

## ANNEX 10: ORGANISED CRIME AND CORRUPTION IN RUSSIA – REVIEW OF LITERATURE

### *Historical roots*

Throughout the 1990s most authors were concerned with the genesis of organised crime. The transformation of the endemic corruption and shadow economy of the Soviet period into the contemporary problems of organised crime and corruption was a major theme. The spectacular rise of Russian organised crime has been attributed not so much to demand for illegal goods or services but to the transition from socialist to capitalist economy, the privatization of state property and the opening of borders – all of which indicate the key role played by corrupt public officials in the process. Dealing in “large amounts of licit commodities in illicit ways (Shelley 2005) required critical collusion by state institutions. Much of the crime committed combines access to information or goods held by government officials backed up by the use or threat of force by crime groups – this “lethal” combination is considered key to understanding the success of Russian organised crime and the “the *sine qua non*” (Rawlinson 2001) of its integration into the legitimate structures of society. The entry on Russian organised crime of the Russian Wikipedia even includes “having corrupt ties with government officials” in its *definition*.

A pithy summary of the origins of the organised crime-corrupt state nexus, which also gives an insight into its current resilience, is provided by Plekhanov (2008, p.77) “A poorly organised, dysfunctional state (formally democratic or authoritarian) stimulates organised crime by tolerating anti-social activities in some areas, while suppressing or discouraging socially necessary activities in others. ...Organised crime emerged as a form of the institutionalization of the shadow economy. From the gangster’s point of view, forming a business partnership with a state store manager who was running an illegal trade operation on state property was a much smarter and more promising type of activity than simply burgling the store (explained in terms of lower transaction costs).”

The overlapping between and transmogrification of business into organised crime and back is another distinct theme in the literature. Galeotti (1999) claims that it is thus often difficult to tell a gangster from a ‘*businessmen*’ – a distinction many within the Russian business class themselves see as irrelevant. Kostjukovskii (1998) speaks of organised crime that has ceased to be simply a confederation of gangsters but has turned into a union of government officials and “criminalised businessmen.” Tille (2003) quotes the former Minister of Interior A. Kulikov that, according to analyses by the Russian Academy of Sciences, 55% of capital and 80% of shares with voting rights have been transferred to local and foreign “criminal capital” during the process of privatization. Nomokonov (2009) in turn quotes Ministry of Interior estimates that in some regions of Russian two-thirds of entrepreneurs are involved in corruption.

The origins of the nexus between organised crime and corrupt public officials is also traced to the period of the early to mid 1990s and the

breakdown of the rule of law and the governability of Russia. As the state abdicated from a number of key public services – notably, the enforcement of contracts – organised crime stepped in to fill the void and thus acquired significant leverage as regards government institutions. Substituting the services of the state with those by crime groups (Lyman and Potter (2006, p.361) quote a Vladivostok businessman saying that “if you pay the mafia, you don’t have to pay the government” indicating that crime services have been perceived as fairer than government ones) has been happening as a result of a collapse of the legitimacy of government. Williams (1997, pp.5-6) even quotes a Russian analyst that the “criminal world has essentially taken on the state functions of legislative and judicial authority.” Baraeva (2000), on the other hand, argues that corrupt interactions between organised crime and government authorities are a form of social exchange of resources, a form of social communication, which are not always destructive for the system as they could represent a method of adaptation.

Another topic in the literature is the genealogy of the criminals which could allow us to draw conclusions about their access to corrupt networks. The transitional origins of organised crime is exemplified by the fact that it consists of much more than the traditional figures of the criminal underworld and involved an amalgam of former apparatchiks, active and demobilized military personnel, members of the law enforcement and security services, etc. Volkov (2002) says that the alliance between the corrupt ex-communist nomenklatura and the Soviet criminal underworld, concluded for the purpose of appropriating former state property, has since coined the “Russian mafiya” (it should be added here that in colloquial Russian “mafiya” is used to denote the whole range of shady activities in society – from high level political conflict of interest to the dealings of neighbourhood bazaar speculators).

An interesting comparison, however, that is not made in the reviewed literature would be to contrast the strategies towards the government authorities of the *vory v zakone* – a much discussed group of criminals who are sworn in non-cooperation (under *any* form) with officialdom (a tradition dating back to the early Soviet years) – and of mainstream organised crime which has been very much entwined with state officials and legitimate and semi-legitimate businesses.

The main premise, therefore, for understanding the role of corruption in the arsenal of Russian organised crime is that in Russia “gangsters are not a marginal phenomenon confined to such areas of the illegal economy as narcotics, prostitution, or gun running. They control large parts of the legitimate economy and neither a powerless public nor law enforcement have the means to bring them under control” (Satter 2003, p.131). The operation of organised crime – as described in the reviewed literature – at all levels of legality (black economy, semi-legal and legitimate) is attributed to a considerable state capture. Another indication of the level of state capture is their visibility – authors provide examples of leading crime figures becoming media personalities. Some authors even refer to Russia as a “criminal-syndicalist state” (CSIS 2000) claiming that more than half of the Russian commercial and

banking sectors remain under the sway of organised crime; or to OC as a “major political force” (Shelley 2005). Radovitskyi (2002) claims that every fifth organised crime group would include among its members officials from government institutions and law enforcement. Therefore, the absence of conceptual separation between organised crime and corruption in the reviewed literature could be attributed to this intensity of state capture.

Furthermore – and this point has significance for most transitional countries – authors emphasize that legislative activity not backed by adequate enforcement of legislation or policy delivery capacity created niches between reality and legality that have been successfully exploited by organised crime and corrupt officials. On the other hand, Firestone (2006) argues that a focus on corruption as a factor inhibiting effectiveness of law enforcement efforts against organised crime overlooks shortcomings of Russian criminal procedure law which hinder the investigation and prosecution of organised crime in Russia.

#### ***Law enforcement corruption***

The main use of corruption by organised crime that emerges from the reviewed literature is as an instrument for decreasing risk of outside involvement and interference. This is then itself broken down into immunity from prosecution and driving out competition (both as regards legal and illegal goods markets). Law enforcement corruption is cited as being “the first project” (Satter 2003) achieved usually by making payments for inexistent services to a firm that the police official had registered in the name of a relative or friend. If this doesn’t work they then resort to blackmail. Another fact pointing to the intensity of the use of law enforcement corruption by Russian organised crime is the almost total impunity for corruption crimes; in the area of organised crime only the very smallest fish ever face prosecution because of the close links between the crime bosses and the law enforcement (Shelley 2005). One way or another, most authors describe a high degree of interdependence between organised crime and law enforcement.

As regards estimating the scope of law enforcement corruption, Handelman (1995, p.287) quotes a Moscow police captain claiming that “about 90% of police officers [militsyia] who operate out of local police stations in this city are on the take.” Kravchenko (2003) quotes a population survey in which 83.5% of citizens believed law enforcement to be the most corrupt public service. In the same survey, 48.6% of Ministry of Interior officials and 51.7% of interior academy cadets agreed with this statement. Evidence of the systematic nature of law enforcement corruptibility by organised crime is also provided by Holmes (2007) who quotes expert estimates that Russian street prostitutes retain 20% of sums they charge, the remaining 80% being *evenly* divided between organised crime and police officers (although he adds that the evidence of collusion is circumstantial).

The scope is also evident in statistics provided by Volkov (2002) which show that throughout the 1990s some 25,000 law enforcement employees (approximately one quarter of all discharged) were expelled for

unlawful activities each year, and up to 15,000 each year (62,844 in 1986-90 and 75,168 in 1991-95) were charged with criminal offenses. Topil'skaya (2006) points out that comparing the number of members of the judiciary and police officers convicted for corruption (16 of the former vs. "many thousands" of the latter for the period 2004-2006) shows that law enforcement has been disproportionately affected by corruption. She also provides a non-exhaustive list of the services procured through corruption by organised crime: receipt of information about the actions and intentions of law enforcement towards organised crime groups; design of counteraction tactics against these intentions; influence on the actions of law enforcement officials; influence on political and regulatory decision that could affect the level of criminal profits. In a notorious case, investigators even subpoenaed a building as material evidence in a court case because an organised crime group wanted to take it over. Kuznetsova and Luneeva (2004) claim that organised crime would even pay some government officials regular remuneration (sometimes referred to as *kormlenie*) without specifying any concrete services expected in return.

#### ***Political, administrative, and private sector corruption***

There are a number of attempts at estimating the scope of the corruption employed by organised crime. Finckenauer and Voronin (2001, p.23) quote expert estimates that between 30 and 60 percent of the income of Russian organised crime is spent on bribery and various forms of political lobbying (although they add that because of the latent nature of this corruption, it is difficult to estimate its magnitude or to say much about trends). Nomokonov (2009) claims that organised crime groups spend more than half of their criminal income on bribery. Handelman (2001) writes that organised crime and corruption cost the country an estimated \$15 billion a year.

As regards money laundering, some authors describe how organised crime assist Russian business and government officials in moving their own assets out of Russia evading scrutiny and/or taxation thus affecting other countries. Sukhareno (2004) claims that Russian organised crime is seeking to purchase influence in the political systems of many countries at all levels. In recent years, Russian businessmen, believed by US authorities to have links to Russian organised crime, have turned up at fundraising events and donated funds to political campaigns.

Satter (2003) mentions even the corrupting influence of organised crime on culture – the influence of gangsters being so powerful that their language – *fënya* – is used by government officials, entertainers, media personalities and they are the heroes of numerous novels, films and TV series. The general sense of lawlessness brought about by the nexus of crime and corruption is exemplified by other authors by the popular use of the term "mafia" to refer even to the smallest merchant offering a product that seems overpriced.

#### ***"Globalization of Russian corruption"***

Another major concern in the literature is the "globalization of Russian corruption" (Shelley 2003). Galeotti (1999) discusses three forms

of penetration outside the countries of the former USSR – *hard* (direct intrusion, establishing networks alongside or in competition with indigenous organizations), *soft* (where it shows a more respectable face, and establishing legal or para-legal businesses) and *service* (where it provides various criminal services from contract killings to cybercrime). Some authors (e.g. Sukhareenko 2004) differentiate between organizational types and their use of corrupt influences as regards organised crime outside Russia. One type is the loosely structured crime group with no hierarchical command operating in shifting alliances. Some of these are involved in white-collar crime (e.g. various types of schemes for defrauding public services) which requires specific types of corruption and sophisticated expertise; others are violence-oriented and engage mostly in racketeering, which may only require law enforcement corruption. A second general type would be enterprises representing in other countries the well structured crime groups of Russia proper whose main operation is money laundering, thus requiring financial sector corruption. Generally, however, “nearly 60% of all investigations targeting Russian organised crime involve some type of fraud. These crimes require little or no corruption” (Sukhareenko 2004).

Cautious and tentative hopes are started to be expressed in the literature regarding the attempts of the Putin administration to crack down on organised crime. Galeotti (2004), for example, claims that corruption, although a very serious problem, but it is one which is beginning to be addressed, and that the Russian police and judiciary are still underfunded and thus undertrained and vulnerable to corruption, but this too is beginning to be addressed.

### ***Conclusion***

Finally, it could be summarised that although most of the reviewed literature discusses – in various degrees of extensiveness – the corrupt methods of organised crime in Russia, it is mostly descriptive and little attempts are made to uncover some underlying patterns or project trends. Another aspect of these problems that is not mentioned in the reviewed literature are the ways in which petty, everyday corruption involving individuals and the general public services (traffic, health, etc) relate to the corruption areas of organised criminality.