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Report 98-907

*INTERNATIONAL CRIME: RUSSIAN ORGANIZED  
CRIME'S ROLE AND U.S. INTERESTS*

Francis T. Miko, Foreign Affairs and National Defense Division

Updated October 30, 1998

**Abstract.** This report examines the serious problem of Russian-based transnational crime. It describes the make-up and activities of criminal groups in Russia, and government attempts to fight them. It analyzes the role of Russian organized crime internationally, its presence in the United States, and the threat it poses for broader U.S. foreign policy interests. The report looks at current U.S. and international efforts to combat the problem, and specific role of Congress. Finally, it discusses the options for strengthening the international response to Russian-based crime.

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## International Crime: Russian Organized Crime's Role and U.S. Interests

October 30, 1998

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## ABSTRACT

This report examines the serious problem of Russian-based transnational crime. It briefly describes the make-up and activities of criminal groups in Russia, and government attempts to fight them. The report analyzes the role of Russian organized crime internationally, its presence in the United States, and the threat it poses for broader U.S. foreign policy interests. The report looks at current U.S. and international efforts to combat the problem, and the specific role of Congress. Finally, the report discusses options for strengthening the international response to Russian-based crime. The report will be updated periodically as events and legislation warrant. Related products include CRS Report 97-705, *Crime in Russia: Recent Developments and Implications for U.S. Security*; CRs Report 98-642, *Democracy-Building in the New Independent States of the Former Soviet Union: Progress and Implications for U.S. Interests*; CRS Report 94-718, *Crime in Russia: Context and Implications for U.S. Interests*; and CRS Report 95-486, *Crime in Russia: Situation Update*; CRS Issue Brief 92089, *Russia*; and CRS Issue Brief 95077, *The Former Soviet Union and U.S. Foreign Assistance*.

# International Crime: Russia Organized Crime's Role and U.S. Interests

## Summary

International crime has become a major problem throughout the world. Transnational criminal organizations have benefitted from the global economy, as well as the break-up of the Soviet empire and birth of fragile new democracies, vulnerable to criminal exploitation. Russian criminal groups have become increasingly active in Europe and North America, sometimes working with foreign crime groups. They have engaged in money laundering and trafficking in arms, illegal goods, and people.

A growing share of organized crime in the United States has foreign roots, including Russian ones. Besides its direct costs to the United States, Russian crime threatens larger U.S. interests. First among these is the successful democratic and market transformation of Russia and Eastern Europe. Crime and corruption have undermined public support for democracy and the market economy and played a role in the current Russian political and economic crisis. Russian criminals may be fueling regional tensions and strengthening "rogue" regimes with arms and other sanction breaking trade. There is concern that they could seriously endanger international non-proliferation efforts, if they get access to weapons of mass destruction for sale abroad.

Governments and international bodies are struggling to keep pace with what is now recognized as a global security threat. The State Department and FBI have been given the lead U.S. role abroad in the fight against international crime. The United States now has a permanent crime fighting presence in some 34 countries, including Russia, for purposes of investigation, training, and other cooperation. The United States has worked closely with Russia, and international organizations to curb Russian international criminal activities.

In May 1998, the President announced a new International Crime Control Strategy. Experts agree that further steps may be needed to fight transnational crime, including better intelligence and law enforcement cooperation. Some experts advocate more crime fighting assistance and training to Russia, multinational task forces to fight crime across borders, and a more offensive and even preemptive approach to fighting transnational crime. Effective cooperation is hampered by the fact that most countries and jurisdictions are still reluctant to cede authority to outside or multinational organizations.

The U.S. Congress has demonstrated concern over trends in Russian and other international crime and supported assistance to Russia, the former Soviet Union, and Eastern Europe in the law enforcement area. The Administration's proposed International Crime Control Act of 1998 (**S. 2303**), a package of measures to enhance the U.S. ability to fight international crime, was introduced in the Senate on June 14, 1998, by Senator Patrick Leahy but not acted upon by the 105<sup>th</sup> Congress.

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# International Crime: Russian Organized Crime's Role and U.S. Interests

## Scope of the Problem

Transnational crime has grown in recent years as a threat to international security. Russian criminal organizations have emerged as significant and dangerous actors in the equation. Several developments have contributed to the rising international crime trends and threats:

- The world is witnessing the emergence of a truly global economy, built on unprecedented movement of people and goods across national boundaries, and a revolution in information and communications technology. Transnational criminal organizations have been major beneficiaries of globalization. Criminal groups have learned to take advantage of the new porousness of borders and to cooperate with each other on an opportunistic basis. In the process, the lines have blurred among traditional crime organizations, drug cartels, and terrorist groups.
- With the end of the Cold War and fall of Communism in Russia and Eastern Europe, the former rigid authoritarian government and police controls have been removed but they have not yet been replaced by an effective rule of law system in many of the new democracies. Given the weakness and uncertainty of governments, the transition to market economies has been chaotic and vulnerable to criminal exploitation.

Russian crime is just one piece of a worldwide problem. Russian crime organizations are neither the biggest nor necessarily the most costly to international society. To date, the Italian mafia, Latin American drug cartels, and Asian crime organizations have had substantially greater impact, internationally and inside the United States. Furthermore, Russian organized crime is just part of a larger CIS and East European crime problem.

This report is focused specifically on crime emanating from within the current borders of Russia, whether by ethnic Russians or other groups, recognizing that the picture is similar in other former Soviet republics. Many observers would argue that Russian organized crime deserves special attention. Russian crime groups are rapidly expanding their international activities. More than criminal elements of other countries, Russian criminal organizations could become a serious threat to international stability and U.S. interests, due to Russia's geopolitical weight and substantial military assets, coupled with the unsettled conditions that exist within the country.

FBI director Louis Freeh has said the United States is a leading importer of international crime. By virtue of its wealth, stable financial system, and openness, it appears to be a magnet for criminal money and activity. A substantial and growing share of organized crime in the United States now has foreign roots and connections.<sup>1</sup> As part of this trend, Russian criminal organizations have made their harmful presence felt in the United States.

Russian organized crime is of particular concern to the United States because of its possible impact in four areas:

- Russian crime and corruption are undermining and eroding public support for the democratic and market transformation of Russia, particularly because of its links to official corruption and the still potent invisible networks of former Communist bureaucrats, secret police, and disgruntled military officers. Russia's current financial and political turmoil may be seen in part as a result of the crime and corruption. As a result, the Russian populace could opt for law and order, even if it meant a return to more authoritarian rule and tighter central control of the economy.<sup>2</sup>
- Crime and corruption from Russia are being exported to neighboring countries and complicating the transition in other emerging democracies. Securing stable democracy throughout this region remains a high priority for U.S. policy.
- Russian criminal organizations, with their possible access to large quantities of arms, may be in a position to fuel regional tensions and conflicts in hot spots such as the Balkans and Middle East by breaking embargoes, smuggling weapons to combatants, rogue states, as well as to terrorist and foreign criminal organizations.
- Weapons from Russia's large increasingly vulnerable nuclear, chemical, and biological stockpiles which some fear are inadequately protected could be sold by corrupt officials and disgruntled soldiers in concert with criminal organizations. Russian crime organizations could threaten our efforts to combat proliferation of weapons of mass destruction and their means of delivery by obtaining and selling such weapons.

A number of other CRS reports and issue briefs address related issues. (*See also CRS Report for Congress 97-705, Crime in Russia: Recent Developments and Implications for U.S. Security; CRS Report 98-642, Democracy-Building in the New Independent States of the Former Soviet Union: Progress and Implications for U.S.*

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<sup>1</sup> U.S. Federal Bureau of Investigation, Department of Justice. The FBI Presence Overseas: The Need for FBI Agents Abroad to Better Protect the United States from International Crime and Terrorism. June 5, 1996, p. 6.

<sup>2</sup> For a more detailed analysis of Russian corruption and the threat it poses for the Russian democratic transition, see CRS Report for Congress 98-642F: *Democracy-Building in the New Independent States of the Former Soviet Union: Progress and Implications for U.S. Interests.*

*Interests; CRS Report 94-718, Crime in Russia: Context and Implications for U.S. Interests; and CRS Report 95-486F, Crime in Russia: Situation Update; CRS Issue Brief 92089, Russia; and CRS Issue Brief 95077, The Former Soviet Union and U.S. Foreign Assistance.)*

## Who and What is Russian Organized Crime?

Organized crime in Russia has a long history with varying degrees of linkage, tolerance, or lack thereof to the state. In the pre-Soviet period, Russia was plagued with small scale crime like most European countries. Russian criminal gangs were not linked to the state and government.

During the Soviet period, the police and authorities dealt harshly with traditional criminals and did not tolerate independent criminal organizations, although crime was probably a bigger problem than official statistics admitted. However, from the earliest days of the Revolution, the Communist Party leaders did enlist and use criminal groups and their tactics, when it suited their purposes. But those carrying out large-scale illicit activities had to operate within the tolerated boundaries of the Soviet system and with tacit approval of those in power.<sup>3</sup>

After the collapse of the Soviet Union and Communism, new opportunities for organized criminal activity were provided by the weakening of the state and its police institutions, as well as the freewheeling and unregulated nature of the economic transition. The new reform-oriented Russian leaders recognized the vulnerability of the economy to criminalization and sought to combat the rise in crime both domestically and in cooperation with other countries. This effort has had mixed results, to date.

Russia does not have a centralized criminal umbrella organization such as the Italian mafia. Instead, organized criminal activity follows a more decentralized and fragmented model where powerful gangs of varying sizes operate and have loose links with one another. Russian organized crime today includes:

- (1) Soviet era criminal gangs (in many cases tolerated and used by the previous KGB and police, in other cases toughened by the previous dangers of operating in an authoritarian state). These include ethnic and regionally-based gangs.
- (2) New groups made up of disenfranchised and disgruntled former KGB, police, military, and party officials who lost their power and livelihood with the transition. Members of these groups have no particular commitment to the success of Russia's transition. They still have contacts and leverage in Russia and abroad, through their previous networks. The existence of these networks and clandestine patterns of doing business make Russian crime particularly difficult to combat. A German intelligence agency (BND) study has reportedly concluded that in Russia today groups within the State Security Bureau (the

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<sup>3</sup> Virginie Coulloudon. The Criminalization of Russia's Political Elite. *East European Constitutional Review*, Vol. 6, no.4, Fall 1997, p. 73-75.



FSB) and officials of other Russian agencies are closely tied to crime groups.<sup>4</sup>

Such charges have been vehemently denied by Russian security agencies. In addition, elements of the military including high ranking officers have been implicated in criminal activity.<sup>5</sup>

Russian criminal groups have unprecedented access to specialists and expertise in a number of fields. With the collapse of the Soviet system, scientists, engineers, computer specialists, accountants, etc., displaced from their careers and unable to find an adequate niche in the new Russian economy are susceptible to criminal temptations, greatly increasing the technological and "professional" capabilities of Russian criminal groups.

Most experts agree that there has been rapid growth in the number and impact of Russian criminal organizations, although precise figures are unavailable. The Russian Ministry of the Interior (MVD) estimates that there are some eight thousand criminal groups with some 100,000 active members in the former Soviet Union.<sup>6</sup> The FBI, which has a narrower definition of what is organized crime, says there are over 300 major criminal organizations in Russia and the former Soviet Union. The rising numbers of criminal organizations may reflect fragmentation and better intelligence in uncovering them, as well as actual growth in criminality. Many groups are little more than local street gangs. Others control crime in large regions and sectors.

Criminal organizations have gained control of a significant share of the Russian economy. The MVD has reportedly determined that organized crime controls 35 percent of commercial banks, 40 percent of the public sector of industry, 35 percent of private enterprise, and a substantial share of joint ventures with Western companies as a vehicle for laundering money.<sup>7</sup> In 1995, the Russian government estimated that criminal activities accounted for some 25 percent of GNP.<sup>8</sup> More recently, some Russian officials have conceded that as much as 50 percent of the

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<sup>4</sup> Germany's Der Spiegel magazine quoted in Reuters, October 16, 1997. For further discussion of links among criminal, security and military organizations, see also Center for Strategic and International Studies, *Russian Organized Crime*, 1997, p.32-33, 51-56.

<sup>5</sup> Chief Military Prosecutor Demin told journalists that 14 former high-ranking generals have been sentenced during the last two years, another 14 are under criminal investigation, and 13 have been freed under a Duma amnesty which he criticized as allowing highly decorated generals who masterminded some crimes to be freed, while the lower-ranking officers who carried out those crimes serve prison terms. Radio Free Europe/Radio Liberty Newline, July 30, 1998, pt. 1.

<sup>6</sup> Testimony of FBI Director Louis Freeh before the Foreign Operations Subcommittee of the Senate Appropriations Committee, April 28, 1998.

<sup>7</sup> John M. Winer. *International Crime in the New Geopolitics: A Core Threat to Democracy*. Appears in: William F. McDonald, ed. *Crime and Law Enforcement in the Global Village*. Cincinnati, Anderson Pub., 1997. p. 52.

<sup>8</sup> Kevin O'Brien and Jason Ralph, *Using the Internet for Intelligence*. Jane's Intelligence Review, November 1997, p.526.

economy is "shady", in some way connected to crime and corruption.<sup>9</sup> As a result, crime bosses make up a significant proportion of the new wealthy class in Russia. Their economic activities are intertwined with those of legitimate businessmen. At a time when there was no private capital in Russia they gained wealth from hasty and sometimes rigged privatization, allowing stripping of assets and resources. At the onset of privatization, sales and purchases were paper transactions. Apparently, only the Communist Party, the KGB, government institutions, and criminal gangs had assets. They competed among themselves in a scramble for export industries and resources. Corrupt officials and criminals were able to pour their assets into newly transformed enterprises and big banks, which they or their partners already controlled.

Corrupt officials have been accused of funneling government tax revenues into special banks under criminal control. These officials may also have given these banks favored treatment with export licenses. When necessary, criminal groups have been able to bribe many officials from top leaders down to local officials and police on the beat, with what to them amounted to huge payoffs given their meager salaries.

## The Russian Government Response

Russian leaders understand the severity of the crime problem and want to bring it under control but they are also overwhelmed by it as they try to cope with a range of critical problems. With Russia's economy in severe crisis it may be even harder than before to muster the official attention and resources needed to fight crime effectively. President Yeltsin has called crime and corruption the greatest threat to the future of Russian democracy. At the same time, he and other Russian officials are sensitive to overly alarmist foreign assessments of the problem, believing it undermines public confidence, hurts investment, and is exaggerated.

The Russian President and his government hold ultimate responsibility for controlling crime. The 1993 Russian Constitution gives a disproportionately large share of power to the President, leaving weak judicial and legislative branches. Thus far, Russian anti-crime efforts have had mixed results. For the first nine months of 1997, Russian statistics indicated a nine percent drop in overall crime. Yeltsin praised the MVD for the success. However, this downward trend is not expected to continue in the immediate future. Former Interior Minister Kulikov cautioned that crime was likely to go up again in 1998 due to lack of resources.<sup>10</sup> The 1997 decline may also not represent much of a dent in the activities of the major criminal organizations.

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<sup>9</sup> Gareth Jones. Russian Intelligence Body Denies Mafia Link Charges. Reuters, October 16, 1997.

<sup>10</sup> Christina Ling. Russia Sees No Decrease in Crime Rate in 1998. Reuters, November 5, 1997.

The government has taken a number of recent actions to combat crime. In 1997, the Interior Ministry targeted 100 criminal groups and investigated over 1000 people. In November 1997, the Russian government announced a program to improve coordination among law enforcement agencies in Russia which had been purposely fragmented to break up the former police power of the KGB. In December 1997, the Russian government approved a draft federal program to intensify the fight against crime for the years 1998-2000. The program was to put law enforcement activity on a new legal footing and improve the organization of law enforcement agencies.<sup>11</sup> It still did not provide for a centralized coordinating mechanism. A key component of the program is to substantially increase funding for law enforcement. It is not clear that Russia can come up with the money in its worsening financial situation.

Critics of the government's response to crime have charged that rather than producing a more effective judicial system and enhancing law and order, many of Yeltsin's actions have made scape goats of and replaced individual officials. They argue that many of the government's anti-corruption moves look suspiciously like political steps to redirect blame and remove potential rivals from power. Alexander Lebed, while in the central government, was viewed by many in Russia as the cleanest politician with the will to root out crime and corruption. He pushed measures that many thought gave teeth to the government's anti-crime and corruption efforts. He was dismissed by President Yeltsin, many believe due to political rivalry, rather than the alleged shortcomings of his performance.

Some Western reports have accused the Russian government of turning a blind eye to links between government agencies and criminal organizations. As individual security and other agencies face desperate shortages of funding, they have been encouraged by Russian leaders to seek alternate funds. This has been interpreted, at least by some security officials as a green light to work with the "the mafias" for profit.<sup>12</sup>

## **The Transnational Role of Russian Organized Crime**

Russian criminal organizations have steadily expanded their activities abroad, beginning with other countries of the former Soviet Union and Eastern Europe. Alone or in cooperation with local gangs, Russian crime groups have gained a foothold in other countries of the former Soviet Union. They were able to use old links and their familiarity with the terrain. When Soviet troops were withdrawn from Eastern Europe, some Russian soldiers deserted, remained behind, and became involved in crime. This is not to blame crime in neighboring countries mainly on Russians or to suggest that indigenous crime is not a major problem there. Crime is a serious home-grown problem in most of these countries, exacerbated by conditions similar to those in Russia. However, the impact of imported Russian crime is significant and in some countries Russian criminal groups have a large impact.

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<sup>11</sup> Moscow Interfax, December 4, 1997.

<sup>12</sup> Kevin O'Brien and Jason Ralph, *Using the Internet for Intelligence*. Jane's Intelligence Review, November 1997, p.527.

The Russian criminal presence has also expanded well beyond the former Soviet Bloc. Russian groups have become increasingly active in Germany and Western Europe. They are present in Latin America, the Caribbean, and Canada, as well as the United States.<sup>13</sup>

Russian organized crime has used a number of tools to extend its international reach:

- ! It has infiltrated and bought up Russian enterprises, banks, and industries with strong international focus and connections.
- ! Russian criminal groups have sought to gain control over goods and resources that have strong illicit markets abroad, including arms, precursor materials needed for the manufacture of weapons of mass destruction, and strategic minerals.
- ! Like Italian, Chinese, and other criminal organizations, Russian groups use their own national emigre communities abroad to hide and base operations. Thus, they are active in former Soviet countries with large Russian minorities, and other countries with significant Russian emigre communities, including the United States, Israel, Canada, Australia, and Germany. Ethnic communities are also the principal victims of Russian crime and extortion in those countries.

According to Russian MVD estimates, Russian criminal incidents abroad have grown 5 fold since 1991. Within the Commonwealth of Independent States (CIS), crime doubled in five years. The MVD estimates that 400 Russian groups operate abroad worldwide.<sup>14</sup>

In 1998, the FBI said that Russian based crime groups operate abroad in 54 countries, mainly in Europe and North America. FBI field offices in 34 foreign capitals were dealing with cases involving Russian crime groups. However, in trying to measure their impact, Russian criminal groups are difficult to separate out from other groups. For example, some 70 percent of Russian groups operating in the U.S. also have links to Ukrainian criminals. FBI Director Freeh told Congress in April 1998 that of Russian crime cases abroad investigated by the FBI, 55 percent involve fraud, 22 percent money laundering, the rest murder, extortion, smuggling of humans, arms, and drugs.<sup>15</sup>

As Russian organized crime spreads abroad, it is both cooperating and competing increasingly with other crime groups. The FBI states that Russian criminal groups have known links with 50 foreign crime organizations in 29

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<sup>13</sup> Center for Strategic and International Studies. Russian Organized Crime: Global Organized Crime Project. Washington, D.C., 1997, p. 42.

<sup>14</sup> First Deputy Interior Minister Vladimir Vasiliev at a news conference in Moscow. Radio Free Europe/Radio Liberty Newline, November 26, 1997, Part I.

<sup>15</sup> Testimony of FBI Director Louis Freeh before the Foreign Operations Subcommittee of the Senate Appropriations Committee, April 28, 1998.

countries. They are working with the Italian mafia, as well as Colombian and other Latin American drug cartels. Russians criminals have cooperated with Nigerian, Turkish, Japanese, Chinese, and Korean criminal groups, in drug trafficking, money laundering, and counterfeiting.<sup>16</sup> The extent of these links is uncertain. They are probably sporadic, opportunistic, and unreliable, given the absence of "honor among thieves".

## How Russian Crime Threatens U.S. Interests

Russian crime threatens U.S. interests in a number of ways, both directly and indirectly. While the Russian criminal presence in the United States is significant and growing, most law enforcement officials believe the problem is manageable and should not be exaggerated. However, Russian criminal activities in other parts of the world may have strong impact on U.S. security and foreign policy interests.

### Direct Threats

**Presence in the United States.**<sup>17</sup> By some measures, the United States would not appear to be a very attractive target for international crime. Compared to many countries in which international crime groups are active, the United States has strong legislation, relatively little official corruption, and the will to fight crime. On the other hand, several factors make the United States attractive to international criminals: (1) the relative openness of U.S. borders; (2) the legal protections of privacy, free movement, and civil liberties offered by the American system; (3) the exploitable division of justice and law enforcement among local, state, and federal government jurisdictions;<sup>18</sup> (4) America's wealth, financial stability and security, and the fact that the dollar is the dominant international currency; and (5) the presence of well established emigre communities into which criminals can melt. As a result, Russian and other international criminal organizations target the United States very actively.

The exact nature and extent of Russian criminal activity in the United States is difficult to assess. Some 25 major Russian groups operate in the United States according to the FBI. They concentrate their activities in major cities, such as New York, San Francisco, Los Angeles, Miami, Chicago, Boston, Denver, Seattle, Cleveland, Detroit, and Philadelphia.<sup>19</sup> The Russian emigre community of Brighton Beach, NY, initially a center for Jewish immigrants but now housing many other

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<sup>16</sup> Phil Williams. *Transnational Criminal Organizations: Strategic Alliances*. Washington Quarterly, vol. 18, Winter 1995, p.57-72.

<sup>17</sup> See also CRS Report for Congress 97-705F, *Crime in Russia: Recent Developments and Implications for U.S. Interests*.

<sup>18</sup> Louise I. Shelley. *Transnational Organized Crime in the United States: Defining the Problem*. Presentation at the National Research Council Workshop on Transnational Organized Crime, Washington, DC, June 17 and 18, 1998.

<sup>19</sup> Statement by FBI Director Louis Freeh before the Senate Select Committee on Intelligence, January 28, 1998.

Russian and former Soviet emigres, is considered a major base of operations for Russian criminal groups.<sup>20</sup>

Russian criminal organizations in the United States are engaged in money laundering and other illegal financial activities, drug trafficking,, and running prostitution rings. They have been tied to several major scams collecting fraudulent fuel excise taxes. They collaborate with the Italian mafia, Colombian drug cartels, and other foreign groups.

**Role in International Drug Trafficking.** Russian criminal groups have become active in the illicit drug trade. This is not surprising since it is still the most lucrative business for criminals, with worldwide profits thought to make up as much as two percent of global GNP. Russian criminal gangs are connected to Central Asian drug traffickers. Russia has become the main conduit for drugs from Central Asia and other parts of the world to Europe, East and West. Russian crime groups are reported to be developing synthetic (designer) drugs, as well. In 1997, drug-related crime tripled in Russia, at a time when there was an overall decline in Russian crime of 9 percent. In recent years, large amounts of Colombian cocaine have been seized in Russia. In the process drugs have become a growing domestic problem for Russia. There are now an estimated 2 million Russian drug addicts.<sup>21</sup>

New transnational patterns are becoming apparent in international drug trafficking. A number of recent big drug busts have involved criminal groups from more than one country including Russia. The FBI has found clear links between Russian criminal groups and Colombian drug cartels operating in Miami.

**Financial Crimes.** Russian crime gangs have been very skillful in using technology to steal, defraud, and evade the law. Russians and East Europeans, known for their computer and programming skills, have been very resourceful in perpetrating computer crimes. Criminals are able to draw on highly trained, underemployed computer specialists.

Money laundering is a particular concentration of Russian criminal activity, especially in the United States. It is estimated that Russian gangs launder billions of dollars each year. Russian groups reportedly use shell companies, investments, and bank accounts in Cyprus, Switzerland, Austria, Liechtenstein, Persian Gulf emirates, and offshore banking centers. It is estimated that in Cyprus alone Russian criminal groups have laundered some \$12 billion per year. Some analysts believe that more than 60 percent of joint ventures between Russian and foreign firms are thought to be fictitious, established solely for purposes of money laundering.<sup>22</sup>

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<sup>20</sup> Reuters, July 9, 1998: Officials Crack Alleged Russian Mob Ring in New York,

<sup>21</sup> Interior Minister Anatolii Kulikov quoted by ITAR-TASS. Radio Free Europe/Radio Liberty Newslines, January 8, 1998.

<sup>22</sup> John M. Winer. International Crime in the New Geopolitics: A Core Threat to Democracy. Appears in: William F. McDonald, ed. Crime and Law Enforcement in the Global Village. Cincinnati, Anderson Pub., 1997. p. 64.

Since 1991, billions of dollars in Russian assets have been sent abroad, legally and illegally.<sup>23</sup> Not all of this money is criminal or "laundered". Some 80 percent of all enterprise hard currency assets is reportedly sent abroad. Even international foreign aid money is said to have wound up in secret accounts in Western countries.<sup>24</sup> A major portion of this money represents criminal profits, for the most part untaxed.

As a consequence of Russian capital flight, which is not likely to subside in view of the country's financial crisis, there is very little domestic investment in Russia. Because so much of the new wealth is built on extraction of resources for export, the interests of the groups who control the resources may not be tied to general Russian welfare, economic conditions, or consumer spending capacity. The new Russian tycoons, unlike the American Robber Barons of old to whom they are sometimes compared, do not for the most part reinvest their profits in Russia. They prefer to send their wealth abroad.<sup>25</sup>

Capital exported to the West by criminals often remains under their control may eventually be used for further criminal activity.

**Trafficking in Humans.** One of fastest growing areas of criminal activity and one that is of particular concern to the U.S. Congress is the smuggling of illegal aliens across borders and trafficking in women and children for prostitution.

While the smuggling of illegal aliens is more the focus of Chinese, Asian, Mexican, and Central American groups, Russia and the former Soviet Union are now believed to be the principal source of trafficking for prostitution and the sex industry. According to NGO estimates, between 1 and 2 million women are trafficked each year world wide. The main source countries are Russia, Ukraine, Belarus, Poland, and the Baltic states. In addition, several Central and East European countries are reported to be both receiving and transit countries.

Increasingly, this trafficking for the sex trade is controlled by big Russian crime groups, often in cooperation with foreign criminals in Turkey, Yugoslavia, Italy, and Japan. Russian criminals use marriage agency databases to find and lure victims. They place advertisements in the newspapers for good jobs abroad. As urban women become more suspicious of scams and dangers, these gangs move their recruiting efforts to villages and rural areas.<sup>26</sup>

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<sup>23</sup> It is impossible to get precise data on the amount of money that has left the country. Estimates range between 60 and 300 billion dollars.

<sup>24</sup> Former National Security Advisor Zbigniew Brzezinski cited in Center For Strategic and International Studies, Russian Organized Crime, p. 38.

<sup>25</sup> Christian Lucky. Public Theft in Early America and Contemporary Russia. *East European Constitutional Review*, Vol. 6, no.4, Fall 1997, p.98.

<sup>26</sup> U.S. Department of State. Bureau of Consular Affairs. Fraud Digest, November/December, 1997.

Most victims are sent to Western Europe, Asia, and the Middle East. Many victims also end up in the United States. Some two-thirds of women trafficked to Western Europe for sexual exploitation are from the former Soviet Union.

Women trafficked to the United State, most often wind up in New York, Florida, California, and Hawaii.<sup>27</sup> A small minority of women come knowingly as prostitutes. Most are lured with false promises of work and are then forced into labor to pay back substantial fees for smuggling them to their destination.

In addition to trafficking, Russian criminal groups are gaining control of prostitution in many parts of Europe and the United States.<sup>28</sup> It is a booming business in which instead of one-time profits from smuggling their victims, they can continue to make money off the same victims. It is a business in which the criminal gangs face relatively low risks of capture and punishment. Until recently, there has not been much official help or even sympathy for the victims. Often the victims were the ones punished when caught. However, the issue is gaining greater attention. European countries have signed a convention to fight the problem. The United States and the EU agreed on a joint initiative to combat trafficking in November 1997.<sup>29</sup> The U.S. Congress is also focusing new attention on the issue.

## Threats To Broader U.S. Security and Foreign Policy Interests

**Threat to Democratic Transitions.** Since the end of the Cold War, the United States has viewed the successful transition of Russia and Eastern Europe to democracy, the rule of law, and a market economy as the best assurance of future European and international security. Russian and East European crime and corruption have the potential to distort and even derail the transition to democracy in Russia and cause national disillusionment in the process. Already, a substantial minority of Russians believe that Russia is ruled by organized crime. Many more see criminals as reaping most of the benefits of capitalism while the rest of the population pays the price. Increasing numbers of Russians believe that crime is one of the leading threats to Russia. Forty percent of Russians polled at the end of 1997 felt personally threatened by crime and some thirty-four percent by corrupt officials.<sup>30</sup> This sentiment has probably increased significantly with the collapse of the Ruble and economic turmoil that hit Russia in the summer of 1998.

The costs to Russia of organized crime are in the billions of dollars, just in lost tax revenues, sharply limiting what the government can do to help its citizens through the rough transition period. On the other hand, criminal organizations are finding a void to fill precisely because of the weakness and even impotence of many

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<sup>27</sup> Ibid., p. 4.

<sup>28</sup> Global Survival Network. An Expose of the Traffic in Women for Prostitution from the Newly Independent States. Washington, D.C., 1998, p .5-10.

<sup>29</sup> Fact Sheet: US-EU Initiative to Prevent Trafficking in Women. USIS Washington File, December 5, 1997.

<sup>30</sup> Moscow Interfax, November 12, 1997.



government institutions. For example, businesses pay criminals to ensure their security and to enforce contracts which the weak and corrupt courts cannot do.

Some Western observers have expressed the fear that Russia could become a criminal state. A study by a Center for Strategic and International Studies Task Force on Russian Organized Crime found that in the absence of significant reform, Russia is likely to become a "criminal syndicalist state", one which is governed by corrupt officials, working with criminals, and unscrupulous businessmen. The study concludes that in many respects, Russia has already reached this state.<sup>31</sup>

While the Russian government is not ruled by corruption in the view of most experts, the impact of Russian crime is definitely magnified by its strong links to official corruption. Not only do corrupt officials countenance crime but criminal organizations encourage and feed public corruption. In many cases, high level officials charged with fighting crime are working with the criminals.

The lines are not always clearly drawn between legitimate and unethical activity by officials. A number of observers have pointed out that Russians do not yet have a strong understanding of the concept of conflict of interest. Even officials who view themselves as honest and serving the public good, countenance or participate openly in what would be considered conflict of interest activities unacceptable in established democracies, all the time viewing this as normal behavior under capitalism.

Until parliament passed a law barring private company positions for those holding public office in 1996, many senior government officials also held senior positions on boards of enterprises. Since 1996, one can see a revolving door, with people going back and forth between officialdom and enterprises. There are still few checks and balances to correct misdeeds in the young Russian democracy. The legislature and judiciary are very weak under the 1993 Russian Constitution.<sup>32</sup>

Crime is becoming a central issue in the eyes of the general Russian public. A sizeable proportion of Russians saw law and order as the main issue in Russia, prior to the economic and political crisis that erupted in mid-1998. They are likely to blame the President for the crime situation, since he holds most of the power in Russia today. Coming elections may well favor those who are perceived as incorruptible and tough on crime. Several experts have pointed to Alexander Lebed as a potential beneficiary of such sentiment.<sup>33</sup> The broader implications of this sentiment are unclear. The main concern from the perspective of U.S. interests is the

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<sup>31</sup> Center for Strategic and International Studies. *Russian Organized Crime*. Washington, 1997, p. 26.

<sup>32</sup> Virginie Coulloudon. *The Criminalization of Russia's Political Elite.*, p. 75-78; Christian Lucky. *Public Theft in Early America and Contemporary Russia*, p.98. Both in *East European Constitutional Review*, Vol. 6, no.4, Fall 1997.

<sup>33</sup> Lebed is a retired general who gained fame as the commander of Russian forces in Moldova and the broker of peace in Chechniya. He was for a time the head of Yeltsin's national security committee and is now a regional governor. He is a leading candidate for the Presidency. He has gained a reputation as an incorruptible champion of law and order, though some have seen him as somewhat authoritarian.

possibility that Russian voters could accept a return to more authoritarian rule in the interest of cleaning up crime and corruption. This sentiment might be strengthened by the country's worsening financial crisis.

**Fueling Regional Tensions.** Tensions and conflicts in Europe, the Middle East, and other parts of the world may provide opportunities for international criminal exploitation. Criminal organizations have a history of involvement in breaking embargoes, smuggling arms, petroleum, and other needed goods to warring parties and governments facing international sanctions.

Russian criminals may have a comparative advantage in the arms trade area. With the help of corrupt officials and members of the military, they are likely to have relatively easy access to large quantities of arms, fuel, and other supplies. They could use local criminal organizations as intermediaries to find buyers and make deliveries. The concern about potential criminal involvement in smuggling goods to warring parties in defiance of embargoes is especially strong in volatile places such as the former Yugoslavia or along the Russian periphery in the Caucasus and Central Asia. Some analysts are concerned that Russian criminals might become involved in selling weapons or components to rogue regimes such as Iran, Libya, Iraq, Syria, and North Korea, and even to terrorist groups.

Russian officials downplay this problem and maintain that some of the transactions attributed to criminals in fact have been what they consider legitimate sales by the Russian government and enterprises. They accuse the United States, as a major exporter of arms and technology, of hypocrisy, holding other countries to a different standard than our own.

**Potential Access to Weapons of Mass Destruction.** One of the greatest concerns is that Russian criminal organizations could get their hands on and attempt to sell weapons of mass destruction, threatening to undermine global efforts to curb the spread of nuclear, chemical, and biological weapons. In response to questions posed by the Senate Intelligence Committee in December 1997 and released by the Committee, C.I.A. Director George Tenet reaffirmed U.S. concerns over the possible loss or theft of nuclear weapons and materials. The fears are heightened by periodic reports of lax controls and corruption at nuclear, biological, and chemical facilities that have accompanied the deterioration of the Russian armed forces. A number of nuclear thefts from Russian submarine bases have been reported. The FBI has raised concerns about the vulnerability of Russian and East European radioactive materials to theft and diversion, pointing to the seizure of significant amounts of cesium in Lithuania and Uranium in the Czech Republic.<sup>34</sup> Many suspect that the Russian authorities may not have a very tight inventory of their nuclear, chemical, and biological weapons stockpiles. (See also *CRS Report 97-102, Nunn Lugar Cooperative Threat Reduction Programs: Issues for Congress*; and *CRS Issue Brief 98038, Nuclear Weapons in Russia: Safety, Security, and Control Issues*).

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<sup>34</sup> Testimony of FBI Director Louis Freeh before the Foreign Operations Subcommittee of the Senate Appropriation Committee, March 12, 1996.

The threat of nuclear weapons smuggling by criminal organizations is still more theoretical than real. Criminal organizations have shown little interest, so far, probably because of the physical dangers involved in the handling, storage, and transport of such materials and the difficulty of finding genuine buyers, as opposed to undercover police stings. Given the difficulties and dangers involved in arranging and carrying out a nuclear weapons sale, criminal groups may be inclined to find more lucrative and less risky activities in other areas.

To date, there have been few incidents of trafficking in nuclear material and those have been rather amateurish, not showing the fingerprints of more sophisticated criminal organizations. Nuclear materials apprehended have been either far below weapons-grade or very small in quantity. Most have been smuggled via Europe, though nuclear materials have also been apprehended in the Caucasus with ultimate intended destination unknown. These have posed at most a low grade environmental hazard. But even low grade nuclear materials could pose a serious public danger, for instance in the hands of terrorists. British intelligence reportedly has been investigating the possibility that the Provisional IRA may have tried to buy fissile materials from Russia.<sup>35</sup>

A more immediate threat has been the involvement of criminal groups in the sale of dual-use goods, non-fissile materials used both in building nuclear weapons and in civilian manufacturing. Markets are larger and easier to find.

Still, the potential danger exists, that Russian criminals could turn their attention to the smuggling of nuclear, biological, and chemical weapons, as trafficking networks expand and potential payoffs grow. Russian criminal groups are more likely to be able to get access to nuclear materials, especially with the collusion of military and government officials, than criminal organizations of other countries. Both governments and terrorist groups, aspiring to nuclear, biological, and chemical weapons status may be prepared to pay large sums for key components.

## **U.S. and International Response to the Threat**

Until recently the United States and other countries viewed international crime solely as a law enforcement problem to be handled by national and local police agencies. Now there is a growing awareness that it is a security and foreign policy threat, requiring a broad interagency and international response.

### **U.S. Actions**

The State Department has been given an enlarged role in the fight against international crime. It has negotiated extradition treaties, mutual legal assistance agreements (including one with Russia in 1997), and information exchange agreements. The State Department has also played a role in foreign law enforcement training.

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<sup>35</sup> Kevin O'Brien and Jason Ralph, *Using the Internet for Intelligence*. Jane's Intelligence Review, November 1997, p.527.

In 1993, the responsibilities of the State Department were expanded to include international organized crime. The responsible bureau was renamed the Bureau of International Narcotics and Law Enforcement Affairs (INL). A new Office of International Criminal Justice was established under the Bureau. It has the lead role in the U.S. response abroad to international crime, especially in the areas of money laundering, commercial fraud, and trafficking of all kinds. Under the Anti-Crime Training and Technical Assistance program (ACTTA) started in 1994, it also has the lead in coordinating law enforcement assistance and training for Russia and other countries.

The Federal Bureau of Investigations has increased its international role. It now has a permanent presence in more than 34 countries for purposes of investigation, training, and law enforcement cooperation. This has included a very active program of bilateral cooperation with police agencies of Russia and other former communist countries. The FBI role in other countries also often involves investigation of Russian criminal activities.

The State Department and FBI have cooperated on the President's International Law Enforcement Initiative. This is an effort to enhance global law enforcement through a number of steps aimed at strengthening links with and among foreign police, strengthening foreign law enforcement agencies, especially in former Communist countries, and promoting the rule of law in new democracies, especially Russia.

Specific programs and initiatives<sup>36</sup>:

- ! **The Legal Attache Program.** U.S. Embassy legal attache offices have been opened in 32 countries to provide liaison, enhance cooperation, and exchange information regarding law enforcement. An office was opened in Moscow in 1994. It started with 32 crime cases and by 1998 was dealing with some 300. Other offices in former Communist capitals were opened in Kiev, Tallinn, and Warsaw.
- ! **International Training Programs.** These programs, carried out in the United States and in recipient countries, have trained some 18000 foreign law enforcement officers from 60 countries, including many from Russia, the C.I.S., and Eastern Europe.
- ! The United States established an **International Law Enforcement Academy** in Budapest, Hungary in 1995 primarily to train police officers from Russia, the CIS, and Eastern Europe. By the end of 1997, some 630 officers from 20 countries had been trained at the academy. A principal aim of the academy is to strengthen links and create networks among police forces.

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<sup>36</sup> Testimony of FBI Director Louis Freeh before the Foreign Operations Subcommittee of the Senate Appropriations Committee, April 28, 1998.

In May, 1998, President Clinton announced a new **International Crime Control Strategy** to combat global crime.<sup>37</sup> It includes 10 Administration initiatives to better combat drug and firearms trafficking, illegal alien smuggling, trafficking in women and children, terrorism, money laundering, computer theft, public corruption and other crimes. The eight goals and thirty objectives spelled out in the report are meant to set priorities in the U.S. fight against international crime. The report released by the White House was called a blueprint for the fight against the growing threat of international crime.<sup>38</sup> The first initiative under the strategy is proposed new legislation, the **International Crime Control Act of 1998**, discussed in the section on the role of Congress.

## Cooperation with Russia

The Russian government has cooperated extensively with the United States and the international community in the fight against international crime. Cooperation has intensified with the establishment of the U.S. legal attache office at the Embassy in Moscow.<sup>39</sup>

The United States established a number of assistance programs for Russia, including the Rule of Law program to strengthen overall democratic structures. Bilateral assistance has been provided to strengthening law enforcement capabilities.

The United States and Russia have worked together to curb Russian international criminal activities and U.S. agencies have been pleased with the level of cooperation, through information sharing and coordinated action. A regular series of meetings between Vice President Gore and Russian Prime Ministers has led to the signing of agreements on law enforcement cooperation in 1995 and the establishment of a bilateral group to combat commercial crime in 1996. On July 24, 1998, Vice President Gore met with Russian Prime Minister Kirienko. No specific agreements on fighting crime came out of the meetings, but Russia agreed to take action against firms that have violated Russian export controls by shipping sensitive technology to Iran.<sup>40</sup>

U.S. Russian summit meetings have also dealt with the issue of Russian crime.<sup>41</sup> At the September 1998 Clinton-Yeltsin Summit in Moscow the two Presidents focused on one aspect, agreeing to intensify bilateral cooperation by creating seven

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<sup>37</sup> International Crime Control Strategy. The White House, May 1998.

<sup>38</sup> White House Press Briefing on Global Crime Control Effort. USIS Washington File, May 12, 1998.

<sup>39</sup> See also CRS Report for Congress, 97-705F, Crime in Russia: Recent Developments and Implications for U.S. Interests, by Jim Nichol.

<sup>40</sup> Radio Free Europe/Radio Liberty Newline, July 27, 1998, pt. 1.

<sup>41</sup> See CRS Report to Congress 97-705F, Crime in Russia: Recent Developments and Implications for U.S. Interests, p. 10-11.

working groups on export controls to further strengthen Russia's ability to halt the spread of dangerous weapons.<sup>42</sup>

In some high profile recent police cases, U.S. and Russian law enforcement agencies cooperated in bringing down several Russian crime kingpins in the United States. The two countries have worked effectively against financial and computer crime, drug trafficking, and kidnapping cases.

The cooperation is not without friction. Russian officials reacted strongly to FBI Director Freeh's statements before 1997 that Russian crime poses a significant threat to U.S. national security. Former Russian Federal Security Service Director Nikolai Kovalev protested that such statements are likely to limit foreign investment in Russia. He cited foreign security service sources to make the argument that only 0.2 percent of crime abroad is committed by former citizens of Russia and the former Soviet Union.<sup>43</sup> Since then U.S. officials have significantly toned down their own characterizations of the problem. In November, 1997 FBI Director Freeh said in Moscow that crimes by Russians or Russian groups do not threaten the domestic or national security of the United States. He indicated that their impact was serious but less than other groups operating in the United States. In April 1998, FBI Director Freeh testified before the Foreign Operations Subcommittee of the Senate Appropriations Committee, again emphasizing the serious and growing threat posed by Russian crime.<sup>44</sup>

## International Initiatives

**European Union.** The European Union has its own programs to stem Russian and East European crime. It has established the so-called **Octopus** program. Crime experts from EU countries are sent to the region to gather information. They issue reports on the situation in each country and offer guidelines for responding. After the Schengen Convention of 1990 among EU countries was put into force, borders were opened between participating EU member countries to people, business, and in the process to criminals. Europol was established by the European Union in 1995 to enhance European cooperation in the fight against crime. To date, Europol is little more than an information clearinghouse, with a small budget and few staff. It does not open the way for national law enforcement agencies to act against criminals across borders. Thus, Russian and other criminal organizations that have penetrated Western Europe can more easily expand their activities throughout the EU but law enforcement officials must respond in a fragmented manner.<sup>45</sup>

In 1995, U.S. and EU presidents signed a new **Transatlantic Agenda** to establish broader cooperation in many areas. Special emphasis was placed on

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<sup>42</sup> Moscow Summit press briefing, September 2, 1998.

<sup>43</sup> Moscow Interfax, December 3, 1997.

<sup>44</sup> Testimony of FBI Director Louis Freeh before the Foreign Operations Subcommittee of the Senate Appropriation Committee, April 22, 1998.

<sup>45</sup> John M. Winer. *International Crime in the New Geopolitics: A Core Threat to Democracy*, p. 57.

fighting organized crime, terrorism, drug trafficking, smuggling of aliens and women.<sup>46</sup> In November 1997, U.S. and EU officials met in Luxembourg to launch a jointly funded initiative against trafficking in women from Russia and Eastern Europe. It is primarily an information campaign, warning potential victims and an education program for law enforcement, customs and consular officials to heighten their awareness of the problem. Pilot projects were launched in Poland and Ukraine. If they are successful, the program will be expanded.

**G-7 Initiatives.** In 1995 the G7 group of leading industrial states plus Russia established an experts working group on transnational organized crime at its meeting in Halifax, with the encouragement and active participation of the United States and Russia. In their May 1998 Birmingham communique, G-7 leaders concluded that international crime posed a profound threat to the democratic and economic foundations of societies through criminal investments, money laundering, corruption of officials and institutions, and eroding public confidence in democratic institutions.

The Birmingham G-7 Summit endorsed a number of steps and committed the governments to further action on high technology crime, to harmonizing legislation on money laundering and financial crime, to developing shared strategies against corruption, and to enhancing cooperation to stem smuggling of firearms and human beings. These measures followed up on the G7 commitment in Lyons to work to transcend borders to fight crime, to establish common rules, approaches, and standards, to make their law enforcement systems interoperable. The G-7 also pushed for completion of a UN convention against transnational organized crime by the year 2000.<sup>47</sup>

**UN Efforts.** The UN has established a Commission on Crime Prevention and Criminal Justice under the Economic and Social Council. The United States and Russia have worked with the Commission to establish goals, priorities, and a timetable of action. The United States has helped to fund improvements to the UN Crime Commission database for use by all law enforcement agencies.

The United States is also helping to fund the UN affiliated Helsinki European Institute to expand its crime clearinghouse function for criminal justice training and cooperation programs, to avoid duplication and rationalize efforts in Russia and Eastern Europe.<sup>48</sup>

In 1994, a world ministerial Conference on Transnational Organized Crime was held in Naples Italy. The UN General Assembly approved the Naples Declaration and Global Action plan, including the proposal to hold a Convention on International Crime. In 1996, the UN General Assembly called on the Commission on Crime

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<sup>46</sup> Report of the Office of International Criminal Justice, U.S. Department of State, Winter 1996, p. 6.

<sup>47</sup> The Birmingham Summit: Final Communique, May 17, 1998.

<sup>48</sup> Report of the Office of International Criminal Justice, U.S. Department of State, Winter 1996, p. 6.

Prevention to give urgent priority to preparing such a convention. The first experts meeting to prepare the Convention was held in Warsaw in February 1998.

**OECD/FATF.** Money laundering, the process whereby criminal proceeds are legitimized, is essential to organized crime. The Financial Action Task Force was established alongside the Organization for Economic Cooperation and Development in 1989 to fight international money laundering. It has 26 member countries plus the European Commission and the Gulf Cooperation Council. At its ministerial meeting in April 1998, the FATF again stated that money laundering posed a serious threat to democracy and to the soundness of the international financial system and pledged members to full implementation of a package of 40 recommendations to combat money laundering agreed on in previous meetings. The FATF defined a five-year plan (1999-2004) to spread the fight against money laundering to all regions of the world. Emphasis was placed on more effective cooperation among law enforcement, judicial, financial, and regulatory disciplines.<sup>49</sup>

Russia is not currently a member of FATF even though it is a major source of money laundering. It has not been seen, in the past as meeting all the criteria for membership. The organization has set as a high priority bringing in strategically important countries which meet certain criteria including a commitment to end money laundering. The organization could be strengthened by bringing in Russia.

In November 1997, the OECD adopted a Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. It was aimed specifically at fighting official corruption linked to organized crime, which was deemed a significant threat to stable democratic institutions, the rule of law, and human rights.<sup>50</sup>

## Role of Congress

The U.S. Congress has expressed growing concern and sought legislative vehicles to reverse recent upward trends in Russian and other transnational crime. A series of hearings have been held specifically on Russian crime by the House International Relations Committee, the Senate Foreign Operations Subcommittee, and the Senate Select Committee on Intelligence. Senior FBI and State department officials are frequently questioned on the issue when they testify before Congress.

The House and Senate have supported and funded assistance to Russia, the former Soviet Union, and Eastern Europe in the law enforcement area. For FY1998, Congress appropriated \$770 million in total assistance under the New Independent States account of the foreign operations appropriations bill, a 23% increase from the previous year's appropriation and 14% less than the Administration request. After a congressionally mandated 50 percent cut in aid to Russia, from which crime

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<sup>49</sup> OECD News Release, April 28, 1998.

<sup>50</sup> Euopa 40 Plus, December 1997 ([www.coe.fr/europa40](http://www.coe.fr/europa40))



fighting assistance was not exempted, some \$5 million of that amount went to law enforcement and judicial assistance to Russia.

The FY 1999 Omnibus Consolidated and Emergency Supplemental Appropriations Act (**P.L. 105-277**) was adopted by Congress and signed by the President on October 21, 1998. The Act provides \$847 million for the Newly Independent States, including Russia, \$78 million less than the Administration request, \$107 million more than the Senate earmark, and \$257 more than the House earmark. \$801 million was appropriated under the NIS account section of the foreign operations section of the bill, and an additional \$46 million was appropriated as an emergency supplemental. The bill limits assistance appropriated to any one country under the NIS account section to no more than 30% (i.e. \$240.3 million). The measure included law enforcement assistance to Russia. Under Foreign Operations (Sec.101), some \$5.5 million were provided for law enforcement and judicial assistance and training, again assuming a 50 percent cut of amounts appropriated, as a result of continued Russian sales of nuclear and missile technology to Iran. (*See CRS Issue Brief 95077, the Former Soviet Union and U.S. Foreign Assistance; and CRS Report 98-211, Appropriations for FY1999: Foreign Operations, Export Financing, and Related Programs*).

Under the Nunn- Lugar Cooperative Threat Reduction Program, Congress has provided assistance to Russia, among other things, to secure and safeguard nuclear weapons and material from loss or theft. The assistance is provided under the Defense Department authorizations. Bills before the House (**H.R. 3616**) and Senate (**S. 2057**) would again authorize funds for this purpose.

As part of its announced new international crime control strategy, the Administration transmitted to Congress the proposed International Crime Control Act of 1998. The bill (**S. 2303**) was introduced in the Senate on June 14, 1998. It was transmitted to the House on June 9 and referred to several committees.<sup>51</sup> The bill aimed to close the gaps in current federal law, criminalize additional types of harmful activities, and strengthen domestic and foreign criminal justice systems. In his letter of transmittal, the President stated that the proposed legislation would "substantially improve the ability of U.S. law enforcement agencies to investigate and prosecute international criminals, seize their money and assets, intercept them at our borders, and prevent them from striking at our people and institutions." It would strengthen the ability to punish those who commit crimes against Americans abroad, strengthen controls at U.S. borders, deny safe havens to international fugitives, and allow for seizure and forfeiture of assets. It would also permit U.S. law enforcement agencies to share the seized assets of international criminals with foreign law enforcement agencies, provide for extradition of fugitives even in some cases where there is no governing treaty, and streamline the investigation and prosecution of international crime in U.S. courts.<sup>52</sup> The bill was not acted on by the 105<sup>th</sup> Congress (*See also CRS Issue Brief 98038, Nuclear Weapons in Russia: Safety, Security, and Control Issues*).

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<sup>51</sup> House Document 105-272.

<sup>52</sup> White House press release, June 9, 1998.

## Options for A More Effective Response

As the dimensions of the international organized crime problem grow, an understanding is emerging that the threat needs to be looked at and attacked in new ways. Despite recent U.S. Administration, G-7, UN, and other initiatives, a number of critics argue that the international response has not kept pace with the spread of transnational crime.

Suggested options for more effectively fighting transnational crime include better information sharing, not only among intelligence and law enforcement organizations but also with the private sector and non-government organizations (especially human rights organizations); expanded bilateral and multilateral cooperation and coordination; expanded programs of law enforcement assistance for Russia and Eastern Europe; and designing more pro-active and even preemptive approaches to fighting international organized crime.

### Specific options include:

#### 1) *Information Sharing*

- ! In order to gain better intelligence and predictive capacity, governments and international organizations could significantly increase their information sharing.
- ! Some have also said that the U.S. and other governments need to work more closely with the private sector, exchanging information and sharing intelligence in the fight against crime. This involves helping businesses to better know what they are getting into and how to avoid becoming organized crime targets. Some have suggested that this may require creating unclassified public data bases on criminal organizations so that companies can verify with whom they are doing business. The other side of the coin is that governments could more systematically seek information from the private sector on its exposure to and experiences with organized crime.
- ! Some have suggested that activities of criminal organizations should also be treated as a human rights problem and given publicity as such. At present, only governments are monitored in official and non-government organization (NGO) human rights reports. It is argued that criminal organizations should be publicly monitored and reported on, too.

#### 2. *Law enforcement cooperation*

- ! Law enforcement cooperation could be expanded, within the U.S., with Russia and multilaterally to match the globalization of crime groups. Just as borders are coming down for criminals, some experts believe they must come down for crime fighting.<sup>53</sup> Where appropriate, efforts could be made to bring

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<sup>53</sup> A key problem identified by experts is that countries still act individually, (continued...)

Russia into international groups and organizations set up to fight transnational crime, beginning with the Financial Action Task Force. Bilateral or multilateral task forces with flexibility and jurisdiction across borders to go after international criminals have been recommended.<sup>54</sup>

### 3) *Harmonizing Legislation*

- ! It has been suggested that anti-crime legislation should be harmonized to the extent feasible so that criminals cannot exploit discrepancies in the laws of different countries to elude justice.<sup>55</sup>
- ! Some have suggested a treaty or code of conduct among developed or G-7 countries investing in Russia and other former Communist states to deny export credits to firms doing business with organized crime.<sup>56</sup>

### 4) *Bilateral Assistance*

- ! Many experts argue that law enforcement assistance and training for Russia and Eastern Europe has been very beneficial in the fight against international crime and should be expanded. In addition, some experts assert that further assistance could also be provided to agencies of the Russian government and other institutions responsible for regulating the private sector and its professional standards and business practices to strengthen the ability of legitimate Russian business to stay clear of Russian crime.<sup>57</sup>

### 5) *Taking the Offensive against International Crime*

- ! A number of experts have suggested that governments move from a reactive to a more offensive and even preemptive approach to fighting transnational

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<sup>53</sup>(...continued)

rarely bilaterally, and even more seldom multilaterally. Most of the cooperation that does occur is still limited to information exchanges on a case-by-case basis. Confirmation of the problem was provided by the then head of the Russian Security Service Nikolai Kovalev at meeting of CIS security services heads on October 8, 1997. He stressed that criminal groups of the CIS states were integrating much more rapidly and effectively than the agencies tasked to combat them. Another good example of the problem is provided by the Schengen Convention of 1990 among EU countries. This agreement opened the borders between EU member countries to people, business, and in the process, to criminals. But it did not open borders for national law enforcement agencies to act against criminals across borders.

<sup>54</sup> The United States and Italy have had significant success with these in fighting the mafia. Phil Williams. *Transnational Criminal Organizations: Strategic Alliances*, p. 70.

<sup>55</sup> Louise Shelley. *Eradicating Crime Groups*. *Foreign Service Journal*, September 1997, p. 23.

<sup>56</sup> Center for Strategic and International Studies. *Russian Organized Crime*, p. 12.

<sup>57</sup> Center for Strategic and International Studies. *Russian Organized Crime*, p. 12.

crime, along the lines of recent initiatives in the fights against terrorism and drugs. To an extent far greater than against terrorists, governments can take better advantage of the inherent weaknesses and vulnerabilities of criminal organizations and attack them, it is argued. Their networks are fragile, vulnerable and penetrable. Coordinated international responses could include freezing of criminal assets, cross border arrests, and denial of safe havens for criminals and their money. The ability to sow discord and distrust is great, if governments work together. Experts believe that criminal organizations can be penetrated, fragmented and isolated.

Pursuit of new options is hampered by two sets of problems. First, all countries are reluctant to compromise sovereignty or cede jurisdiction. This is true not only between countries but even among competing law enforcement agencies within countries.<sup>58</sup> Second, any suggestion of combining the efforts of law enforcement, defense, and intelligence agencies to help to stem crime raises fears and warning flags. Such moves have troublesome implications for democracy and civil liberties, even in established democracies, but especially in the transition states.

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<sup>58</sup> It is illustrative that when Russian Interior Minister Kulikov unveiled the government's new crime fighting program in the fall of 1997, he devoted as much time to reassuring his different agencies that they would not lose power as to explaining the elements of the program. See Moscow Interfax, October 28, 1997.