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Prospectus

Russian Organized Crime: The Rise, Evolution, and Threat of the *Russkaya Mafiya*
(Working Title)

Research Question and Overview

This thesis will assess the current threat posed by Russian organized crime (ROC) to the United States. In determining the nature of this threat, it is necessary to establish its origins and how it has evolved since then. Organized crime is not a new phenomenon in Russia; it has existed in some form since the days of the Russian Empire. However, ROC is no longer confined to former Soviet republics, and it has expanded to include a broad range of illegal activities.

Many of the most dangerous ROC figures in the United States were able to enter the country in the 1970's after Leonid Brezhnev, then-leader of the Soviet Union, allowed limited emigration of Russian Jews. This diaspora set the stage for Soviet-born criminals (some only nominally Jewish) to expand their operations all over the world. In the U.S., most of these Russian immigrants settled in Brighton Beach, New York, where they learned to exploit capitalism through gasoline bootlegging, tax evasion, and other types of white-collar crimes.

Although government agencies regularly assess transnational organized crime as a whole, a report specifically designed to determine the threat of ROC has not been released (or declassified) in several years. At a time when criminals have increasingly advanced connections, tools, and technology to conduct their activities and remain undetected, it is even more crucial that we assess their resources and capabilities.

Brief review of literature

Although access to the most conclusive and up-to-date information on ROC is restricted to law enforcement and homeland security officials, plenty of open-source information is available. A variety of primary and secondary sources, including interviews by journalists, scholarly works, and reports by U.S. government agencies constitute the body of literature on ROC.

Much of the literature concerning ROC focuses on the period from 1990 to 2000, when Russian criminal organizations were quickly expanding in both the United States and Russia. Vadim Volkov's *Violent Entrepreneurs: The Use of Force in the Making of Russian Capitalism* describes how the economic reforms of the 1990's actually benefitted ROC within Russia's borders. The Soviet Union had just dissolved, and reforms that were designed to promote the free market economy were not producing the desired results. Furthermore, laws became dictated by those who could enforce them, not those who could simply write them.¹ This led to a complete mistrust of state institutions and gave "violence-managing agencies" (criminal groups and private security firms) an opportunity to prosper. As the government was increasingly viewed as corrupt and ineffective, these groups gained (through violent means) both respect and authority.

At the most basic level, there are two theories regarding ROC in the United States. The first is that ROC poses a grave threat because its members are ruthless, ambitious, and internationally well-connected. In his work *Red Mafiya*, Robert Friedman argues that ROC was so successful in the U.S. partially due to law enforcement's reluctance to recognize their capabilities. Friedman emphasizes that an FBI ROC unit was not established in New York until 1994, even though criminals such as Marat Balagula and Evsei Agron had been conducting illegal operations in the U.S. since the early 1980's.² Friedman describes how these criminal

¹ Volkov, xii

² Friedman, xvii

predecessors paved the way for others to profit from large-scale scams in the 1990's. Most notable was the YBM Magnex scam, which was headed by Ukrainian-born crime boss Semion Mogilevich. Mogilevich and his associates used a public trading company on the Toronto Stock Exchange to launder money, and investors lost millions of dollars when the company was exposed as a sham. Mogilevich remains at the top of the FBI's Most Wanted Fugitives list, despite being recently arrested in Russia (Russia and the U.S. do not have an extradition treaty).³

However, white-collar crimes do not constitute the most serious danger posed by ROC. The CSIS Task Force released *Russian Organized Crime: Global Organized Crime Project*, in which they described how the prevalence of ROC undermines Russia's democratic and economic reforms, promoting a "criminal-syndicalist state" instead.⁴ The authors of this report explain how the extremely low salaries of Russian military and intelligence officials made them especially vulnerable to corruption and bribery. They argue that this creates the possibility for nuclear materials to fall into the hands of criminals and possibly terrorists.

The second theory regarding ROC in the United States is that it does not constitute a major threat because it is isolated and not sufficiently organized. Finckenauer and Waring, in their study *Russian Mafia in America*, claim that these groups cannot be classified as "Russian" or as a "mafia."⁵ They compare ROC to La Cosa Nostra because "it is the most familiar example of organized crime" and "it best illustrates and demonstrates the harm perspective that [they] believe should be taken in assessing organized crime."⁶ They make the distinction between "organized crime" and "crime that is organized"⁷ and conclude that ROC cannot be the former because it is mainly composed of "floating structures:" that is, criminals have no concrete

³ Ibid., 249

⁴ Cilluffo et al., 26

⁵ Finckenauer & Waring, 254

⁶ Ibid., 230

⁷ Ibid., 251

loyalties to each other; they only unite around mutually advantageous opportunities. The authors also assess that ROC in the U.S. is not capable of causing the kind of rampant corruption that exists in the former USSR because these criminals are not adequately well-established.⁸

Methodology and Organization

Currently, general research on the history of ROC at home and abroad is being conducted. A full literature review will be completed in October, and I hope to complete the first chapter shortly thereafter. The second chapter is scheduled to be completed after Thanksgiving. At least two more chapters will be completed in December and January, and the final chapter by the end of January. Revisions will be made in February and March.

The chapters will be organized as follows. In the first section, I will present an analysis of ROC activities in Russia during the 1990's. This section will examine the economic and political conditions that gave rise to the prominence of the "Russian mafia." I also plan to show how the Russian mafia asserted itself during this period through the use of violence by describing several mafia-related incidents, such as the 1999 bombing of the Samara police headquarters. The next section will trace the evolution of the Russian mafia under Vladimir Putin, showing how ROC groups were forced to adapt as the Russian government became more transparent and the economy stabilized. Scholarly works and narratives will contribute the most to these first two sections. The third section will describe the activities of ROC groups abroad, particularly in the Commonwealth of Independent States (CIS): Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, and Uzbekistan, as well as in its unofficial member states, Ukraine and Turkmenistan. In the fourth section, I will examine ROC activities in the United States and describe how Russian criminal groups were able to prosper here. I will explore the

⁸ Ibid., 234

major figures involved in ROC; their criminal backgrounds, their current activities, and their connections to other prominent criminals. Government resources that report crime statistics will be used to illustrate the threat posed by ROC in past years. The final section will assess the contemporary ROC threat to the U.S. and discuss how ROC fits into the spectrum of organized crime. Preliminary research indicates a variety of opinions on this subject, and I plan to explore this thoroughly. Additionally, this section will also encompass the obstacles faced by foreign and domestic law enforcement in combatting ROC. I hope to obtain interviews with U.S. law enforcement officials who can offer a firsthand perspective on ROC's activities in the U.S. and abroad. I will also utilize scholarly works and news sources that report recent developments in ROC. Russian news sources frequently report on the narcotics trade, counterfeiting, and other regional mafia activities. I plan to use my Russian language skills to find and translate such sources.

Bibliography

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