

Russia's Biggest 'Mafia' Is the KGB

By J. MICHAEL WALLER

In partnership with the Russian government, the West is launching another Great Crusade: A mutual fight against organized crime. While stopping the spread of criminal syndicates from the former Soviet Union into Western Europe, Asia, and the Americas may well require cooperation with Russian authorities, such cooperation is fraught with dangers. Russia's organized criminals are not only rogue elements battling the authorities. In many, many instances, they are the authorities themselves.

The core of Russia's own battle against organized crime is the Federal Counterintelligence Service (FSK), the re-named internal security organs of the former KGB. Paradoxically, ex-KGB operatives also happen to be at the core of Russia's organized criminal underworld, with a grip on a great deal of business activity.

This should not be surprising. Since the Soviet secret police were founded in 1917 as the Cheka, they have acted as agents of corruption for the country's nomenklatura ruling class. As the Bolsheviks consolidated power, the "Chekists" made house-to-house searches, stealing everything of value and stockpiling it in warehouses where the items were catalogued and ultimately distributed for use by the nomenklatura, or sold abroad for hard currency. They then set up and operated big trading houses in the West.

In more recent years, the KGB procured contraband for the ruling elites, laundered Communist Party funds through investments in the West, smuggled narcotics from Central Asia to Europe, trafficked in weapons large and small, rubbed out opponents around the world, and engaged in bribery, blackmail, and extortion at home and abroad. It had sole authority to penetrate law enforcement and the armed services, a power that could either end the careers of police and military officers, or enhance them in exchange for cooperation.

The Ultimate Mafia

The KGB had vast banks of information at its disposal: files on millions of individuals, political and financial data, a global information-gathering and analysis operation staffed by some of the world's brightest minds, and a network of enforcers to match. Backed by the Soviet superstate, with branch offices in every town of the U.S.S.R. and nearly every country in the world, the KGB was the ultimate mafia.

As the Soviet Union collapsed, that mafia unshackled itself from the few civilian controls over it and began taking advantage of the opportunities opened up by privatization and the emergence of a market economy. It buttressed its political independence with the unmatched power to move money into and out of the country.

When Mikhail Gorbachev abolished the Communist Party's monopoly of power, the KGB rushed in to fill the political void as well. Prior to the 1990 elections for the Congresses of People's Deputies in Russia and the other Soviet republics, the KGB set up a special task force to organize and manipulate the electoral processes. It held political organization training courses for favored candidates, arming them with privileged information about their constituencies' problems, needs and desires. Admitted KGB officers, some 2,756 in all, ran in races for local, regional

tions in nearly 100% of all state and semi-state enterprises, where a deputy director's position traditionally has been reserved for a ranking KGB officer.

For Western businessmen, employing or otherwise retaining KGB men had distinct economic advantages. KGB officers and veterans are a tightly knit fraternity with unmatched access to inside information, personal contacts, and other mechanisms to get things done, including paying off bureaucrats and high-level officials. Few contracts in Russia have any legal basis, and the smooth-

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and federal legislatures across the U.S.S.R.; 86% won in the first round, according to a KGB internal newsletter.

The trends are similar in Russia's booming business community. Radio Liberty's Victor Yasmann reports that during *perestroika*, it was the KGB and the Komsomol that established the first stock and commodities exchanges, "private" banks, and trading houses through which the Soviets' strategic stockpiles of minerals, metals, fuel and other wealth were sold. The West would not allow the Soviets to dump these reserves on the open market for fear of depressing world prices, so the KGB took the alternative route of selling through organized criminal channels to get the hard currency Moscow desperately needed.

These networks were facilitated by the strategic placement of support personnel abroad. KGB Chairman Vladimir Kryuchkov's son, as station chief in Switzerland, was implicated by a parliamentary commission in a scam to bank fortunes in hard currency for the KGB and Communist Party leaders and their families. The son of former Soviet Prime Minister Valentin Pavlov, who worked in a Luxembourg bank, was implicated in the same scandal. Even as the Russian government went through the motions of tracking down such monies, foreign intelligence chief Yevgeniy Primakov blocked the parliamentary investigation from looking further, and the matter was forgotten.

Meanwhile, Western businessmen who flocked to Russia actively pursued current and former KGB officers as business partners. The law at the time required all foreigners to have a Russian point partner. A 1992 report in the Russian newspaper *Golos* concluded that 80% of all joint ventures involved KGB officers. They occupy top posi-

ering bureaucracy makes special favors from the KGB a necessary component of successful business ventures. Some Western businessmen even justified their new partnerships by reasoning that helping turn secret policemen and spies into entrepreneurs would promote Russian reform.

Those businessmen were wrong. Honest security officers suffered professionally for bringing cases of high-level corruption to President Yeltsin's attention. According to a former KGB general, Mr. Yeltsin's internal security chief, Viktor Ivanenko, "tried to tell the truth about certain colleagues to President Yeltsin, but he was ousted."

President Yeltsin authorized a new status called "active reserve" so that secret police and spies could go into business while in government service with all due privileges. No conflict of interest laws exist to stop massive organized corruption from taking place legally. The distinction between private enterprise, racketeering and the security services is now officially erased.

The largest and most visible symptom of the Chekists' new influence is the gigantic "Most", financial and construction group. Most's business strategy has been to hire between 800 and 1,000 former KGB and interior ministry officials to serve as analysts, deal-makers and enforcers, according to ex-KGB officials interviewed in Moscow. The firm's analytical department, which acts as the principal advisory body to CEO Vladimir Gussinsky, is headed by former KGB First Deputy Chairman Filipp Bobkov, once the right-hand man of KGB Chairman Kryuchkov and a vocal supporter of the August 1991 coup attempt. Mr. Bobkov's department includes 60 KGB veterans, including former KGB Chairman Viktor Chebrikov, who advocated sending democratic activists to

psychiatric hospitals; B.S. Shulzhenko, who was in charge of the political police in Ukraine; and former head of the KGB's dissident-hunting unit for the entire Soviet Union, Gen. Ivanov, whose first name is a subject of some mystery.

The Most conglomerate is widely reported to be attempting to buy the loyalty of members of parliament who have opposed the Chekists. The company is also creating a media empire to influence public opinion, reaching out to young professionals who strongly support Western-style reform. In partnership with the Stolichny and National Credit banks, Most is a major backer of a new daily newspaper, *Segodnya*, and the popular Independent Television Network (NTV). Just a year old, *Segodnya* has a daily circulation of 100,000, while NTV reaches 40 million viewers. Both media outlets are politically quite liberal, but not to the extent of criticizing the activities of Most itself.

Information Highway Robbery

A new threat to legitimate businesses in Russia and the West is the Federal Agency for Government Communications and Information, known by its Russian initials as Fapsi, which comprises the high-tech units of the former KGB. Responsible for most forms of electronic spying, Fapsi is on the verge of taking control of Russia's telecommunications lines. A recent decree by deputy counterintelligence director Andrei Bykov, a 20-year veteran of the KGB technical operations department, placed all telephone switchboards and their electronic equivalents at the disposal of the security services. The decree ordered that each telecommunications transit point be equipped with eavesdropping devices.

Traditional-style gangsters also have gained power in Russia. Otari Kvantrishvili, a notorious Moscow mafioso who was assassinated in April, had positioned himself so well that, in the words of *Moscow News*, he "could successfully settle conflicts between Moscow officials, financiers, and representatives of the underworld."

According to the State Duma's committee on security, 80% of all enterprises are engaged in corruption, and up to 50% are controlled by organized crime syndicates. What has emerged from Russia's great economic reform is a huge parastatal system dominated by the former KGB, the bureaucracy and nomenklatura and organized crime. Before the West commits to help Russia fight mafia activity with tradecraft and intelligence, it must first find institutional partners there that are clean.

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