

INVESTIGATING THE RUSSIAN MAFIA

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AN INTRODUCTION FOR STUDENTS,
LAW ENFORCEMENT,
AND INTERNATIONAL BUSINESS

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For Sasha Gorkin

CONTENTS

Preface	ix
Acknowledgments	xi
About the Author	xv
Introduction	xvii

I. WORDS AND NUMBERS

Chapter 1	Mafia	5
Chapter 2	Russia	31
Chapter 3	Information	43
Chapter 4	Statistics	71

II. ROOTS

Chapter 5	Legacies	97
Chapter 6	The Economy	125
Chapter 7	Vory v Zakone	149
Chapter 8	Accumulation of Capital	175

III. ON THE FRONT LINES

Chapter 9	Groups	205
Chapter 10	Business	229
Chapter 11	Law Enforcement	253
Closing Comments		277
Index		283

PREFACE

This book grew primarily out of the enthusiasm of students I encountered in the classroom and the curiosity of law enforcement officers I met in the field. While many of them had heard the dramatic reporting of the 1990s or read textbooks on organized crime in recent years, they understood that there was much more to know, about Russia generally and the context of the development of the Russian ‘mafia’ in particular.

In undertaking this project, I wanted to present a slightly different perspective from other writers. Earlier works by well-qualified writers presented the Russian ‘mafia’ without sufficient context for readers. The most popular books produced in the mid-1990s caught the imagination of the public through involved story telling and dramatic use of language, with what amounted to a mere glance at history and culture. Other books, of a more academic nature, were thick with theory or written in an inaccessible style. I have endeavored here to present a broad overview of the so-called Russian mafia through a consideration of language, statistics, culture, history, and Russian realities in a way that ultimately is like my lectures at the university: part investigation, part conversation, and part anecdote. I would encourage you, after reading this book, to explore the topic further. Two excellent, well-written, and detailed accounts are Federico Varese’s *The Russian Mafia* and Vadim Volkov’s *Violent Entrepreneurship*.

More than anything, I wanted to create an exercise for students, criminal justice professionals, and international businesspeople that challenges the way they consider the world around them. Understanding the function of language, appreciating the way the media functions, and questioning the various versions that are created by a variety of interested parties (such as the media, law enforcement, and others) are some of the first steps in developing a critical-thinking capacity. Ultimately, I may reach similar conclusions as Varese, Volkov, and others, but the kind of journey this book takes, I dare say, is somewhat different.

Investigating the Russian Mafia is divided into three parts. Part I, Words and Numbers, explores issues of language and statistics. The kinds of questions

addressed include: What did the Soviets mean by ‘mafia’? How were criminal groups counted and what discrepancies do we notice through a careful collection of the statistics? What forces are at work on the media and how do they influence reporting on ‘mafia’? In Part II, *Roots*, I survey some of the key issues repeatedly raised in the 1990s—like the rise of criminal organizations, widespread police corruption, and the nature of business—and cast a net over some 400 years of history to understand the long-term context from which the Russian ‘mafia’ emerged. Part III, *On the Front Lines*, involves an examination of the three areas inextricably linked in the volatile struggle for power and property in the 1990s: criminal organizations, business, and law enforcement. It is critical to appreciate that these three spheres of Russian life played their roles on the same stage. Their relationships were far more intertwined in shades of gray than the black-and-white, good guy/bad guy scenario we might prefer.

I am hoping to raise in this book far more questions than provide answers as it is meant as encouragement for you to question what is said all around you in our rapid fire information age.

Joe Serio
November 2007
Huntsville, Texas

ACKNOWLEDGMENTS

Had it not been for the vision and daring of Dick Ward and Gennady Chebotaryov to push forward at a time when few others would, this book would not have been possible. In 1989, Dick was Vice Chancellor for Administration at the University of Illinois at Chicago and Executive Director of the Office of International Criminal Justice (OICJ), when he started exploring the possibility of cooperating with the Soviets on issues of organized crime control. Gennady Chebotaryov, then Deputy Chief of the 6th Department for Organized Crime Control in the Ministry of Internal Affairs (MVD) of the USSR, was very receptive to Ward's overtures. One of the results of that cooperation was a year-long internship that I served in the MVD's Organized Crime Control Department in 1990-91 prior to the collapse of the USSR.

I also owe a debt of gratitude and friendship to three people who were by my side in Moscow at various points in the 1990s. Alexander "Sasha" Gorkin grew from acquaintance to adviser to friend and finally to older brother between 1990 and 1996 as he endeavored to enlighten the poor American who had stepped through the Looking Glass into a land where frequently up is down and black is white. To his credit, Sasha continued patiently peeling back the layers of Russian history, society, culture, and crime after he immigrated to the U.S. in 1996, and all the way up to his untimely death in July 2007. From 1997 to 1999, Andrei Dmitriev and Yevgeny Shagarin were my deputies in the global corporate investigation firm, Kroll Associates, when I was director of Kroll's Moscow office. More than that, they were my brothers who labored long to lift the eternal veil that covers Russia, at least enough for me to have a glimpse at the other side.

Thanks to Erik Hoffmann at The University at Albany whose enthusiasm for the study of Russia set me on the path many years ago and whose friendship I value highly. Thom Shanker, at the Moscow office of the *Chicago Tribune* in the early 1990s and currently of the *New York Times*, was also an important early influence. He graciously gave me access to his files and became a friend whom, unfortunately, I see far too infrequently. Sherry Jones also provided an important window into Russian life for me through her various ad-

ventures while creating her numerous award-winning television documentaries. Caimin and Marlene Flannery have been unwavering in their support and enthusiasm for a variety of my projects, including this one. And thanks to Ian Brown for all the assistance he provided working with me in Moscow.

A special thanks to the surrogate fathers in my life. To Norbert Friedman, for his spirit and love of life. As a Polish survivor of the Holocaust, he has shared his hard-earned insights on the realities of that part of the world and more importantly helped me understand the meaning of life. To André Bossard, former Secretary General of Interpol, who over past twenty years has encouraged and supported me. And to Richard Allan, professor of law at Brooklyn Law School, part surrogate father, part brother, part teacher, who continues, twenty years on, to provide invaluable counsel.

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Karen Hitchcock, former President of The University at Albany, made it possible for me to hang my hat in the university's library where I discovered vast and fascinating material about Russia. My thanks to André Bossard, James Phelps, Graham Turbiville, and Emilio Viano for reading the manuscript. At Sam Houston State University, Amanda Farrell, Brett Finn, and Sabrina Hager collected mountains of reference material that was critical to this and future projects. And to the faculty, staff, and students at Sam Houston who have made Huntsville feel more like being at home.

I would also like to make a special remembrance of Ann Rubin, a companion on the hard road in the early 1990s with whom I shared a lot of laughs, some tears, as well as a common frustration and delight at the madness that was (and is) Russia. She passed away far too young and left behind many who miss her terribly.

To my sister, Janine, for taking time from her insanely busy schedule to design the cover.

Finally, this book would not have been possible without the support of my family: my eleven siblings who to this day don't quite know what to make of my international life, and especially to my parents, Jane and the late Dr. Joseph Serio, for their great many sacrifices. They were always supportive of international travel, the study of foreign languages, and hosting international friends. Dad was always quick to invite people in, and Mom, with whom I took my first trip to the Soviet Union in 1986, cooked up meals native to our foreign

visitors, wanting to make them feel at home. I'm grateful that our home was always full of books and music, two things that served me well during long, cold winter days in the former Soviet Union. And I'm grateful for all they gave me.

ABOUT THE AUTHOR

As part of a unique internship program sponsored by the Office of International Criminal Justice at the University of Illinois at Chicago, Joe Serio had a desk in the Organized Crime Control Department of the Soviet Ministry of Internal Affairs from September 1990 to June 1991. He conducted groundbreaking research on Soviet organized crime, assisted in the preparation of Soviet police documents for international conferences, and developed a network of law enforcement contacts.

The result of his research was the document, *Soviet Organized Crime*, which served as the first important source in the early 1990s for the FBI, the Italian Ministry of Interior, the Chinese Ministry of Public Security, and other governments as they realized the Russians constituted an important crime threat.

Serio returned to Moscow in 1993 where he worked as a security and media consultant for three years. As a security consultant, he assisted foreign companies understand the pitfalls of operating in Russia and interfaced with Russian police agencies to coordinate problem-solving measures. He worked as a consultant in 1995-96 to Kroll Associates, a leading corporate investigation and business intelligence firm. He also served as co-chairman of the Security Committee of the American Chamber of Commerce in Russia in 1995-96. As a media consultant, he assisted various print and broadcast media, including the *New York Times*, *Washington Post*, and the *Wall Street Journal*, produce stories related to Russian crime. Serio also helped produce several documentaries on Russian police, prisons, and prostitutes, which aired on the program *Investigative Reports* on the cable television channel, Arts & Entertainment (A&E).

In 1997, he became director of the Moscow office of Kroll Associates. He managed a wide variety of investigations across the former Soviet Union and coordinated with Kroll's American, European, and Asian offices on the many Russia-based cases that had international tentacles. He is the author of the Kroll publication *Guidelines for Safety and Security in Russia*, which enjoyed enthusiastic reviews in European trade and commerce journals.

Serio first traveled to the Soviet Union in 1986 and studied at the prestigious Alexander Pushkin Russian Language Institute in Moscow in 1987. Hav-

ing lived in Moscow prior to the collapse of the Soviet Union, Serio brings an important perspective on the continuities and changes in the dynamics of Russian crime and the environment in which it operates. He has been interviewed by the *New York Times*, *Washington Post*, *Wall Street Journal*, *Chicago Tribune*, *The Dallas Morning News*, CNN, NBC News, Fox News, WGN Radio (Chicago), *The European* (UK), *Legal Realm* (China), *Sekai Nippo* (Japan), *Sol de Mexico*, and others. In the late 1990s, he was the harmonica player in a Russian rock-n-roll band.

He is currently Editor in Chief of *Crime and Justice International*, co-author with Robert Kelly and Jess Maghan of *Illicit Trafficking*, and a doctoral student in Criminal Justice at Sam Houston State University.

INTRODUCTION

For some, ‘mafia’ means a way of life, strong family ties, loyalty. It can also convey notions of organization, hierarchy, discipline, and oaths among thieves. Beyond that, ‘mafia’ is seen as part of an alternative, ‘anti-society’ government, a system of rules and punishments that operates independent of traditional government attempting to co-opt official state functions. It might be thought of as a state within a state. For others, ‘mafia’ is the muscle behind organized crime and is engaged primarily in extortion and protection rackets. For yet others, the ‘mafia’ doesn’t even exist. In the former Soviet Union, the meaning of ‘mafia’ has cut across an even broader range.

Perception, of course, is in the eye of the beholder. ‘Mafia’ insiders look on their organization as a positive thing, creating a network of survival through personal relationships. Some outsiders look on it as an insidious cancer spreading through the economy, controlling businesses through violence, and trafficking in narcotics, women, and weapons among other things. Others see it as something to be romanticized, providing a bottomless well of material for Hollywood directors, novelists, and journalists.

Unless you’re in a specific conversation and can judge from the context, it’s difficult to define ‘mafia.’ It has become so many things to so many people.

The importance of discussing the post-Soviet criminal world is not merely to dazzle, shock, and amuse each other with titillating anecdotes and lore but to try to take steps, if possible, to do something about it. If we limit the conversation to the traditional understanding of ‘mafia,’ important characteristics of the post-Soviet system will be missed and certain dangers will go unanticipated. For this reason, the word ‘threats’ becomes more meaningful than ‘mafia.’ From where do the potential threats facing Western businesses operating in the former Soviet Union emanate? What can Western law enforcement learn from Russian and Soviet history to help them assess the threat of post-Soviet crime in their local jurisdictions? How can tourists understand the situation in the former Soviet Union better so that media reports won’t discourage them from traveling there?

To identify threats posed by the former Soviets we have to be prepared to go beyond our traditional narrow idea of ‘mafia’ and understand that there are no neat black-and-white, ‘us and them’ boundaries. It’s somehow psychologically comforting to think of the ‘mafia’ as an external invading force, one that’s far removed from us, a kind of alien being. This way we can still read the newspapers and watch the movies without reminding ourselves that the interrelationships among crime groups, law enforcement, politicians, and ourselves are far more numerous and complex than we might be willing to admit. Crime groups or ‘mafias’ don’t function in vacuums. They are intimately connected to the way we live and the values we set for ourselves. It’s true in the United States, the former Soviet Union, and virtually everywhere else in the world.

Words like ‘invasion,’ used to describe either the crime phenomenon in the former Soviet Union or the activities of former Soviets in the West, hinder us from maintaining perspective. The problem is serious enough without using exaggeration, hyperbole, and sensationalism. And we have to look for solutions without making a whole nation, race, or ethnic group the new bogey man onto whom to dump our own cultural insecurities and shortcomings. I’ve tried to do that in the pages that follow.

None of this can be done, though, without understanding at least in some cursory way the traditions and legacies of the Tsarist and Soviet eras that inform the current behavior of post-Soviet criminals, whether we’re talking about professional criminals or the bureaucrats and businessmen who have become criminals. This is not to suggest that history determines what will happen in the future. Rather, this book is an effort to describe some of the typical behaviors of the past so that we have at least a sense of the criminal methods likely to be used in the future.

Over the past fifteen years of talking with a wide array of people from numerous countries, I’ve found that many assume that the crime groups and corruption of the post-Soviet era were created either by the collapse of the Soviet Union or were exclusively the product of the Soviet regime ... that if only the policies of the Communists could be done away with and a moral environment of pre-Soviet Russia could be reborn, all would be fine.

It is clear that crime groups of every stripe inflicted enormous damage on Russia, but it’s somehow unsatisfying to let the story enter the annals of history without subjecting it to a kind of analysis that has rarely, if ever, been conducted. It is not my desire to suggest that crime groups, criminal organizations—or even ‘mafia,’ if you prefer—did not exist in the former Soviet Union in the 1990s. Nor is it my intention to downplay the seriousness of their impact, although in the pages that follow this may sometimes seem the case.

My primary interest is to present a critical view of information we have come to take for granted as fact.

READER BEWARE!

In the course of writing this book I encountered fascinating people, opinions, and intriguing bits of information. The following are typical:

- The country is wracked with fraud and corruption. Connections between the government and ‘oligarchs’ are getting closer all the time. The president won re-election in 1996 with tens of millions of dollars in his war chest, much of which was contributed by big business outside any meaningful regulation.
- One woman, nearing pension age, described how conditions had deteriorated at her workplace over the past eighteen years. “When I started working in the district government in 1983,” she said, “people were hired on the basis of their qualifications and experience. Now, in our department it’s all done by where you live and who you know.” She went on to lament the decline in talent as well as the extent to which rank-and-file workers were increasingly beholden to the Party. “Incompetence has increased and professionalism has decreased.... We’re expected to campaign for a candidate when asked, and contribute money to the Party.... When we want a raise we have to go to the Party, not to our supervisors, to get it approved.”
- A law enforcement official was under investigation for his participation in a criminal organization. In the course of working a ‘mafia’ boss as an informant, the official was swayed to join forces with the thug, turning over classified information, and reportedly even acting as a lookout during the commission of a murder. This came at a time when the number of law enforcement departments under investigation for incompetence, corruption, human rights abuses, and even murder, were on the rise. Local and national politicians were being arrested for embezzlement, fraud, and extortion. And apathy among the population was high.
- A businessman in a major city was blocked for eleven years from obtaining the required permits to open a restaurant because he refused to pay bribes to city officials.
- A newspaper article enumerated some of the more noteworthy offenses committed by members of the national legislature in the second half of the 1990s:

- 29 members had been accused of spousal abuse
- 7 had been arrested for fraud
- 19 had been accused of writing bad checks
- 117 had bankrupted at least two businesses
- 3 had been arrested for assault
- 71 had credit reports so bad they couldn't qualify for a credit card
- 14 had been arrested on drug-related charges
- 8 had been arrested for shoplifting
- in 1998 alone, 84 were stopped for drunk driving but released after they claimed immunity
- Prior to leaving office, the president granted immunity from prosecution to a drug trafficker, tax evader, embezzler, and others of low repute.

As you may well have guessed, I'm referring to the United States. The woman mentioned above is American, the law enforcement official was an FBI agent, the restaurateur was a New Yorker, the national legislature was the U.S. Congress, and the president was Bill Clinton.

There's little in the former Soviet Union that can't be found in the West including organized crime, extensive corruption and fraud, demoralizing poverty, biased media, and so on. The major differences in many ways appear to be the intensity and scope, and, perhaps more importantly, that the post-Soviet experience is taking place within a legacy of little institutionalized private ownership or rule of law. Without predictable and reliable enforcement methods, this essentially means that everything is up for grabs all the time.

In trying to make sense of the reported lawlessness and criminalization of post-Soviet society and how the so-called Russian 'mafia' fits in that landscape, though, it's useful to reserve an ounce of humility and ask ourselves from time to time, What would we do if we were in their shoes?