

Organized Crime in Russia

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The breakup of the Soviet Union in the 1990s opened the gates of immigration to Israel and to the West. The wave of immigration to Israel also included criminal elements who wanted to evade the rule of law in their countries. The arrival of these people to Israel aroused my interest in the historical causes of corruption in Russia, forms of corrupt behaviour by state employees, and the processes of development and creation of criminal organizations in Russia.

Bribery is the only constitution in our life. (Nikolai Berdyaev¹)

In Max Weber's grand historical panorama of the transition from medieval to modern societies, one can make out a good case that the key feature on the organizational level has been the shift from patrimonialism to bureaucracy. But the shift has never been completely successful, and the bad dreams as well as the romances of modernity often take the form of a resurgent patrimonialism. Much of what we regard as crime, especially in its more organized forms, looks a great deal like patrimonialism. The successes and limits of crime can be better gauged from this point of view.²

Corruption

Corruption is a social construction, since society determines which activities, where and under what conditions are to be regarded as corrupt. The dividing lines between what is and what is not regarded as corrupt emerge partly from the law, but partly from the way that officials understand and interpret their own behaviour and from the decisions taken by those who are in a position to bring the law into play. Widespread corruption becomes possible partly because it is constructed by many of the participants as being acceptable and normal. Corruption is an integral part of social institutions. It is an element of the system of management and of government. To some extent, corrupt practices constitute a social field with its own structure and set of meanings. The main reason for stating that corruption is an integral part of the social fabric is that it performs important social functions. It simplifies administrative relations, accelerates administrative decisions, consolidates and restructures relations between social classes, helps economic development by short-circuiting government regulations, and makes the most economic use of scarce resources.

According to Emile Durkheim, there are levels of crime that serve as indicators of the health of a particular society. Too little crime reflects a severity of social control; too much crime is an indicator of the loosening of normative values to the extent that the collective morals of society, its glue, no longer have any impact on restraining deviant behaviour. 'Normal' society will have levels of crime appropriate to its collective conscience, which operates according to a consensus of acceptable behaviour. Crime is normal because it is completely impossible for any society to exist entirely free of it.³

A minimalist definition of corruption is that followed by the World Bank: 'the abuse of public office for private gain'.⁴ Lump sum corruption has given way to sophisticated, legalized forms of income. In Russia, there is a strong correlation between a region's level of corruption and the number of bureaucrats in the region. The more bureaucrats there are, the more opportunities there are for corrupt transactions to take place.⁵

Organized Crime

Organized crime is a complex social phenomenon, which has a significant influence on the economy and policy of states. The development of organizational structure in criminal activity is a natural process that parallels the structural development of the legitimate social systems and sub-systems, including politics and business corporations. It is a global process rather than one confined to particular countries or regions.

The United Nations in December 2000 defined an 'Organized criminal group' as 'a structured group of three or more persons, existing for a period of time and acting in concert with the aim of committing one or more serious crimes or offences ... in order to obtain, directly or indirectly, a financial or other material benefit.'⁶ The FBI definition of organized crime is

a continuing criminal conspiracy, fed by fear and corruption, and motivated by greed ... The organized crime groups commit ... acts of violence; ... their activities are methodical, systematic, disciplined, or secret; they insulate their leadership from direct involvement in illegal activities through intricate bureaucracy; they attempt to influence government, politics, and commerce through corruption, graft and, and legitimate means; ...⁷

In reality, organized crime emphasizes the economic aspects of the crime, its pursuit of illicit profits through group activity; it performs functions of economic governance in the country. It usually operates in niches where the state is absent. Joseph Serio writes:

Crime groups don't function in vacuums. They are connected to the way we live and the values set for ourselves. It's true in the United States, the former Soviet Union, and virtually everywhere else in the world ... Organized crime often emerges not simply because central governments cannot prevent it but because they choose not to do so.⁸

According to Mark Galeotti, the roots of organized crime are in primal human characteristics: the natural tendency for criminals to band together and specialize; the weaknesses of state and community institutions and the opportunities this creates for illegal structures; and the patronage and corruption existing within every

political body. Thus, from the protection racketeers of ancient Rome to gangs of unemployed Chinese eunuchs rejected by the Imperial civil service, the murderers-for-hire of the original Assassins of Alamut to the 15th-century French Coquillards, organized crime has always lurked in the shadowy underside of organized society.⁹

The relevant studies have shown that the factors influencing the level of development and the specific form of organized crime are much the same in every country. Criminal businesses arise, exist and develop under certain conditions, namely: demand for illegal products (e.g. drugs, arms) and services (e.g. sexual); unsatisfied demand for legal wares and services; unemployment and other sources of social exclusion providing a social base for deviance, including criminality; defects of the state's regulatory regime, especially in the fields of taxation and customs. A key condition for an increase in criminal activity is the existence of contradictions between economic reality and the legal-administrative system. The level and pattern of crime, and of deviant behaviour that may or may not be criminal, such as drug and alcohol addiction, prostitution and suicide, are wholly dependent on the social, economic, political, cultural and demographic processes in society.

The Threats of Organized Crime

In a document associated with the Ninth United Nations Conference on the Prevention of Crime and the Treatment of Offenders we find:

Organized crime poses a direct threat to national and international security and stability and represents a frontal attack on political and legislative authority. It also poses a threat to statehood. It disrupts and compromises the normal operation of social and economic institutions, diminishing confidence in democracy. It undermines development and nullifies any progress that is achieved. It victimizes entire countries and exploits human vulnerability for gain. It ensnares, engulfs, and even enslaves whole segments of society, especially women and children.¹⁰

Money paid to private security providers, or to officials 'helping out' with customs or other traditionally 'difficult' parts of public administration, may also frequently be offset against lower payments of taxes, customs, and other fees. The real outcome is one where the state and thus the population at large suffer great damage. Not only is the government's traditional monopoly on violence both privatized and decentralized into hands that are under no effective control by the authorities, but money destined to have been paid to the government ends up instead in the coffers of security firms.

Prevalent criminal activity encourages businesses to hide or restrain their economic activity, so as to avoid the attention of those who might seek to extort protection money or even take control. This latter tendency is a notable characteristic of criminal activity; rather than just participating in 'ordinary' racketeering activities, the gangsters exemplify a combination of criminal and entrepreneurial ambition, and seek to remain an active part of any potentially lucrative activity. This not only leads to sub-par economic performance, but also reduces reported profits, thereby reducing tax revenue. Organized crime is generally ranked second after war in terms of the danger it poses to society.

In Russia

Cheloukhine and Haberfeld state that the forms of corruption are constantly changing, while the nucleus of corruption is bribery.¹¹ Manaev, discussing the roots of bribery in Russia, claims that the practice was necessary to government in medieval Rus. Between the 15th and 16th centuries, the Moscow Great Princes sent their officials to act as governors of faraway parts of the country. The governors received no salary – they received goods and food from the local folk, by way of a practice known as *kormlenie* (feeding). The necessity of these ‘feedings’ arose from the great distances between the centre of government and the regions. Salaries would never arrive on time; sometimes they would not arrive at all, as the messengers would get robbed on the road. *Kormlenie* was sanctioned by the state power and could be extorted if the locals refused to give it. This habit not only prepared the ground for the growth of corruption, but it also planted the notion of government officials accepting goods and food as an intrinsic feature of the Russian governing system in the minds of the Russian people.¹² Officials were deeply involved in the corruption and the illegality of the state and its functionaries. An apocryphal story tells that when the modernizer and state builder Peter the Great proposed to hang every man who embezzled from the government, his Procurator General gave the blunt reply that this would leave him with no officials because ‘We all steal, the only difference is that some of us steal larger amounts and more openly than others’. This was scarcely an exaggeration, as even into the 19th century, although the practice was officially banned, Russian officials were often implicitly expected to practice *kormlenie*, with deals and judicious levels of bribe-taking, to supplement their inadequate salaries. The first government enquiry into bribe-taking was not conducted until 1856. Anything less than 500 rubles – a rural police commissioner was paid 422 a year – should not even be considered a bribe at all, merely a polite expression of thanks.¹³ Corruption remains one of the most critical problems facing the Russian state and society, and bribery in Russia has become a social norm by which citizens solve their problems with government representatives.

Samosud in the Russian Village

Much of the moral and legal code of the Russian village at the end of the 19th century rested in the *samosud*, literally ‘self-judging’, which not unlike that of the world of formal law in Russia was a practice through which peasants took matters into their own hands and settled with a suspected offender through physical punishment, shaming, or exacting compensation. *Samosud* was actually a lynch law. Although peasants were likely to deny their liability before the imperial legal system, they did recognize a higher court: the judgment of God Almighty. The proverb ‘God punishes sins, and the state punishes guilt’ expressed the peasants’ division of offenses that came under God’s and the state’s purview.¹⁴

Between the 17th and 19th centuries, the peasants exiled to Siberia contributed to the development of a criminal underworld and the creation of a professional criminal underclass. The ancestors of organized crime in modern Russia are to be found in

the *vorovskiy mir*, the ‘thieves’ world’, which formed in the slums of the cities as a result of the urbanization and industrialization of the late 19th and early 20th centuries. This became an increasingly homogeneous and underworld culture, with its own hierarchies, values and spoken and tattoo languages. By the beginning of the 20th century, the hard core members of the *vorovskiy mir* were deliberately embracing their status as outsiders and beginning to assert their dominance of the prison system, something that would later bring them into contact with the Soviet state, where many state bureaucrats used the secondary economy as a safety valve, quietly recognizing the input of those who controlled the black market. From another viewpoint, the plan-distribution system in the economy could not function without this ‘lubricant’, without decisions being made in the allocation of funds favouring changes in financing and production plans of state enterprises.

The *vorovskiy mir* was the Soviet underworld – they were very much products of the Gulag prison system. The approximately 600 most powerful individuals were known as *vory v zakone* or ‘Thieves in Law,’ and they were joined by another 2000 who followed the ‘law of criminals’. This group was opposed to all forms of communist power; members could not ever have served in the Young Pioneers, Komsomol, or other Communist institutions, and many spent long terms in prison and even directed their criminal activities from there. Handelmann notes that by acting in this role, a role distinct from government, the *vorovskiy mir* controlled the Soviet black market, including many transactions in spare parts, automobiles, timber, and gems, at an estimated value of 110 billion rubles (US\$60.5 billion). They attained considerable power, and in some areas even rivalled Soviet government control.¹⁵

The Second World War caused a division in the ranks of the *vory*. Either because of enticing governmental promises of getting freedom from prison or patriotic appeals, which even hardened criminals could not resist, many members of the *vory* served in the Red Army. They became known as *suki* (bitches) to the old line *vory*. These turncoat bitches inevitably ended up in prison after the war, and were dealt with more harshly by the loyal *vory* than by the government. The bitches who survived had little reason to follow any other *vory* tenets, such as prohibitions against engaging in black-market businesses, illegal trade, and drug trafficking, and they conducted these activities in large numbers upon their release from prison. By the early 1960s, the more practical, less restrained *suki* had largely supplanted the traditional *vory*. By the 1970s and 1980s, complicity between corrupt government officials and ‘mafia’-run black market businesses was commonplace.

In the late Soviet Union, the destruction of the Communist Party’s monopoly on executive, legislative, and judicial power and the new legality of private economic activity provided an opportunity for the protective services of organized crime. In particular, the Soviet decline left a power vacuum throughout much of society, which the criminal elements have attempted to fill. The government collapsed as a coercive force that was able to direct and manage social relations, leading to a great degree of anarchy and disorder. This resulted in an outbreak of violent crime and the disintegration of the criminal and civil justice systems as well as all other means of ordering society, including the Communist Party and its associated institutions.

Some of these institutions provided necessary government services, including protection and contract enforcement. As a result, one sees the creation of a new, privatized system as a substitute for absent government functions. From this angle, then, Russian society was akin to a Hobbesian state of nature, and the increased prevalence of criminal activity represents the increased power of decentralized 'coercive structures' operating on a self-help basis to protect specific interests against the intrusion of others.

The redefined *vorovskiy mir* prospered behind the scenes in the later Soviet Union, alongside corrupt Party officials and underground black market entrepreneurs. A tragic and unexpected by-product of Gorbachev's reforms in the 1980s was to allow them to grow in power, ready to capitalize on the anarchy and marketization of the 1990s and emerge as today's 'mafia'. Today's Russian organized crime is moving away from its traditions, the new generation of criminal leaders, the *avtoritety*, are often dismissive of the *vory v zakone*, just as younger members of the Cosa Nostra in the USA part-respect, part-deride the Sicilian-born 'Mustache Petes' as representatives of a past era. Nonetheless, even today, Russia's underworld is to a large extent shaped by its historical evolution and a tradition dating back to the slums of the 19th century.

After 1986 (and more so after 1991), many KGB members were moved from its bloated First SVR, which inherited the KGB's foreign intelligence directorates, and Third Directorates to its Economic Department. They were instructed to dabble in business and banking (sometimes in joint ventures with foreigners). Inevitably, they crossed paths – and then collaborated – with Russian organized crime which, like the FSB, the main successor of the KGB, owns shares in privatized firms, residential property, banks, and money laundering facilities.

In post-Soviet Russia the boundaries between public and private violence became blurred, the de facto capacity to enforce and thereby define justice triumphed over written law, and protection and taxation were increasingly privatized. Under these conditions, in the mid-1990s, the very existence of the 'state' as a unified entity and of the public domain itself were called into question.

In the late 1990s, the gangsters moved on to a variety of places: some to big business, some to security firms, some to prison, and some to the cemetery. But the police and other agencies displaced the local gangsters and took control over the protection business. In December 2006 Russian journalist Yulia Latinina noted that state agencies had taken over from the gangsters to such an extent that they were now essentially facing off each other as they each controlled various aspects of both business and the protection industry.¹⁶

The Western response to all this reflected the official Russian government line: corruption was merely the price to be paid for the chaos of a transition economy. Eventually, the reformers would gain control, and channel all this criminal energy into productive uses. Instead, Russia's organized crime godfathers have now graduated from small-time extortion and protection schemes developed in the chaos of a black-market economy to become world-class crime czars. They are likely to dominate 21st-century transnational crime the way Microsoft dominates

information technology. And these Armani-clad, computer-savvy, Russian-accented Bill Gates wannabes could not have done it without the collusion, both willingly and unwillingly, of governments in the East and West.

Countries undergoing major social and legal transitions typically experience a light, but relatively insignificant, increase in crime. However, in the past decade, many transitional countries in Eastern Europe, and Russia in particular, have experienced a surge in criminal activities that came about through the collaboration of diverse players – criminals, state officials, businesspeople, and law enforcement officials – in organized networks for financial and economic gain. In this process, two interdependent tendencies have become apparent: the ‘economization’ of organized crime and the increased organization of economic crime itself. Both trends have led to a fundamentally new phenomenon in Russia: the Organized Corruption Network, a symbiosis that is a direct result of corruption, organized crime and economic crime in the Yeltsin and the Putin eras.

In 1994, President Yeltsin envisaged a Federal Programme for Stepping Up the Struggle Against Organised Crime, and in 1996 the Defence Ministry drafted a bill to establish a 10,000–12,000 strong force. However, as with so many initiatives of the Yeltsin era, this was never assigned the resources and political muscle necessary to turn rhetoric into reality. Ten years later there was still no such force, so even the Main Military Prosecutors must often rely on local officers to investigate their own units, causing particular problems in trying to uncover and prosecute the kind of close-knit and well-connected conspiracies behind military organized crime.

Putin’s position is rather more ambiguous than Yeltsin’s. On the one hand, he has had good working relations with many of the most corrupt figures in post-Soviet Russia. On the other, he is much more sharply aware of the security implications of organized crime and its overlap with the security structures. Although, during his time in office, there has undoubtedly been an increase in the attention given to the problem, he appears to regard loyalty as more valuable than honesty, and those that have been investigated have tended to be associated with his political rivals. To a considerable extent, allegations of corruption have become part of the toolkit used by the new regime to demote, displace and promote in order to create the police and military structures that it wants.

Current Russian organized crime is best understood as a series of loose and flexible networks of semi-independent criminal entrepreneurs and gangs. Most of these operate within larger networks. Russia has 12–15 major *mafia* structures, each of which brings together many small crews, local gangs and even individuals. None of these larger networks has a single leader as such, although they may be associated with a few specific figures of particular authority and power. There is a great resistance to the very concept of a single ‘boss’. This was, for example, one of the contributing factors behind the assassination of Georgian kingpin Otari Kvantrishvili in 1994. He was briefly considered the most powerful criminal in Moscow, but as he tried to assert his personal control throughout, he ran up against this centrifugal tendency. His murder appears to have been carried out with the blessing of most of the other senior criminals in the city, including his own lieutenants.

The changed economic and political situation in Russia since the 1990s has brought about a qualitative transformation of Russian organized crime. In particular, there has been a pronounced shift from violent towards economic crime. Criminals try to establish and exercise control over legitimate businesses via corrupt politicians, local authorities, or law enforcement officials. According to Dolgova, criminal groups appear to be capable of managing some social problems. For a number of years now criminal money has supported sports organizations, children's homes, retirement houses, hospitals, drug clinics, and so forth. In Moscow, there is even a theatre functioning on grants from criminal groups. Some gangsters also supply local police with vehicles, fuel, and clothing.¹⁷ Dinino and Orttung find that one of the most important factors influencing the level of corruption in Russia is that 'a larger bureaucracy contributes to higher levels of corruption'. Their conclusion as to the current Russian policy is that the bureaucracy is allowed to block reforms, and 'it leaves in place conditions that may make the situation even worse.'¹⁸

The Russian mafiya has only recently begun to receive attention. Still, its origins can be traced back to 17th- and 18th-century bandit groups, or *razboiniki*, immortalized in Russian folk songs and literature. The *vorovskiy mir* ('vory') was the first modern organized crime group in Russia. Its code of conduct began to form in the 1930s and included a complete rejection of all aspects of state rule, including marrying, joining public groups, engaging in business, and testifying in court.

Money Laundering

In 1996, the International Monetary Fund estimated that 2 to 5% of the worldwide global economy involved laundered money. Traditionally, money laundering is an important element of the ability of corrupt government officials and their allies to profit from their political power – that is, officials use the process to treat the state as their own private property. In Russia, political and economic elites often act with impunity when they violate their country's laws, because they know that they will not be investigated or prosecuted for their illegal activities. As a result of criminal group operations, as well as their control of or influence over many of Russia's notoriously under-regulated banks, criminal gangs are also major users and also providers of money-laundering services. They account for a growing share of the approximately \$500 billion laundered globally every year: estimates from the G8 group of industrialized nations are that more than \$20 billion are laundered in Russia annually. In part, this is the laundering of funds generated by both licit and criminal activity. But the Russian mafiya also acts increasingly as a third-party laundry machine for other criminal groups, thanks to its ability to work through the Russian state and private banking systems, up to a quarter of which are reckoned to be under its control. Between 1996 and 1999, it was alleged that the Bank of New York handled illegal money from Russia, the proceeds of organized crime, tax-dodging capital flight and, especially, embezzled government funds. Estimates of the sums involved range from \$7 billion to as much as \$15 billion, and around ten Russian banks and up to 50 major companies are involved, from the UK to China, Germany to Australia.¹⁹

Although Russian government officials are quick to cite the increased number of prosecutions and money-laundering cases opened, including at least one conviction at the ministerial level, no one with close relations to Putin has been convicted of a crime. Corruption in Russia has skyrocketed. It looks as if the Russian anti-money laundering efforts will remain ineffective because political factors and corruption undermine the vigour with which Russian individuals and institutions combat money laundering, and this situation is unlikely to change.

Transparency International, a global corruption monitor, ranked Russia 143 out of 179 countries on its corruption perception index in 2007, between Indonesia and Nigeria.²⁰ The term ‘*mafia*’ itself is popularly applied to nearly any form of societal power in Russia, particularly a conspiratorial organization held together by force and loyalty to the collective and viewed as corrupt. In this view, Russia is a ‘*mafia* country.’

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