pdffiles1/nij/187085.pdf>>., p. 23

vote following a series of illegal political maneuverings. One of his opponents, Viktor Cherepkov, a State Duma Deputy and former Vladivostok mayor, was disqualified from the second round of elections for missing a session of the Leninskiy Rayon Court without cause, even though he was being hospitalized during the session for wounds incurred in an assassination attempt. Two other opponents withdrew their candidacy and encouraged voters to stay away from the poles as a statement of resistance to the rigged election.<sup>7</sup>

Unfortunately for regions like the RFE, criminals make terrible stewards of the public welfare. ROC groups use their political influence to push domestic and foreign policies that promote the interests of ROC, not the interests of the people. Legitimate government, the natural protector of the people, has done little to ingratiate itself to the public and generate a moral opposition to organized crime. Under communism, the Soviet bureaucracy was so corrupt that a profession in crime was seen as more honorable and less hypocritical than a profession in government.<sup>8</sup> ROC groups often fund the repair of schools and hospitals, establish charities, provide security to businesses and individuals, and sponsor sporting events to win the support of a populace disillusioned with the inability of government to provide for even their basic needs. For example, residents of Nizhni Tagil, located in the Ural mountains, protested the arrest of the city's top ROC leader and demanded his

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<sup>6</sup> Drug Enforcement Agency. Drug Intelligence Brief: Heroin Trafficking in Russia's Troubled East. 2003. 29 Jan. 2005 <<http://www.usdoj.gov/dea/pubs/intel/03053/03053.html>>.

release because the mobster was a firm supporter of the disabled, senior citizens, and the local soccer team, all of whom had been neglected by the city government.<sup>9</sup>

The national security of the United States is threatened by a state with the second largest nuclear arsenal in the world, tremendous amounts of natural resources, and a government dominated by criminal interests. According to Finckenauer and Voronin, “As the transnational [organized crime] groups accumulate money, power, and influence, government agencies charged with combating them are actually declining in capacity and effectiveness.”<sup>10</sup> ROC has penetrated every level of the Russian government and the legitimate sectors of the economy to a degree where outside intervention is necessary to reestablish law and order. It is in the interest of the United States to lead an international effort at eliminating the cancerous invasion of ROC.<sup>11</sup>

This thesis first describes how the United States’ economy, national security, and domestic law and order are threatened by ROC and why the U.S. has a responsibility to correct a situation that American policymakers helped create. An analysis of the evolution of ROC from Stalin to the present day is presented after this description. The analysis includes the emergence of the *vory v zakonye*, Russia’s traditional Mafia, in the Soviet gulags; the transformation of the internal and external structures of ROC groups under the

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<sup>7</sup> Verba, Igor and Sergey Sergiyevskiy. “The Most Democratic Democracy. Candidate Who Did Not Even Garner 3 Percent of Vote in First Round Reaches Final of Vladivostok Mayoral Election.” *Moscow Nezavisimaya Gazeta* 15 July 2004: 1, 2.

<sup>8</sup> Finckenauer, James O., and Yuri A. Voronin. (note 5), p. 8, 11, 24

<sup>9</sup> Ibid., p. 7, 25

<sup>10</sup> Ibid., p. 30

<sup>11</sup> Ibid., p. 30

forces of privatization and globalization; and an overview of future ROC trends. Based on this analysis, the thesis develops several fundamental principles that should be present in any potential U.S. policy on Russian organized crime and recommends several solutions at the local, national, and international levels.

## **Why Should the United States be Concerned About Russian Organized Crime?**

### ***Economic Concerns***

Allowing Russia to disintegrate into a kleptocracy would have enormous negative effects on the U.S. economy. There are four components to the damage of ROC on U.S. economic interests: the compromise of U.S. domestic financial security, the misuse of international financial aid, a decrease in American foreign direct investment in Russia, and the establishment of barriers to accessing Russia's natural resources.

Jim Moody, former deputy assistant director of the FBI's Criminal Investigation Division, testified before Congress that the biggest ROC threat to the United States is the investment of billions of dollars generated from crime and corruption in the U.S. financial market.<sup>12</sup> Contrary to popular belief, the bulk of ROC profits do not remain in offshore tax havens in Cyprus and the Caribbean. Rather, they are deposited and invested in the United

States, the safest, the largest, and the most profitable investment climate in the world.<sup>13</sup> Illegal profits are laundered and invested in the purchase of companies, the establishment of companies, and stock market portfolios. According to Moody, in his experience as an organized crime investigator, a criminal that purchases or establishes a legitimate business will always utilize illegal business practices once he controls the enterprise.<sup>14</sup> The theft of international financial aid to Russia is an excellent example of the perversion of the legitimate financial sector in the West by oligarchs, corrupt officials, and ROC.

The United States is the primary contributor to international financial institutions and Russia is one of the largest consumers of international aid. According to Congress, at least thirty percent of American aid to Russia has been stolen and transferred to countries with secure investment climates.<sup>15</sup> The most notorious case of stolen aid money is the Bank of New York scandal. In August of 1999, the Bank of New York was implicated in a money laundering investigation of \$10 billion, \$200 million of which came from International Monetary Fund (IMF) loans to Russia.<sup>16</sup> Investigators soon realized that the Bank of New York was only the tip of the iceberg. The IMF loaned Russia, as part of a larger aid package, \$4.5 billion during the financial

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<sup>12</sup> "Panel II of a Hearing of the Senate Foreign Relations Committee." Federal News Service 23 Sept. 1999. 07 April 2005 <<http://web.lexis-nexis.com/universe>>., p. 3

<sup>13</sup> "Testimony September 23, 1999 Fritz W. Ermarth Former CIA and NSC Official [sic] Senate Foreign Relations Corruption in Russia." Federal Document Clearing House Congressional Testimony 23 Sept. 1999. 07 April 2005 <<http://web.lexis-nexis.com/universe>>., p. 3

<sup>14</sup> "Panel II of a Hearing of the Senate Foreign Relations Committee." (note 12)

<sup>15</sup> "U.S. Representative Jim Leach..." (note 1), p. 10

crisis of August 1999 when the ruble plummeted. The Russian Central Bank used \$3 billion of the \$4.5 billion to buy rubles from and sell dollars to Russian commercial banks. These banks were owned or controlled by oligarchs and organized criminals who then laundered the IMF proceeds in financial institutions around the world, including the Bank of New York.<sup>17</sup> American aid is American tax dollars. The theft of American aid is an attack on U.S. economic security and jeopardizes U.S. foreign policy.

The gamut of financial crimes committed within and against the United States by ROC is not limited to money laundering. ROC groups in the U.S. are unique among other ethnically defined organized crime groups like La Cosa Nostra in that ROC groups incline towards sophisticated white-collar crimes at an early stage. According to Finckenauer and Voronin, these crimes include bankruptcy scams, cybercrime, “healthcare fraud, insurance scams, stock frauds, antiquities swindles, forgery and fuel tax evasion schemes.”<sup>18</sup>

ROC employs professionals in the legitimate sectors of the economy, who may or may not know that they are colluding with organized crime, essentially blurring the line between legal and illegal activities. The more deeply ROC infiltrates the legitimate economy, the more difficult it is to extricate it.<sup>19</sup> The long-term consequence of ROC infiltration into the legitimate private sector is the irrevocable corruption of the American economy. Russia itself is testimony to the horrible effects of criminal

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<sup>16</sup> “Crime without Punishment.” *The Economist* 28 Aug. 1999. 13 July 2004  
<<http://web.lexis-nexis.com/universe>>., p. 1

<sup>17</sup> “Panel II of a Hearing of the Senate Foreign Relations Committee.” (notes 12, 14)

<sup>18</sup> Finckenauer, James O., and Yuri A. Voronin. (notes 5, 8-11), p. 26

involvement in private industry: capital flight, disillusionment with democracy and capitalism, and the popular destigmatization of crime. This paper will address this issue further in an examination of the political-criminal nexus.

ROC has an impact not only on business interests within the United States but also on multinational corporations owned and operated by American firms. Crime and corruption create an environment in Russia unfavorable to U.S. business interests. Businesses simply find it more expensive and less lucrative to operate in an environment where their physical and financial security are threatened. Yekaterinburg, one of the most crime ridden cities in the Ural Mountains, is a case in point. ROC is so powerful in Yekaterinburg that it has forced out, frightened off, or taken over most of the legitimate businesses in the region. Those businesses that remain must hire personal security for company executives to protect them from contract killings, assaults, and kidnappings.<sup>20</sup> Dealing with corrupt officials is a necessary part of doing business in Russia, from paying a parking ticket to obtaining a business license. However, American firms do not factor bribery into their annual budgets, thus making Russia a very expensive place to do business. Corruption also inhibits fair competition. It is more difficult for an American company with no established connections with state officials, to

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<sup>19</sup> Ibid., p. 27

<sup>20</sup> Ibid., p. 20

compete with a Russian company who previously purchased the patronage of those officials.<sup>21</sup>

The U.S., along with the rest of the industrial world, has an insatiable need for energy and raw materials. The wide expanse of Russia is rich with oil fields, gas fields, and mineral deposits that could satisfy American energy needs and provide much needed income to the Russian state. However, ROC has a monopoly on the extraction of Russia's natural resources. ROC groups steal natural resources and sell them abroad through established networks depriving the state of export income and drawing down world prices.<sup>22</sup> If Russia were able to trade its natural resources in the legitimate economy, the U.S. would not have to rely on oil and gas from the Middle East and other contentious areas of the world. Whether or not oil was the primary reason for the U.S. invasion of Iraq can be contested, oil was certainly a factor in U.S. military operations once the invasion commenced. American national security would not have to be compromised by the need for energy and raw materials if Russia's wealth of natural resources were released from the grip of ROC.

### ***National Security Concerns***

The goal of a terrorist group is to obtain a political or ideological agenda through violence. The goal of an organized crime group is to gain wealth by breaking the law. However, the mechanisms by which these two groups go about obtaining their goals—the strategies, the resources, even the

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<sup>21</sup> United States. Cong. House. Committee on International Relations. (note 4), p. 48

personnel—are very similar.<sup>23</sup> Thus, the battle against organized crime should be given greater political priority as an element in the War on Terrorism. The mechanisms shared by organized crime and terrorism include but are not limited to narcotics, money laundering, human trafficking, and arms trafficking.

Narcotics trafficking is used by terrorist organizations to finance their operations. The Islamic Movement of Uzbekistan (IMU), which has close financial and organizational ties to al-Qaeda and Osama bin Laden, traffics heroin from Central Asia, through Russia, and into Western Europe to finance its activities.<sup>24</sup> With little experience in trafficking and distributing heroin to markets where there is significant demand, i.e. Western Europe, it is only natural to assume that the IMU and similar organizations would need to collaborate with existing organized crime groups that specialize in narcotics. Money laundering is an essential part to terrorist financing for the same reason that it is essential to the execution of crimes. In order to interact with the legitimate economy, to buy an airplane ticket or flying lessons in the case of al-Qaeda, the illegal source of the money must be hidden. Human trafficking is relevant to terrorist organizations because methods for smuggling illegal aliens and victims of the sex trade across borders can be exploited to smuggle terrorist operatives.

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<sup>22</sup> Finckenaue, James O., and Yuri A. Voronin. (notes 5, 8-11, 18-20)

<sup>23</sup> Finckenaue, James O. "NIJ International Center Director Makes Presentation on Russian Organized Crime at State Department." Department of State. 15 Oct. 2001. 24 July 2003 <<http://www.ojp.gov/nij/international/audio/remarks.txt>>.

<sup>24</sup> United States. Federal Research Division. Involvement of Russian Organized Crime Syndicates, Criminal Elements in the Russian Military, and Regional Terrorist Groups in

U.S. policy makers are most concerned about organized crime's involvement in the proliferation of weapons of mass destruction (WMDs). According to U.S. Army General Montgomery Meigs (Ret.), former commander of the 39-nation Stabilization Force in Bosnia-Herzegovina, organized crime has, on occasion, provided terrorists and insurgents with the materials and equipment to manufacture dirty bombs and biological weapons.<sup>25</sup> In the past fifteen years, according to the National Intelligence Council, the Russian authorities thwarted two attempts by terrorists to break into nuclear weapons storage sites and have documented three successful thefts (there are suspicions that undocumented thefts have occurred) of nuclear materials from Russian nuclear facilities.<sup>26</sup>

Both organized crime and terrorism endanger U.S. military operations, particularly operations where the military is tasked to combat an insurgency supported by terrorist and criminal elements. The three most pertinent examples of this phenomenon are Afghanistan, the Middle East, and the Balkans. Afghanistan dominates the global opium trade and threatens to turn Afghanistan into a narco-state ruled by warlords. ROC involvement in the Afghan opium trade threatens our mission of bringing stability and legitimacy to the government of President Hamid Karzai.<sup>27</sup> ROC has found it very lucrative to participate in weapons proliferation in the Middle East, making it

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Narcotics Trafficking in Central Asia, the Caucasus, and Chechnya. Washington: Library of Congress, 2002.

<sup>25</sup> Meigs, Montgomery C. Personal interview. 15 Feb. 2005.

<sup>26</sup> United States. National Intelligence Council. Annual Report to Congress on the Safety and Security of Russian Nuclear Facilities and Military Forces. 2004. 20 March 2005 <[http://www.cia.gov/nic/special\\_russiannuke04.html](http://www.cia.gov/nic/special_russiannuke04.html)>.

<sup>27</sup> Finckenauer, James O., and Yuri A. Voronin. (notes 5, 8-11, 18-20, 22)

more dangerous and more difficult for our troops to combat insurgents.<sup>28</sup>

Organized crime is aiding and abiding paramilitaries in Bosnia forcing U.S. forces to engage in law enforcement as well as peacekeeping operations.<sup>29</sup>

The Balkans are a perfect case study of how organized crime can make it very difficult to avoid mission creep.

Terrorist organizations, organized crime, paramilitaries, and corrupt government officials are all part of a global network of informal deal structures. They trade favors on an ad hoc basis with the understanding that the return of a favor can be called upon in the future. According to General Meigs, it was fairly common in Bosnia to see paramilitary police (the equivalent of state police in the U.S.) patrolling a warehouse filled with contraband—stolen cigarettes, alcohol, luxury clothes—for an organized crime group in exchange for cash or a favor.<sup>30</sup> The American equivalent would be if the Texas Rangers were to escort a shipment of cocaine over the Mexican border in exchange for a cut of the profits.

Patrolling a contraband warehouse may seem like a fairly minor infraction by a few soldiers with shady business connections, but without the support of organized crime financing and personnel, the American military would face a weaker and more vulnerable enemy. Take the case of Arkan (real name Zeljko Raznatovic), a notorious organized crime leader linked to the government of Slobodan Milosevic and the founder an ultra-nationalist Serb paramilitary force known as the Tigers.

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<sup>28</sup> Ibid., p. 28

<sup>29</sup> Meigs, Montgomery C. (note 25)

Arkan was a bank robber before the Yugoslavian state security hired him as a hit man to assassinate Yugoslavian expatriates who were troublesome to the Milosevic administration. Once he established the Tigers, Arkan united his criminal endeavors with his military goals. Wherever the Tigers went, they established a petrol smuggling concession and stole cash and jewelry from Muslim refugees. He also purchased the Red Star Belgrade soccer club, an all too common example of organized crime's infiltration into Eastern European professional sports. Some of the proceeds from organized crime were used to support the military operations of the Tigers while the rest lined pockets.<sup>31</sup> An American military unit assigned to combat the Tigers would have had to address the issue of organized crime in order to cut off Arkan's base of financial support and prevent the plundering of Bosnia-Herzegovina. The American military faces a new type of enemy with inadequate resources. The military is not trained in or expected to carry out law enforcement operations, but in the world of irregular warfare where criminals and combatants are less and less distinguishable, organized crime is a significant threat to America's armed forces.

### ***Domestic Crime and Corruption Concerns***

Russian organized crime is very similar to the communist threat of the Cold War, in order to keep ROC outside of U.S. borders, U.S. law

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<sup>30</sup> Ibid.

<sup>31</sup> "Gangster's Life of Serb Warlord." [BBC News.com](http://news.bbc.co.uk/1/hi/world/europe/605266.stm). 15 Jan. 2000. 26 Feb. 2004 <<http://news.bbc.co.uk/1/hi/world/europe/605266.stm>>.

enforcement agencies must engage ROC overseas. As stated earlier, once ROC infiltrates the legitimate American economy it spreads like a cancer throughout the financial sector and government decreasing law enforcement's ability to extricate ROC exponentially. Criminals from the former Soviet Union are the most highly educated of any ethnically-based criminal organization and present a threat that modern law enforcement has never encountered.<sup>32</sup>

ROC groups in the U.S. are very different from their counterparts in Russia and other ethnically-based organized crime groups in the U.S. The internal structure of America's ROC groups have evolved from a vertical Mafia hierarchy to horizontal networks due to successful efforts by law enforcement at combating Mafia hierarchies. ROC networks are composed of individuals chosen for their expertise in a certain criminal skill who come together on an ad hoc basis for perpetration of a specific crime or series of crimes and dissolve once the act is completed. ROC members are often bound by social ties that ensure loyalty to the group. They may have grown up together in the same tight-knit community; they are friends and relatives.<sup>33</sup>

Local and federal law enforcement are not currently equipped to meet the challenge of sophisticated criminal networks. Techniques that have been successful in breaking up La Cosa Nostra, such as wiretaps and informants,

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<sup>32</sup> Shelley, Louise I. "Organized Crime, Terrorism and Cybercrime." Security Sector Reform: Institutions, Society and Good Governance. Nomos Verlagsgesellschaft: Baden-Baden, 2003. 303-312. 11 Feb. 2005 <<http://www.american.edu/tracc/>>.

<sup>33</sup> Finckenaer, James O. (note 23)

take time to develop and are not effective against a constantly shifting target.<sup>34</sup> The technology and experts employed in law enforcement investigations are inferior to those utilized by ROC. ROC members are among the most sophisticated and educated criminals in the world. They recruit from a surplus of unemployed, highly trained technical experts in the former Soviet Union who are disillusioned with democracy and capitalism and are willing to work for the highest bidder.<sup>35</sup> Organized crime law enforcement units are understaffed and underfunded because of the priority placed on counterterrorism.<sup>36</sup> There is a lack of political recognition that the fight against organized crime is part of the War on Terror and that resources need to be expended in order to contain ROC.

The political will to combat ROC will decline further under the encouragement of local and federal officials in the U.S. government who benefit from the existence of ROC. There is evidence that ROC has corrupted some government officials, though an official does not have to be in full partnership with ROC in order to be affected by it.<sup>37</sup> For example, former Vice President Al Gore had a professional and personal relationship with Viktor Chernomyrdin, former prime minister of Russia. When the CIA sent a report to Gore revealing Chernomyrdin's involvement in criminal activities, the Vice President sent the report back with a "barnyard epithet" written across the front. From the on, lower level administrators in the CIA blocked

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<sup>34</sup> Ibid.

<sup>35</sup> Shelley, Louise I. (note 32)

<sup>36</sup> Kandel, Jason. Phone interview. 07 March 2005.

<sup>37</sup> Ibid.

unfavorable intelligence on Chernomyrdin and Russian crime and corruption, denying the Vice President of information detailing the severity of ROC.<sup>38</sup>

While the Clinton administration's influence on ROC intelligence was not as severe as the mishandling of intelligence on Iraq, both demonstrate how a threat can be understated or overstated because of personal bias.

The threat of ROC should not be understated. Like terrorist organizations, ROC groups in the U.S. are part of a large international criminal network that provides seemingly infinite resources and escape routes to countries with no extradition treaties with the United States.<sup>39</sup> According to the 2002 DEA Intelligence Brief, ROC has found a niche in this international criminal network transporting cocaine from Latin America to Western Europe, Russia, and the United States.<sup>40</sup> ROC support of Latin American drug cartels undermines the ability of U.S. law enforcement to fight the War on Drugs and increases the resources of paramilitary groups in Colombia.<sup>41</sup>

### ***Social Responsibility***

Russia required a great deal of international assistance after the fall of the Soviet Union and looked to the West for financial and moral support in transforming a country based on 74 years of communism into a vibrant capitalist economy. The Russians thought of America as a model of

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<sup>38</sup> Center for Strategic and International Studies. Russian Organized Crime and Corruption: Putin's Challenge. Washington, DC: The CSIS Press, 2000., p. 47

<sup>39</sup> Kandel, Jason. (notes 36, 37)

<sup>40</sup> Drug Enforcement Agency. Drug Intelligence Brief: Russian Organized Crime Groups. 2002. 24 July 2004 <<http://www.usdoj.gov/ea/pubs/intel/02004/index.html>>.

<sup>41</sup> United States. Cong. House. Committee on International Relations. (notes 4, 21), p. 5-6

democracy. They put their faith in “American experts” who went to Russia to assist in the transformation. The U.S. government offered very generous sums of financial aid and expert assistance to Russia but insisted on the acceptance of “shock therapy” as a condition of aid. “Shock therapy” was the theory of privatization by any means. U.S. policymakers were not concerned with who came into control of state assets—high-level officials in the Party, the nomenklatura, or professional criminals—as long as those assets were privately owned. The belief was that democratic institutions and the rule of law would naturally develop once a capitalist economy was established.<sup>42</sup>

Predictably, “shock therapy” was a disaster. Wayne Merry, a former State Department official, stated in his Congressional testimony, “Our policy quite literally gave precedence in our Russian policy [sic] to the concept ‘greed is good’ over the concept of ‘due process of law.’ And in the process, we created incentives for the very public theft and capital flight that we now deplore.”<sup>43</sup> A majority of Russians blame the West, particularly the U.S., for Russia’s current state of rampant crime and corruption and feel betrayed for having been misled.<sup>44</sup> The Russian people are ultimately responsible for the fate of their country, but the United States has a responsibility to assist them in combating a scourge of criminality that America has helped to create.

U.S. policymakers should take measures to combat ROC out of a desire to reduce the pain and suffering of victims of ROC, in addition to a

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<sup>42</sup> “Panel II of a Hearing of the Senate Foreign Relations Committee.” (notes 12, 14, 17), p. 3-5

<sup>43</sup> Ibid., p. 4

<sup>44</sup> Center for Strategic and International Studies. (note 38), p. 47

sense of historical responsibility. The current ROC generation is exceptionally ruthless and amoral. Many have abandoned the older generation's code of honor, called the "thieves' code," in favor of a code of "profit by any means." Victims and witnesses of Armenian organized crime in Los Angeles are so terrified of the criminals in their communities that they will not testify to police out of a belief that no one can protect them from the retaliation of organized crime.<sup>45</sup> ROC groups in the U.S. are a loose network of individuals who commit incredible atrocities for material gain. They are not a Mafia to be idolized in films and television shows like the *Godfather* and *The Sopranos*.

## **The Evolution of Russian Organized Crime from Stalin to Capitalism**

### ***Fordism and the Vory v Zakonye***

People, even those on the fringes of society, are a product of their environment. There are strong similarities between the internal structure of Soviet ROC groups and socialist factories, and between the external structure of modern ROC and modern capitalist enterprises. The structure of Russian organized crime mimics the economic system in the surrounding environment: socialism under the Soviet Union and rabid capitalism under the Russian Federation.

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<sup>45</sup> Kandel, Jason. (notes 36, 37, 39)

A socialist factory was based on two philosophies: Fordism is the most efficient model of production and the factory is responsible for the social, physical, and financial well being of its workers. In the 1920s, a cult emerged in the Soviet Union among the central planners around the American entrepreneur, Henry Ford, and his model of mass production. This model of mass production is called “the theory of Fordism” in modern academic circles. The Fordist factory was based on a strict separation of intellectual labor (management) and manual labor (shop floor workers). The theory was that workers could produce mass quantities of an identical product by specializing in one task; hence the development of the assembly line.<sup>46</sup> In America, the Fordist factory had a rigid pyramid structure. A board of directors occupied the top rung and was responsible for making the most important financial and management decisions and for hiring senior managers in the firm’s factories. These senior factory managers were responsible for hiring mid-level managers, intellectual laborers (sales representatives, public relations personnel, accountants, legal advisors, etc.) and shop floor supervisors. Shop floor supervisors were the intermediaries between the manual laborers and high-level managers. At the bottom of the hierarchy were the production line workers who had no decision-making power.

The socialist factory had a Fordist structure but adhered to the philosophy that the factory is the paternal caretaker of the workers. The socialist factory ideally provided for the social, emotional, and physical needs

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<sup>46</sup> Dunn, Elizabeth C. Privatizing Poland: Baby Food, Big Business, and the Remaking of Labor. Ithaca: Cornell UP, 2004., p. 9-12

of all employees, intellectual laborers and manual laborers, equally. The communist factory was not only an employer who distributed wages to its workers, it was the foundation of the worker's social community. The factory was involved in every facet of the worker's life and provided the worker with communal housing, recreational outings, childcare, and other needs.<sup>47</sup>

Soviet ROC groups had a very similar structure and function to the socialist factory. A professional criminal class first developed in the early years of the Soviet Union in Stalin's gulags. The hardened criminals sent to remote prisons in Siberia and the Russian Far East (RFE) developed a community, which still exists today, in their isolated environment based on a code of eighteen behaviors and principles, called the "thieves' code" (*vorovskoy zakon*).<sup>48</sup> (For a glossary of criminal terms see Appendix I). The highest echelon of this Russian underworld (*vorovskoi mir*) are the *vory v zakonye* (thieves in law), criminals who are ceremoniously elected by their peers while serving time in prison.<sup>49</sup> The *vory v zakonye* are the criminal equivalent of the Fordist board of directors. The *vory* meet periodically in a criminal assembly (*skhodka*) to settle territorial disputes, collaborate on operations, and decide on matters of policy that affected the entire thieves' world.<sup>50</sup> The most famous *vor* in America is Vyacheslav Ivankov, nicknamed

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<sup>47</sup> Ibid.

<sup>48</sup> State of California. Office of the Attorney General. Russian Organized Crime. 1996. 05 July 2004 <<http://www.fas.org/irp/world/para/docs/rusorg1.htm#tc>>.

<sup>49</sup> Finckenauer, James O., and Yuri A. Voronin. (notes 5, 8-11, 18-20, 22, 27, 28), p. 5

<sup>50</sup> Contemporary Issues Companion. Organized Crime. San Diego: Greenhaven Press, Inc., 1999., p. 112-118

Yaponchik (“Little Japanese”), who reputedly founded the Solntsevskaya gang, the largest and most powerful ROC group of the 1990s.<sup>51</sup>

Beneath the *vory* are the *pakhan*, criminal bosses who run the regional gangs of a *vor*’s operations. Semion Mogilevich was the *pakhan* of the Solntsevskaya group in Budapest whom the FBI investigated for conducting financial crimes against the United States.<sup>52</sup> The *pakhan* is the equivalent of the most senior manager in a Fordist factory. Beneath the *pakhan* is a brigadier who serves as an intermediary between the boss and the “mid-level managers.” There are two types of mid-level managers. The first type organizes the execution of specific crimes and delegates roles to the lowest echelon of the ROC group, the street operators. The second type will be addressed shortly. The street operators are equivalent to the assembly line workers in the Fordist factory. The street operators—drug dealers, pimps and prostitutes, extortionists, enforcers (thugs), burglars—are the actual executors of the crime and the backbone of the organization.<sup>53</sup>

The second type of managers ensure the security of the organization by networking with individuals outside of the criminal organization. These individuals are often members of the legitimate economy—bankers, law enforcement officials, journalists, politicians—who work for ROC on the side. Connections with the legitimate economy provide ROC with intelligence on

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<sup>51</sup> Finckenauer, James O. and Elin J. Waring. Russian Mafia in America. Boston: North Eastern UP, 1998. Mafia Power Play. Oct. 1999. Frontline. 10 Oct. 2004 <<http://www.pbs.org/wgbh/pages/frontline/shows/hockey/>>.

<sup>52</sup> Fuentes, Thomas V. “The Budapest Project.” The United States Attorneys’ Bulletin. 51.1 (2003). 24 July 2004 <[http://www.usdoj.gov/usao/eousa/foia\\_reading\\_room/usab5101.pdf](http://www.usdoj.gov/usao/eousa/foia_reading_room/usab5101.pdf)>., p. 49-51.

<sup>53</sup> State of California. Office of the Attorney General. (note 48)

law enforcement and rival organizations, political connections and social prestige to cover for criminal operations, and legal and financial counsel. This is similar to the prominent role social connections played in the Soviet factory to overcome the inefficiencies of central planning.<sup>54</sup> (For an organizational chart of the *vorovskoi mir*, thieves' world, see Appendix II.)

Membership in the *vorovskoi mir* entails more than a profession in crime. Like the Soviet factory, every aspect of a criminal's life revolves around the commune of thieves. All criminal profits are pooled in a joint fund called the *obshcak* and redistributed among the thieves and their families according to need. Thieves are forbidden from holding a legitimate job, all of their needs and the needs of their families are provided by the *obshcak* and the assistance of their fellow thieves.<sup>55</sup> According to the *vorovskoy zakon* (thieves' code), though, the commune of thieves' always takes precedence over family obligations. Similar to communism, the thief is expected to accept sacrifices for the greater good of the community. Living under the *vory* and the *pakhan* (bosses) is not unlike living under the police state of the Soviet Union. The criminal leadership regularly employs spies to ensure the secrecy of the organization and adherence to the thieves' code.<sup>56</sup>

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<sup>54</sup> Ibid.

<sup>55</sup> Handelman, Stephen. *Comrade Criminal: Russia's New Mafiya*. New Haven: Yale UP, 1995.

<sup>56</sup> State of California. Office of the Attorney General. (notes 48, 53, 54)

## ***The Wealth of the Soviet Union—Personal Connections***

The Soviet *vory* cooperated with two other Soviet classes. The first was the *nomenklatura* (also referred to as *apparatchik*), elite members of the Soviet civil service whose names appeared on the *nomenklature* (a list of Party officials whose loyalty made them eligible for senior posts).<sup>57</sup> The second class was the *tsekhoviki*, bosses of Soviet enterprises who participated in the shadow economy by producing, selling, and purchasing goods outside of the state-mandated production quotas and rations.<sup>58</sup> The ineffectiveness of central planning and distorted prices made the shadow economy both necessary and profitable. The Soviet economy was an example of the inefficiencies of extreme micro-management. Very senior officials made management decisions, i.e. the quantity of nails required to produce 5,000 shoes, that should have been made by factory bosses. Thus, the *tsekhoviki* and lower-level managers never knew when or if they would receive the required amount of materials to meet production quotas. As a result, they, along with the rest of the population, hoarded. Hoarding resulted in greater shortages, which resulted in an economy of scarcity. In an economy of scarcity, money has no value, but goods and resources, have tremendous value.<sup>59</sup>

The *vory v zakonye* and the *tsekhoviki* realized they could enhance their profit margins by cooperating in acquiring the wealth of Soviet society—goods and resources. This relationship was based on informal deal structures.

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<sup>57</sup> Handelman, Stephen. Comrade Criminal. New Haven: Yale UP, 1995. Mafia Power Play. Oct. 1999. Frontline. 10 Oct. 2004  
<<http://www.pbs.org/wgbh/pages/frontline/shows/hockey/>>.

<sup>58</sup> Finckenauer, James O., and Yuri A. Voronin. (notes 5, 8-11, 18-20, 22, 27, 28, 49)

The Soviet economy operated on networks of personal relationships. Officially, individuals and enterprises received only the goods and services mandated by the state, but since the receipt of goods and services could never be guaranteed, individuals had to rely on their personal connections. The most valuable commodity, therefore, was a connection with someone who had access to goods and services. Most often these individuals were civil servants, the *nomenklatura*.<sup>60</sup> The *vory* established connections with the *nomenklatura* in order to obtain political influence and access to goods and resources, but more often than not the *nomenklatura* used their relationships with the *vory* to “steal from the thieves.” Thus, while the internal structure of the Soviet ROC groups was a rigid hierarchy, the external structure was a fluid web of personal connections.<sup>61</sup>

### ***Privatization and the Theft of the Nation***

In a futile effort at saving the communist economy, President Mikhail Gorbachev instituted *perestroika* from 1985 to the fall of the Soviet Union in 1991. *Perestroika* was an economic and social policy attempt to transform the inefficient command economy of the USSR into a decentralized market-oriented economy. The *nomenklatura*, the *tsekhoviki*, and the *vory v zakonye* amassed power and wealth under *perestroika* because they were the only members of Soviet society with the capital and the connections to take

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<sup>59</sup> Dunn, Elizabeth C. (notes 46, 47)

<sup>60</sup> Verdery, Katherine. What Was Socialism, and What Comes Next?. Princeton: Princeton UP, 1996.

<sup>61</sup> Finckenauer, James O., and Yuri A. Voronin. (notes 5, 8-11, 18-20, 22, 27, 28, 49, 58), p.

advantage of the economic reforms. When it became clear that the USSR would soon implode, the *nomenklatura*, Communist Party insiders, siphoned off Party funds into foreign export-import firms, banks, and trading companies.<sup>62</sup>

ROC was in an ideal position to exploit privatization when the Soviet Union fell in 1991. Criminals were among the few Russians with hard foreign currency, particularly American dollars and Swiss francs, with which to purchase state assets.<sup>63</sup> ROC groups, along with the *nomenklatura* and the *tsekhoviki*, were able to purchase state assets for a tenth of their true value in insider deals with state officials.<sup>64</sup> U.S. policymakers turned a blind eye to the theft of the Russian state, choosing to believe that the inheritors of Russia's assets were modern Robber Barons. U.S. officials imagined that the criminals, oligarchs, and *nomenklatura* were Russian J.P. Morgans who would acquire wealth through graft but would eventually contribute to the establishment of true capitalism and a stable economy. This was a pipe dream. The American Robber Barons invested their wealth back into the American economy whereas the beneficiaries of Russia's assets invested their wealth in stable foreign financial environments like the United States and Western Europe. Massive capital flight impoverished the Russian state and

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<sup>62</sup> Ibid.

<sup>63</sup> Levitsky, Melvyn. Personal interview. 03 March 2005.

<sup>64</sup> Finckenauer, James O., and Yuri A. Voronin. (notes 5, 8-11, 18-20, 22, 27, 28, 49, 58, 61, 62), p. 8

established conditions that allowed crime, not economic stability and growth, to thrive.<sup>65</sup>

### ***The Transnationalism of Modern Russian Organized Crime***

ROC was confined to the Soviet Union before 1991 because the Iron Curtain prevented people and goods from leaving and entering the USSR. Thus, the external structure of ROC groups was limited to interactions with groups and individuals within the Soviet Union and the Council for Mutual Economic Assistance (COMECON) states. The external structure of an ROC group is defined by the group's relationship with other organized crime groups who may be suppliers and buyers, individuals in the shadow economy, political connections, and personnel in the legitimate economy. It includes the *nomenklatura* and the *tsekhoviki* described in the preceding section. The external structure of a ROC group may be very different from its internal structure which is defined by the individuals' relationships to each other within the organization. ROC groups adapted their external structure to globalization and capitalism after the fall of the Iron Curtain. Globalization is responsible for the transformation of the criminal underworld as well as for the transformation of the global economy.

The external structure of modern ROC mimics twenty-first century capitalism in the same manner that the internal structure of the *vory v zakonye* mimicked twentieth century communism. The external structure of modern

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<sup>65</sup> "U.S. Representative Jim Leach ...." (notes 1, 15), p. 10

ROC groups is very similar to that of the hero of modern capitalism—the multinational corporation. The fall of the Iron Curtain led to massive emigration from the former Soviet Union to Israel, Western Europe, Cyprus, and the United States.<sup>66</sup> While the vast majority of these migrants were law-abiding, ROC exploited the formation of diaspora communities to establish foreign bases from which to conduct transnational operations. In the U.S., ROC established a presence in immigrant communities in Brooklyn (Brighton Beach), Los Angeles, Newark, Philadelphia, Boston, Miami, and San Francisco.<sup>67</sup>

ROC groups in diaspora communities maintain ties to their home countries but are independent criminal organizations, not cells of larger organizations located in the former Soviet Union. Multinational corporations go through a similar process when they establish or purchase subsidiaries in a foreign country. A foreign subsidiary may consist of only a few employees from the parent company who assimilate into the local market and form connections with local suppliers and buyers. Armed with the most advanced technology, these capitalist migrants have the resources of the parent organization at their fingertips and the ability to form networks with suppliers and buyers all over the world. These international networks are utilized on an ad hoc basis; they are formed when the need arises and dissolve when the need is met.

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<sup>66</sup> Levitsky, Melvyn. (note 63)

<sup>67</sup> “Testimony April 21, 1998 Louis J. Freeh Director Federal Bureau of Investigation Senate Appropriations Foreign Operations FY99 Foreign Ops Approps [sic].” Federal Document

For a hypothetical example, take the case of an Austrian construction firm purchased by an American developer. The Austrian firm maintains a great deal of autonomy, but has access to the resources of the larger parent company. One day, the Austrian firm wins a bid for a large contract with the city of Vienna that could not have been acquired without the financial backing of the American developer. The Austrian firm consults the American parent company on where to buy construction materials for the Vienna job. Austrian and American personnel fly between Austria and America for meetings and all over the world visiting potential suppliers. The Austrian firm decides to buy steel from Canada, lumber from Russia, and gypsum from Spain. The firm employs Turkish immigrant labor on the construction project and the American developer finances the project with loans from a Japanese bank. Once the project is concluded, the formal business relationships between the Austrian firm, the international suppliers, laborers, and financiers ends, but the personal networks established endure. When the need arises again, a business relationship can be resurrected with the composition of an e-mail and a wire-transfer.

ROC groups operate like this hypothetical Austrian firm. The Solntsevskaya group, the largest ROC syndicate, is an excellent example of a multinational criminal enterprise. The Solntsevskaya group is based in Moscow and was established in 1980 by Vyacheslav Ivankov.<sup>68</sup> The Solntsevskaya group began extending itself internationally following the fall

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Clearing House Congressional Testimony 21 April 1998. 04 Feb. 2005 <<http://web.lexis-nexis.com/universe>>.

of the Iron Curtain. The group established bases, comparable to the subsidiaries of a multinational corporation, in London, Vienna, Canada, Brooklyn, Lombardy, and Budapest. The Solntsevskaya are involved in a variety of crimes including money laundering, weapons trafficking, narcotics, extortion, and securities fraud. Like a multinational firm, the Solntsevskaya group selected its regional branches and the types of crimes to be executed there based on supply and demand.<sup>69</sup> Budapest, the largest branch, was chosen by boss Semion Mogilevich because it had a stable sophisticated banking system and access to Western countries. Mogilevich decided to conduct financial crimes, and not narcotics trafficking, because of Budapest's plentiful supply of financial institutions.<sup>70</sup>

Solntsevskaya-Moscow ("the parent company"), on the other hand, had the resources and the markets to conduct narcotics trafficking. Solntsevskaya-Moscow recognized that there was a substantial demand for drugs in Russia and that the organization could utilize its regional bases to distribute drugs in Europe where prices were higher. Solntsevskaya-Moscow then identified two narcotics suppliers, Colombian cocaine traffickers and Afghan heroin traffickers. It identified a transportation supplier, the defunct Russian merchant marine, which had the vessels and the crews to transport cocaine from Latin America to Russia. It identified corrupt customs officials

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<sup>68</sup> Finckenauer, James O. and Elin J. Waring. (note 51)

<sup>69</sup> Drug Enforcement Agency. Drug Intelligence Brief: Russian Organized Crime Groups. (note 40)

<sup>70</sup> FBI. Testimony of Grant D. Ashley, Assistant Director, Criminal Investigative Division, FBI Before the Subcommittee on European Affairs, Committee on Foreign Relations, United

who would allow illegal shipments into Russia.<sup>71</sup> The networks established by the Solntsevskaya-Moscow group were for the specific purpose of trafficking cocaine and heroine. As soon as this operation ended, Solntsevskaya's relationship with the Colombian drug cartels, Afghan traffickers, the Russian merchant marine, and the corrupt customs officials ended as well. These connections could be resurrected at a later date if they proved useful to the execution of another crime. (For a diagram of the Solntsevskaya network used in this example see Appendix III.)

### ***The Internal Structure of Modern Russian Organized Crime***

ROC groups have changed their internal structure in response to globalization to different degrees depending on the environment in which they operate. ROC groups in Russia's lawless periphery maintain a very hierarchical internal structure based on a strict division of labor while Armenian organized crime groups in Los Angeles have adopted a flat, shifting network. In the first case, ROC operates with a great deal of freedom. The central government is very weak in Russia's periphery generating a political power vacuum filled by ROC. Law enforcement in the periphery is corrupt and lacks resources. The laws enforced by police were created under communism and have not been adapted to capitalism. In the second case,

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States Senate. Oct. 30, 2003. Eurasian, Italian, and Balkan Organized Crime. 30 Oct. 2003. 21 July 2004 <[www.fbi.gov](http://www.fbi.gov)>.

<sup>71</sup> Drug Enforcement Agency. Drug Intelligence Brief: Russian Organized Crime Groups. (notes 40, 69)

Armenian organized crime groups are forced to operate in the shadows under constant attack by law enforcement. Local police employ very sophisticated law enforcement techniques in comparison to the Russian periphery, organized crime is unable to corrupt a substantial number of government officials, and the legal system is powerful and comprehensive.

Hierarchical ROC structures are suited to environments where there is a complete breakdown of law and order and a power vacuum left by a weak government. A hierarchical ROC group is a bureaucracy. It is an institution just like a government that is stable and transferable to changing leadership. Hierarchical structures fail in law and order societies, though, because of their bureaucratic inflexibility. A ROC group that is forced underground must be able to quickly adapt to avoid capture. A network is more suitable to this situation because information is compartmentalized, thus ensuring the security of the organization if a component is compromised. Any evidence gathered by law enforcement is obsolete as soon as it is collected because the structure of the organization is in a constant state of flux.

Armenian organized crime (OC) in Los Angeles is an example of an ROC group with an internal network structure. Armenian OC groups in Los Angeles are usually less than 10 people and are composed primarily of men from 20 to 40 years of age. There is a small hierarchical element. Bosses form the network by calling together those individuals with known expertise in criminal fields desired for a specific operation. The group is a very cohesive unit during the execution of the crime, but disbands after completion

of the operation. The group may form again at a later date with modified membership for another assignment.<sup>72</sup>

Although, Armenian OC groups in Los Angeles are very fluid, membership is hardly arbitrary. Trust is essential to those involved in a criminal endeavor. Each member must be sure that his “colleagues” are professionals, will maintain the secrecy of the organization, will not defect to law enforcement, and will not cheat the group of its profits. Criminals, like most individuals, are more likely to trust members of their ethnic group and members of their community. The Armenian community in Los Angeles is small and close-knit. Armenian criminals tend to run in the same social and family circles providing a foundation of trust. This does not mean, however, that Armenian OC groups will not employ outsiders. As long as trust can be established, Armenian OC groups will seek out those with the highest degree of expertise. In Los Angeles, this is expressed in ad hoc partnerships between Armenian OC groups and powerful Hispanic gangs.<sup>73</sup>

Armenian OC bosses are different from Italian Mafia godfathers in their affinity for anonymity. Italian bosses flaunt their wealth through conspicuous consumption (mansions, expensive clothing and cars) and enjoy the notoriety of being in the Mob. Armenian bosses, on the other hand, do not advertise their wealth or their association with crime. They live in the shadows and carefully cover up their involvement in crimes committed by street operators. Anonymity has protected the Armenian bosses and hidden

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<sup>72</sup> Kandel, Jason. (notes 36, 37, 39, 45)

<sup>73</sup> Ibid.

their identity from law enforcement. While it is relatively easy for police to apprehend low-level criminals, these street operators rarely have useful information on the activities and membership of the criminal syndicate. Street operators may not even be privy to who is in charge. There are several different Armenian bosses who may be calling the shots in a given week. This additional layer of fluidity is designed to make it difficult for law enforcement to decipher the structure of the criminal organization.<sup>74</sup> (For an organizational chart on the structure of Armenian OC see Appendix IV.)

### ***What Does Future Russian Organized Crime Look Like?***

The evidence presented above suggests that the external and internal structures of Russian organized crime will continue to adapt to the surrounding environment. Since globalization is unlikely to reverse, the external structure of organized crime will become flatter, more international, and more flexible. The internal structures of ROC groups depend on the socio-political evolution of the states in which they reside. If the central government of Russia grows weaker, plunging Russia's periphery into a greater state of chaos, ROC will expand its hierarchical structure in the regions. The ROC bureaucracies will fulfill functions ordinarily met by regional governments: maintaining order (governing unorganized criminals), taxation (protection fees), controlling business-market entry (intimidation),

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<sup>74</sup> Ibid.

and providing social services (with the intent to gain popular support).<sup>75</sup> If law and order is reestablished in Russia, ROC will be forced underground like Armenian OC in Los Angeles. The internal structure of ROC groups will become flatter and more fluid. Law enforcement in the West is adept at combating traditional hierarchical organized crime groups, but a comprehensive strategy to combat transnational networks has not been established. This is the new challenge of modern law enforcement, one that will be very difficult to meet considering the slow bureaucratic nature of government agencies.

## **The Way Ahead**

### ***Important Principles***

Russian organized crime is a significant threat to the security of the U.S. financial sector, domestic law and order, foreign investment, military operations, and most importantly, national security. The Clinton administration turned a blind eye to crime and corruption in Russia in the 1990s. The administration justified its inaction with professions of faith in the power of democracy and justice. It warned of the consequences of upsetting

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<sup>75</sup> Finckenauer, James O., and Yuri A. Voronin. (notes 5, 8-11, 18-20, 22, 27, 28, 49, 58, 61, 62, 64), p. 8

Russia, a valuable ally and the world's second largest nuclear power.<sup>76</sup> Fritz Ermarth, a former CIA and National Security Council (NSC) official, stated in his Congressional testimony that thanks to this “do nothing” approach, security relations between the United States and Russia are in worse shape today than they were in December 1991.<sup>77</sup>

“Do nothing” is not an option. U.S. interests are harmed by ROC and the states of the former Soviet Union cannot contain ROC without outside intervention. Before examining what options are available, there are five essential principles that must be present in any U.S. policy on ROC. First, the U.S. must avoid the perils of cultural arrogance that led to the disaster of “shock therapy.” Policymakers often forget that the most qualified experts on Russian organized crime are Russians, not Washington analysts. This is particularly true for modern ROC groups that change faster than law enforcement can identify group members. Individuals who live in communities dominated by ROC, either in the former Soviet Union or in diasporas abroad, are often very knowledgeable about the operations and structure of ROC groups in their neighborhoods. These individuals have a good sense of which policy solutions are viable and which are futile. They are often, though, the last ones to be consulted, if they are consulted at all.

Second, all countries, including the United States, must relinquish some degree of sovereignty in order to address the threat of ROC. ROC groups, like terrorist organizations, do not abide by state boundaries. On the

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<sup>76</sup> “Panel II of a Hearing of the Senate Foreign Relations Committee.” (notes 12, 14, 17, 42, 43)

contrary, ROC groups exploit the lack of cooperation between states and target states that do not have extradition treaties or diplomatic relations with one another.<sup>78</sup> To effectively combat transnational organized crime, states must fulfill reasonable requests by other nations, even unfriendly nations, for law enforcement related information and assistance. Sovereignty is constantly violated by the actions of transnational organized crime groups. Relinquishing some of this sovereignty to more effectively suppress organized crime, is in retrospect, a reasonable sacrifice to make. Sovereignty infringements are easier to bear when committed by a coalition of states than by a unilateral actor. Ideally, a U.S. policy on ROC should be part of an international effort. International support will reduce the resource burden of containing ROC and improve international opinion of the U.S. by demonstrating that American supports multilateral action.

Third, U.S. policymakers must accept that ROC does not exist in a vacuum. ROC and other transnational threats like terrorism, WMD proliferation, and despotism are inextricably linked to one another. Organized crime thrives in weak states and post-conflict zones. Organized crime has prolonged conflicts in the Balkans, Chechnya, Afghanistan, Africa, and Latin America, making unstable situations even more volatile and preventing new governments from establishing control over their territories. The relationship between ROC groups engaged in arms trafficking and Colombian cartels

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<sup>77</sup> "Testimony September 23, 1999 Fritz W. Ermarth..." (note 13), p. 3

<sup>78</sup> Noble, Ronald K. "Interpol's Way: Thinking Beyond Boundaries and Acting Across Borders through Member Countries' Police Services." Tufts University. 01 March 2003. 15 April 2003 <<http://www.interpol.int>>.

exemplifies how ROC can have multiple detrimental effects on the long-term interests of the United States. ROC groups, like the Solntsevskaya syndicate, smuggle weapons acquired from Russia's failing military industrial complex to Latin America. The arms are sold to guerilla forces in exchange for Colombian cocaine that can be sold for lucrative prices in Russian and European markets.<sup>79</sup> This exchange has four obvious effects on U.S. interests. It proliferates illegal arms, increasing the chance that terrorist groups, or other groups that wish to harm the United States, will be better equipped to do so. It increases the strength of Colombian insurgents providing them with the funds and weaponry to overthrow the weak Colombian government and destabilizing the region. It increases global narcotics trafficking, exacerbating the drug epidemic in the U.S. and allied nations. Finally, it strengthens ROC weakening the Russian government and destabilizing the world's second largest nuclear power.

Fourth, any U.S. policy on ROC must be sustainable and have a long-term strategy. The causes of ROC are complex societal ills that require efforts by generations of policymakers to have a substantial impact. These causes include but are not limited to: poor economic conditions, a weak central government, rampant corruption, secessionist movements in the Caucasus, and a lack of justice system infrastructure. A U.S. policy that addresses the operational capabilities of ROC without addressing the root causes of crime will, at the most, temporarily force ROC groups underground. As organized

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<sup>79</sup> Drug Enforcement Agency. Drug Intelligence Brief: Russian Organized Crime Groups. (notes 40, 69, 71)

crime decreases in political importance, ROC groups will build up their operational capabilities.

Fifth, a ROC policy must propose solutions at the local, national, and international levels. Transnational crime operates internationally, but occurs in a locality. Thus, police officers in Glendale, California are asked to become instant experts on Armenia when Armenian organized crime appears in their jurisdictions. In an increasingly globalized world, the distinctions between local, national, and international are becoming increasingly blurred. However, governments are organized according to these bureaucratic classifications and policies must abide by them as well. The following section will suggest policy recommendations for the local, national, and international levels.

### ***Local Solutions***

Organized crime task forces in police departments across the United States have been stripped of their funding and their staff because of the priority placed on counterterrorism.<sup>80</sup> While this may seem like a prudent decision in the short-term, it is a dangerous long-term strategy. Russian organized crime is adept at infiltrating the legitimate economy and government institutions, and very difficult to remove after the fact. Stripping organized crime task forces of their already meager resources would give

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<sup>80</sup> Kandel, Jason. (notes 36, 37, 39, 45, 72)

ROC groups a window of opportunity to firmly establish themselves in our financial institutions, our businesses, and our legislatures.

The redistribution of organized crime resources to counterterrorism units would be fruitless because the War on Terror cannot be won without addressing the link between organized crime and terrorism. Organized crime groups support terrorists by providing them with false travel documents, access to smuggling networks, financial support, and the materials to produce WMDs.<sup>81</sup> Terrorism and organized crime differ in their ultimate goals but are very similar in the methods used to accomplish those goals.<sup>82</sup> Thus, local police departments would benefit from integrating counterterrorism and organized crime units to a degree. At a minimum, organized crime and counterterrorism units should be physically adjacent to one another in local police departments so officers from each of these units can easily share information that may be relevant to each other's investigations. Ideally, both units would have access to the same resources and personnel, enhancing cooperation between the units. This does not mean that the current budget for counterterrorism operations should be expected to fund both counterterrorism and organized crime investigations. The resources currently allocated to local police departments are inadequate to fund both types of investigations, a problem that can only be solved by increased funding, not integration.

Along with increased funding is the need for improved technological resources in local police departments. In 1998, Louis Freeh, former director

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<sup>81</sup> Noble, Ronald K. (note 78)

<sup>82</sup> Finckenaer, James O. (notes 23, 33)

of the FBI, stated in his Congressional testimony, “Encryption has become the most important technology issue confronting law enforcement. Widespread use of robust non-recoverable encryption is beginning to devastate our ability to fight crime and terrorism.”<sup>83</sup> Traditional law enforcement techniques—telephone tracing and tapping, bugging, electronic surveillance—are no longer effective against technologically superior organized crime groups. Without a substantial investment in advanced equipment, technical experts, and technical training for officers, local law enforcement will always be one step behind ROC.

In addition to technical training, language studies and cultural studies should be a fundamental part of law enforcement training. The Los Angeles police department is often unable to move forward on Armenian organized crime investigations because few officers speak Armenian and are familiar with the Armenian culture. This knowledge gap makes it very difficult for officers to interview witnesses and victims, interrogate suspects, and gain the trust of the Armenian community.<sup>84</sup> The Los Angeles police department would benefit from actively recruiting officers of Armenian descent in order to establish a rapport with the community and weaken the hold of Armenian organized crime over the Armenian diaspora.

Finally, local police departments would benefit from personnel exchanges with states where local organized crime groups originate. Los Angeles police officers would have less difficulty obtaining an extradition

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<sup>83</sup> “Testimony April 21, 1998 Louis J. Freeh...” (note 67)

<sup>84</sup> Kandel, Jason. (notes 36, 37, 39, 45, 72, 80)

request from Armenia if one of their own was stationed in an Armenian police department. Personnel exchanges could also assist American officers establish a firm link between Armenian organized crime groups in Los Angeles and organized crime groups in other states of the former Soviet Union.<sup>85</sup> Law enforcement investigations are time-sensitive and require an immediate response to inquiries. Communication between police in Los Angeles and Armenia would be more efficient if a veteran officer from the Los Angeles police department was assigned to Armenia as a liaison between the two countries. While this recommendation is in the realm of possibility, there are two difficulties with its enactment. First, the U.S. State Department would have to fund and supervise (through the International Narcotics and Law Enforcement Bureau) international exchanges between local police departments. Second, local police departments would have to compete with federal law enforcement agencies such as the FBI and the DEA for liaison positions.

### ***National Solutions***

As the War on Terrorism demonstrated, getting an issue on the public agenda is half the battle to devising and implementing a successful strategy. The other half of the battle is *keeping* the issue on the public agenda. One way to accomplish this is to establish permanent institutions within the federal government tasked with addressing that issue. For example, terrorism will be

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<sup>85</sup> Ibid.

a political priority long after public concern has waned because of the mass restructuring of the federal government as a result of 9/11. Part of this restructuring was the establishment of the National Counterterrorism Center (NCTC), per recommendation by the 9/11 Commission, under the supervision of the Director of National Intelligence (DNI). The NCTC is responsible for joint operational planning and joint intelligence analysis of terrorist threats. It is staffed by personnel from the various intelligence and law enforcement agencies.

The 9/11 Commission also allowed for the creation of other National Intelligence Centers with topical or regional concentrations.<sup>86</sup> The establishment of a National Organized Crime Center (NOCC) would enhance communication and cooperation among agencies concerned with organized crime. The NOCC would be responsible for the final analysis and threat assessment of transnational organized crime groups. It would task collection requirements to the various intelligence agencies and track the progress of ongoing operations against significant organized crime threats. Finally, it would ensure the addition of information on organized crime threats into the institutional memory of the U.S. government.<sup>87</sup> Similar to the integration of counterterrorism and organized crime units in local police departments, the NCTC and the NOCC should be in the same physical space or in adjacent buildings in order to enhance information sharing between the two agencies.

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<sup>86</sup> The National Commission on Terrorist Attacks Upon the United States. The 9/11 Commission Report: Final Report of the National Commission on Terrorist Attacks Upon the United States. 22 July 2004. 20 March 2004 <<http://www.9-11commission.gov/report/911Report.pdf>>.

Organized crime is not only an integral part to the War on Terrorism, it also has a profound impact on U.S. military peacekeeping and nation building operations. Organized crime thrives in failed states, post-conflict zones, and remote areas pro-longing or preventing recovery.<sup>88</sup> U.S. peacekeeping operations in the Balkans are a case in point. According to General Meigs, former commander of the multinational Stabilization Force in Bosnia-Herzegovina, the U.S. military was aware of organized crime's involvement in gunrunning operations and other activities in support of combatants in the Balkans. Headquarters, though, was very concerned about mission creep, because of the Vietnam experience, and did not want to get the U.S. military involved in law enforcement operations.<sup>89</sup> Organized crime has an increasing role in modern irregular warfare that cannot be ignored. Thus, there must be a new definition of combatants that includes criminal warlords who provide material and logistical support to insurgents.

The military is also a valuable resource to law enforcement agencies combating organized crime originating from post-conflict zones where there is a U.S. military presence. U.S. soldiers on the ground have a wealth of information on criminal networks and local crime bosses that cannot be obtained by law enforcement agencies in the United States. Thus, both the U.S. military and law enforcement would benefit from having military representation on organized crime task forces.

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<sup>87</sup> Ibid.

<sup>88</sup> Noble, Ronald K. (notes 78, 81)

## ***International Solutions***

ROC is a phenomenon whose root causes originate in the states of the former Soviet Union, but whose effects are exported across the globe. If the root causes are not addressed, law enforcement will only limit the operational capabilities of ROC without eliminating the threat. Thus, an ad hoc coalition of states affected by ROC should be formed to address the root causes of crime in the former Soviet Union. This ad hoc coalition would be very similar to the coalition of states formed to address the opium epidemic in Afghanistan and would focus on three primary areas: enhancing police capabilities, alternative development, and public diplomacy.

There are areas of the former Soviet Union, such as the Russian Far East, Siberia, the southern Caucasus, and the Pankisi Gorge in Georgia, where the local police are merely a figurehead of law and order. The capabilities of local law enforcement must be enhanced in order to weaken ROC's monopoly of power in the lawless peripheries of the former Soviet Union. One method of accomplishing this is the establishment of local training facilities based on the International Law Enforcement Academy (ILEA) in Budapest.

The Budapest ILEA is run by the FBI and staffed by instructors from thirteen U.S. federal agencies, Ireland, Germany, Italy, the U.K., Canada, Russia, Interpol, and the Council of Europe. Funding comes from the International Narcotics and Law Enforcement Bureau (INL) in the U.S.

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<sup>89</sup> Meigs, Montgomery C. (notes 25, 29, 30)

Department of State.<sup>90</sup> The ILEA instructs mid-level federal law enforcement officials from 25 states in the former Soviet Union and Eastern Europe on leadership, management techniques, human rights, and investigative skills.<sup>91</sup> There are four major disadvantages to the ILEA. First, it trains national law enforcement officers, who are useless in regions where the central government has little control. Second, the ILEA has a multinational student body and cannot tailor instruction to the specific conditions of each state. Third, the ILEA trains managers, not street practitioners and there is no guarantee that supervisors' orders will be heeded in corrupt law enforcement agencies. Fourth, the ILEA does not provide funding to law enforcement agencies participating in the program so that they can implement the lessons learned at the ILEA in their home countries.

Local training facilities, in contrast to the Budapest ILEA, will be located in cities across the former Soviet Union with ROC epidemics. Local police departments will select their best officers to attend the training programs and students will be vetted by facility staff to ensure that corrupt officers are kept out of the program. The training facility will provide funding to participating police departments so that they can pay their officers, purchase vehicles, and expand police facilities. The use of all funding will be monitored line item by line item so funds are not misappropriated like the IMF loans. Modeling the ILEA, local training facilities will have a

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<sup>90</sup> U.S. Department of State. International Narcotics and Law Enforcement Bureau. ILEA Budapest. (no date). 01 Nov. 2004 <<http://www.state.gov/g/inl/ilea/c11279.htm>>.

<sup>91</sup> International Law Enforcement Academy Budapest, Hungary. ILEA Budapest, Hungary. (no date). 01 Nov. 2004 <<http://www.ilea.hu/>>.

multinational staff of instructors to help forge relationships between law enforcement agencies in states with a significant ROC problem. For instance, a local training facility in Vladivostok staffed by officers from Brooklyn, the Israel Police Force, FBI, and the Hungarian National Police will enhance communication and information sharing between law enforcement agencies in Vladivostok, New York, Israel, Hungary, and Washington, D.C. An obstacle to establishing local training facilities is the need for substantial political buy-in from government officials in local government and the Kremlin, many of whom are in collusion with ROC and benefit from the status quo. To overcome this obstacle, the coalition of states operating the training facilities will have to provide incentives, such as foreign direct investment, to the Russian government and emphasize the political capital that can be gained by pursuing anti-crime policies.

Law enforcement alone cannot weaken the hold of ROC on the populations of the former Soviet Union. The proposed ad hoc coalition of states must also provide legitimate sources of income to people who live in an environment dominated by black and shadow economies. Aspiring entrepreneurs in the former Soviet Union have limited means of obtaining legitimate capital with which to start new businesses. ROC dominates the financial sector and controls nearly half of Russia's banks.<sup>92</sup> The coalition of states should establish a fund to supply aspiring entrepreneurs with micro-credit loans. Relief International, a reputable NGO, implemented a similar project in Afghanistan to assist farmers' abandonment of poppy cultivation for

legitimate crops through funding by the International Narcotics and Law Enforcement Bureau.<sup>93</sup> An NGO like Relief International, with experience in alternative development, should provide micro-credit loans in the former Soviet Union with extensive supervision by the ad hoc coalition of states. Applicants for micro-credit loans and NGO staff must be vetted to ensure that funds are not misappropriated by corrupt individuals.

Local NGOs can also be employed in the formation of business associations and cooperatives in the former Soviet Union to counter ROCs monopoly on local industry. Cooperatives were vehemently discouraged during the era of “shock therapy” because they maintained the connotation of forced collectivization. However, in a hostile environment like the former Soviet Union, cooperatives provide support to businesses that are too weak to oppose ROC on their own. Cooperatives have been successful in other parts of the former Soviet Union, like Eastern Germany, in helping populations with a socialist past adapt to capitalism.<sup>94</sup> To prevent the infiltration of corruption and ROC fronts, cooperative and business association members should be vetted and required to submit to an audit. Cooperatives and business associations will no doubt face intimidation by ROC which is why the enhancement of law enforcement capabilities must go hand in hand with alternative development.

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<sup>92</sup> “Crime without Punishment.” (note 16)

<sup>93</sup> Relief International. Relief International. (no date). 18 April 2005 <<http://www.ri.org/article.php?sid=89>>.

<sup>94</sup> Buechler, Hans C. and Judith-Maria Buechler. Contesting Agriculture: Cooperativism and Privatization in the New Eastern Germany. Albany: State University of New York Press, 2002.

Public diplomacy, one of the more important features of any foreign policy, is an often neglected method for combating transnational threats like ROC. Post-socialist populations are disillusioned with democracy and capitalism because of the failure of both Western and Eastern governments to live up to the promises of privatization. Most citizens in post-socialist states associate democracy and capitalism with the theft of state assets and the domination of the economy by oligarchs and organized criminals. The West is commonly blamed for this breakdown in law and order.<sup>95</sup> Apathy fuels ROC because criminals are permitted to move freely among the population. A strong public diplomacy campaign by an ad hoc coalition of states will help reduce popular apathy to crime and weaken ROC.

A public diplomacy campaign should address three goals. First, the campaign should encourage support of genuine anti-crime politicians in the former Soviet Union. The few public figures in Russia that have openly supported actions against ROC, did so with great risk to themselves and their families, many met unfortunate ends. Galina Starovoitova, an outspoken parliamentary deputy in favor of democracy and reform, nicknamed the “conscience of Russia,” was fatally shot outside of her home in St. Petersburg in 1998.<sup>96</sup> General Lev Rokhlin, a strong opponent of crime and corruption in Russia’s military, was fatally shot outside of his apartment a few days before

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<sup>95</sup> Finckenauer, James O., and Yuri A. Voronin. (notes 5, 8-11, 18-20, 22, 27, 28, 49, 58, 61, 62, 64, 75)

<sup>96</sup> “Murderers of Galina Starovoitova Detained in Czech Republic.” Online Pravda. 15 Feb. 2002. 18 April 2005 < <http://english.pravda.ru/society/2002/02/15/26433.html>>.

Starovoitova.<sup>97</sup> More recently, Viktor Yushchenko, the pro-West and pro-reform Ukrainian President, was severely disfigured during the 2004 presidential elections by a poisoning attempt.<sup>98</sup> Mass public support may help encourage a few brave politicians to oppose ROC despite the inherent risks. Congressman Spencer Bachus once said that the most important thing that Russia needs during this time of rampant crime and corruption is a Moses, a strong leader to heal the wounds of privatization.<sup>99</sup> The U.S. must foster public support to the modern Moseses of the former Soviet Union.

Second, a public diplomacy campaign should encourage popular hostility towards ROC and support for genuine democracy and capitalism. The campaign should explain the difference between genuine democracy and capitalism, and the crony-capitalism that has become the norm in the former Soviet Union. The ideal solution to crime and corruption is one generated and demanded by the people. Those affected by ROC know what is best for them and how to solve it, but may lack the will, the information, or the resources to do so. A public diplomacy campaign can provide the will and the information, while the other reforms detailed earlier in this paper must provide the resources.

Third, a public diplomacy campaign should encourage support of the United States and the West by advertising U.S. efforts to combat ROC. Most people from the former Soviet Union, blame the West, particularly the United

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<sup>97</sup> Center for Strategic and International Studies. (notes 38, 44), p. 46

<sup>98</sup> "Kiev Lawmakers Reopen Poison Probe." [CNN.com](http://edition.cnn.com/2004/WORLD/europe/12/13/ukraine.yushchenko/). 13 Dec. 2004. 18 April 2005

<sup>99</sup> "U.S. Representative Jim Leach ...." (notes 1, 15, 65), p. 12

States, for the failures of privatization and the emergence of kleptocracies.<sup>100</sup> Russia's foreign policies, and those of the rest of the former Soviet Union, reflect this popular hostility and harm U.S. interests abroad and at home. The inherent difficulty in implementing a public diplomacy campaign is state control over the media. In the event that the Kremlin refuses to broadcast anti-crime and pro-democracy messages, alternative media, such as RadioFree Europe, should be utilized.

In addition to establishing an ad hoc coalition of states, other methods of enhancing international cooperation to combat ROC should be pursued. One such method is enhancing ROC's political priority in the International Criminal Police Organization (Interpol). Interpol is an international government organization that assists law enforcement agencies in 182 member states communicate and cooperate with one another. Every member state has a National Central Bureau (NCB), operated by national law enforcement officers, responsible for communicating information sent through Interpol to national law enforcement agencies. There are five regional bureaus—three in Africa (Zimbabwe, Kenya, and Cote D'Ivoire) and two in Latin America (Argentina and El Salvador)—and one liaison office in Thailand responsible for addressing regional crime issues and fostering cooperation between states within the region.<sup>101</sup>

A sixth Interpol regional bureau should be established in Budapest to coordinate international law enforcement operations against ROC and develop

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<sup>100</sup> Finckenauer, James O., and Yuri A. Voronin. (notes 5, 8-11, 18-20, 22, 27, 28, 49, 58, 61, 62, 64, 75, 95)

a firm understanding of ROC's transnational operations. Budapest would be an appropriate location for a regional bureau because of the Budapest ILEA and Hungary's physical location between Western Europe, a destination for ROC, and Russia, the origin of ROC. Funding for the Budapest regional bureau would come from wealthy states affected by ROC. The U.S., the U.K., Austria, and Canada are likely donors.

## **Concluding Remarks**

The recommendations detailed above are only a brief introduction to the broad array of options available to U.S. policymakers for addressing the threat of ROC. The most disturbing discovery of this thesis has not been the strength of ROC groups or the cruelty with which they operate, though this has been shocking, it is the lack of urgency with which policymakers approach ROC. Transnational organized crime, along with transnational terrorism, will be one of the most significant threats facing nation-states in the twenty-first century. This threat is compounded by the fact that transnational organized crime and terrorism are intertwined and complimentary. They should not and cannot be seen as completely separate phenomena. Often, organized crime and terrorism are different manifestations of the same core problems: poverty, war, instability, lack of alternative livelihoods, weak governance, and disillusionment.

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<sup>101</sup> Interpol. Interpol—an Overview. 2002. 18 April 2005 <<http://www.interpol.int>>.

When transnational organized crime gains strength, the resources and capabilities of terrorist organizations gain strength as well. Thus, shifting resources away from programs that address organized crime threats to programs that address counterterrorism will only exacerbate both problems. In the short-term, terrorist capabilities will be reduced, but in the meantime organized crime capabilities will be enhanced and merged with legitimate sectors of the economy and government. The long-term capabilities of terrorist organizations will thus be enhanced by the materialization of a stronger, more resilient partner. There is a temptation to pour all of the nation's resources into the most politically pressing issue of the moment at great peril of exposing oneself to other threats. The U.S. government must avoid the temptation to pour all of its resources into the War on Terrorism thereby exposing itself to the infiltration of organized crime.

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## Appendices/Lists of Illustrations

### ***Appendix I: Glossary of Terms***

Excerpts taken from Comrade Criminal by Stephen Handelman<sup>102</sup>

<b>Apparat</b>	The name denoting the entire civil service during the Soviet era (The elite membership of the apparat was known as the nomenklatura—see below.)
<b>Apparatchik</b>	A member of the Soviet civil service. Also often used indiscriminately to cover nomenklatura as well.
<b>Brodyagi</b>	A criminal caste below vor, vagabonds; (leaders-in-training).
<b>Mafiya</b>	A generic term used across the Soviet Union since the 1970s to denote Party barons accused of corruption, black market speculators or sometimes just sections of society the speaker did not happen to like. By 1992, it carried an additional meaning to describe the groups of criminal entrepreneurs and corrupt officials who came to prominence in the post-Soviet era.
<b>Nomenklatura</b>	The elite membership of the Soviet governing system, so called because their names appear on the nomenklatura or list of the most loyal Party officials eligible for senior posts at home and overseas.
<b>Obshcak</b>	Criminal treasury.
<b>Pakhan</b>	Chief of band; crime boss.
<b>Perestroika</b> <sup>103</sup>	An economic and social policy implemented by President Mikhail Gorbachev from 1985 to the fall of the Soviet Union in an attempt to transform the inefficient command economy of the USSR into a decentralized market-oriented economy.
<b>Podkhod</b>	Coronation of vor; literally approach.

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<sup>102</sup> Handelman, Stephen. (note 57)

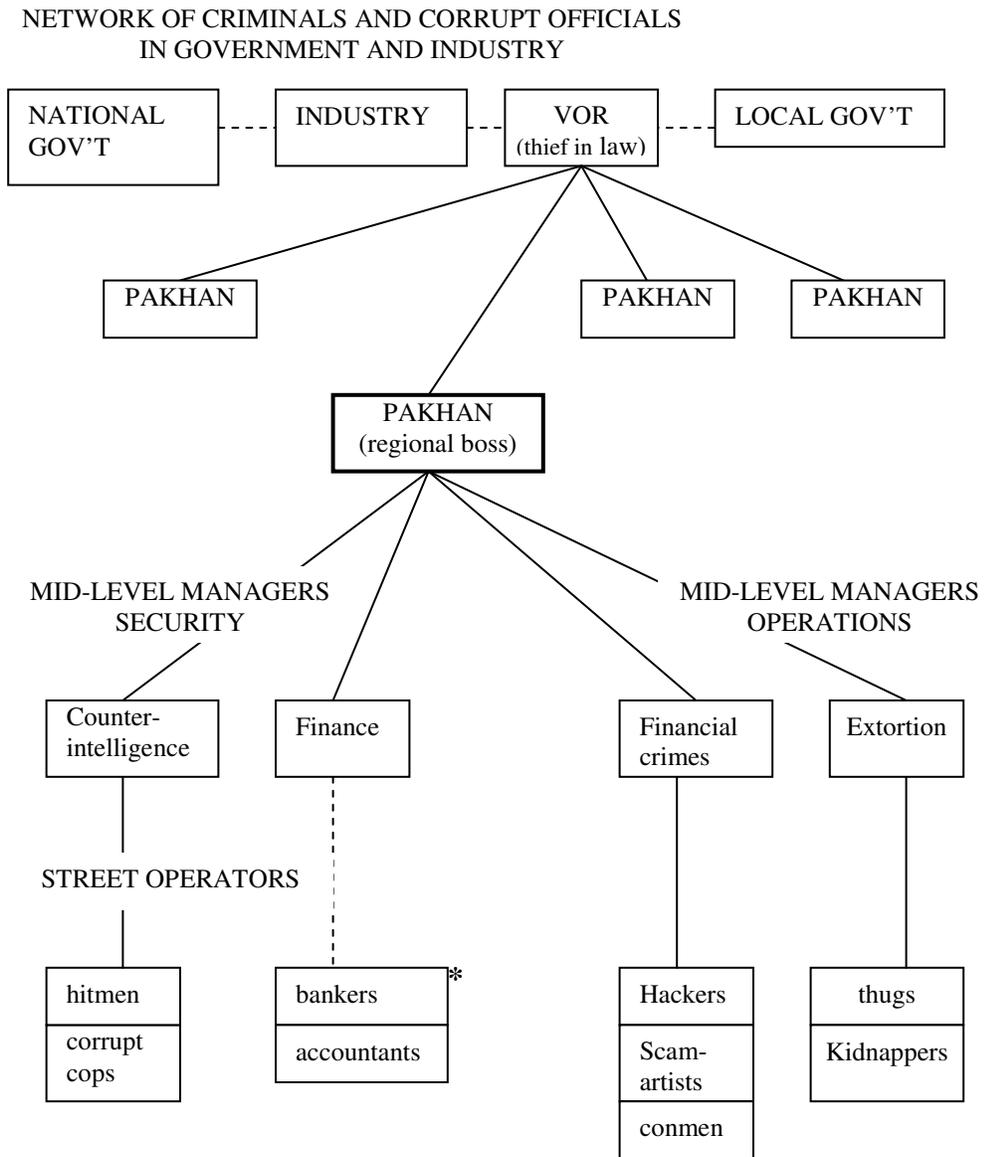
<sup>103</sup> Finckenauer, James O., and Yuri A. Voronin. (notes 5, 8-11, 18-20, 22, 27, 28, 49, 58, 61, 62, 64, 75, 95, 100)

<b>Skhodka</b>	Criminal assembly/council of vory.
<b>Tsekhovik/ Tsekhoviki</b>	Owner of black-market underground factories.
<b>Vor</b>	Thief, lord of crime. Once generic term for thief or foreign enemy.
<b>Vor v Zakonye</b>	Thief in law. Full name of leader of old Russian gang.
<b>Vorovskoy Zakon</b> <sup>104</sup>	The thieves' code. A list of eighteen codes that all vory are obliged to live by and defend.
<b>Vorovskoe Blago</b>	Criminal welfare. What every vor must defend.
<b>Vorovskoi Mir</b>	Thieves world.

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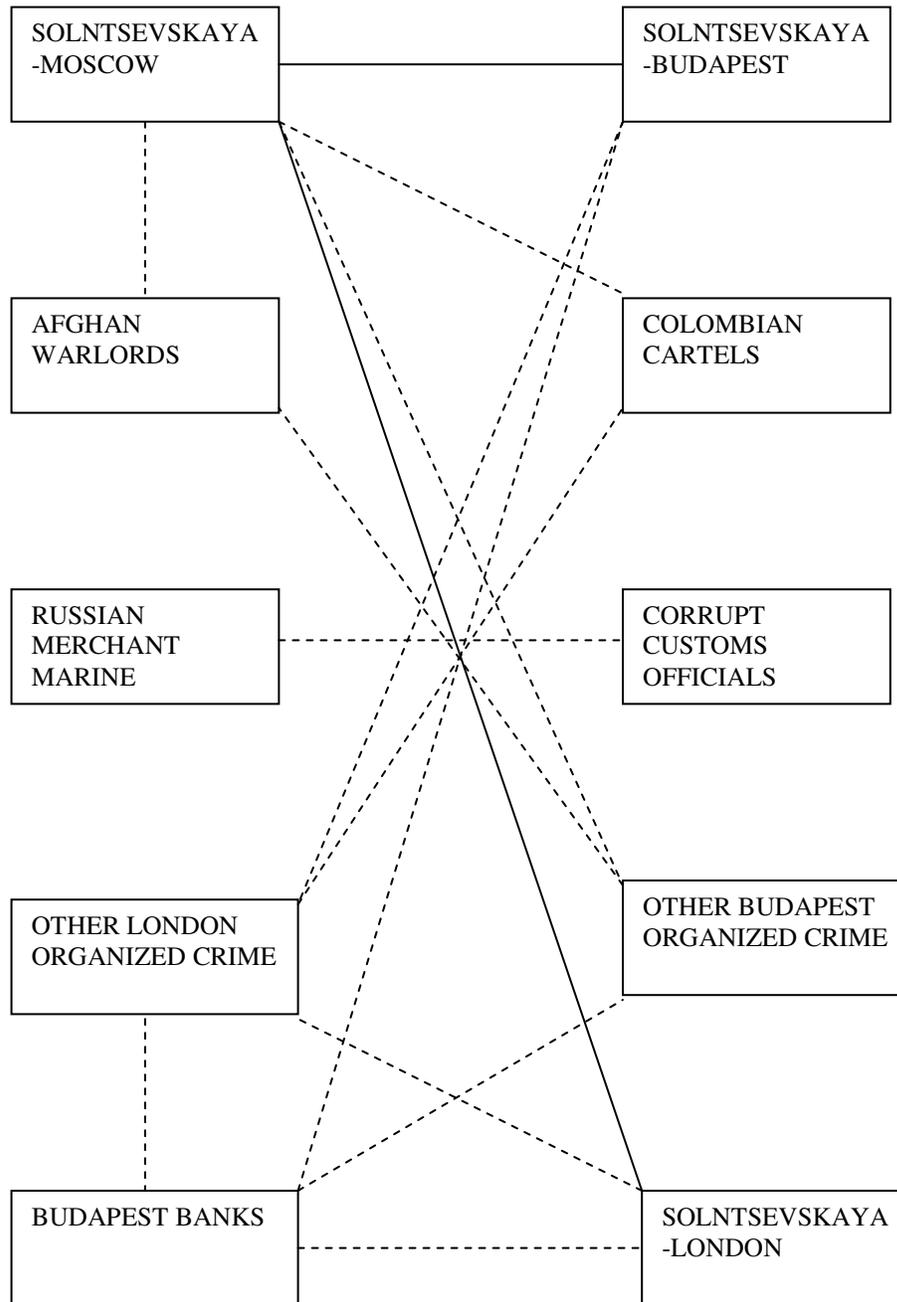
<sup>104</sup> State of California. Office of the Attorney General. (notes 48, 53, 55, 56)

**Appendix II: Organizational Chart of The Vorovskoi Mir (The Thieves' World)—The Pyramid**



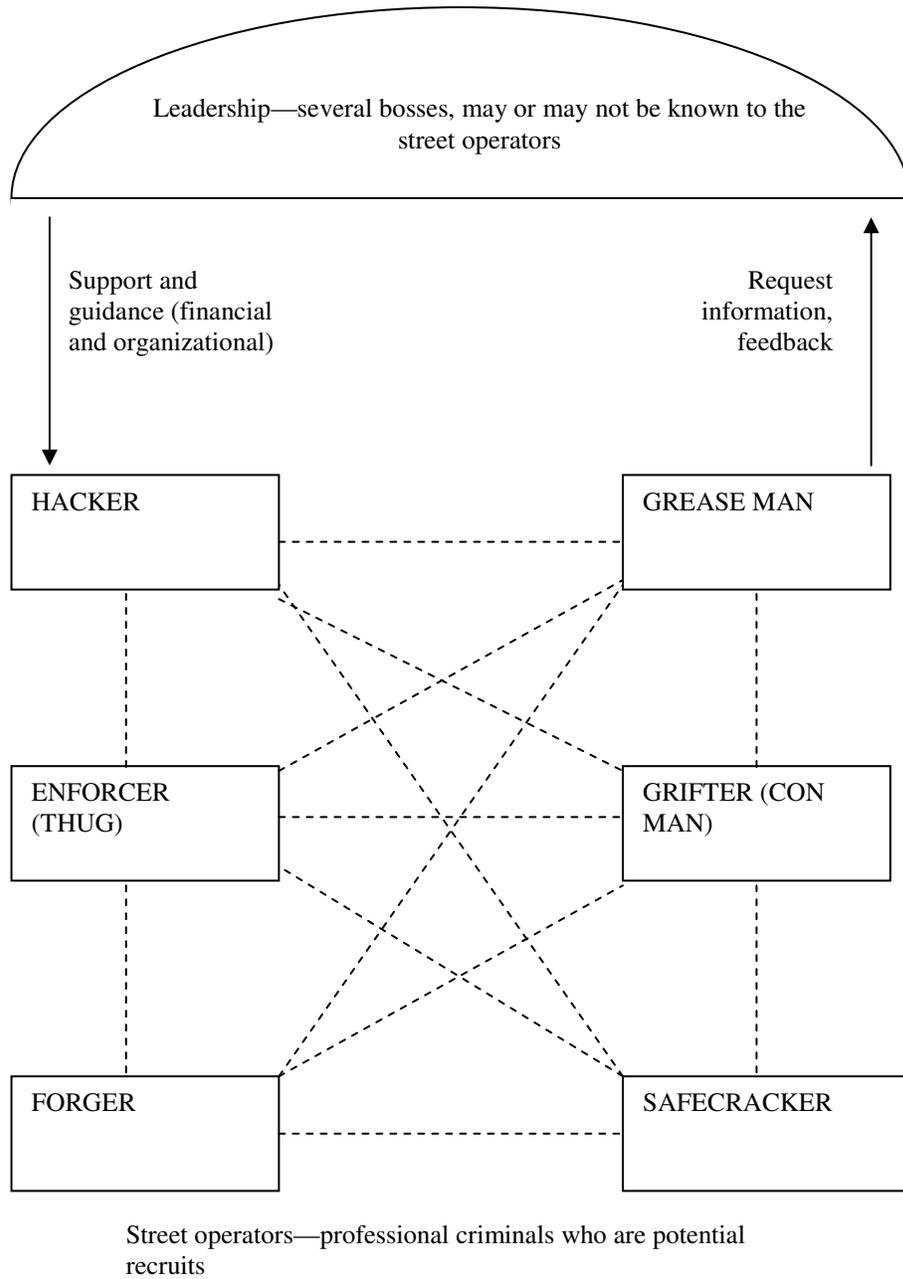
\*These are members of the legitimate economy and not internal members of the criminal organization.

**Appendix III: External Structure of the Solntsevskaya Group—The Network**<sup>105</sup>



<sup>105</sup> Levitsky, Melvyn. (notes 63, 66)

**Appendix IV: Internal Structure of Armenian Organized Crime Groups in Los Angeles—The Network with Umbrella Support<sup>106</sup>**



<sup>106</sup> Ibid.

## Appendix V: Illustrations

The Port of Vladivostok, the Russian Far East.<sup>107</sup>



Yekaterinburg, the Russian Far East.<sup>108</sup>



<sup>107</sup> "Russland." 2005. 15 April 2005

<<http://reloaded.iuk.hdm-stuttgart.de/~morpheus/bilder/meine/Vladivostok.jpg>>.

<sup>108</sup> "InDepth [sic]: Russian Election." [CNN.com](http://www.cnn.com). 2001. 19 April 2005

<<http://www.cnn.com/SPECIALS/2000/russia/story/train/yekaterinburg/>>.

Young Armenians in Los Angeles marching against genocide.<sup>109</sup>



Vyacheslav Ivankov, alias Yaponchik (Little Japanese), a ROC *vor* active in the United States.<sup>110</sup>



<sup>109</sup> United Young Armenians. United Young Armenians—Gallery. 24 April 2003. 19 April 2004 <<http://www.uyala.org/nkar/detail.asp?iType=29&iPic=209>>.

<sup>110</sup> “Q & A: Who’s Behind Russia’s Money Laundering?.” BBC News.com. 19 Oct. 1999. 04 Aug. 2004 <<http://news.bbc.co.uk/1/hi/world/europe/434691.stm>>.

Semion Mogilevich, boss of the Budapest branch of the Solntsevskaya group.<sup>111</sup>



Galina Starovoitova, “the conscience of Russia,” assassinated by ROC in 1998.<sup>112</sup>



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<sup>111</sup> FBI. FBI Crime Alert—Semion Mogilevich. 16 April 2005  
<<http://www.fbi.gov/mostwant/alert/mogilevich.htm>>.

<sup>112</sup> “Murderers of Galina Starovoitova...” (note 96)