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Russia and Eurasia Programme Meeting Summary

Transnational Aspects of Russian Organized Crime

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Unlike other international criminal organizations (Yakuza, Chinese triads or Cosa Nostra), Russian criminal groups do not have a rigid control structure. They act opportunistically, i.e. exploit all available opportunities for making money. Russian organized crime is flexible, networked and entrepreneurial. Individuals take on multiple identities and roles. The first group of Russian criminals targeted by US Executive Order no. 13581 is illustrative of this. The US law enforcement officials referred to this group as the 'Brothers' Circle', however, there is no actual group operating under this name: it was used because the criminals in question do not fit into clearly defined groupings.

Organized crime was never an outside factor in the Russian political and economic system - it was part of the process of building the 'new' Russia following the disintegration of the Soviet Union. The chaos, and poorly working institutions of the 1990's offered ample opportunities for the purchase and capture of assets. It is not correct to say that the gangsters control the government figures or vice versa; rather, there are overlaps, connections and fluidity between government structures and organized crime. About 12 - 14 major criminal networks can be identified, including the Solntsevskaya Bratva (Moscow) and the Tambov Gang (St. Petersburg). All these networks are loose and can best be portrayed as mosaics of individuals. There is little connectivity between crime in the North Caucasus and the rest of Russia. North Caucasus is less of a safe haven for criminals, though, because it is becoming increasingly violent and it is easy to arrange someone's 'disappearance'.

Russian criminal activities are most prevalent in countries with a high concentration of ethnic Russians - the post-Soviet space, but also Israel and the US. Criminal groups adapt their operations to the balance of opportunities and risks and are not guided by Cosa-Nostra-like loyalty and codes of behaviour. Senior operators could best be described as individual entrepreneurs whose actions range from the essentially legitimate to the entirely criminal. They have no ideological commitment to crime; their main concern is profit.

Russian organized crime also operates in countries where Russia plays a substantive role: most criminal activities are carried out by locals who are linked to (but not completely controlled by) the main facilitators in Russia. Then there is the money connection - criminal groups use local services in Venezuela, Cyprus etc. for money laundering. Some also operate in the City of London and use the reputation and respectability of the UK's financial centres to provide their activities with a veneer of reliability to decrease the likelihood of criminal investigation. In addition, Russian criminal activities can

appear anywhere else in the world where there are opportunities for making money, e.g. recently there was an instance of Russian involvement in the Argentinian drug market.

There are three important future trends. First, one should not underestimate the transformational impact of Afghan heroin, which is increasingly flowing to Europe through the northern route (through Central Asia and Russia). This trade creates new opportunities for Russian gangsters and the heroin trade is restructuring the Russian underground. It cannot be said that links acquired during the Soviet invasion of Afghanistan have given the Russians a major advantage, although the bigger groups often use Dari-speaking Afgantsy (veterans) and Afghans who left the country following the Soviet withdrawal as professional middlemen. The trafficking is now multi-stage, with gangs handling the cargo border-to-border rather than door-to-door. Some gangs receive payment in the form of share of the cargo, which has led to a proliferation of heroin in Russia. The recent increase in trafficked heroin has enabled Russian criminal networks to deal with their (especially Chinese) foreign associates on an equal footing.

Second, Russian organized crime is increasingly multi-ethnic, which makes it even more effective internationally. Russian criminals often play the role of gatekeepers, but they are ready to do business with anyone willing to play by their rules.

Third, Russia's internal situation is the most significant asset of Russian organized crime. The fact that Russian banks are open to money-laundering, law enforcement officials are corrupt and politicians are enmeshed with criminal groupings - makes Russia a safe haven. However, this might change in the future. The political cost of being associated with criminal networks has increased due to pressures from society to reform but also because of internal 'silovik wars', which bring to light rivals' illegal businesses and crimes. Therefore the 'price tag' for political protection is increasing and those who are not willing to pay are made an example of; recently, several individuals previously considered untouchable have been brought to court.

Organized crime is entrenched in the Russian political setting. Recent prosecutions are not a result of the establishment of a rule of law, but of rivalries within the governing elite. The Magnitsky case and its cover-up represented the overlap between the rent-seeking Russian bureaucracy and organized crime. However, even within the siloviki there is a growing awareness that affairs like the Magnitsky case have a cost both domestically and internationally, and so the circle of protected people is shrinking.

Protection is now a strategic resource. Building connections between politicians and criminal figures at the local level is becoming more important as the political situation in the Kremlin and Putin's continued rule look uncertain. The weakening of the Kremlin's grip encourages the formation of smaller, local 'Kremlins' with their own criminal networks. Given the difficult economic situation and the lack of good job prospects for young people (especially in the smaller cities), becoming part of a criminal gang can be the best opportunity for money-making and self-realisation.

There are three generations of criminal groupings. The oldest group comprises the 'old order', also known as the 'gulag school', whose members were powerful in the early 1990s. The second generation are the 'avtoritety' – consummate entrepreneurs who came of age during the 1990s and who have since managed to buy their way into the economic and political system. The third generation represents the rise of the criminal figure ensconced within the ruling political and economic apparatus. These criminals come from within the elite and although they are cosmopolitan, educated in the West, and know how to operate internationally, they have opted to continue the criminal activities of their parents as an easy and quick way of making big money. It is therefore premature to say that the children of the second generation might bring about positive change or opt out of illegal activities just by virtue of being educated in the West. The role of women in criminal networks is still shaped by traditional conceptions, but the new generation of criminal groupings employ women in low-level managerial capacity, overseeing logistics and 'human resources'.

The fluidity and interconnections that characterize Russian criminal groups are also typical of the Russian business environment as a whole (including the energy business), which makes Western businesses wary of getting involved in Russia. Russia's WTO membership is unlikely to serve as a positive push towards the establishment of the rule of law, even though businesses may feel more pressure to be seen to be doing the right thing. Companies will adapt to the required motions – pay bribes under the heading of 'consultancy fees' etc.

Dmitry Medvedev's presidency made a difference. The issue of rule of law was more in focus during his term in office. In addition, his tentative reform of the police force has brought some positive results. However, his actions were constrained by Putin, who retained overwhelming decision-making power.

Criminal trials involving Russian businessmen in west European courts (e.g. the Deripaska/Cherney case at the High Court in London) could be a positive

phenomenon, helping to curb Russian crime internationally. For instance, certain Russian criminal operators have been brought to court and sentenced in Spain, which made it clear that the country was a much harder target for criminals than originally thought.

International cooperation among law enforcement officials could also help, although experience tells us it is more effective at the 'cop-to-cop' level than through official channels. Contacts acquired through international exchanges for mid-level officials could help the flow of information, while the official channels are politicized and unreliable.

The methodological challenges of this type of research are considerable. On the other hand, as Russia is a congenial environment for criminals, people talk more freely about crime because they do not feel threatened. Long-term cultivation of sources and connections that can reveal a lot about the underground is important. Moreover, good information can be gained from the excellent investigative journalism that is still taking place in Russia (not all journalists' material is published) as well as from honest law enforcement officials who are frustrated about the constraints on their work.

How can one define a criminal organization? It is difficult to be a successful businessman in Russia without criminal connections. The nature of the activities, the period in which the crimes were carried out (1990s, 2000s), the end to which people break the law, and how they make money should all be taken into consideration. E.g., some Russian millionaires made their first million in the chaotic 1990s and then moved to legitimate business, other used their first profit to get into the heroin trade. Contact with organized crime networks does not necessarily make one a criminal. Still, the boundaries one sets are artificial.