

Crime and Crimea: Criminals as Allies and Agents

By Mark Galeotti

This article is published in English by The Henry Jackson Society by arrangement with Radio Free Europe / Radio Liberty. The article reflects the views of the author and not necessarily those of The Henry Jackson Society or its staff.



¹ **Mikhail Volkov is a cop in Moscow (up to a point) and Viktor Skvortsov is a criminal (of sorts), but even back in May they were both using the same words to describe Crimea: a business opportunity.**

Viktor no longer really runs with the Muscovite underworld, but he still trades on his old associations with the now-global Solntsevo network from the freebooter 1990s, which are good enough to get him invited to the occasional mobster-“biznisman” birthday party or funeral. From time to time, his old contacts either need a favour or ask one of him, and his ill-defined “import-export business” appears to find itself the conduit for dubious commodities which may or may not be what is on the customs manifest.

Mikhail—and for obvious reasons neither of these are their real names—is not so much on the other side of the fence so much as another on-and-off entrepreneur of legality. He’s a police detective whose case load often involves organized crime and who has managed to find ways of balancing securing enough convictions to rise slowly but steadily up the chain of command, while at the same time turning a blind eye with sufficient frequency to acquire the kind of money that buys a top-of-the-range BMW, a luxurious dacha outside Moscow, and—until they were banned for police officers—regular trips abroad. Either way, he navigates the underworld with at least as much aplomb as Viktor and with seemingly as many friends there, too.

They were united in separately enthusing about the boundless illicit economic opportunities to be found in annexed Crimea. As up to US\$4.5 billion of federal funds flow in, thanks to the Kremlin’s determination to make a Potemkin peninsula into a symbol of the value of becoming part of the Russian Federation, there was ample scope for kickbacks, sweetheart deals, and simple ‘attrition’ of construction materials.

Meanwhile, Simferopol could begin to challenge the Ukrainian port of Odessa as a smuggling hub. Until this year, Odessa handled the lion’s share of not just Ukrainian but also Russian smuggling over (and very occasionally under) the Black Sea. With around a third of all Afghan heroin now being trafficked along the ‘Northern Route’ through Russia, this was an increasingly lucrative place to do business, and the criminal elites of Odessa were getting rich on their cut. Whether or not Simferopol ever could emerge as a credible rival, especially in light of Western sanctions, is in a way irrelevant: the very possibility that it might has forced Odessa’s godfathers to lower the “tax” they levy on criminal traffic through the port, an example of black market economics at its most basic.

Embezzlement, corruption and smuggling in and through Crimea will be a big business. Already, preliminary Interior Ministry figures for the first three months of Russian control show that smuggling, economic crime and violent offenses rose by between five and nine per cent. However, when it comes to Russia, the biggest illegal business tends to be government, and this is no exception. After all, what the Crimean annexation has demonstrated in especially stark form is the connection between crime and the Russian state that is not essentially parasitic and competitive (as it is when criminals embezzle the federal budget) but instead complementary and symbiotic. Indeed, Crimea is a case study both of the way that the Kremlin uses criminals as instruments of state policy and also how the underworld and upperworld have become inextricably entwined as a consequence.

¹ This paper was written for the Russian Service of Radio Free Europe / Radio Liberty. It can be accessed at, Galeotti, M. ““Seylem” i “Bashmaki”: Krim i kriminal do i posle rossiyskoy annekzii”, *svoboda.org*, 27 October 2014, available at: <http://www.svoboda.org/content/article/26656786.html>

Crime and Commerce

From the first, Moscow's campaign to wrest Crimea from Kiev depended on an alliance with local underworld interests. Sergei Aksenov, the premier of the new Crimean region has a gangster past, having gone by the nickname of "Goblin" back when he was one of the "Salem" organized crime group in the 1990s. Aksenov rejects this charge, of course. He recently told the Russian newspaper *Kommersant* that "It's all lies. If I had skeletons in the closet, I would not have gone into politics." However, the one time he tried to sue someone who made these allegations, the Appeals Court dismissed his defamation case as groundless.

Nonetheless, the respective trajectories of both Aksenov and Salem tell us something about Crimea's own development, and the role the criminals could play in Russia's near-bloodless seizure of the peninsula. Even before the collapse of the USSR at the end of 1991, Crimea in general and Simferopol in particular had become free-wheeling havens for smuggling, black marketeering and a lucrative array of embezzlement schemes centring on the region's health spas and holiday resorts. As independent Ukraine struggled in the early 1990s both with economic crisis and the near-collapse of its law-enforcement structures, organized crime assumed an increasingly visible and violent form. Simferopol was fought over by two rival gangs, the Bashmaki ("Shoes") and the Salem (named after the Salem Café, in turn named after Simferopol's sister city). They were at once entrepreneurs and predators, forcing local businesses to pay tribute and sell their goods on pain of arson, beatings and worse. Viktor recalled one ferry trip to Kerch, at the eastern tip of the peninsula, in which he was accompanied by a courier carrying a suitcase stuffed with cans of whitefish roe, which Salem would force restaurateurs to buy as "beluga caviar," a gaggle of prostitutes recruited for brothels in Yalta, and a pair of hung-over and heavily-tattooed "bulls"—mob enforcers—returning from a party in Novorossiysk. As he put it, "all Crimean crime was on that boat."

This was an inherently unstable situation; not only was there pressure from political and business elites for the police to reassert their authority, but the gang war was beginning to prevent either side from actually turning a profit. The conflict escalated until a paroxysm of murder and violence in 1996 which appeared to leave both gangs all but destroyed. It also opened a window of opportunity for Gennady Moskal, the Crimean police chief between 1997 and 2000, to launch a crackdown on overt gangsterism.

Crimea became a more peaceful place, but claims that the gangs were broken was a convenient fiction. Through Viktor, I got to meet Alfrid Ibragimov, a grizzled Tatar veteran of the 1990s gang wars, and he put it that "the punks just grew up, they realized wars were bad for business and there was a lot more money to be made in business. Moskal just helped them make the jump." To be sure, both the Bashmaki and Salem had suffered major blows, especially the former, and likewise the police were beginning to get their act together. However, in practice, the main damage had been done to the foot soldiers on each side. The more senior and less overtly thuggish leaders—including one *brigadir*, or mid-ranking overseer, known as "Goblin"—instead took their money and their connections and went (semi)legitimate, in business and politics. Indeed, usually they were involved in both, leveraging their continued, although less overt, criminal alliances to further their political and economic ends.

By the 2000s, these gangsters-turned-businessmen were increasingly dominant within the Crimea. Kiev appeared to have little interest in bringing good governance and economic prosperity to this peninsula of ethnic Russians, and this gave the local elites both free reign and also a perverse legitimacy. As one Crimean told me during Vladimir Putin's second inauguration as president, in 2004, "we want our own Putin. He may be a tsar, but he is a tsar who at least governs, and who

knows what his people want.” Ukraine was at the time embroiled in the acrimonious campaign which led to the election of reformist Viktor Yushchenko against Party of the Regions candidate (and subsequent president) Viktor Yanukovich. It was telling that Yushchenko had very little support in Crimea—but Yanukovich, the ostensible candidate of the east and the Russian-speakers, received lacklustre support there, too. Crimea regarded itself as neglected by and separate from the political mainstream.

In this political, economic and social vacuum, the new mafia-business-political empires could thrive. As one US embassy cable in 2006 put it, these “Crimean criminals were fundamentally different than in the 1990s: then, they were sportsuit-wearing, pistol-wielding ‘bandits’ who gave Crimea a reputation as the ‘Ukrainian Sicily’ and ended up in jail, shot, or going to ground; now they had moved into mainly above-board businesses, as well as local government.” It added that “dozens of figures with known criminal backgrounds were elected to local office in the March 26 elections.” Viktor Shemchuk, former chief prosecutor of the region, recalled that “every government level of Crimea was criminalized. It was far from unusual that a parliamentary session in Crimea would start with a minute of silence honouring one of their murdered ‘brothers.’”

The key commodities were control of businesses and, increasingly, land. Some of the former leaders of Bashmaki, for example, were accused of trying to take over SC Tavriya Simferopol, Crimea’s main football club, largely for the properties it owned. More generally, as prices rose—especially as Tatars, displaced from their Crimean homelands under the Soviets, began to return home—the gangster-businessmen and their allies within the corrupt local bureaucracy sought to snap up land and construction projects to take advantage of this market.

Crime and Conquest

One of the dangerously unremarked aspects of this creeping criminalization was its Russian connection, something also symbolized by Viktor’s ferry-boat ride. Although Crimea was part of Ukraine, many of the most lucrative criminal businesses, such as trafficking narcotics and counterfeit or untaxed cigarettes, depended on relationships with the Russian criminal networks. According to Alfrid, likewise the peninsula’s dirty money was typically laundered through Russian banks and in the process became all but untraceable for the Ukrainian police. This meant that when the Ukrainian state began to totter as President Yanukovich struggled with the Maidan protesters, already Moscow was able to begin to reach out to potential clients in Crimea through underworld channels. According to Mikhail of the Moscow police, representatives from Solntsevo had visited Crimea for talks with locals even before February 4, when Crimea’s Presidium, or governing council, considered a referendum on its status and asking Russia to guarantee the vote, something the Ukrainian Security Service (SBU) decided was potentially an act of subversion. The Muscovites came not just to feel out the scope for further criminal business, but also to gauge to mood of the local underworld.

Aksenov, head of the Russian Unity party, seemed an ideal choice as a Kremlin figurehead. Even though he had been elected to the regional parliament in 2010 with just 4% of the vote, he was ambitious, ruthless, and closely connected with Crimean parliamentary speaker Vladimir Konstantinov, perhaps the pivotal power-broker on the peninsula then and now. Konstantinov has also been persistently linked with organized crime connections and allegations of construction and real estate fraud, although these have not been tested in court. (Then again, not only does he enjoy immunity from prosecution as a parliamentarian, the question is whether anyone would dare go that far anyway; Sergey Mokrushin, an investigative journalist with independent local Chernomorskaya TV, describes him as “untouchable.”)

When Moscow moved to seize Crimea, three different kinds of forces were used. There were the “little green men,” Russian *Spetsnaz* commandoes and Naval Infantry marines, stripped of their insignia, but retaining their discipline and professionalism. There were local police, especially the *Berkut* riot police, who solidly supported the local coup, not least knowing that the protesters in Kiev wanted their whole force dissolved or purged. And then there were unidentified thugs in mismatched fatigues and red armbands, but nonetheless often clutching assault rifles. These “self-defence forces” spent as much time occupying businesses—including a car dealership owned by Ukraine’s next president, Petro Poroshenko—and throwing their weight around on the streets as they did actually securing strategic locations.

According to an official of the local Procuracy—who again asked not to be named—while some were veterans and volunteers, many were the footsoldiers of the peninsula’s crime gangs, including Bashmaki and the descendants of Salem, who had temporarily put their rivalries aside to pull Crimea out of Ukraine. “They knew it would be good for them both,” she added, “and there were powerful people in Moscow who asked them to do it.”

Who were these powerful people? With Crimea now part of the Russian Federation and Aksenov ensconced as Moscow’s local proconsul, the Kremlin seems generally happy to leave power in the hands of the very elites who presided over the corruption and misrule of previous years. The governing State Council is dominated by such holdovers. Even the notional agencies of control are dominated by locals closely associated with the people they are meant to be supervising.

In May, for example, Russian Interior Minister Vladimir Kolokoltsev visited Simferopol for a meeting with local police, and introduced them to their new bosses: Sergei Abisov, appointed as Crimean interior minister, and his deputy, police chief Colonel Dmitry Nekludov. Both are locals, who previously had served in Crimea during Kiev’s ascendancy, and who as a result can hardly be considered fresh blood. Unconfirmed reports suggest that Kolokoltsev actually wanted to appoint an outsider instead of Nekludov—as his position is more directly involved in operational matters—but that this was overruled by the Kremlin, at least in part at the urging of the FSB, the Federal Security Service.

The FSB’s role is even more interesting, though. Whereas most of the police transferred their loyalties to the new regime, the local security apparatus of the SBU largely left the peninsula when the Russians moved in. The FSB occupied their headquarters on Simferopol’s Franko Boulevard, and have made a point of claiming that their command structure is made of outsiders. The regional FSB director is indeed an import: Viktor Palagin, who had previously headed the FSB directorate in Bashkortostan. However, most of the rest of the directorate’s senior ranks appear to be drawn from FSB officers who had previously been embedded within the Russian Black Sea Fleet. While long-standing Russian citizens instead of Crimean Ukrainian-turned-Russians, they are in effect already locals, having lived and worked alongside their counterparts for months or years.

Local sources claim that it was the FSB that brokered conversations between the Crimean political elite and many of the Slavic criminal gangs in the immediate run-up to the annexation crisis and at the time. They also liaised between them and the GRU—Russian military intelligence—which controlled the “little green men.” Part of the deal appears to have been a promise for not only continued opportunities for enrichment but also support against the non-Slavic gangs which had begun to encroach onto their turfs, especially Tatars and North Caucasians. In a signal of this pledge, In June FSB director Aleksander Bortnikov warned, in connection with the claim that a bomb attack in Crimea had been foiled, that “crime bosses and the heads of various extremist

groups, with the support of their foreign sponsors, are continuing to carry out plans to commit terrorist acts in the Russian Federation.” Immediately thereafter, the police and FSB began cracking down on Tatar organizations, as well as legal and illegal businesses controlled by non-Slavic gangs. Deals made were being honoured.

Crime and Consolidation

As a result, Crimea’s criminal and political elites are enjoying a range of new opportunities for enrichment. The first is through simple expropriation. Having already taken his Tavria leisure complex in Yalta, for example, the Crimean State Council has ordered the seizure of all properties owned by Igor Kolomoisky, Ukraine’s fourth richest man and a supporter of Kiev’s. According to Aksenov, the properties are to be sold at auction, with the proceeds used to support the regional budget and also refund locals who had deposits in Kolomoisky’s Privatbank, which then reneged on its commitments in Crimea. However, if past experiences are anything to go by, the auctions will be carefully arranged to transfer assets into the hands of cronies and agents for the least price, or simply raise funds for subsequent embezzlement. More generally, Kiev claims that the Crimean government has illegally seized some 80,000 hectares of land and properties worth 1.5 billion hryvnas (US\$110 million), much of which already appears to have made its way into private hands.

Alfrid Ibragimov, for example, makes no bones about the fact that he is taking many of his liquid assets, largely profits from sweetheart land deals in the late 1990s and early 2000s, as well as a cigarette smuggling ring, and using the cash to snap up properties. “This is like privatization in the 1990s,” he says, “one of those chances in life when you can make a fortune if you move fast and know what you’re doing.” Disarmingly, the 60-something-year-old mobster-businessman calls this his “pension plan.”

Furthermore, Moscow has committed itself to a slew of development projects that will represent honeypots for the gangsters, ranging from repairing roads to building a road bridge across the Kerch Strait to link Crimea to the Russian mainland. In August, Putin pledged 658 billion rubles (US\$18 billion) to this end, to which another 5 billion rubles (US\$139 million) will be spent to construct a new federal university there. Perhaps most striking is Putin’s decision to add Crimea to the list of areas allowed to run gambling ventures. Organized gambling was outlawed across the country in 2009, with the assertion that it was “a dangerous addiction and a magnet for organized crime.” Nonetheless, a few locations were permitted to build and run casino complexes, especially with an eye to the overseas markets. Now Crimea (and Sochi) will be added to the list, with the resort city of Yalta the likely site for a new development. The government has suggested that this might bring in up to US\$750 million a year for the overstretched regional budget—expected to run up a 55 billion ruble (US\$1.5 billion) deficit this year—but again it is unlikely that anything of the sort will actually end up in the public purse.

After all, casinos and their associated leisure complexes have long, rightly, been associated with organized crime. They are prime locations for loansharking, money laundering, vice of every kind, and protection racketeering. Although the local media has talked up the prospect of clashes between Chechen gangs which in the past were heavily involved in illegal and legal gambling alike, as well as a new generation of Tatar gangster, the experience of other sites suggests that it is Russian groups, with political connections, which dominate.

Indeed, with official support, these gangs already seem to be moving to consolidate their position and not so much eliminate as constrain and tame their non-Russian rivals. The infamous Chechens, for example, have been forced to relax their previous tight grip on the local drug trade

and instead hand a share over to the Slavic gangs. Meanwhile, the Tatar gangs appear to be facing a coordinated bid to cut them down to size. The police have launched a number of raids in and around Tatar settlements. In the village of Zhuravki, for example, they were ostensibly looking for marijuana growing sites and processing facilities. At Kolchugino, masked officers said they were after illegal migrants and evidence of banned literature. When they searched the Fontany mosque, they failed to give any reason beyond an “operational investigation.” In part, this reflects a political campaign to marginalize and intimidate the Tatars, in parallel with the decision to evict the Mejlis, their governing body, from its offices in Simferopol. However, this has also served notice on the emerging Tatar gangs that they operate under sufferance. Alfrid, for example, has already lined up Slavic partners for his property deals, including figures from the underworld and also local government. He refers to them as his “roof,” the criminal term for protection.

Crime and Consequences

The common denominator in all these cases is that the gangs with political connections gain protection and privileged access to upperworld and underworld resources. In return, they kick back payments but also provide political support to their allies, in a self-sustaining loop. This is, after all, the essence of the Russian political system in a nutshell. The Kremlin rewards those who demonstrate utility and loyalty, and at the same time expects and demands that they continue to demonstrate those qualities. In the short term, this is a brutally effective means of creating an elite base and maintaining control over it: when everyone is compromised, everyone is vulnerable, and everyone needs regularly to demonstrate their commitment to the boss.

However, it can get out of control. First of all, the temptation in Crimea may be to turn the peninsula into a thoroughly criminalized enclave that goes beyond even the Kremlin’s permissive bounds and begins to pose a challenge to Russian security and Moscow’s credibility. The problem is that there is a potentially massive criminal opportunity for the Crimeans if they are able to supplant Odessa as the Black Sea smuggling entrepôt of choice, especially if they can enhance that with the additional opportunities of easier links with Russian organized crime. According to Viktor the Solntsevo hanger-on, that particular network has continued to send representatives to Crimea, above all to develop local alliances, and by all accounts others of Russia’s larger, inter-regional or inter-national networks are doing the same.

Crimea is a relatively poor region, dependent on inefficient agriculture and often-dated industry and while today Moscow may be willing to subsidize it and pay off the elites, some new crisis or priority may emerge tomorrow. The temptation to build autonomous funding streams and to take full advantage of the region’s unofficial status (as the outside world is almost united in not recognizing its position as a part of the Russian Federation) will be great for a self-interested, under-controlled and over-acquisitive elite.

Thus, while the Crimean experience—and that of eastern Ukraine, too—suggests that Moscow regards criminals as acceptable local representatives and useful agents of control and integration, there are also potential dangers for the centre, too. The comparable illicit opportunities of the Sochi games, the last Kremlin megaproject, led to small-scale gang wars and very nearly a major one, as well. Especially given the slowdown of the wider Russian economy, and thus the shrinkage of profit margins for gangs depending on embezzlement, protection racketeering and the like, then the struggle for the criminal profits in Crimea could also spark wider gang conflicts. When both Mikhail and Viktor spoke of the opportunities in Crimea, in true Russian style they were also acknowledging that no such opportunity comes without serious risk.



About The Henry Jackson Society

The Henry Jackson Society is a think tank and policy-shaping force that fights for the principles and alliances which keep societies free - working across borders and party lines to combat extremism, advance democracy and real human rights, and make a stand in an increasingly uncertain world.



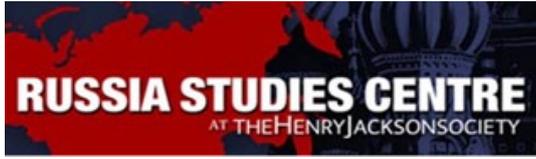
About the Russia Studies Centre

The Russia Studies Centre is a research and advocacy unit operating within The Henry Jackson Society dedicated to analysing contemporary political developments and promoting human rights and political liberty in the Russian Federation.



About Radio Free Europe / Radio Liberty

RFE/RL's mission is to promote democratic values and institutions by reporting the news in countries where a free press is banned by the government or not fully established. Our journalists provide what many people cannot get locally: uncensored news, responsible discussion, and open debate.



The Henry Jackson Society
8th Floor, Parker Tower,
43-49 Parker Street, London, WC2B 5PS
Tel: 020 7340 4520

www.henryjacksonsociety.org
Charity Registration No. 1140489

