Russian Organized Crime, and The Potential for its Full Removal from Political and Economic Society

One of the most persistent images of the Russian underworld since the collapse of the Soviet Union is the picture of a society under the thumb of criminal thugs in leather jackets with a bottle of vodka in one hand, shaking down and beating on helpless business owners for relatively small time change. But this is a dated picture, and one laced without any true understanding. The reality is one in which criminal enterprises have effectively evolved into giant conglomerates which, through organizational features that make them entirely unique to other illegal institutions, have become an institutionalized part of the political and economic environment of Russia, with its influence penetrating to the some of the highest positions. Begging the question, can organized criminal enterprises within Russia ever truly be un-intertwined from their political and economic networks?

Organized crime has yet to be given a true definition, yet the best one illustrated to date describes them as, “…crime committed by criminal organizations whose existence has continuity over time and across crimes, with the use of systematic violence and corruption to facilitate their criminal activities. These criminal organizations have varying capacities to inflict economic, physical, psychological, and societal harm. The greater their capacity to harm, the greater the danger they pose to society.” With this basic understanding in mind, it’s best to continue with the origins of these organizations and how they ultimately came to hold such a vice grip on Russian society.

Criminal enterprises got their start during the early days of the Soviet Union, during the Stalinist era of prevalent gulag use, dated to about 1924. It was in these Soviet prisons that a

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professional criminal class developed, adopting behaviors, rules, and values that bonded them together in what was called the thieves’ world, led by their very own high society of hardline professional criminals conceived within the gulags, called “vory v zakone.” They were the ones who created, maintained, and lived according to a constructed code nicknamed the “thieves’ law.” This thieves’ world created and maintained the bonds and climate of trust necessary for carrying out organized crime. The majority of this crime during the Soviet period consisted of illegal operations which brought together both legal and black-market connections that were based on the misuse of state finances and property, in addition to the common activities of racketeering, prostitution, gambling, drugs, and arms trafficking. This began to shift when there began to emerge an extreme shortage in food and consumer goods which were growing fast. Parallel to this event was the comparable amount of unused cash circulating within the general population. It was these organized crime groups, spurred on towards professionalization by this underdeveloped agrarian society and an ever-present animosity towards the state, that set about supplying the goods deficit through it’s illegal methods to make up for the public’s growing demand. This was the main catalyst for the growth of the criminal role in the “shadow economy,” which by the mid-1990s constituted between 20-45 percent of the national GDP. The other, more traditional crimes eventually fell to predominantly secondary roles.

It was Gorbachev's reforms of the 1980s that definitively weakened the power of the central government, and as the state became weaker criminal enterprises multiplied and expanded. With the advent of Perestroika and the 1988 law on Cooperatives, small privatized

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5 The MVD assessment of the share of the shadow economy in the GDP is as follows: 1991—10-11%; 1993—27%; 1994—39%; 1995—45%; 1996—46%

enterprises became legal, thereby making all the concurrent shadow businesses legal as well. The people best positioned to take advantage of these new opportunities were the criminals, and the new policy enabled them to start to operate more openly, so almost overnight, the rough and tumble gangsters evolved from yesterday’s criminals to today’s rich and legally operating businessmen. The widespread use of legal businesses as fronts for illegal activities and for setting up illegal product and shipment lines created the stepping stones for what would become strong enough enterprises to create “political clans” which were then used to exercise political and economic power. To achieve this they have gone to such lengths, such as dividing territories among competing economic players and rigging the regulation of various business markets. They controlled market entry, imposed their own form of taxes (protection fees), set up tariffs, and, characteristically, enforced all this through direct violence or other forms of coercion. This was done so well in fact that to start up a business within Russia without the use of a protection agent (Krysha, or “roof”) would be an impossibility.\(^7\) These types of activities then necessitated protection. This led to the creation of “security firms” which, while fronts, were technically legitimate businesses who’s purpose was to provide protection to the businesses they extorted. The numbers of these agencies grew exponentially with the fall of the Soviet Union and the gradual implementation of private business ownership, as seen here:\(^8\)

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<tbody>
<tr>
<td>Total # of agencies</td>
<td>0</td>
<td>4,540</td>
<td>6,605</td>
<td>7,987</td>
<td>9,863</td>
<td>10,487</td>
<td>10,804</td>
<td>11,652</td>
</tr>
<tr>
<td>Private protection companies</td>
<td>0</td>
<td>1,237</td>
<td>1,586</td>
<td>3,247</td>
<td>4,434</td>
<td>5,280</td>
<td>5,995</td>
<td>6,775</td>
</tr>
<tr>
<td>Private security services</td>
<td>0</td>
<td>2,356</td>
<td>2,931</td>
<td>4,591</td>
<td>5,247</td>
<td>5,005</td>
<td>4,580</td>
<td>4,612</td>
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<tr>
<td>Agencies closed down by authorities</td>
<td></td>
<td>73</td>
<td>690</td>
<td>622</td>
<td>978</td>
<td>1,364</td>
<td>1,277</td>
<td></td>
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In order to keep these profitable businesses in check, there was a gradual uptick in public corruption in which criminal networks actively supported political candidates that they viewed as working in their best interests. In some cases, these organizations have even fronted and formed their own political movements and parties, allowing them to integrate and assume governmental functions.⁹

Today’s modern Russian criminal organizations have expanded significantly and are now more complex and integrative than ever. The basic handbook on these clans can generally classify their organizational structure into a 3 tier system. The top level of this structure is occupied by high-level government and party bureaucrats, the second level largely consists of underground or shadow economy participants who exploited their jobs or connections with the enterprises of the state-command economy for illicit gain, whereas the bottom rung level is made up of the professional criminals who run the various conventional illegal street activities such as drugs, gambling, prostitution, and extortion.¹⁰ With a strong structural system that covers an entire hierarchal spectrum, they have also taken on characteristics that have become especially unique to Russian organized crime. Especially notable being their ability to make extensive use of the governmental system to protect and expand their criminal activities, along with their capacity to directly influence the state's policies (both foreign and domestic) to promote the interests of organized crime.¹¹ The reach has penetrated into all layers of society and the economy, to the point where its leaders are able to settle outside of Russia, and from there control their criminal businesses from outside of the state. This modern criminal activity became transnational and is conducted within the territories of several countries, with their international connections extending out to China, Cyprus, Germany, Poland, and the United States, among many others.


The groups themselves are widespread, in 1996 there were 3,000 individually operating criminal groups in Russia. Approximately seventy of whom were formed on the basis of nationality, 365 organized inter-regionally, with the residual operating at a regional level. The estimated total number of members and rank-and-file soldiers in these criminal organizations is placed at around 600,000. Supposedly this number does not take into account the approximately 40% of entrepreneurs and the nearly 70% of institutional structures which also involved themselves in criminal activity. These institutional structures according to estimates from Russian law enforcement claim that criminal organizations control over 30,000 enterprises, including 400 banks and 1,500 state enterprises. With all these various groups in competition, it is unsurprising that conflict was a common occurrence and may have at times escalated to all out war. In fact, Conflict and violence have been the largest marker for the competition taking place among various criminal groups, with some larger groups who had the resources even creating special assassination teams recruited from former special-forces operatives who were experts in elimination methods to handle the "physical elimination" of leaders of rival organized criminal groups.

What does this all mean in the big picture? Largely it’s the sum evidence displaying the hold that these organizations have upon the Russian state. With a history, and continuing problem of weak law enforcement and an overall weakness of governmental authority, there is a pervasive result of the law on the books not necessarily being the law in practice. For example, the court systems for mediating financial disputes and debt collections is so inefficient and poorly operated that these arbitrations can take months to years before an end is seen. It is so poor that in 1997 the recorded enforcement rate for court settled disputes was placed at around

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14 The specific group referenced refers to the Uralmash criminal network, which rose to prominence and became known for employing this particular method as their go-to form of conflict resolution.

And because of this, it is far easier for individuals to go to the aforementioned criminally run security firms than to test their luck relying on the courts. In addition in some areas the organizations have taken on an almost welfare-style role, with “dirty” money supporting community sports, children’s and retirement homes, hospitals, theater grants and, in the most ridiculous of cases, even supplying local police with vehicles, food, and clothing. Therefore, in certain aspects, Russian organized crime has taken on governmental functions in lieu of the actual state.

But what has the Russian government done to push back against the overwhelming force of illegal organizations and clans? In truth, not as much as they probably could be doing. In the past, the government adopted a style of appearing to, as opposed to legitimately combatting the issue through carrying out raids against media outlets that were critical of the state. Thereby silencing any voice that would contradict their claims to be solving the crisis of crime and corruption. When you get down to it, neither the federal nor the regional governments are able to maintain the resources required to effectively counter the relentless problem of organized crime. Even more so of a problem is, at all levels of government, is the mere lack of will needed to confront the problem. This is especially seen in the outer provinces, where the government's rule is weaker than in larger cities like Moscow or St. Petersburg. Even in those two central cities, street vendors and businesses are still subjected to harassment by organized gangs.

The problems that the police are able to effectively pursue tend to have no real effect on the overall situation. Mostly because the main targets of police operations are conventional, or disorganized crimes.

The correct way for the Russian state to go about fixing this, however, is widely contested and hotly debated across the board. However, it appears that the most widely agreed upon thing is to understand that the state’s weakness is structural rather than substantive, so


therefore the measures taken must be structurally based. The recognition of this, remarkably, is seen in a speech given by President Vladimir Putin back in 2000, where he states…

“We have created islands, separate little islands of authority with no bridges between them… The center and the territorial, regional, and local authorities still compete among themselves— compete for powers. These frequently destructive tussles are watched by those who benefit from such disorder, from such arbitrariness, those who turn the lack of an effective state to their own advantage…”

The next logical steps beyond addressing the source of the problems would be the resolution of the sources of corruption. This would take the form of a larger-scale version of a legislative act, passed back in February 2002, one of the few effective measures taken, in which Putin ordered a 160% increase in the salaries of public prosecutors to boost morale and curb corruption. Additionally, there would be a need to restrict the hold that security and protection firms have on in-state businesses. Mostly through the restoration of governmental control over the use of force and dispute settlement. Considering how integrated these firms are, the government does not need to prohibit private agencies, but rather enforce a disarmament and limiting of the activities of the agencies to informational security while strengthening state arbitration and protection.

The perceived future, on the other hand, doesn’t seem quite as straightforward or clear-cut. The simple reason being, crime and corruption seem to be an inalienable factor in daily life. As emphasized through this statement of a member of the Kazan criminal group,

“… what is organized crime now? Well, it is business. All with no exception are involved in concealment of incomes, and everyone works with ‘black cash.’”

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In essence, this means that there seems to be no one, (with the exception of a select few) who is exempt from the system that has been shaped over the years, especially by those who’ve distinguished themselves as state-builders, creating a separation between themselves and the common criminals and “violent entrepreneurs.” As a result, the overall consensus is that organized crime networks are now merely a staple of Russian society and will not only continue to exist, but expand and become more influential and powerful in the near future.

The remarkable transition over the years from the criminal thugs in leather jackets, to the white collar economic and political powerhouses that deal every day in ill-gotten money and bureaucratic extortion is one that defies logical explanation. So, can organized criminal enterprises within Russia ever truly be un-intertwined from their political and economic networks? With the combined mix of political and economic resources, lack of juridical accountability, and vast territorial presence, it all came together to facilitate the continued expansion of Russian organized crime. With its influence and standing in one of the world’s most dominant country’s, it necessitates us to take any and all of it’s political and global ramifications seriously. Ultimately, I believe it is impossible to envision a future where any new political or commercial activities within Russia will not be under the manipulation of organized crime.