

# GLOBALIZATION AND TRANSNATIONAL ORGANIZED CRIME: THE RUSSIAN MAFIA IN LATIN AMERICA AND THE CARIBBEAN

Bruce Michael Bagley  
School of International Studies  
University of Miami  
Coral Gables, Florida  
November 15, 2001

## Introduction: Globalization, Weak States and Transnational Organized Crime

The purpose of this paper is to examine the scope and impact of the post-Cold War wave of Russian transnational organized crime in one region of the global system: Latin America and the Caribbean. Although the evidence currently available in the public realm is primarily journalistic and often anecdotal, it is, despite these limitations, sufficient to support the conclusion that the linkages or “strategic alliances” between various Russian organized crime groups and major transnational criminal organizations in Latin America and the Caribbean in 2001 were already substantial and expanding rapidly. Moreover, it raises the specter that, at least in some key countries in the region (e.g., Colombia, Mexico and Brazil), the alliances between home-grown and Russian criminal organizations may provide domestic criminal and/or guerrilla groups with access to the illicit international markets, money-laundering facilities and illegal arms sources that could convert them into major impediments to economic growth and serious threats to democratic consolidation and long-run stability at home.

Organized crime<sup>1</sup> flourishes best in the contexts provided by weak states.<sup>2</sup> In the wake of the complete collapse of the Soviet Empire in 1991, the new Russian state that

---

<sup>1</sup> The Federal Bureau of Investigation (FBI) defines organized crime as “... a self-perpetuating, structured and disciplined association of individuals or groups, combined together for the purpose of obtaining monetary or commercial gains or profits, wholly or in part by illegal means, while protecting their activities through a pattern of graft and corruption.” Center for Strategic & International Studies (CSIS), Russian Organized Crime. Washington D.C.: CSIS, 1997, pp. 23-24. Transnational crime is defined as crimes or offenses whose inception, prevention, and/or direct or indirect effects involve more than one country. Gerhard O. W. Mueller, “Transnational Crime: Definitions and Concepts,” Transnational Organized Crime, Vol. 4, Nos. 3 and 4 (Autumn/Winter 1998) p.14.

<sup>2</sup> The term “weak” state as used here refers not to the type of regime – e.g., authoritarian or democratic – or to the form of government –e.g., unitary or federalist – nor to institutional arrangements -- e.g., presidential or parliamentary political systems. Rather, it refers to the institutional capacity of the state, whatever its form, to penetrate society, extract resources from it and regulate conflicts within it. Specifically, the term refers to the ability of state authorities to govern legitimately, to enforce the law systematically, and to administer justice effectively throughout the national territory. Understood in this fashion, Latin America has produced no strong states. Not even the Mexican state during the 71 years of single-party domination

assumed power in Moscow was from the outset a weak state and its institutional weakness led Russia, along with most of the other 14 independent states that emerged out of the former Soviet Union (e.g., the Ukraine, Belarus, Georgia, Estonia, Latvia, Lithuania, Armenia, Azerbaijan, Tajikistan and Kazakhstan), to become hotbeds of organized crime over the decade of the 1990s.<sup>3</sup>

The longstanding institutional weaknesses of most states in Latin America and the Caribbean, in combination with the existence of a highly lucrative underground drug trade in the Western hemisphere, made the countries in that corner of the world system especially attractive targets for Russian transnational criminal enterprises. The lack of transparency and effective state monitoring in the banking systems of many Latin American and Caribbean nations left them particularly vulnerable to penetration by Russian money launderers. Their corrupt and ineffective law enforcement institutions and judicial systems allowed Russian crime groups to operate outside of the law with virtual impunity. Indeed, the dubious practice of a number of the states in the region (e.g., Dominica, Panama, Uruguay and Paraguay) of “selling” citizenship literally provided an open invitation to Russian crime groups to establish themselves in the hemisphere. As Tom Farer notes, when states are weak, but act as if they were strong “...spewing out laws and regulations purporting to regulate, inhibit, and tax private activity...” without the will or capacity to enforce the law, they inevitably create spaces or niches between reality and legality that can be and frequently are exploited by organized crime.<sup>4</sup>

The ongoing processes of globalization unquestionably facilitated the transnationalization of Russian mafia activities over the last decade. In broad strokes, globalization refers to the “shrinkage” of distance on a global scale through the emergence and thickening of “nets of connections” – economic, technological, social, political and environmental.<sup>5</sup> Of course, as many skeptics have noted, the recent transformations in the world system are by no means completely new.<sup>6</sup> What is novel about them in the contemporary period are their extensity, intensity, velocity and impact on states and societies around the globe.<sup>7</sup> Russian transnational criminal organizations (like other international criminal and terrorist networks) have been able to exploit the increased ease of international travel, the liberalization of emigration policies, the expansion of international trade, the spread of high technology communications systems

---

and inclusionary authoritarianism under PRI rule nor the Brazilian state during the decade plus of military rule and bureaucratic authoritarianism can be accurately classified as strong states according to this definition. Of course, the weak/strong dichotomy encompasses an underlying continuum or range of possibilities. Some Latin American and Caribbean states are clearly weaker than others. Thus, it is valid to argue that both the Mexican and Brazilian states are “stronger” than, say, the Haitian or Paraguayan states.<sup>3</sup> CSIS, *Op cit.*, 23-49; Michele Aglietta et Philippe Moutot, “Redeployer les reformes: Comment adapter la strategie de transition,” *Economie Internationale: La Revue du Cepii*, No 54, 2 trimestre 1993, pp. 67-104.

<sup>4</sup> Tom Farer, “Conclusion: Fighting Transnational Organized Crime: Measures Short of War,” in Tom Farer, ed., *Transnational Crime in the Americas*. New York: Routledge, 1999. p. 251.

<sup>5</sup> Robert O. Keohane, “Governance in a Partially Globalized World,” *The American Political Science Review*, Vol. 95. No 1, March 2001.

<sup>6</sup> Giovanni Arrighi, “Globalization, State Sovereignty, and the ‘Endless’ Accumulation of Capital.” Binghamton, NY: Fernand Braudel Center, 1997. <http://fbc.binghamton.edu/gairvn97.htm>

<sup>7</sup> David Held, et al, *Global Transformations: Politics, Economics and Culture*. Stanford, CA.: Stanford University Press, 1999, pp 1-31.

and the underegulation of international financial networks (via sophisticated money laundering techniques) to extend their criminal enterprises well beyond the borders of their own country.<sup>8</sup>

For historically weak states such as those in Latin America and the Caribbean, their accelerating insertion into the global economy over the last several decades, with particular intensity in the post-cold War era, has generally required painful fiscal austerity measures on the part of national governments and a severe “downsizing” of the state in general. Under the banners of the “Washington consensus” and neo-Liberal market reforms, state penetrative, extractive and regulatory capacities throughout the region (never particularly strong) suffered dramatic erosion in the aftermath of the 1982 regional debt crisis. As a result, state authorities in the 1990s often found themselves bereft of the financial and institutional resources essential for combating the rise and expansion of transnational organized criminal activity within their national territories. Law enforcement agencies throughout Latin America and the Caribbean remain woefully inadequate, under funded and corrupt. Courts and prison systems are outdated and overwhelmed. And high-level political corruption has continued, or even worsened in many cases, despite the neoliberal belief that wholesale liberalization would –once the initial transition phase had been completed – “... reduce the range of illicit and concealed profit opportunities available to the holders of political power.”<sup>9</sup> Ill prepared as they were in the past to combat transnational organized crime, following almost two decades of neoliberal reforms most states in the region are even less capable today.

The tendency of neoliberal reforms to exacerbate the gap between rich and poor in many Latin American and Caribbean countries and to heighten the poverty and misery of those subordinate classes not effectively linked to export sectors -- the principal “losers” in the processes of globalization – quite predictably has generated rising resistance to globalization among the disadvantaged and intensified popular demands for policy reforms and fuller democratization across the region. Yet, in the context of globalization, the scope of autonomous state action in most developing countries is significantly constrained and ameliorative policies are often viewed as inefficient and unacceptable. Confronted with the overwhelming power of globalized production and international finance, including heavy international debt burdens, most Latin American

---

<sup>8</sup> For analyses of the impact of globalization on transnational organized crime see Nikos Passas, “Globalization and Transnational Crime: Effects of Criminogenic Asymmetries,” Transnational Organized Crime, Vol.4, Nos. 3 and 4 (Autumn/Winter 1998) pp.22-56; and Phil Williams, “Organizing Transnational Crime: Networks, Markets and Hierarchies,” Ibid., pp. 57-86. Russian money launderers amply demonstrated their financial sophistication by successfully obscuring their illicit transactions within the larger movement of capital into and out of emerging markets by timing them to the speculative capital shifts that occurred during the Mexican peso crisis (1995), the Thai bhat crisis (1997) and the Turkish lira crisis (2001), among other recent currency crises.

<sup>9</sup> Laurence Whitehead, “High-level Political Corruption in Latin America: A ‘Transitional’ Phenomenon?” in Joseph S. Tulchin and Ralph H. Espach, eds., Combating Corruption in Latin America. Washington D.C.: The Woodrow Wilson Center Press, 2000, p.108. See also Luigi Manzetti, “Market Reforms Without Transparency,” in Tulchin and Espach, eds., pp. 130-172; and Edmundo Jarquin and Fernando Carillo-Flores, “The Complexity of Anti-Corruption Policies in Latin America,” in Tulchin and Espach, eds., pp. 193-204.

and Caribbean political elites have been reduced to negotiating from positions of weakness the terms of their progressive national integration into the global capitalist system. Unable to oppose stronger transnational forces and unwilling to adopt more flexible systems of democratic political representation designed to modernize and legitimate the state, governmental and party elites have generally striven, instead, to preserve the fundamental structures of power and domination in tact while resisting grass-roots pressures for greater socio-economic equality and democracy via selective state cooptation (to restrict mounting dissent) and systematic state coercion (to repress outbreaks of protest and praetorianism).<sup>10</sup>

In most of Latin America and the Caribbean, the dynamics of globalization over the last two decades have resulted in almost ideal conditions for the rapid penetration and spread of transnational organized crime. On the one hand, the hundreds of millions of under- or unemployed poor provide a vast seething cauldron in which criminality of all sorts can and does incubate and multiply.<sup>11</sup> Indeed, engagement in criminal activities, including forms of organized crime, on the part of many of the disadvantaged in the region can be seen as a rational survival strategy in the face of otherwise severely limited life opportunities. On the other hand, the weak, often corrupt, and frequently illegitimate states typical throughout the hemisphere have routinely proven unable to address adequately the desperate needs of these “marginalized” segments of their populations or to prevent the spread of common criminality. They have been even less able to halt the rise or impede the spread of more sophisticated and technologically adept transnational organized crime.<sup>12</sup>

### The Rise of Russian Organized Crime

While there were preliminary indications of the rise of organized crime in the former Soviet Union by the early 1970s (e.g., the infamous Odessa gang and the burgeoning “shadow” economy), the organizations that today are generically known as the Russian mafia (mafia) or Russian organized crime first began to appear in the mid-

---

<sup>10</sup> James H. Mittleman, “The Dynamics of Globalization,” in James H. Mittleman, ed., Globalization: Critical Reflections. Boulder: Lynne Rienner Publishers, 1997, pp. 6-10. Robert Cox, Production, Power and World Order: Social Forces in the Making of History. New York: Columbia University Press, 1987.

<sup>11</sup> Of the 500 million people who reside in Latin America, 89 million live in extreme poverty and almost one half are considered poor. According to the United Nations Economic Commission for Latin America and the Caribbean, the proportion of people living in poverty decreased modestly in Latin America in the 1990s after the disastrous “lost decade” of the 1980s, but the number is likely to grow again as the United States, Latin America and most of the world economy fall into recession in 2001-2002. Clifford Krauss, “Economic Pain Spreads from US. Across Latin America,” The New York Times, October 14, 2001.

<sup>12</sup> Of course, only a small proportion of the poor in Latin America (as elsewhere around the globe) resort to criminality of any sort and even smaller numbers actually become involved in organized crime. In fact, the poorest of the poor are generally ill-equipped to engage in organized criminal enterprises because such activities require relatively higher levels of education, technical know-how, access to financial resources, and familiarity with bureaucratic-administrative procedures and police and political contacts than the abjectly poor have at their disposal. For a discussion of the characteristics of modern large-scale criminal organizations see Letizia Paoli, “Criminal Fraternities or Criminal Enterprises,” Transnational Organized Crime, Vol. 4, Nos. 3 and 4, (Autumn/Winter 1998) pp. 88-108.

1980s in the context of the last Soviet President's -- Mikhail Gorbachev's -- famous program of economic opening known as "perestroika" (restructuring). Perestroika not only paved the way for the establishment of legal private enterprise in the U.S.S.R., it also created new opportunities for criminal activity of all sorts as the Soviet grip on the economy weakened. Emergent Soviet criminal gangs gained added impetus during this initial period of restructuring from the parallel policy of "glasnost" (openness), first advanced by Gorbachev's chief political adviser -- Alexander Yakolev, that rapidly undercut Communist Party authority and centralized state control over the political process. Misguided economic policies calling for use of the "initiative and drive" of the black market or "shadow" economy put forward by key Gorbachev advisers such as Stanislav Shatalin and Abel AgAnbegyan further stimulated the growth of criminality during Gorbachev's final years in office.

The Soviet leadership failed to foresee clearly the consequences of these reforms and, thus, unintentionally created the "breeding grounds" for the rise of a new wave of organized crime in the former Soviet Union. The early beneficiaries of Gorbachev's reforms were generally small criminal gangs and petty smugglers who, within a few years, managed to develop vast, although generally informal, criminal networks. Among the most lucrative of the pioneering criminal ventures launched by the new Russian mafiosos were extortion schemes or "protection" rackets directed at the country's emergent capitalist class or "new rich" in which "taxes" were collected in exchange for protection from other criminal gangs, for help in getting rid of unwanted competitors, and for assistance in collecting on bad debts. The theft and clandestine sale of state property also quickly became a major Russian mafia enterprise.<sup>13</sup>

By 1991, despite the frenetic efforts of Gorbachev and his fellow Communist party reformers to regulate their country's economic and political opening through legislative reforms, the Soviet state effectively lost control of the process and ultimately disintegrated. Set against a backdrop of historically weak legal institutions and declining Soviet administrative authority, the opening of the Soviet economy proved to be an essentially chaotic process. What limited order was achieved during the period of transition came not from the state, but rather from a group of "coordinators" or "godfathers" -- often known as the "thieves-in-law" -- who ensured the stability of the emergent system of organized criminality and, to a degree, coordinated the diverse elements of it. Among the key services the thieves-in-law provided were protection of pseudo-businessmen from extortion by rival gangsters, division of spheres of influence among rapidly proliferating mafia organizations, assistance to criminals in the disposal of stolen state property and the laundering of the proceeds, and the facilitation of contacts between criminal bosses and corrupt officials in the "new" Russia. Ten years after the collapse of the Soviet Union, the thieves-in-law continue to operate in Russia and several other post-Soviet independent states in Eastern Europe, making organized criminal

---

<sup>13</sup> Margaret E. Beare, "Russian (East European) Organized Crime Around the Globe." A paper presented at the Transnational Crime Conference, Canberra, Australia, March 9-10, 2000, pp.1-2.  
<http://www.yorku.ca/nathanso/Publication/russian.htm>.

activity in much of the region virtually untouchable by domestic or international law enforcement.<sup>14</sup>

Western donor nations generally and the United States specifically may have contributed indirectly to undermining or weakening the Russian state and others in Eastern and Central Europe in the 1990s through their misdirected aid policies. Fearing that Communist party bureaucratic holdovers might seize control of, or improperly divert, Western assistance flows into Russia and other former Soviet bloc countries, whenever possible most international donors channeled their assistance through non-governmental organizations (NGOs) rather than through existing state institutions. The intent was to help strengthen the region's embryonic civil societies in the post-Soviet period while undercutting entrenched and corrupt bureaucratic authorities. Good intentions notwithstanding, such policies, in practice, did not prevent Western aid resources from being siphoned off by the region's proliferating organized crime groups and may even have facilitated criminal enterprises of various sorts by circumventing state controls altogether. Simultaneously, such aid practices unquestionably further reduced the authority and impact of already debilitated state institutions while limiting international donors' leverage in support of effective institutional reforms.<sup>15</sup>

While recognizing the significance and impact of Russian organized crime both within contemporary Russia and abroad, analysts such as Rensselaer Lee caution observers not to "inflate" the extent of the Russian mafia's activities disproportionately:

"... [I]f organized crime is as ubiquitous as these writers suggest, the concept loses much of its organizational shape. Instead of defining violent and lawless subgroups, it begins to encompass much of the Russian state and society. For example, the so-called shadow economy in Russia is indeed large, accounting for some 20 to 40 percent of the country's gross domestic product, according to different estimates. Yet most of this share consists of legal production and commercial activity unregistered and hence untaxed rather than traditional *mafija* pursuits (drugs, extortion, weapons trafficking, and the like)."<sup>16</sup>

Lee also points out that Russian organized crime is neither monolithic nor necessarily hierarchical, especially abroad. Indeed, "... much of the heavy lifting in

---

<sup>14</sup> Ibid., pp.2-4. Some estimates suggest that as much as 40 percent of Russian GDP is presently controlled by organized crime and as many as 90 percent of all Russian business enterprises are obliged to make protection payments to one or another group of Russian mobsters.

<sup>15</sup> See, for example, Janine R. Wedel, "U.S. Assistance for Market Reforms: Foreign Aid Failures in Russia and the Former Soviet Bloc," The Independent Review: A Journal of Political Economy, Vol. 4, No. 3 (Winter 2000) pp. 393-417; Janine R. Wedel and Gerald Creed, "Second Thoughts from the Second World: Interpreting Aid in Post-Communist Eastern Europe," Human Organization, Vol. 56, No. 3 (Fall 1997) pp.253-264.

<sup>16</sup> Rensselaer W. Lee III, "Transnational Organized Crime: An Overview," in Tom Farer, ed., Transnational Crime in the Americas. New York: Routledge, 1999, p. 4. As Richard Giragosian noted in comments on an early draft of this paper, it is important to realize that this type of corruption undermines the ability of the Russian state to collect taxes, to ensure fiscal and economic stability, to pursue effective market reforms, and to consolidate governmental authority.

international illegal commerce, from heroin trafficking to the smuggling of radioactive material and counterfeit money, is done by ad hoc criminal coalitions with few apparent resources, little formal structure, and uncertain connections with the political or official underworld. Such groups commonly coalesce for one or two deals, divide up the proceeds and then disband.”<sup>17</sup>

The U.S. government’s interagency working group on international crime observes that over the latter 1990s the traditional domination of the “thieves-in-law” or “godfathers” of Russian crime gradually began to yield to a new breed of more “... flamboyant, aggressive and politically savvy ...” Russian criminals “... well-versed in modern technology and business practices that allow them to operate efficiently across international borders.”<sup>18</sup> Perhaps the most powerful of this new breed of Russian crime syndicates in terms of wealth, influence and financial control is the Solntsevo group known as Solntsevskaya. Solntsevskaya dominates Moscow’s criminal underworld – including the drug market – and is reputed to have extensive worldwide operations involving arms and narcotics trafficking and money laundering operations.<sup>19</sup> These overseas contacts and alliances do not, however, signal the emergence of a vast, centrally directed Russian underworld empire. Rather most Russian international criminal networks appear to be made up of “alliances of convenience” that are temporary and impermanent, not long-term and strategic.<sup>20</sup>

With the transition from the presidency of Boris Yeltsin to that of Vladimir Putin in 1999-2000, the political pendulum in Russia may have begun to swing back toward the construction of a stronger Russian state, one perhaps more authoritarian than democratic.<sup>21</sup> Public opinion in Russia has exhibited overwhelming concern in recent years with the construction of a “strong state” capable of reining in rampant lawlessness and corruption. Putin himself has repeatedly referred to the need for imposing “the dictatorship of law”. Skeptical observers, however, note that President Putin himself is the product of the very oligarchical system created under Yeltsin and that he has publicly rejected the popular idea of investigating the results of Russia’s highly questionable privatizations of former state-owned enterprises during the 1990s for legal improprieties, cronyism and corruption. If, as Margaret Beare emphasizes, “... the meaning of the ‘dictatorship of law’ should turn out to be protection of the gains of the beneficiaries of

---

<sup>17</sup> Lee, *Ibid.*, p. 2. Also Williams, *Op cit.*, pp. 72-78.

<sup>18</sup> U.S. Government Interagency Working Group, *International Crime Threat Assessment*. Washington D.C.: U.S. Government Printing Office, December 2000, p. 74.

<sup>19</sup> *Ibid.*, pp. 74-5. The second major Russian gang is the Dolgoprudnanskaya. In Moscow the Ostankino and Lubertsy clans are also significant players. Chechens and Georgians have a disproportionately large role in the Russian underworld. The largest Chechen mafia is known as the Obshina. BBC News, “So Who are the Russian Mafia,” *BBC Online Network*, April 1, 1998.

<sup>20</sup> Gregory F. Treverton, “International Organized Crime, National Security and the ‘Market State’,” in Tom Farer, ed., *Op cit.*, p. 52.

<sup>21</sup> For discussion of the nature of the Russian political regime ten years after the breakup of the Soviet Union see Lilia Shevtsova, “Russia’s Hybrid Regime,” *Journal of Democracy*, Vol. 12, No. 4 (2001) pp.65-70; and Archie Brown, “From Democratization to ‘Guided Democracy’,” *Journal of Democracy*, Vol. 12, No. 4 (2001) pp. 35-41.

the legal vacuum, then the main sources of Russian organized crime and corruption are like to remain unaffected.”<sup>22</sup>

As of the late 1990s, the Organized Crime Control Department of the Russian Federation Ministry of Interior (MVD) reported that more than 8,000 Russian/Eastern European/Eurasian criminal groups and some 750-800 “thieves-in-law” made up the so-called “Russian mafiya”. As of 2001, between 200 and 300 of these Russian mafia groups (varying in size from a few dozen to several hundred members) operated transnationally, many in the Western Hemisphere. In addition, at least 150 ethnic-oriented Russian criminal groups had also been identified, including Chechens, Georgians, Armenians, and Russian-Koreans, of which at least 25 were active in various parts of the United States, the Caribbean and Latin America.<sup>23</sup>

From a geostrategic perspective, the international expansion of Russian organized crime during the 1990s essentially reflected a three-pronged pattern. The first prong focused on the newly independent states of the former Soviet Union, or what the Russians call their “near abroad.” The remnants of Soviet infrastructure and networks provided an ideal “highway for crime” that allowed easy access to new markets outside of Russia proper via linkages with local former-KGB operatives and other corrupt members of the ancien regime. Many previously honest Soviet-era officials also proved open to mafiya “bribe or barter” deals owing to their precipitous and painful loss of power, prestige and income. Beyond establishing a foothold in these new markets, a second attraction of expansion into the near abroad was that it permitted easy access to Western Europe and the European Union through Eastern and Central Europe. It also facilitated Russian mafia access to the conflict-ridden Balkans, south into the Caucasus and onto Iran, Turkey, and Iraq and, perhaps most important of all, into Central Asia with its linkages to sources of heroin in Afghanistan and Pakistan.<sup>24</sup>

Russian criminal penetration throughout the near abroad advanced rapidly over the decade, literally overwhelming these newly created states and their embryonic law

---

<sup>22</sup> Beare, *Op cit.*, p.5. Also Stephen Hanson, “Putin and the Dilemmas of Russia’s Anti-Revolutionary Revolution,” in Dick Clark, Director and Moderator, Russia under Putin and U.S.-Russian Relations: Twenty-Sixth Conference, August 19-26, 2001. Washington D.C.: The Aspen Institute, pp. 21-28.

<sup>23</sup> Louis J. Freeh, “Statement for the Record by Louis J. Freeh, Director Federal Bureau of Investigation, on International Crime before the United States Senate, Committee on Appropriations, Subcommittee on Foreign Operations, Washington D.C., April 21, 1998. <http://www.fbi.gov/congress98/intrcrime.htm>.

<sup>24</sup> Camille Verleuw, Trafics et crimes en Asie centrale et au Caucase. Paris: Presses Universitaires de France, 1999, pp. 1-60. Afghanistan is a major source country for the cultivation, processing and trafficking of opiate and cannabis products. In 2000, it produced over 70 percent of the world’s supply of illicit opium. In 2001, it produced only 74 metric tons of opium versus 3,656 tons in 2000. Nonetheless, the United Nations estimates that up to 60 percent of Afghani opium is stored for future sales, leaving Afghanistan’s ruling Taliban faction with huge stockpiles that they reportedly began to sell off after the events of September 11, 2001. In late 2001 reports of heroin shipments north from Afghanistan through the Central Asian states to Russia increased dramatically. Tajikistan is a frequent transit point and storage area for Afghani opium and heroin. While some Afghani heroin is used in Russia, most transits Russia and is ultimately smuggled to the major consumer markets in the West. Asa Hutchinson “Remarks by Asa Hutchinson, Administrator, Drug Enforcement Administration, before the House Committee on Government Reform, Subcommittee on Criminal Justice, Drug Policy and Human Resources, Regarding ‘Drug Trade and Terror Networks.’” Washington D.C.: U.S. Government Printing Office, October 3, 2001.

enforcement institutions. As of the early 2000s, however, growing awareness of the severity of the threat that mafia corruption and criminality had come to pose to institutional viability and state security led governmental authorities across the region to embark on aggressive campaigns against organized crime and attendant bureaucratic and political corruption. How successful these efforts will ultimately prove to be remains very much an open question.<sup>25</sup>

A second, parallel prong or target of the Russian mafia's expansion abroad was Asia. In the early 1990s various Russian mafia groups sought to forge arrangements or alliances with Chinese "triads" both on the mainland (specifically Shanghai) and in Macao, Hong Kong, and even Malaysia.<sup>26</sup> Using the port of Vladivostok as their base of operations and exploiting contacts among corrupt Russian state officials (apparatchiks) and naval officers stationed there, these mafia groups strove to take advantage of the growing legal shipping trade between this key Russian port and the lucrative Chinese and Korean markets. Contrary to expectations, however, the Asian gambit did not prove as profitable as initially anticipated. This was due in part to failure of Sino-Russian and Russian-Korean trade to grow as rapidly as first hoped. The Russian mafias also found working with their Chinese criminal counterparts more difficult than they had initially assumed. The Chinese gangs were both wary of the Russians and skeptical of the potential benefits of working with them. In practice, the entrenched and powerful Chinese triads' close ties with corrupt Chinese Communist party officialdom and deep involvement with the operations of the Chinese military (the Peoples' Liberation Army -- PLA) and its vast network of enterprises effectively negated any real possibilities for close collaboration between the Russian and Chinese mafias, at least in the medium term.<sup>27</sup>

The third prong of the Russian mafia's strategy of expansion abroad over the 1990s focused on penetration of the Western Hemisphere, initially the United States and Canada. By the mid-1990s, frustrated by the disappointing results of their Asian strategy, Russian organized crime groups became increasingly interested in and focused on new opportunities for criminal activity in Latin America and the Caribbean. Specifically, they realized that the region offered open markets for Russian and Soviet bloc arms in exchange for drugs to be smuggled back to Europe and Russia and easy access to global financial networks for money laundering purposes. Moreover, the region's relatively weak states and deeply imbedded "culture of corruption" provided a familiar environment reminiscent of the one in post-Soviet Russia in which Russian criminal organizations had originally arisen and flourished. In effect, the Russian mafia adapted the previous Soviet-era tactics of forging ties in the Americas via attractive offers of cheap weapons and "technical assistance." This time around, however, the technical

---

<sup>25</sup> Susan Eisenhower, "Putin's Policies Toward the 'Near Abroad,'" in Dick Clark, *Op cit.*, pp29-34.

<sup>26</sup> For a history of opium trafficking and the roots of organized crime in Asia during the first half of the Twentieth century see William O. Walker III, *Opium & Foreign Policy: The Anglo-American Search for Order in Asia, 1912-1954*. Chapel Hill: The University of North Carolina Press, 1991, 222p.

<sup>27</sup> Ko-Lin Chin, Sheldon Zhang and Robert J. Kelly, "Transnational Chinese Organized Crime Activities: Patterns and Emerging Trends," *Transnational Organized Crime*, Vol. 4, Nos. 3 and 4 (Autumn/Winter 1998) pp.127-154.

assistance proffered was in the realm of money laundering rather than in the use of sophisticated Soviet weaponry.

### Russian Mafia Activities in Latin America and the Caribbean

Given their common interests in illicit profits and avoidance of national and international law enforcement authorities, there is a “natural” tendency for Russian (or Italian, Asian, or North American) criminal organizations to forge alliances or partnerships with their South American and Caribbean counterparts when operating in the region. Such links allow the Russians, along with other transnational crime groups, to carry out criminal activities in the region with a relatively low profile, to avoid detection by authorities, and to reduce their risks of arrest, infiltration, and loss of profits.

According to Interpol, in Latin America and the Caribbean to date the Russian mafia has been primarily attracted to and involved in activities such as drug trafficking, money laundering, and arms trafficking.<sup>28</sup> Although Russia and Eastern/Central Europe only account for approximately 10 percent of world drug sales (approximately U.S. \$15 billion total), the market there is growing fast and the profits are already huge.<sup>29</sup> The drug market is even bigger in Western Europe (perhaps U.S. \$50-60 billion), where the Russians are also deeply engaged. Closely linked to their drug smuggling activities is their growing involvement in arms trafficking into Latin America, often in arms-for-drugs deals with drug trafficking rings (or cartels) and guerrilla organizations. Finally, in light of weak state enforcement and regulatory capabilities throughout the former Soviet Union and the incipient institutionalization of the financial and banking systems in Russia and most of Eastern Europe, Russian criminal organizations, working under “thieves-in-law” sponsorship and protection, have been able to offer relatively low-risk money laundering services to a variety of South American drug traffickers, sometimes charging as much as 30 percent of the proceeds.<sup>30</sup>

Alongside these three core criminal activities, there is also some (admittedly spotty) evidence of expanding Russian involvement with other Latin American criminal enterprises such as prostitution, international traffic in women, child pornography, usury, extortion, kidnapping, credit card fraud, computer fraud, counterfeiting, and auto theft, to mention only the most prominent. The actual extent of Russian mafiya involvement in such criminal activities in Latin America is, of course, difficult to specify with precision

---

<sup>28</sup> Doris Gomorra/ Grupo Reforma, “Redes de la mafia globalizada en Mexico,” Reforma, 16 de mayo de 2001.

<sup>29</sup> The Economist, “A Survey of Illegal Drugs: Stumbling in the Dark,” The Economist, July 28, 2001. p. 3. Speaking to a special meeting of the Russian Security Council on September 28, 2001, President Putin stated that the drug problem in Russia has become so serious that it “... threatens the country’s national security both directly and by providing funds to terrorists.” Russia registered 243,000 drug-related crimes in 2000, 12,000 of which were committed by organized gangs. Victor Yasmann, “Putin Says Drug Problem Threatens Russian National Security,” RFE/RL Security Watch, Vol. 2, No. 39, October 10, 2001.

<sup>30</sup> BBC, “Q&A: Who’s behind Russia’s money laundering,” BBC Online Network, October 19, 1999. [http://www3.thny.bbc.co.uk/hi/English/world/Europe/newsid\\_434000/434691.stm](http://www3.thny.bbc.co.uk/hi/English/world/Europe/newsid_434000/434691.stm)

and undoubtedly varies from country to country. The sections that follow provide summary descriptions of the principal features of Russian criminal activity in the major countries and sub-regions of Latin America and the Caribbean.

## Mexico

Interpol reports indicate that a variety of Russian criminal organizations, operating through literally “hundreds” of small cells, are engaged in a wide range of illegal activities in Mexico. Russian mafia groups such as the Poldolskaya, Mazukinskaya, Tambovskaya and Izamailovskaya, all linked to one of Russia’s major transnational criminal organization -- Vory v Zakone (or “ladrones de la ley”) -- are among the most active. The Moscow-based Solntsevskaya gang is also reported to be present in Mexico as are other mafia gangs from Chechnya, Georgia, Armenia, Lithuania, Poland, Croatia, Serbia, Hungary, Albania and Rumania. Their major activities include drug and arms trafficking, money laundering, prostitution, traffic in women from Eastern and Central Europe and Russia, emigrant smuggling, kidnapping and credit card fraud.<sup>31</sup>

Linkages with one or more of the seven principal Mexican criminal organizations or cartels operating in the country allow these Russian gangs to obtain drugs (especially cocaine, heroin, and methamphetamines) at low prices and under relatively secure circumstances (often in resorts, hotels or houses protected and owned by their Mexican associates). Over the past five years, Pacific Ocean smuggling routes have increasingly supplanted the more closely monitored and congested Caribbean as the cocaine traffickers’ most lucrative smuggling option. More than half of all the cocaine entering the United States is now believed to come up the Pacific side. Seizures of South American cocaine bound for Mexico and the United States more than doubled between 1999 and 2000 alone. This upsurge in confiscations was both a function of the overall increase in drug flows through the eastern Pacific, especially from Colombia, and a result of a major redeployment of the U.S. Coast Guard’s Pacific Coast forces away from their traditional mission of fisheries enforcement to support for U.S. military counter drug operations. It also reflects the greater cooperation and information sharing between U.S. law enforcement and the Mexican navy evident in the last two years.<sup>32</sup>

Nonetheless, drug traffickers’ techniques in the Pacific are even more challenging to law enforcement authorities than those traditionally employed in the Caribbean. First, the Pacific is open ocean and, hence, comparatively much more difficult to patrol than the smaller and more confined Caribbean. Second, cocaine in the Caribbean is usually transported in open speedboats that are relatively easy to detect because of their oversized engines and extra fuel containers. In the Pacific, in contrast, cocaine is commonly hidden in the hulls of fishing boats or on board huge container ships that are inherently more difficult to identify and search.<sup>33</sup>

---

<sup>31</sup> Gomorra/Grupo Reforma, *Op cit.*

<sup>32</sup> Molly Moore, “Cocaine Seizures by U.S. Double in Pacific Ocean: S. American Cartels Abandon Caribbean for More Lucrative Route,” *The Washington Post*, September 3, 2000. p. A24.

<sup>33</sup> *Ibid.*, p. A24. DEA officials estimate that 65 percent of the cocaine produced in South America reaches U.S. cities via the U.S.-Mexico border and is smuggled across by Mexican cartels (based principally in

A May 3, 2001, U.S. Coast Guard seizure (off the Pacific coast 1,000 kilometers south of Acapulco and 1,500 miles south of San Diego) of a Russian/Ukrainian-manned, 152-foot, Belize-flagged fishing trawler named the Svesda Maru loaded with 12 tons of Colombian cocaine provided dramatic new evidence of Russian mafia involvement in drug trafficking in Mexico.<sup>34</sup> Suspecting that the boat may have been involved in drug smuggling, U.S. authorities boarded the vessel April 28 and spent some five days looking for contraband. The 12 tons of cocaine were eventually found in the ship's fuel tanks after a U.S. Coast Guard structural engineer performed "soundings" of various cavities in the vessel. It proved to be the largest cocaine seizure in U.S. maritime history.<sup>35</sup> U.S. authorities maintain that the crew, comprised of eight Ukrainians and two Russians, must have had the permission of the Tijuana cartel (led by the infamous Arellano Felix clan) to ship so much cocaine to the U.S. West Coast.<sup>36</sup> According to San Diego-based DEA agent Errol Chavez, the nationalities of the Svesda Maru crew are an "indication that there is direct involvement or some kind of association between Russian organized crime and members of the Arellano Felix organization."<sup>37</sup> Previous revelations in November 2000 by the Mexican Attorney General's office to the effect that Mexican authorities had uncovered proof that Tijuana's Arellano Felix gang had provided Russian military hardware and cash to Colombia's FARC guerrillas in exchange for large shipments of cocaine also pointed to a pattern of deepening Russian mafia involvement in the Colombian-Mexican drug connection.<sup>38</sup>

U.S. officials in Southern California reportedly suspect the Russian and Ukrainian crew of the Svesda Maru of belonging to a Russian organized crime syndicate based in Los Angeles where between 600 and 800 known Russian crime figures live, mostly in the North and West Hollywood areas. A 1999 California Department of Justice report found that Russian crime groups based in Los Angeles had formed alliances with La Cosa Nostra in North America, Colombian cartels in South America and with the Sicilian mafia in Europe.<sup>39</sup> Prior to this May 2001 seizure, however, Mexican authorities claimed that Amado Carillo Fuentes (alias "El Senor de los Cielos" or Lord of the Skies) of the

---

Tijuana, Juarez, Sinaloa, Matamoros, and Guadalajara) acting in alliance with Colombian suppliers. Jerry Seper, "Mexicans, Russian Mob New Partners in Crime," Washington Times, August 13, 2001; Alfredo Joyner, "Tambien en Estados Unidos hay cartels de la droga," Milenio Diario de Mexico, Septiembre 18, 2001.

<sup>34</sup> A previous bust of a ship called Forever My Friends made by the U.S. Coast Guard in the eastern Pacific on March 6, 2001 involved ten Russian crew members smuggling 8 tons of cocaine to Mexico. CNN.com/U.S., "Ship and Suspects in Major Cocaine Bust Arrive at San Diego," CNN.com, May 14, 2001. <http://www.cnn.com/2001/US/05/14/cocaine.seizure.txt/index.html>.

<sup>35</sup> BBC News, "Record Cocaine Haul," BBC News, May 14, 2001. [http://news.bbc.co.uk/1/hi/english/world/asia-pacific/newsid\\_1330000/1330814.stm](http://news.bbc.co.uk/1/hi/english/world/asia-pacific/newsid_1330000/1330814.stm).

<sup>36</sup> Rene Gardner y Victor Fuentes/Grupo Reforma, "Operan los Arellano con mafia rusa-DEA," Reforma, May 14, 2001; Stratfor.com, "Accord with U.S. Won't Stop Mexico's Drug Cartels," Stratfor.com, July 31, 2001.

<sup>37</sup> Gretchen Peters, "Mexico: Drug Trafficking in the Pacific Has a Distinct Russian Flavor," San Francisco Chronicle, May 30, 2001.

<sup>38</sup> Ibid.

<sup>39</sup> Stratfor.com, "Accord with U.S...." Op cit.

Juarez cartel had forged the only known Mexican-Russian criminal alliance just prior to his death in 1997.<sup>40</sup>

The vast bulk of the South American cocaine that transits through Mexico is unquestionably destined for the U.S. market. Russian organized crime has not, however, been a major player in illicit cocaine trafficking into the United States, at least to date. Russian involvement in cocaine smuggling through Mexico appears to be destined principally toward Western European, Russian and Eastern European markets. Multiple drug smuggling routes out of Mexico are available to Russian gangs. One well-known route takes drugs from Mexico in cargo ships across the Pacific to the port of Vladivostok in the Russian Far East and, thence, into the Russian interior. A second Pacific route ships drugs down the west coast of South America, around the Cape of Good Hope, and then across the south Atlantic to European or Russian ports (known by Russians as the Western route). A third route carries Russian drug shipments in vessels embarking from Mexico's east coast out through the Gulf of Mexico and the Caribbean Sea across the Atlantic to ports in Spain, Portugal, Sicily, and the Baltic Sea (the Baltic route). There is little reason to believe that Russian criminal groups have sought to smuggle cocaine destined for European or Russian/East European markets through U.S. territory, basically because the costs of doing so are prohibitive and the risks of running afoul of U.S. law enforcement authorities quite high.

Central America (Panama, Costa Rica, Nicaragua, Honduras, El Salvador, Guatemala and Belize)

The seven, relatively small, transit countries of Central America (with the exception of Panama) until recently received far less attention from Russian mafia organizations than Mexico. Nonetheless, in 2001 the two large cocaine seizures on ships in the eastern Pacific off Central America manned by mixed crews of Russian, Ukrainians, Salvadorans and Nicaraguans led authorities throughout the Isthmus to sound the alert. Indeed, in March 2001 Interpol warned that a number of citizens of the former Soviet Union linked to organized crime had taken up residence in various countries in the sub-region. As drug trafficking along the Pacific coast between Colombia and Mexico intensifies, many observers fear that Russian organized crime will become increasingly active throughout Central America as well.<sup>41</sup>

In the early 2000s, conditions in Central America were particularly conducive to the expansion of Russian and other types of international organized crime owing to the widespread poverty in the sub-region (up to three-quarters of the roughly 30 million

---

<sup>40</sup> Abel Barajas/Grupo Reforma, ""Desconocen vinculos Arellano-rusos," Reforma, 18 de mayo de 2001.

<sup>41</sup> La Prensa Grafica, "Investigan mafia rusa en Centro America," La Prensa Grafica, 9 marzo 2001. <http://probidad.org.sv/local/noticias/2001/0304/062.html>

Central Americans live on less than two dollars per day) and the weakness and illegitimacy of political institutions throughout the Isthmus. Drug trafficking is Central America's most profitable criminal enterprise. In 2000 the DEA reported that of the estimated 645 metric tons of cocaine smuggled into the United States some 425 metric tons passed through the Central America-Mexican corridor.<sup>42</sup>

This huge volume of Colombian (and to a lesser extent Peruvian) cocaine shipped through the sub-region has fueled an explosion of some 2,000 youth gangs and related gang violence in recent years, especially in Nicaragua, Honduras, El Salvador and Guatemala.<sup>43</sup> The combined gang membership in these four countries is estimated at about 400,000 youths, composed primarily of males between 12 and 24 years old. Honduran police, for example, have confirmed the existence of 489 different youth gangs and Guatemalan officials have identified some 500 in their country with more than 100,000 active members in all. Many of these gangs, or "maras" as they are known in the sub-region, are led by youths or adults who previously belonged to gangs in the United States but were convicted of felonies and deported back to Central America. A number of these gangs, such as El Salvador's ruthless and widely feared "Mara Salvatrucha", also have branches in major American cities, engage in drug and arms trafficking, and carry out contract murders for Mexican and Colombian drug organizations.<sup>44</sup>

These linkages with Colombian and Mexican cartels have allowed the Central American gangs to upgrade their arsenals and build more sophisticated criminal organizations than ever before. Their ties to organized crime in U.S. cities, along with their links to Mexican and Colombian cartels, have facilitated the Central America "maras" growing contacts with Russian organized crime in recent years, especially in the areas of arms and drug trafficking and money laundering. As a result, violent local Central American gangs with international connections, financed by drug money, and equipped with Russian AK-47 assault weapons and rocket-propelled grenades are currently challenging – and sometimes overwhelming -- civilian law-enforcement agencies throughout the Isthmus.<sup>45</sup>

The governments of the sub-region have attempted to contain their spiraling crime waves, but they each face serious national budgetary constraints that have (and will for the foreseeable future) limit their capacity to respond effectively. The Salvadoran and Honduran governments opted in 2000-01 to draw on their military forces to reinforce their inadequate civilian law enforcement institutions. After a bloody prison riot in June 2001, Guatemalan President Portillo declared that his government would seek augmented security assistance from the United States, the United Kingdom and Israel, among others.

---

<sup>42</sup> Stratfor.com, "Special Report: Central America's Crime Wave," [Stratfor.com](http://www.stratfor.com/premium/0108/29.htr), August 29, 2001, pp. 2-3. <http://www.stratfor.com/premium/0108/29.htr>

<sup>43</sup> Much of the tidal wave of violent crime engulfing Central America's fragile democracies, discouraging foreign investment and slowing economic growth is directly related to youth gang activity. In El Salvador, for example, National Police authorities reported 735 homicides between January and April 2001, of which 599 were related to gang violence and drugs. The Salvadoran government estimates that crime costs the country the equivalent of 13 % of GDP annually. Stratfor.com, *Ibid.*, p. 2.

<sup>44</sup> *Ibid.* p. 2.

<sup>45</sup> *Ibid.* p. 2-3.

Both the Nicaraguan and Costa Rican governments have also recently pledged to crackdown on criminal activity in their countries as well. As a result, civilian law enforcement throughout Central America is likely to become progressively more militarized over the next few years. However, national economies across the sub-region are so hard-pressed that increased budgetary outlays on security and law enforcement will inexorably reduce social spending. Such reductions, in turn, could prove socially explosive and politically destabilizing. Moreover, heightened military involvement in the fight against drug trafficking and organized crime in the sub-region could lead to the contamination and corruption of their armed forces, as it has in Mexico, Peru, Bolivia and elsewhere in Latin America during the last two decades.<sup>46</sup>

### Colombia, the Caribbean and Andean Cocaine

Russian mafia groups operating out of Los Angeles, New York, Miami and Puerto Rico, among other U.S. cities, have formed a variety of alliances with Colombian trafficking organizations since at least 1992 to acquire cocaine for delivery to Europe and the territories of the former Soviet Union and to provide arms to Colombian narcotraficantes and guerrilla organizations.<sup>47</sup> Russian organized crime groups have also opened more than a dozen banks and front companies across the Caribbean to launder hundreds of millions of dollars from drug sales and other criminal activities.<sup>48</sup>

Indeed, U.S. undercover operations since the mid-1990s have detected various attempts by Russian crime groups to sell Colombian drug traffickers submarines, helicopters and surface-to-air missiles.<sup>49</sup> At least two Russian combat helicopters, along

---

<sup>46</sup> Ibid. p. 3; Bruce Bagley, Myths of Militarization: The Role of the Military in the War on Drugs in the Americas. Coral Gables: University of Miami, North-South Center, 1991, pp. 16-23.

<sup>47</sup> The first “summit” meeting between the Cali cartel and Russian mafia capos reportedly took place in Moscow in late 1992, although there is evidence that Colombian cocaine was being shipped by the Cali cartel to Russia and other East Bloc countries as early as 1991. Patrick L. Clawson and Rensselaer W. Lee III, The Andean Cocaine Industry. New York: St. Martin’s Griffin, 1998, p. 87. Prior to the forging of this Russian connection, in the late 1980s and early 1990s the Cali cartel had first established “...a very effective alliance with Sicilian criminal organizations that was instrumental in opening up the European market for Colombian cocaine. It allowed the use of existing drug distribution routes in Europe, and was effectively a strategic alliance that allowed Colombian trafficking organizations to diversify into a new market at a time when the US cocaine market had become saturated.” Williams, Op cit, p. 64. For a detailed discussion of the nature of the alliance between the Colombian cartels and Italian crime groups, see Clawson and Lee, pp.62-89.

<sup>48</sup> Douglas Farah, “Russian Mob, Drug Cartels Joining Forces: Money Laundering, Arms Sales Spread Across Caribbean,” The Washington Post, September 29, 1997, pp. A1, A16. Juanita Darling, “Colombian Cartels Find New Drug Paths to U.S.,” Los Angeles Times, November 17, 1997, p. A1.

<sup>49</sup> In a February 1997 meeting between a Russian mobster (Ludwig Fainberg, a.k.a. Tarzan) and representatives of the Cali cartel that took place at a Russian mob-owned strip club called Porky’s located in Miami, Florida, Tarzan offered to provide a \$5.5 million Soviet Tango-class diesel submarine, along with a full crew, to the Cali cartel for use in transporting cocaine from the Pacific coast of Colombia to Mexico or California. Fainberg was, however, subsequently arrested and the deal was never consummated. Semana, “La cocavodka,” Revista Semana, No. 805, Octubre 5-12 de 1997; Mireya Navarro, “Russian Submarine Drifts into Center of Brazen Drug Plot,” The New York Times, March 7, 1997, p. A22; Tammerlin Drummond, “Enter the Redfellas: Are Russian Mobsters Dallying with Drug Lords?” Time, Vol. 150. No. 2, July 14, 1997

with quantities of small arms, were sold to the Cali cartel in the mid-1990s. In the late 1990s Russian vessels docked repeatedly at the Caribbean port of Turbo in northern Colombia to offload shipments of Russian AK-47 assault rifles and rocket propelled grenades for the FARC guerrillas and, possibly, for right-wing paramilitary bands, in exchange for cocaine. The discovery of a partially built submarine in a suburb just outside of Bogota in late 2000, based on Russian plans and specifications, added to speculation about a growing Russian connection with the Colombian drug trade, even though no direct involvement of Russian criminal figures in this case was ever demonstrated.<sup>50</sup>

The microstates of the Caribbean have proven especially attractive to Russian criminal syndicates. Already entrenched in Europe, where there is a lucrative growing market for cocaine, and in Russia and other former Soviet Bloc countries, Russian criminal organizations increasingly resorted to use of various Caribbean nations as both transit points for drugs and arms smuggling activities and as easy-access money laundering sites for their expanding international operations from the mid-1990s on.<sup>51</sup> With strict bank secrecy laws and lax financial enforcement mechanisms, such Caribbean islands as Antigua and Aruba, where Russians opened several offshore banks in the mid-1990s, offered attractive havens for laundering large sums of money from Russian mafia operations. Panama, Costa Rica and the Cayman Islands have also served as Russian money laundering sanctuaries as well.<sup>52</sup> Intensified U.S. government and international pressures on these Caribbean and Central American havens over the late 1990s and early 2000s have made operations more difficult for Russian “blanqueadores” (launderers) in recent years but have by no means halted Russian (and other international organized crime) laundering activities in the sub-region altogether.<sup>53</sup>

Russian mafia money laundering schemes have certainly not been limited to the Caribbean and Central America. The weakly institutionalized and poorly regulated

---

<sup>50</sup> Sue Lackey with Michael Moran, “Russian Mob Trading Arms for Cocaine with Colombian Rebels,” MSNBC.com, April 9, 2000; <http://www.msnbc.com/news/391623.asp?m=-13N>; Kirk Semple, “The Submarine Next Door,” The New York Times Magazine, December 3, 2000; Semana, “Investigacion: Yellow Submarine,” Revista Semana, [http://216.35.197.109/archivo/articulo\\_view.asp?id=2785](http://216.35.197.109/archivo/articulo_view.asp?id=2785). In April 2001, Colombian police reportedly seized one and one-half pounds of enriched uranium of a type used in Soviet submarines that may have been obtained from elements of the Russian mafia. Matthew Campbell, Bogota Police Foil ‘Atom Bomb’ Sale,” The Sunday Times (London), April 29, 2001, p.22.

<sup>51</sup> Around 200 metric tons of cocaine are smuggled into Europe annually, despite seizures of dozens of tons en route. AFP, “European Trade in Cocaine on the Increase,” Yahoo! News, August 8, 2001. <http://sg.news.yahoo.com/o10808/1/1aolu.html>.

<sup>52</sup> Douglas Farah, Op cit., p. A16; Susan Roberts, “Small Places, Big Money: The Cayman Islands and the International Financial System,” Economic Geography, Vol. 1, No. 3 (July 1995); Anthony P. Maingot, “The Decentralization Imperative and Caribbean Criminal Enterprises,” in Tom Farer, ed., Transnational Crime in the Americas. New York: Routledge, 1999, pp. 143-170.

<sup>53</sup> See, for example, R.T. Naylor, Hot Money and the Politics of Debt. Montreal: Black Rose Books, 1994; Robert E. Grosse, Drugs and Money: Laundering Latin America’s Cocaine Dollars. Westport, Connecticut: Praeger, 2001; Jack Blum, “Offshore Money,” in Tom Farer, ed., Transnational Crime in the Americas. New York: Routledge, 1999, pp. 57-84. Blum is particularly critical of Panama: “Free-trade zones such as the Colon free-trade zone in Panama have become centers for illegal commercial and financial activity. One of the most important branches of the BCCI was in the Colon free-trade zone, which was then and continues to be a center for the smuggling of goods and weapons all over the hemisphere.” (p. 83)

Russian financial system is itself widely recognized as a money laundering paradise.<sup>54</sup> The 10 billion dollar Bank of New York Russian money laundering scandal that rocked the United States in 1998-9 clearly revealed that U.S. banking institutions were not immune from penetration and manipulation by Russian crime groups either.<sup>55</sup>

The August 2001 indictment in Western Europe of a onetime business associate of incumbent Russian President Vladimir Putin on charges of money laundering and fraud raised serious questions about Putin's earlier role in an obscure Russo-German property development company. The firm, called the St. Petersburg Real Estate Holding Company (known by its German acronym, SPAG), had not yet been charged, but European and American intelligence sources suspect it is linked to the laundering operations of Russian mobsters and Colombian drug dealers. Until he was inaugurated as Russia's president, Putin was on SPAG's advisory board and, even after becoming president, he reportedly maintained close relations with the former head of SPAG's Russian operations, Vladimir Smirnov. To date, there is no public evidence that Putin ever received any money from SPAG. U.S. officials believe, rather, that Putin helped SPAG in the expectation of future political support from some of the company's influential Russian backers. The Putin-SPAG connection may reflect the ongoing influence of Russia's infamous criminal godfathers or "thieves-in-law".<sup>56</sup>

Indicating a major new phase of Russian mafia involvement in the Colombian cocaine trade, during 1999-2000 a new Russian smuggling ring (linking corrupt Russian military figures, organized crime bosses, and diplomats directly with Colombia's FARC guerrillas) moved regular shipments of up to 40,000 kilograms of cocaine to the former Soviet Union in return for large shipments of Russian and Eastern European weaponry. According to U.S. intelligence officials, this major Russo-Colombian smuggling operation reportedly worked as follows:

1. Russian-built IL-76 cargo planes took off from various airstrips in Russia and the Ukraine laden with anti-aircraft missiles, small arms and ammunition.
2. The planes, roughly the size of Boeing 707s, stopped in Amman, Jordan, to refuel. There, they bypassed normal Jordanian customs with the help of corrupt foreign diplomats and bribed local officials.

---

<sup>54</sup> CSIS, *Op cit.*, pp. 36-40; Ilene R. Prusher, "Worldwide Webs: Mafia's Reach Grows," The Christian Science Monitor, October 8, 1997. <http://csmonitor.com/durable/1997/10/08intl/intl.1.html>; Stephen Handelman, *Comrade Criminal: Russia's New Mafia*. New Haven: Yale University press, 1995.

<sup>55</sup> GAO, Suspicious Banking Activities: Possible Money Laundering by U.S. Corporations Formed for Russian Entities. Washington D.C.: United States General Accounting Office, GAO-01-120, October 2000, 12p.

<sup>56</sup> Mark Hosenball and Christina Caryl, "A Stain on Mr. Clean," Newsweek, September 3, 2001. <http://www.msnbc.com/news/619591.asp>. German reunification in the early 1990s provided Russian organized crime groups with golden opportunities, often in collusion with former East German Communists, to establish legitimate business fronts for mafia activities such as prostitution, drug smuggling, and money laundering in Germany. Personal interviews with convicted Colombian drug traffickers conducted during August and September 2001 in Miami, Florida revealed that Germany was still a preferred site for laundering and investing their drug profits.

3. After crossing the Atlantic, the cargo jets used remote landing strips or parachute airdrops to deliver their cargo to the FARC.
4. The planes returned loaded with up to 40,000 kilos of cocaine. Some was distributed as payment for the diplomatic middlemen in Amman and sold in the Persian Gulf. The rest was flown back to the former Soviet Union for sale there or in Europe.<sup>57</sup>

A senior U.S. intelligence source identified Luiz Fernando Da Costa (alias Fernandinho or Fernando Beira Mar), one of Brazil biggest drug capos until his capture by Colombian military forces in early 2001, as a key player involved in the delivery of these Russian arms shipments to the FARC. Within Colombia, Fernandinho apparently coordinated the arms deliveries to the FARC through his base in the town of Barrancomina, Vichada, also the headquarters for the FARC's 16<sup>th</sup> Front led by Tomas Medina Caracas (alias el Negro Acasio) and a major FARC-run cocaine-processing center.<sup>58</sup>

Da Costa also ran arms into Brazil and Colombia out of the town of Pedro Juan Caballero in Paraguay where he worked with Fuad Jamil, a Lebanese businessman operating in the same Paraguayan town. Indeed, U.S. sources claim that Hezbollah, the Iranian-backed, Lebanon-based, militant Shiite organization best known for its guerrilla activities against Israeli troops in southern Lebanon, may also have been involved. Hezbollah has roots among the Arab immigrant communities of Paraguay, Ecuador, Venezuela and Brazil and frequently uses legitimate business operations to cover illegal arms transfers.<sup>59</sup>

In addition to the Brazilian connection in this Russian arms-for-cocaine smuggling operation into Colombia, there was also a Peruvian connection as well. As early as May 1996 U.S. police had seized 383 pounds of Peruvian cocaine – with a U.S. street value of roughly \$17 million – on a Peruvian air force DC-8 transport plane en route to Russia through Miami. Thirteen Peruvian air force personnel were arrested in that incident. In July 1996, 280 pounds were found on two Peruvian navy ships, one in Vancouver, Canada, and the other in the main Peruvian port of Callao. In fact, scores of Peruvian officers were investigated, and dozens arrested, on drug and arms trafficking charges throughout the decade.<sup>60</sup>

According to former Peruvian National Intelligence Director Vladimiro Montesinos (Servicio de Inteligencia Nacional –SIN), on at least four separate occasions in 1999 Russian black-market arms acquired in Amman, Jordan by two Peruvian brothers of Lebanese descent (Luis Frank Ayabar Cancho and Jose Luis Ayabar Cancho) were clandestinely transported by plane from Amman to Colombia. In all, Montesinos claimed,

---

<sup>57</sup> MSNBC, *Op cit.*, p. 2. Hundreds of thousands of kilos of Colombian cocaine at U.S. \$50,000 per kilo in Europe were reportedly smuggled via this route in 1999-2000.

<sup>58</sup> *Ibid.*, p. 3; Semana, "Narcotrafico: La prueba reina," *Semana*. [http://216.35.197.109/archivo/articulo\\_view.asp?id=5628](http://216.35.197.109/archivo/articulo_view.asp?id=5628).

<sup>59</sup> MSNBC, *Op cit.*, p. 3-4. Semana, "Frontera investigada," *Revista Semana*, Octubre 22, 2001.

<sup>60</sup> Anthony Faiola, "U.S. Allies in Drug War in Disgrace: Arrests of Peruvian Officials Expose Corruption, Deceit," *The Washington Post*, May 9, 2001, p. A01.

a total of 10,000 East German-manufactured AKM Kalashnikov automatic rifles were delivered to the FARC through this Peruvian network. The planes made refueling stops in various countries in the Caribbean, including Trinidad and Tobago, then proceeded to drop their arms shipments by parachute into guerrilla-held territory in Colombia, and finally landed in the Peruvian city of Iquitos located in the upper Amazon basin.<sup>61</sup>

In fact, Montesinos himself was behind this arms smuggling ring. Information about his arms smuggling deals ultimately leaked out in July 2000 after Customs officials in Trinidad and Tobago detained one of the flights following a routine inspection that uncovered Russian missiles, rifles and parachutes instead of the medical supplies listed on the cargo manifest.<sup>62</sup> When first confronted with this information, the Peruvian Foreign Minister initially denied that the plane belonged to the Peruvian government. Several hours later, Peruvian President Alberto Fujimori rectified the foreign minister's account and officially identified the plane as Peruvian property. The plane was then released and sent on its way. However, the international scandal that followed public revelation of Montesinos personal involvement in this illicit operation eventually led to his downfall in September and, ultimately, to the collapse of the Fujimori government itself in November 2000.<sup>63</sup>

For their part, as a result of the FARC documents captured by the Colombian military in Barrancomina during Operation Gato Negro, the Ayabar brothers stand accused by Colombian and Peruvian authorities of exchanging Russian arms for Colombian cocaine from the FARC. Following their arms deliveries, the brothers allegedly transported the cocaine by plane from Colombia to the Atlantic coast of Surinam where it was then loaded on to cargo ships and camouflaged in shipments of honey for export. The cocaine was reportedly destined for sale in the drug markets of Western Europe and Russia.<sup>64</sup>

The scale of these arms-for-cocaine smuggling operations underscores the enormous challenge law enforcement authorities face in Russia and throughout the independent states of the former Soviet Union, where in many cases Soviet-era intelligence operatives made virtually seamless transitions from Cold War espionage or military intelligence operations into organized crime.<sup>65</sup> According to U.S. intelligence officials: "The source of the weapons [smuggled into Colombia from Russia] is both

---

<sup>61</sup> Cambio, "Montesinos Vendia Armas a Guerrilla y Paramilitares," Revista Cambio.com, Septiembre 4, 2001. <http://www.revistacambio.com/web/interior.php?idp=22&ida=954>.

<sup>62</sup> Although Montesinos identified only 4 contraband flights, Luis Frank Ayabar claimed that up to 20 flights actually took place between 1999 and 2000 and as many as 40,000 rifles may have been delivered to the FARC. Subsequent revelations indicated that Montesinos might also have been responsible for selling at least four Soviet-made Sam-16 surface-to-air missiles to the FARC. Cambio, "El arsenal oculto," Revista Cambio.com, Octubre 22, 2001. <http://www.revista cambio.com/web/interior.php?idp=1&ids=1&ida=2163>

<sup>63</sup> In the first six months following Fujimori's fall, 18 generals and more than 70 of his government's high ranking military and intelligence officials were arrested and jailed for corruption, drug smuggling and arms trafficking.

<sup>64</sup> Revista Cambio, Op cit.

<sup>65</sup> J. Michael Waller, "The KGB & Its 'Successors,'" Perspective, Vol. IV, No. 4 (April-May 1994) <http://www.bu.edu/iscip/vol4/Waller.html>; Richard F. Staar, "Russia's Military: Corruption in the Higher Ranks," Perspective, Vol. IX, No. 2 (November-December 1998) <http://www.bu.edu/iscip/vol9/Staar.html>

organized crime and military. There is a tremendous gray area between the two in Russia and the Ukraine.”<sup>66</sup>

Although the smuggling operations described above were broken up by national and international law enforcement authorities by mid-2000, the continuation of rampant lawlessness and organized crime activity in present-day Russia and other countries of the former Soviet Bloc means that new arms-for-drugs schemes could emerge at any time, if they have not already done so. Indeed, the Russian government’s current policy of aggressively promoting military weapons exports, especially to Latin America, to earn badly needed foreign exchange, while systematically ignoring or overlooking pervasive corruption within the Russian military itself, virtually guarantees that such deals will be repeated in the future.<sup>67</sup>

In August 2001 at El Dorado airport in Bogota Colombian authorities arrested three members of the Irish Republican Army (I.R.A.) traveling under false passports on suspicion that they were in the country to train FARC guerrillas in the use of explosives and urban terrorism tactics. Niall Connolly -- one of the men arrested -- had been the official representative in Cuba of Sinn Fein, the political party associated with the IRA in Northern Ireland, since 1996. A second, James Monaghan, was formerly a member of Sinn Fein’s executive committee and, until his arrest, the I.R.A.’s “director of education” responsible for developing new weapons and training IRA members in their use. The third, Martin McCauley, who along with Monaghan had served time in British prisons for terrorist acts in Great Britain, had reportedly been sighted previously in Colombia with the FARC guerrillas as early as 1998. While the scope of the I.R.A.’s linkages to the FARC still remains unclear, the capture of these three I.R.A. militants in Colombian territory reveals unequivocally that the FARC’s international linkages extend beyond drug traffickers and transnational organized crime groups to international terrorist organizations as well. With the recent I.R.A. decision (in the wake of the September 11, 2001, terrorist attacks on the United States and the subsequent pressure from Irish-American to accede to Sinn Fein’s pleas) to initiate disarmament to save the Northern Ireland peace process from collapse, the possibility of recalcitrant, out-of-work IRA radicals signing on as “advisors” to the FARC in the future cannot be discarded. Unfortunately, many I.R.A. factions in Northern Ireland appear less interested in consummating the peace agreement than in profiting from their evolving interests in international criminal activities.<sup>68</sup>

---

<sup>66</sup> MSNBC, *Op cit.*, p. 6.

<sup>67</sup> CSIS, *Op cit.*, pp. 32-33. In the wake of the September 11, 2001, terrorist attacks on the United States, for example, insistent but unconfirmed press and radio reports alleging Russian mafia sales of Soviet era weapons of mass destruction to Osama bin Laden and his Al Qaeda terrorist network and nuclear materials to the Taliban in Afghanistan surfaced repeatedly in the United States and several Western European countries. See Radio Free Europe/Radio Liberty, “Moscow Angered by U.S. Paper’s Linking Russian Mafia to Bin Laden,” *RFE/RL Security Watch*, Vol. 2, No. 39, October 10, 2001. While the possibility of terrorist groups like Al Qaeda going fully nuclear appears small, combining conventional explosives with radioactive materials such as cesium-137 or cobalt-90 to contaminate key urban centers in the United States or Europe, perhaps for decades, is already within their capabilities.

<sup>68</sup> BBC News, “Colombia ‘IRA’ Witness Disappears,” *BBC News*, October 23, 2001; Warren Hoge with Mirta Ojito, “Sinn Fein, for First Time, Asks I.R.A. to Begin Disarming,” *The New York Times*, October 22, 2001; Warren Hoge, “I.R.A. Relents on Arms, Saves Peace Accord,” *The New York Times*, October

Throughout the 1990s and into the early 2000s a booming trade in the “designer” or “club” drug commonly known as Ecstasy (MDMA) burgeoned in the United States and in many cities in Latin America, providing additional profit-making opportunities for Russian criminal organizations operating in the Western Hemisphere.<sup>69</sup> Most of the world’s supply of Ecstasy is manufactured in the Netherlands and Belgium, although there is mounting evidence that production has begun to spread to Russia and several Eastern European states. For the last decade, Israeli and Russian MDMA trafficking organizations have dominated the MDMA market in the United States. But the high profitability of the trade has begun to attract other drug trafficking organizations based especially in Colombia, the Dominican Republic, Mexico and Asia. Such groups, possibly through temporary alliances or via Ecstasy-for-cocaine deals, are likely to make inroads into Israeli and Russian control of the MDMA trafficking networks during the next few years. Even as such inroads are made, however, most observers believe that Europe, because of its technological prowess in Ecstasy production, is likely to remain the primary source region for Ecstasy, at least in the near and medium term.<sup>70</sup>

Dominican drug trafficking organizations in alliance with Colombian cartels have been deeply involved in the cocaine trade along the U.S. east coast for more than a decade. In the mid-1990s, the Dominicans became the first Latin American smugglers to assume a major role in MDMA distribution. Some Colombian and Mexican crime groups have also become involved in recent years. MDMA traffickers targeting U.S. or Latin American markets commonly employ couriers or “mules” traveling by plane from Europe to cities such as Miami, Santo Domingo, Bogota, or Mexico City, but larger quantities shipped by sea on cargo vessels have been confiscated as well. The couriers either ingest (swallow) MDMA pills wrapped in plastic balloons or condoms or strap them to their persons or luggage. The DEA believes that Dominican and Colombian crime groups may have begun cocaine-for-MDMA deals with European, Israeli and Russian traffickers and that such exchanges are likely to increase the availability of MDMA in the United States and elsewhere in the hemisphere substantially in coming years.<sup>71</sup>

## Cuba

---

24, 2001; Tamara Makarenko, “Transnational Crime and its Evolving Links to Terrorism and Instability,” *Jane’s Intelligence Review*, November 1, 2001, p. 5-6.

<sup>69</sup> MDMA has been around since 1914. But it was not actually used until the 1970s, when a small group of psychiatrists discovered the drug’s capacity to dissolve patients’ fears and defenses. By the early 1980s, entrepreneurs coined the name “Ecstasy.” In 1985 growing recreational use of the drug in the United States, combined with preliminary research findings of potential brain damage and other attendant dangers, prompted the U.S. government to ban MDMA for both medical and recreational use. Marsha Rosenbaum and Steve Hellig, “Examining the Use and Abuse of Ecstasy,” *San Francisco Chronicle*, February 2, 2001. <http://www.sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2001/02/02/ED91295.DTL>

<sup>70</sup> Joseph D. Keefe, “Statement before the Senate Governmental Affairs Committee.” Washington D.C.: U.S. Department of Justice, Drug Enforcement Administration, July 30, 2001, p.4.

file://C:\TEMP\DEAConTest080301MDNA.htm

<sup>71</sup> Keefe, *Ibid.*, p. 5.

In contrast to the weak, democratic and capitalist states of the insular Caribbean that proved uniformly easy prey for Russian transnational organized crime during the 1990s, the highly centralized and authoritarian Communist state of Fidel Castro's Cuba remained essentially immune from Russian criminal penetration over the decade. In the late 1980s, the Cuban government had been linked with Colombian drug traffickers when General Arnoldo Ochoa, a prominent and popular Cuban military commander in Angola, and other Cuban officers under his command reportedly engaged in drug smuggling activities to underwrite their poorly funded troops in Angola and, allegedly, to enrich themselves personally. Prior to Ochoa's high profile 1989 trial in Havana on drug trafficking charges and his subsequent conviction and execution, Fidel and his brother Raul, head of the Cuban Armed Forces, were widely rumored to have at least condoned Ochoa's drug smuggling activities as a way of circumventing the U.S. embargo against Cuba and obtaining badly needed hard currency to support the Cuban military presence in Africa. Whether such accusations against the Castro brothers were true or not remains unresolved. Whatever the truth of the matter, however, Ochoa's considerable following among Cuban troops in Angola and among veterans at home, the increased autonomy from the Castros and the Cuban high command that drug money conferred upon him, and the intense international opprobrium that accompanied international revelation of high ranking Cuban military officers' roles in illicit drug trafficking operations, in combination apparently led the Castro regime to put an end to Cuba's involvement in the trade by the early 1990s.

Despite some 30 years of close Cuban-Soviet relations during the Cold War following the Cuban revolution in 1959, the 1991 collapse of the U.S.S.R., the concomitant end of Communist party rule in Russia and the progressive termination of former Soviet subsidies to Cuba under Russia's first president, Boris Yeltsin, severely strained Cuban-Russian relations over the 1990s. Ironically, latent Cuban antipathy toward Russians, unmistakably present among Cubans even at the high point of Cuban-Soviet cooperation in the 1970s and 80s, grew more palpable over the 1990s effectively making Cuba an inhospitable prospective host country for Russian criminal organizations seeking to establish themselves in the Caribbean.<sup>72</sup> The wariness and vigilance of the Cuban state in the wake of the Ochoa affair regarding any involvement of Cuba in international drug trafficking also militated against the establishment of Russian mafia operations in Cuba. Finally, the U.S. embargo against Cuba and the country's limited participation in the global capitalist economy meant that Cuba held little attraction for

---

<sup>72</sup> The rancor between Castro's Cuba and Putin's Russia boiled into public on October 17, 2001, when President Putin, without consulting Havana, suddenly announced that Russia would close its large eavesdropping center in Cuba. The Lourdes base, one of the last relics of the Cold War still in operation in Cuba, was built by the Soviet Union in 1964 and housed an estimated 1, 500 Russian and Cuban military personnel. Putin's decision to close the Cuban facility, along with a similar Pacific electronic reconnaissance post at Cam Ranh Bay in Vietnam, left Cuba no room for negotiations. Putin unilaterally declared that the posts were to be closed for budgetary reasons, because of their declining significance for Russia in the post-cold War era, and to shift Russian military assets to the fight against international terrorism. Cuba's anger reflected its frustration at yet another economic blow from Russia, which had paid \$200 million annually in rent for use of the Lourdes facility. Susan B. Glaser, "Russia to Dismantle Spy Facility in Cuba," The Washington Post, October 18, 2001, p A34; Kevin Sullivan, "Cuba Upset By Closure of Russian Spy Base," The Washington Post, October 19, 2001, p. A26.

Russian mafiosos intent upon establishing bases for their transnational criminal activities in the region.

Without massive Soviet subsidies to keep the Cuban economy afloat (estimated as high as \$10 billion annually at the outset of the 1980s), during the 1990s Fidel and the Cuban Communist leadership were forced to seek out foreign investment from Europe (especially Spain) in the state-owned tourist industry to help diversify the failing national economy. One consequence of the growth of foreign tourism in Cuba over the decade was the emergence of an illegal drug market (along with prostitution) to service the burgeoning tourist trade. Small Cuban criminal gangs working with traffickers from Colombia, neighboring Caribbean countries such as Haiti, the Dominican Republic or Jamaica, and even Mexico smuggle drugs into Cuba for distribution and sale within the country or for transit on to Europe. Cuba's repressive state security apparatus has, however, been quite successful both in preventing the rise of powerful domestic organized crime groups and in disrupting efforts by Russian or other transnational criminal organizations to use Cuban territory as a transit point for large scale drug trafficking into Europe.

Nonetheless, given the Cuban economy's severe economic problems over the decade -- including the scarcity of expensive imported petroleum, the Cuban Navy and Coast Guard have been unable to afford the equipment or fuel needed to patrol Cuban waters out to the 12 mile territorial limit effectively. The resulting gaps in Cuban coastal patrols have allowed Colombian traffickers to use Cuban waters as a handy drop off point for drug shipments (drugs are either tossed over the side of ships or parachuted from low flying airplane into the sea) destined for the U.S. market. After a prearranged drop, U.S.-based traffickers operating "fast boats" pick up the drugs and transport them into South Florida, avoiding detection by U.S. authorities under the cover of darkness or in the confusion of weekend and holiday pleasure boat traffic. Although the Cubans repeatedly approached Washington with proposals for closer U.S.-Cuban cooperation and information sharing in the area of drug trafficking during the 1990s, their offers were regularly rebuffed by hardliners in the U.S. Congress who reject any form of collaboration with the Castro regime out of hand, including cooperation in the area of drug control.

#### Brazil and the Southern Cone (Argentina, Paraguay, Uruguay, Chile)

Since the mid-1990s there have been a variety of press reports hinting at growing Russian organized crime involvement in drugs and arms trafficking and money laundering in Brazil and the four Southern Cone countries. The half dozen or so highly publicized arrests of Russian and other former Soviet Bloc crime figures that have taken place in recent years in the nations of the sub-region have lent some credence to these

journalistic alarms.<sup>73</sup> Nonetheless, a mid-2000 report on the Russian mafia prepared by Argentine national security officials found that there was no credible evidence indicating that Argentina had yet been seriously affected by Russian criminal organizations. According to one highly placed Argentine Interior Ministry source: “If you ask me officially, I would have to say that there is no record of the presence of the Russian mafia in Argentina. The truth is that no one investigates mafias in Argentina, but that does not mean that they are not here.”<sup>74</sup>

Russian mafia presence in Argentina (specifically Chechen gangs) has been linked primarily to the use of Argentina as a transit country for Andean cocaine shipments to Europe (in fishing trawlers and cargo ships), arms trafficking to Brazil and Colombia, and money laundering. In the so-called “tri-border” area where Argentina, Brazil and Paraguay abut, Argentine intelligence sources have detected contacts between Chechen separatist groups and “Islamic terrorists” and suspect Chechen use of these networks for arms smuggling purposes.<sup>75</sup> The Argentine border with Paraguay is notorious for contraband of all types and provides virtually ideal conditions for Russian mafia operations.<sup>76</sup>

In June 2000 the Brazilian daily newspaper O Globo reported growing participation of Russian mafia groups in the recruitment of Brazilian women for prostitution in Europe, especially Spain, and Israel. Russian criminal networks were also reported to be responsible for the smuggling of Russian AK-47s and Soviet rocket launchers into the favelas of Rio and Sao Paulo in exchange for Colombian cocaine.

---

<sup>73</sup> Stratfor.com, “Paraguay’s Drug Trade Perilous Target for U.S.,” Stratfor.com. <http://www.stratfor.com/latinamerica/commentary/0108141600>; Santiago O’Donnell, “La Argentina en la mira de la mafia rusa,” La Nacion, September 24, 2000, p.1. <http://www.lanacion.com.ar/00/09/24/G01.htm>

<sup>74</sup> O’Donnell, Ibid, p. 2.

<sup>75</sup> The Paraguayan city of Ciudad del Este, located in the tri-border area some 350 kilometers from Asuncion, is often labeled the contraband capital of South America. It has a population of approximately 500,000, of whom perhaps 30,000 are Muslims, mostly of Arab descent. There is a drug trafficking-Islamic fundamentalism connection not only in the case of the Taliban but also in the case of the Chechen separatists fighting for independence from Russia. General Shamil Basayev, the Jordanian-born fundamentalist leader of the Chechens, was trained in Afghanistan and had direct connections to Osama bin Laden in the 1980s. To finance their separatist movement, Basayev and his Chechen followers transported Afghani heroin through Abkhazia (a renegade province of Georgia that broke away with Russian military help in 1993) to the Black Sea or through Turkey to Cyprus and then on to Europe. In light of their goal of political independence, the Chechens can be differentiated from most other Russian organized crime groups. Guido Nejamkis/Reuters, “Preocupa presencia arabe en Paraguay,” El Nuevo Herald, 25 de septiembre de 2001; Sharon LaFraniere, “Georgia Dispatches Troops Toward Separatist Region: Russia Bolsters Border with Abkhazia after Violence,” The Washington Post, October 12, 2001, p. A29.

<sup>76</sup> The Paraguayan Consul in Miami from June 1999 to May 2001, Carlos Weiss, is currently under arrest, accused of having sold more than 300 passports, visas and cargo shipment authorizations at up to \$8,000 apiece before he was fired in May. Some who received these documents are suspected of possible involvement in the terrorist attacks on the World Trade Center and on the Pentagon on September 11, 2001. According to a report by the Justice Department’s inspector general released in February 2000, the Border Patrol “...cannot accurately quantify how many illegal aliens and drug smugglers it fails to apprehend.” James V. Grimaldi, Steve Fainaru and Gilbert M. Gaul, “Losing Track of Illegal Immigrants,” The Washington Post, October 7, 2001, p. A01; Gerardo Reyes, “Atentados en EU reviven un escandalo en Paraguay,” El Nuevo Herald, 20 de septiembre de 2001; Larry Rohter, “Terrorists Are Sought in Latin Smugglers’ Haven,” The New York Times, September 27, 2001.

General Rosso Jose Serrano, former head of the Colombian National Police, claimed that Russian criminal networks were also smuggling arms through Brazil to Colombia using the same contraband routes that had been developed for smuggling cocaine out of Colombia to Brazil and on to Europe.<sup>77</sup>

Brazil's continuing role as a major cocaine transit point has resulted in cheap cocaine flooding the country. Along Brazil's long, unprotected borders with Bolivia, Peru and Colombia, refined cocaine costs just US \$2,000 per kilo or less. In Brazil's major urban areas such as Rio de Janeiro or Sao Paulo a kilo goes for as little as US \$4,000, or 80% less than the street price in New York or Chicago.<sup>78</sup> As a result of surging drug trafficking, violent crime rates have soared in Brazil's major urban centers and many of the country's sprawling urban slums have become armed camps run by "drug commands" or gangs that often act as alternative governments in their neighborhoods.

Drug-related corruption has also permeated the Brazilian national economy and political system. In 2001, a Brazilian congressional investigation into corruption linked 827 prominent Brazilians to drug trafficking and money laundering, including two national congressmen, 15 state legislators, 4 mayors, 6 bank directors and scores of police officers and judges.<sup>79</sup> This environment of pervasive official corruption has proven highly propitious for the rapid expansion of Russian organized crime groups alongside Brazil's own homegrown criminal organizations.

Uruguay reportedly became the preferred site for Russian money laundering activities in the Southern Cone during the 1990s because of the country's comparatively weak banking regulations. Lax Uruguayan law enforcement has allowed Russian mobsters to take control of a number of Uruguayan banks and to obtain Uruguayan visas and passports with relative ease. The Russian mafia also reportedly uses the Bolivian banking system for laundering purposes for the same reasons.<sup>80</sup>

On January 17, 2000, at the Chilean port of Arica on the Pacific coast Chilean customs personnel seized nine tons of Colombian cocaine on the Panamanian-flag

---

<sup>77</sup> O'Donnell, *Op cit.*, p. 2.

<sup>78</sup> A recent U.N. Report estimated that about 900,000 out of Brazil's population of 170 million regularly use cocaine (0.7%). Although this percentage falls short of the U.S. consumption rate of around 3% (5.3 million), it exceeds consumption rates in European nations such as France or Germany and makes Brazil the second largest cocaine-consuming nation in the world. Anthony Faiola, "Cocaine a Consuming Problem in Brazil: Drug-fueled Violence Turns Slums into Urban Battle Fields," *The Washington Post*, July 8, 2001, p. A01.

<sup>79</sup> Faiola, *Ibid.*, p. A01.

<sup>80</sup> O'Donnell, *Op cit.*, p.3. For an analysis of the evolution of drug trafficking and international criminal activity in Bolivia from the 1950s through the 1990s, see Eduardo A. Gamarra, "Transnational Criminal Organizations in Bolivia," in Tom Farer, ed., *Op cit.*, pp. 171-192. Personal interviews conducted by the author with high ranking officials in Bolivia during July 2001 revealed that, despite the recent dramatic declines in Bolivian coca production under former President Banzer (who resigned from office on September 6, 2001, owing to severe illness from cancer), Russian and Italian mafia gangs -- in conjunction with Peruvian and Bolivian traffickers -- continue to use contraband routes across northern Bolivia to smuggle Peruvian and Bolivian cocaine into Brazil and, thence, on to cargo ships bound for Europe, especially Spain and Portugal, and Russia.

merchant ship *Nativa*. Captained by a Colombian, the ship's crew was made up of Ukrainians. This seizure was fifteen times larger than any previous cocaine confiscation carried out by Chilean authorities and five times larger than any ever made by Argentina. In both countries it was viewed as an ominous indicator of rising joint Colombian and Russian drug trafficker use of Pacific coast and Southern Cone routes for drug smuggling to Europe and former Soviet Bloc countries.<sup>81</sup>

### Conclusions: The Impact of Russian Organized Crime in Latin America and the Caribbean

The Russian mafia's rise to prominence at home over the past decade and a half is directly attributable to the collapse of the former Soviet Union and the extreme weakness of the contemporary Russian state and its key economic and law enforcement institutions. The intensity and velocity of globalization in the post-Cold War era facilitated the rapid expansion of Russian organized crime abroad. The limitations and deficiencies of international law enforcement agencies and arrangements (global governance) permitted Russian crime groups to operate almost unfettered in the global system. Geography, drugs, weak state institutions, and widespread corruption, poverty and violence made many Latin American and Caribbean nations especially vulnerable and attractive targets for Russian crime groups. In 2001, the specter of deepening penetration by Russian transnational criminal organizations into most, if not all, of Latin America and the Caribbean loomed ominously.

What are the consequences of this deepening penetration likely to be? To answer this question, it is first useful to clarify that Russian criminal organizations are, by and large, comprised of neither terrorists nor revolutionaries. They seek illegal profits from illicit criminal activities within the global capitalist system and protection from legal prosecution, not the overthrow of existing states. Their criminal enterprises tend to be decentralized and loosely structured rather than hierarchical and tightly disciplined. Their preferred criminal strategies involve the formation of opportunistic and temporary, rather than strategic and permanent, alliances with domestic criminal groups and political authorities that allow them to operate without running afoul of local or international law enforcement. Their preferred tactics run to bribery, extortion and intimidation rather than to indiscriminate violence and murder, although when pressed they certainly have proven to be ruthless. They do not, therefore, as a rule constitute direct threats to the stability and security of the Latin American and Caribbean states within whose territory they operate.

The dangers and risks to Latin American governments and societies that emanate from expanding Russian *mafija* activities within and outside their national borders are usually more indirect than direct, although nonetheless real because of their obliqueness. In Colombia, for example, Russian mafia arms-for-cocaine smuggling operations have unquestionably upgraded the FARC guerrillas' arsenal and enhanced their firepower vis a vis the Colombian police and armed forces, thereby contributing to the intensification of the country's internal conflicts. The fact that the Russian mafia appears equally willing to

---

<sup>81</sup> O'Donnell, *Op cit.*, p. 3.

sell arms to Colombia's rightwing paramilitaries may underscore their lack of ideological involvement in Colombia's decades-old civil strife, but it in no way mitigates the profoundly negative consequences that their illicit activities hold for Colombian political stability and state security. The Russians' international money laundering services are provided in a similarly non-partisan fashion -- for a price, they will launder drug trafficker, guerrilla or paramilitary money on an equal opportunity basis. In doing so, of course, they facilitate the clandestine movement of the narco-dollars that help underwrite the on-going violence in Colombia.<sup>82</sup>

Even for those Latin American countries not engulfed in civil wars such as the one raging in Colombia, Russian illegal arms trafficking and arms-for-drugs deals in alliance with local criminal gangs significantly increase the firepower available to violent elements of society and make them more difficult and dangerous for law enforcement to control. Brazil's favelas, for instance, have become virtual war zones, at least in part as a result of Russian drug and arms trafficking links with local criminal organizations in that country. Likewise, the Central American "maras" have become progressively better armed and threatening to social stability and state security throughout the Isthmus as a result of their linkages with Russian (along with Mexican, Colombian and North American) transnational organized crime groups.

The Russian mafia is not, by any means, the only source of weapons in the region. The United States itself is a major purveyor of small arms throughout Latin America and the Caribbean and elsewhere in the world.<sup>83</sup> But given the political chaos and relative availability of black-market arms in Russia and most other former Soviet Bloc countries, Russian crime groups enjoy significant comparative advantages in this clandestine market and, thus, have emerged as major players in the international illicit arms trade.<sup>84</sup> The consequences for Latin America and the Caribbean are visible on a daily basis in the surging rates of gang warfare and violent crime registered in every major urban area in the region.

Independent of the arms black-market, the Russian mafia's criminal strategies and tactics for penetration into the region are inherently, even if indirectly, threatening to institutional stability and state security. Russian crime groups do not normally seek to displace the local criminal organizations ensconced in each Latin American or Caribbean country, but rather to cooperate with them in order to facilitate their own illegal operations and to elude detection and arrest. In doing so, they clearly strengthen the local crime groups with which they affiliate by providing them with expanded markets in

---

<sup>82</sup> For a discussion of the role of drug money in fueling Colombia's current conflicts see Bruce Bagley, "Narcotrafico, violencia politica y politica exterior de Estados Unidos hacia Colombia en los noventa," Colombia Internacional, Nos. 49-50 (febrero de 2001), pp.5-38.

<sup>83</sup> According to the Small Arms Survey, a Geneva-based organization, the United States is the leading exporter of small and light arms in the world, selling about \$1.2 billion of the \$4 billion to \$6 billion worldwide total in 1998. Colum Lynch, "U.S. Fights U.N. Accord to Control Small Arms: Stance on Draft Pact Not Shared by Allies," The Washington Post, July 10, 2001, p. A01; Tim Weiner and Ginger Thompson, "U.S. Guns Smuggled Into Mexico Aid Drug War," The New York Times, May 19, 2001.

<sup>84</sup> See R. T. Naylor, "The Rise of the Modern Arms Black Market and the Fall of Supply-Side Control," Transnational Organized Crime, Vol. 4, Nos. 3 and 4 (Autumn/Winter 1998) p. 220-222.

Europe and Russia for contraband such as cocaine, heroin and methamphetamines, by sharing new smuggling routes into (and networks of protection and distribution in) these lucrative markets, and by helping to launder the profits derived from their illicit enterprises through Russian channels at home and abroad. The Russian mafia's "marriage of convenience" with the Arrellano Felix cartel based in Tijuana, Mexico, illustrates the dangerous potential of such alliances. The May 3, 2001, 12 ton cocaine seizure on the Russian and Ukrainian-crewed *Svesda Maru* constituted the largest cocaine bust in U.S. maritime history. The money and arms obtained by the Arrellano Felix mob through their linkages with Russian crime groups unquestionably make the Tijuana cartel wealthier, more able to purchase Mexican police and political "protection" through bribery, and better armed and equipped to ward off rival gangs or to resist Mexican and U.S. law enforcement efforts mounted against them.

The Russian's preferred tactics of bribery, blackmail and intimidation tend to exercise corrosive pressures on key private and public sector institutions, thereby undermining individual states' abilities to preserve the stable economic and social environment, effective law enforcement capacity and "level playing field" required to promote legal business activity and attract foreign investment essential to long-term economic growth. Traditional and longstanding patterns of patrimonial rule, personalism, clientelism, and bureaucratic corruption throughout Latin America have encouraged and facilitated Russian crime groups' resorts to these favored tactics (as they have for domestic criminal organizations as well). Time and again, many (although certainly not all) police and customs officials, military officers, judges, politicians, and businessmen have proven susceptible to such enticements in large and small countries alike throughout the region.<sup>85</sup>

The Russian mafia's expanding presence in Latin America and the Caribbean does not currently constitute a direct security threat to either the individual states of the region or to the United States. It does, however, contribute indirectly to the entire region's growing economic, social and political turmoil and insecurity and thus poses a major challenge to economic growth, effective democratic governance and long-run regime stability throughout the hemisphere.

In the future, however, Russian and other transnational crime networks in Latin America and the Caribbean could become more directly threatening to state security throughout the region and in the United States itself. Networks initially created to move drugs and light arms might conceivably be reconfigured to move heavy weapons such as fighter aircraft or submarines, to disseminate nuclear, chemical or biological weapons of mass destruction, or to smuggle contract assassins and/or members of the Al Qaeda

---

<sup>85</sup> For an analysis of the relation between political corruption and governability with specific reference to the Colombian case, see Fernando Cepeda Ulloa, *Corrupcion y gobernabilidad*. Bogota: 3R Editores, 2000. For analyses of the impact of organized crime on democratic governance in Mexico, see the essays in John Bailey y Roy Godson, eds., *Crimen organizado y gobernabilidad democratica: Mexico y la franja fronteriza*. Mexico D.F.: Grijalbo, 2000.

terrorist network, if there was enough profit to be made in doing so.<sup>86</sup> In late October 2001, for example, rumors surfaced in both the Colombian and U.S. press that some Colombian drug traffickers had been approached by representatives of “Arab groups” with a proposal to pay the traffickers to mix cocaine with anthrax before smuggling it into the United States. U.S. authorities immediately dismissed such reports as lacking in credibility. While such reconfigurations are conceivable, unless the profits involved promised to be so huge as to make them irresistible, the logic of the underground market place –high profits and limited risks -- militates against transnational organized crime groups participating in such terrorist schemes. Drug traffickers are not, as a rule, interested in destroying their own markets or exposing themselves to intense international persecution. To date, there is no credible evidence that such reconfigurations have yet occurred anywhere in Latin America or the Caribbean.<sup>87</sup>

The trend toward blurring the distinction between organized crime and terrorist groups is most pronounced in the states of the former Soviet Union. In the case of the Chechen “terrorists,” for example, it is not entirely clear whether they are more interested in creating an independent nation-state or in perpetuating regional instability so that they might continue to profit from the drug trade and other criminal enterprises. Similarly, while some members of the Islamic Movement of Uzbekistan are devoted to promotion of a militant and extremist brand of Islam, most appear primarily focused on profiting from the Central Asian and Afghan drug trade. For the right price, however, either group could probably be convinced to work for Osama bin Laden and the Al Qaeda terrorist network, if they are not part of it already<sup>88</sup>

As with other forms of transnational organized crime around the globe, to meet the growing Russian mafia challenge successfully will require major institutional reforms in areas such as law enforcement, money laundering, border control, and anti-corruption measures at the individual country level and sustained multilateral cooperation and intelligence-sharing among state law enforcement agencies at the sub-regional, regional, and international levels.<sup>89</sup> It will also require a much clearer understanding on the part of political elites and law enforcement officials in every Latin American and Caribbean country of the transnational nature of the threats they face in their own nations and the consequent need to revise traditional and antiquated notions of national sovereignty and deeply ingrained but increasingly dysfunctional pseudo-nationalist rejection of international cooperation. To date, neither the requisite country reforms nor adequate multilateral-level coordination, much less the needed changes in mind-set, have been

---

<sup>86</sup> See Clawson and Lee, *Op cit.*, p89; James H. Anderson, “International Terrorism and Crime: Trends and Linkages.” William R. Nelson Institute for Public Affairs, James Madison University.

<http://www.jmu.edu/orgs/wrni/it.htm>

<sup>87</sup> Gerardo Reyes, “Denucian mezcla con cocaina en Colombia,” *El Nuevo Herald*, October 24, 2001.

<sup>88</sup> Makarenko, *Op cit.*, p. 5.

<sup>89</sup> For detailed discussions of how to respond more effectively to the challenges of transnational organized crime at the international level see Giuseppe de Gennaro, “Strengthening the International Legal System in order to Combat Transnational Crime,” *Transnational Organized Crime*, Vol. 4, Nos. 3 and 4 (Autumn/Winter 1998) pp. 259-268; Roy Godson and Phil Williams, “Strengthening Cooperation Against Trans National Crime: A New Security Perspective,” *Ibid.*, pp. 321-355.

forthcoming.<sup>90</sup> As a result, Russian criminal organizations have been able to spread across the entire region virtually unfettered for more than a decade.

Initial developments in the international arena in response to the devastating September 11, 2001, terrorist attacks on the United States suggest that a new momentum behind greater multilateral cooperation might materialize in coming months and years. Specifically, the additional impetus given by the United States to the multilateral aspects of law enforcement in its prosecution of the “war” on global terrorism could ultimately usher in a new era of international coordination against terrorism and organized crime. To combat this new stage of global terrorism effectively will unquestionably require the construction of new, multilateral mechanisms for the international monitoring and policing of terrorist movements, illegal weapons sales, illicit capital flows and money laundering.

The two common elements shared by global terrorism and transnational organized crime – money laundering and proliferation – may finally catalyze serious and sustained multilateral coordination in international law enforcement. The current enthusiasm for multilateral efforts could, however, quickly evaporate. The real key to success in both the “war” on terrorism and the fight against transnational organized crime will be whether or not the international community has the will and capacity required to design and institutionalize effective systems of multilateral coordination and cooperation over the long haul. The states of Latin America and the Caribbean will be called upon to play major roles in this process. Failure to act promptly and effectively is likely to carry a high price tag in terms of the erosion of domestic prosperity and stability within individual nation-states and the imposition major costs on recalcitrant states via international pressures and sanctions applied either unilaterally by the United States or multilaterally by the international community.

---

<sup>90</sup> For examples of the difficulties that continue to plague effective international law enforcement efforts on different fronts see William F. Wechsler, “Follow the Money,” Foreign Affairs, Vol. 80, No. 4 (July/August) 2001, pp.40-57; Lester M. Joseph, “Money Laundering Enforcement: Following the Money,” Economic Perspectives: An Electronic Journal of the U.S. Department of State,” Vol. 6, No. 2 (May 2001), pp. 11-14; and Phil Williams, “Organized Crime and Cybercrime: Synergies, Trends and Responses,” Global Issues: An Electronic Journal of the Department of State, Vol. 6, No. 2, pp.22-26.

