

# **RUSSIAN (EAST EUROPEAN) ORGANIZED CRIME AROUND THE GLOBE**

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## Abstract

This paper attempts to discuss three aspects of Russian ‘organized crime’. First, I shall position the current international focus on Russian crime within the context of the privatization that occurred over very few years within the Soviet Union. While the details are specific to Russia, the role played by political and economic forces around the globe determine the extent and to some extent the nature of the criminal activity that occurs. The paper argues that these forces must be understood in order for governments to have any lasting impact on transnational crime. The paper looks in some detail at specific cases involving - or alleged to involve - Russian criminals. The role of the media and vested international interests play a key role in how we ‘see’ Russian criminal involvement. Finally, based on police information, a somewhat Canadian third section will focus on what the police community now sees to be the key threats from Russian organized criminals.

## The Legal Vacuum of Transition

I have come to appreciate how fascinating the topic of East European crime is and how much *more* fascinating it is than if we were concerned solely with “the Russian Mafia on the take”. The explosion of criminal activities of all kinds, including organized crime in its various manifestations, is a systemic phenomenon rooted in the core processes of Russia’s transition from communism to capitalism – the privatization of state property. Market forces are in constant competition with states everywhere, as governments seek to control private activities. However, the global shift away from state regulation to market freedom, which took place in the last quarter of the twentieth century, generated what appears to be an unprecedented challenge to legal systems throughout the world. Susan Strange aptly termed it “the retreat of the state”. The rapid pace of economic change has increasingly outpaced the legislative efforts, and the scope of illegal actions on the global scale has surged. Russia is only one, if perhaps the most spectacular, case study of this global problem.

What makes the Russian case special is the *scope* of its systemic transition. No other state in human history had owned such vast amounts of property or had sought to suppress private economic activities to such an extreme extent as the Soviet State. The natural impulse toward economic liberalization was developing within the system for decades, and this impulse had to assume *illegal* forms: ie. the growth of an underground private sector, and the increasing involvement of bureaucratic elites in this illegal activity. The private sector was not supposed to exist, and the bureaucracy was supposed to suppress it – but real life dictated otherwise.

Under Gorbachev, the Soviet leadership was forced to recognize the new reality and move towards the legalization of private enterprise in a series of increasingly bold reforms. However, the gap between the law and the real economy only grew wider. By 1991, the Soviet State lost control of the process and ultimately collapsed. The Soviet operating principle “Anything not permitted is banned” was replaced with the liberal principle “Anything not banned is permitted”. Despite the tremendous amount of legislative activity by the reformers, the raw momentum of unbound and unregulated private interests, developing in the environment of historically weak legal institutions and relying on the residual power of administrative authority, produced a huge *legal vacuum*, which still remains.

What order that existed during this period (and continuing) tended not to come from the state. Russia theorists such as Ovchinskii<sup>1</sup> discuss the role of the ‘coordinators’, usually *thieves –in-law* who ensure the stability of the system of organized criminality and to some extent coordinate various elements of it. Among their protection services they may:

- protect the *pseudo-businessmen* from gangsters;
- help the *gangsters* to divide the spheres of influence among themselves;
- assist *those who steal from the state* to dispose of their properties or launder their proceeds; and
- direct clients toward the *corrupt officials*---hence facilitating the criminal businesses of the diverse categories of criminals in the ‘new’ Russia.

The conclusion seemed to be that only serious criminal structures could supply help to real businessmen and anyone else in need of protection:

*“To pay them was expensive, but businessmen saw it as the lesser of two evils. As a result, the ‘roof’ began to shelter normal, legitimate economic activities. But the roof itself is illegal and operates according to the laws of underworld”.*<sup>2</sup>

The RCMP in Toronto confirmed how wide-spread the paying of this ‘protection’ or ‘roof’ (*krysha*) is among the East European community - everyone has to have a roof - everyone pays from the lowest level criminal to high established corporate operators. The Canadian police are activity trying to stop these payments which may take the form of money or favours and positions. This concept may be in some ways comparable to the Guanxi networks that Willard Myers discusses among the Asian communities - including the Asian criminal organizations.

The situation of a legal vacuum may arise because of the absence of legal norms, or low quality of existing legal norms, or conflicts between existing legal norms (a situation typical of a systemic transition), or non-enforcement of legal norms due to a poorly organized state mechanism. In post-communist Russia, all these characteristics are present in abundance. The legal vacuum created by the post-communist transition has *both its beneficiaries and its victims*. Hence, the more powerful the beneficiaries, the longer the vacuum will remain. One example to illustrate the ambivalence of the political masters to the introduction of legislation that might actually curb corruption is the history of trying to get the “On the Fight Against Corruption” legislation passed. After ten drafts, this law was adopted by the Russian Supreme Soviet in 1993. The President and his associates sent it back for revisions. The new version was then adopted by the State Duma in 1994 - but the Upper House, the Federation Council objected to certain provisions. The Federation Council finally adopted this draft legislation in 1995. However - President Yeltsin then again refused to sign it. None of this hesitation by the government and bureaucracy effected their rhetoric. The President in his address to Parliament denounced the delays and sluggishness in the fight against corruption.<sup>3</sup>

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<sup>1</sup> V.C. Ovchinskii, *Strategiya bor’by s Mafiei*, in *What is the Russian Mafia* by Federico Varese, Nuffield College Oxford.

<sup>2</sup> Andrej Ladyzhensky. 1994. “Krysha”, *Kriminalnaya Khronika*, No.7, July. Taken from F. Varese “What is the Russian Mafia”, *Low Intensity Conflict and Law Enforcement*, Vol.5, No.2 Autumn 1996 –129-138.

<sup>3</sup> Poslanie prezidenta RF Federal’nomu sobraniuu. Rossiiskaia gazeta, Feb. 27, 1996. Taken from Sergei Cheloukhine, *Organized Crime in the Changing Russian Society: Economical, social, and Legal Aspects*, p.41, MA Thesis, York University March 1998.

## Structure of the Criminal Activity

The police in Canada depicted the structure of the sectors facilitating criminal activity in Russia and from Russia as being like a three-legged tripod.<sup>4</sup> At the base of the three legs you have the *bureaucracy* including politicians and security officials, underground *business persons*, and the professional *criminals*. As you move up the tripod, the three legs merge into one platform with a mingling of all three sectors. Any analysis that tries to separate these three interwoven 'communities' will be lacking and it is the intermingling of all of these factions that makes the criminal activities so 'untouchable' within East Europe and so difficult for law enforcement internationally.

These three social forces inside Russia emerged as the key agents and beneficiaries of economic liberalization. Of the three, the bureaucracy (government and party officials, as well as managers of state enterprises) was by far the more important. The underground business class moved above ground, the bureaucracy moved to take over state property that had been under its administrative control in Soviet times, and the professional criminals muscled their way into the fray. The beneficiaries are also not all within Russia as the West has contributed to the current conditions. As Frederick Martens stated:

*"Corrupt public officials seek to enrich themselves on the labor of the 'New Russians'. Confidence men from the West look to take advantage of these 'New Russians'. And if the New Russians are able to navigate their way through these paths, they are then confronted with the wrath of a 'peasant class' which equates the acquisition of wealth with evil, immorality, and gangsterism."*<sup>5</sup>

In order to take maximum advantage of the new opportunities, all needed full access to the global economy through partnerships with international business. The Western-supported post-communist reforms and gave this process a veneer of legitimacy and order. However, in reality, the new Russian State organized around Yeltsin became primarily an enabling mechanism for the appropriation of public assets by the old and new elites. As stated by Noukhovich and Plekhanov:

*"By the time of the failed August 1991 coup, Soviet bureaucracy was deeply immersed in its own transition from state socialism to the kind of capitalism in which it would retain its dominance."*<sup>6</sup>

The legal vacuum was extremely useful for the development of countless combinations through which public property was turned into private wealth – and then, in many cases, transferred abroad. With this magnitude of elite self-interest involved, it was hard to expect the Russian state to develop an effective regulatory mechanism, which would protect the public interest from this plunder. One example of the discrepancy in the laws illustrates that conditions were not made easy for all citizens. Given the near collapse of the financial institutions in Russia, people wanted their resources transferred to safer locations. For Russian citizens the process of transferring money abroad is very restrictive. In order to transfer more than \$2,000 the

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<sup>4</sup> In the early 1990's the police - and academics - were quick to grab the stereotypical hierarchical chart used to describe the Italian Mafia - changed the spelling of Mafia and assumed that it applied to the Russians.

<sup>5</sup> Frederick Martens. 1995. "New Russians, Old Cons, and the Transition to a Market Economy: Reflections from Abroad", *Organized Crime Digest*, Nov. 22, Vol.16, No.24.

<sup>6</sup> Alexander Noukhovich and Sergei Plekhanov 1999. *Avenues of Appropriation: The Soviet Bureaucracy and Crony Capitalism*. Unpublished paper prepared through the Post-Communist Studies Programme, York University.

individual must declare the purpose of the transfer, the source of the money, and provide a tax receipt indicating that taxes on the funds were appropriately paid. In contrast, no such restrictions apply to certain businesses. With a passport of an export-import operation no tax receipts or explanation is required.<sup>7</sup> Hence - those 'lucky' enough to have such a passport can freely move their money about while others watch their money become devalued.

The neoliberal strategy of reforms, favoured by Western elites as the "right" model of post-communist transition and adopted by the Yeltsin government, contributed massively to the problem, as it put the main emphasis on stimulating the rapid accumulation of private capital and limited the role of the state to measures for financial austerity. When opposition to reforms began to surge in Russia, Yeltsin resorted, with Western support, to establishing a semi-authoritarian regime. Making Russian "reformers" invincible to political and legal challenges inside the country contributed to further criminalization of the Russian State, which acquired an oligarchic character.

Among large-scale illegal activities stimulated by Russian economic reforms, distinction should be made between the two main types. The first type, characteristic of the beneficiaries of the legal vacuum, includes criminal enterprises, such as drug trafficking, prostitution, racketeering, illegal trade in arms and other commodities, takeover of property through fraud, graft and violence, etc. The second type includes violations of law by the victims of the legal vacuum, who are forced to commit offences such as bribery, tax evasion, collusion with criminal organizations, illegal transfers of money abroad, etc. for the sake of survival. If the first category is opposed to effective measures against organized crime and corruption, the second represents natural supporters of a decriminalization of Russia.

Recently, the political pendulum in Russia has swung from freedom to order. The overriding public concern is the building of a "strong state" capable of curbing lawlessness and corruption. This development holds promise that Russia may begin to cope with its problems of organized crime and corruption. Russian Acting President Vladimir Putin keeps talking about the need for "the dictatorship of law". Skeptical observers point to the fact that Mr. Putin is a product of the oligarchic system created under Yeltsin, and that he has publicly rejected the widely popular idea of reviewing the results of privatization for violations of law. If the meaning of "the dictatorship of law" should turn out to be protection of the gains of the beneficiaries of the legal vacuum, then the main sources of Russian organized crime and corruption are likely to remain unaffected.

### ***Two 'very large' Cases***

Two cases involving East European criminals (and some North American criminals) are interesting and revealing for quite different reasons.

#### ***The YBM Magnex International Stock Fraud Case***

*"YBM attracted a blue-ribbon board, its books were audited by two prominent America accounting firms, it issues glossy annual reports and it had its own web-site. All of this turned out to be sophisticated cover for what was also a vast money laundering operation... 'this is the first public demonstration of the manipulation and infiltration of world financial markets by Russian organized crime' ..."*<sup>8</sup>.

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<sup>7</sup> Sergei Cheloukhine. 2000. *Russian Money Laundering*. Unpublished paper prepared for the Nathanson Centre.

<sup>8</sup> *New York Times*, "How Russian Mobsters, With Money to Launder, Make Millions Duping US Investors". July 25, 1999. p.4Y

The YBM Magnex International stock market fraud case illustrates the potential for criminal manipulation of the stock market . The main question out-standing in that case is ‘who know what - and when did they know it’ . A much publicized ‘secret’ report from the British National Crime Squad stated that:

*“Canada has been used purely to legitimize the criminal organization by the floating on the stock exchange of a corporation which consists of the UK and USA companies whose assets and stock have been artificially inflated by the introduction of the proceeds of crime”.*<sup>9</sup>

The fact line is fairly simple:<sup>10</sup>

- Oct. 31, 1995: YBM Magnex and Pratecs Technologies Inc. of Calgary merge to create YBM Magnex International on the Alberta Stock Exchange.
- Sept. 10, 1996: YBM's Canadian manager Len Lamourie is fired and alleges to the RCMP that YBM is a scam.
- April 18, 1997: YBM joins the TSE 300 Index. RCMP first tells a committee of regulators about allegations that YBM is a front for the Russian mob.
- May 13, 1997: OSC's senior officials debate what to do about the allegations and bicker with TSE over who should lead an investigation.
- May 30, 1997: YBM files preliminary prospectus with OSC for an equity financing.
- July 25, 1997: YBM hires Deloitte & Touche to re-audit 1996 financials.
- Aug. 21, 1997: YBM raises \$48-million in a private placement with Connor Clark & Lunn Investment Management Ltd.
- Oct. 5, 1997: YBM executive says company's Hungarian plant will more than triple production.
- Oct. 14, 1997: OSC obtains more information from Len Lamorie about YBM.
- Oct. 22, 1997: YBM releases Deloitte's unqualified audit opinion and restated financial statements.
- Nov. 20, 1997: OSC approves \$53-million equity issue at \$16.50 a share.
- March 23, 1998: Deloitte privately raises concerns with YBM's board about 1997 financial statements.
- April 23, 1998: Deloitte asks YBM's board to do an in-depth forensic investigation.
- May 8, 1998: Deloitte advises company of possible illegal activity. Company announces that Deloitte has asked for an independent review of YBM's Eastern European operations but plays down the request.
- May 13, 1998: FBI and other U.S. agencies raid YBM's headquarters. OSC temporarily cease trades YBM's shares pending a hearing.
- May 22, 1998: YBM is removed from the TSE 300.

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<sup>9</sup> *Financial Post*, “YBM linked to Russian Mob”, May 20, 1998.

<sup>10</sup> *Globe and Mail*, “The OSC, YBM Magnex and the Mob”, Nov. 2, 1999

- May 27, 1998: OSC drafts a 27-page statement of particulars for the upcoming hearing outlining suspicious money transfers at YBM. A commission panel rules that it cannot be made public because it would be unfair to YBM. OSC releases a two-page summary instead.
- June 26, 1998: Deloitte resigns as YBM's auditors.
- Aug. 17, 1998: OSC indefinitely adjourns hearing.
- Aug. 22, 1998: Shareholder group takes control of YBM's board.
- Dec. 8, 1998: YBM files for receivership and new board releases a forensic accounting report that alleges YBM is laundering money and has direct ties to the Russian mob.
- Nov. 1, 1999: OSC issues notice of hearing against YBM, 10 YBM directors, officers and advisers and two Canadian securities dealers.

If the chronology and related information is correct (and numerous court cases may determine the accuracy of this account) then: a former Premier of Ontario (David Peterson) was a member on the Board of Directors, and along with eight other directors is being accused of failure to disclose concerns about Russian mob connections to the Ontario Securities Commission. The RCMP had information and in fact had supplied information to the British police regarding the involvement of Moguilevitch - a known criminal figure. A respected forensic accounting firm - Deloitte & Touche served as the auditors for the firm. The OSC (Ontario securities Commission) heard allegations prior to the collapse. Lawyers who served as Canadian counsel for YBM are accused of having lied to the OSC staff about what YMB knew about the mob connections.

Hence, a full house! The police - public and private, the regulators, and the board of Directors, various banks (including the Bank of New York) and lawyers are all allegedly implicated in the case along side Russian criminals. In one of the latest developments the Supreme Court of Ontario ruled that the OSC had the right to discipline lawyers over their work for publicly traded companies. In July 1997 the lawyer for YBM said that “extensive due diligence was uniformly positive”<sup>11</sup>. The OSC alleges that at this time that same lawyer was aware that an independent probe had revealed concerns about money laundering and falsified business records. In our 1990 study of money laundering in Canada we emphasized the important role played by professionals such as lawyers and accountants. We found that in most, if not all, truly sophisticated money laundering schemes, these ‘professionals’ were involved in some capacity.<sup>12</sup>

This Court ruling was met with some disagreement from the legal community who felt that the ‘regulators’ for the lawyers (The Law Society) should regulate them - not the Security Commission. In response to this decision, Jeffrey MacIntosh, Professor of Securities Law at the University of Toronto stated that “you don’t want lawyers to be fearful that aggressive advice will cost them their livelihood”<sup>13</sup>. Some of the investors who lost their livelihood might think a little differently! Before the case is over here will be civil suits against most of the players but most of the funds were either illusionary or gone. Without going into any more detail - you see self-regulated professionals, and criminals, and neglect, within a global financial environment culminating in the loss of millions of dollars to investors.

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<sup>11</sup> *Toronto Star*, “OSC Wins YBM Magnex Ruling”, Feb. 16, 2000, p. 1 and 12.

<sup>12</sup> Beare and Schneider. 1990. *Tracing of Illicit Funds: Money Laundering in Canada*, Solicitor General Canada.

<sup>13</sup> *ibid.* p.D1

## *The Bank of New York - Money Laundering Case*

The Bank of New York (BONY) 'Money Laundering' case is both complex and on-going. This case is claimed to be one of the largest money laundering cases. Apparently billions of dollars were moved out of Russia in a secret scheme to avoid paying taxes and customs duties.<sup>14</sup> Earlier in this paper I discussed the perceived need to get money out of Russia and the advantages that import-export companies (real or false) have in terms of avoiding taxes and duties. The side issues are perhaps most interesting about this case.

The United States has long pressured countries to put into place the same mandatory currency transaction reporting (CTR) system that the US banks have. Somehow, these billions of dollars of funds passed through the CTR and Suspicious Transaction Reporting system without any of the 'bells' going off that were to alert law enforcement. When this irony was brought to the attention of Jonathan Winer<sup>15</sup> he responded that the Bank of New York case was clearly not an issue with the CTR mechanism but rather a matter of corruption. And so it was - two former Bank of New York employees (Lucy Edwards and Peter Berlin) admitted to their involvement in the criminal schemes and described the laundering process in federal court. Edwards set up the accounts and installed software that allowed the conspirators to move money around the world. They plead guilty to conspiracy to launder money and to helping Russian banks conduct business illegally in the United States. They plead guilty to:

- conducting an unlicensed banking and money transmittal business
- Operating an unauthorized branch of a foreign bank
- Laundering money in electronic transfers intended to promote criminal activity
- Evading the payment of income taxes<sup>16</sup>

In addition to the size of this case, there remains some 'peripheral' mysteries. After releasing the money laundering story a New York Times reporter (Timothy O'Brien) published another extensive article discrediting his key original 'source' for the laundering story.<sup>17</sup> Given the testimony of the BONY employees, discrediting the source for the story seems a bit bizarre. Explanations for this are varied - and may all be wrong. The journalist may have felt threatened either by his 'source' or by the Russian connections. Alternatively, the financial community (including the media establishment) may have objected to the hysteria over the 'laundering' because in fact they had benefited greatly from these billions of dollars that had entered the US system, even if for a short period of time. Russian newspapers and officials saw it as 'merely flight capital' not worthy of the publicity given to it by the western papers.<sup>18</sup>

Some analysts are perhaps correctly suspicious of coincidences! The laundering scandal broke just after Russia announced that it was having to default on its foreign debt. On August 27<sup>th</sup> 1998 Russia announced that it could not pay its pyramid of debt. The IMF among other organizations and individual investors had been holding Russian issues bonds. If Russia had not defaulted, would the United States and the international community have cared about 'more' flight capital away from Russia. These questions - if not answers - make this case an interesting study of global processes. The use of the Bank of New York highlights the intertwining of legitimate with the illegitimate; business with criminal enterprise and politics with law enforcement.

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<sup>14</sup> *Toronto Star*, "Couple Admits to laundering billions", Feb 17, 2000, p. A10.

<sup>15</sup> Winer had drafted the Senator Kerry legislation that 'encouraged' foreign banks to have a CTR system.

<sup>16</sup> *Toronto Star*, Feb. 17, 2000, p. 10.

<sup>17</sup> *New York Times*, USA: Doubts Raised About Source in Bank of New York Inquiry, January 1, 2000

<sup>18</sup> *Straits Times* "Russia: Money Laundering? 'It's Capital Flight'", Jan 1, 14, 2000 by Michael Walker in Moscow.



## *Policing East European Crime*

In this section of the paper, I shall only touch on some possibly unique policing issues related to East European crime. In our academic study of organized crime operations we often (and perhaps not accurately) present the view that organized criminal operations use violence until they are sufficiently integrated into the communities to be able to use corruption and influence. This is the notion of the movement from predatory to parasitic to symbiotic interactions with the state.<sup>19</sup>

It is argued however that the East European crime groups in Canada use both violence and corruption and used both from their earliest significant entry into Canada and continue to use both today. The media accounts of extremely violent and public murders during the early 1990's have decreased leading some observers to believe that corruption had replaced violence as a form of control. The police however present a somewhat different picture. Their view is that even in the early days in Canada the experiences in the Soviet Union and other East European countries had 'trained' the criminals to be very proficient at the game of corruption - very skilled at reading people in terms of what the persons weakness might be ie. money, women, promotions and status. In contrast, the media accounts of the violence, presented to the public a picture of 'Russian thugs'. Depending on one's definitions, the portrayal may have been wrong on both counts - maybe not Russian and maybe not thugs.

The evidence indicates that in contrast to some other criminal organizations, the East Europeans are very well educated and are often proficient in several languages. These factors plus a tradition of favour giving and receiving and a need to work 'corrupt' deals as part of seemingly legitimate business has meant that the criminals have been very successful at penetrating 'systemically' into Canadian society. We see this in the YBM case and in very early media coverage of Prime Minister Kim Campbell being photographed with Iakoubovski. Experiences 'at home' have cultivated an ease and a comfortable ability to interact with political figures and other people of influence.

The police in Canada focussed initially on the murders, which helped to create the media coverage. More recently the corruption issues have been recognized as requiring greater focus. This corruption factor has also necessitated other changes in policing strategy against East European crime. According to the police sources, in the 'early years' (early 1990's) our policing strategy was on the international stage - build cases based on wire taped information and other evidence and request additional information from East Europe. The police found that they were receiving much verbal information, ie., anecdotal confirmation of their information but could not obtain information that could be used in court as evidence. Over 200 cases presented to Russia with strong evidence and a request for further evidence produced no results over a five year period. Therefore - in keeping with some of the points I was making in the opening plenary session, it was necessary to treat these 'transnational crimes' on a domestic basis and focus Canadian law enforcement efforts and resources against the Canadian side of the cases.

Today the policing strategy emphasizes joint-force type operations. North of Toronto there is a Combined Forces Special Enforcement Unit at the RCMP detachment but with members from other police departments. This Special unit has three specialized teams; Asian, Italian and East European. In addition to the separate work that individual police forces are doing, there are four additional joint-Force operations across Canada that also target East European crime. In addition to this domestic focus the RCMP participate on the G 7 Expert Groups that also targets these forms of criminal operations.

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<sup>19</sup> Beare. 1996. *Criminal Conspiracies: Organized Crime in Canada*, Nelson Canada, Toronto. See also Peter Lupsha. 1981. "Organized Crime: Rational Choice Not Ethnic Group Behaviour: A Macro Perspective" *Law Enforcement Intelligence Analysis Digest*, Winter 1-8.

The types of East European criminal activity 'fits' with the profile of the criminal operators. Well educated and very used to the workings and vulnerabilities of bureaucracies with their fondness for paper work has meant that the types of crimes reflect these skills. Basically any and all fraudulent schemes are currently being carried out. Insurance and medical frauds, stock market manipulations, stolen cars, stolen fuel, and counterfeiting of all types (tokens, bank-drafts, cheques, and credit cards).

Wiretaps reveal a near-constant communication with East Europe - with up to 50 phone calls coming out of a single residential home phone on any evening.<sup>20</sup> This of course causes an incredible workload for those people having to transcribe the conversations in the cases where an authorization for a wire has been granted. The wires have revealed some interesting information regarding how 'business is done' and the networks between the various East European criminals. An unusually high percentage of the calls reveal important information from an evidentiary perspective and they indicate also the wide range of criminal activities in which any one criminal is prepared to get involved. The issue is not specialization, but profit.

At the end of the day - how great of a threat is East European crime to Canadian society? The police acknowledge that the very big cases do impact Canadian citizens directly and significantly - ie. an estimated \$800 million lost by Canadian investors, particularly the Ontario Teacher's Federation from the YBM fraud. However the police also say that East European crime is not the greatest source of criminal activity in Canada. With approximately 200 East European criminal associates, the 'community' is not large and does not have the amount of criminal involvement as the bikers, the Asian crime groups or the more traditional Italian Mafia.

The research carried out by the Tri-State Joint Soviet Émigré Organized Crime Project in the United States (New York Organized Crime Task Force, the New Jersey State Commission of Investigation and the Pennsylvania Crime Commission) shows a pattern of East European crime similar to the Canadian information.<sup>21</sup> The authors mention that Soviet émigrés that they studied had a higher propensity than criminals from other groups to choose crimes that involve swindles or huckstering. Most of the offending related to offenses that bureaucracy and the service economy encourage i.e. frauds, smuggling, money laundering and similar activities (p.149).

One somewhat amusing conclusion, in light of the Bank of New York case and more recent media coverage of Wall Street-mobsters-US/Russian stock frauds cases, was that there was no evidence, except for some rumours, that Russians were corrupting American officials (p. 252). On the basis of this conclusion, the authors reject the label of 'Mafia' for the Russian criminal activity. They also reject applying Gambetta's view of the primary 'protection' service of the Mafia in Sicily to the US Russian criminals on the basis that "rather than providing a protection service for market transactions, they are predators in the marketplace" (p.251). This of course ignores the question of whether or not they are in fact *paying* protection (roof) which allows them to operate as predators.

### ***Conclusion***

This paper is meant to serve as an overview of some of the issues that relate to understanding East European and Russian organized crime. Neither the criminal occurrences, nor the nature of these offenses can be understood without positioning the criminal activity within its unique political, economic and social context.

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<sup>20</sup> Home phones are typically used because of the time difference between Canada and Russia.

<sup>21</sup> James Finckenauer and Elin Waring. 1999. *Russian Mafia in America: Immigration, Culture and Crime*, Northeastern University Press, Boston.