U.S. Identifies Russian ‘Nexus’ of Organized Crime

By Glenn R. Simpson | February 10, 2010

After two years of research, the U.S. intelligence community has formally concluded that the governments of Russia and other Eurasian states actively collaborate with organized crime groups.
Director of National Intelligence Dennis Blair
(Getty Images)

The finding was made public in a little-noticed section of an annual survey of national security threats released on Feb. 2 by Director of National Intelligence Dennis Blair.

There is an “apparent growing nexus in Russian and Eurasian states among government, organized crime, intelligence services, and big business figures,” said the report, unveiled at a hearing of the Senate Select Committee on Intelligence.

The language fingering Russia is an unusually direct identification by the U.S. of what analysts view as a growing menace to U.S. national security. For diplomatic and other reasons, the Russian state has rarely been singled out publicly before.

In last year’s annual national security report, Blair cited a threat from “Eurasian criminal groups,” without identifying Russia specifically. And in an April 2008 report, the Justice Department said international organized crime was undermining the integrity of U.S. banking and financial systems and commodities and securities markets. But it did not link the criminal activity to the Russian state.

Blair’s statements are the product of the first National Intelligence Estimate on organized crime since 1995. Two years in the making, it is a consensus reached by all the major U.S. intelligence agencies, based on extensive research and debate. As such, the finding carries significant weight.

The Department of Justice has requested $15 million in new funding for fiscal year 2011 to combat what a DOJ budget document is now calling an “unprecedented” threat to the U.S. from international organized crime.

The threat is complex and poorly understood by the public. It is not as easily grasped as terrorism. It is more insidious, weaving criminal interests into business relationships throughout a globalized economy, often in strategic industries like energy and finance.
“An increasing risk from Russian organized crime is that criminals and criminally linked oligarchs will enhance the ability of state or state-allied actors to undermine competition in gas, oil, aluminum, and precious metals markets,” Blair added in his statement.

Russian Prime Minister Vladimir Putin and Oleg Deripaska. (Getty Images)

This appears to be a reference to, among other things, the alliance between Russian Prime Minister Vladimir Putin and Russian aluminum king Oleg Deripaska, who is unable to obtain a multiple-entry visa to the United States due to what U.S. officials suspect are his organized crime ties.

In what now seems to be an epic blunder, the FBI last year gave Deripaska special permission to enter the country to discuss a possible acquisition from General Motors Co. The deal never happened, but the special entry allowed Deripaska to meet with executives from Goldman Sachs Group Inc., pose for a photo alongside GM’s then-CEO Fritz Henderson, and claim to his investment bankers that his U.S. legal problems had been cleaned up. He recently sold shares of his metals conglomerate, UC Rusal, on the Hong Kong stock market with help from Bank of America. Deripaska has denied any ties to organized crime.

**State Capture**

U.S. analysts have concluded some Eurasian governments are now so intertwined with
international organized crime groups that the two are almost synonymous — a situation they call “state capture,” i.e., the state has been captured by criminals.

U.S. analysts see Russia as the classic example of this phenomenon, where the leadership is thoroughly enmeshed in organized crime activity, and is probably profiting. In this context, organized crime also becomes an instrument of state power.

The situation may be even worse than Blair let on publicly. According to several people informed on the matter, U.S. intelligence agencies have concluded Russia’s top leaders are personally benefiting from this system.

In recent weeks, the new intelligence findings have been briefed around Washington at the highest levels, including to President Barack Obama and congressional leaders of the intelligence committees, according to people with direct knowledge of the matter.

The findings are likely to have a big impact on the Department of Justice, where the Organized Crime and Racketeering Section has been starved for resources as funding shifted to the fight against Islamic terrorism. The FBI’s small organized crime shop, which is woefully lacking in Slavic language experts, may also see a boost.

The major message of the new intelligence review is that far more funding needs to be directed toward fighting sophisticated international organized crime groups.

The $15 million in new funding requested by the DOJ in fiscal 2011 to fight international organized crime will go toward several new initiatives.

Some $7.6 million is earmarked for a new International Organized Crime Intelligence and Operations Center, known as IOC-2. The DOJ agencies that will participate in the center include the Bureau of Alcohol, Tobacco, Firearms and Explosives; the Federal Bureau of Investigation; the Drug Enforcement Administration and the 94 U.S. Attorney offices throughout the country.

The IOC-2 will also draw on the expertise of non-DOJ agencies, including the Secret Service; Postal Inspection Service; State Department’s Bureau of Diplomatic Security; and the Treasury’s Office of Terrorism and Financial Intelligence.

Attorney General Eric Holder announced the IOC-2 last May, but it has yet to be funded.

The 2011 budget request also includes $5.4 million to establish a new support office for the Attorney General’s Organized Crime Council. Most of that money will go toward prosecution support, including overseas travel, wiretapping, translation services and other costs, the DOJ budget request says.
U.S. girding for a fight?

While Blair’s newly public findings come as no surprise to senior law enforcement officials in the U.S. and Europe, the fact that the entire U.S. intelligence community now agrees on the threat could signal a potentially dramatic shift in U.S. policy.

Indeed, it appears the U.S. government is girding for a more open confrontation with international organized crime groups and the governments that enable them to thrive — most notably Russia. The State Department already has a program against gangster CEOs called the Russian Business Investigations Initiative, “to combat Russian and Eurasian organized crime groups seeking entry into the United States.”

At a time when the United States and Europe are beset by a host of other, better-recognized economic and national security challenges, many security experts tend to regard the growth of international organized crime as a chronic but manageable condition.

To do so is a grave mistake, the U.S. national security community is now saying. While Osama bin Laden may fantasize about “capturing” Afghanistan or Pakistan, organized crime groups may already be operating unfettered in the Kremlin.

And thanks largely to the spread of high technology to the underworld, it’s not hard to imagine a world where criminal groups are capable of destabilizing Western countries in ways that Al Qaeda can only dream about.

According to U.S. officials, there is ample evidence that Russian, Chinese and other organized crime groups are routinely penetrating our biggest banks and companies and making off with millions of dollars in electronic cash and billions in intellectual property.

These groups are a Napster of nuclear proportions, plundering our knowledge economy — appropriating our songs, our books, our medicines, and our software code. The trends “increasingly favor” organized crime, Blair said. In fact, U.S. agencies have concluded, secure cyber systems are probably five years off — if they are attainable at all.

While Eurasia is clearly the region of biggest concern when it comes to international organized crime, the corrupting and destabilizing activities of international organized crime groups is felt around the globe, including some rather forgotten places like Ecuador.

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