The changing face of the KGB

Julie Anderson

University of Nevada, Las Vegas

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THE CHANGING FACE OF THE KGB

by

Julie Anderson

A thesis submitted in partial fulfillment of the requirements for the degree of

Master of Arts

in

Political Science

Department of Political Science
University of Nevada, Las Vegas
August 1997
The Thesis of Julie Anderson for the degree of Master of Arts in Political Science is approved.

Chairperson, Andrew C. Tuttle, Ph.D.

Examining Committee Member, Jerry L. Simich, Ph.D.

Examining Committee Member, Steven Parker, Ph.D.

Graduate Faculty Representative, Eugene P. Moehring, Ph.D.

Dean of the Graduate College, Ronald W. Smith, Ph.D.

University of Nevada, Las Vegas
August 1997
The Changing Face of the KGB examines the contemporary structure and functions of the post-Soviet Russian security and intelligence services. The nature of the relationships of the domestic and foreign intelligence services to other power structures in Russia today are examined, including an evaluation of its espionage networks within Russia, Eastern Europe, and the "near abroad." Special attention is devoted to an analysis of the Russian foreign intelligence service's recruiting methods and the cases of Russian spies Aldrich Ames, Harold Nicholson, and Earl Pitts. Finally, the thesis examines the Russian intelligence services' resumption of training terrorists, particularly those affiliated with Iran.

The purpose of this thesis, then, is to provide an understanding of the post-Soviet Russian political-economic system and the extent of the Yeltsin Administration's progress in instituting democratic reforms, which have been thwarted by the continued legacy that is the KGB.

iii
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSTRACT</td>
<td>iii</td>
</tr>
<tr>
<td>ACKNOWLEDGMENTS</td>
<td>v</td>
</tr>
<tr>
<td>CHAPTER 1 INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>CHAPTER 2 CONTEMPORARY RUSSIAN INTELLIGENCE STRUCTURES</td>
<td>12</td>
</tr>
<tr>
<td>CHAPTER 3 THE NEW OLIGARCHY</td>
<td>53</td>
</tr>
<tr>
<td>The CPSU's Grand Theft</td>
<td>56</td>
</tr>
<tr>
<td>The Rapid Ascension of Organized Crime</td>
<td>59</td>
</tr>
<tr>
<td>The Perennial Chekist Services</td>
<td>60</td>
</tr>
<tr>
<td>Developing the New Oligarchy Linkages</td>
<td>61</td>
</tr>
<tr>
<td>Criminal Infiltration of Government</td>
<td>64</td>
</tr>
<tr>
<td>The Banking Scams</td>
<td>66</td>
</tr>
<tr>
<td>CHAPTER 4 DOMESTIC INTELLIGENCE</td>
<td>74</td>
</tr>
<tr>
<td>Explosive Growth of Private Security Services</td>
<td>75</td>
</tr>
<tr>
<td>Symbiosis and Political Intrigue</td>
<td>77</td>
</tr>
<tr>
<td>Contract Killings</td>
<td>79</td>
</tr>
<tr>
<td>The Ambiguous Legal Design</td>
<td>83</td>
</tr>
<tr>
<td>The Crime and Corruption Campaign</td>
<td>86</td>
</tr>
<tr>
<td>Surveillance Within Russian Society</td>
<td>88</td>
</tr>
<tr>
<td>CHAPTER 5 FOREIGN INTELLIGENCE</td>
<td>96</td>
</tr>
<tr>
<td>The New Global Environment</td>
<td>96</td>
</tr>
<tr>
<td>The Drivers of the Espionage Offensive</td>
<td>103</td>
</tr>
<tr>
<td>Law and Functions of Foreign Intelligence</td>
<td>104</td>
</tr>
<tr>
<td>KGB-Organized Crime Collaboration in Espionage</td>
<td>106</td>
</tr>
<tr>
<td>Emigres</td>
<td>112</td>
</tr>
<tr>
<td>CHAPTER 6 SPIES AND NETWORKS</td>
<td>118</td>
</tr>
<tr>
<td>Spying</td>
<td>118</td>
</tr>
<tr>
<td>Recruiting Methods</td>
<td>123</td>
</tr>
<tr>
<td>Spies</td>
<td>128</td>
</tr>
<tr>
<td>Aldrich Ames</td>
<td>128</td>
</tr>
<tr>
<td>Harold Nicholson</td>
<td>133</td>
</tr>
<tr>
<td>Earl Pitts</td>
<td>137</td>
</tr>
<tr>
<td>Eastern European Networks and Political Espionage</td>
<td>140</td>
</tr>
<tr>
<td>The &quot;Near Abroad&quot; and Terrorism</td>
<td>152</td>
</tr>
<tr>
<td>CHAPTER 7 CONCLUSION</td>
<td>170</td>
</tr>
<tr>
<td>CHAPTER 8 BIBLIOGRAPHY</td>
<td>183</td>
</tr>
</tbody>
</table>
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CHAPTER 1

INTRODUCTION

Despite the fact that the KGB has become a household term in America and Russia, it is surprising how much confusion exists over what it is, how it is organized, and what it does. The confusion, in many ways, is a logical and consistent one in that the organization itself has historically undergone rapid and major changes from its earliest inception in the hands of "Iron Felix" Dzerzhinsky to its present state. The secret police agency has changed faces with the changing face of the Russian political system. Yet, it was and is a force to be reckoned with.

Known for the terror it produced during the Stalinist and Khrushchev eras, the typical Russian today still reacts with a symbolic apprehension when the term KGB is used. Yet, for all these changes there is still a confusion as to exactly what the organization was in the past and more so a complete lack of understanding and clarity as to what the organization consists of and its duties and powers are at the present time. Considering the role that Russia is playing in international politics today, it is a vital
aspect of contemporary knowledge in political science and in
criminal justice to have clarity on this issue.

In order to clarify this issue, it is necessary to have
a historical, political, and social understanding of this
organization and its role in past Russia. For the history
of Russia has been a simultaneous history with that of the
KGB. Indeed, one can make the point that to understand the
role of the KGB in the changing forces of Russian
contemporary history is to better understand Soviet-Russian
society today.

When in 1991 Soviet-style communism collapsed
throughout the Soviet Union and the Soviet bloc states of
Eastern Europe, the geopolitical map of the world changed
significantly. The immediate consequences of communism's
demise were the gaining of independence from Moscow of the
fifteen former Soviet republics. Additionally, the peoples
of the Eastern European states gained the freedom to change
their political systems. As many of these countries
discarded their old communist political systems for
democratic ones, the role of the secret police and, further,
its very nature, changed dramatically. Thus, "democratic"
changes are much more evident within the former Soviet bloc
countries of Eastern Europe and the Baltics than in the
Former Soviet Union (FSU) itself.

Structurally, within the new Russian Federation, the
KGB was broken down into several, smaller entities, which
were renamed. The governments of the Russian republics created "independent" republic KGBs. And new state security services were created in the Eastern European states. Many changes within the state security and intelligence services of the countries within the former Soviet sphere of influence took place and reflected the reform process that was concurrently occurring within each particular state or republic.

Hence, the main emphasis of this thesis will be on the current role of the KGB's successor agencies. The study will focus on the intelligence services of the Russian Federation specifically, but will also examine the state of the new security and intelligence agencies of the former Soviet republics and the Eastern European countries, where KGB surrogate intelligence apparatuses and espionage networks had been developed and served as loyal instruments under Moscow's control during the Soviet era.

Since the (Russian) secret police retain their primacy in Russian politics, their relationship to contemporary Russian society and government is studied. Equally important, the continuing work of the contemporary KGB as an espionage service is examined and evaluated in detail, including a discussion of its spy networks. In this respect then, this work is historical, political, and social in its scope.

Because of the nature of this project, the review of
the literature in some cases coincided with the review of the sources necessary to the study itself. However, as every thesis requires as part of its methodological procedure a review of the literature, I here make a distinction. The purpose of the review was concentrated primarily in searching for works that had already dealt with the issue being studied. For example, I reviewed any sources that have attempted to explain and study the role of the KGB historically and contemporarily as it related to the history of the Soviet Union and contemporary Russia. Once again, I emphasize that here my purpose was that of examining to what extent the topic had already been examined.

Obviously, since this work is historical, political and social in nature, it required an examination of those secondary historical, political, and social works concerning the birth and development of the KGB. Hence, I searched for the history of its development and a political-social understanding of its role in Soviet society. Further, current works were examined; the primary sources that I utilized included both American and Russian newspapers, periodicals, government documents, conference papers, monographs, media broadcasts, and the Internet.

Further, I conducted interviews in the United States with Russian nationals that both live in America, and that reside in Russia but were visiting the U.S.. I used an
open-ended guided interview schedule, which allowed more information to be made available in the interviews. The interviews were then analyzed and interpreted in terms of the data as it related to the clarification of the problem.

These interviews were necessary since, in light of the state of confusion within law enforcement structures in Russia today and, moreover, the large gap in the literature available today on the current and more recent state of the Russian intelligence services, they provided a more accurate picture of the KGB's current role within and its relationships to contemporary Russian society and government. Further, these interviews provided me insight into the internal workings of the past KGB, its operations and methods, which shed light and gave clearer meaning to its current methods of operations. Furthermore, these interviews illuminated the contemporary relationships between the Center and periphery security and intelligence apparatuses.

Drawing from these primary and secondary sources and interviews, in Chapter 2, I present a chronological history of the structural changes that the massive KGB underwent from the period immediately following the August 1991 coup attempt to the present, and which culminated in several new security and intelligence agencies, commonly referred to as the "KGB's successor agencies." Their names were changed numerous times during the early 1990s as their powers
increased. Moreover, with each organizational change, Yeltsin brought the chekists more firmly under his control. I analyze the functional roles of these multiple agencies, evaluate the events that led to each structural change, and examine the significance of each "new face."

In Chapter 3, I examine the linkages between the major pillars of power in Russia today. Indeed, the "new oligarchy" that controls contemporary Russia consists of the political-elite nomenklatura, organized crime elements, and the KGB. How each of these groups gained power in post-Soviet Russia, specifically, the activities and events that cemented their relationships and enabled them to gain control of virtually the entire economic-social strata of contemporary Russian society is the focus of this chapter.

In Chapter 4, I examine the contemporary role of Russia's domestic security and intelligence services. Indeed, as communism collapsed, many KGB officers "left" government service to start up private security services and provide protection to the new banking, business, and political elites, many of which maintained ties to organized criminals. As such, the integration of organized criminals into the major financial structures and government of the new Russia was facilitated. Crime and corruption became rampant. Contract killings reached an unprecedented level. These situations are evaluated, including the failure of the Russian government to institute any meaningful laws to deal
with the endemic corruption or to develop a civil society based on the rule of law. The chapter ends with a discussion of the secret police's continued political surveillance and, furthermore, its surveillance of Russian society.

In Chapter 5, I examine the role of the foreign intelligence service, the SVR. The nature of Russian foreign intelligence changed with communism's demise and the subsequent loss of ideological mission. Hence, its changed nature is addressed. In Russia's process of transformation from a central economy to a "new capitalist" one, Russia's foreign intelligence service strived to acquire economic, proprietary, industrial, and technical information in order to compete in the international business community on a global basis.

As markets have become increasingly competitive, the Russians have sought to gain market share through the benefit of espionage. Hence, the SVR's continuing economic espionage offensive is studied in detail. Moreover, the collaboration between the "new oligarchy" members to conduct espionage for their own personal, commercial interests and profits, which is their root source of motivation, is examined.

Since Russian organized criminals have developed international ties with other "mafia" groups throughout the world, sometimes through the manipulation and control of
Russian emigres, the cooperation between these groups is discussed, including an analysis of the growing threat that Russian organized crime, working in close collaboration with the Russian security and intelligence services, poses to the United States, other industrialized countries, and the international business community.

In Chapter 6, I examine the Russians' use of spies and their development of espionage networks. Special attention is given to the recruitment methods used by the Russian intelligence services in the contemporary world. During the past few years, numerous discoveries and exposures of spies working for Moscow within the ranks of U.S. intelligence agencies and the FBI have illuminated the continued KGB-SVR activity in America since the death of the Soviet Union. The specific cases of Aldrich Ames, Harold Nicholson, and Earl Pitts are examined.

The loss of ideological mission that coincided with communism's demise, coupled with the fact that the Soviet bloc states of Eastern Europe gained their independence from Moscow, meant that the KGB's networks in these countries suffered damage. Moreover, the governments of these newly-independent states reorganized their security and intelligence services in an effort to make them independent from Moscow and, consequently, to switch their loyalties from Moscow to their own governments and state's national security. Hence, I examine the current state of security
and intelligence services and their espionage networks in these states and the barriers that the East European governments and societies face in their efforts to end the repressive techniques of the secret police as they strive to change their political-economic systems and "democratize."

Lastly, I examine the intelligence situation in the "near abroad," a region that the Yeltsin Administration, and Russian foreign intelligence more specifically, rates as a top priority. The Russian Federation's reintegration with the Russian republics in order to regain the FSU's influence and, further, to partake of and control the wealth of resources contained within these former Soviet republics, particularly the oil and gas in the Caspian Sea region, is first on Yeltsin's foreign policy agenda.

As such, the SVR, in collaboration with the FSB, Russia's domestic intelligence service, work to manipulate and exploit the ethnic tensions in these areas in attempts to influence events there by creating the conditions that will enable them to achieve these objectives. Toward this end, Russia's security and intelligence services cultivate friendly relationships with foreign intelligence services to aid them in these endeavors. Therefore, I examine the KGB's successor agencies' efforts to reestablish relations with the intelligence services of rogue states such as Iran through the training of Iranian intelligence agents, and even more ominous, the training of terrorists, many of which
have ties with radical Islamic groups.

In Chapter 7, I conclude by pointing out the great threat that the former KGB poses to the international business community. Indeed, the "new oligarchy" linkages make this threat all the more ominous by the fact that Russian security and intelligence services collaborate closely with ruthless organized criminals and both the chekists and the organized criminals enjoy the backing and support of the Russian government. As such, free capitalist states must strive to protect their economies from being subverted by these forces. And they must take measures to ensure the stability of their governments, too. Until the Russian government reins in its secret police, develops a civil society, and institutes a rule of law built upon democratic institutions that recognize, protect, and uphold the dignity of human life, true democracy in Russia will not be realized.

The KGB has undergone multiple name changes. They entail no more than simple cosmetic changes; the post-Soviet Russian KGB continues to retain the same methods and operational tactics of its predecessors. Indeed, since the 1917 Revolution to 1954 alone, Russia's secret police had been labeled at least ten times, beginning with the "VChKa" or "Cheka," followed by the "NKVD," the "GPU," the "OGPU," the "GUGB," the "NKGB," the "MGB," the "KI," the "MVD," and the "KGB." In addition, there has been the "INO," the

Therefore, to enable the reader to distinguish between agencies, I usually refer to the agency by the specific title it was known by at a specific moment within the context of the time in which the particular event, situation, or role I am discussing in each instance that it was then known by. For example, if I am discussing an activity of the Russian foreign intelligence service immediately following the August 1991 coup attempt, I will use the label of "TsSR." However, when referring to the individual KGB officer(s), or "chekist(s)," (derived from "Cheka") as they are commonly labeled, whether as a member of the KGB, SVR, or the FSB, I typically refer to them as such. When I am referring to the Russian secret police organization generally, I either use the term "KGB" or the "security and intelligence services." The intention here is to enable the reader to more easily grasp the changes that occurred within the Russian intelligence services as an organization and Russian intelligence officers as individuals.
CHAPTER 2

CONTEMPORARY RUSSIAN INTELLIGENCE STRUCTURES

Contrary to Russia's claim that following the August 1991 coup attempt to reinstall hard-liners the KGB was dismantled and "disappeared into thin air," the notorious secret police and intelligence service continue to exist. Any change in KGB techniques and methods have been merely cosmetic. Actually, many changes within Soviet-Russia had begun taking place during the late 1980s and early 1990s, before communism collapsed. The KGB had played an active role in the course of events, culminating in the "putsch" to oust Gorbachev in August 1991.

Since 1987, Russian society had gained some freedom of expression as a result of Gorbachev's "glasnost" policy.¹ The Soviet people did not desire a return to the old totalitarian system that the KGB had brutally enforced, as demonstrated by the widespread protests in the streets during the three days of the putsch. Enjoying their newly-gained freedom to speak out, the mass public had often channeled its hatred and discontent toward lambasting the KGB for its historically suppressive role. Revelations of
the participation of top KGB leaders in planning, organizing, and carrying out the putsch to invoke a state of emergency further intensified this focus of public outcry.

Animosity toward the KGB had been particularly severe in the Baltic States, where those affiliated with the secret police continue to be ostracized from society. An observant member of the Popular Front for the Liberation of Azerbaijan, A. Akhmedov, pointedly described the events surrounding the Moscow August 1991 coup as "a continuation of the bloody events in Baku and Vilnius." Further, Akhmedov related that those who died in the battles died for the same cause of freedom as those who perished in Moscow during the three days of the coup attempt.

During the late 1980s, the Baltic peoples had attacked and seized many KGB offices and headquarters, in the process acquiring volumes of secret police files that revealed past crimes of the KGB. This action was followed by various critics and disaffected KGB staffers presenting the contents of these files to the public.

As a result of these raids on KGB offices and the public's acquisition of KGB files, many of the terrible crimes the secret police had committed were exposed. The awakening that the Russian people experienced upon the revelation of the contents of these files stunned them as they began to realize the injustices they had been subjected to and the lies they had been told for many decades by the
communist regime and its protector the KGB, that great "sword and shield of the party," the forces of which had maintained total control over their tragic lives. In short, widespread opposition and bitter animosity and resentment toward the KGB, along with a lack of support from many members within the military, security, and intelligence institutions, had contributed to the failure of the August 1991 coup attempt.

In the aftermath of communism's collapse, there was no closing of chekist ranks as there had been during the months preceding the August 1991 events, when security and intelligence officers had united with ultra-nationalists to oppose perestroika and the signing of the impending Union Treaty. In fact, there was very little cohesion, widespread apprehension and low morale, and, hence, much weakness within KGB structures as many officers grappled with the exposures of the Soviet secret police's past crimes and their future role in the emerging non-totalitarian Russian society.

The unraveling events within the Soviet Union had damaged the chekists, both in terms of morale and in their sense of purpose. Following the failed coup attempt, the toppling of Dzerzhinsky's statue in Dzerzhinsky Square was televised live. The KGB had not intervened. Since 1985, the media had played an increasingly major role in shaping political events in Soviet-Russia. As organized crime

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expert Joseph Albini pointed out, during the early 1990s, the KGB was literally unclear as to what its role was, particularly since Gorbachev's "glasnost" policy meant a major reduction in secret police repression of the activities of the Soviet populace. Moreover, the emerging free-market economy made capitalism no longer a crime. Hence, confusion reigned, for clarity on "legal" issues was completely lacking. As such, Russian society remained marginalized and its citizens open to arbitrary arrest by the KGB. And contrary to the chekists' desires, the events of August 1991 did not help the state security organization; instead, they weakened it.

Immediately following the August 1991 coup attempt, several structural changes occurred within the Soviet Union's security and intelligence services. Specifically, the massive KGB apparatus, with its numerous directorates, departments, and services was broken down into several smaller and weaker parts.

Some scholars suggest that Yeltsin's dismantling of the powerful intelligence service was spawned by his effort to ease the public outcry and widespread antagonism toward the KGB, an antagonism that had been growing increasingly intense since late (November) 1989 when the Berlin Wall fell and Soviet-style communism was collapsing. Furthermore, the public outcry, demonstrated by widespread protests in the streets that occurred upon news of the coup leaders'
attempts to crush the reforms and return the Soviet Union to its former old totalitarian state led Yeltsin to recognize the political benefits he could reap in the form of public support by his "dissolving" the KGB.

Even so, by looking at recent history, one could argue that, ultimately, Yeltsin merely restructured the KGB to ensure its removal as a threat to his newly-gained power. Hence, instead of destroying the notorious secret police organization, he maneuvered to bring it under his control. Indeed, as Michael McFaul observed, if at any time the security services could have been truly dismantled, the opportunity had existed then, for both the Soviet Army and the KGB were in a state of disarray.

However, history has shown also that the Russian government and secret police have always maintained a symbiotic relationship. Indeed, for centuries, Russia's political leaders and secret police have been dependent upon each other for power and survival. A change in either the political or economic system would not alter this trend.

In order to enhance his immediate security, Yeltsin's initial move following the putsch was the transfer of the RSFSR MVD parliamentary guard unit into the RF Main Guards Directorate (GUO). He gave the unit "autonomous" status. This security and protection unit operated under the direction of Maj. Gen. Aleksandr Korzhakov, a KGB-veteran and Yeltsin's loyal bodyguard since 1986. Being
responsible for Yeltsin's immediate protection, Korzhakov enjoyed daily access to him. As such, he could greatly influence the Kremlin decision-making process. Indeed, Korzhakov and Yeltsin were almost constantly together. As a consequence of this relationship, the power of state security forces, particularly those under Korzhakov's direct control, increasingly expanded, as will be shown.

Immediately following the coup attempt, and under great pressure from Yeltsin, Gorbachev issued a decree that called for the dismantling of the KGB. He tasked his newly-appointed KGB chief, former Interior Minister Vadim Bakatin, to carry it out. Hence, Bakatin, whom one year previously had called for the KGB's elimination, now sought to establish legal civil controls in an effort to "reform" the organization, as was stipulated by the decree.

Bakatin's initiatives, however, were unpopular and ultimately unsuccessful, for their aim was to make the chekists accountable for their actions; a noble idea, but nonetheless, completely unrealistic, as was soon discovered. Although legal controls were not instituted, many structural changes did take place.

Under Bakatin's direction, over the period from late August 1991 through December 1991, the various directorates, departments, and services of the conglomerate KGB were divided into six main entities.

The first, the Inter-republic Security Service
(Mezhrepublikanskaya Sluzhba Bezopasnosti, or MSB) now consisted of the former USSR KGB Second Chief Directorate in charge of counterintelligence; the KGB Third Chief Directorate which dealt with military counterintelligence; was now also responsible for the physical control of nuclear weapons; the KGB Fifth Chief Directorate which dealt with internal subversion and dissidents, and which previously had been called the Directorate for the Defense of the Constitutional System was now renamed "Directorate Z" for "zashchita" (or, "defense"), and the USSR KGB Information Analysis Directorate of the former Second Chief Directorate, which now produced daily intelligence assessments.

The MSB also was to serve as the coordinating body of the Center and the republic KGBs. In effect, domestic and counterintelligence functions were decentralized, with direct, day-to-day control being transferred from the Center to the newly independent Russian republics, each of which had formed their own security and intelligence services following communism's collapse. As such, the former KGB's reach continued to extend throughout the country. The powerful Moscow KGB, however, was separate from MSB control and, instead, was placed under the control of the Moscow city government. Specifically, the Moscow Mayor (Gavriil Popov) gained official control of the Moscow KGB. The control of the Moscow KGB as of 1997 has been under the control of Moscow Mayor Yuri Luzhkov.
Hence, the new MSB was responsible for domestic intelligence, counterintelligence, the security of nuclear weapons, and intelligence analysis within the entire Russian Federation, except for Moscow. Moreover, the MSB gained control of the material resources of the former republic KGB directorates; the new republic KGBs were started from scratch.

This "decentralization" of the security and intelligence forces served to offset the Kremlin's costs of controlling the regional and local KGBs, costs the Kremlin could ill afford at a time the Soviet-Russian economy was in a state of complete collapse. Moreover, calls for independence and ethnic separatist uprisings were raging throughout most of the republics, which would have required great amounts of resources to quell and, hence, would have been a major drain on Kremlin resources had Moscow retained direct control of the republics' security services. Nevertheless, Moscow continued to maintain a great amount of political influence over the republic KGBs. This maintenance of the status quo was possible because, for the most part, the same chekists remained in their positions there; so too, the informer networks remained, although direct control over personnel and day-to-day operations were transferred to the regional KGB and party leaders.

Naturally, since Bakatin had been appointed by Gorbachev to oversee the reorganization of the massive KGB,
he became chairman of the new MSB, which also made him chief coordinator of the many newly-decentralized regional and local domestic intelligence services that reached throughout the entire Russian Federation. Furthermore, in his capacity as MSB chief, Bakatin became chairman of the MSB Council, of which the autonomous republican KGB chiefs, and the chiefs of foreign intelligence, communications and signals intelligence, and the Border Troops were also members.

The second, the USSR Central Intelligence Service (Tsentrlnaya Sluzhba Razvedky, or TsSR), consisted of the former KGB First Chief Directorate (FCD) and was responsible for foreign intelligence. Further, the new TsSR assumed the former KGB Sixth Directorate's functions of economic counterintelligence and industrial security. It is important to note that in September 1991, the foreign intelligence service became an independent entity. The TsSR's independence from the other Russian security and intelligence services was to ensure the survival of its "federal" or "All-Union" status. As Bakatin observed, breaking up foreign intelligence or decentralizing its control to the republics would have, in effect, virtually destroyed it. Yevgeniy Primakov, who had strong ties with the former KGB, became the new head of foreign intelligence, replacing Lt. Gen. Leonid Shebarshin, an ardent anti-reformist.

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Third, the USSR Government Communications Committee (Komitet Pravitel'stvennoye Sviazi, or KPS), consisted of the former KGB Eighth Chief Directorate (signals intelligence and cryptography), the Sixteenth Directorate (technical penetration of foreign missions), the Communications Troops, and numerous other directorates, departments, academies and higher schools of communications and cryptology.

The KPS was responsible for Russia's entire communications network, communications security, cryptography, and signals intelligence. With such vast capabilities, the KPS played a major role in active measures, disinformation, and economic espionage, in collaboration with the TsSR (foreign intelligence). Lt. Gen. Aleksandr Starovoytov, former deputy head of the former KGB Eighth Chief Directorate, became KPS-chief following the putsch.29

Fourth, the USSR Committee for the Protection of State Borders, (Komitet po-Okhrana Gosudarstvennoye Granitsy, or KOGG), consisted of the massive former KGB Border Troops Chief Directorate and was responsible for customs and border security. Ilya Kalinichenko retained his position as head of the Border Troops30 following the August 1991 events.

Fifth, the USSR Main Guard Directorate (Glavnoye Upravleniye Okhrany, or GUO), which from August 1991 to December 1991 had been called the USSR Protection Service,31
consisted of the former KGB Ninth Directorate (Executive Protection) and the elite KGB Alpha unit, which was transferred into the Main Guard from the former KGB Seventh Directorate (surveillance). The GUO was responsible for the protection of top political leaders, the Kremlin, and other important political buildings. Vladimir Redkoborodiy became the new head of the Main Guard Directorate, replacing Lt. Gen. Yuri Plekhanov, who had participated in the coup attempt.\textsuperscript{32}

Sixth, the RSFSR Federal Security Agency (Agentsvo Federalnoye Bezopasnosti, or AFB), consisted of the recently created (April 1991) Russian Federation KGB (RKGB) which had absorbed those sections, particularly the counterintelligence sections (Second Chief Directorate) of the USSR KGB that had not been transferred into the aforementioned entities in the immediate, post-coup reorganization. The AFB itself was created three months following the putsch, on November 29 of 1991.\textsuperscript{33}

Thus, the RKGB's power and control over resources, including a vast and complex network of informers, had been greatly expanded. Indeed, the RKGB had gained control of state security organs and resources in all the autonomous republics, krays, and oblasts that formerly existed within the vast territory of Russia in September 1991.\textsuperscript{34}

Previous to this significant transfer of power, in fact, since its inception in April 1991 until the putsch,
the RKGB had been weak and impotent, while the USSR KGB had held real power. Yeltsin had pushed for the creation of the RKGB, claiming that all the Russian republics had KGBs except for the vast Russian republic. In doing so, Yeltsin clearly intended to develop and strengthen his own secret police network in an effort to build his growing power base, in opposition to Gorbachev's Administration. As always, Russia's potential leaders endeavored to base their political power on their own secret police support.

The new AFB consisted of the former USSR KGB Second Chief Directorates that existed within Russian Federation borders from St. Petersburg and extending throughout Siberia to the Russian Far East. Again, the Moscow KGB had been given special status: it was placed under the control of the Moscow city council, which was led by Moscow's mayor. This trend continues today.

The AFB was responsible for combating organized crime, terrorism, drug trafficking, contraband, and corruption. Such tasks reflected the state of affairs within Soviet-Russian borders in the post-cold war world. The political-economic situation was one of fundamental lawlessness as the battle for state resources raged throughout the Former Soviet Union (FSU). Nevertheless, in what was a smooth transition, RKGB Chairman Ivanenko became head of the AFB. However, the organization survived for only three weeks before the other chekist agencies absorbed it in the next
restructuring, thereby eliminating reformist-minded Ivanenko's position and, in effect, ousting him.\textsuperscript{39}

The dismantling of the KGB applied only to state security and intelligence forces. In other words, the regular militia forces (regular police), which included the USSR MVD and the RF MVD, remained unaffected by these reorganizations and, therefore, maintained their structures, at least for a brief period of time.

This reorganization of the Soviet-Russian security and intelligence services had been accomplished abruptly, and would be followed by the same pattern as political intrigues and needs to alter the security services' image developed. Indeed, the entire country had been in a state of convulsion as Soviet institutions crumbled in the fallout of German reunification and the collapse of communism within the former Soviet bloc states. The political climate had required that the security and intelligence services be rearranged, however temporary the changes would be.

Indeed, just three weeks after the AFB had been created, on December 19, 1991, in a major power grab, interim Interior Minister Viktor Barannikov persuaded Yeltsin to sign a decree that merged the MSB and the USSR MVD into one organization, and merged the RF AFB and the RF MVD into one organization, and then combined these two new and larger entities to form one massive Ministry of Security and Interior Affairs (Ministerstvo Bezopasnosti i
The date of the decree creating the new security and intelligence service is notable: December 20, 1991 marked the 74th anniversary of the creation of the Cheka. Indeed, to this day, state security officers are paid on the 20th day of each month to commemorate that special and symbolic day. Many scholars agree that, contrary to the essence of the chekists' "new image," any genuine break with the past was nonexistent.

Naturally, Barannikov became the chairman of the unified and, hence, more powerful security and intelligence service, negating the necessity of Bakatin's position, which was conveniently eliminated (just as Ivanenko's position had abruptly ended). Either way, Bakatin's days heading the KGB successor agency were numbered; many chekists viewed his transfer of the KGB's blueprints of the installation of listening devices in the U.S. Embassy in Moscow to U.S. Ambassador Robert S. Strauss as a treasonous act; consequently, Bakatin's ouster was inevitable.

As a result of this new merger of security and police forces, the USSR and RF MVDs were combined and placed under MVD-veteran Viktor Yerin's direction. So, too, the chekist organizations, the MSB and AFB, were ultimately placed under MVD control through the high command of MBVD chief (and MVD-veteran) Barannikov. Hence, the MVD was officially in control of state security.
unworkable, as will be discussed.

Concurrent with these changes within the domestic security and intelligence services, the TsSR (foreign intelligence) was brought under Russian control and, to reflect this change, was renamed the External Intelligence Service (Sluzhba Vneshney Razvedki, or SVR). Within the context of the setting of legal norms or recognition of any rule of law, like the domestic KGB successor agencies, no real changes either in methods or personnel took place within the foreign intelligence service. Instead, only an appearance of efforts to change its image were attempted. For example, contrary to official SVR statements that "active measures" had ceased, the former CPSU International Department (ID), which handled this sphere, was simply absorbed into the new SVR.44

Other changes within Russian intelligence structures also occurred. Eight days later, on December 28, 1991, the KPS (comint, sigint) was renamed the Federal Agency for Government Communications and Information (Federalnoye Agentstvo Pravitelstvennoye Sviazi, or FAPSI). Furthermore, the KOGG (Border Protection) was renamed the Commonwealth of Independent States (CIS) Border Troops.45

The heads of the SVR (foreign intelligence), FAPSI (signals and communications intelligence), and the Border Troops (border protection) remained the same. However, the GUO (Main Guard Directorate) received a new chief, Lt. Gen.
Mikhail Barsukov, who answered directly to Yeltsin. Indeed, each reorganization brought the secret police more solidly under Yeltsin's direct control. Moreover, each restructuring had resulted in increases in the chekists' powers, which they had been regaining ever since they had reached their nadir following the putsch.

Barannikov's massive MBVD, with its blending of chekists with MVD forces, was reminiscent of the nefarious former Security Minister Beria's 1934 reorganization that had entailed a similar combining of security and intelligence forces with the regular police that had made him immensely powerful, and which had culminated in the creation of the notoriously brutal NKVD. However, as J. Michael Waller noted, the intense and ubiquitous opposition by the former KGB officers of being relegated to "equal" status with the militia forces led to yet another reorganization less than one month later.

On January 16, 1992, Yeltsin signed a decree that separated from the MBVD the state security and regular police forces. In other words, the MBVD was dissolved and a new state security organization was established. The chekists were transferred into a newly-created Ministry of Security (Ministerstvo Bezopasnosti, or MB), while the regular police forces (the two newly-combined MVD organizations) now formed a much larger MVD, remaining under Yerin's control. Yeltsin placed the new MB under
Barannikov's control. Like Bakatin's, AFB-head Ivanenko's position was conveniently negated by this reorganization and he was ousted. It is important to note that both Bakatin and Ivanenko had been reformist-minded. Indeed, Barannikov took this opportunity to replace many reformist-minded officers in the state security ranks with hardliners.

The newly-created MB consisted of the entire former KGB Second Chief Directorate (counterintelligence), the Third Chief Directorate (military counterintelligence), the Chief Directorate for Combatting Contraband and Corruption, the Internal Security Directorate, the Sixth Directorate (economic and industrial security), and the Directorate for Combatting Terrorism, whose title was merely the cover for the same old former Fifth Chief Directorate (dissidents, ethnics, nationalists) that had supposedly been "truly abolished" during the Gorbachev era. After all, state security then considered and continues to label political dissidents as criminals and terrorists.

Essentially, the new state security organization was responsible for the KGB's traditional functions of maintaining internal security and suppressing political opposition. Indeed, political surveillance was conducted on an ever greater scale as Yeltsin sought to more firmly secure his grasp on power.

Six months after the MB's creation, in June 1992, the
Border Troops lost the autonomy they had enjoyed since the putsch and were placed again under state security control. The complex situation on the Russian Federation's borders made this subordination inevitable. Barannikov persuaded Yeltsin to replace Kalinichenko with Lt. Gen. Vladimir Shlyakhtin as head of border security.

To bolster his security against the growing strength of his political rivals, in mid-1993, Yeltsin created the Presidential Security Service (Sluzhba Bezopasnosti Presidente, or SBP). This new entity consisted of the newly-autonomous parliamentary guards unit, and was under KGB-veteran Aleksandr Korzhakov's direction. Yeltsin had removed the unit from the control of the Main Guard Directorate (GUO), and made it answerable directly to him. Consequently, Korzhakov's political power and influence greatly increased for he enjoyed direct access to Yeltsin on a day-to-day basis and, hence, was able to keep a constant pulse on Kremlin affairs and policy.

The SBP's responsibilities included the direct protection of the Russian president. Basically, the unit operated as Yeltsin's own personal security service. Since gaining its autonomy, the presidential security unit's power continually increased as it grew from strictly a guard service, to next gaining basic intelligence and counterintelligence functions, to then becoming one encompassing many aspects of the former KGB's work. Indeed,
this organization constituted Yeltsin's own fiefdom.

To conceal the covert intelligence and spying functions of the new SBP, its regulation was kept a secret. In fact, it was not until April 1996, a period of over two-and-a-half years since the organization's creation, that the "Regulation of the RF Presidential Security Service" was officially confirmed by a Yeltsin decree.55

According to the secret regulation, SBP functions included "revealing, warning and putting a stop to any unlawful actions at places outlined by the President." This wording is quite undefined and ambiguous and, in short, can be interpreted as including the wide-ranging tasks of intelligence, counterintelligence, and, most notably, political surveillance. Thus, in essence, the SBP was granted the authority, in fact, was mandated, to maintain, among others, constant and close surveillance of Yeltsin's political opposition forces. As such, the SBP's reach could extend indefinitely. Moreover, the regulation's design provided Korzhakov's unit a license to engage in all manner of political intrigue. Hence, it was indeed appropriate when a Moscow News writer labeled Korzhakov the "Shadow Minister".56 The label has stuck.

As the conflicts between Yeltsin and his reformers and hard-liners in the parliament grew more intense, Yeltsin was forced to rely increasingly on his state security forces to support him and keep him in power. However, the state
security chief, Barannikov, was providing Yeltsin's political opposition with evidence of corruption within Yeltsin's government. Hence, in July 1993, near the time when Yeltsin had created the SBP, Yeltsin dismissed Barannikov from his post as head of the MB. Soon thereafter, ironically, the former MB chief was himself charged with corruption. Yeltsin's (former) KGB forces were obviously at work here.

In addition to the fact that Barannikov cooperated with Yeltsin's political opposition, his dismissal was also likely a consequence of his corresponding failure to demonstrate sufficient support to Yeltsin vis-a-vis the escalating rift between the hard-liners and Yeltsin's Administration. Hence, on July 28, 1993, Lt. Gen. Nikolay Golushko, who had served both as former chief of the former KGB Fifth Chief Directorate and former chairman of the Ukrainian KGB, replaced Barannikov as MB-head. Furthermore, Barannikov's Border Troops appointee, Lt. Gen. Vladimir Shylyakhtin, was replaced by army officer Col. Gen. Andrey Nikolaev. Both dismissals were effected under the pretext of the failure of the MB and its subordinate Border Troops to quell unrest at the Tajik-Afghanistan border, in addition to the "violation of ethical norms."

The KGB regularly found evidence of corruption by government officials once their positions within Yeltsin's Administration were lost. Yeltsin's divide-and-rule policy,
which he relentlessly practiced toward his political appointees, made for an unstable but, nonetheless, highly-desired career choice process among Russia's elite. The desire for political power, however temporary, ensured a constant stream of aspiring (party) hacks.

Shortly after Yeltsin's (September 21, 1993) announcement that he was dissolving the parliament, in October 1993, the hard-liners in parliament took control of the Russian Supreme Soviet building. Even though the security services under Golushko's control had provided Yeltsin only lukewarm support during the bloody confrontation, the rebellion was crushed by Yeltsin's forces. The perpetrators, specifically Yeltsin's main political rivals, former Russian Vice President Aleksandr Rutskoi and ex-Supreme Soviet Chairman Ruslan Khasbulatov, were arrested and imprisoned, only to be granted amnesty in February 1994 by a parliamentary resolution of the new, hard-line-dominated Duma.62

Following the October crisis and in recognition of the need for a stronger state security organization that he could rely on to provide him greater support in his fight against political adversaries, Yeltsin moved to reinforce the ranks. In addition to the recent events within Kremlin political circles, the communists' win in the December 1993 parliamentary elections provided Yeltsin a clear signal that he was losing his grip on power. Moreover, as Boris
Pustintsev observed, Yeltsin had received false information about the state of Russian public opinion from his intelligence services and, hence, had been caught by surprise when the communists won by great margins in that December 1993 parliamentary elections; this realization, made changes in the secret police, particularly in the wake of the October crisis, imperative.  

Hence, Yeltsin determined that another reorganization of the Russian security and intelligence forces was mandatory. Therefore, in an effort to negate his political weaknesses and to fortify his ranks against the communists' growing influence, on December 21, 1993 Yeltsin again reorganized the state security services. The MB was "dissolved," declared "unreformable", and renamed the Federal Counterintelligence Service (Federalnaya Sluzhba Kontrarazvedki, or FSK).

In line with the Russian government's practice of always seeking to shape a positive image for its chekist organizations, the new state security apparatus was relegated from "ministry" to "service" status to give the appearance that the chekists' powers were being weakened. Even so, in an overt contradiction to this "new image," former "dissident-hunter" Golushko continued to head the renamed organization, and kept his ministerial status, which, one could reason, was to help ensure that the transition from the MB to the FSK was relatively stable.
Golushko's chairmanship was short-lived, however, for as some researchers speculate, Yeltsin soon removed him because of his insufficient provision of support during the October crisis and the subsequent release of Yeltsin's political enemies from prison. News reports indicated that Golushko "was ousted for failing to block the release of the hard-liners". Again, it was success in defeating Yeltsin's political enemies that seemed to ensure no loss of position at the helm of Russian security and intelligence forces.

Yeltsin appointed Sergei Stepashin (who had headed the Stepashin Commission that was formed in 1991 to investigate the security and intelligence service in the wake of the August 1991 coup attempt), to head the new FSK, a position he had actually been marked for since December, but which Golushko had held for the past three months, again, most likely to provide for some continuity while the security forces underwent great change.

Soon after renaming the state security apparatus the FSK, (in January 1994), Yeltsin removed the Border Troops from state security control and renamed the organization the Federal Border Service (Federalnaya Pogranichnaya Sluzhba). Moreover, in an effort to further enhance his tight control over the newly-reorganized security forces, Yeltsin made the Border Troops subordinate directly to him, and kept Nikolayev as their chief.

The statute of the new FSK made the domestic security
and intelligence organization responsible directly to Yeltsin. The FSK was responsible for counterintelligence; at least, the FSK's main stated function was counterintelligence. During 1994 interviews with two reliable and knowledgeable informants, the author inquired as to the main function of the contemporary KGB; both responded that it was counterintelligence. They then continued, describing the main activities of the former KGB as being different now than before communism's collapse. Since communism's demise, they said, domestic political surveillance was a major KGB activity for now "there is not just one political party, but many" that need to be monitored.

What the informants revealed was that the domestic intelligence service's main function was counterintelligence, but then they described the main activities as much more -- close political surveillance of numerous political parties, in addition to other tasks, such as counterintelligence.

By the Russian authorities' official claim that the FSK's main function is counterintelligence, they, in effect, may be attempting to alter the perception of the FSK from one that views the apparatus as conducting domestic spying operations of Yeltsin's political opposition on a massive scale to one meant to intimidate foreigners, since counterintelligence equals the thwarting of hostile FIS
activities. This response provides a very different picture of what the Russian intelligence services' activities are, which pointedly conflict with the "democratic" image it has sought to project. 7475

In further confirmation, other scholars have found that Stepashin, in his position as FSK-head, actively promoted the continuation of political surveillance on the domestic front. 76 Indeed, with the monumental growth in the number of political parties in Russia by 1994, the FSK greatly escalated its political investigation activities and domestic spying operations.

As an informant confirmed during a 1995 interview with the author, the current situation in Russia, then, required that numerous political parties be monitored by the former KGB. 77 Since 1987, and more specifically, in post-communist Russia, many different political parties had emerged. As such, the KGB's successors spied on those parties that opposed their own particular master. 78 For example, the Moscow KGB, which was under the control of the Moscow mayor, spied on the Yeltsin Administration and Yeltsin's security services, and vice-versa. Inevitably, this led to clashes between chekists.

Moreover, the situation became one where the dominant political parties were also kept under surveillance by "privatized" KGB officers, who were working for commercial interests. Loyalties among former KGB officers shifted from
the Soviet state to the particular master they happened to serve at the time, be it a private businessman or a public figure. "Reform" of the secret police was not on the agenda. Rather, as Amy Knight observed, to deal with the course of domestic chekistry, Yeltsin preserved and, further, increased the powers of the state security and intelligence services under his control to fight his political opposition.  

The FSK's statute made the organization responsible for counterintelligence, fighting terrorism, drug and weapons trafficking, ethnic separatism, organized crime, and economic counterintelligence. Since the FSK was working within a free-market economy, Stepashin argued that the role of the state security apparatus in monitoring business enterprises was crucial in order for the chekists to maintain control over the economic well-being of the country. In reality, the chekists applied economic intelligence and counterintelligence tactics (backed up by their increased investigative powers) to force out honest business and take over, in cooperation with government officials and organized criminals, successful and potentially successful private businesses in Russia. These activities will be examined in detail in later chapters.

Moreover, the old campaign of vigilance against foreign
spies' gained momentum in 1994, as reflected in the Russian media and at security conferences. The FSK's statute, then, incorporated immense powers to the chekists. As Amy Knight pointed out, by the end of 1994, the state security apparatus had finally become more powerful than its communist predecessor, the formidable former KGB.

The conflict in Chechnya that erupted in December 1994 resulted in large-scale FSK operations to undermine and overthrow the Dudayev-led rebel government there. Former KGB Gen. Oleg Kalugin observed that Yeltsin's handling of the conflict in Chechnya signaled the increasing influence of the security forces. It was a priority of the FSK to gather intelligence in the "recalcitrant" republic with the aim of crushing the rebel movement. As the fighting and loss of life escalated, reports surfaced indicating that SBP-head Korzhakov had prevented military intelligence assessments recommending no intervention in Chechnya from reaching Yeltsin. However, Amy Knight pointed out that this "unlikely claim" concerned GRU intelligence reports, not FSK assessments, which supports the view that the Russian government's losing battle in Chechnya was primarily an FSK operational failure, and, as such, one could infer that Stepashin's FSK was to blame. The FSK's attempts to

Stepashin had warned of the greatly increased threat posed by foreign spies at an April 1994, 3-day conference on "Security of the Individual, Society, State and Russian Special Services."
subvert the Dudayev government had repeatedly failed. Moreover, the demoralized Russian military, which had been sent to the republic to crush the rebellion in December 1994, was constantly humiliated by the rebels.

Amy Knight has commented that the military blamed its losses on faulty intelligence provided by the FSK. However, she observed, it was highly unlikely that the GRU was not collecting its own intelligence on the Chechnya situation. Ultimately, not only did no one want to take the blame for the inability of the Russian government forces to end the crisis, but Stepashin (and his FSK) was caught up in a political struggle against Korzhakov and his corrupt military intelligence associates; those who were involved in many lucrative arms deals, and, further, who were, it was speculated, profiting from their engagement in trade with organized criminals in the Chechen republic (and the "near abroad") and who were aided in their commercial pursuits by exploiting the war, to FSK-head Stepashin's disadvantage.

In June 1995, in the immediate wake of the rebels' seizure of hostages at Budennovsk, and, as the end result of FSK-chief Stepashin's bungling of multiple operations against the Chechens, Stepashin was dismissed. Korzhakov and his men had won the political battle.

In light of this crisis situation for state security, in April 1995, a new law was passed that still more greatly
broadened state security's powers.® To reflect the changes to state security implicit in this law, the state security organization was renamed; it would be called the Federal Security Service (Federalnaya Sluzhba Bezopasnosti, or FSB). Like the other Russian security and intelligence agencies' statutes, the FSB statute made the organization responsible directly to Yeltsin.®

The "Law on Organs of the Federal Security Service" fully restored the agency's investigative powers and its control over prisons and special troop detachments, which powers had been lost in the immediate aftermath of the putsch. Part of this change included state security's regaining full control of its "prisons and investigative" departments,® thus, further increasing the chekists' power. Further, the FSB gained communications security (comsec) functions.® More importantly, the law expanded FSB authority beyond Russia's borders; an implication being that the new law could be interpreted as providing for an overlap of jurisdiction with other chekist agencies, particularly the SVR (foreign intelligence).

Even so, it is notable that this expansion of FSB powers beyond Russia's borders most likely referred to the geographic areas of the "near abroad," which were understood to be those republics surrounding Russia's immediate borders rather than classic foreign states, which remained solely within SVR jurisdiction. As Amy Knight pointed out, the
April 1995 law explicitly authorized the FSB to "establish formal relationships" with the security and intelligence services of the "near abroad" in an effort to coordinate state security activities and to cooperate on intelligence matters.\(^9\)

By 1996, the Russian intelligence services had signed extradition agreements with many of the republics' intelligence services, and cooperation in capturing and extraditing targeted "terrorists" (dissidents) had occurred.\(^9\) The Kremlin's efforts to close formal intelligence agreements with the various republic KGBs demonstrated the overt intention of the Russian government to reintegrate the Russian Federation with the "near abroad," in antagonism to the institution of any legal, procedural guarantees and the building and development of democratic institutions.

Soon thereafter, Yeltsin moved Barsukov from his position as head of the GUO (Main Guard Directorate) to replace Stepashin as FSB chief. Barsukov's new appointment was accompanied by the transfer of the Alpha unit from the GUO to the FSB.\(^1\) In other words, Barsukov brought his elite forces with him (to the FSB). One week later, in what had become a complete reversal of control, Yeltsin placed the GUO under the jurisdiction of the SBP. In the process, the GUO was made responsible directly to the President.\(^3\) Barsukov's former deputy, Yuri Kravipin, became the new GUO-
head. In effect, Barsukov and Korzhakov together, now controlled state security, and, thus, had become immensely powerful.

As Amy Knight observed, the name change was significant because it replaced "counterintelligence" with "security," and thus reflected the expanded powers and duties of the state security apparatus. In fact, the new name more accurately described the all-encompassing role the state security service played on Russia's domestic front.

The June 16, 1996 presidential elections brought further significant changes to state security and intelligence structures. Yeltsin's intense struggle against both ultra-nationalist Gennady Zyuganov, who enjoyed communist party support, and nationalist army general Aleksandr Lebed, who also enjoyed widespread support, forced him to employ his security forces against his political opposition in order to impede their goals of attaining political power and, more importantly, to retain his own grip on power. Barsukov and Korzhakov played a key role in the competition; indeed, Yeltsin's security forces needed no prodding.

Since Russian politics operates on the patron-client model, Korzhakov and Barsukov both had a high stake in the election's outcome. Both employed a wealth of resources, including those in the form of currency that they had raked off the profits of many of their corrupt cronies' business
enterprises, particularly those involved in arms and oil deals, in an effort to ensure a Yeltsin win. In spite of their efforts, 13 days before the run-off election, Yeltsin fired both Barsukov and Korzhakov, along with First Deputy Prime Minister Oleg Soskovets, in yet another power play and political power struggle.

What role, if any, that newly-appointed National Security Advisor Aleksandr Lebed, Prime Minister Viktor Chernomyrdin, or Presidential Chief-of-Staff Anatoli Chubais played in the events surrounding Yeltsin's removal of his top aides is purely speculative. Intrigue surrounded the arrest by Korzhakov's and Barsukov's men of two of Chubais' campaign aides who were taking $500,000 out of the White House just days before the run-off election. Korzhakov's and Barsukov's men had interrogated the campaign workers for eleven hours before releasing them.

One explanation is that Yeltsin purged his close advisors to accommodate the democratic candidate Grigori Yavlinsky and the liberals associated with the liberal economist and presidential chief-of-staff Anatoly Chubais. It is possible that Chubais pressured Yeltsin to oust them; indeed, Chubais and Korzhakov had long been enemies.

Another explanation is that Yeltsin sacrificed his long-term, loyal security men to appease the millions of communist party-supporting pensioners who viewed Barsukov, Korzhakov, and Soskovets as deeply corrupt officials.
Actually, Yeltsin's political maneuvering may well have been accomplished in an effort to sway this significant (by its large numbers) sector of voters in the upcoming (July 1996) run-off election by presenting a picture of coming economic reform, a clampdown on official corruption, and meaningful government consideration of their worsening financial plight.

Whatever the reason, the natural result of Yeltsin's ousting of Barsukov and Korzhakov resulted in yet another structural change of Russian state security forces.

Yeltsin named veteran chekist Nikolai Kovalev, (Barsukov's top deputy) as acting chief of the FSB.\textsuperscript{108} Furthermore, the SBP, which had become immensely powerful while under Korzhakov's control, was folded back into the GUO (Main Guard Directorate) from which it had been removed in 1991.

Yeltsin appointed Lt. Gen. Yuri Kravipin as the new head of the GUO, and further, gave him the additional task of heading the federal bodyguard service, replacing Korzhakov as Yeltsin's personal bodyguard. Soon thereafter, however, Lt. Col. Anatoli Kuznetsov, who had been trained by the KGB's Ninth Chief Directorate, and was reportedly handpicked by Korzhakov, was confirmed as Yeltsin's personal bodyguard.\textsuperscript{109}

Without Korzhakov's leadership, the SBP lost a substantial amount of political clout. The Los Angeles
Times reported that Korzhakov had commanded 10,000 men as SBP-head, and moreover, by way of his influence over GUO-head Barsukov, had enjoyed de facto control over 15,000 (GUO) troops. The Moscow News, however, issued a report that the change in leadership was unlikely to affect the organization's performance. Inevitably, new GUO-head Kravipin ultimately came to wield less influence on Yeltsin's policies than Korzhakov had.

Further, the new reorganization entailed the creation of a new (newly-renamed) state security organization. On June 20, 1996, Yeltsin signed a decree renaming the GUO the Federal Protection Service (Federalnaya Sluzhba Okhrany, or FSO). Yeltsin placed Kravipin at its head in a smooth transition. Additionally, Yeltsin appointed new FSO-chief Kravipin to also serve as the acting chief of the SBP.

Days later, on July 2, 1996, Yeltsin signed a decree that merged the new FSO with the SBP. The new agency was called the State Protection Service (GSO). In another smooth transition, Yeltsin appointed FSO-head Kravipin to head the new GSO (State Protection Service).

Therefore, as of late 1996, six major security and intelligence organizations, including the regular police, were in existence in Russia. These included: 1) the SVR; 2) FAPSI; 3) the FSB; 4) the GSO; 5) the Federal Border Service; and, 6) the MVD.
The demise of the Soviet Union and the introduction of a free-market economy augured many changes in the operations of Russia's security and intelligence agencies. Furthermore, the multiple name and structural changes that occurred within the domestic security and intelligence services had led to much confusion, frustration, and aggravation among chekists, which invariably affected the Russian foreign intelligence service, also. And as is the case with all sovereign states, the situation on the domestic front was inherently linked with foreign events.
ENDNOTES


2. Ibid., p. 249.


4. Knight, op. cit. p. 15.


6. Ibid., p. 833.

7. Interview with Joseph L. Albini, Ph.D.


11. Knight, op. cit. p. 36.


13. Ibid., p. 64.


15. Ibid., p. 102.


17. Waller, op. cit. p. 100.

18. Ibid., p. 64.

19. Ibid., p. 100.

20. Ibid., p. 90.

21. Ibid., p. 86.
22. Ibid., pp. 86-87.
24. Waller, op. cit. p. 92.
25. Ibid., p. 86.
26. Ibid.
27. Ibid., p. 70.
28. Ibid., p. 68.
29. Ibid., p. 71.
30. Ibid., p. 87.
31. Ibid., p. 126.
32. Ibid., p. 71.
33. Ibid., p. 96.
34. Ibid., p. 93.
35. Ibid., pp. 60-62.
36. Ibid., p. 60.
37. Ibid., p. 93.
38. Ibid., pp. 95-96.
39. Ibid., p. 96.
40. Ibid., p. 101.
41. Ibid., p. 33.
43. Waller, op. cit. p. 103.
44. Ibid., p. 88.
45. Ibid.
46. Ibid., p. 126.
47. Ibid., p. 107.
49. Ibid., p. 111.
50. Ibid., p. 110.
51. Ibid.
52. Knight, op. cit. p. 85.
53. Waller, op. cit. p. 129.
54. Knight, op. cit. p. 83.
60. Waller, op. cit. p. 129.
64. Waller, op. cit. p. 119.
65. Ibid., p. 118.
66. Ibid., p. 122.
67. Knight, op. cit. p. 89.
70. Knight, op. cit. p. 82.
71. Waller, op. cit. p. 129.
72. Knight, op. cit. p. 87.
73. Interviews with informants R1 and R2.
74. Waller, op. cit.
75. Knight, op. cit.
76. Waller, op. cit. p. 123.
77. Interview with informant R2.
78. Ibid.
79. Knight, op. cit. p. 83.
80. Ibid., pp. 82, 88, 90, 92.
81. Ibid., p. 92.
82. Ibid., p. 91.
83. Ibid., p. 87.
84. Ibid., p. 106.
87. Knight, op. cit. p. 225.
88. Ibid., pp. 224-25.
89. Ibid., p. 225.
90. Ibid., pp. 226-27.
91. Knight., op. cit.
92. Ibid., p. 234.
93. Ibid., p. 236.
94. Ibid., p. 219.
95. Ibid., p. 221.
97. Knight, op. cit. p. 220.
98. Ibid., p. 229.
100. Ibid., p. 238.
101. Ibid.
102. Ibid., 219.
104. Ibid.


CHAPTER 3

THE NEW OLIGARCHY

During the late 1980s and early 1990s, phenomenal changes were taking place within Soviet-Russian economic structures. This period marked the beginning of the transition from a command to a market economy. Kremlin leaders, in collaboration with the KGB, had struggled to keep reforms in check but the situation had spiraled out of control. Consequently, there was a major shift in the political power structures as opportunities and weaknesses within Moscow and the regional governments were exploited by corrupt officials and organized criminals.

From the instituting of communism in 1917 until 1989 when Gorbachev's reforms began to take hold, the Soviet Union had been ruled by an oligarchy consisting of the CCCP SU, the Soviet military, and the KGB. These were the so-called "power ministries" that held Soviet social-political-economic structures and institutions together for over 70 repressive years by exercising total control. But as communism's collapse loomed imminent, a new oligarchy was taking shape and organizing its future stronghold on power.
in Russia.

This new oligarchy consisted of the political elite-nomenklatura, which replaced the Central Committee of the Communist Party of the Soviet Union (CCCP SU), organized crime (OC) elements, which filled the void left by the debilitated Soviet military, and the omnipresent KGB. As such, since 1991, Yeltsin and his reformers, along with many old party bosses, have constituted Russia's political elite. Increasingly, the conservative leadership of Russia has been influenced by the young, new entrepreneurs; mainly, Russia's "new rich". While reformist-minded people comprised much of Yeltsin's Administration, the regional and local governments continued to be directed and controlled by old-line party apparatchiks. Many old communist party bureaucrats also remained within the Moscow city government structures.

Nevertheless, it is important to recognize a major distinction between Moscow and the periphery. Moscow has become a city alive with capitalist frenzy while the numerous oblasts and krays within the vast territory of Russia remain unmodernized and in their previous Soviet state -- minus the money and benefits that the central government used to supply in order to prop up these areas. Hence, from an intelligence point-of-view, the distinction is sharp in that chekists in the periphery continue to operate as they always have toward the peoples of Russia's
outer regions; the secret police system, with all its abuses, remains the same. Within these localities, the chekists, along with the old communist party hacks, retain firm control.

By 1989, the Soviet military was weak from the Afghan War, suffering from low morale, plagued by widespread corruption, and in great disarray. As a result, it had lost considerable influence over events within the Soviet Union's traditional sphere of influence. And despite the fact that the Russian republics had quickly gained independence from Moscow, the military nonetheless lost its influential power within the former Soviet Union and, further, the new Russian Federation itself. Its place within the old oligarchy was replaced by others, specifically, by organized criminals, as will be discussed.

The third component of the old oligarchy, the KGB, for the most part emerged unscathed from communism's collapse and the phenomenal changes that took place from 1989-1991 and, hence, retained its position within the (new) oligarchy. During this period, the intelligence service was quite active, as will be shown. Thus, the power vacuum created by a weak and corruption-plagued Soviet military, coupled with a transforming economy that lacked any significant banking, business, contract, or tax laws, enabled OC elements to gain great influence and, hence, fill this power vacuum.
Russia's changed political situation was shaped by key events that followed the crumbling of communism. When the Soviet Union's communist party-controlled government collapsed, the ensuing power struggles shifted control to organized criminals. This "transfer" of control was accomplished at the behest of the top Kremlin leaders through their utilization of the KGB. The KGB had been vigilantly monitoring the course of events for the party, and was acutely aware of the situation. The KGB had remained a formidable force throughout the tumultuous changes in Russia because of its widespread participation in stimulating them.

Throughout the events of this critical period, the secret police continued to serve as the Soviet-Russian leaders' bulwark against opposition forces; however, at a cost. Therefore, how these "new oligarchy" linkages developed and were consummated requires analysis before any discussion of the significance, consequences, or possible future of these relationships can be understood.

The CPSU's Grand Theft

It is of crucial importance to recognize that the current power structure, or "new oligarchy" of Russia formed, developed, and then burgeoned into a powerful force as a result of economic forces. (Ideology is dead). In particular, an unintended consequence of Gorbachev's "perestroika" program was that it served as the major
catalyst for the "new capitalism" in Russia and facilitated its control by mobsters. Perestroika further served as the cloak under which the highly corrupt Kremlin leadership worked to transfer the Soviet state's wealth into private overseas accounts, investments, and enterprises.\(^5\)

The KGB's role in perestroika was multi-faceted. Specifically, from 1989-91, it was a priority of the KGB First Chief Directorate (FCD), responsible for foreign intelligence, to create foreign business partnerships.\(^6\) As part of perestroika, the CPSU's official, stated purpose of its program of forming joint ventures (JVs) with foreigners, and particularly foreign companies, was to aid in the growth of the domestic economy.\(^7\) In reality, these JVs aided the corrupt Kremlin leadership in its removal of Soviet wealth to private interests outside Russia and beyond the reach of anyone who would seek to repatriate it, including any domestic authority's control.

Indeed, many Russian investigators were sent to the West by the Russian government to locate the stolen wealth. However, when they succeeded in tracing the money, no criminal proceedings would be initiated.\(^8\) Once evidence of fraud was found, as the investigators soon discovered, the Kremlin's determination to "recover" the stolen funds and punish those who perpetuated the fraud was quite insincere. Instead of making arrests, the authorities had reasoned that the bulk of the wealth had already been blended with honest
money and, hence, was uncollectible. In addition to these factors, according to investigators, the exposure of the thieves would prove to be a major political embarrassment to the government since many of those currently holding government positions had either directed or held close ties with those individuals who actually controlled the stolen wealth. In light of these conditions, Russian prosecutors took no legal action.

These transfers of money and resources were accomplished through KGB channels, which were the only channels open to such dealings, and which often employed OC elements to assist in the task. The KGB had the networks and the contacts, along with the information and know-how, to form and operate the front companies necessary to build these relationships. The KGB was the crucial link that cemented Soviet-Russia's political leaders to OC.

As proof, when the Supreme Soviet Investigation of the 1991 Coup held hearings in February 1992, "About the Illegal Financial Activity of the CPSU" it found that virtually billions of dollars worth of state-owned hard cash and resources had been transferred out of the country by the leaders of the CPSU as the inevitable collapse of the Soviet Union approached; this was accomplished by utilizing OC-controlled banks and KGB couriers to negotiate the task. In the months preceding the USSR's official demise (December 25, 1991), literally billions of dollars worth of state
resources were simply "gone without a trace." Thus, the new and powerful oligarchical relationship had been secured. It is the remnants of this oligarchy which now controls Russia, for the current political leadership has maintained its numerous ties and associations with those guilty of the theft of the nation.

The Rapid Ascension of Organized Crime

OC elements did not gain power in partnership with the political elite and the KGB overnight. Corruption within the old Soviet oligarchy had become increasingly flagrant, particularly since 1953, the year of Stalin's death.\(^{11}\) As Victor Shabalin points out, during the Lenin and Stalin eras, KGB relations with OC elements entailed chekist infiltrations into crime groups\(^{12}\) along with all others that existed in Soviet society, including those emigre groups that formed outside Soviet borders.\(^{13}\) As such, these infiltrations included the notorious "vory v zakone," or "thieves-in-law."

The "thieves-in-law" is an organization that consists of hardened criminals, many of whom have "made their bones." They pledge to be criminals and only criminals. As Gen. Gennady Chebotaryev of the MVD's Directorate of Organized Crime observes, they will never work a legal job, join the army, pay taxes, be law-abiding, etc. Further, they must serve time in jail, a mark of their criminality and usually a prerequisite for them to move up in the ranks. In fact,
during the Soviet era, it was in the gulag that ranks and rites had been renewed.\textsuperscript{14}

According to an informant, the KGB infiltrated the "thieves-in-law" by introducing its young recruits into the crime group. The KGB would then track and aid their "progress up the ranks" by creating situations whereby they could act to elevate their status. Note that the KGB controlled the prisons. So, the KGB could further facilitate their moles' move up the ranks while they did their prison time. In effect, the KGB nursed them all the way to the top, managing key penetrations. Thus, the KGB gained some control, and derived the benefits with which control brings, by infiltrating these groups.\textsuperscript{15}

However, during the Khrushchev and Brezhnev eras, the nature of KGB-criminal relationships changed: the KGB began to work with the criminal groups to achieve their and the communist party leaders' specific criminal goals; in other words, corruption became rampant.\textsuperscript{16} Moreover, during Andropov's long tenure as KGB chief and ultimately party leader, these associations became more sophisticated and highly developed.\textsuperscript{17}

The Perennial Chekist Services

The KGB emerged unscathed from the monumental collapse of Soviet institutions. Indeed, the secret police apparatus remained a major pillar of power within Russia following communism's collapse. However, the cold war's end demanded
a new role for Russian intelligence. No longer was the KGB's mission the spread of and preservation of communism. Nor was Moscow to strive any longer to gain access to foreign resources under the cloak of the Workers' Party. With the cold war's end and as a result of the adhesive development of the new Russian oligarchy, and due to the change from a command to market economy, the nature of Russian espionage changed. Ideology was replaced by a desire for personal wealth.

For example, an officer at the Main Intelligence Directorate indicated that the security services were not interested in state secrets. Rather, efforts were now concentrated on discovering compromising information on individuals, specifically the wealthy and powerful, and then blackmailing them; hence, the greater emphasis on economic intelligence. To understand this requires an understanding of the development of the new state of the Russian economy and the transformation, or transmogrification, of many Soviet institutions.

Developing the New Oligarchy Linkages

For the past few years, the gaining of personal wealth has served as the nexus between the political elite, the KGB and OC -- the "new oligarchy." To further illustrate the origins and propagation of this new oligarchy, let us examine the development of the Soviet-Russian banking and financial infrastructure.
In order to facilitate the privatization process, numerous banks sprouted up throughout Russia, many with the help of government funds. Typically, the Kremlin appointed the bank presidents and managers, who gained their positions by way of their status in the patron-client system that operates in Russia. In line with this system, as previously mentioned, the Kremlin then utilized the banks as vehicles for transferring CCCP SU money and resources out of the country. These banks proved instrumental in providing favorable loans and business contracts to other government clients as well.

During the early 1990s, most loans made by the Central Bank of Russia were made on the instructions of either the Russian parliament or top Kremlin officials (within the Executive Branch). Thus, start-up funds were provided by the Kremlin to business enterprises with whom the government formed JVs, in exchange for the credit. This way, money could be laundered by funneling it through a network of corrupt bankers, KGB front companies and couriers, and into lucrative investments and firms either in the West or under the control of OC at home.

Typically, the KGB would set up a front company with the loan money. Often, the extent of this "company" amounted to a temporary address, with the borrowed money actually going to other endeavors as "payment of services rendered," which services were in reality the transfer,
investment, and management of ill-gotten funds, rather than for the stated "start-up" business as originally designated. Such was one method of robbing the state coffers.

Or, conversely, the banks and the government teamed up. Here, the banks acquired shares in the JV companies in exchange for favorable loans to the government officials, who became their partners. Numerous government officials, bankers, and businessmen, many of whom had organized crime links, took advantage of this governmental "loans-for-shares" program.

One company, which German intelligence (BND) identified as a former KGB spy asset during the cold war and which had from 1989-91 served as a channel for transferring state resources out of the country, later formed a partnership with the government using state money and capital. This was accomplished in order to continue milking the state for money and resources by gaining lucrative government contracts with the intent to defraud the government of its resources. Such firms then used the stolen wealth to purchase interests in valuable real estate, which, ultimately, evolved into wealthy and "legitimate" enterprises. The money would thereby be laundered. In these types of situations, the KGB acted as the agent for the government official and benefitted handsomely from it. Or, conversely, it was the former KGB front company that provided the start-up capital to the government official in
exchange for shares in the official's company or JV. Whichever method was used, they each served the ultimate purpose; mainly, the theft of state-owned resources.

Criminal Infiltration of Government

One type of common partnership that served as an avenue for OC penetration of government involved investment firms whose function was to "assist" in the privatization of Soviet industry. The method employed here was that the government official conducting the privatization received the start-up capital from the investment firm. He then used his position and contacts in government to introduce his new investment partners, usually KGB and OC elements, into high government circles and helped to build and strengthen their ties. By such methods, then, was influence-peddling accomplished in post-Soviet Russia.

As these ties were forged throughout government, OC elements increasingly infiltrated the higher levels of business and government and built mutually profitable, even though criminally corrupt, relationships with both the KGB and the political elite. Thus, the new and powerful oligarchical relationship had been secured. These relationships became formalized by way of "democratic" parliamentary elections.

In the December 1995 parliamentary elections, many KGB officers and organized criminals ran and won seats.24 Ironically, those who ran for political office were immune
from prosecution, which invited many financial-fraud type criminals and questionable others to run for parliamentary seats. Many individuals took advantage of this legal glitch, seeking election, particularly in the lower house, the State Duma, specifically in order to avoid prosecution. Indeed, some candidates were already under criminal indictment.25

The point is that, once seats were won, in turn, the law-making process could be thwarted. Not surprisingly, through promises of investing illegally obtained riches into their districts, seats were easily won by such candidates. Of course, campaign promises were rarely fulfilled.26

It is not difficult to understand why laws affecting participants in OC activities remain in "draft" form; such laws remain unresolved because it benefits many legislators' interests if they remain unresolved. Those laws that had been passed were ambiguous and often only exacerbated the problems they were meant to resolve. For example, the "Law on Securities" that was adopted in April 1996 prescribed norms for the transfer of rights to securities that could be interpreted in different ways. Moreover, instead of facilitating the opening up of the securities market to new investors, the law, instead, has resulted in barring their entry.27

Russia's organized criminals have amassed large enough fortunes that they now command immense influence and can
provide the greatest financial support to Russian political elites and candidates. As such, organized criminals either directly or indirectly control the government's domestic and foreign policy. The ties are close, even intimate. When OC in a country becomes so powerful and widespread that it affects the government's behavior, not only domestically but also in its foreign relations, it poses a threat not only to the state and government that it exerts control over, but to the entire world, especially the international business community. The amounts of money changing hands are substantial. An article in *Forbes* noted that between 1991-1995, Russians had transferred at least $60 billion into foreign bank accounts.\(^{28}\) The possession of this level of resources facilitates access to companies worldwide.

The Banking Scams

Even though economic reforms were taking hold in Russia as Yeltsin consolidated his power, by the end of 1992, many reformers had been forced out of influential positions in both the government and the KGB, and were replaced by hardliners. As a group of economists observed, even the Central Bank was under the apparatchik's control.\(^{29}\) Even so, reforms continued to progress. However, within this process of change, it was OC structures, not democratic institutions, that were becoming dominant throughout Russian society.

Russian journalist Victor Semyonov reported that in the
early 1990s many Russian banks went bankrupt, often with hundreds of billions of rubles "drifting" from one collapsing bank to another, with each bank in this cycle eventually collapsing. These banks, he noted, came to be called "ghost banks" because they seemed to be there, but in essence, neither the bank nor the money actually existed. Further, he noticed that, typically, bank management would claim that the bank went under not as a result of poor management, but because it had been forced to do "good" party work for the local Russian CPs. It is, then, no surprise that many banks went bankrupt since they were simply used as the means by which capital was transferred out of Russia and money was laundered by government officials and their cronies.

Another common method used by city government officials was to form a JV with a foreign partner, who would be responsible for gaining the credit for the enterprise. This method operated in the following manner: In advance, the foreign partner would sign off the credited funds to the city government official, who then would use his influence to "lean on" the bank to provide the credit to the foreign partner. The bank would then extend the credit and transfer the money to the foreign partner. In other words, the money was transferred into private coffers owned by the city government official, and the foreign partner disappeared with his cut. The bank would seek out its money, ultimately
imploring the city government for help; the city government or the Duma "investigated" only to declare the contract as fraudulent or unsound, resulting in the contract being nullified. For "undetermined" reasons (the Economic Crimes Department of the Moscow police is investigating the case), the bank had decided not to take any further legal action and simply accounted for its losses as a debt. Thus, the bank was defrauded and the money was gone.31

Another method, as described by Interior Minister Anatoly Kulikov, operates as follows: a high government official of some particular ministry would collude with a bank's top management, as well as with other "Caucasian nationalities," i.e., the mafia.* They would then create a fictitious stock company and open an account for themselves in a Russian commercial bank. They then would conclude an agreement on the purchase of some items to be used by that government ministry and that ministry would then transfer the payment into the account. In turn, the rubles were turned into cash, converted into dollars, and sent to private bank accounts. To complement the whole process, the

*Interestingly, state security and militia leaders were referring to the Chechens when they identified mafia members or criminals as "Caucasians." Naturally, it was the Chechens that made convenient targets to blame the rampant crime on in Russia, and particularly in Moscow. As Amy Knight noted, it has been the Yeltsin Administration's policy to blame Russia's crime epidemic on the Chechens. Indeed, the vast criminal Chechen mafia was used as justification for the military invasions of the recalcitrant republic, (Knight, Amy. Spies Without Cloaks: The KGB's Successors. 1996: 179-181).
embezzlement was concealed by forging a confirmation of receipt of the goods.32

Numerous methods to defraud both the government and business, including the transfer of goods out of the country and then simply writing them off as lost, uncollectible, bad debt, etc. were, and continue to be employed on a grand scale. As such, and to the detriment of the development of viable economic institutions, numerous government-backed banks and factories soon faced insolvency.

With schemes like these proliferating throughout Russia, it becomes clearer as to why so many bankers have increasingly fallen victim to contract hitmen. Thus, the symbiotic relationships between Russian political leaders/elites, the KGB, and OC figures continued to develop.

The ties that developed between those individuals and groups who comprise the new oligarchy became highly intertwined through the privatization of the security and intelligence services as the Soviet Union began to break up. The numerous organizational changes that had occurred from 1991 to 1993 as the former KGB was "dismantled," coupled with the high demand for skilled security to protect the banks and new businesses that formed as communism collapsed, had led many chekists to leave or retire from official KGB ranks to find more lucrative employment within the business sector and private security services.33 They did so while
retaining old ties and contacts, applying the same chekist techniques of operations employed by their communist predecessors to the advantage of their own private business pursuits, which more often than not, coincided with the interests of organized criminals.
ENDNOTES


2. Interviews with R3 and R4.


9. Ibid., pp. 7-8.


15. Interview with informant Rl.


22. Klebnikov, op. cit. p. 49.


CHAPTER 4

DOMESTIC INTELLIGENCE

The global business environment of the 1990s meant new and additional roles for the KGB to play. The chekists' infiltration and control of Russia's domestic economy through their ties with the newly emerging banking oligarchy, their control of the private security services, and their outright ownership and control of numerous business enterprises and resources, ensured the secret police's survival and growth even as other Soviet institutions collapsed throughout the FSU. Moreover, the KGB's enduring role in the Russian political process, in top-level decision-making, and Kremlin power struggles mandated its survival as a major pillar of Russian politics into the 21st century. Hence, the legacy of Kremlin-secret police symbiosis continues.

Indeed, with the 1995 broadening of the FSB's powers to include not only counterintelligence but also counterterrorism, fighting corruption and OC, and economic security, chekist involvement in all aspects of Russian society was assured.
The Explosive Growth of Private Security Services

The early 1990s evidenced extreme cutthroat competition that ensued in the business sphere. Seeing the opportunities, many top KGB officers became partners with owners of successful and potentially successful business ventures to gain control, in true KGB style, and to oversee production of and manage the operations of these ventures and, of course, to glean the profits.²

Through the utilization of its traditional tactics, the KGB used its position to force out those entrepreneurs who would not partner up: these entrepreneurs literally were "set up" and arrested with their business being confiscated and taken over by the KGB.³ Moreover, to aid in the control of business, KGB protection rackets became widespread.⁴ As such, through "offering" and providing protection, the KGB extorted money from business owners. Many wealthy Russian entrepreneurs hired KGB agents to protect them from organized criminals.⁵ Moreover, many organized criminals operate protection services. The situation is, indeed, very complex. Today, the majority of businesses in Russia must pay bribes to operate, for protection rackets extort money from the banks down to the street kiosk vendors.⁶ In 1996, former CIA Director John Deutch testified to the Senate that up to 80% of all private businesses in Russia pay extortion fees.⁷ The coverage is close to complete.

Many chekists also formed private security services.
Bank management preferred to hire former KGB officers to provide security and bodyguard services because they had the most refined skills necessary to protect their patrons. Further, the KGB had the contacts and networks to act as couriers and they had information — the knowledge of how to get it, where to get it, and how to use it against competitors and opposition. Thus, since OC controlled the majority of banks in Russia, the KGB began working directly for OC.  

In addition, organized criminals had infiltrated numerous banks through the private security services as part of their effort to strengthen their control over prospective victims. The KGB and OC collaborated to work for identical institutions, and their own enrichment, to the detriment of the honest citizen. Corruption became so entrenched that by 1996 the Prosecutor General's Office had rated banking to be the most criminal sector of the economy.  

With organized criminals controlling the banking and financial sectors of Russia, money-laundering and fraud are conducted on a grand scale. However, Russian law enforcement agencies fail to arrest or prosecute bankers — for both political and logistical reasons. As Soviet and post-Soviet crime specialist Louise Shelley points out, "Existing Russian law enforcement is no match for the private bank security forces staffed by former KGB operatives."
Symbiosis and Political Intrigue

By 1993, many KGB front companies had been transformed into dominant actors in Russian society, some in reward for securing the political elites' stolen wealth overseas, others through gaining lucrative contracts by bribing government officials; these entities have achieved great political significance because of their wealth and influence. Although corruption became widespread throughout both reformist and hard-line political circles, the rift between them still intensified as each struggled to hold and increase their own power and wealth.

Furthermore, as a result of the privatization of many former KGB officers, conflicts between political rivals inevitably led to conflicts between the privately and the officially controlled chekists. For example, in December 1994, Yeltsin sent members of his Korzhakov-led elite guards unit to raid Most Bank in Moscow in what is believed to have been an attempt to intimidate his political rival, Moscow Mayor Yuri Luzhkov. Luzhkov maintained a large Moscow city budget account there and, moreover, was rumored to be the real control behind the bank, only using his close associate, Vladimir Goussinsky, (a part owner of the bank) as a front man. Goussinsky had called upon the local FSK (the renamed Moscow KGB, which is under the control of the Moscow mayor, Luzhkov himself), for help but Yeltsin's forces (under Korzhakov), triumphed in the armed
confrontation that followed.\textsuperscript{13}

Here, Yeltsin had blatantly used the KGB as a tool of intimidation in an attempt to bring down his political opposition, just as his communist predecessors had done. In doing so, Yeltsin, a product of the Soviet system himself, ensured the continuation of the politicization of the state security forces, and has, in fact, used them increasingly in order to stay in power.

Soon after the showdown at Most Bank, in an attempt to better control the communications, financial, and informational transactions of Russia's banks, and "to intensify the fight against organized crime," Yeltsin issued a decree "Concerning the Organs of Federal Government Communications and Information," conferring all communications and electronic transfers to FAPSI's jurisdiction.\textsuperscript{14} Therefore, FAPSI, which is responsible directly to Yeltsin, gained responsibility for overseeing and issuing permits to banks and other economic entities that use data lines and electronic fund transfers to move money. Furthermore, FAPSI officially gained a monopoly over economic information, which is of great strategic value, particularly since the organization monitors both public and private communications.

Moreover, in an effort to coordinate the multiple security services conducting telephone surveillance, in early 1996, a decree "On the Control of Manufacturers and
Users of Special Technical Devises Designed to Receive Information Secretly was drafted to give overall coordination to the FSB. According to a Yeltsin Administration official, the decree was adopted because the situation "had gotten way out of hand." Indeed, the owners and managers of many banks and highly-profitable businesses employ their own intelligence forces to monitor their political and economic competition. For example, one Russian businessman, Boris Berezovsky, claimed that his security force included 20 KGB technical surveillance specialists who tap the mobile phones of key government and business players, among others.

Contract Killings

As the new oligarchy gained control of much of the Russian economy, killings of businessmen in the streets of Moscow and other urban areas reached an unprecedented level. In 1993, according to the Russian Interior Ministry, there were 102 contract killings of businessmen. By 1994, the number had soared to 562. According to former Minister of the Interior Gen. Viktor Yerin, during the first quarter of 1994 alone, there had been an average of 84 murders a day, most of which were contract killings arising from the struggle for markets. Further, according to a report of Prosecutor Gen. Yuri Skuratov, from 1990 to 1995 the murder rate doubled; in 1995 alone, there were over 31,000 cases of unsolved murders, nearly half of which involved businessmen.
while close to 40% involved killings in which the victims were OC leaders.19 The numbers continued to spiral. In 1996, there was a total of 640 suspected contract killings, roughly 90% of which went unsolved.20 Contract killers also executed many bankers and political officials. So, too, many journalists who chose to cover OC activities or speak out against bank operations were killed.

Many believed that the KGB was behind the killings. The head of the Russian Committee to Protect Journalists, Oleg Panfilov, suspected that out of 42 serious attacks on journalists in 1995, at least half were instigated by government officials. Indeed, it is perceptions like these that have sabotaged many commitments the Russian media may have had to actualize a truly free press in Russia.21

Such vicious attacks have generated widespread fear among Russian journalists to publish any unbiased articles on crime and corruption, or to editorialize against banks and OC. One contract involved a newspaper owner/parliament member who was killed after his newspaper published a list of names of top "thieves-in-law."22 Notably, many journalists were targeted when their coverage became "uncomfortable" to powerful interests.23

According to the Minister of the Interior, the high cost of hiring elite killers can only be paid by powerful and wealthy interests. The cost of a hit normally ranges from $20,000 to $50,000, reaching to a peak rate of
$100,000. Furthermore, the Interior Minister asserted that the top killers were "as a rule former sabotage experts of the Main Intelligence Departments of the Defence Ministry or of the First Main Department of the KGB." Their targets consisted of "big bankers, industrialists, and 'sharks' of the criminal world."24

Indeed, it has been found that many contract killings were in fact fulfilled by both KGB officers and "military-types" (GRU), utilizing the private security services and detective and protection offices which were operated by the KGB; such access allowed for the necessary avenues to investigate and surveil targets in preparation for the kill and also helped camouflage the identity of the assailant.2526 Moreover, many former special forces soldiers and KGB agents work directly for OC groups, who pay off local law enforcement agencies, which have become highly criminalized.27 Deputy Police Chief Boris Kondrashov said that in Moscow alone, there had been some 960 officers dismissed in 1995 while 2000 more awaited trial for corruption.28 It is for these reasons that most crimes remain unsolved and, further, more extreme methods are increasingly being employed to fulfill the murder contracts.

According to Mikhail Slinko, formerly of the General Prosecutor's Department of Organized Crime and Murder Investigations, since 1993, the use of explosive devices to fulfill contract murders has become a "specific criminal
problem".\textsuperscript{29} It was reported that in the first five months of 1993, there were more than 40 cases of explosives being used for criminal purposes.\textsuperscript{30} In one June 1996 sweep alone, Moscow police seized 3920 pounds of explosives.\textsuperscript{31}

While official law enforcement was supposed to be operating according to new, however confusing, penal codes, the private security services operated with impunity for no meaningful laws governing them existed. In 1992, the "Law on Private Detective and Security Activity" was passed. It prohibited single enterprises from conducting both detective and security functions; as a result, the private security services simply formed subsidiaries, separating the two functions.\textsuperscript{32} This law is largely ineffective in controlling the services' activities; indeed, legal constraints are more lacking in the private arena than those that have been codified for official state security forces.

It is very plausible that many contract killings originate within government circles. As Gen. Vladimir Rushailo, head of the Moscow Regional Agency for Combating OC (RAOC), which is responsible for arresting and prosecuting specific OC groups such as the "thieves-in-law" and offenses involving official corruption noted, if a "thief-in-law" is caught, he "is not afraid of going to prison because he knows he will be well off there."

However, a corrupt official possesses a very, strong fear of losing his position of power, and therefore, as Rushailo
concludes, "he is prepared to take resolute steps." And, indeed, it makes sense that government officials were and are often the financiers of contract killings. Moreover, it is government officials (nomenklatura and KGB), in addition to the organized criminals, that hold vast interests in private enterprise in Russia.

The Ambiguous Legal Design

The RAOC, like other Russian agencies responsible for fighting OC, is for the most part made impotent due to the fact that any real laws or even courts to conduct criminal proceedings simply do not exist in any meaningful way. In one case, in 1996, a psychiatric evaluation for a murder suspect lasted four minutes and took place in the hallway outside the courtroom. Such procedures do not promote any respect for law. The dean of the Moscow State Legal Academy, Oleg E. Kutafin, clarified the point when he stated that "laws and rights by themselves mean nothing if there isn't an economic and social structure to enforce them".

Moreover, procedures to enforce the law, which itself is ambiguous, remain unclear and unrealistic. For example, on January 1, 1997, a new penal code went into effect. However, the new economic crimes the code lists are "so ambiguously defined that it will be virtually impossible to bring wrongdoers to justice." For instance, it is now a crime to "illegally receive or disseminate commercial secrets" - but what constitutes a commercial secret is not
addressed. Money-laundering "on a large scale" is now punishable by up to 10 years in prison, as is confiscation of property - but "large scale" is undefined.³⁶ The law cannot very well be enforced, particularly within the economic sphere, when figures on trade, tax collection, budgets, currency reserves, and, for that matter, any statistics whatsoever are inaccurate. Furthermore, no central authority exists to gather such information and there is no official government cooperation or funds appropriated to develop and institutionalize a process to collect the data, let alone evaluate it.³⁷³⁸

The economic information that is being gathered consists of that which the KGB-operated private security services collect on potential business partners, on competition, in credit assessments, etc., for themselves, their patrons, and their clients. Realizing that they could market their knowledge of espionage tradecraft, many of the privatized KGB officers took on additional tasks of engaging in economic intelligence and counterintelligence, providing information as a vital part of their services.³⁹

As the demand for these types of services increased, many KGB officers branched out from the private security services and set up consultant firms to put together deals and work the system for foreign clients and JV partners, who were unable to operate in the new Russian business environment where knowing the right people and paying bribes
are mandated for success. In an environment where OC controls almost all banking and business, taxes are exorbitant, significant legal structures vis-a-vis business and most other spheres are lacking, and law-enforcement officials take bribes instead of fighting crime, any foreign investor would be lost in ambiguities.

In fact, the system is designed so that foreign investors will be unable to accomplish anything unless they hire the services of the KGB, (i.e. private security services), to assist them. The old Russian saying, "The law in Russia is like a lamp-post. You can always get around it" is made to ring true with the aid of the KGB. Yeltsin-appointed former Economic Minister Yegor Gaidar accurately described the Russian business environment when he observed in 1995 that the success of an enterprise often depends on whether the manager pays bribes, obtains privileges, and develops "sufficiently high patrons." Even so, the Kremlin leadership plays a key role in maintaining this environment, as it greatly assures Yeltsin's continued power through the critical support he receives by accommodating wealthy business interests.

Yeltsin has built up a very powerful security and intelligence apparatus, much of which is answerable directly to him. In other words, he has gained KGB support in his bid to hold power by providing numerous concessions to the chekists. Indeed, in order to gain the security and
intelligence organizations' support during a period of great unrest and instability within Russia, Yeltsin has further bolstered KGB powers through a smoke screen of a forceful drive to fight crime and corruption.

The Crime and Corruption Campaign

Ironically, KGB powers and ranks have been increasing since 1991 under the auspices of an urgent need to fight crime and corruption. However, in reality, the only top-level criminal elements rooted out are those who refuse to cooperate with the KGB; these end up either dead or in jail.

One report stated that between 1993-95, Korzhakov's SBP organized the contract killings of close to 25% of top "thieves-in-law" leaders. Further, it was indicated that the aim had been to punish those who extorted government officials instead of cooperating with them in their illegal business schemes. Both Korzhakov and former GUO-head turned FSB-head Barsukov had worked closely with Yeltsin to ensure his hold on power and to further his goals. (Whether Yeltsin was aware of specific killings is beyond the scope of this paper).

Furthermore, those former chekists who took on the Kremlin when a KGB-brokered deal went sour would ultimately lose out. For example, one ex-KGB major was jailed as a result of a conflict with FSB-chief Barsukov that arose over a deal involving the KGB front company the KGB officer was operating and an agreement with Barsukov to supply
surveillance equipment to the FSB. Later, Barsukov broke the contract and when the KGB officer sought reparations, he was jailed.** Thus, the campaign to fight crime and corruption is indeed very selective.

The system is designed to facilitate Kremlin control of both political and economic adversaries. For example, the controversial 1994 law "On The Urgent Measures To Defend The Population Against Gangsterism And Other Kinds of Organized Crime," outlined in the report on "The New Stage of the Fight with Organized Crime in Russia,"** provides for warrantless invasions of privacy and detention up to 30 days under mere suspicion, thus enabling Russian security and intelligence officers to legally go after opposition and competition in the name of "fighting organized crime."** Thereby, Yeltsin ensured political non-interference in the criminal endeavors of those chekists and their networks that supported him, which, by 1993 were entrenched in all manner of criminal enterprises throughout the country. Moreover, the Kremlin provides safeguards for many enterprises that are currently under firm OC control; that is, if their owners and executives do not join Yeltsin's political opposition but, instead, contribute to his political support base.

The reality is that Yeltsin has given free rein to the KGB's successors to engage in bribery and extortion, conduct illegal business, ignore legalities, etc., in exchange for

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support and assistance in carrying out political intrigues in the Kremlin. After all, his goal is to stay in power, not an easy feat in an environment of perennial power struggles within top political circles, where political ploys are a constant part of the scene.

Surveillance Within Russian Society

As the successor to the former KGB SCD, the FSB is responsible for counterintelligence and domestic security. Indeed, the search for spies among the Russian populace continues. The activities and contacts of foreigners visiting and living in Russia are vigilantly monitored by the KGB's successors. However, the mass Russian populace no longer fears arrest and interrogation as the automatic result of any acquaintances with foreigners. Nevertheless, the Russian populace is not immune from the FSB's surveillance. A Russian law faculty survey indicated that 7.5 million Russians had their telephones illegally tapped in 1995. According to a Moscow News report, every district telephone station in Moscow has a special room with up to 50 people working per shift who are "selectively" or "constantly" conducting telephone surveillance and, further, intercepting phone conversations.

As the domestic intelligence service incrementally regained its powers, so too, its calls for vigilance against foreign spies became louder. By June 1996, FSB-chief Kovalev was declaring "an unprecedented growth of foreign
intelligence activity" in Russia.®® A report that surfaced about the same time as Kovalev's statement of concern noted that, according to Yeltsin, eleven foreigners had been expelled from Russia in 1995, 28 Russians had been arrested for espionage, and 67 attempts to pass secrets to (presumably) foreign intelligence services had been thwarted by the Russian security services.®®

Indeed, in June 1997, FSB-chief Kovalev went on television to offer extra pay any Russians spying for foreign powers; all they had to do was become double agents for Moscow. Further, he added, "Don't call, and we'll find you anyway." A phone number for the purpose of contacting a duty officer answering calls on the hotline was provided.®®

Moreover, foreign diplomats and suspected foreign agents are kept under close surveillance. In 1997, U.S. officials discovered that the security of the American Embassy (the old building is embedded with uncountable bugs) in Moscow had again been seriously penetrated. The April 1997 penetration has been described as "an inauspicious episode" in light of the super-heavy security that exists at the complex as work to build four new floors, two of which are hoped to be absolutely secure, is underway. A reporter for the New York Times wrote that an AWOL Russian soldier had slipped into the Acting U.S. Ambassador's residence, spent the night, and was discovered the next day taking a shower there.®® Much to the chagrin of American officials,
the Russian intelligence services continue to compromise the security of U.S. diplomatic buildings in Moscow.

Even though post-Soviet Russian society has opened up to some extent and people speak out much more freely, fear of the security services is still, nevertheless, prevalent. For example, in December 1994, there was a report indicating that some Russian soldiers who had been captured in Chechnya were afraid to return home because of the presence and possible questioning by the FSK (later renamed the FSB).54

And in an area closer to home, Mikhail Dubitsky, a security officer at Global One, (a telecom consortium), stated that, "Russian hackers are terrified of getting mixed up with the mafia or running afoul of our secret services. Maybe that's why our hackers tend to break into systems that are located abroad. They know that in Russia they'll be dealt with Russian style."55

The KGB's successors' continuous calls for vigilance against foreign spies demonstrates the pervasive chekist mindset that persists and is felt within every sector of post-Soviet Russian society. Today, in Russia, many citizen groups, non-profit organizations, and other civic groups that formed during glasnost, and through the 1990s, for the most part operate freely, without much interference from the security services. Even though most of these groups are struggling to survive in the face of severe economic hardships, and rarely have a significant voice, much less
effect the political process, a KGB successor agency still monitors them. According to an article in the Los Angeles Times, this chekist agency "blurts an occasional warning that their U.S. funding threatens Russian national security." As long as these organizations remain ineffective and without significant funding, the chekists will most likely not intervene in their activities.

The Russian people have not freed themselves fully from the repressive grasp of the secret police. Until the public demands the liberty to espouse opposing political viewpoints, until public officials recognize civil rights and other freedoms, including the right to private property, the new oligarchy will continue to control the states' resources and, hence, deprive the mass public of its right to a decent life and a share in their nation's wealth. Moreover, the secret police will continue to thwart the process of democratization that began in what was hoped by millions of people in the former Soviet Union to be the end of the "Soviet way of life."
ENDNOTES


20. Zuckerman, Johnson, and Kim, op. cit. p. 6B.


25. Ibid., p. 12.


49. Baramets, op. cit.


CHAPTER 5

FOREIGN INTELLIGENCE

The New Global Environment

Russia's foreign intelligence service, in contrast to its domestic intelligence, was subjected to an entirely different set of conditions under which it had to operate following communism's demise. Indeed, with communism dead, the KGB FCD faced the loss of an ideological mission. The effect on foreign intelligence was much greater than that on domestic intelligence since the espionage apparatus relied much more heavily on ideology to motivate its officers and agents, providing them with a strong sense of purpose that served to justify their deeds in their own minds and drove them to recruit others.

While the domestic KGB had basically served as a repressive machine to keep strict order among the populace, while protecting the power of the communist regime from subversion from within, the foreign intelligence service had worked to "spread the revolution." This loss of mission, coupled with the exposure of the secret police's past crimes, led many of the KGB's foreign intelligence officers
and agents to become disillusioned with the old Soviet system and their role in supporting and furthering the cause of what had been a self-serving and woefully corrupt regime; consequently, defections from the intelligence service were widespread.¹ Those officers that remained with the political police faced a "new Russia" that posed conflicting perceptions of what the KGB successor agency's mission was to be in a greatly changed world.

Not only did the KGB face a loss of a political ideological mission, it also had to deal with a new economic system. Russia's transformation, in the wake of communism's demise, from a command to a free-market economy more completely changed the nature of the Russian intelligence service than any other factor. Moreover, communism's collapse throughout the Soviet Union and Eastern Europe meant that Russia's foreign intelligence service lost a large portion of its cash budget² (particularly monies that had poured in from communist satellites throughout the cold war); it lost the support of numerous allies, which meant, more importantly, that it no longer enjoyed the liaison with, and access to close to 150 sigint stations within former Warsaw Pact countries;³ and it lost other benefits derived from its former close relationships with numerous other communist state and Soviet bloc intelligence services.

Nevertheless, Russia's transforming economy provided the chekists the opportunity to exploit the situation to
their advantage. As discussed, many KGB officers from the former KGB PCD formed JVs with Western companies and businessmen whom were eager to do business and make profits in the new capitalist Russia. The role of "businessman" provided the perfect cover for the "former" KGB officers. Moreover, beyond serving as a potential means of laundering money, building partnerships with Western firms provided the chekists access to that firm's particular industry and, hence, its technology and secrets.

Just as the INO had utilized trading companies in the 1920s as an espionage base, now the SVR utilized business enterprises, mostly JVs, in the 1990s for the same purpose and in a similar manner. The difference is that SVR officers now spied on the West to enrich themselves, not the state; they now had and have a personal stake in their spying success that is astonishingly different than it had been during Soviet rule, and one that has been potentially much more lucrative. The KGB-SVR's place within the new oligarchy and its officers' linkages with OC and, further, their patrons who enjoy official government positions, have successfully transferred control and ownership of the former Soviet state's wealth to their own private coffers; this has occurred at the expense of the mass Russian public, which continues to suffer under the new system, to a larger degree than it had under communism.
In addition to its loss of influence within its own "sphere of influence," the Soviet Union lost much of its international political influence and, therefore, numerous clients, which, in turn, was followed by the breakdown of many of its espionage networks in other areas of the world. As such, the Russian foreign intelligence service has been struggling to rebuild its fragmented spy networks, and regain its access to foreign markets, particularly arms markets, and achieve its former superpower status. Russia's espionage efforts not only continue, but have escalated, as the Russian foreign intelligence services (specifically, the SVR and GRU) strive to undermine the West and thwart U.S. hegemony.

Contrary to the claim that the KGB "no longer exists", in reality, the foreign section of the former KGB is simply operating under a new name - the SVR. As far back as 1992, when most of the world viewed Russia as "no longer a threat," SVR-chief Primakov was assuring students of intelligence at the Moscow Institute of International Relations that even as Russia was experiencing rapid changes, its foreign intelligence remained "up to the mark." As many high-level decision-makers in the West were becoming more relaxed about their concern over the Russian intelligence services' activities immediately following communism's demise, Primakov was stressing to these students that it was important to "trace processes in the United
States and other countries that could objectively lead to a certain destabilization of the situation.\textsuperscript{7}

The Center for Security Policy reported in 1994 that one of the many Soviet-style intelligence operations being operated against the U.S. was, "the exploitation by Russian intelligence of the relaxed post-Cold War atmosphere and reduced U.S. vigilance on security matters to recruit "sleepers" -- agents in place who will be activated as the need subsequently arises."\textsuperscript{8} Russian foreign intelligence activities in the U.S. have continued virtually unabated, and, further, as Washington officials have confirmed, have increased since the collapse of communism.\textsuperscript{9} The SVR's efforts in the U.S. will be discussed later in the chapter.

Just as the cold war's end required a reorientation of Western intelligence services, so, too, Russian foreign intelligence shifted its orientation; at least, that was the official version from the Kremlin. Moscow claimed that the growing threats of OC, terrorism, nuclear proliferation, drug trafficking, money laundering, and economic crimes had become the larger priorities for its security and intelligence services to fight. But rather than fight these threats, the SVR, instead, has fueled them. Evidence has shown that these types of activities have only escalated, in their number and degree; Russian security and intelligence officers have engaged in wide-ranging criminal behaviors for their own self-fulfilling purposes. More recently, it has
been reported that some former KGB officers work for both the SVR and Russian organized crime.\textsuperscript{10} This "discovery" was no surprise to many people, particularly the cynical Russian populace.

The true priorities of Russia's foreign intelligence service are economic, industrial, technological, and political espionage, the reintegration of the "near abroad," and the negotiation of lucrative arms deals. As such, the SVR is waging a new industrial/economic espionage offensive against the West. In accordance with the fact that domestic and foreign events are inherently linked, so, too, are Russian domestic and foreign intelligence objectives.

Since the ability to operate in the current Russian business/economic environment is crucial to the success of virtually any enterprise in Russia today, as J. Michael Waller observed, many KGB officers do not attempt to camouflage their professional intelligence careers by assuming a cover, as they had done during the Soviet years. Instead, they advertise their chekist affiliations, offering their knowledge of spy tradecraft as an added feature of their services available to private businesses.\textsuperscript{11}

In conducting their investigations and in their work under the guise of private security services, KGB officers research company histories in order to evaluate their potential for service as vehicles to gain (secret) information. In other words, they seek to identify
businesses that could make worthwhile espionage targets. Further, assessments as to the viability of developing partnerships with targeted foreign companies are made. If history provides us any lesson, the SVR endeavors to purchase certain proprietaries; that is, cost-effective analysis is employed to determine whether purchasing a firm is cheaper than efforts to steal the desired information. Obviously, this scenario poses an ominous espionage threat to governments and private businesses.

The chekists not only "protect" businesses (under the cover of private security services) in Russia but are also partners in them, particularly those which are highly profitable. To compete in a global market that is increasingly dependent on the efficient use of information technology, where businesses are required to utilize high-tech computers and software programs to gain market share, it only makes sense that, lacking this technology, a priority of the KGB-operated side of the JVs must be the acquisition of Western technology; this, of course, is acquired through espionage. It is their (the Russian side of the JVs) "raison d'être." To acquire it legally would take great sums of money and years of research and development. Inevitably, the JVs, particularly when located on foreign soil, are utilized as fronts for espionage, money laundering, spy recruiting, and to target, assess, and
access industries in which technology and trade secrets may be acquired.

The Drivers of the Espionage Offensive

The vital need for industrial technology to aid the ailing Russian economy has been the Russian government's impetus for the espionage offensive currently being waged by SVR officers, in addition to the potential attainment of great increases in the officers' own personal wealth. So, too, the need for economic information to aid the Russians in gaining market share in a highly competitive world, now that their economic system has changed from a central to a capitalist, if only a nascent capitalist one, also drives the espionage effort.

The West has witnessed a Kremlin-orchestrated assault on the privacy of its corporate secrets on a worldwide scale. Indeed, there has been an accelerated increase in Russian espionage activities. Not only is defense-related technology sought, in addition, more recently, it is industrial, economic, and proprietary information that is being sought by the Russian intelligence services on a grand scale.

In recognizing this increased threat, in its Annual Report to Congress on Foreign Intelligence Collection and Industrial Espionage, published in July 1995, the National Counterintelligence Center (NACIC) reported that "traditional espionage methods primarily reserved for
collecting national defense information are now being applied to collect economic and proprietary information.\textsuperscript{12}

Law and Functions of Foreign Intelligence

Concurrent with Yeltsin's January 1996 appointment of SVR-head Primakov to the post of Foreign Minister, and his replacement as chief of foreign intelligence with Primakov's first deputy, Col. Gen. Vyacheslav Trubnikov, Yeltsin signed a new "Law on Foreign Intelligence," which had been passed by the Duma a few days earlier, in December 1995. It appears that the law was passed in order to provide SVR officers with clear mission objectives and a concise understanding of their goals; and further, to "legitimize" their operations, particularly within the economic sphere.

In addition to codifying the status and functions of the SVR,\textsuperscript{13} there was written into this law a noticeable emphasis on economic intelligence and espionage. New deputy SVR-head Scherbakov outlined SVR objectives within the economic intelligence sphere; these were, to assess foreign influence on Russia's economy, to facilitate integration within the former USSR, to forestall foreign threats to Russia's economic security, to assist the government in attracting foreign investment, and to thwart money-laundering activities of foreign and domestic criminal groups. Further, he asserted that the SVR would play a major role in overseeing Russian arms deals through its analysis of the international arms market and, furthermore,
provide advice to Russian suppliers and manufacturers concerning various middlemen.\textsuperscript{14}

The extensive list of tasks outlined here covers merely one sphere, the economic. Russia's foreign intelligence service is responsible for carrying out wide-ranging and complex operations and activities, which demand the use of a great amount of intelligence resources. The SVR's tasks are not limited to economic espionage but also include political, industrial, computer, technological, and defense-related espionage.

In today's mostly non-communist world, a different world that faces more diversified threats than those posed during the cold war, the SVR's priorities changed accordingly. Hence, beyond those already mentioned, the SVR's responsibilities now further include fighting the proliferation of nuclear weapons, drug and arms trafficking, money-laundering, international OC, ethnic uprisings, economic crime, and the promotion of "reintegration" with the "near abroad." Notably, many of these functions have a "law-enforcement" tint to them, which tasks had traditionally been left to the regular police. However, to justify the continuation of its massive budget, and to provide its officers with a new sense of purpose to replace the "spread of the revolution," the foreign intelligence service absorbed these additional tasks. Conveniently, in performing these traditional "law enforcement tasks," the
SVR increased its ability to gather intelligence and engage in and coordinate its espionage, as its reach was thereby extended. In turn, its power and control also increased.

KGB-Organized Crime Collaboration in Espionage

The problem that confronts the world, particularly the world of international business, is that the SVR is actually working with the organized criminals in many spheres, more particularly within the economic sector. As discussed previously, many former KGB officers now work for OC-run banks and, more importantly, maintain their ties with the Russian intelligence services. Both OC figures\textsuperscript{15} and "former" KGB officers engage in protection rackets. Hence, there is obviously some OC-SVR collaboration in gaining economic intelligence to the benefit of the enterprises that are jointly (OC-KGB) operated. As such, organized criminals aid the intelligence officers' espionage efforts for mutual benefit. In many arenas, the organized criminals and Russian intelligence officers enjoy a lucrative, symbiotic relationship.

As Amy Knight speculates, the high numbers of former foreign intelligence officers who now work for privatized firms such as banks very likely gain and use intelligence service-related inside information for the benefit of these private firms.\textsuperscript{16} Thus, Russian foreign intelligence is working for private business interests.
This intimate link between Russian business and intelligence has fueled the SVR's global propaganda effort comparing itself with the CIA within the "democratic" realm. However, unlike the Russian foreign intelligence service, the CIA does not gather and provide economic intelligence to one major corporation one day and another the next, for, to do so, presents the American capitalist system with a problem: that is, how to determine which individual or firm gets the intelligence while keeping the playing field level.

The post-communist world is distinguished by global trade and the search for markets. The development and widespread application of high-end information technology has opened up many economies to new vulnerabilities. Specifically, many Western societies have become computer and software driven, resulting in a new dependency and, hence, a new vulnerability.

As computer security expert Peter E. Sakkas observes, "a dangerous level of exposures to terrorist activity, sabotage, and espionage exists in the political-economic security of world trade, international finance and global business." He points out that "the increasing globalization of computer networks has increased their vulnerability to potential attacks." Sakkas contended that the "Osnaz" forces, which, during the cold war, had operated under the control of the KGB and had been used as the KGB's terrorist...
apparatus, may offer their software and computer knowledge to commercial enterprises, terrorist organizations, and criminal syndicates in order to make a living in the 1990s.

Sakkas' contention is quite valid in light of the Russian government's growing economic crisis situation, and its resultant inability to pay its military forces, public servants, educators, scientists, workers, and pensioners. Moreover, the types of skills these "Osnaz" forces possess are currently in high demand, greatly increasing the likelihood that OC groups and terrorist organizations will become even more sophisticated as the world enters the 21st century.

Sakkas observes that cooperation between former Soviet agents and international criminal organizations "is ominous because it exponentially extends their power and influence in the white-collar world." Evidently, in 1991, KGB Maj. Gen. Vyacheslav Artomov told David Wise, (an intelligence writer and author of the recent book on CIA turncoat Aldrich Ames, Nightmover), that "the policy of the present bosses [of Directorate Z] is that these people [wire-tap technicians] should not be made pariahs. If you force them into a tight corner, people with these skills can join all sorts of Mafias." Rogue states, lacking state-of-the-art expertise in this field, surely seek to "rent the brains" to achieve their goals, whether they be of a conventional
terrorist nature, a "new breed" terrorist variety, or nuclear weapons seeking.

Computer security expert Wayne Madsen points out that, "the major targets for state-sponsored computer espionage are industrial and technological secrets." For example, he noted that the Hannover computer espionage ring, which made hundreds of attempts to penetrate U.S. military and other computer systems, some of which were successful, had been recruited by the KGB in Berlin in 1985. These spies received payment in the form of drugs and money. However, four years later, in 1989, the West German Bundeskriminalalamant (BKA) arrested the ring's members for engaging in espionage for the KGB. Surely, this was not an isolated cell, particularly with the phenomenal growth of computer systems and application technology throughout the late 1980s and 1990s.

The French SDECE, in 1983, obtained KGB Department T (technology) documents indicating that 2.4% of Soviet espionage operations involved computer hacking. No doubt, this percentage has soared, particularly as has the development of the global communications network, the Internet, and access to computer and phone lines world-wide. Indeed, Russian intelligence officers and agents can engage in espionage against the West from Europe, Asia, and elsewhere in the world (wherever a computer and communications link are available), and, thus, can more
easily avoid physical surveillance or prosecution from Western counterintelligence, making the threat even more insidious.

Even though Russia does not produce its own computer chips, its capabilities within the computer sphere are well-developed. According to Madsen's list of "Computer-Communications Espionage Capabilities of Intelligence and Law Enforcement Agencies," Russia and the CIS show the top capabilities rating of "excellent." Much of Russia's ability to develop weapons is a consequence of its technological espionage offensives and exploitations. For example, in 1997, the Russian government managed to get a U.S. firm to export two supercomputers, thus greatly increasing its capabilities within the weapons testing and development sphere.

On February 27, 28, 1996, the U.S. House Banking Committee, chaired by James Leach (R-IA), examined the threat from counterfeiting, credit card fraud, and bank theft over global banking networks. The committee concluded that many of these types of scams are tied to international OC networks. The FBI's Moscow office, which was established in 1994, estimated then that there were 5600 OC groups with 100,000 active members in the FSU. Further, officials estimated that 300 Soviet gang have moved abroad, with at least 24 of them moving to American cities. In 1995, the FBI's Moscow office uncovered a computerized
embezzlement scheme involving Russians that had drained more than $8 million from a U.S. bank.²⁹

Russian OC groups, in fact, have phenomenal amounts of cash and have formed alliances with other OC groups, particularly the Italians and Colombians.³⁰ For the first time, in 1994, DEA agents uncovered evidence of Russian OC collusion with traditional American mafia families.³¹ Contrary to the SVR's stated commitments of cooperation with the West in fighting the international OC problem, it has only cooperated in order to learn what evidence U.S. officials have uncovered of Russian OC activity. As Louise Shelley pointed out, when a Russian delegation met with U.S. authorities to discuss evidence gained through wiretaps, (which remained in place), upon the delegates' return to Russia, the stream of information being thereby acquired abruptly ended.³²

In another example of Russian OC collaboration with other OC groups, ties between Russian OC and Mexican mafia members can be inferred to exist from the recent January 1997 Justice Department indictment of 15 people in a freon smuggling operation. According to George Weise, Commissioner of the U.S. Customs Service, "There are indications of major smuggling operations in Texas [and] California, some of which involve Russian OC and are transcontinental in scope."³³
Officials say that the product has been smuggled into the U.S. along the same routes used by major drug traffickers. Evidently, one identified source of the smuggled freon is Russia, where its transfer originates. The product is later shipped through Mexico and Canada to America.\textsuperscript{34}

Weise said that there had been a "dramatic shift in smuggling from Miami to Mexico and, further, that some of the bigger smuggling rings appear to involve Russian OC.\textsuperscript{35} There appears to be collusion between Russian OC and the Mexican mafia here, which probably extends into other spheres, such as drug trafficking, as well.

\textbf{Emigres}

The Russian secret police have historically monitored emigres. Upon the Soviet Union's demise, travel and emigration outside Russia's borders opened up on an unprecedented scale. Even so, the KGB's successors continued to monitor the movements of Russian citizens and, in a more recent twist, began to work with organized criminals to maintain watch on emigre activities. In Germany, authorities have evidence that Russian OC groups have built a base in Berlin and use it as a place to invest money obtained illegally and, further, extort money from the Russian emigre entrepreneurs there.\textsuperscript{36}

There is also cooperation between Russian OC and the KGB's successor agencies in the trafficking of Russian
emigre women. According to a source in Moscow, prostitutes are not controlled by OC within Russia. However, the "organizatsiya" controls every woman "the moment she goes abroad." And many of these women illegally enter the United States through Mexico, the destination for which they possessed tourist visas. Russian OC provides the "roof" for those individuals who are involved in this flesh-trafficking. A director of a Moscow security firm, selling its service of providing protection, or krysha, (literally, a "roof") made the point, "We collaborate very closely with the police and the FSB [successor to the KGB]. Therefore we don't have problems. And we do not have any problems with criminal groups."  

Within the U.S., the Brighton Beach area in New York City is one of the major areas where these activities occur. Russian organized criminals regularly extort the emigres, who further, are enticed to work with Russian intelligence. The situation is creating an increasingly difficult problem for U.S. law enforcement authorities who are fighting the new and ugly menace of Russian OC and, further, must monitor its relationship with the KGB's successor agencies, particularly the SVR.

Indeed, Russian OC in America has been posing an increasingly greater threat (to the growing concern of FBI and U.S. law enforcement agencies, among others) as it becomes entrenched in major American cities and its power
and influence outside Russia's borders continues to spread. For example, one notorious criminal, "vory-v-zakone" Vyacheslav Kirillovich Ivankov, was released early from Soviet prison (in 1991) only to emigrate to New York City to run a leading Russian mafia group there.

In 1994, FBI officials believed that Ivankov's mission was to oversee and enlarge operations involving emigre activities in the U.S. and gangsters in Russia. U.S. Customs Agent Joel Campanella indicated that Ivankov was sent to coordinate gangster activity between Russia and North America. It was not until 1995 however, that Ivankov was convicted of masterminding a $3.5 million extortion scheme in Brooklyn, New York. To illustrate the cold-blooded and bold nature of Russian OC, for example, according to Newsweek, law enforcement officials have discovered that a former KGB assassin has a contract from the Russian mafia to take out two of the New York-based FBI agents who helped to ensnare Ivankov.

In 1995, FBI Director Louis J. Freeh had clearly recognized the threat, identifying Russian OC groups as "a new transnational enemy, one which is very powerful, very mobile, and very well supported around the world."
ENDNOTES


7. Ibid., p. 191.


17. Waller, op. cit.


20. Ibid., p. 165.


22. Ibid.


24. Ibid., p. 418.

25. Ibid., p. 419.

26. Ibid., pp. 453, 476.


34. Ibid., p. A12.


38. Ibid., p. 43.


40. Ibid.

41. Ibid.


CHAPTER 6

SPIES AND NETWORKS

Spying

Spying is "the second oldest profession." Indeed, as Polmar and Allen noted, the second and first professions have a lot in common: they both involve "money, secrecy, sex, great public interest, and people's reputations — or lack thereof." Moreover, every sovereign state has an intelligence service which, as its main function, recruits people to engage in espionage. As Cooper and Redlinger note, there are two kinds of spies: spies in place and trained spies. While spies in place already have access to information and simply need to be persuaded (accomplished by various methods) to transfer it, trained spies are an investment and are taught how to get in and get the information themselves. Since, as Polmar and Allen further note, "Governments seek secret information to eliminate uncertainty in the conducting of foreign affairs or to gain an advantage over other countries," the maintenance of espionage networks by governments world-wide is considered to be of the utmost importance.
The Russians are old hands at the "Great Game."
Russia's political leaders have historically perceived neighboring states as posing a great threat to their rule. Thus, geographic territory, resources, culture, people, and other factors that constitute this "threat" can be conveniently used to blame foreign governments and intelligence services for the poor conditions resulting from the regime's mistaken and failed policies and its endemic corruption. So, too, this threat can be given as the reason why foreign countries must be closely watched in order to glean information on their affairs. Therefore, Russian intelligence services have remained vigilant in the task of assessing foreign states' capabilities and intentions through the use of spies. Former CIA Director Richard Helms made the point when he remarked that "Spying is part of the Russian nature. They were up to it all the time under the czars. It will take much more than one little collapse of the Soviet Union to expunge it from the Russian psyche."^4

A spy, according to Merriam-Webster is, "one who keeps "secret" watch on a person or thing to obtain information" (author's italics added),^5 "secret" being the key word here. In the book, Spy Book: The Encyclopedia of Espionage, a spy is defined as "A person employed by a government or other entity to obtain "secret" information or intelligence about another, usually hostile, entity" (author's italics added).^6 Secrecy, again, describes the very essence of spying. In
line with the imperative of secrecy in espionage, in order to conceal their true identification and purpose, spies traditionally have adopted a "cover," and a "legend" to compliment that cover. Of course, this practice remains the current trend.

In August 1992, following the post-Soviet Union restructuring of the Russian security and intelligence services, a new "Law on Foreign Intelligence" had been passed. One section of this law states that "career personnel may occupy positions in ministries, departments, establishments, enterprises, and organizations in accordance with the requirements of this law without compromising their association with foreign intelligence agencies." Further, it reads, "career personnel of foreign intelligence agencies may not occupy other salaried positions unless this is a professional necessity."

If this law means anything, it codifies the "legal" right of an intelligence officer to take any position whatsoever in order to accomplish his goals. Therefore, one can assume that when Russian officials claim they do not use certain covers anymore, i.e. journalistic cover (Primakov claimed soon after being appointed head of foreign intelligence in January 1996 that the practice of intelligence officers using journalistic cover would most certainly cease), they can be assumed to be lying.
Evidence directly contradicting Primakov's statement has since surfaced. Indeed, in June 1996, it was reported that large numbers of SVR officers were stationed at the Moscow headquarters of Itar-Tass, the Russian news agency, waiting for their tour abroad to begin. Further, the report indicated that the Tass bureau in New York had two SVR spaces, one of which was already filled. Furthermore, the report described these "journalists" primary responsibility as the collection of political information, mainly operations intelligence (OSINT), and the recruitment of agents. Additionally, the report noted that the SVR runs its human assets in the Russian language newspapers that are published in the United States. ¹⁰

In the post-communist world, the SVR continues to operate under many of the traditional covers used by former KGB officers. These covers can be separated into official and non-official cover. Within the official cover category, SVR officers land on American shores as "Foreign Ministry" employees, diplomats, Trade Ministry representatives, etc.. These operatives work within embassy and consulate walls and enjoy diplomatic immunity. If they are "caught in the act of spying," they are merely ordered to leave the host country on the basis of their "engaging in activities not compatible with their official diplomatic duties; they are declared persona non grata and expelled.
Those operatives working under non-official covers, (or "illegal" status), and assuming the popular commercial cover of "businessmen" and partners, or academicians, students, journalists, etc., who are discovered spying receive no such niceties. They face torture, long prison terms, and, often, death. SVR officers assume all of the above-mentioned covers. Additionally, there are many "sleeper" agents who have ensconced themselves deeply within Western society and have not yet been identified.

The controversy over using journalistic cover arises from the fact that open and free democracies provide factual and objective information to their people. There is a "free exchange of ideas," including opposing ideas. The Russian government, however, practices no such distribution of information. Instead, there is heavy censorship. Indeed, the dissemination of propaganda by strictly-controlled procedures continues in "democratic" Russia. Active measures and agents of influence continue to be utilized through the "new and democratic" press, which is increasingly being bought up and operated by Russian banking and business elites, many who have been associated with OC, and who use the media to further their own interests and to gain political influence. Indeed, these entities, in part, comprise the "new oligarchy" and, as such, closely collaborate with the Russian intelligence services.
One notable difference in chekist behavior, as previously discussed, is that former KGB officers now advertise their intelligence status and affiliation to the benefit of their personal commercial interests. However, it is important to note that this overt demonstration of espionage career occurs only on the domestic front; Russian foreign intelligence officers do no such thing. Naturally, SVR officers prefer to remain anonymous and free from surveillance so that they may actively attempt to recruit and handle agents, and so that they can set up and run spy networks undetected.

Recruiting Methods

The Russian intelligence service has a long history of using threat and force to recruit its spies. On the domestic front, families, careers, and even lives had been threatened for failure to comply with the demands of the Soviet secret police. Indeed, the informer society that was created, particularly during the Stalin era, was a result of this sort of intimidation and punishment. If the KGB selected a certain Russian national to work at, for example, the U.S. Embassy in Moscow, and to perform specific tasks, such as attempting to seduce one of the Marine Guards in order to gain access to the embassy in order to plant listening devices, or to work as a janitor, cleaning out trash cans, and, then reporting all information gleaned and activity observed to the KGB after work every day, then that
particular individual did so. Otherwise, they paid, and they paid dearly. As such, fear was the great motivator. Since communism's collapse, however, as human rights activist Boris Pustitsev notes, "They aren't as omnipotent as they were, but they still have the ability to create fear."¹²

In keeping with its new image as "law-abiding, "democratic," and recognizing civil rights,¹³ in mid-1992, SVR public relations spokesman (and former head of the KGB's Department S (illegals)) Lt. Gen. Vadim Kirpichenko claimed that in the recruitment of agents, "uncivilized methods" were no longer permitted in the SVR. Instead, spy recruitment would be achieved by "finding people who themselves want to help us voluntarily, whether for money or out of love for Russia."¹⁴ Furthermore, Kirpichenko advocated the rejection of the use of drugs and other coercive means to recruit spies.¹⁵

In so many words, Kirpichenko was trying to convey that Russian intelligence no longer employs its traditional tactics; however, his statements could easily be read as demonstrating his awareness that most individuals that decide to betray their country volunteer their services on their own. Moreover, Kirpichenko's statement on "love for Russia" may well imply the SVR's use of "sexpionage" tactics to compromise individuals and/or blackmail them into spying for Russia. This technique is an old KGB favorite.
As David Lewis observed in his examination of the KGB's treatment of sex as an intelligence tool in his book, *Sexpionage: The Exploitation of Sex by Soviet Intelligence*, the KGB places great importance on the perfection of seducing techniques to be employed by both male agents ("Ravens") and female agents ("Swallows") to accommodate and, later, exploit the target's sexual preferences, particularly if the target engages in "deviant" sex.

During the cold war, the KGB had recruited people to spy for Russia on usually either an ideological basis or on a financial basis. Occasionally, blackmail was the key mechanism employed. Now, ideology is dead and Russia is very short on cash. To overcome these barriers to recruitment, other methods have been implemented. Former KGB officer Yuri Shvets has claimed that while in training at the Intelligence Academy in Russia, he was told by his masters to use psychology, since "only psychology is left."\(^{17}\) Indeed, psychology can be a powerful tool when used correctly. Nevertheless, the KGB's successors continue many of their traditional recruiting tactics; however, these methods have been modified in some cases.

To lower its costs and increase its protection from foreign counterintelligence, Third World Countries (TWCs) are increasingly being used as recruiting and meeting sites, (in addition to other purposes) by Russian intelligence officers. This is not to say that the U.S. and Western...
Europe are no longer prime espionage sites. However, in TWCs, foreign counterintelligence surveillance is at a reduced level. Instead, each host government's behavior is a larger factor, as are the host government's relations with Russia. Naturally, where the "anti-Russian" counterintelligence presence is low, KGB-SVR officers probably feel safer in meeting in person with their agents. Indeed, the political climate remains a significant factor in determining which communication methods will be employed. For example, in communicating with agents in certain "more secure" environments, SVR officers may employ the brush pass method. However, within the U.S., particularly in the Washington and New York areas where a strong FBI presence exists, deaddrops are the preferred method of communication between SVR officers and their agents.

A review of past spy cases reveals a recent switch in tactics by SVR-KGB recruiters. The SVR has increasingly been using TWCs, rather than the U.S., as a preferred recruiting ground, particularly in recruiting and handling Americans. There are two basic reasons for this change in operational method. First of all, the cost is less, often considerably less. As communism collapsed, the Russian intelligence services, both domestic and foreign, faced a cash crunch. This reality forced the SVR to modify its procedures while still attempting to remain effective. Confronted with an intelligence budget reduction, SVR-head
Primakov had to find more efficient ways to run the damaged spy organization.

The costs of living and operating in TWCs are simply less than those incurred by residing in the Western industrialized countries. Moreover, the increased porousness of numerous borders following communism's demise led many Americans to travel to the FSU and the newly-opened societies of Eastern Europe. As such, as many Russians aptly state, why not just let the Americans come to them? They have a point, for the Russian intelligence services could thereby minimize their travel and operating costs. Furthermore, the foreign counterintelligence presence in Russia, and particularly in Moscow, is greatly reduced in terms of both numbers and effectiveness, while Russian counterintelligence (FSB) is in great supply. Indeed, the difficulties of conducting espionage in Russia are such that foreign case officers communicate with their agents almost exclusively through deaddrops, rarely, if ever, meeting with them in person.18

The second reason that Russian foreign intelligence officers prefer to operate, specifically to recruit, in TWCs is the reduced foreign counterintelligence threat there. Indeed, any counterintelligence presence (of the U.S. or its close allies) that may benefit the Americans is greatly wanting in many TWCs today. Furthermore, many existing governments of TWCs make it difficult, if not impossible,
for the U.S. to establish either a counterintelligence presence or any effective spy network for that matter, within their borders, which, by contrast, enables the Russian intelligence apparatus to more easily establish its networks there. For example, the CIA's ability to operate in many Arab countries is seriously lacking, which forces the Americans to rely on the Mossad for intelligence on Arab and Middle Eastern state security organization activities and terrorists movements, as well as information regarding the interaction of these groups with the Russian intelligence services.

Spies

Aldrich Ames

Contrary to claims that the KGB had collapsed right along with communism, Russian intelligence operations in the U.S. continued virtually unabated. It had only been days after the MB was renamed the FSK, on February, 21, 1994, that 53-year old CIA officer Aldrich Ames, who had been spying for Russia since 1985, was arrested by the FBI for espionage. His arrest was the result of an investigation that had been formally opened on May 12, 1993 by the FBI's Washington Field Office.

The fact that his Soviet-Russian handlers had continued to operate virtually uninterrupted even as communism collapsed and the KGB "was no more" is one example evidencing the fact that KGB networks continued to operate
within the U.S. as the Soviet Union's landscape transformed into several new, independent states. To be sure, the KGB's successors continue to run "Soviet" agents and to prioritize the penetration of foreign intelligence services, particularly those of, and working within, the industrialized nations.

In his book, Killer Spy, Peter Maas described Ames' activities during the nine years that he spied for Soviet-Russia. He noted that Ames continued to make his annual meetings with his KGB-SVR handlers in Latin America and continued to service deaddrops in the Washington area throughout the era when tumultuous changes were occurring in Russia as communism collapsed and numerous Soviet institutions crumbled. Actually, there was absolutely no interruption in the KGB-SVR running of Ames except for one change in handlers ("Andrei" replaced "Vlad") in Caracas at an October 1992 meeting. At this meeting, to complement the new relationship, there had been one variation made in procedure: Ames was given new signal sites by his new handler.21

Even as the KGB was "dismantled," foreign intelligence was made autonomous from all other Russian security and intelligence services, and each of the new Russian intelligence organizations faced major budget constraints, Ames continued to be paid. Indeed, Ames was the "highest paid spy in the history of the world."22 He actually
received $2.7 million from Moscow and was promised $1.9 million more, for a total of $4.6 million.

During his nine years of spying, Ames gave the Russians information on U.S. counterintelligence activities, agent handling methods, collection activities, analytic techniques, communication methods, and other tradecraft. Furthermore, Ames gave the Russians a wealth of information on double agent operations and agent validation methods.23

The KGB-SVR then used this information to double many agents and, hence, feed disinformation back to the CIA for transfer to U.S. intelligence consumers, including the president.24 Evidently, with Ames' invaluable assistance, from 1987 to 1991, when the CIA discovered the operation due to poor tradecraft on the Russian side, the KGB successfully operated a large network of double agents against U.S. intelligence.25

This network was operated under the direction of KGB counterintelligence (SCD) and the KGB FCD-SVR. However, according to the CIA's damage assessment report, only some of its informants had been betrayed by Ames and forced to double (by Russian intelligence); others had been created by the KGB simply to confuse the Americans.26 In hindsight, Los Angeles Times reporter James Risen aptly observed the situation: "Ames gave the KGB a veritable road map to the CIA's Soviet espionage networks, allowing them to turn those networks back against the United States in the late 1980s

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and early 1990s. To what extent U.S. perceptions of Moscow and its foreign and defense policy objectives, among other things, were manipulated, remains unclear.

While the Senate and House Intelligence Committees' damage assessments concluded that Ames compromised more than 100 foreign agents or prospective agents, in the CIA's general damage assessment, the DCI reported (in December 1995) that Ames' espionage "caused severe wide-ranging and continuing damage to U.S. national security interests" including exposing the identity of numerous U.S. intelligence assets operating against the Soviet-Russians at least ten of which were executed.

Many questions have been raised as to whether Ames compromised Fred Woodruff, a U.S. official who had been working out of the U.S. Embassy in Tblisi, Georgia in 1993 when Ames traveled there. Ames had known Woodruff years before in Virginia and, hence, could have identified him as a CIA officer. Investigators noted that Ames' visit had been less than one month before Woodruff was killed by an AK-47 bullet to the head as he was traveling in a jeep with Georgian President Eduard Shevardnadze's personal security chief, Col. Eldar Gogoladze.

Amy Knight noted that former Georgian Security Minister Igor Giorgadze, a protege of SVR-chief Primakov, had offered Georgian security officers free training in Moscow. However, since Woodruff had been helping Gogoladze train
Georgian state security forces, one could speculate that Giorgadze asked Primakov to have the SVR kill Woodruff, possibly because Woodruff was training Gogoladze's Georgian security service troops and, hence, posed a competition and, hence, a threat to Giorgadze's interests.

However, others have speculated that Woodruff was killed by the SVR because he had somehow discovered that Ames was spying for Moscow. Could Woodruff possibly have learned Ames was a spy through Giorgadze or Gogoladze? In an added twist to the mystery, a Segodnya newspaper report indicated that Georgian Security Minister Shota Kviraya had accused his predecessor, Giorgadze, of arranging the killing on Moscow's orders. Furthermore, Kviraya had accused Gogoladze and another Russian agent posing as a Georgian businessman of also being in on the plot. Naturally, a spokesman for Russian security services, Yuri Kobaladze, denied KGB involvement in the killing, stating that the Russian intelligence service "is not involved in terrorism - it fights against terrorism, together with other countries, including the United States." To close the (Woodruff) case, Russian authorities arrested a man, who "admitted to the crime," was convicted, and received a 15-year prison sentence for the killing. Since no evidence linking Ames with the killing has been found, whether Ames was involved in Woodruff's death remains a mystery.
Harold Nicholson

Ames' arrest was followed not quite two years later, on November 16, 1996, by U.S. federal agents' arrest of 46-yr old, 16-year veteran CIA officer Harold Nicholson.\textsuperscript{38} One of the new counterintelligence tools gained by FBI counterintelligence officials in the wake of the Ames scandal was the authority to search suspects' financial records. Thus, Nicholson's espionage was discovered. Following the FBI's deeper investigation of Nicholson's financial records, it was determined most likely that Nicholson's first payment from the Russians for spying had been received in the amount of $12,000 on June 30, 1994.\textsuperscript{39} Hence, Nicholson is believed to have spied for the Russians since at least 1994, or about the time of Ames' arrest.

While Ames was the most-damaging CIA officer ever charged with spying for Moscow, Nicholson was the highest-ranking. Nicholson allegedly began his spying after he was transferred from his post as Chief of Station (COS) in Bucharest, Romania, which he had held from 1990-92 and where his marriage had collapsed, and situated himself in his new posting as deputy COS in Kuala Lumpur, Malaysia.\textsuperscript{40}

Upon the end of Nicholson's tour duty in Romania in June 1992, he and his wife of 21 years had returned to the U.S., where she filed for divorce.\textsuperscript{41} As such, then, while he was posted in Malaysia, Nicholson had been preoccupied with a bitter divorce and custody battle. Faced with
mounting expenses and becoming increasingly emotionally unstable, Nicholson was a vulnerable target for recruitment by foreign intelligence services.

FBI and CIA officials believe Nicholson started his spying in June 1994 after his fourth meeting with an official at the Russian embassy in Kuala Lumpur, where he was deputy COS. The meetings had been authorized by the COS. However, it could be speculated that Nicholson had been spotted, assessed, and marked for recruitment by the Russians while stationed in Romania, where he had likely been kept under close surveillance by Russian intelligence operatives. Moreover, the Russians were likely very aware of Nicholson's personal problems with his wife, which they could exploit.

As it happened, Nicholson's motive to betray his country and his agency was money, or rather greed, since he made a decent salary as it was. Investigators later found that Nicholson's spying had begun about the same time as his alimony payments, equaling 25% of his net salary, were set to begin.

During its investigation, the FBI had surveilled Nicholson when he went to Singapore, and where he had delivered a large batch of secrets to Russian intelligence officers. According to the FBI affidavit, Nicholson planned to meet his Russian handlers again in Switzerland on November 17, 1996. Five days prior to this scheduled
meeting, on November 12, 1996, the concealed cameras in Nicholson's CIA office showed him kneeling under his desk photographing documents. However, FBI agents, disguised as airport ground crew workers, arrested Nicholson upon his landing at Dulles International Airport en route to Zurich, Switzerland, where he was prepared to board a flight to meet his Russian handlers.42

Interestingly, Nicholson had requested (and received) the camera that he had used to photograph documents from the CIA supply office.43 Had the Russians offered to provide their spy with a camera? Or were the Russians more "cost conscious" than they had been during the cold war, when they had provided expensive Minox cameras to their agents?

Following Nicholson's conviction for espionage on June 5, 1997, he was sentenced to 23.7 years in federal prison.44 In exchange for the short sentence, Nicholson agreed to cooperate with counterintelligence officials in determining the damage he had caused. Contrary to what U.S. investigators had previously believed, (that Nicholson had received $180,000 from Moscow), Nicholson actually received $300,000 from Moscow, which he had hidden away in Swiss bank accounts.45

Nicholson gave the Russian intelligence service a wide-ranging assortment of U.S. national security secrets and exposed both CIA sources and methods in the process. As an experienced intelligence officer, Nicholson had been given
the job of training CIA recruits, which he did from 1994-96. Following his arrest, the most damaging secrets he provided the Russians, which he admitted giving up, were the CIA recruits' identifications, biographies, and assignments, which had resulted in the Russians' learning new CIA agent covers. In other words, he gave the SVR information about future officers and their work in the CIA's deepest cover program. As a result, U.S. intelligence on Russian espionage activities has been severely weakened.

Nicholson's handlers used different methods of communication than those used by Ames' handlers, as discovered by FBI-CIA surveillance teams. Unlike Ames, Nicholson only operated overseas and never met with his Russian handlers within U.S. borders. And unlike Ames, who communicated with his handlers mainly through the use of signal sites and deaddrops in the Washington D.C. area, Nicholson never communicated with his handlers through deaddrops. Instead, the methodology employed by Nicholson included (information) drops in foreign railway stations and he sent postcards with code words to a post office box overseas from foreign posts. However, in both cases, the FBI acquired pictures of the CIA turncoats face-to-face with Russian agents; both Ames and Nicholson were also observed by FBI agents clandestinely meeting in cars with Russian diplomatic plates.
Earl Pitts

The FBI's recent arrest of 43-yr-old, 13-year FBI veteran Earl Edwin Pitts is yet another example of the continuing Russian intelligence activity in the U.S.. Pitts was arrested following a 16-month investigation, on December 18, 1996 at the FBI Academy in Quantico, where he was working at the time of his arrest. Pitts allegedly began spying for the Russians between 1987-89 while working on counterespionage operations in New York City.

According to the FBI affidavit, during that period, Pitts had access to information on counterintelligence investigations, including recruitment efforts and double agent operations involving Russian intelligence officers. Thus, Pitts' work made him a target for recruitment by Russian intelligence; however, Pitts volunteered his services.

Pitts first made contact with the KGB in July 1987 by writing a letter to a Russian, whom he mistakenly believed to be a KGB agent assigned to the UN's Soviet Mission. In the letter, Pitts sought to arrange a meeting with Soviet intelligence. This Russian, in turn, introduced Pitts to the New York chief of KGB, Aleksandr Vasilyevich Karpov, at the New York Public Library.

Thereafter, for a period of five years, from 1987-92, Pitts made deaddrops of computer disks containing classified information including family information about fellow FBI
agents who might be vulnerable to recruitment as Russian spies; he identified Russian agents known to the FBI; gave details of his own assignment and exposed the work of an FBI informant who "reported covertly on Russian intelligence matters." Moreover, he offered to smuggle a Russian agent, who specialized in bugs, into the FBI Academy in Quantico, Virginia.

In the FBI's investigation of Pitts, it was discovered that the most damaging information he had given the KGB was the FBI's secret list, known as the "Soviet Administrative List," which is a computerized document that includes classified information gathered about all Russian officials posted or assigned to the U.S., and the U.S. agents assigned to gather that information.52

In 1992, Pitts ceased his spying; as Los Angeles Times reporter James Risen noted, Pitts had probably outlived his usefulness, and in light of diminished Russian intelligence resources, had been abandoned by the Russians three years after his August 1989 transfer to FBI Headquarters in Washington.53 A year later, when a security breach had been discovered in the FBI's New York office where Pitts had worked, his name was placed on the circulated list of potential traitors. And, then, in an ironic twist, between 1993-95 during the FBI's search for the penetration, Pitts' initial Russian contact was successfully recruited by FBI agents. This Russian defector exposed Pitts' spying.
Hence, contact with Pitts was made in an FBI sting operation to "renew the relationship."

The turned Russian agent and an FBI agent posed as Pitts' new Russian handlers and "restored" the relationship, leading Pitts to incriminate himself on numerous occasions as the FBI built its case against him. Indeed, during the 16-month sting operation, Pitts made 22 drops at Mailboxes Etc., Box 318, unknowingly informing his undercover colleagues by beeper each time he intended to make a drop, he also had nine telephone conversations with his "handlers," and met them in person twice.\(^5\)

Throughout the duration of the operation, Pitts gave the FBI his plans on how to smuggle a Russian intelligence technical expert into the FBI Academy, he provided the agents with a key to the FBI Academy, provided a special FBI telecommunications device used to transmit classified material, and made available his own FBI identification badge, most likely so the Russians could counterfeit their own badges. To top the whole charade off, Pitts kept an "escape plan" on his CIA office computer.\(^5\)

Money was the motivation for Pitts' spying, also. During his five years of spying for Russia, he is believed to have actually received $124,224.66 from Moscow, plus he had been promised $100,000 more, (which was being held for him in Moscow), for a total of $224,224.66.\(^5\)

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Eastern European Networks and Political Espionage

During the cold war, the security and intelligence services of the Eastern European countries were simply surrogates of the Soviet KGB. They followed the orders of Moscow and received their instructions from Moscow. For example, KGB "advisors" were present at all (Czech intelligence service, StB) staff levels and cleared all intelligence plans and operations. Indeed, according to Czech defector Ladislav Bittman, this procedure took place on a daily basis.\(^{57}\)

As the new, quasi-democratic governments of these countries set out to build democratic institutions and develop legal norms and a judicial system built on the rule of law, they also sought to reform the security services -- a daunting task. Many of these new security services retained their former communist party personnel, which made reform very difficult.\(^{58}\) Moreover, informant networks remained somewhat intact because of the existence of secret police files. Hence, KGB-SVR officers continued to control many informants, particularly those who had gained political or powerful positions in communism's wake. The fear of exposure as Soviet spies ensured their continued cooperation and service.

Even so, communism's collapse still wreaked havoc on Moscow's spy network abroad.\(^{59}\) The loss of ideological mission that accompanied communism's demise had resulted in
the KGB-FCD's loss of some of its Soviet agents working within the Eastern European states. As SVR first deputy director Vyacheslav Trubnikov stated in 1995, "We really have lost that part of our network - the hardest working part - that cooperated with us on an ideological basis. These were people who believed in the ideals of socialism, in the USSR."60

Increasingly, the old chekists from the cold war period are leaving the security and intelligence services or retiring, and new officers are replacing them. It will take time for the KGB's influence and repressive techniques to be phased out of East European intelligence services as the new democracies replace the old communist regimes. The widespread crime and corruption that has experienced explosive growth throughout Eastern Europe since communism's collapse has promoted the survival of Soviet-style secret police activity. The major impediment to reform is that the secret police of these states, like those of the FSU, are widely corrupt and in collaboration with OC, which exacerbates the political-economic-social instability of many of these countries.

The Russian foreign intelligence service has been working to rebuild its fragmented espionage networks within Eastern Europe and regain the tremendous influence it had enjoyed, achieved through its predecessors' unsparing and
brutal application of force, and, thus, control over the Soviet Union's satellite states.

However, the situation in these states dramatically changed upon communism's demise. Travel restrictions were lifted and these peoples gained much greater access to information. Also, in many of these Eastern European states, Internet access has become ubiquitous. Within the intelligence sector, each state restructured its intelligence service, and to some extent, in light of the newly-gained freedoms and the overwhelming public opinion demands that these newly-gained rights be recognized and supported by the authorities, state security abuse has been reduced.

Nevertheless, the secret police presence, surviving off of its well-developed informant network from the Soviet era, still exists. Inevitably, many KGB informants that remain cooperative following these states' gaining of independence from Moscow do so because they can not break with their past. Indeed, the KGB-SVR maintains detailed files on each informant and, the fear of exposure and the retribution that would likely follow in the form of loss of career, or worse, in addition to the pressure the SVR surely continues to apply on these informants to continue to spy, has enabled the SVR to retain some influence over events there.

Indeed, as Louise Shelley notes in her recent book, *Policing Soviet Society: The evolution of state control,* the
former KGB's effect on the present and future state of police and state security organizations in Eastern Europe will take many years to eradicate even as these states struggle to democratize. Shelley stated that, "by perpetuating the power of the state at the expense of the rights of individual citizens, the traditions of Soviet policing will impede democratization in many of these [Eastern European] nations for years to come."\(^61\)

Since the newly-independent Baltics refused to join the CIS, they are treated by the SVR as any other foreign state. In short, these countries are well-seeded with SVR agents. Moreover, the SVR has the benefit of its KGB predecessors' work in these states: the informant network and the intelligence services' files (to force cooperation) are well-developed and remain in place.\(^62\) So, too, it is most likely, many sleeper agents and illegals remain in place.

Unlike the CIS member republics, since gaining independence in 1991, all three Baltic state governments have passed laws that enable prosecutors to arrest former KGB agents suspected of persecuting the Baltic peoples during the Soviet era. And many officials that collaborated with Moscow have indeed been sentenced under the laws to years in prison.\(^63\)

In the post-cold war world, many former Soviet spies residing and operating in Eastern Europe have gone into private business, while they doubtless maintain their
intelligence contacts. Others, rarely being paid or no longer on the payroll of the Russian government, have likely sold their services to OC groups and foreign intelligence services. Nevertheless, many remain entrenched in the same intelligence organizations of which they have worked for years.

As Amy Knight noted, the collapse of the KGB's Eastern European espionage networks greatly impeded its ability to glean information on NATO member activities. Not only did the KGB-SVR maintain contact with its informants throughout the collapse of communism, but, more importantly, it "established an underground network throughout Eastern Europe" under Primakov's direction.

There is no doubt that a widespread and well-built sleeper network exists throughout Eastern Europe. Surely, as these newly-independent countries become NATO members in NATO's expansion eastward, the Russian intelligence services will be working toward better developing their espionage networks there. As Western influence and power, projected through NATO, have extended eastward, the SVR has been attempting to infiltrate the political institutions of these (former Soviet satellite) states in order to thwart U.S./NATO foreign and defense policy goals.

The Russians' concern over NATO expansion has been expressed at many levels. From the intelligence sector, a spokeswoman reported in September 1995 that the SVR would be
monitoring NATO expansion closely. That same month, the Czech Republic's Federal Security and Information Service (FBIS), in its 1995 annual report, claimed that Russian intelligence had initiated a campaign to hinder the Czech Republic's entrance into NATO. Furthermore, the FBIS reports showed estimates of around 400 Russian agents operating within the country, 56 of which were accredited diplomats.

The spy scandal that erupted as Poland prepared to hold its November 1995 presidential elections brought the memories of the interference in Polish affairs and the atrocities committed against the Poles by Soviet intelligence back to the forefront of the Polish peoples' minds. Poland has had to overcome many barriers in its attempts to end its repressive system, rid itself of Soviet influence, and break with its past. Part of Poland's effort at democratization was the recent holding of free elections.

During these elections, the Soviet-Russian intelligence services involvement in Poland's political affairs became evident. The accusation that newly-elected (November 1996) former communist president Aleksander Kwasniewski's newly-appointed Prime Minister Jozef Oleksy was a Soviet spy and had spied for Moscow from the early 1980s until 1995 was made by former Solidarity leader and Polish President Lech Walesa's Interior Minister Andrzej Mikzanowsk. These accusations ultimately led to Oleksy's resignation in late
January 1996. Oleksy emphatically declared himself innocent of the charges, claiming that his 13-year "neighborly relationships" with Soviet-Russian intelligence agents were simply harmless friendships.

In the mix-up that followed the spying allegations, Oleksy fired Dep. Interior Minister Henryk Jasik, who had supervised the inquiry into Oleksy's alleged espionage, replacing him with former dissident surveiller and communist partner, Jerzy Konieczny. Poland's counterintelligence chief then quit in protest. Clearly, the activities of the KGB-SVR in trying to thwart Poland's attempts at reform and democracy pose a continuing threat to Polish independence from negative Russian influence.

As the East European states struggle to build democratic institutions and break their former relationship with the Soviet secret police, SVR interference will pose a continuing threat to political stability in each country. Even so, the membership of the Czech Republic, Poland, and Hungary into NATO moved closer to reality with the May 27, 1997 signing of the "Founding Act on Mutual Relations, Cooperation and Security" in Paris by Yeltsin and NATO's 16 heads of government, (to be followed up with a Madrid summit meeting on July 8, 1997 with the same leaders to start talks
on [alliance] enlargement\textsuperscript{73} and, additionally, to announce the new NATO members).\textsuperscript{74}

In Romania, recently elected (November 1996)\textsuperscript{75} President Emil Constantinescu has begun a forceful campaign to eradicate corruption and collaboration between political leaders, organized criminals, and the secret police. An effective corruption commission was created and has been seeking to completely crush Romania's "public-private mafias." Indeed, many corrupt bankers, politicians, and powerful criminals have been jailed. Moreover, since Constantinescu took office in January 1997, with as one of his aims the creation of a truly independent judiciary, the national police force has removed one-fourth of its county chiefs. Police chief Pavel Abraham stated that, "We're finished with mystery and secrecy."\textsuperscript{76} And in May 1997, the long-serving chief of Romania's intelligence service was forced out. It appears Constantinescu's drive for a democratic Romania may ultimately be successful since efforts at confidence-building measures, such as the development of institutions that the cynical mass public can trust, are progressing.

\textsuperscript{73}The Founding Act sets up a permanent NATO-Russia joint council that will meet monthly and operate on the "consensus" principle, however, Russia has no veto power. Further, this council will outline Russian-NATO agreement cooperation on security matters vis-à-vis the former Warsaw Pact states, particularly involving weapons and troop levels on new states.
The current situation in Bulgaria is conducive to the development of OC, terrorist, and secret police relationships, in antagonism to law and freedom. Bulgaria has long been a center of "Soviet-inspired" espionage and has served as the base for one of Eastern Europe's "most sinister" secret police organizations. Throughout the cold war, Bulgarian agents were implicated in numerous plots, many in cooperation with the Soviet KGB. And since communism's demise, the country has been plagued by high-level corruption and a multitude of extortion rackets, which are widely believed to have political connections.

In October 1996 Bulgaria's first post-communist Prime Minister, Andrei Lukanov, served for one year before he was shot dead in front of his apartment building by a "hobo" armed with a Russian-made automatic pistol. Many government members and other diplomats suspect that Russian OC was responsible for the killing, since Lukanov was heavily involved in JVs with Russian groups. Or, it is suspected that Lukanov's death was political murder, since Lukanov had recently had a falling out with his Russian partners on an oil deal that had many political implications. Either scenario points to Russian intelligence involvement.

Serbia has become a bastion for organized criminals. Iranian and Colombian drug smugglers now use it as a preferred smuggling route to Europe. One individual handling government-private contracts commented that,
"bribes are flowing in here like water" as OC groups position themselves to take government contracts and to buy up state-owned business.

Moreover, prostitution, fueled by the demand that the 53,000 NATO-led peace-keeping force presents, is rampant. Organized criminals often control the sex rings, channeling the proceeds to support their arms-trafficking ventures, which are themselves highly profitable in light of the numerous ethnic conflicts raging throughout the region. The situation is exacerbated by the fact that, in many cases, the police are closely intertwined with the criminal networks. As such, OC activity in the region thrives.

Serbia has also become a bastion for spies. In February 1997, Time reported that Serbian spymaster Jovica Stanisic controls an 80,000-strong police force and an "extensive network of spies". Another report compared 1996 Sarajevo to the spy capitals of Vienna and Berlin during the cold war. The former Yugoslavia's internal strife is a scenario where multifarious external forces contribute to the turmoil, and some exploit it for personal gain or their own interests. Russian backing of the Serbs, along with Arab and Iranian support of the Muslims has added fuel to the volatile situation in that country. This situation has increased the potential for spillover into surrounding areas as the implicit issues there threaten to become more internationally significant.
The seriousness of the East European crime situation has led to some cooperation between Western and Russian law enforcement officials. For example, in May 1996, for the third consecutive year, police officials from five Western nations and Russia met in London to discuss the OC problem of Eastern European gangster activities. However, Primakov's 1993 visits to many of these same Eastern European countries to reestablish relations between intelligence and security services and to formalize coordination agreements on the basis of OC, drug and arms trafficking demonstrates a continued close relationship between the Russian and East European intelligence services. Even so, Russian-East European tensions may likely develop and, further, increase when these former Warsaw Pact countries join NATO against Kremlin wishes. Surely, attempts to flush Soviet-Russian spies out of the new NATO members' security and intelligence services will coincide with these states' integration into any NATO arrangements with the West.

By contrast, the post-communist intelligence situation in East Germany was different than that of the remaining former Soviet and Soviet-bloc states. The release of the East German secret police (Stasi) files after the Berlin Wall fell resulted in the subsequent arrest and trial of numerous East German intelligence officials, including spymaster Marcus Wolf, who had headed the East German
espionage apparatus (Stasi) from 1953-86. Also known as "the man without the face," he had been charged repeatedly and spent a large part of his recent life fighting the German judicial process.

During the cold war, the Stasi had been one of the world's largest espionage services, with 85,000 agents, in the world. Drawing on KGB traditions, its agents had pervaded every aspect of East Germany, and much of West German society. Indeed, in retrospect, one FBI official stated that, "The East Germans had the most extensive intelligence and spy network in the West and probably had West Germany penetrated more than any place on Earth." Whatever happened to the 85,000 agents? Unlike the intelligence officers of the East European states, who faced "new" countries with new ideas, the East German intelligence service and East Germany became defunct in 1990. Hence, many of these Stasi agents either went underground or fled the country out of fear of prosecution. It is likely that many of them have sold their services to foreign intelligence services and international OC groups. Others remain as sleeper agents in the reunified Germany.

It is plausible to assume that since the KGB had exerted such great influence on the Stasi, and had worked so closely with the secret police agency, many of its (former) spies that remain within the German subterrain have maintained their links with the (former) KGB as a source of...
intelligence on the events taking place within reunified Germany. Moreover, the collaboration in 1994 between the BND and SVR in plutonium smuggling is indicative of a new and friendly relationship between German and Russian intelligence in the post-communist world.

The "Near Abroad" and Terrorism

When the Commonwealth of Independent States (CIS) was created in December 1991, comprised of 12 of the 15 former Soviet republics (the Baltics refused to join), each republic gained its own independence. It is important to recognize that even though these republics became autonomous or sovereign states, they remained very dependent on Russia. This dependence was in the form of both economic and military (national security) needs.

The political-social environment in many of the republics is one where pluralities of nationalists and, hence, ethnic conflicts and civil wars rage as each nation seeks its own political dominance over the other competing ethnicities. During the Stalin era, the borders of these republics had been artificially drawn so as to foment this sort of volatile situation; Stalin's divide-and-rule policy, supplemented by the total repression of these peoples by his NKVD, kept the ethnic hostilities under Center control and subject to strategic provocation by the secret police, which, in turn, fueled the fires of ethnic hatred in the
dictator's efforts to distract the people from opposing his totalitarian rule.

When in 1991 the former Soviet republics became sovereign states, each of their governments could, in theory, create and control their own institutions, free from Kremlin control and interference. However, within the security and intelligence sector, many of the old Soviet KGB institutions were simply renamed.

As previously noted, each republic had created its own KGB. However, this often amounted to a simple facelift of the old organization. As Amy Knight pointed out, even though some former KGB officers, (specifically, those of Russian nationality) returned to Moscow, many of the native KGB staffers retained their positions in the newly-former republic intelligence apparatuses. Furthermore, these same native KGB staffers maintained their chekist ties with Moscow, which, moreover, continued to exert its influence in the republics through these chekists.

Since the Russian MSB (KGB successor agency created in the wake of the CIS' formation) had claimed the material and financial resources of the former Soviet republic KGB units immediately following the dissolution of the USSR, the new agencies that replaced them were (left) weak and disorganized. As Amy Knight notes, those personnel that had remained with the newly-created republic KGBs were
experienced in counterintelligence and domestic security, but lacked any foreign intelligence capabilities."^91

The Kremlin's strategic reasoning here was its intention on thereby placing the republic's security forces in a weakened state, and, hence, creating as much dependency as possible on their maintenance of old links with the Center to help ensure Moscow's control over the political stability or instability throughout the region. Thereby, Moscow could retain some control over events there, maintained through the utilization of Russian military troops, thousands of which remain based within (most of) the republics. Moreover, the Kremlin's arming and supporting of those forces that are pro-Moscow and pro-reintegration minded continues while, so, too, does intimidation of any opposition.

Former KGB FCD personnel either pulled out or they stayed and continued to work in the newly-created republic KGBs, but for the TsSR-SVR, rather than for the new republics' interests specifically. Moreover, SVR and top military officers, since they controlled Russia's weapons sector, supplied any groups to their choosing with (conventional) weapons of their choosing. As such, while keeping the republics in a state of civil war or turmoil, these officers additionally made large sums of cash on weapons deals. In her 1996 book, *Spies Without Cloaks*, Amy Knight accounts Russian media stories of just these sorts of
trades. Naturally, such deals involved corrupt officials and organized criminals, and as a Russian journalist noted, provided great incentives -- personal profits, which a portion of are used to thwart any official investigations that may arise through the payment of bribes and, further, are used to keep feeding the fires of conflict.

Since many of the CIS states possessed valuable natural resources, plus strategic worth (they shared borders with the Russian Federation), one could not expect Russian foreign intelligence to just leave their control to the indigenous peoples. Like the old Soviet KGB's informant networks in post-communist East Europe, its networks remained intact in the Russian republics also. This fact can be partially attributed to the KGB's maintenance of its voluminous files. As Amy Knight noted, this perpetuating situation makes it likely that the SVR is currently the main intelligence-gatherer in the CIS states, especially since the remnants of the former Soviet republic KGBs do not have the skills or capability for this task. Rather, Russian integration with these states is a Moscow foreign policy priority, as Yeltsin indicated in 1994, and Kremlin officials have repeatedly stated since then. Further, Amy Knight notes that Yeltsin tasked the SVR "to acquire 'preemptive information' on the plans and intentions of the West toward the other CIS states and also tasked the service
to 'systematically monitor' the situation along Russia's borders.\textsuperscript{96}

According to Amy Knight, the SVR's role in the "near abroad" has been to provide Yeltsin's government with intelligence on the political situation there.\textsuperscript{97} Surely, since many of the republics contain a wealth of natural resources, the SVR also gathers economic intelligence. Indeed, Russia zealously seeks to maintain its hold on future access to republic resources even while the development of their resources and, in turn, economies could benefit greatly by the use of U.S. technology, which is a necessity for their realization of the massive wealth they contain and which Moscow cannot currently provide. For example, instead of republic interests sharing the resources with Western oil firms in exchange for technical and drilling expertise, rather, the "new oligarchy" employs the SVR to work to help Russian businessmen to steal it. (Russian officials constantly attempt to maintain or to take control over republic resources, which they tend to believe are theirs).

As Karen Dawisha observed, Yeltsin's foreign policy emphasizes that "the sphere of Russia's economic, political, and humanitarian interests extends to the entire post-Soviet space"\textsuperscript{98} and, moreover, hovers in its neo-imperialist stance over these states, in an attempt to stake its claim as the "protector of their national security interests."
Certainly, there is a great amount of SVR-FSB collaboration in the "near abroad." The SVR extends its influence through its relationships with the FSB, which maintains a close relationship with the new republics' security and intelligence organizations. As Amy Knight noted, between 1992-94, intelligence cooperation agreements were signed between Russia and all of the CIS states.96 These agreements serve as the overt and official basis for chekist (domestic and foreign intelligence) collaboration.

Indeed, Russian political leaders' recent and ongoing displays of paranoia of American influence on Russia's or the former Soviet republics' policies is reminiscent of Stalin's psychopathic concern about U.S. influence and the spread of capitalist democracy into the Soviet Union.

As many American scholars suggest, Russia's current foreign policy in the "near abroad" is the reassertion of imperial control, which would only serve to undermine the democratic process that has begun there. Obviously, Moscow aims to accomplish this objective through "reintegration", whether voluntary or by force, (when possible), as the Russian military's recent bombardment of Chechnya demonstrated. Indeed, it has been suggested that one of the Kremlin's main purposes in attacking Chechnya was to prepare the building of a pipeline through the city of Grozny.100

Moreover, the SVR, in collaboration with the FSK, is currently fomenting conflicts in other former Soviet
republics in an effort to maintain their political instability and, hence, their dependency on Russia for security, in stark contrast to Moscow's claim that it seeks an end to the ethnic hostilities and, rather, political stability throughout the region, as implied in its new military doctrine.\textsuperscript{101}

The case of Azerbaijan provides a clear example of Kremlin thinking toward the "near abroad," particularly in regard to those republics that possess significant amounts of natural resources. Not surprisingly, Azerbaijani President Gaidar Aliyev has been the target of four coup attempts, each believed to have been supported by Moscow.\textsuperscript{102}

In another example of Russian intervention in Azerbaijan, Moscow has exploited the ethnic conflict between Azerbaijan and the republic's Armenian enclave, Nagorno-Karabakh, in an effort to induce Aliyev to cooperate in favor of Russian "new oligarchy" oil interests, rather than with established Western oil firms,\textsuperscript{103} which have an interest in forming JVs and consortiums with the Aliyev government to develop Azerbaijan's oil. As Jim MacDougall points out, it is in Moscow's interest to continue the Nagorno-Karbakh conflict since it improves and secures its potential control over the flow of future Caspian oil (by forcing any oil pipeline north, through Chechyna).

The contemporary Central Eurasian political landscape is one where the oil-rich Caspian Sea region encompasses the
strategic space between Russia and Iran. Surely, both SVR and Iranian intelligence officers are vigilantly monitoring and attempting to influence events in this highly-volatile, but resource-rich territory. Energy resources in the Caspian Sea region alone have been estimated to contain up to 200 billion barrels of oil and natural gas.\textsuperscript{104}

Particularly since Azerbaijan gained independence from Moscow, Aliyev has welcomed Western investment. Hence, to thwart warmer relations between the Azerbaijan government and Western oil firms, Russia has illegally provided more than $1 billion in arms to neighboring rival Armenia, allowing it to occupy 20 percent of Azerbaijan in its efforts to undermine U.S.-Azerbaijani economic goals. Furthermore, Russia has provided Iran with nuclear-related technologies, missile components, and other advanced equipment, presumably for exchange of cooperation in thwarting U.S. oil investment there. A joint statement was issued by Russia and Iran in June 1996 stating that, "Iran and Russia should cooperate with regional states to prevent the presence of [United States] power in the Caspian Sea."\textsuperscript{105}

The warmer relations between Russia and Iran are not only political and economic. The Russian intelligence services have also developed a paramilitary link with Iran.\textsuperscript{106} The SVR is back in the business of training terrorists as evidenced by the fact that in early 1995, SVR-chief Primakov met in February, and again in July, with
Iranian intelligence chief Ali Fallahian. These meetings culminated in the signing of an accord on cooperation, in addition to the closing of orders for eavesdropping and transmission equipment, the stationing of Russian experts in Iran, and the SVR's creation of a regional hub in Teheran that covers Azerbaijan, Afghanistan, Pakistan, Oman, and the UAE. Reportedly, the Iranian government wanted Primakov to aid in improving Iranian security and intelligence services, a task Russian intelligence was only too eager to fulfill. According to Egyptian intelligence, a delegation of around 250 Iranian security officials returned from a 7-month long SVR training visit to Moscow on September 10, 1995.

In observing the recent Primakov-Fallahian exchanges, a senior Pentagon official aptly noted that "Directors of intelligence don't meet with each other without agreements on exchanging information." Further, he stated that, "Primakov has an interest in more than just selling nuclear reactors and guns to Iran. His ties are also part of a new strategic relationship that gives Russia an entry to [Persian] Gulf politics." Furthermore, as Weinberger and Schweizer insightfully noted, "If Russia and Iran succeed in their designs on the Caspian, they will have potential leverage over Western economies, which will be left to rely on the unstable Persian Gulf region for oil."
And, in fact, Russia continues to work toward warmer relations with those Middle Eastern countries that have historically been antagonistic to democratic and Western ideals, mainly by providing favorable arms deals. The Russian relationship with these states is not limited to arms deals, however; Moscow also seeks to gain influence and expand its markets in the Middle East through the oil and gas business. Toward this end, and in flagrant disregard for the international sanctions against Iraq, in March 1997, Russia signed a $10 billion oil deal with the Iraqi government. Nevertheless, the main thrust of Moscow's aims in the Middle East remain within the weapons sector.

Throughout the cold war, Soviet policy in the Middle East had been to support rogue states such as Libya, Iraq, and Iran. Primakov's prior service and agenda as KGB FCD head, later SVR chief, and currently Russian Foreign Minister has proven predisposed to arming and supplying terrorists in those same regions. In 1990, Deputy Foreign Minister Victor Posuvaluk stated that, consistent with recent Soviet history, Russia intended "to pursue an increasingly active policy" in the Middle East. He asserted that "Russia will keep up contacts with those who are regarded as outcasts." Moreover, he claimed that "it would be a mistake to withdraw from the Middle Eastern arms market."
When Yeltsin appointed Primakov to the post of Foreign Minister (FM) in January 1996, and appointed SVR first deputy Col. Gen. Vyacheslav Trubnikov, also an "Orientalist," as SVR-chief (Aleksei Scherbakov became Trubnikov's replacement), a continuation of Primakov's (with Yeltsin's support) initiatives in the Middle East was assured.


8. Ibid., p. 119.


15. Ibid., p. 114.


28. Strategic Intelligence, op. cit.


31. Wise, op. cit.


34. Ibid., p. 127.


39. Ibid., p. 18.


41. Ibid., pp. A1, A38.

42. Squitieri, Tom with Mimi Hall contributing. "Love and money drove spy suspect, FBI says." *USA Today*. November 20, 1996. p. 9A.

43. Ibid., p. 9A.


52. Ibid.


58. Knight, op. cit. p. 246.


60. Ibid.


64. Knight, op. cit. p. 136.

65. Ibid.


71. Ibid.

72. Ibid.


78. Ibid.


89. Knight, op. cit. p. 133.

90. Ibid.
91. Ibid.
92. Ibid., p. 241.
93. Ibid.
94. Ibid., p. 134.
95. Ibid.
96. Ibid., p. 129.
97. Ibid., p. 133.

100. Dawish, op. cit.
101. Ibid.

103. Ibid., p. 96.
105. Ibid.


108. Ibid., p. 1.

110. Weinberger and Schweizer, op. cit.


CHAPTER 7

CONCLUSION

The problem the international community faces is that it has become very difficult to distinguish SVR officers and organized criminals from Russian businessmen. Since the "new oligarchy" controls Russian business, intelligence is gathered for both the state and private business. Hence, the Russian intelligence services are collecting information that fits the agenda of those very same people who are responsible for the massive theft of Russia's resources and the billions of dollars worth of capital flight.

A question that must be asked is how long can the Russian state withstand the unproductive exploitation of resources that contributes nothing to the economy itself? Currently, members of the "new oligarchy" control a majority of Russia's commercial enterprises and virtually all the major industries. Because the top industrialists use their political connections to gain tax and export exemptions and therefore do not pay taxes, coupled with the government's failure or inability to gain revenues because of a tax collection system within which corrupt personnel accept
bribes to subsidize their minuscule incomes rather than attempt to collect taxes, the Russian tax base has become exceedingly narrow. Consequently, millions of Russian soldiers and pensioners have not been paid for months. This situation could lead to great unrest and instability, and, hence, poses a threat to states outside Russia's borders.

In 1995, Yegor Gaidar argued that the greatest danger to Russia's economy was the integration of private business and government. And, as Moscow News' columnist Vladimir Gurevich explains, this is the situation describing the relationships that have become the trend in Russia today. By 1996, criminal groups and commercial enterprises had become completely integrated. Victor Loshak, Moscow News' editor-in-chief, made this point in May 1996 when he stated that, "Today the success of Russian business is said to have a lot to do with its proximity to the Kremlin." Further clarification is provided by the statement of Boris Berezovsky that, "it would be absolutely hypocritical to maintain that business is developing strictly according to laws declared by the state ... everyone who is successful in business today, without exception, has some sort of relationship with concrete individuals at the top."

Again, how long can the Russian economy and state withstand this trend? Because OC controls many Russian banks, the country is becoming a preferred location for money-launderers, who can easily move bulk money across the
Russian border by simply paying bribes to Border Troops and then concealing the cash within packaged goods and vehicles, employing the same methods used to smuggle people, stolen cars, drugs, and other illegal goods across state borders. Even terrorists such as the ones who bombed a Moscow city bus in October 1995 succeeded in bribing their way across the border.⁶ Others have labeled the paying of bribes to border guards and customs officials "routine."⁷ In fact, the corruption is so deep-rooted that many security officials conspire to make it difficult for the consumer to get a visa, make a telephone call, or get a car (which may be loaded with all sorts of contraband), across the border without first paying a hefty bribe.⁸

At a July 1996 conference on "The Shadow Economy: Its Economic, Social and Legal Aspects" held in Moscow, deputy chief of the FSB's Economic Counterintelligence Department, Vladimir Sergeyev, pointed out that whole regions of Russia are totally controlled by OC and that close to 70% of 'dirty' money equal to about 50 trillion rubles a year is currently being laundered through illegal commercial structures.⁹

The problem of money laundering exists not only in Russia but also throughout the Russian republics where an even greater deterioration of life and economy are accompanied, and further, compounded by the workings of notoriously corrupt law enforcement agencies. The lack of
government funds contributes directly to this situation. For example, Kazakhstani KGB Chairman Jenisbek Jumanbekov stated in early 1996 that the country faced a serious problem of forged bank documents, illegal exporting, and money-laundering. He asserted that literally billions of dollars worth of false bank guarantees had been confiscated in 1995 alone. The problem is not confined to individuals of the FSU. Gangsters around the world exploit the Russian banking situation. For example, Jumanbekov also had discovered that members of the new Nigerian government had aimed to transfer $30-40 million dollars into Kazakhstani bank accounts.¹⁰

In 1994, Russian specialist Louise Shelley observed that, "domination by the Communist Party may be replaced by the controls of OC."¹¹ And, indeed, that is exactly what has happened: a banking oligarchy consisting of OC elements has become a dominant power structure in post-Soviet Russia. The threat OC poses to the international business community is real, and it is growing. Many Russian banks have been working to become reliable and stable enough to enter U.S. financial markets, a move which would enable foreign companies to trade on the Russian stock market.¹² Already, the American Securities and Exchange Commission (SEC) has enforced action against a Russian investment fund that was charged with making an illegal public offering of securities by advertisements published in the New York Times.¹³
The spread of Russian OC has no boundaries. And where there is Russian OC, there are Russian intelligence operatives. Any state's economy may be targeted, as evidenced by the fact that by the mid-1990s, reports had surfaced of Russian dummy bank operations in foreign countries. In 1996, for example, Spanish intelligence (CESID) officials alleged that the Russian mafia, through Russian dummy banks, was laundering money in the Spanish tourist industry and also real estate. Further, they alleged that the Russians were "rushing" to take over Spanish private banks in order to launder mafia money through them and, ultimately, to gain control of Spain's finances.¹⁴

In another example, a report indicated that Russians were "buying up companies" and purchasing controlling interests in many local firms and industries in Cyprus. In addition, the report stated that Russian intelligence was building up an infrastructure there as a control base for its Middle East operations.¹⁵

Corruption at the highest levels of the Russian government has exacerbated the economic problems that the Kremlin faces, particularly in light of its lack of revenues. Moreover, the continued flight of state capital by corrupt officials has plagued the reform process. For example, the 1995 boom in Russian-Spanish business in the tourism and real estate sectors can in part be attributed to
Russia's lack of laws on the acquisition of foreign real estate. Indeed, the nonexistence of any established tax rate in this sphere could even be perceived as a "legalization of capital flight." The process involved was one in which real estate acquisitions were accomplished in the name of foreign companies with overseas accounts that were opened without Russia's Central Bank's permission; thus, the result was that when Russians (typically members of the "new oligarchy") purchased foreign real estate, usually with laundered money, there was no contribution to the state budget and the Russian government had no recourse to recover either the stolen money or taxes on its use. 

The Kremlin justifies the activities of the KGB's successors on the grounds of "national security." A more accurate description would be "personal and political security"; as part of the "new oligarchy's" search for profits and private gain, the Russian security and intelligence services use their JVs with foreign partners and firms throughout the world as the cover for their espionage and recruitment activities. This is the essential role of the chekists in the contemporary world --- to enrich themselves and their comrades through espionage and the control of Russian business.

Moreover, OC plays a major role here, as Professor Yakov Kostyakovsky, a researcher at the St. Petersburg branch of the Sociology Institute has pointed out; that is,
entrepreneurship in Russia today originated as OC activity; specifically, when "thieves-in-law" were invited to manage banks. The trend is continuing. Because of the lack of clear tax legislation, the Federal Tax Police's corruption, and the government's levying of exorbitant taxes on any honest firms that may exist, the state's economy and the Russian standard of living suffer tremendously. And those tax police who do try to do their job, face tremendous obstacles. In a vivid example of the problems associated with tax collecting, in 1996, 26 Russian tax collectors were killed and 74 were injured in the course of their work, six were kidnapped, and 41 had their homes burned down.

To illustrate the extreme range of corruption, a Tax Police report noted that massive amounts of taxpayer funds had been passed through banks known to be insolvent. The report suggested that to prevent this from occurring and to persuade companies to make tax payments through bona fide banks would require tax obligations to only be considered fulfilled when the tax payment was entered into the budget account at the proper tax inspectorate. The problem was that it was the officials of government-owned businesses, not the officials of honest businesses (many of these have simply been taxed out of existence), who were cheating the government.

As Russia's financial situation continued to spiral out of control, the West continued to send assistance. Within
the foreign intelligence sphere, Moscow aimed to avoid the foreign policy implications that would accompany the making of illegal arms transfers, which tended to draw the chagrin of America, "The Great Financier," and, consequently, constituted risking a loss in U.S. government-backed loans or International Monetary Fund and World Bank monies. These monies were meant to be used as leverage to coerce the Russian government to keep the scale of corruption within certain limits. However, as J. Michael Waller pointed out in a 1996 article concerning American aid to Moscow, paradoxically, U.S. dollars have only discouraged reforms and abetted OC and official corruption.20

Any domestic opposition to Kremlin policy continues to be perceived, posited, and condemned by the Russian security and intelligence services, and the masters they serve, as subversive conspiracies engineered and designed by the West.21 Indeed, the Russian propaganda machine continues to be very powerful and influential and remains in force, contrary to Moscow's claim of its demise. The KGB's successors' efforts to affect and alter world opinion to perceive the Russian intelligence services as "reformed," with legal controls, continue on a grand scale. The chekists' role in the Kremlin's public relations, as J. Michael Waller closely examined in his 1994 book on the KGB,22 remains prominent. So long as Moscow continues to accuse the West as being the source of Russia's problems,
labeling any Western assistance as "subversive," and fails to stifle corruption, make and enforce laws, and improve its situation from within, the country will only worsen its present state of affairs, particularly within the economic realm.

In a June 1996 report to the Moscow State Institution of International Relations outlining Russian foreign policy, Primakov stressed the need for an active foreign policy. He must have had the SVR in mind when he stated that external factors must be actively created for dealing with the domestic situation, particularly the economy. Cries for aid to help the "poor Russian people" are laughable when it is only the ruthless new oligarchy that reaps the benefits of foreign economic aid. Indeed, his statement is a call for technological, industrial, and economic espionage assistance and intelligence. Thus, Primakov inferred that the SVR, (which Primakov strongly influences since the Russian foreign intelligence service is currently headed by his former SVR first deputy, Trubnikov), was conducting its economic espionage offensive as an attempt to heal the Russian economy. That idea is ludicrous. In reality, the information gained through Russian espionage, again, has only aided "new oligarchy" businesses, and certainly has not been used to any benefit to the Russian populace, and particularly the peoples of the former Soviet republics, whose societies and resources Moscow continues to exert
great influence over. Moreover, the point was somehow missed that enforcing codified and unambiguous laws, applicable to all, would be the first step in healing the Russian economy.

In order to strengthen Russia's international position, Primakov stressed the need to coordinate its foreign policy-making bodies because, he stated, the situation where each ministry has its own foreign policy must end. Further, he called for Russian ambassadors in foreign lands to take responsibility to coordinate the activities of all active Russian agencies within their respective countries.24 Hence, Primakov's emphasis on forging some "coordination" among Russian security and intelligence services demonstrated a planned effort to streamline chekist organizations, goals, and interests, to the new oligarchy's benefit.

It is evident that the world is presently being confronted by a new and forceful espionage offensive orchestrated by Moscow and currently being carried out by the products of the former KGB, Russia's corrupt political leadership, and powerful, organized criminals who now have well-developed international networks with which to ply their criminal trade. These networks currently have the capability to channel anything from stolen shoes to nuclear weapon components.
The international community must work to prevent the spread of nuclear weapons, as instability in a nuclear-armed state constitutes a global threat, particularly when that state is controlled by organized crime. This will prove a difficult task in the face of the vast differences in current American and Russian perceptions. Former Russian National Security Advisor Aleksandr Lebed exemplified the point when he responded to ABC News' Ted Koppel's question regarding US-Russian relations vis-a-vis the safekeeping of nuclear weapons. Koppel asked, "Should we worry?" Lebed stated, "We are all products of the cold war." And so the chekist legacy continues.
ENDNOTES


22. Waller, op. cit.


24. Ibid.

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