

TRANSNATIONAL ORGANIZED CRIME AND DESTABILIZATION IN
DEMOCRACIES

"RUSSIAN ORGANIZED CRIME AS CASE STUDY"

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Transnational organized crime has been prevalent during the last century, but it recently has been recognized as a threat to the world order. Governments throughout the world, along with the intergovernmental organizations identified this phenomenon as a new threat to domestic and international security.

This paper attempts to explain the impacts of transnational organized crime on the functioning of democratic societies by adopting the Russian Organized Crime as case study. The descriptive research with regard to definition, scope and organization of transnational organized crime, along with the objectives, limitations and methodology of this research will be included in the first chapter. Recent trends observed in organized crime`s character and the impact of organized crime on the political economies of democratic regimes will be contained in the following chapters. Pre-conditions for a broader

response to transnational organized crime and conclusive
remarks will be the context of the last chapter.

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CHAPTER I

INTRODUCTION

Some argue that; humanity will never be free of crime because the human being is a sinner by nature. As the French criminologist, G. Tarde, wrote: If the tree of crime with all its roots were ripped out, a gaping abyss would be left in society. The only question, then, is the depth of this abyss. Or the nature of the disease: Is this a gangrene that can be stopped with a scalpel, or is it a cancerous metastasis, already beyond hope (Wessel, 1995a. p.1)?

In November 2000, the United Nations General Assembly at its Millenium meeting adopted a convention against transnational organized crime. It is unique, being the first legally binding UN document in the field of crime. It was opened for signature at a high-level conference that was held in Palermo, Italy, in December 2000. After being signed and ratified by 40 countries, the states party to the convention would be required to establish in their laws four criminal offences, which are; participation in an organized criminal group, money laundering, corruption and

obstruction of justice.

The instrument systemizes cooperation on such matters as extradition, mutual legal assistance, transfer of proceedings and joint investigations. Provisions for victim and witness protection and guarding legal markets from infiltration by organized criminal groups are contained, as well. Parties to the treaty would also provide technical assistance to developing countries to help them take the necessary measures and upgrade their capacities in the fight against organized crime.

Transnational organized crime has been prevalent during the last century, but it recently has been recognized as a threat to the world order. In November 1994, the World Inter-Ministerial Conference on Transnational Organized Crime was held in Naples-Italy. In 1996, the president of the United States, William Clinton mentioned for the first time the fight against international organized crime as a matter of national security (United States Government, 1996). Governments throughout the world, along with the intergovernmental organizations such as G-7 group, the Council of Europe and European Union identified this phenomenon as a new threat to domestic and international security.

This sensitivity about the challenges posed by organized crime arose during the last decade due to two factors. The end of the cold war changed the focus of international relations. The recently mounted attack on transnational organized crime is, indeed, partly a consequence of the need for security bodies (such as the CIA, KGB and the Mossad) and international organizations (such as the UN and the Council of Europe) to develop new missions in the Post-Cold War era (Shelley 1995b, 464). The second factor is the observed evolution of organized crime and its perilous outcomes. In recent years, criminal groups dramatically expanded their scope and activities worldwide by taking advantage of the economic and political globalization, the immigration boom to developed countries and associated formation of Diaspora networks, technological progress, inter-regional conflicts and post-cold war power vacuums within the political-economy and social structure of newly democratized nations. They also have established international networks to further their activities both in legal and illegal markets by employing sophisticated methods. The seriousness of the problem lays in the penetration of transnational organized crime into the political structures, institutions and legal economic

sectors of democratic regimes, as well as the threat it poses against domestic and global economies through its illegal activities and proceedings derived from these businesses.

As stated above, transnational organized crime has received increasing attention from law enforcement agencies, intelligence analysts and academic researchers and media. Yet, there are many differences with regard to definition, scope and organization of transnational crime. There is no consensus on enforcement practices and problems, future prevention or control strategies.

This research attempts to capture the richness of the variety of views offered so far in search for an innovative analysis and diagnosis of the phenomenon. The definition, scope and organization of transnational organized crime, along with the objectives, limitations and methodology of this research will be included in the first chapter. In understanding the significance of the problem, a study on recent trends in organized crime's character carries a vital importance and it will be the content of the second chapter. In the third chapter, the impact of organized crime on the political economies of democracies will be assessed thoroughly. Russian Organized Crime is chosen as

the case study in this research because of its highly visible transnational characteristics and the imminent threat it poses against Russian state itself and the national securities of other countries. This profile will allow a better understanding of the pre-conditions for a broader response to transnational organized crime. Finally, conclusive remarks will be the content of the last chapter.

Definitions

Organized crime is intricate and is a relatively new international threat, thus, understanding of its nature proves to be limited. The covert nature of organized crime prevents the direct observation of the destructive and corroding impacts it has on society. However, not only does it lead to higher crime rates but also corrupts government officials and indirectly threatens the legitimacy of the state. The economy, too, is severely damaged by the operations of organized crime networks.

Since organized crime encompasses a large array of illicit operations such as gold and diamond smuggling, vehicle theft, commercial crime, arms smuggling, money laundering and drug trade to name a few, it has become a scourge of international magnitude (Institute of Security Studies, 1994). Therefore it needs to be understood and

dealt with accordingly, particularly on an international scale. In other words, at least a definitional consensus has to be reached so that an operational strategy can be developed to counter it. Various characteristics of organized crime syndicates have been noted in different definitions such as:

Organized crime is a non-ideological enterprise involving a number of persons in close social interaction, organized on a hierarchical basis, with at least three levels/ranks, for the purpose of securing profit and power by engaging in illegal and legal activities (Abadinsky, 1987. p.6),

Organized crime is a continuing criminal enterprise that rationally works to profit from illicit activities that are in great public demand. Its continuing existence is maintained through the use of force, threats, and/or the corruption of public officials (Albanese, 1989. p.5),

...Having well established contacts with national and international criminal organizations, cartels or mafia groupings (Shaw, 1998.p.1),

Our working definition of organized crime includes the following characteristics: a self perpetuating, organized hierarchy that exists to profit from providing illicit

goods and services, uses violence in carrying out its criminal activities, and corrupts public officials to immunize itself from law enforcement (Kenney & Finckenauer, 1995. p.285),

The term organized crime refers to crime that involves the co-operation of several different persons or groups for its successful execution. Organized crime is usually professional crime (Lindesmith, 1941. p.119),

Organized crime has been defined as a self-perpetuating criminal conspiracy for power and profit, utilizing fear and corruption and seeking to obtain immunity from the law. While the organized crime syndicate is certainly the largest and best known organized criminal element, it is by no means the only one. There are local organizations throughout the nation that would certainly fall within the definition of organized crime. These groups, numerous and varied, may be based upon the ethnic or racial ties or be simply the result of a particular criminal endeavor (Missouri Task Force on Organized Crime Report, 1974. p.7-8).

Many attempted definitions of organized crime may not adequately reflect every aspect of organized crime, with each definition there seems to be something lacking to

aptly refer to all known types of organized crime. Moreover, the definitions, which were developed regarding organized crime, do not seem to be particularly applicable to transnational organized crime, although some individual characteristics may relate. The characteristics put forth by Maltz can be accepted to reflect the common points in the organized crime definitions, which are: corruption, violence, sophistication, continuity, structure, discipline, ideology (or lack thereof), multiple enterprises, and involvement in legitimate and illegitimate enterprises (1994). For instance, the stress on corruption and violence to control markets in classical organized crime definitions does not seem central to transnational organized crime. The usual incentives for violence in organized crime (discipline of subordinates, succession to leadership, transactional integrity, territorial protection) are attenuated when organizations are not highly centralized and the notion of territoriality is strained (National Academy of Sciences, 2000). Territories refer to localness while transnational crime groups seek to reach broader scopes. This does not necessarily mean that transnational crime syndicates do not employ violence or apply to corruption whenever needed. But evidence and

research imply that these tactics are not adopted merely for the control of activities and markets as in the case of domestic organized crime.

On the other hand, a review of the literature demonstrates a persistent focus on concepts of markets and centralized organizations. However, partly owing to the globalization, both legal and illegal enterprises including terrorist groups have developed an inclination towards operating in networks. This is highly visible in operating schemes of Albanian, Nigerian and Russian organized criminal groups. There are cells as the smallest units, and while the members of a separate cell are tightly connected to each other, the relationship between the cells in the same organization is loose. The collaboration between these small networks is ensured upon the initiative of an almost invisible core group.

It must also be noted that, the priority of conceptions in defining organized crime may differentiate according to the nature of the activity exercised by crime groups. While some type of activities, as of drug smuggling, might require the employment of corruption as a priority, financial crimes, such as bank fraud and money laundering necessitates a high degree of sophistication.

The term of transnational crime was developed by the United Nations Crime and Criminal Justice branch in 1974. As described by Mueller, it was a criminological term consisting a list of five activities: (1) crime as business organized crime, white collar crime, and corruption; (2) offenses involving works of art and other cultural property; (3) criminality associated with drug abuse and alcoholism especially illicit traffic; (4) violence of transnational and comparative international significance; and (5) criminality associated with immigration and flight from natural disasters and hostilities (1998). In 1995, a short conceptual definition was added by the United Nations [UN]: offenses whose interception, prevention and/or direct effect or indirect effects involved more than one country (1995). In the United Nations Convention against Transnational Organized Crime, the definition of an organized criminal group is established as following: Organized criminal group shall mean 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 crime or offenses, in order to obtain directly, or indirectly, a financial or other material benefit (UN, 2000).

In this complexity of issues and concepts, arriving at a single definition proves to be very hard. However, a theoretical framework maybe derived, before developing a variety of definitions; and a blend of the characterizations of the UN definitions could be used as a starting point. A structured group of three or more persons, in existence for a period of time, aiming to commit one or more serious crime or offenses whose interception, prevention and/or direct or indirect effects involves more than one country, motivated by direct or indirect and financial or other material benefits. However, taking into consideration that the multi-national character in this definition serves judicial purposes only, additional parameters are necessary. Transnational criminal organizations will be considered as organized crime groups when they are based in one state, they commit their crimes in one but usually several countries, whose market definitions are favorable; and they conduct illicit activities affording low risk of apprehension (Williams, 1994. p.96). In addition, an analysis towards the organized crime group under focus, and the social, economic and political context it operates within must be made. The assessment of the organized crime group must include:

(1) Hierarchy and structure of the group; command entities, decision and dispute solution mechanisms, internal codes and regulations.

(2) The level of availability of capital resources derived from the activities of the group, and reinvestment capabilities in legal and illegal businesses; the methods of capital amassing, the number and the type of illegal activities involved, the accessibility of specialized expertise in particular illicit activities, the level of involvement in a specific activity, and the capacity to make domestic and international investments in legal and illegal business.

(3) Scope of intimidation and use of force; the availability of people specialized in the use of violence, the accessibility of conventional and unconventional weaponry for intimidation and protection reasons, the size and territorial extension of the groups in terms of capability to use of force in a transnational context.

(4) And finally the ability to influence law enforcement and judicial systems; infiltrating and manipulation capacity through direct representation in the political system, formation of secret lobbies, and the use of intimidation, corruption and violence.

The evaluation of the social, political and economic structure that the crime groups operate in, should refer to:

(1) Social dynamics facilitating the continual operation of organized crime groups and the impact of organized crime in the society in turn; general economic and social trends, the level of perception of the threat caused by organized crime, existence of civil society groups which could organize the reaction of the people, if there is.

(2) The legal framework of a given country; the degree of awareness and preparedness of state agencies to the organized crime activities, existence and effectiveness of special investigative rules, regulations and tools to fight against the crime.

Research purpose and questions

Assuming transnational organized crime to be in the context of non-traditional security threats and to try to find ways out of the potentially explosive action, the primary objective of this study is to assess the threat of transnational organized crime against the rule of law in democracies in particular and the world order in general. At the end of the study, it is hoped that reliable analyses

of transnational organized crime activities could be used in formulation of policies and guidelines on effective strategies to prevent and combat this threat.

Two main questions to be answered in this context are first, what is the correlation between the domestic and international political-economical environment and organized criminal activity, especially in today`s global world? In reverse, what are the consequences of criminal activity on local political economies and global order? Second, what should be the pre-conditions for a broad response to curb this activity?

Limitations

There is considerable difficulty in framing of the research on transnational organized crime, as could be understood from the complexities of definitions. For this reason, it is important to make it clear what is and is not included in this study. To begin with, even though it is not possible to exclude completely, terrorism will not be emphasized. Terrorism and organized crime have intersection points, especially in terms of drug, weapons and nuclear materials trafficking. However, for the purpose of this study, terrorism will be recognized as another special area to be studied by related scholars since it has a highly

controversial character and its recipients differ from other types of transnational crimes. Interregional conflicts versus transnational organized crime relationship will be touched upon in the second section, but it will be limited to the research related to the new trends in the character of organized crime. There will be a discussion on the Russian Organized Crime-related nuclear materials trafficking matter and associated national security threats, but the same limitations apply.

A second limitation that should be noted is rather than concentrating on statistical information and trends for each specific crime, the impact of transnational organized crime as a whole on the political economies of the countries and on the world order will be the main area of focus. Numbers will be provided whenever it is deemed necessary.

Methodology

As in the case of definitions, the immediate characteristic of methodology in the field of organized crime research is its problematic nature. For most organized crime activities, there are simply no systematic estimates of size. Concrete and reliable data is virtually non-existent. This largely stems from the nature of the

phenomenon. First, almost all aspects of the organized crime activity are illegal. This means that few records of transactions are maintained between parties, and those that do exist are kept strictly secret for fearing that such documentation could lead to criminal proceedings and prosecution. Second, organized crime activities tend to be covert in nature. In the case of drugs for instance, in order to avoid detection by law enforcement agencies, drugs are often produced in secret well-guarded locations, and when they are transported, drugs tend to be ingeniously concealed to avoid detection. As a result of this, drug production & trafficking is very difficult to trace. If it is taken into consideration that drug related crime is almost the only organized crime field that we have rough estimates on production, trafficking and consumption trends, understanding the problem of data compilation would be easier. Because, simply put, measuring other markets that have little in common, (i.e., trafficking of human beings, weapons or nuclear materials) it is almost impossible. Similarly fundamental elements of organized crime, such as corruption and violence are not subject to estimation, to say the least.

The secrecy of participants, the confidentiality of materials collected by investigative agencies, and filters or screens on the perceptive apparatus of informants and investigators pose serious methodological problems for the social scientist (Kelly, 1998. p.172). The secretive nature of criminal networks` activity halts the use of many useful instruments for gathering data; in this context, most of the information available to law enforcement agencies and social scientists are obtained from the participants themselves.

Nonetheless, there are several sources of data on organized crime and related phenomenon:

First, there are inter-governmental organizations such as Interpol, Europol, the World Health Organization, UN Drug Control Program and the World Customs Organization, as well as non-governmental organizations and independent institutes such as Paris based Observatoire Geopolitique des Drogues, Washington based Transnational Threats Research Center and Transparency International and numerous foreign policy institutes engaged in transnational organized crime related research. These provide some statistics.

Second, in countries that are affected by organized crime there are usually certain state agencies responsible for data collection and research. In the United States there is Drug Enforcement Agency (DEA) and Federal Bureau of Investigation (FBI), for instance. In this study the publications of various state agencies are going to be utilized. In spite of the fact that they present problems of agency bias, figures of organized crime prepared by governmental agencies focus on the criminal act and criminal actor and tend to ignore the complicity of the upper world in sustaining criminal activity, which results in a bias pervading most of the research on organized crime (Kelly, 1998.p.173). Agency-generated records are one of the best resources of data on transnational crime research.

Third, there are some investigative records, ethnographic studies and surveys, and informants. Investigative records from fighting agencies may be obtained through personal skills and connections, but these methods have their own limitations. This method is not employed in this study. Ethnographic studies and surveys are good resources, and with regard to Russian Organized Crime they will be utilized through the scarcely available literature given on the issue. Informants could be

recruited through an agency, or by personal contacts. However, besides the serious question of how representative they are of the population they allegedly belong, this method is beyond the reach of the researcher of this study.

In this context, much of the research is library-based, along with dependable resources from the World Wide Web. Obviously, this started with a literature review including academic sources from criminological books, journals and reports, which outlined the state of knowledge and argument in this field. In addition to the transnational organized crime patterns, the literature about globalization and post-communist period socio-economic developments with relate to Russian Organized Crime was browsed to provide a picture of how the problem has arisen.

CHAPTER II

CURRENT TRENDS IN TRANSNATIONAL ORGANIZED CRIME

In just one decade, organized crime has gone from being considered a problem limited to certain countries or regions, the result of specific historical circumstances and scarcely affecting the political decision making, to become one of the basic factors when defining threats to the national security in general and democratic governance in particular (Godson & Olson, 1995). Organized crime is no longer assessed as a problem of criminality in a given society, but a phenomenon operating on worldwide scale, harming the functioning of societies and politics. Although impacts of it diverge, depending on various conditions, it is a growing problem.

Before making an analysis on organized crime and recent trends in its character, a question must be answered for clarification purposes. What are the differences between groups of people who systematically commit crimes and what is considered to be organized crime?

Although a functional relationship is observed between

criminal gangs and organized crime, there are two basic differences between these concepts. As a proof for the existence of organized crime, there must be some particular social consequences, associated with the commitment of offenses included by organized crime. These social impacts might include fear, anxiety and resentment stemming from the observance of the use of violence, the financial losses or the disappearance of security feeling among the citizens.

A second characteristic of organized crime draws a sharper line between it and ordinary criminal activity: its ability to protect itself against the state that is theoretically the ultimate ruler in a given society. Such protection is achieved in two ways: intimidations through the actual use of violence or the threat of using it; and, corruption which blocks action by state institutions or civil society entities. Within this framework, the range of activities that the organized crime groups may carry out is comprehensive, the limits of which are determined by the internal and external dynamics. The violent methods employed by organized crime groups may reach to an extent of terrorism, at certain times, as exemplified by the drug cartels in Colombia. However, these violent acts must not

be confused with the activities referred to by the term Narco-terrorism, which could be described as the engagement of insurgent groups in drug trafficking to fund their political activities.

It does not prove to be an exclusive one, but a wide-ranging inventory of organized criminal activity might be presented as follows:

(1) Supply of illegal goods and services: The production and smuggling of drugs, trafficking of weapons, nuclear materials, children, organs, illegal immigrants; gambling, usury, forgery, hired killings and prostitution; the sale of stolen property, especially luxury cars, animals and works of art;

(2) Helping out legitimate companies and businessmen in illegal matters such as breaking environmental or labor laws or fraud;

(3) The use of legal networks for illicit activities such as management of transport companies for drug trafficking or construction investment, and establishment & infiltration of financial institutions for the purpose of money laundering;

(4) Systematic predatory action such as piracy, extortion and kidnapping.

According to the United Nations Interregional Crime and Justice Research Institute, among the large groups typically considered to be belonging to the category of organized crime and to be involved in one or other of these illicit activities mentioned above are: Colombian cartels and Mexican organized crime groups; Nigerian and South African groups; Chinese Triads and Japanese Yakuza; Thai and Cambodian organized crime groups; Turkish mafia and Albanian organized crime groups; major Italian mafia-type organizations; and Russian organized crime groups (1999).

Post-cold war period and changing focus in international relations

The evolution of international relations gave a new role to the organized crime phenomenon as a growing threat to democratic regimes. Although there is no unanimity on the extent of organized crime as a threat, its importance is reduced to a potential risk by some authors (Turner, 1991). Recent research has given weight to the challenges it poses for national security.

On the one hand, the collapse of the Iron Curtain and the deep financial and political crisis in post-communist countries have led to the questioning of the ideas governing the concept of national security. In this

context, the organizations, which played major roles during the Cold War, found themselves deprived of the theoretical justification supplied by the existence of opposing superpowers and nuclear threat. For instance, until the collapse of communism in 1989, the United States had a defining national strategy based upon the clear and present danger of an expansionist Soviet Empire (Weinrod, 1996). Under the changing circumstances, where the supreme threat is no longer alive, these agencies required a new kind of justification for their high expenditures and central roles. They were forced to redefine themselves and their missions. Thus, especially in the US, the Soviet Union went from "Evil Empire" to disintegration and a safe haven for organized crime. Communism fell behind as far as a security concern and organized crime groups, which gained control of large amounts of resources, especially nuclear materials from the republics which emerged from the break up of totalitarianism. These groups became a clear menace, as were its counterparts in other parts of the world.

Generally speaking, this shift in focus is part of a redefinition of the concept of national security which is more akin now to the one existing in the period between the two world wars than to the prevailing one during the Cold

War. The new shift is based on the confrontation between antagonistic blocks, geopolitical calculations and the realistic dimension of international relations (Baldwin, 1996). With the end of the bi-polar system, different definitions were made regarding the actors on the world stage. Four groups (market democracies, transition states, rogue states and failing states) unanimously became the main actors of international relations in today`s world. A fifth group is being accepted as non-state actors increasingly in the international relations literature. While global companies in this group of non-state actors are supporting the market democracies; international criminal syndicates prey on the markets while terrorist organizations seek to bring the markets down and these two groups together might be called as transnational outlaws (Binnendijk, 1999)

The growth of globalization and its impacts

Apart from the arguments developed within the law enforcement and intelligence communities, it has become evident that globalization has helped organized crime in increasing its harmful consequences on national security in general, as well as on the normal functioning of democratic institutions and processes in particular.

Several factors facilitated this emerging situation and produced a new model of organized crime predominantly transnational in its character. This type of organized crime has three basic differences with respect to previous manifestations of the phenomenon: it tends to operate at regional or global level, mobilizing extensive cross-border connections and, above all, has the ability to challenge both national and international authorities (Godson & Olson, 1993).

These factors, which facilitated the economic globalization, are also abused by the criminal organizations in enlargement process of their activities, in a way to perform at a broader scale, rather than being restricted in certain countries or regions. As reported by the United Nations Drug Control Program, transnational criminal organizations have many similarities to transnational corporations (1994) and both of them are eager to adapt themselves into changing conditions to enjoy the opportunities offered by the external environment. The increasing economic interdependence of the world requires both licit and illicit businesses to think internationally (Shelley, 1995b). Just as legitimate international corporations establish branches around the world to further

their profits, so do illicit multinational businesses. In this framework, it can easily be claimed that the growth in illicit activities is parallel to the increasingly international scope of legitimate business and the way it is conducted.

This rapid globalization of business is mainly based on new technologies along with the political commitment to free market principles. First of all, the possibilities provided by innovative technologies were applied to transportation and led to an increase in the flow of illicit as well as licit goods.

Between 1960 and 1974, the passenger volume on international flights increased six fold. By 1992, it had increased more than four times from 1974 levels. This rise has contributed to an increasingly mobile world population, a mobility equally enjoyed by carriers of illicit commodities, and illegally obtained currencies. Concomitantly, between 1970 and 1990, global trade increased ten times. Included in the increased flow of commodities are illicit commodities, as cargo is loaded and unloaded at numerous points around the globe to avoid detection (Williams, 1994, p.102).

This situation has been acute in the field of drug trafficking, which has proved to be the most lucrative illicit business during the last few decades, since producing and consuming nations have been geographically distant from each other, or at least not sharing borders in many cases. Although it can be claimed that cultivation or production of certain drug types are not limited to certain locations, (as in the case of cannabis and synthetic drugs); for traditional hard drugs, like cocaine and heroin, this is still the case. Criminals are eager to use any possible means of transportation to conduct their illicit activities. The following is a very good example in understanding the level of this enthusiasm:

...the huge metal cylinders were not storage tanks at all - they were sections of a submarine. Once completed, it could have ferried some 150 tons of cocaine to the United States and elsewhere with almost no risk of being detected. Colombian and American law enforcement officials swarmed in on helicopters to investigate and also to marvel at the sheer audacity of the scheme: to build a submarine 8,000 feet high in the Andes Mountains and then, presumably, truck it at least 210 miles to the ocean, section by section.

Among papers police found was a list of handwritten words in Russian and their Spanish equivalents. The Russian angle was not entirely a surprise to the investigators. Russian mobsters are increasing their operations in Colombia, especially in drug - and gunrunning. Several years ago, Colombian drug lords even tried to obtain a Russian military submarine from corrupt Russian officials, using a go-between in the United States (Colombian, 2000, p.7).

The growth in world trade has been aggravated by a remarkable technological progress in communications and revolution in financial networks. Satellite technology, the innovation of fiber-optic cable, complex computers and advances in Internet has resulted in a worldwide communication explosion, which is hardly controllable. This technological progress in communications is not only employed in a direct manner by criminal organizations in their operations, but also is abused for the money laundering purposes. Huge amounts of money, derived from illicit activities in circulation within the system are transferred at high speed concealing its illegitimate origin and ownership. The general lack of supervision of international financial activities, along with the

complexity of such operations makes it extremely difficult to enforce regulations. Actually, these activities are carried out on a large scale in many countries which are chosen according to factors such as banking secrecy and facilities to operate with, tax havens, corruption levels, police training, the power of financial institutions and the currency exchange controls (Maingot, 1995).

Organized crime groups are than law enforcement agencies in adopting the latest technology in their operations.

The cartels are ahead of us a lot of the time in having state-of-the-art technology because they can just go out and spend what it takes as soon as it is available. We have to get contracts, take bids, and get approval. The drug traffickers can also intercept telephone calls, set up electronic surveillance inside of trucks and encrypt their cellular phone calls so that they cannot be decoded by law enforcement authorities (Macko, 1997, p.1).

Technological progress and the information revolution also have effects on the structure of criminal syndicates allowing them to operate in networks. This leads to more flexibility allowing them

to maximize profits and evade the government forces.

It also serves to decrease the paperwork and eliminate incriminating evidence.

The last thing to be stressed as facilitating the transnational crime activities under the framework of globalism is the emergence of large, cosmopolitan global cities besides the already existent ones. The cities are connected to one another by telecommunications and transportation links and serve as safe havens for criminal organizations. The alienating conditions and social and economic problems within the many mega-cities force the inhabitants to form criminal social organizations such as street gangs in order to survive. Global metropolises become the incubators for these gangs to develop into powerful transnational criminal organizations. Cities not only aid transnational crime development but also sustain them by becoming congenial environments providing anonymity, encouraging survival skills, promoting bonding mechanisms, thereby facilitating the success of criminal organizations and increasing the opportunities for the establishment of connections among criminal groups (Williams, 1997b).

Establishment of diaspora networks

Financial burdens push people to search for new alternatives; interregional conflicts make life virtually impossible to live for civilians in their homelands; and the progress made in transportation have led to an important increase in immigration flows and the gradual creation of Diaspora (dispersion of any originally homogeneous people) networks throughout the globe. In spite of the fact that most of the immigrants are respectful to the laws of the host countries, criminal organizations have taken advantage of these ethnic people so as to develop their own transnational networks within which they are in permanent contact through advanced communications systems. Asian and Latin American people in the United States, Turkish groups living in European countries, and Albanian nationals immigrated to the USA and the Western European countries mainly for political and humanitarian reasons are good examples of this problem. The precarious living conditions of many immigrants, the identity crisis they face and discriminative attitudes in the host countries make these people easy targets for criminal groups who

share the same national identity with them and who promise for a better and secure life.

By 1994, Greek authorities estimated that between 600 and 1500 Albanians crossed the border illegally, each day. Many of the Albanians, young males in their twenties and thirties, usually unskilled laborers, often found little or no employment in Greece. This resulted in many of them roaming the streets, engaged in criminal activity, like their Albanian counterparts who fled to Greece, many of the refugees were young, unemployed males, put out of work when hundreds of state-run factories were closed down. Bitter, resentful, and willing to do anything for wages, these men were ideal candidates for organized crime groups (Xhodo, 1996, p.5).

Attempts to control or curb the activities of Diaspora networks seems futile due to the fact that infiltration into these groups is almost impossible. Police intervention among these groups is hindered by language and cultural barriers, which are strengthened by kinship ties leading to group solidarity and suspicion of national authorities (Savona, 1996). Another problem with the Diaspora networks of the mafia groups originating from the transition or

failing states is, unless the chaos and the anarchy is terminated in their homelands, the human resources for this foreign-land extensions will never expire. These networks will go on attracting more and people who are extremely disappointed with the economic and social problems they suffer and who lose their faith in the systems of their countries.

Interregional conflicts

Under normal conditions organized crime prefers stability, however it tends to prosper when there is political and economic unrest. In this context, interregional political conflicts have provided organized crime groups a fertile area to operate and maximizing their profits. With the end of the cold war and the ironic worldwide stability it presented by creating a bi-polar world; hundreds of ethnic and small-scale ideological conflicts have boomed in many regions around the globe contributing to transnational organized crime. Equipped with high communication and transportation skills combined with a strong desire for higher profits, criminal groups have infiltrated the unstable areas where there is an obvious loosening of controls. Some events in recent years have been particularly relevant for transnational criminal

groups, such as the Yugoslavian civil war (Xhodo, 1996). High tensions have turned into armed conflicts at times in the Caucasian Republics of Russia and Tajikistan.

Fall of iron curtain and its implications

The collapse of the communist bloc has had deep impacts on the worldwide crime. Since 1989, Central and Eastern European Countries, along with the ex-USSR nations (both Commonwealth of Independent States (CIS) members and non-CIS members) have been undergoing a process of fundamental political, social and economic transformation. These changes have been accompanied by major economic, social and political problems including unemployment and declining living standards. The transition from a planned centralized financial system to free market economies has provided new incentives and opportunities for crime. Uncertain economic conditions, weak law enforcement, inadequate laws, unprotected borders, vulnerable financial systems and a traditional underground criminal activity bolstered the rapid rise of organized crime. The power vacuum emerged due to the termination of strict internal controls once used during the reign of totalitarian regimes and was quickly filled by organized crime groups, which were the most prepared social establishments in place. This

has had extraordinary and very harmful consequences for the future development of these states as well as for the consolidation of pluralistic regimes. The triumph of capitalism has led to the troubled establishment of free market mechanisms without the accompanying control measures; a weak or un-existing civil society, and a peculiar political culture facilitated this. This change has initially led to internal disorder; the demise of previous authority structures, reluctance on the part of the population to new official control, the revival of ethnic antagonisms, and a collapse in the judiciary and security agencies, often entailing their subordination to or cooperation with organized crime (Douglass, 1995). As stated above, the vacuum of power and a previous history of organized crime, which supplied the human resources and the required social networks, together with the progressive fall in the living standards have provided excellent conditions for recreating, establishing and expanding large criminal groups. Of all these activities, the greatest threat to regional and global security is perhaps trafficking in radioactive materials, which might fall into the hands of terrorist organizations or uncontrollable states. However, evidence of such traffic is still scarce

and in some cases has been manipulated by the intelligence services and the media (Raine & Cillufo, 1994).

Russian Organized Crime is specifically examined in this research because it is the ultimate model of Post-communist organized crime due to its explosive character both in domestic and transnational levels, the concrete threat it poses against the rule of law in a given country, and the challenge to national security and law enforcement of democratic nations. It is believed that, diverse implications of modern transnational crime will be detailed more effectively in this way.

On the whole, all the factors reviewed helped to expand of transnational organized crime. As a result, organized crime constitutes a growing threat to national security and international instability can disrupt social institutions and economic development, has the ability to undermine democratic processes, and victimizes entire populations. Thus, a traditional problem of public order or internal security has become a challenge which could not only endanger the viability of societies, the independence of governments, the integrity of financial institutions or the functioning of democracies, but also the peaceful relations between states.

CHAPTER III

ASSESSING THE IMPACT OF TRANSNATIONAL ORGANIZED CRIME ON DEMOCRATIC SOCIETIES:

THE RUSSIAN CASE STUDY

Introduction to Russian organized crime

It's wonderful that the Iron Curtain is gone, but it was a shield for the West. Now, we have opened the gates, and this is very dangerous for the world. America is getting Russian criminals: Europe is getting Russian criminals. They'll steal everything. They'll occupy Europe. Nobody will have the resources to stop them. You people in the West don't know our mafia yet; you will, you will (Sterling, 1994. p. 22).

Transnational organized crime groups have received increasing attention from law enforcement agencies, intelligence communities, and researchers around the world beginning in the 1990s due to several reasons explained in previous chapter. However, there have been many differences in terms of the interpretation and assessment of the character of Russian organized crime.

Some sources called it as The New Ivan the Terrible (Vassalo, 1996. p.24), others compared its explosion to a criminal revolution (Maximenkov & Namiesniowski, 1994). Statements of Russia`s top politicians and the views of U.S. officials fueled the already on rise worldwide concern such as Boris Yeltsin`s announcements:

Organized Crime is destroying the economy, interfering in politics, undermining public morals, threatening individual citizens and the entire Russian nation...our country is already considered a great mafia power (Ryan & Rush, 1997. p.174).

We have become a mafia state on a world scale (Ryan & Rush, 1997. p.174).

Gorbachev`s former senior advisor Yuri Maltsev stated:

Russia has become the criminal capital of the world. In Russia today, the organized mafia and the government are the one and the same thing. They are two hands of the same ruling elite (Grigg, 1996. p.4).

Senator John Kerry was quoted to say:

Russian Organized Crime is the new communism, the new monolithic threat (Grigg, 1996. p.4).

FBI director, Louis Freeh made public:

Russian Organized Crime is the greatest long-term threat to the security of the United States -(Center for Strategic and International Studies [CSIS], 1997. p.17)

So what is Russian organized crime? In line with the aims of this study, brief information on its size, scope and evolution are provided below. Then, in the following section, its domestic and transnational effects and impacts on the functioning of democracy in Russia and in other countries will be detailed.

Structure, size and scope

The official definition of Russian organized crime (ROC) offered by Russian law enforcement authorities is: an organized community of criminals ranging in size from 50 to 1000 persons, which is engaged in systematic criminal business and protects itself from the law with the help of corruption (CSIS, 1997. p.24).

Although there is no set structure for a ROC group, the following classification, is probably the most comprehensive one for the larger groups:

-Leader, with excellent contacts in industry, national and local governments, etc.

-Deputies of various sections-strategist, economic adviser, banking, consultant, industry specialists, heads of racketeering, drug smuggling, security, counter-intelligence etc.

-Team leaders-accountants, bankers, car traders, extortionists etc.

-Soldiers-smugglers, bodyguards, pimps, hitmen, etc.

In addition, most major gangs share the following characteristics:

-A hierarchy enforced by strict disciplinary sanctions

-Restricted membership, sometimes based on family or ethnic ties

-Tight secrecy and compartmentalization

-The uninhibited use of intimidation and violence

(Dunn, 1997).

Contrary to the common illustration of the Russian Mafia as a monolithic organization, ROC groups cannot be assessed as centralized entities. Furthermore, the Russian Mafia is not exclusively Russian, it is highly diverse and fractured, with ethnic divisions and divisions based on control of territory and sector.

According to the Russian Ministry of Internal Affairs, there are several thousand criminal groups on Russian

territory, and these are organized in 150 large organizations. 275 groups have inter-regional connections and 170 have international ties (Wessell, 1995b. p.30). As many as 120,000 people are believed to be active members of these gangs, though other resources estimate that more than three million people may be involved.

Operations of these groups comprise almost all aspects of organized crime, which distinguish ROC from the other major criminal organizations of the world. The list goes from counterfeiting, drug and arms smuggling, extortion, kidnapping, prostitution, smuggling and exporting of raw materials, control of many hotels, casinos and restaurants, smuggling automobiles, piracy, production and sale of contraband tobacco and alcohol to smuggling of illegal immigrants to contract killings and highly sophisticated financial crimes.

ROC is believed to be operating in anywhere from 44 to 58 countries (CSIS, 1997), either in cooperation with other foreign partners, or independently. While transitional democracies of Central and Eastern Europe proved to be the initial operation fields, all European countries have been influenced by ROC. ROC groups expanded their activities overseas; Israel, Canada and the United States have been

the principal targets in this new conquest. ROC groups outside the country also comprise a collection of gangs and smaller groupings, some based around ethnic identities, others on territories, and loosely linked to one of the major groupings in Russia. This might mean ROC is open to conflict and disorganization, but it also means flexibility and survivability. Russian groups operating beyond Russian borders tend to specialize in one or more of key activities: drugs trafficking, money laundering, capital flight, fraud and drug smuggling (Galeotti, 1997).

Evolution

Another prevalent but mistaken perception about ROC is that it first appeared as a result of perestroika and glasnost. Russia has a long history of having a criminal underworld. Societies of smugglers, thieves and highwaymen existed on the margins of national life for centuries (Handelman, 1994). In Tsarist era, criminal gangs once were seen as symbols of struggle against the repressive state and its collaborators. In the pre-communist Bolshevik movements, the revolutionary fathers encouraged the banditism, which was seen as a way to collect the required funds. However, after the establishment of Communist order, all forms of banditism and gangsterism were forbidden

resulting in the formation of one of the most clandestine criminal organizations ever. During the communist years, a variety of criminal groups appeared that have been given the name of vory v zakone, which could be translated as thieves-in-law. The vory are the most sophisticated professional criminals, and their chiefs are the closest things to the Godfather figures. These groups varied in size, had a leader, and had rules of behavior for their members. Mentioned rules form an unofficial behavior code between these criminals, which is commonly referred as "thieves` code".

A thief is bound by the "thieves` code" to:

- (1) Forsake his relatives--mother, father, brothers, and sisters.
- (2) Not have a family of his own -- no wife, no children; this does not however, preclude him from having a lover.
- (3) Never, under any circumstances work, no matter how much difficulty this brings-, live only on means gleaned from thievery.
- (4) Help other thieves -- both by moral and material support, utilizing the commune of thieves.
- (5) Keep secret information about the whereabouts of

accomplices (i.e. dens, districts, hideouts, safe apartments, etc.).

(6) In unavoidable situations (if a thief is under investigation) to take the blame for someone else's crime; this buys the other person time of freedom.

(7) Demand a convocation of inquiry for the purpose of resolving disputes in the event of a conflict between oneself and other thieves, or between thieves.

(8) If necessary, participate in such inquiries.

(9) Carry out the punishment of the offending thief as decided by the convocation.

(10) Not resist carrying out the decision of punishing the offending thief who is found guilty, with punishment determined by the convocation.

(11) Have good command of the thieves' jargon.

(12) Not gamble without being able to cover losses.

(13) Teach the trade to young beginners.

(14) Have, if possible, informants from the rank and file of thieves.

(15) Not lose your reasoning ability when using alcohol.

(16) Have nothing to do with the authorities

(particularly with the ITU [Correctional Labor Authority], not participate in public activities, nor join any community organizations.

(17) Not take weapons from the hands of authorities; not serve in the military.

(18) Make good on promises given to other thieves
(Lungren, 1996. p.4).

Roots of vory are generally traced to Soviet prison system, where they have spent most of their life and established networks among themselves. There are an estimated 600 vory in the Soviet Union, with approximately 200 of them in Russia (Williams, 1997a. p.197). These groups stole for financial profit but had no political protection. It remained until the full development of the communist state, through the development of the political and economic system of the 1960s Soviet society, for syndicated crime to emerge as a pattern that took hold and continues today (Ryan & Rush, 1997).

During 1960s, particularly under the rule of Brezhnev, Soviet State reduced the production and supply of goods and services and diverted the investment into the science and military establishment to strengthen its position. However, since in the communist system there is no provider of goods

and services but the state, the basic necessities for life left unmet and many goods and services became legally unavailable. In the 1960s, the Soviet citizens at all levels began to create their own manner of obtaining the goods and services that often constituted the basic necessities of life that made living easier and more pleasant (Ryan & Rush, 1997). In this picture, vory v zakone gained importance in socio-economic life, as the most structured and experienced civil society group to meet the people`s demands. However since the state owned all goods and services and was the sole employer of the whole nation, these thugs needed to build connections within the political elite, for basically stealing from the state. What was important during this period was the formation of direct alliances between organized criminal groups and the political elite. The criminals became suppliers of commodities and the political elite offered the sponsorship (Sweet, 2000. p.16). The entire Soviet economy has been nothing else but an enormous black market of goods, services, official positions and privileges (Timofeyev, 1990).

This interaction between the criminals and the politicians went on intensely until the second half of the

1980s, when Mikhail Gorbachev came to power as the General Secretary of the Soviet Union. By that time the Soviet people had already got used to the corrupt practices, which had been a part of their lives. Gorbachev, convinced that the tremendous economic problems his country faced could be solved by increased productivity, attacked a historical problem, alcoholism, which had been a severe and acute problem in the Russian labor force. However, his anti-alcohol campaign limited alcohol's availability and led to enormous profits for organized criminals and their collaborators in the governing mechanism. Gorbachev's step to stop his country's economic breakdown was privatization, which seemed as a way to create financial resources needed. The historical step of Gorbachev, an important part of his reform package aiming to establish a free market democracy that led to the well-known developments of 1989-1991, led to the collapse of communism and the USSR and presented another opportunity for the expansion of organized crime. The only people who had money to buy the state-owned enterprises were the organized criminals (non-Russians were allowed to buy maximum 49 percent of an establishment in a conglomerate with Russian nationals) who had strong connections within the government mechanism and so-called

"nomenklatura", the ex-communist party elite. Privatization, definitely established as an economic program in 1992, became the ultimate shakeout of a bureaucratically corrupt system (Rosner, 1993. p.2). At this point, it is crucial to remember that the system changed its name from communism to democracy, but most of the people from the old regime saved their places in the government. Already fat from their corrupt practices during the communist period, they were quick to start looting Russia hand in hand with their partners in organized crime, under the mask of privatization. The transition period, beginning with the fall of the Soviet Union in August of 1991, carrying a great deal of political, economic and social disability, has accelerated their continued development, which will be detailed in the following section.

Impact of organized crime on democracies:

Erosion of the sovereignty of the states

Organized crime does not function uniformly and it does have a changing degree of impact on state mechanisms throughout the world; due to the diversified, complex and multidimensional character it bears, as well as the differences between the socio-political systems it operates in. However, there is a

common political impact of organized crime, which is acute in the case of ROC, that is related to sovereignty which is an age-old concept dominating the realm of relations between the states. The frontiers separating the states do not only divide up territory, but also different legal systems and political economies. Transnational organized criminal groups, literally, operate in a transnational manner with their illegal nature and do not have any respect for borders as far as their illegal businesses concerned. It is a fact that, economic globalization, emerging supra-national structures and a common political tendency towards greater freedom and the free movement of goods and services has eroded it to a certain level, but state monopoly over these activities is still an essential aspect of sovereignty. Briefly, organized crime manages to escape from the principle of territorial control, which is inseparable from the state and corrodes the idea of national sovereignty in a considerable manner.

Transnational operations of ROC constitute a very good example to this. After Russia, the initial incursion into foreign territories was ex-Soviet and ex-Warsaw countries. In regard to activities of ROC in these countries, Galeotti maintains that the Russian mafia has actively colonized the underworld of other Post-Soviet states, encouraging local

criminality, undermining the sovereignty of these new nations and jeopardizing efforts to create stable democratic governments (1997, p.111). Carrying a similar background and same socio-economic problems of the transformation and having impotent law enforcement, these countries were easy targets. One-third of the serious crimes reported in Poland in 1992 were attributed to the Russian mafia, while the same year one thousand CIS (Commonwealth of Independent States, a loose version of Soviet Union) citizens were arrested in Hungary (Handelman, 1995). In Sofia, Bulgarian police reported that it was virtually impossible to open a business without paying protection money to Russian gangsters (Handelman, 1995). Later, they marched into Germany and other countries in Western Europe. Berlin soon became a major source of revenue for ROC groups involved in prostitution, drug smuggling, car theft, extortion, drug related offenses, currency counterfeiting and the trade in arms and radioactive materials. It is estimated that Russian criminals are responsible for one-third of all crimes in Germany (Dunn, 1997). They are in the prostitution business in all of Europe, and Switzerland, Britain and Austria have been their bases for money laundering operations.

The Middle East could not escape from this nightmare, either. The Greek part of Cyprus has been a popular spot for

money laundering, by 1996 about 1.3 billion dollars was estimated to arrive in Cyprus from Russia every month (Williams, 1997a. p.82). Taking advantage of the "Right of Return" law, thousands of Russian Jews and made-up Jews through false documents entered into Israel after the collapse of the communism, reminiscent of the early immigration wave of Russian Jews into the US. Aggravated with the fact that Israel lacks of effective laws against organized crime and money laundering, ROC groups easily infiltrated into this country among the ordinary Russian Jews. Galeotti (1997) claims that since 1996 ROC groups have been waging a bloody war against local gangs and they appear to be winning. Turning Israel into a money laundering safe heaven was the most significant activity, however. Israeli Police officials estimate that Russian mobsters have poured more than \$4 billion dollars of dirty money into Israel`s economy, though some estimates range as high as \$20 billion (Friedman, 2000. p.278).

Next came the United States, a country with a large Russian émigré community. At the end of four main immigration flows (late 1890s, early 1900s, late 1970s and from late 1980s until today) approximately 300.000 Russians chose the US as their new residence, not to mention thousands of illegal ones (Finckenauer & Waring, 1998). Of

course, criminals who establish the American leg of ROC managed to leak into the land of opportunities among these immigrants, especially with the third and fourth waves. Unlike in Europe, their main concentration has been white-collar crime. O`Neal (2000) stated that sophisticated ROC fraud schemes in the USA include fuel scams, health care frauds, bank fraud and stock market manipulation. According to a National Law Enforcement Survey, respondents from 23 states described Russian émigré crime as organized crime on their territories (Finckenauer & Waring, 1998).

In August 1994, Canadian authorities issued an intelligence report that concluded that murder, shootings, criminal rackets, extortion and intimidation generated by ROC have occurred on Canada soil (Maximenkov & Namiesniowski, 1994).

According to a CSIS report on Russian Organized Crime (1997), there are indications that ROC is becoming active in Latin America and the Caribbean. In August 1995, knowledgeable sources advised the task force that several Chechen groups had set up a criminal infrastructure in Argentina and they already are reported to be engaged actively in extortion and are thought to be extremely violent.

As clearly seen from examples above, ROC groups have diligently pursued criminal activities by violating the political boundaries of sovereign states. In sum, their most profitable transnational operations included:

(1) The theft of automobiles from European countries, and the subsequent black market resale of the vehicles in Russia. In some cases, this activity includes re-stealing these vehicles in Russia and selling them especially in Central Asian ex-Soviet republics.

(2) The extortion of Russian émigré businessmen living in foreign countries.

(3) The contract killings in foreign lands, mostly arising from inter-gang disputes.

(4) The facilitation of shipments of narcotic drugs between producer countries in Latin America, Golden Triangle and Golden Crescent countries and consumers in the United States and Europe.

(5) Running illegal prostitution rings

(6) The laundering of illegal profits through shell companies, real estate investments, and bank accounts.

Interference in the political cultures

The standard definition of political culture may be accepted as the attitudes, beliefs, values and skills that are current in an entire population, as well as those special propensities and patterns that may be found within separate parts of that population (Almond & Powell, 1966. p.23). In this context, organized crime essentially affects the political culture and social and physical environments of institutions in a society by blurring the lines that separate what is legal from what is illegal, generating alternative loyalties to the state and provoking changes in public opinion with negative effects on the functioning of the system.

Blurring the lines between legal and illegal

It is widely accepted that moral values of the Russian society was systemically corroded by the practices in the communist period, especially during and following the Brezhnev years, due to the explosion of black market activities. A Russian economist Nkolai Shmelev describes a Soviet Union that in the 1980s was plagued by massive apathy, indifference, theft and disrespect for honest labor, together with aggressive envy toward those who earn more-even by honest methods; ..."There is lack of belief in

the officially announced objectives and purposes, in the very possibility of a more rational organization of social and economic life" (Finckenauer & Waring, 1998. p.84). An ex-Soviet citizen was reported to say lying and stealing were normal for Soviet citizens because people stole from a government that was cheating them (Finckenauer & Waring, 1998. p.82).

By the time the Soviet Empire was collapsing, the Soviet society was also going down and the distrust of the system was at its peak. Although the revolutions of 1989-1991 periods created an optimistic atmosphere in the society towards a better future in socio-economic and political terms, deeper disillusion was on its way to replace these positive feelings. Not long after the proclamation of the victory of capitalism and free market democracy; honest citizens in Russia watched the penetration of the alliance of the former party elite, members of the law enforcement community, and the organized criminals into all legal and illegal sectors. Contrary to the expectations toward the emergence of a middle class, which is the vital element needed for the very existence of a democratic system, polarization of the society with a small extremely rich elite and a large impoverished

population has been the reality. According to the data provided by Ryvkina (1998), the proportion of those living at or below the subsistence minimum was 75-80 percent in Russia, in 1998. She further argues that the antisocial strata, which have multiplied beyond imagination, are producing an anti-social morality and spreading it not only within their own environment but also throughout society (Ryvkin, 1998).

The endemic corruption, hijacking of the privatization process by the former party elite and plundering of the state treasury contributed to the loss of legitimacy of the governing mechanism in the eyes of the public who is dealing with deep economic problems. It also accelerated the process of moral degradation and created a sense of admiration to the thieves and their collaborators who seems to be the only organized group in a collapsing society. Changing values, especially among the youth can be exemplified in the following statement of a young girl living in Moscow: "It used to be fashionable to have an artist, a rock singer, or even a journalist for a boyfriend. Now the attractive girls want mafiya boys" (Handelman, 1995.p.26). Finckenauer reported that most of the young people he interviewed in Georgia, which is an ex-

Soviet republic, stated that being a vory is the aspiration of most of the young boys and they are attracted to this particular mafia business because they have authority and command respect (Finckenauer & Waring, 1998).

The disappointment of the people and the loss of respect of the politicians can be best summarized in the words of the Chairman of the Municipal Legal Commission of the Moscow City Council: "I compare our people to a deceived woman sitting by herself in the kitchen, abandoned by all her lovers. We were screwed by President Yeltsin, by Luzkhov, by Popov.. al of them, and they don`t care what happens to us now" (Handelman, 1995. p.147).

Provoking changes in public opinion

"We spoke of the many absurdities of our life and came to the conclusion we just couldn`t go on like this", told Eduard Sheverdnadhze, well-known ex-Minister of Foreign Affairs of the communist USSR, on the breakup of Soviet Union (Kullberg & Zimmerman, 1999. p.332). In the eyes of the Russian citizens, the collapse of communism was a true revolution, it was going to mean more freedom, respect for human rights and a free market economy; everybody was tired of hundreds of years of the iron fist of authoritarian regimes. However, only after two years of so-called

democracy and capitalism, the tendencies of the people began to change. This change in attitudes was reflected in three parliamentary elections held after the end of communism in 1991. The Communist Party of Russia went through a renaissance, which has a clear anti-western and anti-reform attitude, gained 12.40 percent of the votes in 1993, 1995 election results stunned even the communists. With an almost one hundred percent increase, Russian Communist Party enlarged its share to 22.30 percent. It increased its power in 1999 elections, 24.29 percent of the votes were used in favor of Communist Party. Currently it is the biggest power in Russian Duma, holding 124 seats out of 225.

On the other hand, Vladimir Zhirinovsky`s Liberal Democratic Party of Russia, which is the biggest representative of ultra-nationalist anti-western right wing in Russian Politics came first far ahead of other parties with a 22.92 percentage rate in 1993 elections. It scored 11.18 percent in 1995 and 6.40 percent in 1999 elections. This party`s share in the cake seems to be declining, but it still holds 19 seats in Duma (State Committee of Russian Federation on Statistics, 1999).

Authoritarian regimes of the past, both Czarism and Communism at least kept order, delivered some of the necessities of life, and brought an international respect to Russia, and for ordinary citizens, the reform period only meant the reverse; anarchy, starvation and humiliation. That is the underlying reason why communist and fascist parties enjoy such a considerable support from the Russian people.

Breaking up the cohesion within the population

Organized crime can and does lead to a national identity crisis within the countries where different nationalities co-exist in cases where a particular territory or ethnic group has a significantly greater level of organized criminal activity than others. A feeling of rejection can arise in certain segments of the less affected areas. In the worse case scenarios, problems of xenophobia may arise leading to extreme right-wing violence and social strife. The generalization of accusations against culturally different communities produces a breakup of the social cohesion, which is essential for the survival of democracy. In case that actions against the organized crime activity is confused with attacks on cultural backgrounds, the law-abiding members of the mentioned

minority groups, even their motherlands might feel tempted to resort aggressive nationalistic feelings as reaction.

The current demonization of the Chechens in Russian Federation stands as a clear testimony. Activities of Chechen criminal syndicates are astonishing, however when it is taken into account that total population of Chechnya is less than 1 million, out of the almost 150 million people living in Russian Federation, it is ridiculous to attribute most of the organized crime activity to these people. According to Wessel (1995b), the term persons of Caucasian nationality was born recently, and all possible sins began to be attributed to these people, above all, they were blamed for the skyrocketing crime rate. Amnesty International, the most prominent international human rights organization, urged the Mayor of Moscow to publicly clarify his statement regarding the persecution of the Chechen Diaspora in Moscow, and to condemn unequivocally any illegal practices by law. The program, Segodnya, on 12 July 1996 showed Mayor Luzhkov having the following conversation with a high-ranking police officer present on the site:

Mayor: Now we have to take actions. We have to take all of them out of Moscow. Everyone. The whole diaspora.

Police officer: Well, if you only allow us -- I will certainly introduce terror on the streets.

Mayor: Yes. The whole Chechen diaspora -- out of here.

Police officer: It's about time we did that,

Mayor Yury Luzhkov: We have warned them many times...

(Amnesty International [AI], 1997)

Even though this conversation took place in 1996, Moscow police, particularly special duty OMON unit was reported to conduct frequent document checks, particularly of persons who are dark-skinned or who appear to be from the Caucasus until today. Police and other security forces in various parts of the country continued their practice of targeting citizens from the Caucasus and darker-skinned persons in general for arbitrary searches and detention on the pretext of fighting crime and enforcing residential registration requirements (United States Department of State [USDS], 2000)

Chechens were immediately proclaimed to be behind the mass bombings, which happened in Moscow in 1999, murdering 130 people. No Chechen was found to be in connection with

these activities in further investigations, but serious allegations were unleashed about the involvement of the Russian Secret Service into these terrorist attacks in terms of creating public support for the heavy clashes between Russian government forces and Chechen guerrillas in Chechnya. However, the government`s campaign was successful; nobody seemed to care about the allegations and public support for Russian intervention skyrocketed. As some observers noted, most of the Russian crime lords welcomed the move as a way of eliminating their biggest competitors. The secret discrimination among the Russian people against Chechens took different shapes as well. Again, in the USDS report it was maintained that Chechens face great difficulty in finding lodging in Moscow and frequently are forced to pay at least twice the usual rent for an apartment, while a similar pattern of discrimination exists against persons from the Caucasus in St. Petersburg (USDS, 2000).

The transnational activities of organized crime groups may also produce a negative reaction against the minority groups they belong. The following statement of an American police detective, excerpted from Handelman`s work (2000),

highlights how the alienation begins between the criminally active émigré populations and the local people.

“Why are we being victimized by non-citizens who can run to Israel or Russia and can't be extradited? The Russian gangsters have told me that they've come here to suck our country dry. My uncle died on the beaches of Normandy defending this country. How did the Russian mob become so entrenched? They are into Social Security, Medicare, and Medicaid fraud. Why is that every ambulance service in Brooklyn is run by Russian mob? Why are so many of their doctors practicing without a license? They have invaded Wall Street from boiler-room operations to broker-age houses. Nothing is too small for them to steal. Even the guys with the multi-million dollar Medicare scam still have to have their food stamps. The first generation is all thieves”.

Parallel systems of justice and social mechanisms

Parallel systems of justice, created by organized crime groups, which do not require a single authority or specific regulations, exercise important missions. They basically regulate the social and economic relations of organization members that would be described to be serving

as an internal legal system, and to some extent they apply to relations with the rival organizations and people who do not cooperate.

These parallel systems of justice, which could be named as private justice systems can and do have some alternative norms and violence stands as the most prominent one. The widespread use of violence can lead to instability and alarm in the society, and this situation may worsen because of the inability of the government to curb this tendency.

Information indicating the incidence of violence related to ROC is fearsome. There were 562 contract murders in Russia in 1994, compared with 289 in 1993 and 102 in 1992. Of the 562 murder victims that year, 185 were criminal figures from the Russian underworld and 177 were businessmen (CSIS, 1997. p.41). Shelley (1996) says almost none of the hundreds of contract killings perpetrated by organized crime groups throughout Russia have been solved by the time she completed her article.

According to State Committee of Russian Federation on Statistics (1999), in 1996 29,400, in 1997 29,300 and in 1998 29,600 crimes were reported as felonious homicides and attempts to kill. There is no information on hand about the

percentage of ROC involvement in these crimes but it would not be wrong to assume that organized criminal actions hold a considerable portion. One Russian citizen commented to Shelley (1996, p. 122):

“Everyone in Russia is extremely afraid of them, and they have all the power. They don`t even have to say they will kill you. You just know it. ”

Since the protection of the citizens and maintaining public safety is a primary obligation of the state; the institutional machinery may delegitimize in the eyes of the public which is the case for Russia.

Effects on the judiciary

Private justice systems have well-defined aims, such as restricting competition, respect for the hierarchy, subduing people and so on, but they do not aim to replace with the state legal system in total. For organized criminal groups, whose main aim is profit maximization, justice for everyone would not be economically feasible and prove to be pointless. They prefer to take advantage of both justice systems in a case-to-case manner. The official judicial power, which supposedly has legitimacy and coercive forces is cooperated whenever needed, through intimidation and corruption. Judges are subject to physical

intimidation and bribery and have been murdered in Moscow, Irkutsk, and Yekaterinburg (USDS, 2000). The financial disparity between criminal groups and state facilitates corruption and penetration:

Sometimes payoffs are even more direct. In Moscow, \$50,000 can stall a criminal investigation. The Russian judiciary faces similar temptations. In cases involving the oligarchs, trial and appellate court judges are routinely bribed. Failing that, judges who evince a dangerous predisposition to impartiality are reassigned without explanation by superiors who are presumably on the take (Wolosky, 2000, p.28).

Low salaries and falling prestige make it difficult to attract talented new judges and contribute to the vulnerability of existing judges to bribery and corruption. In July 1997, President Yeltsin ordered a 65 percent pay rise in an attempt to attract new judges to fill approximately 1,500 vacancies in the judiciary (USDS, 2000).

Observing that financial power plays a more and more of a determinant role in judicial resolutions, people, who are not directly linked to the organized crime, would feel an obligation to apply to this method, whenever they have

something to do with the court. Other people, who would feel complete disappointment with the system, facing the daily violation of rights and liberties, could tend to hire private armies to substitute the security and justice they need, if they could so afford. It could aggravate the violence by encouraging the other groups and individuals, who have the needed economical power, to use the same methods for resolution of the conflicts and building security and an eventual militarization of the society and shattering of the social structure may follow this.

Ineffective law enforcement has spurred the rapid growth and expansion of the private security firms, 25,000 Russian security firms were established, employing between 600,000-800,000 workers. The Mafia controls at least one-sixth of them (Lindberg, 2000, p.2). The individuals working in security bodies comprised of former law enforcement, security and military personnel do not just protect business but intimidate honest citizens and business competitors (Shelley, 1996, p.134-135).

Manipulation of politics

Organized crime has numerous negative influences on judicial mechanisms; and legislative and executive branches of the governing mechanism are not free from manipulation, either. To continue their illicit activities in a secure way, criminal groups need to pervert the political system in order to place it at their service. ROC prevents the candidacy of people clash with their aims through intimidation and they corrupt the representatives elected by the people at both executive and legislative level. Further they threaten violence against those who are not willing to cooperate or use the media in-collaboration or directly-controlled against or favor of the politicians and existing and draft legislations. These are some of the prominent tactics employed by the organized criminal groups. The more the interests of organized crime intersect with legislation creation and execution, the more innovative techniques are employed.

ROC has been a constant force in shaping Russian politics. The inability of the Russian government to combat organized crime leads to a governing crisis itself and that the corrupt government leaders are themselves components of ROC groups worsens the situation. Together, these

developments weaken the democratic transition process in Russia.

Corruption is the most prevalent form of illicit pressure in Russian politics. According to findings from a survey of entrepreneurs in Russia, 90 percent of all respondents were convinced that it was impossible to do business without giving bribes to various state agencies. The same survey revealed that sixty-five percent of businessmen bribed persons working in financial and auditing bodies, 55 percent bribed deputies at different levels, 32 percent bribed police and police officials, and 27 percent bribed judges and prosecutors (Glinkina, 1996. p.65). A 1994 report on the work of the agencies of internal affairs, published by the Ministry of Internal Affairs of the Russian Federation describes the following structure of corrupt persons charged with criminal activities:

People employed in ministries, on committees, and by regional governments-47 percent of those charged;
personnel of law enforcement agencies-29 percent;
people working in the credit and financial system-13 percent;
personnel involved in inspection and supervision-5 percent; employees of the Customs

Service 4 percent; and deputies-2 percent (Ryvkina, 1998. p.40).

It is maintained that corruption reaches all the way to the top levels of the government, as the bribes for government officials cost organized crime groups up to 30 to 50 percent of their profits (United States Congressional Testimony, 1999). According to Transparency International's Corruption Perception Index [CPI Score relates to perceptions of the degree of corruption as seen by business people, risk analysts and the general public and ranges between 10 (highly clean) and 0 (highly corrupt)] for 2000, Russia scored only 2.1 and shared the 82nd place with Kenya, out of 90 countries around the world (Transparency International [TI], 2001).

Flexing its muscle is another method utilized by ROC to influence the decisions of politicians or remove the politicians who are interfering with its business. The mafia has murdered members of the parliament and intimidated others. According to Itar-Tass, the official broadcasting agency of Russian Federation, 5 members of Russian Parliamentary Assembly Duma and 10 members of Regional Parliamentary Assemblies around Russia were murdered between 1992 and 1999; most of these cases were

associated with mafia but investigations reached nowhere (Norwegian Institute of International Relations, 1999).

In today`s Russia, ROC has reached a stage of development in which it attempts to become legal. After trying all forms of covert pressure (bribes, buy-offs, joint criminal activity with representatives of power structures) it is now taking more and more active steps toward the legalization of its leaders and toward exerting direct influence on the political process (Kryshtanovskaia, 1996). ROC`s attempts to undermine the political process have exceeded the corruption level in some cases and direct participation in decision making was sought, as exemplified by several cases. The penetration of organized crime into the state exists from the municipal up to the federal level as organized crime groups have financed the election of candidates and members of the newly elected Russian parliament as well as those of other CIS republics, says the well known expert on the field, Louise Shelley (1995a). Direct participation attempts in the political process by criminals were highly visible in the 1995 Duma elections. By October 1995, over 100 suspected criminals had already declared their candidacy for the Duma elections in December of that year. There is no information on hand to verify the

percentage of these suspected criminals who were elected to Duma that year, but the primary motivation behind this interest is clear; in Russia legislators have absolute immunity, they can not be searched, detained, questioned, charged, arrested, tried or convicted, even for crimes they have committed before taking office (DiPaola, 1997).

More strikingly, the Russian public witnessed the establishment of a political party by a well-known organized crime figure, Otari Kvantrishvili, under the name of Sportsmen of Russia. The party had presented its own candidates for the elections to the State-Duma and for presidential elections of Russia, but these plans were not destined to be realized, Kvantrishvili's murder in the summer of 1994 put an end to the business.

In April 1994 one of the criminal groups under the control of Evgenii Podanev, established a Christian Liberal Party in Crimea, but three months later he was murdered. His successors M. Korchelava, another criminal and businessmen Rulev shared the same fate in less than one month and Christian Liberal Party came to an abrupt end (Kryshtanovskaia, 1996).

Financing and support of parties is the last legal pressure tool employed by some ROC groups such as the most

powerful Slavic gang Solntsev. This group is alleged to be in close contact with Russian National Unity Party, which is a nationalist, neo-nazi, paramilitary, overtly anti-Semitic organization, formed in 1990. Barkashov, the leader of Russian National Unity Party, has had a number of talks with Davydov, the leader of the Solntsev group (Kryshtanovskaia, 1996).

Transnational political manipulation

Attempts of ROC to manipulate the political process are not limited to Russia. Israel, one of the target countries of ROC, is a good example to highlight the issue. Israel was shaken with the allegations that Gregory Lerner, a major ROC crime figure attempted to bribe former Prime Minister Shimon Peres and some other Knesset members and cabinet ministers in 1996. Before this turmoil was set down, Benjamin Netanyahu was alleged to have received 1.5 million dollars as campaign contributions from Grigory Loutchansky, a Latvian-born convicted felon and president of the Austrain based NORDEX, a multinational trading company. Loutchansky had been implicated in everything from major money laundering to smuggling nuclear components (Friedman, 2000. p.267).

Another interesting example of transnational intrusion by ROC into the politics is its attempts in the American political system. Even though, these efforts are still infant, some of them are worth to be mentioned briefly for the purposes of this study. The invitation of above mentioned Loutchansky to a Democratic National Committee fundraising dinner for Clinton in 1993 by Democrats was amazing, he has even shaken hands with Clinton and Clinton asked him to pass a message to Ukrainian government requesting it to reduce its nuclear stockpile? (Friedman, 2000. p. 268). When CIA discovered this, agency officials were shocked. One congressional investigator spoke on the issue as following: Loutchansky had one thing in mind: legitimization, he wanted US citizenship and he wanted to buy a US bank (Friedman, 2000. p. 268). Not long after this case, a partner of Loutchansky at NORDEX, Ukrainian mob boss Vadim Rabinovich who served an eight-year jail term in Ukrainian prisons for theft of state goods, attended a Clinton-Gore fundraiser in 1995 in Miami. His picture between a smiling Clinton and Gore appeared in Eastern European press, greatly adding to the mobster`s reputation (Friedman, 2000. p. 269). The list is long; it goes from the attendance of another ROC figure, Vahtang Ubiriya, one

of the top criminal lieutenants of Semion Mogilevich who according to CIA, is the most dangerous gangster in the world, to a Republican Part fund-raising dinner. A Ukrainian figure, who according to FBI is a member of fearful Ivankov ROC organization, namely Semyon Kislin`s being a top campaign supporter for Rudy Giuliani of New York and ultimately his appointment by the mayor to the New York City`s Economic Board of Development Corporation are some striking examples.

Control of civil society

It is a fact that civil society groups, such as lobbies, associations, committees, and unions play an important role in shaping the politics through the pressure they exert. They could be named as the security valves of democracy since they are directly formed by certain segments of the population in pursuant of protecting their interests in particular and people`s in general. Democracy basically cannot survive without having a strong civil society behind it and organized crime`s strategy for influencing the legislative process may take a form of invalidating the organization and operation of civil society. The most efficient methods in this process are gaining the control of flow of information by owning media

resources and corruption and intimidation of the members of the press. Shaping the political debate in their favor is the aim of organized crime in this relationship with media. The same methods, bribery and intimidation, can also be employed against the leaders of the civil society groups by preventing the formation of interests which are not compatible with theirs. This ongoing process undermines the important values of democracy, such as freedom of speech and association, in a considerable manner.

According to Dipaola (1997), some ROC groups purchased entire media enterprises when the government privatized them, while others subsidized struggling newspapers and television networks or resorted to bribery, in Russia. For example, the MOST group owns Segodnia newspaper and has established MTV television (Shelley, 1995a. p.839). While Segodnia and MTV are the most independent and hard-hitting members of the mass media, main analysts wonder whether their independence will be eventually be undermined by their owner. The banking sector, dominated by organized crime, has also been able to enter into television through the privatization process. When Ostankino, the most widely viewed national channel, was sold, forty-nine percent of its shares were acquired by banks (Shelley, 1995a. p.840).

However, the most common methods of controlling the media have been intimidation and murder. Journalists pursuing investigative stories on corruption and organized crime have found themselves at great risk stated a 1997 report from the New-York-based committee to protect journalists, especially in Russia and Ukraine where beatings have become routine (Friedman, 2000). According to the report, 13 journalists from the Russian Federation have been killed by the mob since the fall of communism. The International Federation of Journalists (2000), an independent watch-group who publishes an annual report each year detailing the killing of journalists around the world, confirms the death of 12 journalists in Russia including one American in 1999.

Committee to Protect Journalists (2000), a non-profit organization, dedicated to the global defense of press freedom stated that 24 journalists were killed in Russia during the year 2000. In both reports most of the killings were associated with the anti-corruption efforts of the deceased journalists. The following case, excerpted from the website of International Freedom of Expression Exchange (1998), which is affiliated with United Nations Economic and Social Council, is illustrative:

On 12 February 1998, the Prosecutor-General's office charged Pavel Popovskikh, a retired military officer, with planning and participating in Dmitri Kholodov's murder. The 27-year-old journalist, who wrote extensively on corruption in the Russian military before his death, was killed when a booby-trapped briefcase he had collected from a source at Moscow's Kazanski railroad station exploded in his newspaper's offices. Kholodov, who had been investigating organized crime connections with the military, had been told the attaché case contained secret documents exposing corruption at the military's highest levels. The newspaper's editors accused the military, including then Defense Minister General Pavel Grachev, of ordering the contract killing. General Grachev blamed the Russian mafia.

Speaking of civil society, it has to be stated that civil society in Russia today is underdeveloped: it is in a transitional stage; many of its elements have been suppressed or blocked for centuries through a legacy of Czarist and Communist rules. The autonomy of different social environments and associations; economic enterprises, universities, science, civic organizations, professional

unions, religious organizations as well as press is vital for a democratic rule and the autonomy of state. It is basically a checks and balances situation. Numerous independent associations, societies, organizations, and movements exist today in Russian society, creating good preconditions for the further development of civil society (Golenkova, 1999). However, ROC is assuming much of the state`s authority, and views the civil society as a threat to its existence. Yet, civil society in Russia is already dominated by organized crime, since the formation of these groups require financial power besides the enthusiasm. Louise Shelley (1996. p.129) perfectly reveals this connection:

“Many criminalized companies which, having illegally privatized state resources, now support sports teams and other performance groups as a way of currying favor. Heads of crime groups have sponsored sports clubs. The significant role that the criminalized banking sector has assumed in the development of civil society has prevented the emergence of truly autonomous groups. Many charity funds have been used to launder money. The recent indictment in New York of individuals who embezzled from the Chernobyl victims`

fund raises serious questions about the propriety of the management of this Russian charity".

Ironically, the anomie in Russia fosters the growth of authoritarianism, the need for a strong leader and authoritarian state, concepts that are not quite compatible with the idea of a strong civil society. The reflections of authoritarianism in parliamentary elections were tried to be exposed above, yet; its manifestations in the policy making and execution process are equally problematic.

Prosecution of organized crime in a given society requires the allocation of huge resources. It proves to be hard for governments, especially the financially troubled ones, to compete with powerful organized criminal groups and the picture gets darker when there is widespread corruption. Struggling with organized crime under these circumstances, which Russian case perfectly exemplifies, policy makers and crime fighters choose to get tough, even it means violation of the given country`s constitution and the individuals` rights. The most significant measure presently used by Russian State to combat organized crime is the June 1994 presidential decree entitled, On the Urgent Measures to Defend the Population Against Gangsterism and other kinds of Organized Crime. According

to the decree, suspects could be detained for thirty days without a prosecutor`s warrant, authorities may deny the right to bail, defendants can not examine documents before the opening of a criminal case, commercial and banking privacy may be voided for those suspected of organized criminal activity. The head of the Moscow Helsinki Group, Kronid Liubarsky says that human rights have often been violated in the name of the decree (Shelley, 1995a. p.843). Sergey Stepashin, then head of the FSB (Federal Security Service -new version of KGB) was reported commenting on the issue as: I am all for the violation of human rights if the human is a bandit or a criminal (AI, 1997).

According to Amnesty International (AI, 2000) Russia country report, torture and ill treatment by law enforcement officers to extract confessions continued to be reported. Detainees were threatened with death; beaten, sometimes to the point of losing consciousness; tied in painful positions; scalded with boiling water; almost asphyxiated by having plastic bags placed over their heads or by being forced to wear gas masks with the supply of oxygen repeatedly cut or restricted; and denied food and medical care. Taking into consideration most of the criminals have serious connections with the government

mechanism and financial power to bribe the officials, it would not be unfair to estimate that most of the people who are detained related to organized crime and forced to suffer these inhuman conditions are small fishes or innocents.

Destabilization in national economies:

Protection rackets

Financial instability, inefficiency in the markets and structural problems are either created or contributed by organized crime and all have negative effects on the democratic govern ability at the end.

An economic theory of organized crime assumes that criminal groups are organized, rational and will act like business corporations in deciding what criminal activities they will participate. In black market economies have existed in all countries, however in most cases organized crime prospers only through traditional criminal sources of revenue like drugs, gambling, smuggling contraband and prostitution. In the new Russia, the situation is different, as one author suggested; organized crime wields power over all the economy and the problem is that disassociating the further economic development of the

Russian state from the pervasiveness of organized crime could prove impossible (Williams, 1997. p.56).

Protection rackets deserve to be mentioned first, which organized crime employs coercion and oppression as a method to produce fear in the society in a way to substitute or overlap the protection ensured by the state to derive these illegal taxes from the businesses. While this application corrodes the authority of the government as the only imposer of the taxes in theory, it also increases the price of goods and services subject to this illegal taxation and discourages would-be entrepreneurs from starting legitimate businesses. In chronic cases, facing with the widespread violence, extra-costs of doing business and witnessing the loss of legitimization of the political regime, flight of foreign capital can be observed, either, due to the fact that nobody would like to risk its investment. This could have devastating effects on the national economies of developing and transitional countries, which deadly need national and international investment on their territories.

Russia is a haven for protection rackets operated by the ROC groups, not only because the criminals are so powerful but also the legislative framework is inadequate

to deal with the basics of a capitalist system. Michael McFaul, Senior Associate at the Carnegie Endowment for International Peace where he co-directs the Russian Domestic Politics project, had stated in a 1995 article that the state has not institutionalized a legal system to protect (private) property rights, govern bankruptcy procedures, enforce contracts, protect consumers, and ensure competition. Contracts must be totally self-enforcing to work because the state cannot enforce them (Dipaola, 1997. p.7). After six years, there is nothing changed, criminal groups continue to fill the gap and present their services to the citizens; unable to turn to the government, the people put their trust in ROC groups to enforce contracts, either willingly or unwillingly. One of the most important terms of business in Russia is "kyrsha" which literally means roof and practically refers to an umbrella of protection. Kyrsha can come in the form of a criminal overlord protecting members of his organization or a criminal group`s declaring that a specific business is paying it extortion money; kyrsha also can include certain forms of corrupt government protection, including the militsya, tax police, the military, customs and border guards (CSIS, 1997. p.29).

According to police figures, organized crime controls as much as 40 percent of the Russian economy based on its take from protection rackets, market manipulation, and partnership schemes—a number largely unchanged since the mid-1990s (Handelman, 2000). Grigory Yavlinsky, a Russian economist and the leader of the leader of Yabloko, a democratic, reformist political party currently in opposition says that anyone who attempts to start a small business in Russia will encounter extortion demands from the mafia, so there is no incentive for entrepreneurship (Yavlinsky, 1998. p.71).

Deterring foreign investment

Kyrsha schemes have deterring effects on foreign investments in Russia. Extra costs of protection will naturally discourage the foreign firms which are already overwhelmed with the crippling federal and local Russian taxes which can consume as much as ninety percent of the profits (Dipaola, 1997). Besides, for American firms the Russian market has another disadvantage; FCPA (Foreign Corrupt Practices Act) which prohibits the payments of bribes to foreign officials to secure business advantages and requires US companies to maintain stringent accounting standards so as to preclude the establishments of slush

funds to provide funds for such illicit payments (Boylan, 1999). Taking into consideration that it is almost impossible to do business in Russia without bribing the bureaucrats directly or indirectly, the picture gets bleak for Russia itself; American capital is the strongest in the world and not many U.S. business would be willing to enter into Russian market under these circumstances.

Money laundering and infiltration of financial sectors

Illegal gains derived from the organized crime activities and its infiltration of these proceedings into the economy creates another set of problems. Money laundering is the financial side of the crime that is committed for profit. To truly profit from their crime, criminals must find a way to insert their proceeds into the stream of legitimate commerce. They must launder their dirty money in order to spend it or reinvest it in their criminal enterprises. Money laundering is important in two respects. First it provides the cash that allows criminals to conduct their criminal enterprises. Second, in an age of rapidly advancing technology and globalization, the uncontrolled laundering of large sums of money can cause financial instability. Criminal organizations may enter the financial sector; these groups` setting up private banks

and financial institutions for the aim of money laundering are not unusual events for the law enforcement officials throughout the world. Abuse of the legitimate system and erosion of the legal institutions through complex schemes might have negative consequences on the stability of the whole system

Intrusion of huge amounts of money into a market means a money emission boom. Since this money is not created as a result of a legal production process, buying power of the money will decrease, because the amount of goods and services` supply will not be at the same level with the demand side. To the least, the prices of the goods and services, which the laundered money is directed, will rise considerably, leading to an unfair competition. Unfair circumstances for the legal business may arise in cases that the criminal groups choose to set up front companies for money laundering, not for making profits, too. They could sell their goods and services under the cost price, which breaks the ability of the legal businesses operating in the same sector to compete.

Russia faces a considerable challenge in combating money laundering owing to its unique transition to a market economy. The existence of a continued large-scale capital

flight, underdeveloped market institutions and lack of fiscal resources all complicate the fight against money laundering. Virtually all the former socialist states of Eastern and Central Europe present the potential for money laundering, since privatization and the banking system are going through process of revision and old authority structures and means of regulation are being shaped (Savona & Adamoli, 1996). Only nine years before, there were only four banks in the Soviet Union all closely regulated (Savona & Adamoli, 1996). In early 2000, the Russian Central Bank reported that there were just approximately 1,350 credit organizations in Russia. Some banks, however, have continued to operate without a license (Business Information Service for the Newly Independent States, 2000). On top of this, Russia's Ministry of Internal Affairs, the government agency in charge of combating ROC, estimated in 1997 that between 50 percent and 85 percent of banks are controlled by organized crime groups (CSIS, 1997. p.2).

Financial Action Task Force, the most effective intergovernmental institution tasked with combating money laundering says in its report published in year 2000:

"While Russia faces many obstacles in meeting international standards for the prevention, detection and prosecution of money laundering, currently the most critical barrier to improving its money laundering regime is the lack of a comprehensive anti-money laundering law and implementing regulations that meet international standards. Russia lacks: comprehensive customer identification requirements; a suspicious transaction reporting system; a fully operational FIU with adequate resources; and effective and timely procedures for providing evidence to assist in foreign money laundering prosecutions" (Financial Action Task Force, 2001).

Taking a look at the following case, which is also the biggest money laundering case in the US history, would be helpful for a better understanding of ROC associated money laundering operations and their transnational implications:

"Between October 1998 and March 1999, around \$4.2 billion was processed at the Bank of New York through accounts under the control of a company that reportedly was used by Russian businessmen to launder illegally obtained funds from Russia. The account was kept open to allow investigators to follow the trail

of funds, and an estimated total of at least \$10 billion (with some estimates going as high as \$15 billion) is believed to have been processed through the account "(National Council for Science and Environment, 2000).

Capital flight

ROC groups may not be the only responsible party for Russia's fiscal, banking, and investment problems, but they certainly contribute to their severity by exacerbating systemic problems. A minimum of 40 percent of the estimated \$2 billion in monthly capital flight is attributable to organized crime groups (Shelley, 1997). ROC reinvest little of its profits, instead it frequently transfers its proceeds to more secure West European and offshore financial centers.

Capital flight phenomenon in Russia distinguishes ROC from the classic transnational organized crime groups. Capital flight is an abnormal conversion of financial assets from the national currency to assets in a more stable currency usually in response to or in anticipation of heightened financial risk. Russian capital flight has taken various forms; by Russian residents' conversion of rubles into dollars for use as currency on the black market

or as a means of savings for later conversion back into rubles; by directors of newly privatized companies buying raw materials in domestic markets, selling—generally smuggling—them in foreign markets and keeping the profits offshore in a way to avoid Russian exchange controls and Russian taxation, by Russian firms' fictitious imports and sending hard currency abroad for expenses. According to an estimate of Russia's Ministry of Internal Affairs, more than 40,000 private enterprises were either established by or are now controlled by criminal organizations in Russia and from 70 to 80 percent of private and privatized firms and commercial banks are forced to pay criminal groups; corrupt officials and racketeers (Voronin, 1997). The extent of the capital flight—ROC connection can be comprehended better by bearing the mentioned numbers of economic establishments associated with ROC in mind. Consequences of capital flight on the Russian economy are perilous; it represents foregone investment in manufacturing plants, infrastructure, and other productive capacity. Russia desperately requires capital for investment to rebuild its outdated infrastructure, to modernize its industrial base, and to upgrade labor skills. Capital flight therefore, inhibits Russian economic growth

and development, depressing Russian living standards. In the meantime, flighted capital escapes Russian taxation depriving the Russian government of revenues contributing to fiscal deficits and constraining expenditures on social welfare programs, defense, and infrastructure redevelopment. Furthermore, the magnitude of tax evasion by the wealthy class, an opportunity not open to middle class and the poor, accentuates income disparities and aggravates social instability.

Since the eighteenth century, philosophers and scholars have agreed that capitalism constitutes the economic and social-structural foundation of parliamentary democracy and this agreement has been supported by the actual pattern of democratic development around the globe (Kullberg & Zimmermann, 1999). It is evident that development of capitalism carries a vital importance for the success of democratic reforms. For Russia, the picture is not promising; organized criminals are strangling capitalism that could be accepted as a newborn baby after centuries of czarist and communist rules, neither of which allowed the growing of a free market. Unfortunately, it is a fact that the absurdities in socio-economic life of so-called free market democracy of Russia today far exceed the

ones in the past. The following response of an ordinary Russian citizen on the question of a Western observer relevant to the organized crime`s effects reflects the disillusionment of masses is, sad;

“Initially I think I should say that it`s strange that you (interviewer) should be so interested in the Mafia`s effects on the economy because the Mafia arose from the reforms and policies implemented in Russia following the abortive 1991 hard-line Communist coup. It is strange because these models of reform and privatization all came from you people in the West. With this in mind, I find it very strange that you are studying the consequences of your actions after the fact” (Rollins, 1998. p.5).

Threats to the national securities of other countries

As stated in the first chapter, finding answers to research questions regarding to the political-economical effects of transnational organized crime and the pre-conditions for efficient response is the main aim of this study. However, again, it is crucial to bear in mind that organized crime groups, their operations and consequences take shape according to the social, political and economic systems they operate in. In this context, it proves to be

hard to make generalizations depending on the results of a single case study, as we have here.

There are two major transnational threats arising from the ROC operations: the law enforcement dimension and the national security dimension. First, ROC poses a serious threat to law enforcement; both in Russia and the other countries it operates. Engagement of ROC groups in all types of illicit activity on a transnational basis is a serious concern. Needless to mention the social consequences of these operations, as they increase conducting criminal activities in other countries, the costs of law enforcement increase and are passed to taxpayers.

One of the most destructive aspects of ROC activity is financial activity, which is not only a problem for Russia but also for the world. Criminals in Russia are laundering money throughout the world, and the proceeds are not only invested in illegal sectors, but in legitimate business activities, which has a potential to inhibit fair competition. Corruption of key officials, utilizing banks, stock exchanges, capital opportunities and commodities markets of target countries all undermine the financial security of the countries operated in. Another worldwide

concern from law enforcement standpoint is increasing connections between ROC and other transnational organized criminal groups. Following are some examples of these alliances.

Russian organized crime groups have used their ties to Italian criminal groups to establish extensive businesses in Italy--investing as much as \$4-7 billion between 1993 and 1995 alone, according to Italian trade industry estimates--primarily to facilitate money laundering; Russian and Italian criminals cooperate in international drug trafficking, arms smuggling, and counterfeiting. (Terrorism Research Center, 1998)

To date, U.S. law enforcement officials have established a clear relationship between ROC groups and La Cosa Nostra (LCN), the Italian-American criminal network in the United States. The LCN is cooperating with ROC groups on activities related to gambling, extortion, prostitution, and fraud (CSIS, 1997. p.44).

Cooperative efforts between ROC groups and the Colombian drug cartels are centered in Miami, where the local FBI office characterized the Russian gangsters as very brutal...they are very sophisticated (CSIS, 1997. p.44).

ROC is also reported to be involved in criminal activity with other major international OC groups, including the Sicilian Mafia, the 'Ndrangheta, the Camorra, the Boryokudan (Japanese *Yakuza*), Chinese Triads, Korean criminal groups, Turkish drug traffickers, Colombian drug cartels, and other South American drug organizations. These groups have cooperated with their Russian counterparts in international narcotics trafficking, money laundering, and counterfeiting (CSIS, 1997. p.44).

Second, the national security dimension. USSR is collapsed but Russia still has stocks of nuclear materials. As one author stated, instead of a hostile Soviet superpower, with nuclear weapons under tight totalitarian control, the world confronts a new, more benign Russia, which in some ways is more dangerous than the old. It is a place where chaos is constant, where old safeguards are eroding or already have fallen away, where nuclear know-how and materials are suddenly for sale. The real nightmare scenario involves Russia's ruthless organized-crime syndicates and corrupt government officials working in league to create new markets for nuclear materials, a bazaar with some of the world's most dangerous weapons on offer, a place where savvy buyers will know to come calling

(Zimmermann & Cooperman, 1995. p.56). Although there is not enough evidence to support the existence of an organized nuclear weapons trafficking, except for a few individual cases involving nuclear materials smuggling; there is a good potential as long as there is demand, especially from the rogue states. A lower-level threat is widespread theft, diversion, and unauthorized sale of conventional weapons, ammunition and equipment. Severe conditions in the Russian armed forces; lack of pay for months, lack of food, horrible living conditions, officers` moonlighting to feed their families, startling rates of suicide in officer corps, collapsed morale (CSIS, 1997. p.59) add to the explosion of this phenomenon. In an interesting case, the arrest of a ROC figure in America while negotiating a submarine purchase between Russian military officials and members of Medellin Cartel in 1997 in Miami revealed a six MI8 Russian military helicopters trade in 1993 between the Medellin cartel and Russian military figures through the brokerage of the same ROC figure.

Another strategic threat is the destabilization of democracy in Russia as detailed in Chapter 3; authoritarian tendencies are on the rise in Russia. The success of democracy in Russia is very important for stability in

world politics after the cold war. If a communist or fascist rules, a hostile attitude against the West in Russia will become prevalent in the near future. The three parliamentary election results after the collapse of communism advise the existence of potential for that.

CHAPTER FOUR

CONCLUSIVE REMARKS

The concept of Chameleon Syndrome attempts to explain the phases in the development of organized crime in a society. The model recognizes four stages of development in the relationships between the legitimate structures and organized crime:

(1) Reactive: Organized crime operates outside of, or contiguous to, the legitimate structures. The dominant system is politically and economically stable and has little or no need to compromise or negotiate.

(2) Passive assimilative: The first phase of negotiation or compromise. The dominant system has weakened, particularly in the economic sector, and seeks to acquire from illegal sources, which cannot be gained legitimately. If not actively engaged with the illegal suppliers, it turns a blind eye to those who are. This phase is important in terms of the evolution of the shadow economy, accompanied by low level bribery and corruption.

(3) Active assimilative: Penetration of organized crime into the legitimate structures to an extent that it

would have the opportunity to act with a high degree of autonomy. Organized crime has a direct effect on the condition of the legitimate structures; money laundering, high levels of bribery and active presence in the legitimate economy is common.

(4) Proactive: Organized crime is the major power holder. It has penetrated all the structures of power, including the media, and no longer needs to negotiate on the terms favored by the political system (Rawlinson, 1997. p. 29).

It is not fictitious to assume that ROC has almost reached at the proactive phase, owing to its domination in privatization, banking system, financial markets and businesses and its manipulation power of the political figures and media in the era of capitalism and free market democracy in Russia.

The Russian government's efforts to combat organized crime have been severely impeded due to the extensive corruption at both policy planning and execution levels within the Russian government. Narrow minded get-tough policies rather than focusing on the development of a legislative foundation for a free market society, produced

no meaningful action. The then Human Rights Chief Sergey Kovalev stated that:

"You announced amid publicity, the start of a fight against organized crime in the country. To that end, you gave enormous powers, going beyond the bounds of right and the law, to the power structures. The result? Criminals still roam free, while law-abiding citizens, without having gained security, are forced to tolerate the tyranny of people in uniform into the bargain" (CSIS, 1997, p.64), in his resignation letter to the then President Boris Yeltsin.

Besides the problems sourcing from the unsuccessful crime prevention programs and the pervasive corruption, Russian government basically does not have the resources to change the conditions that support organized crime. Law enforcement elements lack the adequate equipment and suffer from low wages close to poverty level.

The answer to the question "What should be done?" was not the purpose of the present research, nonetheless, any study on this field cannot ignore it completely. A legal framework which makes it possible to fight organized crime such as measures aimed at prosecution of offenders, detection, seizure and confiscation of assets, formation of a strong, independent and incorruptible judiciary that will

hold corrupted officials accountable besides the criminals, a capable law enforcement apparatus in terms of training, equipment and financial resources to address the problems of organized crime at all levels, and increasing international cooperation and coordination between Russian fighting agencies and their counterparts in other countries where ROC operates are all part of the broad recipe to cure this infection. However, the realization of all these aims virtually remain impracticable unless the policy makers should go about reducing the demand for organized crime and corruption. To achieve this goal, various steps are to be taken in economic and political field: separating business from political power, regulation of the operations of individual businesses, provisions for bankruptcy, banking and contract enforcement laws, promoting free competition by encouraging small and medium sized businesses to ensure the establishment of a middle class, decentralization of financial resources and implementation of lower and simpler taxes are essentially needed. Furthermore, simplification of regulation of state controls, systematization of the work carried out by different state agencies and reduction of the number of unneeded state institutions and staff, applying of income declaration procedure for state

employees starting from the top level, assuring transparency of political parties, enduring the coordination of efforts of the civil society groups such as educational, religious organizations and media and finally formation at the federal level of a coordinating body responsible for the execution of the strategy for combating corruption are some of the vital tools to be used in struggling with corruption.

Anti-corruption and anti-organized crime measures require a real commitment by political leaders to seriously undertake these campaigns and such commitment is surprisingly hard to come by, in part because the leaders themselves often emerge at the top without completely clean hands, and in part because the commitment can be both socially and personally costly (Leitzel, 1998, p.10). Whatever the extent of the corruption level is, certain elements of the Russian government have made sincere efforts to address the organized crime and corruption problem by risking their own personal safety and careers. These efforts have been supported by the actions of a number of politicians and media members, some of whom already paid the costs with their lives as we stated

before. The efforts of these individuals should be encouraged and supported in every possible way.

As it is the case with the struggle against the activities of other transnational organized crime groups, ROC activities cannot be contained by the campaign of a single country, as well. Countries, which were infected by ROC virus, should make a clear definition of ROC and broaden their bases of knowledge about it, statistics should be kept, intelligence databases should be formed and exchange of information among these countries must be encouraged. Training programs, equipment and financial support must be provided by the developed countries to Russian law enforcement agencies. In fact, this support should not be limited to law enforcement agencies, but other actors of Russian bureaucracy must be supported in similar ways by respective agencies of the related governments, as well. Financial aids aiming to recover the collapsed Russian economy by individual countries and intra-governmental organizations must be continued, however, strict control mechanisms must be established for preventing the diversion of these funds into the hands of corrupted officials and criminals.

The challenges posed by transnational organized crime, are showing signs of becoming a substantial danger to the political, social and economic stability of states, especially if its enormous financial power is taken into account. Organized crime has been fueled by the new patterns of international trade and progress made in communications and transportation, jointly known as globalization that will continue to change the nature of organized crime. While large criminal organizations will remain powerful players with worldwide networks, a large number of highly skilled freelancer criminal entrepreneurs empowered by high-tech computer skills and telecommunications capabilities will challenge law enforcement agencies. These individuals, who might be hired by organized crime groups, could cause substantial public and private-sector losses, potentially even undermining the integrity of the institutions they target and compromising market stability. The following is a good example:

"Six people have been arrested in a scam by Russian computer hackers who stole more than \$10 million from a Citibank electronic money transfer system by wiring funds to accounts around the world. The money was shifted from Citibank to accounts in Finland, Russia, Germany, the

Netherlands, the United States, Israel and Switzerland”
(Six arrested, 1995).

Another scenario would be the emergence of large interactive networks of smaller, independent organizations, which cooperate on the basis of comparative advantage. Crime groups within these networks would specialize in specific activities; advances in computer and financial technology increases the anonymity and speed of commercial and financial transactions, offering criminals more efficient and secure ways to smuggle illicit drugs and contraband, penetrate legitimate businesses, and launder and move money: Greater regional economic integration such as European Union and NAFTA as well as worldwide interdependence of national economies will make it easier for criminal organizations to operate on an international scale. Improvements in transportation to facilitate international trade will increase the volume, speed, and efficiency of smuggling and commercial transactions by transnational crime groups.

The magnitude of the problem will depend on the global political and economic conditions, the extent and effectiveness of measures taken to reduce societal or systemic vulnerabilities, and the degree to which national

law enforcement around the world develop appropriate cooperative mechanisms enabling them to operate outside the parameters of national sovereignty and legal jurisdictions. Policy solutions cannot be homogenous, because the very nature of transnational organized crime precludes any one country from launching an effective campaign against organized crime groups, which exploit conflicting criminal, banking, and investment laws and law enforcement practices among different countries. As Shelley maintained, successful policy must seek international harmonization in legislation combating crimes in the areas of banking, securities law, customs and extradition in order to reduce the opportunities for criminal activity and minimize the infiltration of transnational organized crime groups into legitimate business (1995a). Extradition and mutual legal assistance treaties should be formed to inhibit the avoidance of criminals from detection besides the establishment of a coordinated law enforcement and intelligence sharing mechanism with relate to the activities of transnational crime groups.

In this research ROC, the socio-economic context it was born in and has flourished on, its actions and effects on the political economy of Russia and related countries

were studied and pre-conditions for a broad response against it were attempted to be established. In each specific transnational organized crime group case, the social and economic problems behind the explosion of organized criminal activity should be carefully investigated and proper ways to cure them should be searched for. Legislative efforts and law enforcement is doomed to fail unless the fertile ground which organized crime prospers on is terminated. In this context, the solution of economic, social and political problems that lead to moral degradation and systematic corruption carries a particular importance.

Before the end of the cold-war period, national security threats were clearly defined, generally based on the membership of either one of the opposite two blocs. The international system, which was ironically stable then, has turned into a chaotic environment in the last decade, despite the expectations of the emergence of a "New World Order". It would be wrong to assume that transnational organized crime was a product of this anarchic atmosphere but it obviously enjoys its golden age in this era of world history. The next question is, as Sterling suggested, a 'Pax Mafiosa' (1994b), (the concept that international

organized crime groupings are working together efficiently and harmoniously, and dividing the globe between them) is really under formation or not? It would be a mistake to take this too far at the moment, but it is evident that world states have not the luxury to take the transnational criminal activity as a sole law enforcement problem anymore. The menace stemming from the transnational organized criminal activity to the national securities of the countries is growing and stabilization of the international political-economic system is clearly under attack. Unless proper measures are taken in national and international level, the transformation of the "Pax Mafiosa" myth into true is not a distance possibility.

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