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CRIME AND CORRUPTION IN EURASIA: A THREAT TO DEMOCRACY AND INTERNATIONAL SECURITY

INTRODUCTION

A tidal wave of crime and corruption is sweeping Eurasia, threatening to bury the nascent and fragile democratic institutions in Russia and other countries in the region. The gangland-style murder earlier this month of Vlad Listyev, director-designate of the Russian TV Network, drew worldwide attention to the problem. Russia alone is under attack from over 5,000 gangs, 3,000 hardened criminals, 300 mob bosses, and 150 illegal organizations with international connections. Approximately 40,000 Russian business and industrial enterprises are controlled by organized crime. Their combined output is higher than the gross national product of many members of the United Nations.¹ The Russian *mafia* (a generic term for all organized crime in the former Soviet Union) is estimated to be worth \$10 billion.² More Russians died of criminal violence in 1993 than were killed during nine years of war in Afghanistan.³ In 1994 criminals took 118 people hostage in Moscow alone. The situation in other Newly Independent States (NIS) of the former Soviet Union is even worse, with criminal gangs even controlling the value of some national currencies.⁴

The future of Russia, Ukraine, and their neighbors in Eastern and Central Europe is at stake. Moreover, developments in Russia are crucial to the post-Cold War international environment. Crime and corruption may well cause a hard-line backlash in Russia, bring-

1 "Ministerstvo vorov v zakone" ("Ministry of Thieves-in-Law"), *Izvestiya*, July 20, 1994, p. 5.

2 Russian government sources, quoted in *Intercon Daily Report on Russia*, June 17, 1994, p. 1.

3 Andrey Konstantinov, "Kto takiye nayemnye killery, i kak oni voyu'ut protiv naroda" ("Who are Killers for Hire, and How do They Fight the People"), *Komsomol'skaya Pravda*, July 19, 1994, pp. 1-2.

4 According to Peter Grinenko, former head of the New York City Detective Bureau's Russian department, in an interview with Dmitry Radyshevsky, *Moscow News*, July 1-7, 1994, p. 12.

ing to power an ultranationalist demagogue like Vladimir Zhirinovskiy or an imperialist strongman like General Alexander Lebed. Ordinary people who feel unsafe in the streets now mistakenly perceive democracy as the freedom to loot and murder.

President Boris Yeltsin is doing very little to curb the corruption that plagues his administration. The Russian media have accused Defense Minister Pavel Grachev and First Deputy Defense Minister Matvei Burlakov of organizing the murder of a popular investigative journalist, the late Dmitrii Kholodov of the daily *Moskovskii Komsomolets*. Kholodov published a series of startling exposes of military corruption and was about to testify before a Duma committee when he was assassinated in October 1994.⁵ According to reports in the Russian media, Central Bank officials in Moscow have been involved in fraud and forgery that have cost the Russian taxpayer over \$350 million dollars; although charges were filed, no convictions have been made. Russia and its reforms are sinking into an abyss of contract killings, arms smuggling, extortion, drug trafficking, money laundering, and bank fraud.⁶

Growing crime and corruption threaten not only Russia, but the entire world. Russian contract killers have murdered in Los Angeles, New York, and London. Former KGB "specialists" in assassination are available to the highest bidder.

Responding to this global threat will require coordinated action by the entire international community. An international campaign should be divided into three broad categories of activity.

1) COORDINATED ACTION BY RUSSIA, OTHER CIS COUNTRIES, AND EASTERN AND CENTRAL EUROPEAN STATES.

To turn the tide of crime and corruption in Eurasia, these countries should:

- ✓ **Create entirely new criminal investigation agencies.** Existing anti-crime and corruption investigation agencies in Russia and other parts of the former Soviet Union are themselves corrupt and linked to organized crime. They must be replaced by new agencies with new and uncorrupted personnel.
- ✓ **Arrest and prosecute suspected prominent criminals.** Many very rich and well-known criminals roam the streets freely. Citizens in Russia and elsewhere will trust their leaders only if it is clear that no one is immune from prosecution.
- ✓ **Amend criminal codes to better define organized crime.** Criminal codes are wholly inadequate to the task of combating organized crime. In particular, a conflict of interest doctrine must be incorporated into post-Soviet legal systems.

5 Dmitrii Kholodov, "I sluzhba tam pokazhetsia medom" ("And Your Service There Will Look Like Honey"), *Moskovskii Komsomolets*, June 30, 1994, p. 1. Kholodov was blown up by an exploding briefcase in what looked like a professional assassination. He reportedly was told by a source in the Russian military intelligence that the briefcase contained documents exposing corruption in the Russian military.

6 In 1993 alone, 35 senior bankers and over 700 businessmen were murdered in Russia.

- ✓ **Recruit and train a new judiciary.** With weak courts and incompetent judges, the legal systems of these countries cannot function.
- ✓ **Upgrade the civil courts to handle private-sector disputes.** Right now many private disagreements are settled at the point of a gun by the *mafija*.
- ✓ **Upgrade security, inventory management, and accountability at nuclear production and storage facilities.** The decline of security at military and civilian nuclear facilities poses a threat to the world. Rogue states such as Iran, Iraq, North Korea, Libya, and Syria, as well as terrorist organizations and criminal syndicates, must not be allowed to purchase nuclear technology from these countries.
- ✓ **Ease bureaucratic regulation of the economy.** Bureaucrats who work together with mobsters are the major source of corruption in the post-Soviet states.
- ✓ **Reduce the tax burden.** High tax rates and corrupt internal revenue services are endemic in Central Europe and the Newly Independent States. Low taxes applied uniformly not only would increase the tax base and bolster government revenues, but would reduce the rampant tax evasion that fuels crime and corruption.

2) WESTERN COOPERATION WITH RUSSIAN, OTHER NIS, AND EASTERN AND CENTRAL EUROPEAN GOVERNMENTS.

Since crime and corruption in the NIS are spilling over into other countries, some degree of cooperation with the West will be required to solve the problem. Thus, these countries should:

- ✓ **Share computerized databases on criminal activity.** This would allow Western law enforcement agencies to track, arrest, extradite, or prosecute Eurasian criminal figures and track Western criminal activities in the NIS.
- ✓ **Identify trustworthy and reliable law enforcement personnel in the East.** Western law enforcement services need all the support they can get from local police establishments. As they have done successfully in assisting Mafia prosecutions in Italy, Western police forces should make special efforts to cooperate with trusted law enforcement officials in the NIS and Eastern and Central Europe.
- ✓ **Gain Western help in writing comprehensive criminal codes.** Western legal expertise could be used to help Eastern and Central European and Eurasian countries draft laws and train legal personnel.
- ✓ **Create a witness relocation program.** Protecting witnesses in organized crime trials is crucial to successful prosecution. Thus far, no programs exist to protect witnesses from reprisals by criminals.
- ✓ **Combat crime throughout Eastern and Central Europe and Eurasia, and not just in Russia.** For example, to stop the flow of drugs from and through

Central Asia, the U.S. Federal Bureau of Investigation and other police agencies should become more active in Tashkent, Uzbekistan, and other Central Asian capitals.

- ✓ **Expand the International Criminal Investigative Training Assistance Program and other FBI-sponsored programs to all NIS countries.** The U.S. program to train police so far has been extended primarily to Russia. It should be expanded to all countries of the former Soviet Union and Central and Eastern Europe.

3) UNILATERAL ACTIONS BY THE UNITED STATES AND ITS WESTERN ALLIES.

There are at least two actions which the U.S. and its allies can take on their own to curb crime and corruption in Eurasia:

- ✓ **Track and penetrate Russian and NIS criminal rings dealing in nuclear materials and narcotics.** Intelligence gathering and covert action against criminals trafficking in these materials should be increased.
- ✓ **Better monitor East-West financial transactions.** Many post-communist economies are suffering from capital flight, and a significant percentage of the money coming out of Russia represents the proceeds of such criminal activity as extortion and drug trafficking. To battle Russian and Eurasian crime successfully, NIS deposits in Western banks should be screened and tracked more carefully.

THE GREAT CRIMINAL TAKEOVER

Of great concern to the West, crime has become a major post-Soviet export. Illegal drugs, weapons, and nuclear materials are flowing from Russia to Western Europe, the U.S., and Asia. Criminal organizations around the world can recruit former KGB officers with expertise in eavesdropping, assassinations, and paramilitary training. Shady businessmen from the East are buying up expensive real estate in the prestigious Sixteenth *arrondissement* in Paris, in London's Kensington and Belgravia neighborhoods, and in California and Florida. They often produce briefcases full of cash—up to \$3 million at a time—to buy property in the West.

Russian gangs are ruled by hardened criminals called "*vory v zakone*" (thieves-in-law), who oversee a loosely knit federation of organized crime.⁷ The structure of the Russian *mafia* is similar to that of American organized crime. A senior criminal normally oversees several "brigadiers" who are in charge of "soldiers." There is also an array of informants, support personnel, and corrupt officials, in addition to a detachment of "enforcers" to harass competitors or collect debts.

⁷ Law in this case means a set of unwritten rules and regulations binding the criminals. Until the 1970s, these rules prohibited contact with or work for the regime. After the 1970s, cooperation between the *nomenklatura* (party officials) and the criminal underworld began to increase.

Corrupt officials and criminal organizations are involved in a variety of black market activities that generate multi-million-dollar profits. The illegal export of such natural resources as oil, ferrous and non-ferrous metals, timber, and diamonds is the most lucrative, followed closely by illegal drug production and distribution. The illicit sale of arms and nuclear materials and technologies represents the greatest threat to Russia's neighbors and to the West. Privatized property is bought up by foreign and domestic criminal organizations to launder and hide illegal profits.

The Russian Interior Ministry estimates that smuggling of such natural resources as oil grew by 50 percent from 1992 to 1993. The Ministry believes that around 20,000 metric tons of metals, over 100,000 metric tons of oil products, and more than 200,000 cubic yards of timber were smuggled abroad from Russia in 1993, with up to a trainload a day passing through Lithuania and into the port of Kaliningrad alone.⁸

Russian officials will charge up to \$80,000 to register a bank and up to 15 percent of the deal's value to issue a license to export oil. Managers of government-owned industrial enterprises often bill international customers only 10 percent of the price of exported commodities, with the difference between the contract price and the world market price deposited into their offshore bank accounts. Until early 1994, the Central Bank of Russia issued credits to commercial banks and state-owned enterprises at rates much lower than inflation. Banks and enterprises then loaned the money out at higher market rates. Central Bank officials reportedly received 13 percent of the loan as bribes.⁹

Soviet military officers allegedly sold off the military's strategic supply of fuel to black marketeers in Western Europe from 1990 to 1994. There were several million tons of oil in the strategic reserves, enough to fuel planned Russian occupation forces in Western Europe until the year 2006. Russian generals used military aircraft to fly Volvos and other European cars home for sale. The top brass illegally traded in MIG fighters, armored vehicles, and stolen German cars. They even illegally manufactured and sold synthetic drugs using Russian military labs.¹⁰

THE RUSSIAN CONNECTION TO INTERNATIONAL CRIME AND CORRUPTION

The Russian *mafia* landed in the United States in the 1970s. Since then it has become involved in gasoline tax and medical insurance fraud in New York and California. It has cooperated with the Sicilian mob in transporting heroin and with Colombian cartels in shipping cocaine. One metric ton of cocaine was seized in St. Petersburg's Pulkovo airport en route to Antwerp in 1994.¹¹ While not yet as powerful as the Colombians, the

8 "Russia's Smugglers Gain Strength," *The Wall Street Journal*, March 30, 1994, p. A12.

9 Another scam involving Russian central bankers featured Chechen con men as well as corrupt Central Bank officials. Using bribes and intimidation, they managed to defraud the Russian treasury of \$350 million by issuing forged promissory notes. Personal interviews in Moscow, 1993-1994.

10 Kholodov, "And Your Service There Will Look Like Honey," *op. cit.*

11 James Moody, criminal investigations bureau chief of the organized crime department of the FBI, in a presentation to the Russian-American Chamber of Commerce Annual Convention, Vail, Colorado, July 1994, said the Russians are more sophisticated, more global in their outlook, and better educated than any other criminal group in the United States.

Chinese Triads, or La Cosa Nostra, the Russians are an up-and-coming force in the increasingly globalized world of crime. Russian *mafija* operations in the U.S. are headed by Vyacheslav ("Yaponchik") Ivankov, known as "the father of Soviet extortion."

The Russian *mafija* is fast developing an international network. Mobsters launder their ill-gotten gains by investing in gambling, luxury car dealerships in European cities like Budapest, and banks, marinas, and resorts in the Caribbean Basin. They also work with top-flight international attorneys in Frankfurt and Zurich to learn money-laundering techniques perfected by Colombian drug lords and Sicilian mobsters. The main technique is to move money electronically among dozens of companies so that eventually it finds its way into respectable investment portfolios in the West.

Russian and other Eurasian criminals also are becoming more involved in the international drug trade. The opium poppy and cannabis (marijuana and hashish) have grown naturally in Eurasia for millennia, from the Ukrainian steppes to the plateaus of Kyrgyzstan. With the collapse of strict police controls, drug cultivation in Eurasia has reached an all-time high. Three million acres of opium poppies are controlled by organized crime in Central Asia, primarily in Tajikistan, Uzbekistan, and Kyrgyzstan. There are no fuel and spare parts for the aircraft that once were used to police these areas. Besides, in many instances the police are "on the take" from drug dealers, and the porous borders in Eurasia allow illegal drugs to pass from Central Asia into Western Europe.

Eastern and Central Europe, Russia, and Eurasia are becoming major transit points for drugs manufactured in Pakistan, Iran, and Afghanistan. Uzbek and Tajik tribes inhabit Afghanistan and have close connections in Central Asian governments, and the Central Asians are plugged into the Moscow power structure. Azeris, Armenians, Russians, Georgians, and Central Asian Turks play an important role manning the bridge between drug manufacturers in Asia and markets in Western Europe.

Russia is also becoming a transit point for heroin coming from the Golden Triangle of the Far East (the Burma-Thailand-China border region). The Russian *mafija* has established a foothold in Hong Kong, Singapore, and Bangkok, where it cooperates with the Chinese Triads. Moreover, Russian gangs in New York, working with the Mafia's Gambino family, are shipping heroin into the United States.

THE ROOTS OF CRIME

The problem of crime in Russia and the NIS has many roots. The criminal code of Russia and other former socialist states cannot deal with the freedom unleashed by the collapse of communism. During Soviet times, such innocent practices as buying and selling for profit or dealing in securities or foreign currency were criminalized.¹² Meanwhile, such simple judicial tools as laws against a conspiracy to commit crime were lacking. Soviet law was ideological and arbitrary, allowing Communist Party apparatchiks to decide the legality of economic transactions.

12 Beginning in the 1960s, dozens of people in Russia were executed for simple hard currency exchange operations or for stealing "socialist property." Hundreds were given 10-15 year GULAG terms for doing the same. At the same time, many murderers and other violent criminals received relatively short terms of four to seven years.

Legally, there was no private property, so the legal system did not contain provisions for conflict of interest. This legacy has been carried over into the new Russian Federation. Even today, there is no adequate definition of corruption in the Russian criminal code. Nor are there adequate civil service ethics regulations. It is no wonder that Russia and other Newly Independent States have some of the most corrupt bureaucracies in the world. Their legal systems are completely incapable of preventing corruption.

Soviet-trained judges have a poor understanding of private property. They have not been trained in the Western legal practices of settling property and transactional disputes between private individuals. Before 1992, there was only one state-run arbitration system in the USSR. There were no forums for corporate dispute resolution. Since everything belonged to the state, nobody really cared whether contracts were honored. Parties to conflicts and their counsel had no personal or business interest in the outcome of the proceedings.¹³

This legal vacuum has been filled by a growing criminal class who are taking justice into their own hands. The inability of the civil courts to enforce justice has been a disaster for the nascent business class in Russia and the NIS. Russians have "privatized" justice by reverting to hired hoodlums to collect debts. They also have employed mobsters to guard their businesses from other mobsters, and they pay protection money to gangsters to be left in peace.

THE DANGERS OF CRIME AND CORRUPTION

The explosion of crime and corruption in the NIS and some Eastern and Central European countries is a threat not only to the people who live in these countries, but to the entire international community. It undermines the credibility of democracy and the market economy and even spreads the danger of nuclear terrorism. Specifically, crime and corruption:

✘ **Undermine the legitimacy of democratic reforms.** Nostalgia in Russia for the "good old days" of the Brezhnev era is growing. Threats to personal security and property, growing prostitution and drug trafficking, and unchecked bureaucratic graft make the post-communist societies long for a "strong hand." Communist and ultra-nationalist politicians and media utilize the criminal threat to boost support for their own causes.

Such demagoguery is best represented by neofascist Vladimir Zhirinovsky, who promised in his 1993 election campaign to stop crime in three months by arresting half a million people. He also called for public mass executions of ten thousand mobsters. At other times, however, Zhirinovsky has suggested a "condominium" with organized crime. He would make a deal in which gangsters would receive unofficial permission from the state to run drug trafficking and prostitution in exchange for leaving "legitimate" businesses alone.¹⁴

13 Personal interviews in the Institute of State and Law, Moscow, July 1993, and with Dr. Nina Belyaeva of the Interlegal Foundation, November 1993.

14 Recently assassinated criminal boss Otari Kvantrishvili even created his own party, "Russia's Sportsmen," of sportsmen

Zhirinovskiy's simplistic formulas are a recipe for dictatorship. A dictator could use the rise in crime and corruption to crack down not only on criminals, but on legitimate businesses as well. The result would be the end of democracy and a free-market economy as a dictator renationalizes private property in the name of law, order, and economic equality.

- ✗ **Discredit free markets.** Lacking a legal system capable of buttressing the market economy, Russia and other NIS societies have lost hundreds of millions of dollars to fraud. Legal authorities do not protect investors or consumers from thievery, extortion, or fraud. For example, in 1993 a company called Independent Oil Concern stole millions of dollars from investors and transferred the money abroad. The Russian prosecutor's office did not even investigate the matter.¹⁵ Another example was the 1993-1994 MMM stock market disaster caused by Moscow entrepreneur Sergei Mavrodi and named for the initials of the partners. This was a massively advertised pyramid scheme in which the value of the shares was driven sky-high by the influx of millions of new buyers. In the end, the bubble burst and multi-billion-ruble losses ensued.

The negative impact of all this criminal activity on the image of business and markets is tremendous. The crime and corruption of today are reviving prejudices left over from the days of Soviet communism, giving the old charge that business is "dirty" a new meaning. Widespread crime and corruption are deterring honest, industrious people from joining the ranks of entrepreneurs and are fomenting a hostile political climate toward free-market reforms.

- ✗ **Weaken the rule of law.** Democracy and free markets cannot survive without the rule of law. However, precious little has been achieved in establishing a firm legal basis for a civil society based on democratic principles. It takes the police two to seven hours to arrive if a foreigner is severely beaten and mugged. If the victim is Russian, they may not arrive at all. If a ruling is rendered by a judge, the police often will not enforce it; there is no effective state-run or private enforcement service—with the exception of organized crime. Companies find little protection from the police, who sometimes are co-conspirators with the mob. In 1994, dozens of senior police officers were fired for cooperating with the *mafia*, while others were killed by criminals for refusing to cooperate.
- ✗ **Impede Western investment.** Western businessmen increasingly are harassed by Russian mobsters. American managers in Moscow told the author that they have received anonymous phone calls inquiring about their sales volume more than once a day. Such routine intelligence-gathering helps criminals to determine which foreign firms can be targeted for extortion. Americans, Germans, and Finns have been murdered, robbed, or severely beaten in Moscow, St. Petersburg, and other cities. To cope with the danger, foreign businesses must bear the

and Afghan war veterans. Such sports organizations provide security and collection services to private business. They also exert pressure on politicians. "Ministry of Thieves-in-Law," *op. cit.*

15 Yaroslav Shimov, "Rossiyskogo grazhdanina obmanut' legko, a nakzat' obmanshchika trudno" ("The Russian Citizen is Easily Defrauded, But It Is Difficult to Punish a Crook"), *Izvestiya*, July 19, 1994, p. 1.

steep costs of additional security for themselves, their families, and their property. Faced with these costs, which can absorb as much as 30 percent of foreign profits, many firms refuse to invest in Russia and the NIS.

- X Spread the dangers of nuclear proliferation and terrorism.** The deterioration of central controls since the collapse of the Soviet Union in 1991 has led to the hair-raising possibility of unauthorized sales of nuclear components and materiel to terrorists and other criminals. By 1993, Germany had arrested over 100 people involved in smuggling nuclear components from the former Soviet Union. Ukraine, with its diverse nuclear establishment, was a major source of nuclear-related dual-use materials, including heavy water, zirconium, and hafnium from its Dneprodzerzhinsk production complex. These materials are all on the Nuclear Suppliers Group restricted list (the NSG is an international regime aimed at stopping the proliferation of dual-use nuclear weapon components).¹⁶

Nuclear facilities also are located in such potentially unsafe and unstable areas as Tajikistan, Kyrgyzstan, Uzbekistan, and Kazakhstan. Tajikistan is in the midst of a civil war, while nuclear security in the other republics can be very lax. There are unguarded nuclear components in research facilities such as Dneprodzerzhinsk in Ukraine and nuclear laboratories in Georgia and Armenia. Ex-Soviet nuclear scientists are working on secret and illegal nuclear weapons programs in Algeria, North Korea, India, China, Iraq, Iran, and Libya in violation of the Nuclear Non-Proliferation Treaty.¹⁷

Radioactive components for nuclear weapons can be bought in Russia and other parts of the NIS.¹⁸ Since 1990 there has been clear evidence that uranium and plutonium are being smuggled out of the former Soviet Union. Several smugglers died or became severely ill from mishandling the materials, which have been left in railway stations and airports in Lithuania, Austria, and Germany. Over 100 people have been arrested by German, Czech, and other Central European security services since 1991. Russian KGB and military officers were supplying nuclear machinery and weapons systems, and Italian *mafiosi* were reselling them to Libyans. Transshipments of nuclear materials were made to Italy, Switzerland, Austria, and Sweden, but the direct route is even easier. Former PLO official Shaaban boasted in a May 1994 newspaper interview that he had purchased two neutron bombs, hiding one in a desert in Southern Jordan and another in Southern Lebanon. Shaaban declared that his people are going to attack Tel Aviv and West Jerusalem with these weapons.¹⁹ This particular charge may sound implausible, but some take such scenarios seriously.²⁰

16 William C. Potter, "Nuclear Exports From the Former Soviet Union: What's New, What's True," *Arms Control Today*, January/February 1993, p. 3.

17 *Ibid.*, pp. 6-10.

18 Leonid Fituni, president of the Russian Academy of Science Center for Global and Strategic Studies, Report to the Hanns Seidel Foundation, quoted in Claire Sterling, *Thieves' World* (New York: Simon & Schuster, 1994), p. 211.

19 Valery Vyzhutovich, "Brat po sud'be, tovarishch po oruzhyu" ("Brother by Fate, Comrade in Arms"), *Izvestiya*, May 25, 1994, p. 5.

20 Newt Gingrich, speech at the Nixon Center, Washington, D.C., March 1, 1995.

STEPPING BACK FROM THE ABYSS

Crime and corruption in Russia and other parts of Eastern Europe and Eurasia are a time bomb waiting to explode. They could cause a political backlash that brings the likes of Vladimir Zhirinovskiy or the communists to power. To curb this increasing danger, action must be taken on three levels.

1) COORDINATED ACTIONS BY RUSSIA, OTHER NIS COUNTRIES, AND EASTERN AND CENTRAL EUROPEAN STATES.

These countries should:

- ✓ **Create entirely new criminal investigation agencies.** Current police agencies in Russia and the NIS are extremely corrupt. Rather than rely on existing personnel who are trained but tainted, it may be wiser for the Russian police to recruit and train new personnel.²¹ The Interior Ministry and former KGB offices are penetrated by mob informants and constantly leak highly sensitive information to the *mafija*.
- ✓ **Arrest and prosecute suspected prominent criminals.** Despite well-documented allegations in the Russian media, no one of high rank has been prosecuted for corruption or involvement with the mob. While First Defense Minister Matvei Burlakov and Chairman of the Central Bank Victor Gerashchenko were removed from office in 1994 because of charges of corruption, they were never put on trial. For the Russian people to believe their democratically elected government, some public figures accused of crimes must be investigated and, if the evidence warrants, brought to trial.²²
- ✓ **Amend the criminal codes to better define organized crime.** The Duma and other legislative bodies in the NIS should introduce the doctrine of conflict of interest into administrative law and pass an ethics code that applies to all public servants. The Prosecutor-General's office and regional prosecutors should be allowed to proceed against mob leaders, whose names as a rule are well known. This can be done without violating constitutionally guaranteed individual rights.²³ The current Russian criminal code is sufficient to prosecute the "fat cats" if the police, the prosecutor's office, and the judiciary are adequately paid and protected.
- ✓ **Recruit and train a new judiciary.** Soviet-era judges lack the training and legal knowledge to protect property rights and to adjudicate disputes between private citizens. As a result, many of these disputes are resolved by criminal ele-

21 Personal interviews with Edwin Meese; Peter Filippov, former head of the Yeltsin Analytical Center; and Vladimir Rubanov, Deputy Secretary of the Russian National Security Council.

22 A similar call came from famed writer Alexander Solzhenitsyn in a recent Duma speech. *Radio Liberty-Radio Free Europe Broadcast Monitoring*, October 28, 1994.

23 "Organized Crime and the Prospect of National-Socialists Taking Power in Russia," Analytical Center of the Russian President Special Report, January 1994.

ments. A new legal system that can protect the lives, liberties, and property of its citizens requires an entirely new generation of lawyers and judges trained in Western legal norms and practices. Existing magistrates should be phased out from positions of power and confined to lesser positions, for example, registrars and judges in traffic courts.²⁴

- ✓ **Upgrade the civil courts to handle private sector disputes.** Russians revert to the *mafia* to settle disputes and debts. The government has to demonstrate that the state court system is as effective as—and safer than—the mob enforcers. One way to do this is to introduce a marshal system to enforce court orders and rulings. Such a structure, fashioned after its U.S. counterpart, will be charged with collecting court awards, seizing assets, and enforcing asset forfeiture. This will work better than the current system because it will put the judiciary, not the mob, in charge of civil dispute resolution.
- ✓ **Upgrade security, inventory management, and accountability at nuclear production and storage facilities.** Criminals attempting to purloin nuclear materiel should be identified and prosecuted. So far this has not been done, especially with officials in charge of security themselves involved in nuclear smuggling. Russia, Ukraine, and other states must cooperate more closely with Western governments to identify and apprehend criminals attempting to acquire nuclear weapons, technology, and personnel, with particular attention paid to buyers from rogue states such as Iran, Iraq, North Korea, Libya, and Syria.
- ✓ **Ease bureaucratic regulation of the economy.** Russian, Ukrainian, and other bureaucrats are among the richest men in post-communist societies. They achieve wealth by illegally selling export licenses, business permits, and other goods and services. They thrive on the bureaucratic red tape and regulations that frustrate normal and legal economic activity. Easing bureaucratic regulation of the economy not only would help stimulate the economy, but would reduce black market and other illegal activities. The recent announcement by President Yeltsin that he will abolish state licenses for oil exports and cut his staff by one-third is a welcome step in the right direction.
- ✓ **Reduce the tax burden.** Taxes in Russia and Ukraine are among the highest in the world. Because they are so high, they are routinely evaded. It is common for bureaucrats to grant tax relief to relatives, cronies, and business associates in return for bribes and other favors.²⁵ Sometimes business owners hire organized criminals to intimidate tax collectors. Thus, the *mafia* ends up with money that should go into state coffers. Reducing tax rates and uniformly enforcing tax laws would alter the atmosphere in which organized criminals and corrupt tax collectors operate.

24 Personal interviews with Nina Belyaeva, the Interlegal Foundation, Washington, D.C., November 1993.

25 Tina Rosenberg, "Meet the New Boss, Same as the Old Boss," *Harper's*, May 1993, pp. 47ff.

2) WESTERN COOPERATION WITH RUSSIAN, OTHER NIS, AND EASTERN AND CENTRAL EUROPEAN GOVERNMENTS.

These countries should:

- ✓ **Share computerized data on criminal activity.** This will allow the West to identify and apprehend Eurasian criminals in a timely fashion. However, Western countries should bear in mind that the Eastern European—especially the former Soviet—police forces are not fully trustworthy. They have been penetrated by organized crime. Western countries must be careful not to compromise intelligence sources by disclosing informant networks or sensitive data.²⁶
- ✓ **Identify trustworthy and reliable law enforcement personnel in the East.** The FBI's experience in cooperating with the Italians shows that trustworthy partners can be found even in police forces penetrated by organized crime. The situation in Russia and other former Soviet republics is no different. A special effort should be made to locate, encourage, and cooperate with trusted officers to build permanent, long-lasting ties between Western and NIS law enforcement officials.²⁷
- ✓ **Gain Western help in writing criminal codes.** Specifically, this means drafting laws dealing with organized crime and corruption, ethics codes for civil service, and administrative law. Educational programs should be designed to help these countries train judges and prosecutors to handle actual cases of organized crime.
- ✓ **Create a witness relocation program.** Such programs have proven a major tool in prosecuting *mafiosi* in both the U.S. and Italy. The Russians have been asking for assistance in this area. The U.S. could bring in Russian officials to study the system in America and dispatch American specialists to implement a similar program in Russia.
- ✓ **Combat crime throughout Eastern and Central Europe and Eurasia, not just in Russia.** Western bureaucracies often treat the entire former Soviet area as "Moscow and its branch offices." However, intercepting drugs in Central Asia or illegal arms in the Caucasus requires direct cooperation with Uzbekistan, Kyrgyzstan, Azerbaijan, Armenia, and Georgia.

26 "Russian-American Intelligence Agenda: Cooperation or Confrontation?" A seminar at the Heritage Foundation, March 31, 1994. At this seminar, Kenneth De Graffenreid, David Major, and J. Michael Waller all warned against excessive cooperation with the ex-USSR services.

27 Moody presentation to the Russian-American Chamber of Commerce, July 1994, *op. cit.*

3) UNILATERAL ACTIONS TAKEN BY THE UNITED STATES AND ITS WESTERN ALLIES.

The U.S. and its Western allies should:

- ✓ **Track and penetrate Russian and NIS criminals dealing in nuclear materials and narcotics.** The illicit spread of these materials and substances is by far the largest security threat posed by the crime wave in Russia and the NIS. To cope with it, the West needs first-class intelligence. This may come from human sources (HUMINT) or from sophisticated electronic surveillance (ELINT). While mobsters today outgun and outspend many Eurasian police forces, they lack the high-tech intelligence-gathering capabilities of Western governments.
- ✓ **Better monitor East-West financial transactions.** Eastern Europe, Russia, and other states in the region have turned into a giant money-laundering machine. This multi-billion-dollar infusion of "dirty" funds both destabilizes and criminalizes the Western financial system. The U.S. should force Western banks to evaluate sources of money from the East and to report suspicious financial activities to law enforcement authorities.

CONCLUSION

The wave of crime and corruption engulfing Russia, the NIS, and parts of Eastern and Central Europe presents a threat not only to the peoples living in these countries, but to the entire world. Organized crime discredits the market system and undermines democratic institutions. It also raises the prospects that terrorist groups might gain access to nuclear materials or technologies. Thus, organized crime in these regions threatens international security and stability.

The Central European and Eurasian governments must drastically reorganize their legal and law enforcement systems. They must apply economic policies that foster the free market, not *mafia* development. The West should cooperate with Central European and Eurasian law enforcement authorities as much as possible. And in the vital areas of nuclear, chemical, and biological non-proliferation and drug interdiction, the West should act resolutely and, if necessary, unilaterally.

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