# CRIMINOGENIC EARLY WARNING AND INDICATOR SURVEY

# RUSSIA: 1991-1997

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## Executive Summary

Boris Yeltsin once characterized his country as a "Criminal Superpower." Few would dispute the fact that Russia's post-Soviet transition has been plagued by unprecedented levels of criminal activity. Consensus quickly breaks down when one tries to identify the underlying causes of that criminality, however. Commentators have proposed a variety of economic, political, and socio-psychological explanations for the phenomenon, ranging from the persuasive to the paranoid; some in the early 1990s even suggested that the rise in Russian crime was actually part of a communist plot. Conspiracy theories aside, the issue remains one of key importance, as answers are not only necessary for Russia in its continuing quest for stability and order, but also provide crucial insights into the recent growth of Eastern European based crime in Western Europe, the United States, and Canada.

This survey identifies the key indicators that presaged the growth of crime in Russia during the period 1991-97. Our findings illuminate a number of causal linkages related to conflict, governance, economics, demographics, and societal indicators. The most important of these linkages are described below.

### Key Findings:

1. **Conflict** – Conflicts require a black market to supply the needs of the parties involved. A lack of central authority in conflict regions allows criminal organizations to operate with total impunity. Unpatrolled borders between the relatively chaotic conflict regions and surrounding areas allows for the illegal movement of weapons, drugs, goods, and people. If not under effective civilian control, the military can play a direct role in exporting local criminal activity to the rest of the country and beyond. All phenomena were apparent in post-Soviet conflicts.

2. **Governance** – Governance indicators include a wide range of factors, and are thus perhaps the most difficult to usefully distill and quantify. Nonetheless, it is clear that a massive political transition provides opportunities for corruption and arbitrary governance. If a strong, responsible and transparent governance system does not develop, human rights are ignored, and civil society is repressed and ineffective. Violence may emerge as the only reliable method of conflict resolution. Throughout the reporting period, the Russian President exercised relatively autocratic and arbitrary powers, and engaged in constant jurisdictional battles with regional governments. Bureaucrats tended to be overregulated and under-funded; they were therefore vulnerable to corrupting influences, and liable to place self-interest ahead of the public good. The lack of a functioning civil society ensured that no counterbalancing forces emerged to stabilize society in the face of government corruption and ineptitude. People were often forced to turn to organized crime as the only source of stability and predictability in their environment, giving rise to a form of non-state based authoritarianism.

3. **Economics** – If not carefully planned, privatization and deregulation can produce chaotic conditions conducive to the rapid growth of criminal activity. If unchecked at an early stage, the processes can result in criminal infiltration and even domination of the entire political-economic structure of the country in question. Capital in Russia generally had its origin in criminal activity or in the abuse of public office for private gain. The country's privatization scheme was dominated by select groups with privileged wealth and influence, resulting in an extremely unbalanced and incomplete transition to private ownership. A general lack of liquidity, a

repressive tax system, and an irrational system of commercial regulation – especially in the banking sector, which was virtually unregulated – all undermined the Russian economy, encouraging dollarization and feeding the shadow economy.

4. **Demographics** – Demographic shifts, particularly detailed immigration information regarding critical sectors such as young males, may give vital insights into the export of crime. In addition, established diaspora communities are often vulnerable as beachheads for foreign-based criminal organizations.

5. **Society** – When confronted with an arbitrary system of government, legality and morality become divorced. Civil disobedience becomes morally justified, and collusion with the system may be perceived as immoral. In additional to political and economic changes, transitional societies also undergo a moral transition and realignment; civil society must accept that public and private interests can be complementary, and that legality and morality are closely aligned. If the transition is chaotic and prolonged, the moral realignment may not occur, thus undermining the legitimacy of the new order.

6. **Criminality** – Political and economic disorder, a breakdown in civil society, a lack of judicial independence, and an arbitrary, self-interested government and bureaucracy vulnerable to influence all encourage the growth of corruption and criminality. The Russian government abdicated its monopoly on the use of force, and criminal organizations filled the vacuum, providing mechanisms of contract resolution and conflict enforcement. In addition, Russia's location between regions supplying contraband materiel and countries demanding it made it a natural location for all manner of illicit trafficking activities, further spurring the growth of criminality.

## INDICATOR SUMMARY

### 1. Armed Conflict and Crime

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| • Conflicts flared throughout the Caucasus and Asian Republics.<br>• Wherever conflict appeared, central authority eroded; formal economies weakened or collapsed completely.<br>• Conflict often resulted in a patchwork of jurisdictions controlled by local warlords or criminal organizations, making enforcement, regulation, and other suppression of criminal activity virtually impossible. | • Conflict spurred growth of shadow economies.<br>• Ethnic groups, criminal clans, independent officers of the Russian Army, and government agents (both regional and national) used the disorder to further personal interests. |

| **Location:** | **Georgia** | |
|---|---|---|
| Cause/Type: | Intrastate Ethno-territorial conflict; coup | |
| Participants: | Georgians, Abkhazians, South Ossetians. Ajarians, Armenian Javakhetians, Muslim Meskhetians, Azeris, and Zviadists (loyalists of the former nationalist President Zviad Gamsakhurdia) | |
| Time of conflict: | South Ossetia 1990-92; Presidential coup 1992; Abkhazia 1992-94 | |
| Refugees/IDPs: | Abkhazia – 300 000; Ossetia – 100 000;[1] Mehmet Turks 300 000[2] | |
| Outcomes: | • South Ossetia and Abkhazia both achieved de facto independence from the central government. Conflict was followed by an unstable peace, with the regions' final status unclear.<br>• During the transitional period, the Azeris, a majority in southeastern Georgia, agitated for political autonomy. Azerbaijan initially supported the drive, but later developed close ties with Georgia as a result of their shared interest in resisting Russian dominance in the region, especially in oil politics.<br>• Zviad Gamaskhurdia was removed from office by military coup in 1991. In the ensuing civil war, Zviad loyalists were defeated militarily in 1993. | • Armenians in Javakheti constituted a local majority, one with weak links to the rest of Georgia. Demands to secede or merge with Armenia continued throughout the period.<br>• Ajaria constituted a third autonomous unit within Georgia, but did not openly agitate for independence during the period.<br>• Muslim Meskhetians were deported en masse by Stalin in 1944. Numbering 200000 – 300000, they sought to return after the Communist collapse in 1991. Most consider themselves ethnically Turkish; their return became a deeply divisive issue in Georgia. |
| External Actors: | Russia – The Russian Army acted as peacekeeper in Georgia. Its officers often acted independently of central Russian control. Individual Russian politicians largely controlled Federation policy towards area, inviting abuse.<br>US – Increasingly interested in region due to strategic oil reserves in Caspian Sea. Acted as partial counterweight to Russian influence.<br>UN, OSCE – present, but mainly in observational capacity; little power to influence events. | |
| Economic issues: | Soviet era decay, war, and uneven economic development all took a toll, leaving a majority of the population in poverty; most of the infrastructure was destroyed. Economic output dropped 70% from 1990-95.[3] | |

[1] MacFarlane, S. N., Minear, L., Shenfield, S. D., "Armed Conflict in Georgia: A Case Study in Humanitarian Action and Peacekeeping," The Thomas J. Watson Jr. Institute for International Studies, Brown University, Providence, RI. 1996. [Online] Available: http://www.ciaonet.org/wps/watson/man02.pdf, [2004, March 8].
[2] World Bank, "Georgia Conflict Assessment," ARD, Burlington, Vermont, 2002. [Online] Available: http://www.dec.org/pdf_docs/PNACN725.pdf, [2004, March 11], p.16.

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| Political issues: | Central political institutions were greatly weakened by the transitional struggle; individual politicians in each region exercised great influence. |
| Criminality: | The widespread destruction, combined with the need to supply various non-state military groups, gave rise to a shadow economy that for a time exceeded the formal economy in size and importance. |

| **Location:** | **Chechnya**[4] |
|---|---|
| Cause/Type: | Intrastate war of independence |
| Participants: | Chechens (various factions), Russian Army |
| Time of conflict: | 1994-96 |
| Refugees/IDPs: | 400 000 refugees, 50 000 casualties |
| Outcomes: | Central issue of Chechnya's status was not settled; peace remained fragile. |
| External Actors: | None in actual conflict, though Chechnya's extremely porous borders allowed virtually free flow of contraband, weapons, armed groups, and refugees. The conflict therefore had a destabilizing effect on Daghestan, Ingushetia, Georgia, and other neighbouring territories. |
| Economic issues: | War destroyed 80% of Chechnya's already outdated economic infrastructure. A mass exodus of Russians and educated Chechens created huge brain-drain effect. There was no official government budget and no real central control of government policy from 1992-97. |
| Political issues: | Top military and religious leaders, along with the "new" economic elite, became dominant in Chechen politics. Political power devolved to local military units, armed militias, and criminal organizations; each dominated its own "turf." Islamic institutions were increasingly incorporated into government, though certain vital agencies remained fundamentally secular. |
| Criminality: | War totally disrupted economic activity and led to the breakdown of central authority. Chechnya became a haven for criminal actors from around Russia, and spurred the development of a largely criminalized economy. The republic served as a staging area for criminal operations throughout the Federation. In addition, the local shadow economy was partially fueled by money from the illegal extraction and sale of crude oil, estimated to be 70 000 tons a month. |

| **Location:** | **Northern Ossetia**[5] |
|---|---|
| Cause/Type: | Territorial dispute over Prigorod region |
| Participants: | Ossetians and Ingush |
| Time of conflict: | Oct-Nov 1992 |
| Refugees/IDPs: | 600 dead, 40 000 displaced |
| Outcomes: | Federal Russian mediation and administration of disputed region. Dispute continued to simmer following mediations, with political rhetoric and acts of terrorism fueling the conflict. |
| External Actors: | Russian armed forces; some Chechen fighters in support of the Ingush minority. |
| Economic issues: | The region became increasingly dependent on Russian financial support as economic activity suffered under the prolonged tensions. |
| Political issues: | The dispute arose from Ingushian demands for independence. The region remained highly militarized and divided throughout the period. |
| Criminality: | The involvement of Chechen gangs, along with the general instability and |

[3] World Bank, "Georgia: Portfolio of Operations," 2001. [Online] Available: http://www.dec.org/pdf_docs/PNACN725.pdf - ARD Georgia conflict, [2004, March 17].
[4] FEWER, "Region Early Warning Report on Chechnya and Northern Ossetia," 1998. [Online] Available: http://www.fewer.org/caucasus/index.htm, [2004, March 20].
[5] FEWER, "Chechnya and Northern Ossetia."

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| | lawlessness throughout the region, contributed to rising levels of criminality. |

| **Location:** | **Tajikistan** |
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| Cause/Type: | Civil war |
| Participants: | Successor Communist regime, democratic and opposition religious groups |
| Time of conflict: | 1992-94, though violence continued sporadically for some time afterwards |
| Refugees/IDPs: | 300 000 casualties, 1.5 mil refugees (total pop. 5 mil)[6] |
| Outcomes: | Peace accord between government and rebels signed in 1997 |
| External Actors: | Russia[7] - The Russian Army played the primary role in maintaining stability in the region following conflict, albeit amid repeated charges of bias towards government forces.[8]<br>Afghanistan – Porous borders with Afghanistan encouraged strong ties between Islamic rebels and Afghani factions, allowed for the free movement of goods and people.<br>US, UN, OSCE – Mainly observer status |
| Economic issues: | War almost destroyed Tajikistani economic infrastructure, leaving the country the poorest of all transition economies. Tajikistan became deeply dependent on support from Russia and Uzbekistan. |
| Political issues: | Local "self-defence forces" exercised control of local areas, under little or no centralized control.[9] |
| Criminality: | Prolonged conflict spurred growth of a large black market and virtually destroyed local law enforcement capabilities. Local autonomy gave militias, armed forces, and criminal gangs the power to pursue rent-seeking behaviour, including overtly criminal activity. Connections with Afghanistan greatly facilitated drug trafficking.[10] |

[6] SIPRI, *Yearbook of World Armaments and Disarmament* Stockholm, Sweden. Various editions, 1990-2000.
[7] Library of Congress, "Tajikistan Country Study," 1996. [Online] Available: http://lcweb2.loc.gov/frd/cs/ tjtoc.html, [2004, March 17].
[8] SIPRI, *Yearbook.*
[9] SIPRI, *Yearbook.*
[10] Library of Congress, "Tajikistan Country Study."

**2. Governance**

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| • Lack of accountable and transparent democratic institutions, limited civil / political liberties<br>• Partially free press<br>• Endemic corruption at all levels of government<br>• Jurisdictional battles between centre and regions | • Members of Duma were granted immunity from prosecution, allowing "krysha" to develop and encouraging criminals to run for government office.<br>• Organized crime strongly influenced government through lobbying, strategic corruption, informal personal relationships, blackmail and violence. |

**Democracy and the Government** - With the collapse of the Soviet Union in December 1991, the Russian Federation emerged as a nominal democracy, but was clearly still in transition from its communist, totalitarian past. Throughout the period from 1991 to 1997 the persistence of acute political conflict continually forced the government to resort to emergency powers. The differences between the official political rhetoric and the actual policies of the government belied a democratic gap. With the government's legitimacy at stake, rights were restricted, the political conflict was 'militarized' and the national security establishment received powers usually only applicable during an exceptional state of emergency.

Throughout Yeltsin's tenure as president, the political party system was in constant flux. In addition to the Communist Party, parties of the centre and right formed and reformed. The former communist "nomenklatura" was given the opportunity to manage state property and most of them remained in the government. The Russian parliament was often dependent on these unelected Kremlin officials. The government proved unwilling or unable to challenge regional barons, or to address the corrupt way regional gubernatorial elections were conducted. In addition, regional legislation and institutions were not coordinated with the federal constitution, resulting in power struggles between the president and regional elites.

**Human Rights and the Media -** The government generally respected freedom of assembly and association, but there were few signs of an emergent civil society. Russia's constitution guaranteed freedom of speech and the press, but the Freedom House Organization only rated it as "partially free."[11] Eighty percent of Russia's media was privatized but most outlets continued to receive some sort of government funding. Large, powerful companies with reported links to organized crime controlled much of the media. These media organizations echoed the political agendas of their owners. Libel laws remained very strict; the threat of lawsuits thus caused many papers to self-censor. Press-freedom groups maintained that individual journalists and media outlets faced pressure as a result of their unfavourable coverage of government policies, high-profile corruption cases and criticism of the war in Chechnya.

**Corruption -** With the fall of the Soviet system, a "non-state" emerged, one lacking any institutional restraint or rules to regulate corruption. As perestroika picked up momentum, the Communist Party ceased to be an enforcer of order and regulation, allowing and often actively participating in the growth of organized crime. The traditions of "vory v zacone" (thieves in law), the shadow economy, and a powerful, independent bureaucracy all contributed to the rise of

[11] Freedom House, "Press Freedom Survey," 1999. [Online] Available: http:freedomhouse.org/pfs99/reports.html, [2004, March 17].

organized crime.[12] More recently, outside groups even gained access to legislative authority by supporting criminals for election to the Duma. It has been suggested that Russian organized crime was a new type of non-state based authoritarianism.[13]

A 1995 parliamentary commission reported that the Politburo passed several secret resolutions regarding the direct concealment of state revenue and property in commercial structures.[14] All levels of the party hierarchy participated in the liquidation of the state, using party banks, joint enterprises and joint stock companies to do so in 1990 and 1991.[15] Federal officials and bureaucrats took bribes and other forms of illegal income in exchange for misappropriating licensing export quotas, registrations for commercial enterprises and real estate easements. Total fraud was estimated at $100 billion. Official MVD reports suggested the losses from corruption from 1991-1998 represented more than 15% of the GDP and more than 9 million Russians were involved in it.[16]

Despite very low salaries for the majority of people working in government, the number of people in public service grew at a very high rate, reaching an estimated 18 million in 1998 (Compared with 17 million in the entire USSR). Taxes, bribes, and money from criminal groups constituted the main part of bureaucrats' income. According to the Federal Security Service, about 50% of criminal income was spent on bribing state bodies and justice officials.[17] The number of known organized criminal groups connected with corrupt officials increased from 38 in 1990 to 1,037 in 1994.[18]

[12] Albini, J. L., Kutushev, V., Rogers, R. E., Moiseev, V., Shabalin, V., and Anderson J. "Russian Organized Crime: Its History, Structure, and Function," In P. J. Ryan and G. E. Rush, *Understanding Organized Crime in Global Perspective*, 1997. 153-173.
[13] Shelley, L. I. "Post-Soviet Organized Crime: A New Form of Authoritarianism," In P. Williams, *Russian Organized Crime: The New Threat?* (2nd ed.), 2000, 122-138.
[14] Waller, J. M. and Yasmann, V. J., "Russia's Great Criminal Revolution: The Role of the Security Services," in P. J. Ryan & G. E. Rush, *Understanding Organized Crime in Global Perspective*, 1997. 187-203.
[15] Waller and Yasmann, "Russia's Great Criminal Revolution."
[16] Kulish, V., "Can we fight corruption?" (In Russian), electronic magazine *Observer*, N10-11. 2000, [Online] Available: http://www.nasledie.ru/oboz/N10-11_00/10-11_05.HTM, [2004, March 1].
[17] Tarnovsky Y. N., "Dynamic of Main Types of Crimes in 14 Natural Regions of Russia," *Ministry of Justice Magazine*, 4, 1992. 45; quoted in "Fighting Crime," *Moscow Centre for Prison Reform,* 1998. [Online] Available: http://www.prison.org/english/rpcr6.htm, [2004, March 3].
[18] Mikhailovskaya, I. B., Kuzminsky, Y. F., Mazayev, Y.N., "Human Rights in Public Consciousness," Human Rights Project Group, Moscow, 1994; quoted in "Fighting Crime," Moscow Centre for Prison Reform, 1998. [Online] Available: http://www.prison.org/english/rpcr6.htm, [2004, March 3].

## 3. Economics

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| • Russian economic output decreased every year between 1990 and 1996.<br>• Shadow economy accounted for 25-50% of economic output.<br>• Inflation and demonetarization partially undermined market functionality. | • Capital flight totalled nearly US$100 billion by January 2000.<br>• Privatization methods were irregular, often favouring insiders.<br>• CIS Human Development Index (HDI) values decreased consistently throughout reporting period, indicating a worsening standard of life. |

**GDP** - The Russian GDP shrank each year between 1990 and 1996; between 1992 and 1994, the average decrease was more than 10% per annum. Only at the very end of the reporting period, in 1997, did the economy begin to expand slightly; even so, the slide resumed in 1998, and continued until the end of the decade.[19] As explicit as this trend appears however, there were several obscuring factors that must be included in the analysis. Unfortunately, these factors tend to be difficult to measure directly, and often must be estimated.

**Shadow Economy -** One important factor in Russia's economic decline was the growth of the Russian shadow economy. Current (2004) estimates by GOSKOMSTAT,[20] the Russian statistics agency, assume the shadow economy to account for 23% of the total Russian GDP, and alter their GDP calculations accordingly. Other estimates, including one by Christof Ruele of the World Bank, place the figure at nearly 50% of total economic output. To put this number in context, European Union countries generally allow for 7-16% of shadow market activity.[21] Such variance reflects the fact that no direct method exists to measure its real impact on the economy.

**Demonetarization -** A second, related factor complicating estimates was the trend towards demonetarization in the Russian economy. Russia's Central Bank exercised an extraordinarily tight monetary policy during the early years of marketization; this was due in part to lingering aspects of former Soviet monetary policy, as well as to a desire to control Russia's spiraling inflation, which reached a high water mark of 874% in 1993.[22] Squeezed by the dual pincers of low ruble supply and high inflation, the Russian economy began to suffer a general lack of liquidity. Industries began to move increasingly towards a barter system of exchange, using promissory notes, IOUs, and other forms of non-monetary payment in order to meet financial obligations; many of these techniques dated back to Soviet era accounting practices.[23] The lack of Russian liquidity also likely contributed to the growth of dollarization of the economy

[19] CIFP, Country Indicators Database, [Online] Available: www.carleton.ca/cifp, [2004, March 3].
[20] World Bank, "Interview with World Bank Economist Christof Ruele," 2002. [Online] Available: http://www.worldbank.org.ru/ECA/Russia.nsf/0/F5BB4A914304C9B9C3256CB600350661, [2004, March 16].
[21] World Bank, "Christof Ruele Interview."
[22] CIFP, Country Indicators Database. Other observers put the number even higher. The European Bank for Reconstruction and Development (ERBD) recorded 1992 Russia's inflation at 2506%. Quoted in Aslund, A., *Building Capitalism,* Cambridge, UK; New York: Cambridge University Press. 2002.
[23] Oliker, O., Charlick-Paley T., *Assessing Russia's Decline: Trends and Implications for the United States and the U.S. Air Force* Arlington, VA: RAND Corporation, 2002. [Online] Available: http://www.rand.org/publications/MR/MR1442/, [2004, March 25]. Popov, V., "Exchange Rate Policy After the Currency Crisis: Walking the Tightrope," PONARS, 2000. Johnson, J. *A Fistful of Rubles*, Ithaca New York: Cornell University Press, 2000. p. 28.

throughout the period, as the Russian economy experienced a constant net inflow of foreign cash, largely in the form of US dollars.[24]

**Capital Flight -** A third major factor of the Russian economic situation in the period was the continuous outflow of capital, the phenomenon of "capital flight." This outflow took several forms, and began in the late Soviet era. One major mechanism was referred to as "transition pricing." Managers of state industry set up private firms, and sold the industry's output to their company at subsidized prices. They then resold that product at world prices, pocketing all profits. A second method involved the liquidation of state property by party officials. Calculations and estimates place the yearly outflow at nearly US$ 15 billion throughout the period; by the year 2000, total capital flight from Russia likely topped US$100 billion.[25] It must be noted that this phenomenon was more problematic in Russia than elsewhere. It was the only transition economy that continued to experience net capital outflow throughout the 1990s; most other nations in transition began to receive net capital inflows by mid-decade.[26] In fact, even when compared to extreme historical cases of capital flight such as those seen in Latin America in the 1980s, Russia's level of per capita capital flight was remarkable in its excess.[27]

**GDP Per Capita -** Per capita income decreased continuously throughout the period, so that by 1997, Russian purchasing power parity (PPP) was a third less in constant dollar terms than it had been in 1991, down to the equivalent of US$6900. Interestingly, this was still more than triple its raw GDP per capita (total GDP / total population); in 1997, raw GDP per capita was only $2236.[28]

**Industrial Structure –** The sectoral share of the economy shifted dramatically in post-Communist Russia. The greatest decline in output occurred in the heavy industrial sector. In 1990, heavy industry accounted for virtually half of total Russian GDP; by 2002, it had decreased to a 30.5% share of a much smaller total GDP. In that year, the largest single industrial sector was energy, at 20% of total industry output, followed by metallurgy, which accounted for 17%. Overall, resource extraction and refinement constituted the largest sectors of the Russian economy.[29]

**Banking -** One of the most problematic areas of the Russian economy in the post-Communist era was the banking sector. In a very short period of time, Russia shifted from a system with a single national institution, Gosbank, to a virtually unregulated financial system populated by thousands of banks. The majority of these were "cooperative" banks, which required only 500000 rubles in start-up capital, or roughly US$85000. With such low barriers to entry, the resulting proliferation was inevitable, and inevitably lopsided. The vast majority of capital resources were concentrated in a few major banks, and the remaining banks were left undercapitalized and vulnerable to takeover, bankruptcy, and abuse.[30] In 1993, a European

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[24] Russian Central Bank, "RF Balance of Payments Statistics," 1997. Quoted in Institute of Economics, Moscow and the Centre for the Study of International Economic Relations, University of Western Ontario, "The Problem of Capital Flight from Russia: A Final Report." [Online] Available: http://www.warwick.ac.uk/fac/soc/CSGR/current/capfligt.pdf, [2004, March 11].
[25] Bank of Russia, "RF Balance of Payments Statistics."
[26] Aslund, *Building Capitalism*.
[27] Loungani, P., Mauro P., "Capital Flight From Russia," *Conference on Post-Election Strategy Moscow, April 5-7,* Research Department - IMF, 2000. [Online] Available: http://www.imf.org/external/pubs/ft/seminar/2000/invest/pdf/loung.pdf, [2004, March 5].
[28] CIFP, Country Indicators Database.
[29] Economist, "Country Briefings Russia," 2003. [Online] Available: http://www.economist.com/countries/Russia/profile.cfm?folder=Profile-Economic%20Structure, [2004, March 15].
[30] Moors K., "Russian Banking: An Overview and Assessment," *The Donald W. Treadgold Papers*, No. 7, Seattle, WA: University of Washington, 1996. fn 6 and 7, p 11.

Bank for Reconstruction and Development (ERBD) report estimated that less than 4% of Russian banks accounted for over 70% of total assets. By 1996 the situation had improved somewhat, though even then Russia's 20 largest banks controlled 52% of aggregate bank assets, out of a total of over 2500 registered banks.[31]

Under such conditions, the banking sector presented an obvious target for organized crime. Various criminal elements sought either to gain influence over existing major banks, or to found new banks of their own. As a result, the industry proved to be a dangerous one. By 1995, there had been over 300 recorded attacks against senior bank executives. Of those, some 35 were assassination attempts, 18 of which proved successful.[32] Estimates vary, but most observers concur that a majority of banks were either directly owned by, or under the influence of, criminal organizations.[33]

Relevant bank types[34]:

| Type | Ownership | Criminalizability | Examples |
|---|---|---|---|
| Zero | Diverse; Bank director maintained personal control over activities | Vulnerable to influence or takeover by criminal organizations | Menatep, Inkombank, Most Bank, Stolichnii Bank |
| Pocket | Founders | Often owned by SOEs in same industry, or business clan – prime venues for money laundering | Lesprombank, Avtovazbank, Aeroflot Bank, Dal'rybbank |
| Ministry | Ministry and associated Industries | Possible vehicle for state liquidation by party/state *nomenklatura* | Avtobank, Tokobank, Neftekhimbank, Zheldorbank |

**Tax system -** The onerous Russian tax system had the dual effect of forcing small businesses underground into the shadow economy, and driving capital flight. In 1997, the system consisted of 4000 separate laws and regulations governing 200 different taxes.[35] Ironically, despite high corporate and personal tax rates and a VAT of 21.5%, Russia collected only 41% of its total GDP in taxes in 1993 and 36% in 1994.[36] Both numbers are below those of any western economy. In general, transition economies that maintained a high tax rate saw their public incomes fall dramatically, while those that lowered their tax rates collected greater net government revenues, and even retained a greater portion of the GDP as government income.[37]

**Privatization -** In the early years of perestroika, management often exercised "quasi-property rights" over their enterprises. Through a technique known as transfer pricing (see section regarding "Capital Flight" for more information), they were able to expropriate virtually all profits. Thus, when privatization schemes began, state industry managers were among the few groups

[31] Moors, fn 7 p. 37; p. 111.
[32] Moors, p. 11.
[33] For instance, Lydia Krasfavina of the Russian Institute of Banking and Fianancial Managers suggested in 1996 that 70-80% of banks could be described as owned or influenced by organized crime. Quoted in Burlingame, T., "Criminal Activity in the Russian Banking System," *Transnational Organized Crime,* Vol 3, 3, 1997. 46.
[34] Johnson, p. 55.
[35] Burlingame, p. 68.
[36] Library of Congress, "Russia- Country Study," 1996. [Online] Available: http://lcweb2.loc.gov/frd/cs/rutoc.html, [2004, March 17].
[37] Aslund, p. 197.

with large amounts of capital, along with other self-interested state and party officials, the dubious "new businessmen" of Russia, organized criminals, and foreigners.[38]

In Russia, there were five main privatization schemes:

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|---|---|
| • Open sales | • Mass privatization |
| • Restitution | • Liquidation |
| • Management/ employee buyout | |

In 1992 privatization of small enterprises began through employee buyouts and public auctions. By 1994, more than 85 percent of Russian small enterprises had been privatized, along with more than 82000 Russian state enterprises – one-third of the total in existence.[39]

On 1 October 1992, vouchers, each with a nominal value of 10000 rubles (about US$63), were distributed to 144 million Russian citizens for purchase of shares in medium-sized and large enterprises that officials had designated and reorganized for this type of privatization. However, voucher holders were permitted to sell the vouchers; their cash value varied according to the economic and political conditions in the country. Russians could also invest them in voucher funds.[40] As a result of the voucher scheme, shares either gravitated to the few with money, or were so widely disseminated that effective shareholder control of management was impossible. Corruption and abuse was the inevitable result.

In Russia, management/employee buyout dominated. In many cases, 20% of shares were distributed via vouchers, while 51% were given cheaply to employees and management, with the preponderance going to management. In addition, the state often retained a "golden share," allowing for a government veto. Thus, even once privatized, many organizations were open to government manipulation. In many cases, insider trading dominated as the fastest, easiest way to transfer ownership to the private sector. Such practices were often shrouded in secrecy and uncertainty. Lacking any sort of open disclosure, they were difficult to trace, let alone regulate.[41]

**Unemployment -** Throughout the transition period, unemployment stayed relatively low and stable in most transition democracies, even when measured using proper labour surveys. In Russia, the rate peaked in 1998 at 13.3%, and then began to recede once again. Aside from the war-torn societies, the experience was similar elsewhere.[42]

**Inequality** - The GINI coefficient of disposable income shifted substantially in all the transition economies between 1991 and 1997. Interestingly, the countries instituting the most radical reforms (Central and Eastern European States such as Germany and the Baltic States) saw a smaller rise in the GINI coefficient than nations that instituted less radical reforms. Intermediate reformers, including Russia, Ukraine, and Moldova reached a GINI index of 40; these numbers were on a par with the United States, and well above Western European nations. Somewhat surprisingly, when broken down, three quarters of the increase in Russia's GINI index was due to wage increases, suggesting the growth of a strong middle class. Statistically speaking, the

[38] Aslund.
[39] Library of Congress, "Russia – Country Study."
[40] Library of Congress, "Russia – Country Study."
[41] Aslund.
[42] ERBD, quoted in Aslund, p. 329.

rise of a small class of super-rich Russian businessmen played an insignificant role in the growth of inequality.[43]

The UNDP Development Index for Russia fell steadily throughout the reporting period, reflecting the country's deteriorating infrastructure, its continuing economic problems, and other difficulties. This decline was indicative of general increases in poverty levels among Russia's poor.

**FDI** – FDI fell throughout the reporting period, a reflection of the continuing difficulties facing foreigners attempting to invest in the Russian economy as a result of its political, economic, regulatory, infrastructure, and criminal problems.

[43] Aslund, pp. 311-313.

## 4. Demographic Stress

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| • Negative natural population growth after 1992 and a decline in life expectancy, especially from 1992-1994.<br>• External causes of injury and poisoning, like homicide and alcohol poisoning, were the second leading causes of death. | • Between 1990 and 2000, 1.1 million people left Russia.<br>• Losses in population were only partially compensated for by immigration.<br>• Net population inflow from the former republics of USSR, especially Azerbaijan, Kazakhstan, Uzbekistan and Ukraine. Many were ethnic Russians returning to the Federation. |

The net natural population growth in Russia became negative in 1992 and fell steadily after.[44] From 1992 to 1999, total population fell by 1.7 million or 1.2 percent. The losses in population were only partially compensated by increases due to immigration. The average Russian life expectancy experienced a sharp decline from 1992-1994, followed by a gradual increase after 1995. Even today, Russia's life expectancy rates remain among the lowest in Europe. There was also a large gap between female and male life expectancies – 73.3 and 61.4 respectively in 1998. External causes of injury and poisoning, including homicide and alcohol poisoning, were the second most frequent cause of death, after diseases of the circulatory system. Mortality rates due to these causes more than doubled from 1992-1994. Declines in life expectancy in Russia between 1990 and 1994 were observed in urban regions with high rates of labour turnover, large increases in recorded crime, and a higher average but more unequal distribution of household income.[45]

The birth rate continued to fall, going from 9.3 per 1000 population in 1995 to 8.8 in 1998. The infant mortality rate in Russia was relatively stable over the past 10 years, and was lower than the average in other CIS countries. Maternal mortality in Russia was among the highest in Europe, however.

Russia's health care expenditures as a percentage of GDP were among the lowest in the European region. Health indicators varied by region, with Siberia and the Far East experiencing worse health than residents in the European part of Russia.

**Immigration -** From 1980–1998 the international migration from the countries[46] with economies in transition represented 13.2 million people to the developed countries.[47] The net loss was 8.7 million people.[48]

[44] Unless otherwise indicated statistics from World Health Organization, "Highlights on health in the Russian Federation," 1999. [Online] Available: http://www.euro.who.int/document/e72504.pdf, [2004, March 15].
[45] Walberg, P., McKee, M., Shkolnikov, V., Chenet, L., Leon, D. A., "Economic Change, Crime and Mortality Crisis in Russia," *British Medical Journal*, Vol. 317, August 1998. 312-318.
[46] All ex-Soviet republics and East European Countries (Albania, Bulgaria, Bosnia and Herzegovina, Hungary, Macedonia, Poland, Romania, Slovakia, Slovenia, Croatia, Check Republic, Yugoslavia).
[47] Australia, Austria, Belgium, United Kingdom, Germany, Greece, Israel, Denmark, Island, Spain, Italy, Canada, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Finland, France, Switzerland, Sweden and USA.
[48] Population Division, Department of Economic and Social Affairs, United Nations Secretariat, "International Migration from Countries with Economies in Transition: 1980-1999," 11 September 2002; quoted in *Demoscope* (In Russian), electronic version of the magazine *Population and Society*, 121-122, August 2003. [Online] Available: http://demoscope.ru/weekly/2003/0121/tema07.php, [2004, March 5].

Russian emigration rates remained relatively stable from 1990-2000, reaching a maximum of 114000 in 1993 and a minimum of 78000 in 2000. A total of 1.1 million people left Russia during the period.[49] The proportion of men and women among the emigrants was more equal than in the population. In 1999 females made up 51.6% of emigrants (compared to 53.1% in the total population). Emigrants tended to be younger than the average Russian.[50] Emigration from Russia also displayed the characteristics of a "brain drain," as every fifth emigrant had a higher education. A significant number of students and interns studying in the West on temporary visas later emigrated.

In Russia there was a net population inflow from all the former republics of USSR. The most noticeable increases were from Azerbaijan, Kazakhstan, Uzbekistan and Ukraine.[51]

[49] "Emigration," *Demoscope* (In Russian), electronic version of the magazine *Population and Society,* 27-28, 30 July-12 August 2001. [Online] Available: http://demoscope.ru/weekly/027/tema05.php, [2004, February 23].
[50] *Ibid*.
[51] *Ibid*.

## 5. Society

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| • Perceptions of life, personal and national outlook were generally negative, with Russia among most pessimistic of CIS countries.<br>• Opinions varied widely by region within Russia; those in Siberia, North, Far East were more negative in outlook than others in Central, Western areas.<br>• Russians' understanding of "mafia" was very different than that of Western conceptualizations. | • A majority of Russians believed that human and democratic rights were not being respected.<br>• The vast majority of Russians did not believe that democracy was the solution for their country's problems; opinions were less extreme in most other CIS nations.<br>• Success was radically redefined in Russia during the reporting period. |

**General perceptions**[52] **–** Of all Eastern Europeans, Russians were the unhappiest with their country's situation: 19% were positive, while 67% were negative.

A 1996 VCIOM poll suggested that Russians living in Siberia, the Far East and Far North all possessed a more negative outlook than Russians living in Central or Western Russia. When asked if they expected life to improve next year, optimistic responses ranged from a high of 29% in the Volga region, to a low of 8% in the North.[53]

The average level of positive response rose in other CIS nations. The greatest increases were recorded in Georgia (+27) and Armenia (+14). Respondents in these two countries were also most likely to report an improvement in their financial situation; 39% of Georgian respondents said it was "better," along with 26% of Armenians.

In the CIS countries only 22% of people interviewed considered a market economy as "right" for their country, while 59% thought it was "wrong." Opposition to the market economy was strongest in Russia, which recorded a response of 65% "wrong." Overall, these numbers were consistent with previous surveys.

The survey registered a record level negative opinion towards democracy in Russia at 86%, compared to just 6% positive responses.

Georgians, who proved most volatile on the issue, appreciated the development of democracy the most. Indeed, 43% of Georgians in this survey said they were satisfied with their country's democracy (+25% points compared to the previous survey) while 47% were dissatisfied (-27%).

Throughout the CIS countries, 81% of respondents felt that human rights were not being respected, while only 16% felt the contrary. Not surprisingly, Russians were again the most negative, with 85% saying there was "not much" (35%) or "no respect at all" (50%) for human rights in their country.

[52] Unless otherwise stated, the following statistics are from "Central and Eastern Eurobarometer" (CEEB), 1995. [Online] Available: http://europa.eu.int/comm/public_opinion/archives/ceeb_en.htm, [2004, March 15].
[53] VCIOM. Nationwide Russian Surveys conducted for New Russia Barometer – Gateway. 1992-2004. [Online] Available: http://www.cspp.strath.ac.uk/index.html?catalog1_0.html, [2004, March 17].

**Criminality –** During the reporting period, some polls suggested that the Russian public had come to believe that the mafia had replaced the "nomenklatura" as the shadowy power ruling the country. When asked, "who do you believe runs Russia?" during an August 1997 poll, 52% of respondents selected "the mafia, organized crime" as their first choice, followed by the state apparatus at 21%, the president at 14%, regional authorities at 11%, and "the government" at 10%.[54] A 1995 parliamentary study entitled "Economic Crime and the Security of Citizens, Society and the State"[55] found that corruption in government was rated as a greater threat to Russian security than the decline of industrial output and the growth of organized crime.

However, it must be noted that the word "mafia" carries different connotations for Russians than for outsiders. Within the transition economies, the term came to denote a wide range of practices associated with the new political and economic order. As one sociologist described it, "the mafia is present in everyday talk and in popular culture: mafia is a key symbol through which people convey their perceptions and moral evaluations of systematic transformation."[56] It emphasizes the importance of informal relationships identified by names such as "financial-industrial groups," "partially appropriated states," and "clan-states."[57] Whereas Western institutions such as the World Bank define corruption as "the abuse of public office for private gain,"[58] such definitions have limited applicability in a system in which public/private distinctions are so blurred and fluid. Undoubtedly, there is a great deal of overtly and covertly corrupt activity in Russia; however, Russian and Western observers may not agree on what proportion constitutes criminality.[59] Crime is so much a part of life in today's Russia that television stations now carry special daily bulletins devoted to killings, drug seizures and robberies in addition to the coverage found in regular news bulletins. Examples included such programs as "On Duty" on Russia TV, Russia NTV's "Kriminal" and "Highway Patrol" on Russia TV6.[60]

More generally, tendencies to separate ideas of morality and legality that arose during the Communist era continued and even grew during the transition period. When Russians consider the morality and practicality of various actions, legality invariably becomes a pragmatic, as opposed to moral, issue. The fact that something is illegal has nothing to do with whether it is morally appropriate, or "good." The lack of distinction between public and private property in the Communist era also contributed to this separation of legality and morality.[61]

Finally, the collapse of the Soviet Union and the ensuing turmoil also changed Russians' perceptions of social success. "Normal" paths to success were considerably narrowed, or even completely blocked; Russians thus began to identify more and more with alternative, unconventional definitions of success.[62] In sum, all of these trends helped to institutionalize a partially criminalized social order.

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[54] Moskovskii Komsomolets, 5 September 1997; quoted in Rutland, P., Kogan, N. "The Russian Mafia: Between Hype and Reality."
[55] Waller, M, Yasmann, V. J.
[56] Ries, N. "The Many Faces of the Mob: Mafia as Symbol in Postsocialist Russia", presented at the American Anthropological Association Annual Meeting, Philadelphia, PA, 4 December 1998.
[57] Wedel, J., "Corruption and Organized Crime in Post Communist States: New Ways of Manifesting Old Patterns," Trends in Organized Crime, Vol. 7, No. 1, 2001. 3-61.
[58] Poverty Reduction and Economic Management Network (PREM), The World Bank, 1997. 8
[59] Wedel.
[60] BBC News, Special Report – Russian Mafia. "Watching the detectives: Crime on Russian TV," 21 November 1998. [Online] Available: http://news.bbc.co.uk/1/hi/special_report/1998/03/98/russian_mafia/76938.stm, [2004, February 28].
[61] Humphrey, C., "Russian Protection Rackets and the Appropriation of Law and Order," *States and Illegal Practices*, Josiah McC. Heyman, ed., New York: Berg, 1999: 199–232. As referred to in Wedel.
[62] Passas, N., "Global Anomie, Dysnomie and Economic Crime: Hidden Consequences of Neoliberalism and Globalization in Russia and Around the World," *Social Justice*, Vol. 27, Summer 2000. 16-44.

## 6. Criminalization

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|---|---|
| • Organized criminal groups controlled about 40% of the Russian GDP.<br>• 41000 economic entities, including 1500 state enterprises, 4000 shareholding societies, 500 joint ventures and 550 banks were under criminal influence or control. | • State organizations were active participants in criminal activities, offering security, contract enforcement, and other services.<br>• State officials often used their positions to further their own interests, freelancing, offering and accepting "krysha," and responding to orders from informal associates rather than official superiors. |

**Law Enforcement and the Judiciary –** The increase in Russian organized crime resulted in part from the ineffectiveness of the criminal justice system, which lacked the resources, funding, experience and legal expertise necessary to function in a capitalist state.[63] The courts were chronically under-funded and did not enjoy the independence seen in Western liberal democracies, as they were constitutionally subordinate to the legislative and executive branches.[64] In terms of enforcement, the problem was not only limited to passively corrupt activities such as bribe taking and embezzlement; it included active participation of the criminal justice system and its personnel. The MVD, FSB, and tax police all provided "krysha" just as criminal organizations did. In many ways, they were the competitors, rather than the opponents, of organized crime.[65]

**Ineffectiveness of the Ministry of Internal Affairs (MVD) and Security and Intelligence Services –** The structure and culture of these organizations made them incapable of stopping the criminalization of Russia. It was reported that many of KGB's intelligence and security officers migrated into other branches of government, business and organized crime. These officers provided much of the expertise that made Russian criminal organizations so formidable and well connected abroad.

Historically the MVD was believed to be corrupt. In 1991 an MVD spokesman alleged that one third of all mafia profits went to bribe MVD police officers.[66] A recent government poll of MVD workers indicated that among factors that hindered their work were the lack of law protection for workers and the low levels of salary and social benefits. The poll also highlighted problems related to the use of official positions for personal goals, lack of training, corruption and bribes, low professionalism and a general lack of moral norms.[67] 40% of respondents admitted to breaking the law in their work; moreover most were sceptical of changes made to the MVD system. Given such conditions, one could understand why the MVD and KGB successors were

[63] Gilinskiy, Y., "Organized Crime: Theory, Methods and Results," St. Petersburg Centre for the Study of Organized Crime, 2003. [Online] Available: http://jurfak.spb.ru/centers/traCCC/article/gilinski.htm, [2004, February 16].
[64] The judicial reforms took place only in late 2001 and went into effect in 2002. The changes to Russia's criminal procedure code included establishing jury trials in criminal cases throughout the country by January 2003. Previously, jury trials had been held in only 9 of the nation's 89 regions. In addition, the right to issue arrest and search warrants was transferred from the prosecutors to the courts, and trials conducted in absentia were eliminated. Freedom House, "Country Ratings – Russia," 2003. [Online] Available: http://www.freedomhouse.org/research/freeworld/2003/countryratings/russia.htm, [2004, March 1].
[65] Gilinskiy, Y., "Organized Crime: Theory, Methods and Results."
[66] Knight, A., *Spies without Cloaks*, Princeton, NJ: Princeton University Press, 1996, 51.
[67] Based on a survey of 3228 workers in 14 regions in Russia, conducted by MVD in March-April 2003 by the Ministry of the Interior of Russia, "Survey 2003" (In Russian). [Online] Available: http://www.mvdinform.ru/files/1324.pdf, [2004, February 30].

incapable of effectively fighting corruption and organized crime; whether by choice or necessity, they were in fact active partners is such endeavours.

**Anti-Crime Legislation -** In his speeches Yeltsin called Russia the "superpower of crime." Though he clearly recognised the threat of corruption and organized crime early in his tenure as President, his attempts to restrain organized crime and corruption were ineffective, or even counterproductive. His six major anti-crime initiatives were not grounded in the rule of law and judicial process; at times they were politically motivated. His rivals came under scrutiny, while allies were overlooked. When Yeltsin announced his resignation in December 2000 many observers believed that his sudden departure was linked to the signing of a guarantee of immunity from prosecution.[68]

In June 1994 Yeltsin issued an anti-crime decree that allowed suspects to be detained for up to thirty days without being charged. While incarcerated, they could be interrogated and have their financial affairs and relatives investigated. Officers could search vehicles and residences without warrants. In 1995 the Federal Security Service (FSB) was given greater powers and authority to combat corruption and organized crime. These attempts at fighting crime and corruption served to undermine the democratic norms established in the wake of the dissolution of the Soviet Union, without providing any substantive improvement in corruption levels.[69]

**Prisons** - Russia's prison system constantly suffered from overcrowding, inadequate medical attention and poor sanitary conditions. The country had one of the highest rates of imprisonment in the world, with one in every four adult men in Russia having served time.[70] Penitentiary institutions, considered "factories of crime" by criminologists, contributed to the crime rate. Consequently, increased levels of incarceration increased the potential for future criminality.[71]

**Alteration of contraband routes –** Russia's strategic geographical location tends to place Russian organised crime at the intersection of transnational criminal activities worldwide. Russia borders on both supply and demand countries and regions, making it a natural trafficker of contraband.[72]

Major mafia groups operated actively in Moscow, St. Petersburg, Yekaterinburg and Vladivostok.[73] Moscow and St. Petersburg acted as gateways to Western Europe and Eastern North America. Yekaterinburg was a gateway to the Mediterranean, Central Asia, South Asia and Western China. Vladivostok was a staging ground for operations in Japan, South Korea, Hong Kong, Macao and Northern China.

[68] Freedom House, "Country Ratings- Russia."
[69] Freedom House, "Nations in Transit," 1998. [Online] Available: http://www.freedomhouse.org/nit98/russia.pdf, [2004, March 6].
[70] Prison population rate per 100 000 of the national population was 487 in 1992 and rose to 688 in 1998. Moscow Center for Prison Reform. [Online] Available: http://www.prison.org/english//index.htm, [2004, March 13].
[71] Mikhailovskaya, I. B.,.Kuzminsky, Y. F., Mazayev ,Y. N., "Crime: What We Know About It. Militia: What We Think About It," Human Rights Project Group, Moscow, 1994, 46; quoted in "Fighting Crime," Moscow Centre for Prison Reform, 1998. [Online] Available: http://www.prison.org/english/rpcr6.htm, [2004, March 3].
[72] Passas, N.
[73] Dunn, G., "Major Mafia Gangs in Russia," *Transnational Organized Crime* 2(2/3), 2000. 63-87.

*Organized Crime groups in Russia*[74]


**Crime in Moscow and St. Petersburg compared to the rest of Russia**[75] **-** According to official statistical data, crime between 1991 and 1997 was generally on the rise in Russia, including in the two metropolises (see appendix). Some differences existed between the two cities, however. While the rate of crime per inhabitant was higher than the Russian average in St. Petersburg, it was much lower in Moscow.[76]

**Regional crime rates –** Uneven social, economic, historical, geographical and demographic factors between regions accounted for the fact that the minimal and maximal rates of serious crimes, such as murder and grievous bodily harm, differed by a factor of 10 in various Russian regions.[77] Moreover, opinion polls in six regions of Russia demonstrated that even the ratio between registered crime and the victimization rate varied considerably among various regions.[78]

**Drug trafficking -** The former Soviet Union did not participate significantly in international narcotics markets as a consumer or supplier. [79] During the 1990s however, Russia's involvement in drugs expanded and diversified. As a consequence, The UNDCP identified

[74] Drug Enforcement Administration, U.S. Department of Justice, "Drug Intelligence Brief: Russian Organized Crime Groups," January 2002. [Online] Available: http://www.usdoj.gov/dea/pubs/intel/02004/indexp.html, [2004, February 9].
[75] Gilinskiy, Y., "Situation and Tendency of Crime in Russian Metropolises: Moscow and St. Petersburg," St. Petersburg Centre for the Study of Organized Crime, 2002. [Online] Available: http://samoa.istat.it/Eventi/sicurezza/relazioni/Gilinskiy_abs.pdf, [2004, February 16].
[76] The Fifth United Nations Survey of Crime Trends and Operations of Criminal Justice Systems, Covering the Period 1990-1994 (United Nations Office on Drugs and Crime, Centre for International Crime Prevention) has relevant information not included in this study. See Criminal Justice Resources (Question 27), Police Personnel (Question 1) Number of Reported Crimes (Question 2), Crime in the Largest Cities (Question 3), Number of People with Formal Contact with the Criminal Justice System (Question 4), Age/Gender of Suspects (Question 5), Prosecutors and Prosecutions (Questions 6 and 7), Prosecutions by Age/Gender (Question 8), Judges and the Criminal Courts (Questions 9, 10, 11, and 13), Number of People Convicted of Crimes (Question 14 and 15), Prisoners and Prison Sentences (Questions 16 and 17), Average Sentence Lengths (Questions 18, 19, 20, and 21), Prison Personnel (Questions 22 and 23), and Prison Admissions for All Crimes (Question 24).
[77] Zabryansky, G. I., Kuznetsova, N. F., Shulga, V. I., "Crime and Law," Conference thesis. Association of Criminologists, Moscow, 1996, 81; quoted in "Fighting Crime," Moscow Center for Prison Reform, 1998. [Online] Available: http://www.prison.org/english/rpcr6.htm, [2004, March 3].
[78] Mikhailovskaya, I.B., Kuzminsky, Y.F., Mazayev, Y.N., "Crime: What We Know About It. Militia: What We Think About It."
[79] Paoli, L., "Drug Trafficking and Related Organized Crime in Russia," Max Planck Institute for Foreign and International Criminal Law, 2001. [Online] Available: http://www.iuscrim.mpg.de/forsch/krim/paoli2_en.html, [2004, March 3].

Russia as a key trafficking nation in 1997, moving drugs from Asia towards their destination in Western Europe. Drug-related crime in Russia increased tenfold between 1991 and 1997.[80] Its rate of domestic drug-abuse grew by more than 15 per cent per year during the same period.[81] The Russian Ministry of the Interior estimated that 2.5 - 3 million people regularly or occasionally use illegal drugs, representing 2.1 percent of the whole population.[82]

In Russia the control over various types of drugs was divided among different groups.[83] Ethnic Russians were responsible for smuggling South American cocaine into Russia and through Russia to Western Europe. These groups found a niche as transporters of cocaine and cooperated with the international network in place in source countries like Colombia and Peru. Afghans, Tajiks and other Central Asians smuggled Afghan heroin through Kazakhstan, Tajikistan and Azerbaijan into European Russia and Western Siberia. Nigerians and other Africans trafficked mostly in Southeast and Southwest Asian heroin. Vietnamese and Chinese traffickers smuggled Southeast Asian heroin, opium and ephedrine into eastern Siberia. Ukrainians trafficked in cannabis products from other former republics. Territorial Russian organized crime groups oversaw these operations. They also allowed other trafficking groups to sell their drugs in Russia for a percentage of the profit.

The increased demand for "hard drugs" was noted not only in Moscow and St-Petersburg, but also in and around cities around the federation. These included cities in national districts of Khanty-Mansi in the European far North and Yamalo-Nenets in Western Siberia; in the Far East in the Primorye and Khabarovsk territories; in Western Siberia and European South in the provinces of Tyumen, Kemerovo, Sverdlovsk, Novosibirsk, Samara, Ulyanovsk, Volgograd and Rostov.[84] The MVD seized heroin in 14 Russian regions in 1996, 43 in 1997, 67 in 1998, and in more than 70 different regions in 1999.[85]

The Far East transformed into a major distribution centre and a growing market for Central Asian heroin.[86] Chechen smugglers were the first to arrive in the Far East region. Beginning in 1993, they established a diaspora population of 30 000 and became the dominant force in the drug trade there. Other criminal activities in the port cities included smuggling seafood, automobiles, weapons, timer, coal; they also looted industrial gold in the Magadan region.

The Southern Federal District, with republics bordering the Caucasus – Chechnya, Ingushetia, Dagestan, Kabardino-Balkaria, Karachayevo-Cherkessiya – saw an increase in drug addiction in the urban centres, drug-related HIV infections and drug-related crime.[87] The cities of Volgograd, Novocherkassk, Astrakhan and Rostov were all affected.

**Violence –** The total homicide rate in Russia started high and increased consistently, doubling between 1990 and 1998. Interestingly, the homicide and grievous bodily harm rates were lower in Moscow and St. Petersburg than the Russian average. Violent robberies increased from 12.4

[80] Gilinskiy, Y. "Situation and Tendency of Crime in Russian Metropolises: Moscow and St. Petersburg."
[81] United Nations, Office on Drugs and Crime. "International Meeting in Moscow to Address Rapidly Escalating Drug Problem in Russia," April 1997. [Online] Available: http://www.unodc.org/unodc/en/press_release_1997-04-04_1.html, [2004, March 5].
[82] Paoli, L., "Drug Trafficking and Related Organized Crime in Russia."
[83] U.S. Department of Justice, Drug Enforcement Adminisitration, "Drug Intelligence Brief: Russian Organized Crime Groups."
[84] Library of Congress, Federal Research Division, "Involvement of Russian Organized Crime Syndicates, Criminal Elements in the Russian Military, and Regional Terrorist Groups in Narcotics Trafficking in Central Asia, the Caucasus, and Chechnya," October 2002. [Online] Available: http://www.loc.gov/rr/frd/pdf-files/RussianOrgCrime.pdf, [2004, March 25].
[85] Paoli, L., "Drug Trafficking and Related Organized Crime in Russia."
[86] Aminieva, Y., Nomokonov, V., Chemysheva, V., Shulga, V., "Transnational Organized Crime in the Russian Far East," Vladivostok Center for the Study of Organized Crime, 2000. [Online]Available:http://www.policeman.ru/crime_1.htm, [2004, March 8].
[87] Library of Congress, "Involvement of Russian Organized Crime Syndicates, Criminal Elements in the Russian Military, and Regional Terrorist Groups in Narcotics Trafficking in Central Asia, the Caucasus, and Chechnya."

to 23.3 per 100 000 inhabitants between 1991 and 1997; in Moscow the rate went from 13.4 to 19.4 and in St. Petersburg from 22 to 49.1.[88]

Russian organized crime used violent methods of conflict resolution.[89] They inherited a variety of human and material resources to support such methods from the Soviet State. Former KGB officials, police officers, military specialists, and athletes all jointed criminal organizations. Partly as a result of those linkages, the groups also had access to Soviet era military equipment and weapons.[90]

**Opening of borders and organized crime -** Before 1989, the borders between Europe and the former Soviet Union were virtually hermetically sealed.[91] Travel was restricted, cultural exchanges were limited and cross-border trade was almost non-existent. More recently however, the opening of borders and the move towards market economies in countries of the former Soviet Union have overwhelmed government efforts to control the flow of goods and people.[92] Since the mid-1990s, the Moscow Country Office of the American Drug Enforcement Administration has seen the impact of drug trafficking by Russians rise worldwide, largely due to increased immigration.[93] Russian criminals proved highly mobile, moving to countries where drug trafficking would be more profitable. Arrest statistics and investigations show that most of the Russians involved in international drug trafficking have immigrated to other countries.[94]

[88] Gilinskiy, Y., "Situation and Tendency of Crime in Russian Metropolises: Moscow and St. Petersburg."
[89] Gilinskiy, Y., "Organized crime: theory, methods and results."
[90] Shelley, L. I., "Post-Soviet Organized Crime," *The Journal of Post-Soviet Democratization*, Vol 2, N3, 1994. 341-358.
[91] In 2000 Russia exited from the "Agreement on visa-free travel of citizens of the states-members of the Commonwealth of Independent States." In 2000 candidate countries to the European Union such as Estonia, Latvia, Slovakia, Romania introduced visa requirements for their Eastern European non-candidate neighbours; they also stepped up border controls for Russia, Moldova and Ukraine. The European Union insisted that hard borders were essential for stopping drug and human trafficking as well as illegal immigration.
[92] United Nations, Office on Drugs and Crime, "International Meeting in Moscow to Address Rapidly Escalating Drug Problem in Russia."
[93] U.S. Department of Justice, DEA, "Drug Intelligence Brief: Russian Organized crime groups."
[94] Ibid.

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