

Organized Crime and Corruption in Russia

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Organized crime and corruption at present appear to be among the essential factors destabilizing society and exerting a seriously negative influence on the course of economic and political reforms in Russia.

The official criminal policy of the 1960s and 1970s concerning both criminal and criminal procedural acts ignored the mushrooming of crime, including the appearance and development of organized crime. Numerous attempts to change the operation of economic, household, social, and industrial legal structures time after time came to nought.

In the past few years, major thefts in the state and public sectors received wide attention, corruption by officials at all levels became a daily occurrence. A social stratum of people appeared to be receiving major illegal capital. At the same time, consolidations in the criminal world occurred, criminal organizations and associations became stronger, their "cooperation" with corrupt officials and police increased, and the interdependence between shrewd businessmen and elements of traditional criminal mediums became a fact of life.

After the breakup of the Soviet Union, organized crime exploded as the opening of borders, armed conflicts, the absence of obstacles to money laundering, legal chaos during the creation of numerous commercial and non-governmental economic subjects and the privatization of existing ones, embryonic financial and banking structures, a still strict licensing policy, and a dysfunctional tax policy, among many other reasons, created a breeding ground for illicit activities. Banking machinations, theft, racketeering, robbery and pillaging, sale of weapons and narcotics, and the legalization of "dirty" money brought colossal profit to criminal associations and served to create a very profitable and self-perpetuating business.

As for organized crime in particular, its great break came at the beginning of the 1990s when many errors were made during the aggressive transition to the market.

At present, criminal associations attempt to control not only the most profitable activities and enterprises, but also exert "taxes" independent of profitability, area of economic activity, etc.

According to the experts, organized crime now controls more than 40,000 economic organizations, including government organizations. Here, no less than 150 mafia groups actively divide Russia among themselves—invading credit and banking, export-import, transport, real estate, and consumer goods in particular (the most profitable activities). At present, in forty regions of the country more than one thousand people are implicated in banking embezzlement. Nearly 30,000 crimes connected with privatization were discovered. It is not necessary to say that this is only the tip of the iceberg. Russians do not know the real figures. It is a well-known and published fact that a combined effort from banks and the Ministry of Internal Affairs (MVD) to struggle with organized crime yielded

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mixed results—the mafia “received less than they should have,” approximately two *trillion* rubles. Western experts estimate that the Russian mafia in all has managed to export 100 billion dollars from the country—more than the external debt of the whole former Soviet Union. How much criminal money is concentrated in Russia is unknown. In the opinion of Russia’s government, criminal associations control from 7 to 10 percent of the national income—and this is a conservative figure.

Inter-regional and transnational criminal structures develop, providing an unprecedented scale of theft of money and imposing enormous costs

to their victims as well as to society at large. Contraband, illegal export-import operations, weapons, automobile theft, gambling, drugs, porno, are among the many activities conducted across borders. According to information provided to Parliament, Russian criminal organizations have established steady relations with criminal structures in twenty-nine countries around the world, including the United States, Germany, Italy, Turkey, China, Poland, Hungary, and the Baltic trio.

Another great source of profit for the mafia concerns their damage to state enterprises. The most common is the strategic raw materials for export, such as oil, diamonds, and precious metals, which require a license to export and are therefore especially vulnerable to abuse. Damage is inflicted on the authority of the state and to the establishment of the rule of law through other means as well, such as by stunting the development of legitimate enterprises and of the embryonic commercial and banking system, and by making investing in Russia a wholly unattractive undertaking for foreign investors.

Revelations in the credit and finance systems of fifty-six administrative regions of the Russian Federation attest to the general penetration of organized crime into this area. The theft of funds in a particularly large scale by means of forged credit papers, counterfeit pay documents, transfer of hard currency to foreign banks through fictitious contracts, and appropriation of government credit are among the most common. In 1993 alone, the theft of almost two trillion rubles was prevented in the financial sector and 429 criminal groups were exposed.

According to some experts, more than 35,000 government and commercial enterprises, including banks, are controlled by criminals. It is increasingly difficult for the law-enforcement bodies to effectively shut down these operations, as up to 50 percent of criminal income goes to the bribery of government officials and police.

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Organized Crime and the State

Needless to say, organized crime increases Palermo-style with the help of corrupt government officials at all levels. The most common manifestation of corruption has a steady tendency—bribery. Thus, in particular, in 1993 law-enforcement organs revealed 4,500 cases of bribery in government (a growth of 34.8 percent compared to 1992 data) of nearly 1,500 officials, violating the president's decree on the struggle with corruption as shown in Table 1.

Table 1

People who should have been tried for corruption, but were not convicted

Percent	Government agency
42.7	Ministries, committees, and other structures in the provinces
25.8	Law-enforcement
11.3	Credit-financial system
3.8	Regulatory agencies
2.5	Customs
2.2	Members of legislatures
11.7	Others

Crime bosses have penetrated high government through the cooptation of existing officials with bribery, blackmail, threats, etc.; and also via the hiring and promotion of their own agents.

Thus, Russia has become one of the most corrupt states in the world. Judging by the facts cited above in press reports and through the acknowledgements of President Boris Yeltsin, corruption has unquestionably struck all levels of government, a wide strata of business, even the spheres of culture and art. The faces of many government and political figures still turn red with the accusation of abuse of office for corrupt deeds, but that is all—the number of them brought to trial or disciplined internally for this act is insignificantly small. The impunity of corrupt Russians, it is no secret, became the norm.

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Corruption corrodes the body of Russia today, undermining not only the foundation of morals and morality but also the pillars of the economy and of the Russian state itself.

Turning now to a brief analysis of the essence of organized crime, it is necessary to point out the most

dangerous aspects for society and the state. First of all, the looming danger in organized crime consists of allowing elements in the criminal world to unite under the umbrella of a new “dishonest” ideology—a common interest of increased criminal capital, corrupt connections, weapons sales, a united strategy and tactics in the evasion of all forms of social and legal control, and legal impunity for the participants of such criminal formations. There is evidence that this is already beginning to take shape.

In organized crime, new “cleaner” criminal unions as well as the traditional criminal associations cooperate. The criminal formations of this new type create and direct legal enterprises and financial structures. The most dangerous of these were formed in Moscow and St. Petersburg, as well as in other regional and *oblast* centers where there is a high level of business activity and enterprise. These groups are highly sophisticated and include intelligence and counter-intelligence operations, and lobbying groups. They employ specialists of all sorts—economists, lawyers, military, and technicians—and readily “work” with government organs and the press.

The most traditional form of organized crime offers no less cause for alarm. There are almost 2,000 criminal groups in Russia equipped with firearms—including the most modern military firearms and explosive devices. With this they are no match for law-enforcement agencies that dare confront them. In 1993, 183 officers were killed and 572

were wounded. In the last nine months of 1994 alone, 144 officers were killed and 35 were seriously wounded—testifying to the increasing effectiveness of hit operations against police.

The war between criminal clans is also common, and does not seem to subside. The quantity of murders for hire, terrorist acts, explosions, and other means they use against one another also affect innocent victims. The number caught in the crossfire is increasing at alarming rates.

In 1993, law-enforcement organs investigated 1,113,589 crimes, bringing to justice 11,400 active participants of organized criminal groups, including 1,332 criminal leaders and 19 infamous “thieves in law”—the notorious *cappi* from the Soviet era. They seized 11,700 units of firearms and more than 1,100 automobiles.

For comparison, just in the first nine months of 1994, 1,973,676 crimes were registered, of which 1,164,000 were closed (with respect to an analogous period of last year, this last figure increased by 19 percent).

Organized Crime and Economics

All this causes the special concern that organized crime will begin to rule over the economy. In the opinion of Professor Yakov Gilinsky of the St. Petersburg Institute of Sociology (Russian Academy of Sciences), today in Russia there is nothing at all that is completely “clean.” It would be far more accurate to describe which shade of grey prevails. Often, attempting to ascertain where gangsterism ends and the government begins is impossible.

Shady economics has existed in all countries and at all times. In the majority of them, organized crime thrives only in traditional criminal sources of revenue: drugs, gambling, weapons, prostitution. In Russia however, organized crime thrives well beyond that—it wields power over all the economy. This is a particularly tragic feature of modern Russian reality.

By the time the government woke up to the growing threat and some called for an urgent program to fight organized crime (Yeltsin declared 1994 the year of struggle against organized crime), it was too late: the government was no match for the mafia. There were several reasons for this. First, organized crime, thanks to the corruption of the bureaucratic apparatus and to the constant powerful financial infusions it received from its activities, began to acquire the means to spy on the Ministry of Internal Affairs, the procurator, the Federal Counterintelligence Service (the FSK, or the former KGB), and even the courts. Second, law-enforcement organs, for various reasons, were deprived of a significant part of their professionals. One reason was the allure of the commercial sector, which often provided these professionals with income several times their meager salaries. Many businesses overtly hired members of the security and law-enforcement organs for their knowledge and wherewithal. Third, the government is continually reforming and re-reforming the law-enforcement bodies, but a truly serious reform that would improve their work simply does not occur. The resulting tensions, distractions, and demotions demoralize the ranks, and from this comes the process of discreditation of the MVD, FSK, and the procuracy in the press and in society.

Social organizations, which in principle should oppose the onslaught of organized crime and corruption, as a matter of fact in many cases support them, as they have become so established that they provide some sort of stability. Many mafiosi are involved in charity work and in a myriad of social-protection programs. Thus, “dirty” money comes clean, and

of citizens are removed considerably from their means. The military and office of the public prosecutor is not in a position (and is not obligated) to return their money by cheating. National outrage automatically makes for crooks, and for helpless legal protection organs in a given situation.

Social organizations, which in principle would be able to go mad increasing the threat of organized crime and corruption, as a matter of fact already neutralized the power gained by the network, created for crimes, money, society, associations, funds, unions, etc. A row of their work is purposefully and strikingly (but not effectively) occupied with quasi-charity, and proclaiming sufficiently convincing social programs. Thus, several tasks are immediately decided: "dirty" money comes clean, necessary protection is created in criminal associations of activity, demonstrations actions are conducted, formulating public opinion, representing Russian "godfathers" as saviors of the homeland, and political channels for promotion of representatives of criminal structures to organs of government power are secured.