

The Organized Crime Morass In the Former Soviet Union

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Introduction

The prominence of organized crime scarcely represents a new development in Russia and other former Communist states. Organized crime took root in the fertile irrationalities of a planned economy and prospered in the vast black and gray markets that emerged in the last two decades of Communist rule. However, the precipitous demise of the Soviet empire, the ongoing transition to a market economy, and the sudden opening of borders to the West gave organized crime in the East an unforeseen opportunity to acquire increasing prominence and influence. Moreover, this newly invigorated criminal enterprise is showing an increasingly malevolent face. More than 5,500 separate criminal formations comprising an estimated 100,000 members now operate in Russia alone, perpetrating crimes such as extortion, drug dealing, bank fraud, arms trafficking, export of contraband oil and metals, and, perhaps most ominously, smuggling of radioactive materials and components. Some of these groups have organized themselves into loose criminal confederations with average memberships ranging from 70 to 300 persons. An estimated 150 to 200 Russian crime groups have forged international ties and now maintain criminal contacts and control franchises in other post-Soviet states or in the West.¹ Following the lead of world-class criminal organizations everywhere, Russian syndicates are amassing considerable muscle and already are well-equipped with sophisticated weapons and advanced communication and surveillance equipment. Furthermore, the criminal underworld is exploiting the implosion of Russia's military-industrial complex to gain access to an unusual array of talent, including former KGB and police officials, military specialists, and university-trained chemists, managers, and economists.

The widening influence of organized crime poses a significant challenge to the former Soviet republics, currently staggering under the multiple burdens of creating a functional private economy, nurturing a struggling young democracy, and developing a new political system. Unfortunately, the mafia views privatization as a boon. The criminal syndicates are successfully wielding their vast economic resources and superior muscle, often squeezing out legitimate entrepreneurs, who find it difficult to muster the needed start-up capital and all too frequently must borrow funds from mobsters at extortionate rates of interest. Senior officials in Russia's Ministry of Internal

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Affairs estimate that organized crime owns or controls some 40,000 businesses—primarily in the retail trade, import-export, and commercial real estate sectors—and more than 400 Russian banks² (professional criminals also may be investing in privatized factories and mines, but such transactions are more difficult to document). In addition, the criminal sector apparently is thriving at the expense of legal economic activity. A Moscow think tank attached to President Yeltsin's office estimates that mobsters and corrupt officials extort payments that total 10 to 20 percent of gross earnings from a staggering 70 to 80 percent of all legitimate enterprises and banks.³ Financial fraud is rampant. For example, in 1992, a series of bogus paper transactions cost the Russian Central Bank the ruble equivalent of \$1.8 billion, a sum that outstripped the \$1.5-billion International Monetary Fund (IMF) investment in stabilizing the Russian ruble that year.⁴ Networks of criminals and corrupt officials now earn huge profits each year by smuggling abroad oil, metals, timber, and other commodities that they purchased in Russia at subsidized prices. One third of Russia's metal exports and one fifth of its oil exports leaves the country through illegal channels, according to Anders Åslund, a Swedish economist who advises the Yeltsin government.⁵ A substantial portion of this contraband is transported to Baltic ports in military aircraft, which are exempt from Russian customs and security checks (according to one Russian journalist, the military charges \$900 to fly one planeload of metal from Russia to Lithuania).⁶ Not surprisingly, few of the proceeds from such foreign sales return to Russia. As part of the emerging capitalist class, criminals prefer to stash hard-currency profits in Western banks rather than invest in Russia's uncertain economic future. The IMF estimated that illegal capital flight from Russia totaled between \$16 billion and \$17 billion in 1992. A significant share of this outflow no doubt can be attributed to criminal smuggling ventures.⁷

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Organized crime reportedly is exerting increasing influence in the state structures of Russia and other post-Communist states. Professional criminals commonly manipulate police and customs organizations, military establishments, and financial institutions in these countries. At least 30 percent of the income of Russian criminal groups is spent on bribing public officials, according to Russian MVD sources. A recent article in *Foreign Affairs* reports that four members of the Russian State Bank cooperated with Chechen mobsters in a 1992 scheme to swindle \$370 million from private banks in Moscow and other Russian cities.⁸ Furthermore, organized crime possibly has gained some access to the decaying nuclear-industrial complexes of Russia and other former Soviet republics—a breach that is mirrored in the growing markets for radioactive materials in Russia and Western Europe. The tentacles of organized crime apparently extend to the highest

levels of government in the former Soviet Union. Parliamentary bodies reputedly are riddled with de facto criminal syndicate representatives, who diligently block or water down any significant anti-crime legislation. Top Russian officials—including two ministers of foreign economic relations, a major general in the Air Defense Forces, a deputy minister of Internal Affairs, the minister of Security, a first deputy prime minister, and even Russia's only vice president—have been implicated in smuggling ventures and other shady commercial deals.

Furthermore, Russian mafia organizations increasingly assert their power through intimidation and murder. According to FBI director Louis Freeh, approximately 35 Russian bankers were assassinated in the past year, many by organized crime figures seeking to penetrate and manipulate the Russian financial system. American businessmen working in Russia have been kidnapped and held hostage by Russian or Eurasian criminal organizations. Recently, the Coca Cola plant in Moscow was hit by a grenade from a grenade launcher and a kiosk set up by Philip Morris in Moscow to distribute the company's cigarettes was firebombed (apparently Philip Morris had planned to sell the cigarettes at prices below what the mafia considered acceptable).⁹ In April 1994, a parliamentary deputy, Andrei Azderis was gunned down in an apparent contract hit near his home in the Khimki region of Moscow. The deceased deputy was the editor of a Moscow newspaper called *Who's Who* that had published the names of 266 Russian mafia dons the previous month—a move that evidently did not resonate well in some criminal quarters.¹⁰

What is Russia's strategy for contending with this insidious rise in criminal activity? The Russian government's responses to date are characterized more by rhetoric than substance. In a February 1993 speech, President Boris Yeltsin decried organized crime as "a direct threat to Russia's strategic interests and national security" and protested that "corruption in the organs of power and administration is literally eating away the body of the Russian state from top to bottom."¹¹ Yet, Russia's new leaders seem almost powerless to oppose the spreading crime menace, and their actions to date reflect a basic misunderstanding of the causes, dynamics, and consequences of the criminal sector in Russia. For example, the state of emergency that followed Yeltsin's successful confrontation with the Parliament last fall coincided with an apparent crackdown on crime in Moscow and central Russia. Moscow deported some petty criminals and traders, mostly from the Caucasus and Central Asia. The Yeltsin administration drafted a decree that established tighter registration procedures and expanded the power of law-enforcement agencies to conduct searches and detain suspects. A new decree in June 1994 allows police and security officials to examine financial records, search business premises, and to confine suspects for up to 30 days, apparently without judicial authorization. However, such measures are unlikely to dislodge the powerful and well-entrenched criminal networks that operate in Moscow, Yekaterinburg, St. Petersburg, and other important Russian cities. Moreover, concentrating police raids and sweeps on non-Russian nationalities ignores the ethnic

Russian component of important organized crime subsectors such as extortion, prostitution and illegal arms trading.

Perhaps more to the point, Yeltsin's government has not formulated a coherent crime-fighting strategy to address a wide range of challenges: official corruption remains rampant; anti-corruption and anti-organized crime bills are still languishing in Parliament; witness protection programs are not in place; and Russian prosecutors lack the legal tools to strike at the leaderships of criminal organizations (as Russia's counter-intelligence chief Sergei Stepashin notes, "There is no way of pinning down a clan, its ringleaders or its bank accounts").¹² Channels for cooperation among law-enforcement officials in the former Soviet states are weakly developed, despite the common economic space and virtually transparent borders that these states share. The anti-crime strategies employed by police and security officials still serve the priorities of the Soviet era and are better suited to tackling controlled and accessible targets such as political dissidents rather than subduing the mobile, fully armed, and well-connected criminal groups that law-enforcement officials now confront. Unfortunately, the reformist mindset further obstructs the development of effective anti-crime policies. Yeltsin and his fellow reformers long categorized organized crime as a transitional problem, a product of imperfect reform rather than a threat to the reform process. Boris Yeltsin summarized his position in a February 1993 speech: "As economic reform develops and distribution functions pass from the state to the owners of property, the objective conditions for the illegal operations disappear, at least at the present scale." The Russian leader recently acknowledged in a speech the possibility that organized crime "seeks admission to big-time politics and access to administration of the state and regions." This belated recognition of criminals' power pretensions may signal a change in policy; yet precious time has been lost and criminal proliferation already has advanced to dangerous levels.¹³

Despite these serious developments, the Eurasian-organized crime threat still produces little resonance in the American foreign policy establishment. Echoing Russian reformers, U.S. policymakers and analysts write off the coalescing mafias in the former Soviet Union as merely the inevitable byproducts of radical socioeconomic change, and some even hail the mafia as a training ground for private entrepreneurship. A recent op-ed piece in the *New York Times* entitled "What's Good for the Mafia is Good for Russia" compares the Russian mafia with America's robber barons of a century ago.¹⁴ Nonetheless, the explosive growth of organized crime in the former Soviet Union arguably constitutes a significant if not yet fully actualized threat to U.S. and Western security interests. This threat is manifested in a number of tangible developments that are analyzed in greater depth in the following section. First, crime syndicates in the former Soviet Union are exacerbating the international proliferation of advanced weaponry and dangerous radioactive substances. Second, such syndicates are assuming a more prominent role in the global traffic in illicit drugs. Third, Russian criminal enterprises are exporting their operations and networks and are collaborating with foreign criminal organizations—trends that

seriously challenge Western law enforcement. Fourth and more generally, organized crime threatens Western interests by imperiling the emergence of a legitimate economic and political order in post-Communist Eurasia.

The Proliferation Threat

The collapse of Soviet control and the relative impotence of post-Communist state structures correlated with a notable expansion of underground arms trafficking in both the former Soviet Union and the West. Military units with commercial interests routinely collude with organized criminal groups to market sophisticated weapons plundered from former Soviet arsenals and stockpiles. The range of hardware brokered by such crime syndicates includes assault rifles, rocket-propelled grenades, missile systems, helicopters, fighter aircraft, tanks, and possibly submarines. Russian military sources reported 6,430 thefts of weapons from military depots in 1993, compared to 3,923 cases in 1992—an immense increase of 64 percent.¹⁵ Moreover, covert military sales by corrupt top brass and their criminal cohorts probably far surpass common thefts. The bulk of the weapons traffic targets war-torn regions of Russia's "near abroad" such as Tajikistan and Nagorno-Karabakh. The balance of the arms supply probably gravitates to regional conflicts throughout the world or enhances the arsenal of malevolent free agents such as the Islamic Jihad and the Sicilian Cosa Nostra.

Table 1: Nuclear crimes in Germany

<i>Cases reported</i>	<i>1992</i>	<i>1993</i>
Fraudulent offers ^a	59	118
Apparently genuine offers	99	123
(Of which actual seizures)	18	21
Total	176	262

^a Includes offers of non-radioactive material.

Sources: Hans-Ludwig Zachert, Bundeskriminalamt

The smuggling of radioactive materials to the West constitutes a particularly malevolent manifestation of criminal military commerce in the former USSR. Nuclear smuggling apparently increased dramatically in recent years. For example, the German authorities recorded increasing numbers of potential nuclear deals: four in 1990, 41 in 1991, 158 in 1992, and 241 in 1993. Admittedly, some 40 to 50 percent of the offers were fraudulent or the seller could not deliver the merchandise or involved non-radioactive materials; however, in many cases investigators found evidence that sellers had access to radioactive substances. German police did

confiscate 18 shipments of such substances in 1992 and 21 shipments in 1993 (offers and seizures of nuclear materials reported by German authorities in the 1990s are listed in tables 1 and 2). Other efforts to sell such materials have been reported in Austria, Poland, the Czech Republic and the Baltic countries in the 1990s.

Confirmed theft-and-smuggling cases infrequently entail bomb-quality materials; yet there are important exceptions. For example, an administrator at the "Luch" nuclear research institute in Podolsk (near Moscow) stole and secreted 1.5 kilograms of 95 percent uranium-235 over a period of several months in 1992. Multi-kilogram quantities of highly enriched uranium were stolen in 1993-1994 from the Elektrostal nuclear fuel complex in the Moscow Oblast, and from a submarine fuel depot in Murmansk. Estimates of the uranium 235 (U-235) content of the pilfered materials range from 60 percent to above 90 percent (90 percent and higher is considered weapons grade).

Table 2: Seizures of nuclear materials by German authorities in the 1990s

Americum 241
Californium 252 (a neutron emitter)
Cesium 137
Plutonium 239
Strontium 90
Natural uranium
Uranium pellets (low enriched)
Uranium powder or oxide

Source: Bundeskriminalamt

More ominously, since April 1994, German police have made three seizures of weapons-usable plutonium, including a major shipment of 300 to 350 grams of 87 percent pure plutonium-239 (six to seven kilograms of plutonium is sufficient to fashion a crude nuclear device). This shipment, which possibly originated in a Russian nuclear fuel production facility, was confiscated at the Munich International Airport from a Colombian citizen on a flight from Moscow on 10 August 1994. Furthermore, certain substances brokered in Western markets such as cesium-137 and strontium-90—though irrelevant to bomb-making—are environmentally hazardous and conceivably might be adapted for terrorist missions or criminal extortion schemes. In 1993, police in Saarbrücken, Germany learned of a criminal plot to bury quantities of strontium-90 and then to demand compensation for revealing the location of the toxic materials¹⁶ (fortunately, the plan never was actualized). Also, traffickers who misjudge the potential market for nuclear materials may stockpile their lethal wares or even discard them. For example, in assorted recent incidents in Austria and Germany, radioactive

materials have been discovered in a baggage locker at a railway station, in a parking lot, in a garage, in a BMW parked in front of an airport hotel, in a bank safety deposit box and under the roof of an apartment house.¹⁷

Reported uranium thefts in post-Communist states often involve less-than-bomb quality materials. Markets for such materials are uncertain. Uranium enriched to more than 20 percent is technically usable in nuclear bombs, although its practical utility declines markedly with the level of enrichment. For example, the critical mass required to sustain a fission reaction ranges from 15 kilograms for pure uranium-235 to 75 kilogram for 40 percent uranium-235 (U-235) to 250 kilograms for 20 percent U-235. The actual nuclear device which contains shielding, reflectors, chemical explosives and other essential components would be several times—perhaps many times—heavier. Hence, highly enriched uranium is not the stuff of pocket A-bombs and probably is not an attractive commodity for terrorist groups. On the other hand, it might be marketable to aspiring nuclear states (those with enrichment facilities) since possession of such material could short-cut the technologically arduous process of producing quantities of weapons-grade uranium.¹⁸

Nuclear scare stories abound. An investigative journalist for the Moscow weekly *Literaturanaya Gazeta* reported a 1991 attempt by the Islamic Jihad to purchase a fully assembled atomic bomb from Arzamas-16 (the Russian Los Alamos), a nuclear weapons fabrication facility near Nizhny Novgorod.¹⁹ The Islamic Jihad reportedly tendered a formal written request for the purchase, including specifications, price, and shipping information. Also, in 1991, a senior lieutenant attached to the Soviet General Staff who commanded a unit to guard nuclear warheads based in Alton-Grabow in the former East Germany, reportedly struck a deal with Greenpeace for \$250,000 (Greenpeace apparently had planned to display the warhead in Berlin as a public relations ploy). Apparently, only the sudden transfer of the lieutenant's unit out of Germany prevented the deal from going through.²⁰ In early 1993, the above-mentioned *Literaturanaya Gazeta* reporter—then posing as a buyer of nuclear materials—actually was offered what purported to be a warhead from an SS-20 nuclear missile for only \$70,000; he was told that many more warheads were available for sale from a source in Ukraine. Arab and Israeli news sources reported in 1993 that Ukraine had sold two nuclear warheads to the Palestine resistance movement for \$30 million. A 1994 purported “secret report,” attributed to Russia's new Federal Counterintelligence Service (former KGB), cited “900 cases of thefts from former Soviet military and nuclear plants and 700 thefts of secret technology” including the smuggling of finished nuclear weapons to Iran and Pakistan. Report conclusions cited a “lack of funds and the general deterioration of the country” that severely debilitated security precautions in military establishments and sensitive scientific laboratories.²¹

Such assertions undoubtedly blend fact and fiction. For example, U.S. intelligence experts have found no evidence that nuclear bombs or warheads left the territory of the former USSR. However, extremely favorable conditions currently pave the way for nuclear smuggling and profiteering.

For example, the amount of weapons-usable fissionable material in warheads and stockpiles in the former Soviet Union is enormous—approximately 500 to 1,000 tons of uranium and 100 to 180 tons of plutonium, according to most Western and Russian accounts.²² Security and law-enforcement forces might not easily detect the theft of few kilograms of the material, especially a number of pilferings aggregated over a long time. In Russia and probably elsewhere in the former Soviet Union, controls over these nuclear stockpiles are fragmented among different and competing government agencies. A newly established Russian presidential agency to track nuclear theft—the Federal Inspectorate for Nuclear and Radioactive Safety (Gosatomnadzor)—is unable to gain access to Defense Ministry installations, and a bill to establish a nuclear data bank is still languishing in the Russian Parliament.²³ The Russian government quite possibly cannot verify the quantity of plutonium stored in the former USSR, the number of storage sites, and the agents who control the stored plutonium. The high storage costs, an estimated \$1.00 to \$2.00 per gram of plutonium per year, creates an incentive to sell rather than stockpile the material.²⁴ Additionally, as the head of Gosatomnadzor notes, “There are serious drawbacks in the way that we approach the question of nuclear safety in this country.”²⁵ A June 1994 *Atlantic Monthly* article, citing a conversation with a U.S. congressional source, reports that at one Russian nuclear site enriched uranium was stored in a Quonset hut protected only by a barbed wire and a padlock or a cipher-lock. “No sensors or other electronic security devices were used.”²⁶ Apparently, Russian concepts of nuclear safety rely less on physical security or on careful accounting and control than on the implied risks of transporting radioactive materials (or nuclear weapons) over long distances.

In theory, unscrupulous entrepreneurs can realize high returns by plying the nuclear black market. A kilogram of weapons-grade uranium might sell in Western markets for \$300,000, approximately six times the European price of a kilogram of cocaine (\$50,000).²⁷ There are disincentives to trading in radioactive materials—unlike drugs, no mass market for such materials exists, and buyers are hard to locate; moreover, radioactivity requires special storage and handling facilities (precautions that some nuclear traffickers have neglected, with fatal results).²⁸ Yet the increased international traffic in nuclear materials suggests that specialized brokers for such materials may now operate in the West. Moreover, the arrival of hard times in the post-Soviet nuclear industry further heightens the risk of nuclear proliferation. Laboratories, reactors, production lines, and even entire plants are being shut down. Nuclear scientists, weapons engineers, and skilled technicians are unemployed or suffering pay cuts. Employees commonly receive paychecks one to two months late. Reports of strikes and work stoppages in Russia’s “secret cities” abound.²⁹ These uncertainties might well tempt employees of the nuclear-industrial complex to peddle atomic bomb components (or even a finished nuclear weapon) on the black market or simply to slip out of the country and seek employment in foreign defense industries—for example, in China’s nuclear missiles program or in the secret nuclear development

projects of North Korea, Pakistan, or Iran. Although the nuclear proliferation scenarios outlined here are not yet fully operational, current leakages of nuclear material provide ample reason for concern about the security of both the uranium and plutonium stockpiles and the estimated 30,000 to 35,000 nuclear warheads still residing in the territory of the former Soviet Union. U.S. Senator Sam Nunn cogently outlined the dreadful possibility of criminally inspired proliferation in a recent Senate hearing on organized crime in the former USSR:

Today in the former Soviet Union we have a situation where literally thousands of nuclear scientists do not know where their next paycheck is coming from or how their families will be fed. Today in the former Soviet Union we have a situation where thousands of military personnel who have access to highly sophisticated conventional weapons, and even nuclear warheads, are faced with drastic reductions in their standard of living. Under these conditions it is no longer too fantastic an idea to imagine a scenario in which chemical or biological weapons, missile technology, nuclear materials or know-how, or even nuclear weapons themselves could fall into the hands of criminal elements.³⁰

To be sure, the possibility may be overstated. Employees or former employees of nuclear enterprises and their friends and relatives, rather than organized gangs, account for the vast majority of the nuclear crimes detected in Russia so far, according to Russian officials. "The people . . . seem to be naïve amateurs," said a spokesman for the Federal Counterintelligence Service last summer. "If it were really the mafia involved it would

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dig out precisely what is needed for a nuclear bomb."³¹ Yet the principal Russian and Eurasian organized crime groups—which already earn comfortably large sums from drug dealing, financial fraud, extortion rackets and contraband exports—might shy away from a hazardous and high-profile activity

such as nuclear trafficking. Indeed, few other activities seem as likely to arouse the interest of Western security services and to generate international pressure for a Russian government crackdown on the organized crime sector. Moreover, the international market for non-weapons grade substances is thin at best. Additionally, according to MVD Deputy Minister Mikhail Yegorov, of a total of 47 cases of theft or illegal possession of nuclear material investigated by the MVD in the past 18 months, the vast majority involved low-grade or "civilian" nuclear material.³² Still, Yegorov admitted that nine of the cases involved alleged thefts of highly enriched uranium and one of the nine might be linked to organized crime. Given their overall economic and political clout, crime syndicates possibly are capable of penetrating parts of the Russian nuclear establishment; alternatively, specialized "nuclear mafias" unconnected to established

organized crime formations might eventually emerge. Obviously these are threats that U.S., Russian and Western European contingency planners can no longer afford to ignore.

The Narcotics Threat

The former Soviet states stand as an important new frontier in the illicit global narcotics trade. Like organized crime itself, the narcotics industry is growing by feeding on the chaotic economic conditions that prevail in much of Eurasia, weak law enforcement, a permissive legal framework (illustrated by the Russian Parliament's decriminalization of drug use in 1991), unprotected borders, and porous financial systems. The former Soviet states consume the majority of the drugs produced by their citizens, but drugs such as morphine, hashish, opiates, and amphetamines are increasingly and more frequently available in Western markets. Furthermore, foreign crime syndicates are transshipping huge quantities of illicit drugs across former Soviet territory. Heroin and hashish cargoes from the Golden Crescent countries travel through the former USSR en route to Western Europe and, less frequently, North America. In a rather amazing development, Russia now serves as a transit country for Colombian cocaine. In February 1993, Russian customs authorities in Vyborg, near the Russo-Finnish border, impounded almost 1.1 tons of cocaine shipped from Colombia in cans labelled "potatoes with meat."

Criminal syndicates in the former Soviet Union also generate income by marketing the large domestic supply of raw materials necessary to produce illicit drugs. Most export-quality drug crops are cultivated in the Central Asian states. For example, Kazakhstan land nurtures an estimated 138,000 hectares of wild-growing cannabis, approximately five times the recorded cannabis cultivation in Mexico and Colombia combined. Marijuana from Kazakhstan and elsewhere in Central Asia tests for a high tetrahydrocannabinol (THC) content and frequently is processed into hashish, a commonly used drug in the former Soviet Union. More than 5,000 hectares of opium poppies are illegally farmed in Central Asia, mostly in Uzbekistan, Tajikistan, and Turkmenistan (Uzbekistan alone reportedly has 2,000 to 3,000 hectares under cultivation). Similar to drug cultivation elsewhere, opium crops are relatively highly profitable: one hectare of poppies produces at least 20 times the income per unit of land as cotton, Central Asia's most important cash crop.³³

The opium trade is transforming into a major growth industry in the region. Expanding cultivation is fueled by a variety of factors: deteriorating economic prospects, the conflict in Tajikistan, and the rising demand for drugs in the European-Slavic states and in the West. Organized crime has invested heavily in the opium business, financing much of the new cultivation by hiring peasants and even entire villages to plant and protect the poppy crops. Ominously, evidence has surfaced about the manufacture of heroin in crude laboratories operated by Pamir tribal leaders in politically contested areas of Tajikistan. In addition, interregional criminal networks have coalesced to transport opiates and other Central Asian drugs to

Western markets. Central Asians typically cannot be cited as the prime movers in these networks. Rather, outsiders—often Caucasian groups such as Azeris, Chechens, and Georgians—travel to Central Asia, purchase drugs from local dealers, and distribute them in Moscow, St. Petersburg, Prague, Helsinki, and other cities.

The rapidly increasing production of illicit synthetic drugs represents a different type of threat. In Russia, the Baltic countries, and other post-Soviet states, the collapse of the old industrial order devastated thousands of highly trained chemists and medical specialists, obliterating employment opportunities or reducing their earnings to poverty levels. Many such specialists now work in clandestine narcotics laboratories, synthesizing LSD, methadone, ephedrine-based amphetamines, and new-age compounds such as trimethylfentanyl, a synthetic opiate reportedly hundreds of times stronger than heroin (the so-called clandestine laboratories may, in fact, be little more than university, research institution, and factory facilities converted to part-time or full-time illegal production). A substantial proportion of the synthetics production is exported. For example, in 1992 and 1993, a state pharmaceutical factory, Latbiofarm, dedicated an entire production line to manufacturing amphetamine tablets and shipped approximately 11 million tablets totalling 4.5 tons to Germany before the authorities detected the operation.³⁴ Latbiofarm functionally accepted orders for drugs from illegal traffickers.

The drug trade in the former USSR still is struggling through a relatively early stage of development. Perhaps the Soviet Union's prolonged international isolation obstructed the normalization of both criminal ties and legal economic links between East and West. The internal Russian drug market of 1.5 to 4.5 million regular users has grown significantly in the past few years but still ranks as small compared to the increasingly accessible U.S. market of 11 to 12 million regular users. Russian domestic drug sales amount to an estimated \$200 million compared to almost \$50 billion in such sales in the United States. However, such criminal networks are now evolving rapidly and increasingly are peddling Western hard drugs such as cocaine to Russian consumers³⁵ (indeed the Russian market is looking increasingly attractive; cocaine prices in Russia's major cities range from \$200 to \$300 per gram compared to \$75 to \$100 per gram in the United States). Also, the former Soviet states certainly possess the ability to flood the world with cannabis products, cheap and possibly highly dangerous synthetic drugs, and heroin manufactured in Central Asia if current trends continue. Moreover, entrepreneurial crime syndicates, particularly those with overseas affiliates, can deliver virtually any narcotic to interested consumers in Western Europe and the United States.

Internationalization

Russian crime syndicates are moving westward—exporting capital, establishing outposts in Western countries, and collaborating in new ways with foreign criminal syndicates. Russian police sources estimate that organized crime transferred \$7 billion from the Soviet Union to Germany between

1988 and 1992 and \$25 billion from post-Soviet states to various Western countries in 1993.³⁶ Such enormous capital outflows supported the replication of criminal networks and ventures in the West. Mafia groups comprising ethnic Russians, Chechens, Azeris, Georgians, and other former Soviet nationalities are entrenched in Helsinki, Prague, Warsaw, Berlin, Frankfurt, and other European cities. Such syndicates now are rooted in Tel Aviv and Haifa and active in U.S. cities such as Philadelphia, New York, and Los Angeles. At present, 24 Russian crime groups conduct activities in the United States, 47 in Germany and 60 in Italy, according to MVD

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Deputy Minister Mikhail Yegorov.³⁷ This criminal outflow is spurring increases in rates of homicide, racketeering, prostitution, drug abuse, and economic fraud in the affected countries. In the United States, the transplanted Russian mafia is cooperating with New York Cosa Nostra families in gasoline bootlegging schemes that siphon off an estimated \$7 million per month in federal excise taxes: three Russian immigrants and three Italian-American organized crime figures were convicted in New York last year of conspiring to import large amounts of heroin into the United States.³⁸ In Germany, according to the head of that country's Federal Police, the share of central European and former Soviet émigrés among German organized crime suspects was approximately 11 percent in 1992-1993. Such criminals appear to specialize in certain fields: drugs, car theft, counterfeiting, protection rackets and smuggling of aliens.³⁹ The remnants of the Russian military in Germany (the Western Group of Forces) reportedly conduct a thriving two-way smuggling business, importing narcotics and contraband military goods from the East and exporting Western computers, computer parts, and stolen cars to Russian markets. Russian crime groups have invaded, and now dominate criminal activities in the Czech and Slovak republics, according to a recent study by the U.S. Foreign Military Studies Office in Fort Leavenworth, Kansas. In Vienna, an émigré cabal of former Soviet KGB officers—the so-called Kuzin Group International—reportedly operated an arms brokering and nuclear smuggling business from 1991 to 1994; a crackdown by the Austrian police has since forced the group to relocate its activities to Belgrade.⁴⁰

Unsettling reports suggest a growing collaboration between domestic and overseas Russian criminal enterprises and various Western criminal organizations. According to a Russian press account, narcotics traffickers from Colombia, Israel, and Russia shared joint responsibility for the previously mentioned Vyborg shipment (Colombian dealers apparently tested the Vyborg waters by previously sending several smaller shipments of cocaine through the port). Persistent rumors suggest that Russian and Italian organized crime kingpins will hold planning meetings or crime summits in Warsaw, Zurich, and Prague. The Prague meeting in the latter

half of 1992 apparently focused on various money laundering schemes and possible exchanges of weaponry and nuclear merchandise for Western narcotics, especially cocaine. Some probably minor flows of foreign criminal capital are entering Russia. For example, Italian crime syndicates reportedly own a stake in a major Moscow tourist hotel. Sicilian, Italian-American, and Russian criminal enterprises reputedly jointly own a commercial bank in the Urals city of Yekaterinburg. Furthermore, Italian police sources report that the Sicilian mafia has been stockpiling huge quantities of Russian rubles, possibly as a fund for buying exportable commodities such as oil and metals or for purchasing shares in privatized banks, factories, and real estate by investing in Russian front companies.⁴¹

The prognosis calls for more rather than less transnational collaboration among criminal groups. The increasing integration of the global economy compels legal and illegal businesses alike to exploit new business opportunities abroad. The dynamics of modern criminal operations emphasize increasing economies of scale, minimizing smuggling risks, and recycling bulk cash proceeds—and therefore encourage criminal groups to form partnerships with their foreign counterparts. For example, the Colombian cartels established umbrella agreements with numerous Italian crime syndicates to sell cocaine in the European market. The agreements address typical transaction issues such as terms of delivery, payment schedules, and price. Representatives of Sicily's Cosa Nostra and the Cali Cartel discussed forming a dedicated infrastructure of commercial front companies to manage large-volume flows of narcotics and banknotes. Similar partnerships between Russian and Italian crime syndicates could dramatically accelerate international trafficking in weapons, narcotics, and nuclear materials and components.

Finally—and perhaps incongruously in the post-Cold War era—Western counterintelligence agencies must be on guard for the rise of Russian criminal infrastructures abroad that advance certain foreign policy interests. Governments historically have employed national or expatriate criminal groups for purposes ranging from gathering economic and military intelligence to exerting political pressure on neighboring states. In World War II, for example, the United States exploited Italian-American criminals' links to the Sicilian mafia to obtain valuable intelligence that facilitated the Allied invasion of Sicily in 1943. In the early 1990s, crime officials at least toyed with the idea of using Hong Kong Triad groups to destabilize the Hong Kong government (the Ministry of Public Security actually met with Triad leaders in Beijing in April 1993 and told a news conference that China was happy to meet with Triads as long as they “were patriotic and concurred with the stability and prosperity of Hong Kong”⁴²). Russia probably is not now in a position to pursue such policies, given the scale of its problems—indeed Russia seeks close links with Western law-enforcement agencies and shows every inclination to share information on Russian criminal groups operating abroad. Nevertheless, these groups apparently are becoming increasingly entrenched in Western societies and economies and—given the vagaries of international politics and the uncertainty of

reform in the country—Russia's future intentions cannot be predicted with certainty. The possibility that a newly assertive and anti-Western Russian regime could exploit Russia's expatriate criminals for espionage or other foreign policy purposes represents a legitimate strategic concern to Western nations.

The Future of the Post-Soviet States

The ever-widening reach of organized crime jeopardizes the Western interest in successful privatization and reform in the former Soviet Union. The criminalization of economic structures greatly erodes prospects for successful Western and U.S. investment. A recent study confirmed that at least half of all Western businesses in Russia received extortion demands, and 80 percent violated the U.S. Foreign Corrupt Practices Act at least once. As the study rightfully if pessimistically concluded: "Many domestic and foreign businesses prefer to turn to the Russian mafia for business and protection rather than rely on the non-criminal part of the government."⁴³ For many Russians and foreign businessmen, the mafia represents the only fully functioning social institution; indeed—in the absence of a functioning commercial order—businesses rely on the mafia to collect debts and to resolve disputes with suppliers and competitors. Of course, such a commercial strategy carries enormous legal and other attendant risks. Not surprisingly, many potential investors opt out of the Russian market. A panel of U.S.-Russian specialists estimates that American companies invested an average of only \$60 million per year in Russia from 1987 to 1993.⁴⁴

More generally, the intrusion of organized crime in the economic and political arenas undermines the legitimacy of the entire reform process. A top Moscow police official recently characterized the growth of narcotics businesses by observing:

A lot of people are now trying to get money to invest in legitimate businesses, and if a lot of seed money for these businesses is from narcotics, it taints the character and future of free enterprise; it subverts it. The criminal element is in a position now where it can buy out a lot of property previously owned by the people. So drug money speaks louder here than everywhere in the world.⁴⁵

Similarly, organized crime dampens the chances for political reform. Former Vice President Alexander Rutskoi predicted in 1992: "If reforms continue in the same direction they are moving now, the Italian mafia will be coming to Russia for training"⁴⁶ (ironically, Rutskoi now finds himself the target of embezzlement and corruption charges). Intensified criminal activities undoubtedly fanned the discontent that produced Vladimir Zhirinovskiy's electoral success last December. In fact, Zhirinovskiy advocated "on the spot execution of criminal gang leaders by firing squads" and seizure of criminal assets to finance a reduction in government budget deficits.⁴⁷ Russian conservatives or national socialists certainly can exploit the law-and-order issue to their advantage, especially if a majority of

Russian citizens come to equate the reform process with government by criminals. Such scenarios make it clear that the United States cannot rule out the possible emergence of a revanchist Russian regime that opposes free markets, democratization and possibly the West. Alternative scenarios

“Alternative scenarios project a symbiosis of organized crime, the breakdown of order, and centrifugal political forces in Russia and other new states.”

project a symbiosis of organized crime, the breakdown of order, and centrifugal political forces in Russia and other new states. As the government's crime prevention system collapses, entire regions could escape Moscow's control. Under such circumstances, Russia's nuclear establishment could be up

for grabs. U.S. analysts cannot realistically assume that the post-Communist world can navigate successfully between authoritarian reaction or Zhirinovsky-style fascism on the one hand and crime and social chaos on the other.

Policy Implications

Organized criminal enterprises in the former Soviet Union are establishing an ever-widening sphere of influence that cuts across many avenues of East-West relations. For example, the rampant illegal trade in high-tech weaponry and nuclear materials imposes new burdens on East-West disarmament negotiators and could literally compromise the arms control process. Significant leakages of fissionable materials and especially the successful theft of tactical nuclear weapons could radically alter the international strategic balance. The United States must carefully scrutinize technology export policies that apply to the post-Soviet states if strategic goods continue to escape the control of former Soviet governments only to reappear on the international black market. U.S. officials must reconfigure foreign assistance policies and private investment strategies to address the threats of criminal extortion and endemic official corruption that plague the new states. Clearly, the United States and its Western partners have a stake in the quality as well as the pace of reform in the post-Soviet states. The West must signal the leaders in Moscow that curbing the power of the crime bosses is a prerequisite for stable partnership with the West and for full Russian integration into a modern Europe.

Also, the West must act to bolster the new states' efforts to combat crime and corruption. A significant proportion of Western financial aid to Russia, which now comprises mostly export credits and IMF stabilization loans, should be re-directed to crime-fighting purposes. Appropriate areas for international assistance might include helping Russians draft effective anti-racketeering legislation, reforming Russia's antiquated judiciary, equipping police forces with vehicles, computers and communications equipment, training police in investigation techniques, and possibly funding salary supplements for police and security personnel performing key functions (a point to be addressed below). Increasing government power to

combat crime, in sum, must become an integral part of Western reformist objectives vis-à-vis Russia and other post-Communist states. To be sure, helping post-Soviet states tackle the entire range of problems associated with organized crime is beyond the West's capacity and resources. Many corrupt relationships in the economic sphere, for example, derive from a burdensome regulatory environment and an irrational tax structure; here the West can do little beyond encouraging governments to accelerate privatization, and de-regulation—in effect, create a more perfect market. Similarly, creating a better business climate in Russia is essentially a Russian, not a Western responsibility. Priority targets of law-enforcement cooperation with the new states should focus on these aspects of organized crime that pose the most immediate threats to Western security interests. The metastasis of Russian crime abroad and Russian crime syndicates' penetration of Western economies, of course, are of general concern to Western law-enforcement officials. Here, agreements must be concluded with post-Communist governments on information exchanges, extradition, asset sharing and other legal matters. Yet, two developments in Russian and Eurasian crime arguably require special attention—the growing nuclear black market, and increased production and trafficking in narcotics. Possible Western responses to these developments are discussed below.

The growing illegal trade in nuclear materials is, of course, a preeminent Western concern. Amateur operators so far dominate this field. Yet organized crime probably could get into the business simply by bribing nuclear weapons handlers or guards at uranium or plutonium stockpiles. Conditions in post-Soviet nuclear establishments—poor physical security, fragmented control and low employee morale—also invite theft and proliferation. Organized crime's interest in big-time nuclear trafficking is still a question mark—more established criminal lines earn easy profits and are far less risky. Yet Russian and international criminal groups could now be laying the groundwork for future forays into the nuclear business; recall that a meeting between Russian and Italian gangsters in Prague in 1992 reportedly discussed this option. Anyhow, the security issues associated with de-Sovietization and de-nuclearization are serious enough to require a determined and comprehensive response from Western nations.

The United States already supports a variety of initiatives designed to safeguard the nuclear demobilization of post-Soviet states and to reduce risks of proliferation. Indeed, Congress has allocated \$1.2 billion for these purposes since 1991. Actual or planned U.S.-assisted projects focus on such areas as inventory control for nuclear materials, construction of a plutonium storage facility, de-enrichment (“blending-down”) of hundreds of tons of Russian weapons-grade uranium, and creation of a job clearing house for out-of-work nuclear scientists and engineers. U.S. efforts, though, are hampered by uncertainties over the actual size of Russia's nuclear empire and by limited American access to Russian installations (warhead stockpiles and weapons dismantlement plants are off limits, for example). Furthermore, the proliferation of crime groups in Russia requires U.S. and Russian policymakers to plan for the contingency that parts of the nuclear arsenal

might escape into criminal channels. At this point, the ability of the Russian law-enforcement and security establishments to counter nuclear smuggling becomes the main line of defense against international nuclear proliferation.

Here U.S. material and technical support can contribute significantly to improved effectiveness. For example, interested U.S. agencies—perhaps the Energy Department or the FBI—should consider sponsoring training programs on nuclear interdiction methods for Russian MVD counterintelligence and customs personnel. A precedent of sorts can be cited: the U.S. Drug Enforcement Administration (DEA) now periodically trains MVD and customs officials in the CIS in procedures for detecting illegal drug shipments and for identifying members of drug trafficking groups. Russia also will require infusions of specialized nuclear crime-fighting technology—such as radiation detection devices (especially important at customs checkpoints) and laboratory instruments that measure uranium and plutonium enrichment. Increased material assistance to Russia must be linked to new information-sharing arrangements that facilitate international efforts to counter nuclear trafficking and other serious crimes. A useful step in this process would be to establish a joint Western-Russian data bank on Eurasian organized crime. In the nuclear sphere, this bank might include—for each recorded case of nuclear smuggling—the names of traffickers and their previous criminal records; links to organized crime, if any; types of radioactive material intercepted; the source of the material and methods of storage and conveyance. In sum, Russia and Western nations must develop a sophisticated, in-depth response to post-Cold War threats of nuclear theft, breakout and proliferation.

Also posing a potential threat (although not a direct strategic threat) to the West is the growth of a flourishing illicit drug industry in the former Soviet Union. The United States and Western Europe show little interest in the Eurasian drug scene—in fact, total Western commitments of counter-narcotics assistance to post-Soviet states have been scant, hardly more than \$2 million to date (compare this sum with the \$500 to \$800 million that has been spent, mostly unproductively, in the Andes since 1989). Most of the U.S. portion of this aid has gone for training programs rather than for equipment and materials that can be deployed against narcotics industries.

The United States and its Western partners should consider increasing counter-narcotics support to the former Soviet states. Such support might include inflows of technical assistance, materials (such as herbicides), computer programming, and equipment for detecting drugs and for analyzing drug samples. Also, the United States should consider establishing full-time narcotics representation in Moscow (by DEA or by the State Department's Bureau of International Narcotics Matters) to supplement the FBI legal liaison office opened there in the summer of 1994. Such initiatives can be justified on various grounds: post-Soviet Eurasia—by virtue of its size, geographical location and huge drug cultivation base—could well become a major exporter of narcotics by the end of the decade. Already the region supplies hashish, marijuana, opium, sophisticated synthetics and (in a transit capacity) heroin and cocaine to the Western market. Better

criminal logistics could increase this flow. To be sure, a flood of illicit drugs from the East will affect European nations more directly than the United States, which partly explains Washington's lukewarm response so far to the post-Soviet drug scene. However, the policy issue at stake is not just drugs but rather the general threat of U.S. diplomacy toward strategically vital and increasingly crime-ridden regions. Narcotics industries are stimulating the growth of the organized crime sector in Russia and other post-Communist states. Drugs are undermining social stability and diminishing the quality of life in many Russian cities. Criminal organizations are rapidly acquiring the ability to transport drugs across regional and national boundaries and international traffickers are gaining footholds in the region. Russian and international crime networks that handle drugs can handle other contraband—weapons, stolen cars and radioactive materials, for instance (the development of a "global network" for narcotics trafficking and marketing of nuclear components reportedly was discussed at the above-mentioned Prague summit).⁴⁸ Such considerations suggest that Western programs to help Russia, Ukraine, Kazakhstan, Uzbekistan and other post-Communist states combat the rising drug scourge could strengthen overall law-enforcement ties with these countries. By implication, greater U.S. and Western access to these countries' law-enforcement establishments would enhance prospects for successful East-West cooperation against arms dealing, nuclear theft and proliferation and other problems of particular concern to Western nations.

In sum, priority should be given to crafting new relationships with post-Soviet law-enforcement and security institutions, and generally to helping former Soviet states resist the criminalization of their political and economic structures. Western assistance programs that target crime, drugs and nuclear proliferation in post-Soviet states can promote international security and stability. To be sure, such programs may strengthen components of the repressive opposition of a former adversary state. Yet the deterioration of public order and the collapse of basic crime control functions in the former Soviet Union is in no one's interest. Extrapolating more broadly, the disintegration (or collapse) of state authority in post-Soviet states and the emergence of powerful transnational criminal syndicates should be viewed as a warning. Like the rise of South American cocaine narcotrafficantes in the 1980s, the onslaught of Eurasian crime in the 1990s could overrun a largely unprepared United States. The United States must begin to redesign its arsenal of foreign policy tools to counter the complex challenges posed by non-state actors to Western security and democratic values. The alternative is ineffectual responses to the increasingly unstable patterns of change that characterize the international system in the post-Cold War era.

Notes

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