

TABLE OF CONTENTS

EXECUTIVE SUMMARY	i
THE TRI-STATE JOINT SOVIET-EMIGRE ORGANIZED CRIME PROJECT	1
RUSSIAN-EMIGRE CRIME IN THE TRI-STATE AREA	5
THE NATURE OF RUSSIAN-EMIGRE CRIME	11
Crimes of Deception	11
Motor Fuel Tax Fraud	11
Insurance and Entitlement Fraud	14
Confidence Schemes	15
Counterfeiting	17
Violent Crimes	19
Homicide/Attempted Homicide	19
Extortion and Kidnapping	20
Drug Trafficking	21
Money Laundering	22
Vice Crimes	24
AN ASSESSMENT OF THE PROBLEM	26
Russian Criminal Types	26
Vory v Zakone	26
Young Entrepreneurs	28
Thieves in Authority	28
La Cosa Nostra and Russian-Emigre Criminals	29
Harm Capacity	31
Monopoly Power	32
Use of Violence	32
Use of Corruption	34
CONCLUSION	35
Appendix A - Tri-State Project Member Agencies	38
New Jersey State Commission of Investigation	38
New York State Commission of Investigation	40
New York State Organized Crime Task Force	42
Pennsylvania Crime Commission	43
Rutgers - The State University of New Jersey School of Criminal Justice	45
Appendix B - Russian-Emigre Populations in the Tri-State Area	46
Appendix C - Rutgers University/Tri-State Project Law Enforcement Survey	47
Appendix D - Russian-Emigre Crime Statistics for the Tri-State Area	49

Appendix E - Russian-Emigre Homicides and Attempted Homicides 1981-1995	53
Appendix F - Testimony of Eric Seidel, Deputy Attorney General - In Charge, New York State Organized Crime Task Force, before the House Committee on International Relations	64
Endnotes	65

EXECUTIVE SUMMARY

Gangsters from the former Soviet Union have established a strong and abiding presence in the New York/New Jersey/Pennsylvania region, engaging in a wide array of crimes that range from sophisticated financial frauds to narcotics trafficking to murder. Evidence also shows that members of disparate Russian-emigre crime groups here have the potential to develop into one of the most formidable organized crime challenges to law enforcement since the advent of La Cosa Nostra.

These are among the key findings of the Tri-State Joint Soviet-Emigre Organized Crime Project, a cooperative research and investigative effort launched four years ago by four agencies in New York, New Jersey and Pennsylvania - the New York Organized Crime Task Force, the New York State Commission of Investigation, the New Jersey State Commission of Investigation and the Pennsylvania Crime Commission. Investigative agents and staff from these agencies conducted the project in conjunction with criminal justice experts from Rutgers University.

The Project's report presents the first comprehensive public assessment of the threat posed to this region by criminal elements emanating from within the former Soviet Union.

The report catalogues the history and growth of Russian-emigre crime networks, from their core base in the Brighton Beach section of Brooklyn to their current reach well beyond the New York metropolitan area into the counties of central New Jersey and the suburbs of Philadelphia. One of the most troubling aspects is evidence of links between individuals here and criminal elements in the former Soviet Union, a phenomenon that lends a disturbing and complex international dimension to this emerging domestic law enforcement problem.

The range of criminal and illicit activities linked to these groups is impressive. The Project report details Russian-emigre involvement in a variety of highly sophisticated frauds and confidence schemes, financial crimes, including money laundering, counterfeiting and securities fraud, narcotics trafficking and an assortment of vice crimes.

Russian-emigre criminals are no strangers to violence either. Project investigators gathered information regarding

more than seventy murders or attempted murders committed since 1981 involving Russian emigres. In each instance, the evidence suggests a link to ongoing criminal activity. Many of the homicides appeared to have been well-planned. In some cases, assassins were used to commit them.

A primary issue examined by the Project was whether, given the scope and growth of criminal activities linked to Russian-emigre groups in this region, they have developed a level of structure and organization of the sort that enabled other crime groups, such as La Cosa Nostra, to flourish for much of this century. This issue is important because an accurate picture is necessary to define and shape an effective response by the law enforcement community.

Based upon its investigation, the Project concludes that Russian-emigre criminals do indeed constitute a real and identifiable crime threat in the United States, particularly in this region - albeit one that is still evolving. Alliances between Russian criminals and their LCN counterparts, for example, already have been engineered, as evidenced in a number of recent motor-fuel tax fraud investigations. Given the sophisticated nature of their criminal activities, as well as the extensive planning and coordination that those activities require, it may be only a matter of time before the Russian-emigre crime threat becomes even more critical.

I. THE TRI-STATE JOINT SOVIET-EMIGRE ORGANIZED CRIME PROJECT

The Tri-State Joint Soviet-emigre¹ Organized Crime Project (the "Project") commenced on March 1, 1992, as a two-year joint intelligence and investigative/prosecutive effort by the New York State Organized Crime Task Force, the New York State Commission of Investigation, the New Jersey State Commission of Investigation and the Pennsylvania Crime Commission.² The goal of this effort was to identify the nature and extent of Russian-emigre crime within the tri-state region of New York, New Jersey and Pennsylvania in order to assist law enforcement in its ongoing effort to combat the threat of organized crime. In furtherance of this goal, the Project set out to gather and analyze intelligence information about Russian-emigre crime within the area through research, investigative effort and the creation of an informational database.

The participating agencies assigned a total of six to eight investigators, supported by attorneys and analysts, to the Project staff. Staff members were responsible for gathering information and intelligence within their respective jurisdictions and for initiating investigations whenever warranted. Project staff met on a bi-monthly basis to report on investigative results, discuss and exchange ideas, and plan future investigative strategies.

To assist the Project staff, a police officer on loan from

the Belarus Ministry of Internal Affairs was hired for a two-year period to develop informants within local Russian communities and serve as a liaison with law enforcement agencies in the former Soviet Union. In addition, the officer assisted the Project by regularly reviewing local Russian newspapers, providing insight on Russian customs and traditions, and assisting in the pronunciation and spelling of Russian words and names.³ The Project was further augmented by a grant provided by the National Institute of Justice to a Rutgers University, School of Criminal Justice, research team. Members of this research team took part in Project meetings and assisted Project staff by analyzing the Project's database of accumulated information regarding Russian-emigre crime.

Fueled by a growing perception within the law enforcement community that Russian-emigre crime has become a more serious problem in the United States since the collapse of the Soviet Union and the expansion of the European Common Market, the Project directed its efforts at identifying the nature and dimensions of Russian-emigre crime in the tri-state area. Project staff sought to: 1) determine the extent to which Russian-emigre crime is organized, 2) ascertain whether any type of structure exists within the Russian-emigre criminal community, 3) identify the methods and techniques Russian emigres use to carry out their criminal activities, and 4) define the relationships maintained with other criminal groups operating in the United States or abroad.

As part of their efforts, Project staff conducted extensive interviews with various law enforcement personnel involved in the investigation and prosecution of Russian-emigre crime and reviewed records pertaining to the arrests and prosecutions of Russian-emigre criminals. The staff also gathered and reviewed public information concerning Russian-emigre crime, including government publications, public hearing records, and newspaper and magazine articles, and conducted interviews with academicians, journalists, authors, businessmen and residents of the region's predominantly Russian communities. Conventional law enforcement techniques, such as surveillance, informant development and telephone toll analysis, were also employed to gather information about Russian emigres known to be, or suspected of being, engaged in crime.

Additional information was developed by the Rutgers University research team which, in collaboration with Project staff, conducted a nationwide survey of law enforcement agencies to determine what experience, if any, law enforcement across the country was having with Russian-emigre crime. The response to this survey, which is described in greater detail in Appendix C, was overwhelming. The research team received nearly five hundred survey responses from various federal, state, county and municipal agencies. Many respondents indicated their agencies had at least some contact with Russian-emigre criminals and nearly half of those considered Russian-emigre crime to be a

major law enforcement problem in their area. Based on this information, Project staff concluded that Russian-emigre crime in this country is more widespread than originally suspected.

In gathering the information described above, the Project was forced to overcome several problems. For example, it is widely recognized within the law enforcement community that informant development within any immigrant community is extremely difficult.⁴ Having lived in a society ruled by an oppressive government, Russian emigres tend to be inherently distrustful of government and, generally, are more reluctant than most other emigre groups to speak with or seek assistance from law enforcement.⁵ Thus, voluntary cooperation from the Russian-emigre community is frequently minimal.

Moreover, opportunities to obtain information from Russian emigres are further hampered by the lack of Russian speaking police officers. Most law enforcement agents investigating Russian-emigre crime do not speak Russian and are unfamiliar with the peculiarities of the language, such as the use of the Cyrillic alphabet, the feminization of surnames, and the inversion of birth dates. This often results in inaccurate recording of biographic data. In addition, interviews of Russians who are suspects, witnesses, or victims of crime often require the use of translators with varying skill levels. Information obtained from these persons, which might otherwise provide insight into the workings of Russian-emigre criminal enterprises, is, therefore, often limited or obscured.

Furthermore, Russian emigres tend to be highly educated. Those who engage in crime are very resourceful and sophisticated in their methods of operation.⁶ They often carry false identification documents or use variations of the spelling of their names to conceal past criminal histories and/or facilitate present criminal conduct. These tactics, coupled with a transitory lifestyle, make identification and apprehension of Russian-emigre criminals an arduous task.⁷

Notwithstanding these difficulties, Project staff constructed a computerized database to store information regarding Russian-emigre crime. The database, which represents an accumulation of all information obtained by the Project, presently contains the names of over four thousand persons and businesses. These names have been periodically reviewed to eliminate duplicates caused by the problems described above.

Analysis of the information in the database has permitted Project staff to identify relationships among criminals within the various Russian-emigre communities in the tri-state area as well as between Russian criminals operating in different communities. For instance, telephone toll records obtained and analyzed by Project staff revealed a high level of communication between Russian-emigre criminals in Brighton Beach, Brooklyn, and northeast Philadelphia, Pennsylvania. The database has also been an invaluable aid to numerous law enforcement agencies in their

investigations of Russian-emigre crime. To date, the Project has taken part in or assisted more than thirty-five international, federal, state, county and local investigations of Russian emigres. Several of these have resulted in the indictment and conviction of Russian-emigre criminals.⁸

The Project's success in assisting these other agencies can also be attributed, in part, to the liaison developed between Project staff and law enforcement agencies in the new Commonwealth of Independent States (the "CIS"). This unique relationship has enabled the Project to obtain information which otherwise would have been unavailable. The Project intends to continue to maintain the database and provide assistance to law enforcement agencies investigating Russian-emigre crime by making the information in the database available upon request.

II. RUSSIAN-EMIGRE CRIME IN THE TRI-STATE AREA

During the first two decades of the twentieth century, more than two and one-half million Russians entered this country along with millions of other European immigrants.⁹ This first large wave of Russian immigration slowed dramatically, however, after the 1917 Bolshevik Revolution. Since then, the rate of Russian immigration into the United States has depended largely upon the political relationship between the two countries. When the United States and Soviet Union were allied against Germany during World War II, many Russians were able to leave the Soviet Union. During the Cold War period immediately following the conclusion of the war, however, Russian emigration was again stifled as Soviet leaders closed the "Iron Curtain" and permitted few people to leave that country.

Russian emigration remained at a low level until the early 1970s when the Soviet government liberalized its emigration policy and permitted certain citizens to leave the country. The first wave of emigres consisted mainly of Soviet-Jews fleeing religious persecution, most of whom emigrated to Israel or the United States. After that, the number of Russians permitted to emigrate rose steadily as the Soviet Union, nearing its collapse, began to ease travel and emigration restrictions.

The tri-state region of New York, New Jersey and Pennsylvania has long been one of the top areas in the United States for the relocation of Russian emigres. In New York City, Russian emigres settled predominantly in Brighton Beach, the oldest and most prominent Russian community in the United States. A long-time, working-class Jewish community located near Coney Island in the southern part of Brooklyn, Brighton Beach is currently home to about 30,000 Russian emigres.¹⁰ Philadelphia's Russian community is located in the northeast section of the city near Bustleton Avenue.

By the mid-1980s, as the Russian communities in New York and Philadelphia were starting to become crowded, Russian emigres began to move out of the cities and into the surrounding areas.

From New York, they moved eastward into Nassau and Suffolk Counties on Long Island, and westward into Essex, Bergen, Middlesex and Monmouth Counties in New Jersey.¹¹ At the same time, Russian emigres began to populate several counties outside Philadelphia, including Bucks and Montgomery Counties in Pennsylvania, and Camden and Burlington Counties in New Jersey.¹² Simultaneously, law enforcement agents began to see increasing evidence of Russian-emigre crime within these communities. The specific nature and seriousness of this criminal activity and the degree to which it might be organized were, at the time, largely unknown.

Prior to the mid-1980s, few law enforcement agencies in the tri-state region had taken notice of the growing problem of Russian-emigre crime. The scant information then available in records maintained by these agencies reflected the lack of any serious dedication to the problem. Agencies which sought to attack the problem could barely afford to assign more than one detective to the task of tracking Russian-emigre criminals. Those assigned often were provided with little assistance while facing formidable investigative roadblocks similar to those encountered by Project staff.

Much of the information available at that time concerned the number and size of local Russian organized crime groups. Various federal agencies reported that twelve Russian-emigre crime groups, with an estimated membership of between 400-500 persons, were operating in New York City, while the New York Police Department listed about 500 Russian emigres as being suspected of criminal activities.¹³ At the same time, the Philadelphia Police Department had identified about fifty Russian-emigre criminals,¹⁴ many of whom traveled regularly between New York City and Philadelphia.¹⁵

Similarly, Russian-emigre crime in the United States attracted little academic attention. Prior to 1992, there had been only one serious study of Russian-emigre crime in the United States. In 1986, Lydia Rosner, a professor at the John Jay College of Criminal Justice in New York City, published a book about Russian-emigre crime based upon a four-year study of crime in Brighton Beach.¹⁶ In her book, Rosner stated that a "vast amount of at least informally organized crime" existed in Brighton Beach.¹⁷ She attributed this crime to networks of interconnected criminals acting in conjunction with each other.¹⁸ Rosner did not, however, attempt to determine whether the crime she had uncovered was part of a structured network of national or international criminal activities, or whether it was being controlled by persons in the United States or the Soviet Union.

As Russian-emigre crime increased, law enforcement agencies in the tri-state region and across the nation realized they needed to evaluate this growing problem. Although the criminal activities attributed to Russian emigres included such common predatory street crimes as burglary, robbery, theft, arson, prostitution and low-level narcotics trafficking, they also

included murder and a number of more complex and sophisticated crimes. Russian-emigre criminals were linked to forgery, counterfeiting, tax and insurance fraud, confidence schemes and sophisticated extortions. Some forged ties with members of La Cosa Nostra. Russian-emigre criminals were associated in various ways with the Colombo, Gambino, Genovese and Lucchese families in New York and New Jersey.¹⁹

The relatively few United States law enforcement agencies that had concerned themselves with this issue offered varying explanations for the emergence of Russian-emigre criminal activity. One was that Soviet officials had intentionally released criminals from its prisons and commingled them with Jewish-emigres permitted to leave the Soviet Union in the mid-1970s.²⁰ Another was that members of organized crime groups in Odessa, Ukraine, had smuggled themselves out of the country by assuming the identities of Soviet-Jews who were either dead or in jail.²¹ Still another explanation offered was that the Soviet intelligence agency, the KGB, allowed the criminals to emigrate so as to undermine legitimate Russian communities in other countries and make them unattractive to Soviet citizens.²² For several reasons, all of these explanations proved inadequate.

First, each assumes that Russian-emigre crime in the United States is largely a product of a professional criminal class that has imported its criminal ways onto our shores. Several of the criminals known to have operated in Brighton Beach during the 1980s and 1990s, such as Evsei Agron, Marat Balagula, Emil Puzyretski and Boris Nayfeld, provide support for this assertion as they were, in fact, products of the Soviet prison system. Nevertheless, the actual number of known Russian-emigre criminals who entered the United States in the 1970s and 1980s, either with or without the consent of Soviet officials, was relatively small and, in general, their crimes have been very localized.²³ No matter how aggressive or vicious they may be individually, they have neither the critical mass nor the criminal sophistication to create a major local or regional threat, much less a national or international one.

Second, none of the explanations take into account the effect which the collapse of the Soviet Union has had in the United States. History has shown that the growth of organized crime in any community is invariably linked to the recent migration into that community by ethnic groups having weak ties to the dominant political culture.²⁴ During the years immediately prior to, and even more so after the collapse of the Soviet Union, the number of persons permitted to emigrate to the United States from former Soviet republics increased dramatically. For example, in 1992, 129,500 non-immigrant visas were issued to persons from Russia, Belarus and Ukraine. In 1988, just four years earlier, only 3,000 such visas were issued.²⁵

Currently, about 350,000 Russian emigres reside in the United States,²⁶ as compared to about 75,000 just ten years

ago.²⁷ Much of this growing population is concentrated in a few cities like New York and Philadelphia. In addition, it has been estimated that a large number of Russian emigres have over-stayed their visitors' visas and are living illegally in the United States.²⁸ Thus, the rise in crime in Russian-emigre communities is more likely attributable to the increased numbers of Russians living in this country than to a small number of violent criminals.

Finally, the proponents of these explanations fail to recognize and understand the peculiarities of the societal environment of the Soviet Union. As is true in all societies, people are conditioned by the moral, social and economic environment in which they live. Soviet citizens were reared by a government which, although unable to adequately provide basic necessities for its people, lavishly rewarded high-ranking and loyal members of its dominant political party. Thus, to survive, many Soviet citizens were forced to find ways to "beat the system" without getting caught.²⁹ Actions such as bribing an official to do a favor, paying a premium to obtain desired goods, or buying necessities from black market salesmen became common practices accepted by the general population as necessary for survival. Consequently, many Russian emigres are well-schooled in this type of behavior.

Lydia Rosner observed that "immigration from the Soviet Union brought to America's shores many people for whom crime [is] but ordinary behavior."³⁰ According to Rosner, some Russian emigres are criminals who, out of necessity, manipulate the system in order to survive. They do not consider themselves to be criminals, even though they regularly break the law. Others are professional criminals, those already pointed to as the core of Russian crime in the United States. Both types know very well how to skirt the bureaucracy and adapt governmental services for private gain. This is not to suggest that all Russian emigres either came to the United States for the purpose of committing crimes or became criminals after arriving. It does suggest, however, that the potential crime problem should not be considered as being limited to the professional criminals.

Crime in general, and organized crime in particular, have traditionally provided routes of upward mobility for immigrants in the United States³¹ Immigrants who turned to crime often did so out of frustration at being blocked from other avenues for advancement. Russian emigres differ considerably, however, from prior immigrant groups in their ability to take advantage of both legitimate and illegitimate routes to success.³² Unlike the farmers and unskilled laborers who comprised the majority of earlier immigrations to this country, Russian emigres are generally urban in origin, well-educated, and industrially and technologically skilled.³³ Despite a language barrier, they have marketable skills and have not been closed off from the legitimate ladders of upward mobility.

In sum, Russian-emigre crime in the United States did not

grow out of the same cultural alienation and economic disparity experienced by other immigrant groups. Russian-emigre criminals did not begin their criminal careers as members of adolescent street gangs in ethnic ghettos, as did many Irish, Italian, Jewish, African-American, Latino, and, more recently, Chinese and Vietnamese criminals. Instead, they engage in a variety of frauds, scams and swindles because those are the kinds of crimes that most closely build upon their previous experience in the former Soviet Union. Unlike their ethnic predecessors in crime, Russian emigres do not have to go through any developmental or learning process to break into the criminal world in this country. They are able to begin operating almost immediately upon their arrival.

III. THE NATURE OF RUSSIAN-EMIGRE CRIME

One of the central challenges facing the Project was gaining an understanding of the underlying nature of the types of crimes committed by Russian emigres. Analysis of the information gathered by Project staff reveals that Russian emigres are involved in a broad variety of crimes ranging from simple theft to sophisticated fraud to murder. Some of these crimes are being committed by individual criminals while others bear some indicia of organized criminal activity. As illustrated by the examples set forth below, Russian-emigre crimes often involve extensive planning within varying networks of individuals.

Crimes of Deception

Project staff found that the most common types of crime being committed by Russian emigres are those which involve some form of deception.³⁴ Many of these crimes, such as jewelry switching, are simple scams perpetrated by low-level, street criminals. Others, such as insurance fraud, are much more complex and sophisticated. To succeed, complex crimes require a great deal of coordination among criminals, as well as infiltration of legitimate areas of the economy.

Motor Fuel Tax Fraud

The largest and most publicized frauds involving Russian emigres have been motor fuel tax scams -- frauds in which the perpetrators sell and resell gasoline and diesel fuel without paying required excise taxes.³⁵ These frauds have cost the government an estimated \$1 billion annually in lost tax revenues during the last decade. Much of this money has been diverted to La Cosa Nostra and its Russian-emigre partners.³⁶

Prior to 1982, New York State required individual gas stations to be responsible for the collection of fuel taxes. Many of the stations, however, sold their fuel, failed to pay the required taxes, and then either went out of business or changed corporate ownership before revenue officials were able to collect the taxes due. To end this practice, New York shifted tax collection responsibility from retailer to wholesaler. Lost tax

revenues continued, though, as unscrupulous criminals quickly identified a way to take advantage of the new law. The estimated national average of federal, state and sales tax for gasoline is 40.35 cents a gallon.³⁷

Licensed fuel companies began to purchase bulk fuel and move it through bogus "sales" to a series of dummy wholesale companies. This created what came to be known as a "daisy chain." The fuels never actually moved. The dummy companies simply filed invoices with the government, along with fraudulent tax exemption forms, stating that the company had bought and sold fuel. One of the dummy companies along the daisy chain was a "burn company" which was ostensibly responsible for paying the taxes but which, instead, went out of business without doing so. Revenue collectors were left with a complex trail of paper that led to a dead end.

In New Jersey, the most significant motor fuel tax scams involve the purchase and sale of diesel fuel, which is used to power diesel engines in trucks and other vehicles. Diesel fuel is virtually identical in chemical composition to home heating oil.³⁸ At the refinery, both diesel fuel and heating oil are designated as number two fuel. When purchased for resale as home heating oil, the fuel is not taxable. When purchased as diesel fuel, however, it is subject to state and federal motor fuel excise taxes.

Russian-emigre criminals and other scam artists have found various ways to take advantage of this distinction. Typically, tax evaders buy number two fuel and sell it as diesel fuel to retailers, at a price that includes state and federal taxes, without remitting the taxes to the government. Sometimes, a daisy chain is used to commit the scam and the fuel is sold to several dummy companies, all or some of which file falsified invoices indicating the required taxes have been paid. Other times, scam operators simply purchase non-taxable heating oil and sell it as diesel fuel. Either way, the opportunity for illicit gain is great. In New Jersey, the total tax due on the sale of diesel fuel is 41.9 cents per gallon.³⁹

Recently, the State of New Jersey recognized its motor fuel tax law needed revision. Prior to July 1, 1992, state law required that wholesalers collect motor fuel excise taxes. New Jersey's legislature changed this, however, in response to recommendations that resulted from a New Jersey State Commission of Investigation public hearing in the fall of 1991. State law now mandates that retail sellers of diesel fuel collect the required taxes.⁴⁰

The daisy chain scam not only costs the government a great deal of money but has the added effect of forcing many legitimate fuel wholesalers and retailers out of business. This is because the unpaid federal and state taxes are not entirely pocketed by the perpetrators of this fraud. Rather, a percentage of these illicit profits, in the form of lower wholesale prices, is passed

on to retailers who take part in the scam. Legitimate fuel retailers are unable to compete with the lower prices offered by the bootleggers.

The self-admitted originator of the daisy chain fraud was Lawrence Iorizzo, a Long Island businessman. In the early 1980s, Iorizzo began selling untaxed motor fuel through wholesale and retail companies he owned. In 1981, Iorizzo's businesses were threatened by a local gang of thugs and he contacted Colombo crime family member Michael Franzese for help. In return for protection from La Cosa Nostra, Iorizzo offered Franzese a partnership in the profitable business of selling untaxed gasoline.⁴¹

Contemporaneous with the development of the Iorizzo/Franzese partnership, Michael Markowitz, a Rumanian, was running his own daisy chain operation in Brooklyn. In addition, several Russian emigres were also running fuel scams. When the Markowitz operation became the subject of scrutiny by authorities, Markowitz found it necessary to align his network with the Iorizzo/Franzese operation. Eventually, all the daisy chain operations in the New York area, many of which involved Russian emigres, came under control of La Cosa Nostra, which regulated the operations as a cartel, mediated disputes between members, and appropriated a percentage of the profits⁴². The fuel tax scam gradually expanded beyond the New York-New Jersey market to Pennsylvania, Ohio, Texas, California, Georgia and Florida.⁴³

During the past few years, a number of joint investigations by the Internal Revenue Service, Federal Bureau of Investigation and various state agencies have focused on motor fuel tax evasion. These investigations have led to the indictment and conviction of numerous Russian emigres from the tri-state region. In April 1993, a federal grand jury indicted fifteen individuals and two businesses involved in a \$15 million Pennsylvania tax fraud scam.⁴⁴ That same year, similar indictments were brought in New Jersey, where the federal government charged six Russian emigres and several members of La Cosa Nostra in connection with a \$60 million motor fuel tax scam,⁴⁵ and New York, where eighteen individuals, including five Russian emigres, were charged in connection with a \$34 million gas tax scam.⁴⁶ In 1995, twenty-five defendants, including fifteen Russian emigres, were charged in a federal indictment filed in New Jersey with defrauding the government of more than \$140 million in fuel tax.⁴⁷

Insurance and Entitlement Fraud

Insurance fraud is another complex crime frequently committed by Russian-emigre criminals. One of the largest medical insurance frauds ever perpetrated in the United States was masterminded by a group of Russian emigres in California during the middle to late 1980s. Led by Michael Smushkevich, the group set up phony medical clinics and mobile laboratories and solicited patients with promises of free physical examinations and diagnostic tests. The group then submitted fraudulent bills,

supported by falsified medical reports and treatment forms, to insurance companies indicating that the clinics had provided medical services prescribed by doctors. Before being caught in 1991 by federal agents, the group had defrauded California insurance companies of over \$50 million.

The most impressive aspect of this insurance scam was the magnitude of the operation. The group set up more than 250 medical clinics and labs, employed dozens of doctors, technicians, clerical workers and administrative personnel, submitted thousands of claims totalling over \$1 billion, and laundered illicit proceeds through 500 different shell companies and foreign banks. The group was so brazen that when claims were rejected, they were often re-billed under a different clinic name. In 1991, Smushkevich, his wife and brother, and ten others were indicted for racketeering, mail fraud and money laundering.⁴⁸

Russian-emigre insurance fraud schemes have not been limited to medical coverage. In the early 1990s, a group of Russian emigres in Pennsylvania perpetrated an insurance scam in which they staged auto accidents and submitted over \$1 million in phony claims to various insurance companies. The scam was orchestrated by Alexander Zaverukha who, along with his business partner Victor Tsan, owned a medical clinic in Bucks County, Pa. Zaverukha recruited other Russian emigres to take part in the scam, then set up eight different traffic accidents and brought the "injured" parties to his clinic where they were treated for non-existent injuries. Zaverukha, Tsan and seven other persons, including a doctor who worked at the clinic, were indicted in 1995 by a federal grand jury.⁴⁹

Government entitlement programs such as Medicare and Medicaid have also been the target of Russian-emigre criminals. These programs have reported numerous incidents of fraud involving the submission of bills for services or merchandise that were never provided. The submissions range from medical examinations to transportation in ambulettes to the purchase of medical equipment. In 1986, thirteen Russian emigres fraudulently netted thousands of dollars by selling cheap shoes to Medicare recipients and then billing Medicare for the purchase of expensive orthopedic shoes.⁵⁰

Similarly, a Russian-emigre in Pennsylvania tried to defraud the United States Food Stamp Program. Peter Cherepinsky, a resident of Philadelphia who owned a food store in Pennsauken, N.J., purchased \$45,000 worth of fraudulently obtained food stamp coupons at a discount price and then deposited the coupons into his business checking account. Cherepinsky was indicted in connection with this scam in 1993.⁵¹

Confidence Schemes

There also have been many incidents in cities throughout the United States involving Russian-emigre criminals engaging in

various types of confidence schemes. In many cases, the victims of the schemes have also been Russian. Most of the schemes are common scams such as jewelry switching, in which the perpetrator offers to inspect or appraise the victim's jewelry and then substitutes an inexpensive piece for the real one during the inspection. Philadelphia Police Department intelligence files indicate that, in 1981, the city's jewelry district suffered a rash of gem scams purportedly committed by a group of Russian emigres. The most egregious scam involved the theft of \$80,000 worth of diamonds in which the perpetrator allegedly substituted diamond "look-alikes" for real gems. This case was never prosecuted as the victim subsequently withdrew the complaint.⁵²

A recently uncovered scam underscores the ability of Russian-emigre criminals to identify and take advantage of weaknesses in workplace security systems. In September 1995, Bella Jakubovicz and Asya Drubich were indicted by a federal grand jury in Brooklyn for allegedly participating in the theft of over \$35 million worth of jewelry from their employer, NGI Precious Metals, a Manhattan jewelry manufacturer. The indictment alleges that the women, who emigrated to the United States from the Soviet Union in the early 1980s, would arrive at work before the company's metal detectors were activated, steal bracelets and other jewelry, hide them in the company locker room, and then return to work. The stolen goods were eventually sold to a fence for cash which was deposited in several Swiss bank accounts. Although NGI Precious Metals went out of business in 1990, authorities were unable to charge the two women until recently because of the difficulties involved in obtaining Swiss bank records.⁵³

Many Russian-emigre confidence schemes have international aspects. Project staff members are currently participating in three separate investigations involving contractual agreements between parties in the United States and representatives of governments or private companies in various parts of the former Soviet Union. Each contract involves a multimillion dollar purchase of United States goods or technology. The purchases are either made from United States companies, or by United States companies on behalf of the buyers. In either case, the United States companies, which are managed or influenced by Russian emigres, require a sizable portion of the contract price prior to producing or delivering the product. Once paid, the companies subsequently default or disappear prior to fulfilling the contract, leaving the foreign entity without its purchase and with little recourse.

One of these investigations has recently resulted in the indictment of a group of Russian emigres who allegedly stole more than \$5.7 million from twenty-four Russian businesses and a charity set up to aid victims of the 1986 Chernobyl nuclear accident. In March 1996, Lev Breskin and Alexander Korogodsky of New Jersey, and Yakov Portnov and George Yosifian of New York City, were charged in a federal indictment with conspiracy, wire

fraud and money laundering.⁵⁴ The indictment charges that, in January 1992, the men set up a phony wholesale company in Manhattan and then attended a trade expo in Russia where they met customers seeking to purchase various United States products, such as computers, medicine and coffee, which are not readily available in that country. The men requested full payment in advance of the purchases but promised to deliver the products at very low prices. It is alleged that, after receiving the money, no goods were ever delivered to the victims.

Counterfeiting

Counterfeiting is another crime of deception in which Russian emigres have been active. The Project has participated in several investigations of Russian emigres involved in the production of counterfeit credit cards. In addition, Russian emigres have been found to be expert counterfeiters of checks, passports, visas, and other types of identification documents. Research by Project staff has revealed there are well-established markets for these products within the local Russian communities and that Russian emigres are now supplying other criminals with their products.

Counterfeiting of credit cards usually involves altering the magnetic strip on the back of a card. The counterfeiters first obtain account information from legitimate credit cards by stealing legitimate cards, obtaining credit card receipts from dishonest vendors, or copying account numbers while peeking over the shoulder of unsuspecting credit card users. The legitimate account information is then encoded onto the magnetic strip of another card. This may be a stolen card, a card which has exceeded its credit limit, or a bogus card produced by the counterfeiters.⁵⁵

The card is then used to buy goods from an unsuspecting vendor or a vendor operating in collusion with the perpetrators. When the vendor slides the card through a magnetic reader, information from the legitimate account encoded on the magnetic strip is transmitted to the credit card issuer. Unaware that a bogus card is being used in the transaction, the issuer authorizes the purchase and the goods are charged to the account of the legitimate credit card holder. Although the issuer also transmits the number of the account which has been charged for the purchase, there is little chance that the counterfeiter will be caught even if the vendor is not part of the scam. Cashiers rarely match the account number transmitted by the issuer to the account number on the credit card. As long as the issuer authorizes the purchase, most vendors will only verify that the card and receipt signatures match.

Project staff encountered several cases of Russian-emigre counterfeiting. In August 1989, four Russian emigres were indicted for, and later convicted of, manufacturing, possessing and selling \$17 million worth of counterfeit United States currency and \$4 million worth of bogus traveler's checks. A

fifth conspirator, Roman Kolompar is presently a fugitive. The money and checks had been circulated in New York, Chicago, Los Angeles and Poland.⁵⁶

Another case involved a group of Russian emigres who sold counterfeit credit cards. The cards, which were printed in Israel and embossed in the United States, were sold to Russian emigres in Brighton Beach. The operation, while successful for a time, did not produce high-quality cards. For example, Visa cards manufactured by the group displayed a hologram of a hawk rather than the "Visa dove" and the cards contained obvious misspellings of the words printed on the reverse side. Members of this group were arrested by the United States Secret Service in 1992. The Project database was instrumental in identifying the group's printer in Israel who was arrested by Israeli Police in November 1992.

In the early 1990s, Alexander Semenov and several other Russian emigres used re-encoded credit cards to purchase more than \$120,000 worth of goods in New York, Pennsylvania, Massachusetts, Illinois and California. Upon arrest in 1993 by the United States Secret Service, Semenov tried to conceal his true identity by changing the spelling of his name and his biographical information. Using information from the Project's database, however, Project staff were able to connect him to other incidents of credit card fraud.

Violent Crimes

Like others who operate in the underworld, Russian-emigre criminals have employed violence in furtherance of their criminal pursuits or as a means of settling disputes. Russian-emigre criminals have been implicated in numerous murders, attempted murders, assaults and extortions. In most instances, police investigating the incidents have been unable to find any witnesses to the crimes. Witnesses who were located and interviewed, including victims, often refused to cooperate.

Homicide/Attempted Homicide

Project investigators and staff gathered information regarding more than seventy murders and attempted murders involving Russian emigres committed since 1981.⁵⁷ All suggest that the victim, perpetrator or both were involved in ongoing criminal activity. Many of the victims were known criminals who had a prior criminal relationship with either the person who attacked them or the person who ordered the attack. In several cases, intelligence information obtained from confidential sources indicated that the victim was attacked as a result of a dispute between two individual criminals or gangs, or in retaliation for a prior violent act.

Many of the homicides appear to have been well planned and, in some instances, assassins or "hitmen" were used to commit the crime. Those who carried out the attacks often used

distractions, decoys, or other tricks to gain an advantage over victims. Fifty-three homicides involved the use of guns, including automatic, semi-automatic and silencer-equipped handguns. Victims were often shot either at close range, usually in the head or chest, or from a moving vehicle. One victim, who had been stabbed to death, was found floating in Sheepshead Bay, N.Y. Another was found frozen stiff in a snow bank at a Morris County, N.J. auto salvage yard, fully clothed in a suit and tie. He had been shot twice in the temple. During the autopsy, bullet wound scars were discovered on various parts of the deceased's body, indicating he had been the victim of prior shootings.

Extortion and Kidnapping

Extorting Russian emigres who are successful in legitimate or illegitimate business endeavors is another practice among Russian criminals. The Project obtained information regarding several cases of extortion involving Russian emigres. A reputed major figure in Russian-emigre crime in the United States, Vyacheslav Ivankov, was indicted by a federal grand jury in 1995 and charged with attempting to extort \$3.5 million from two Russian-emigre businessmen in the United States. The indictment alleges that the father of one of the extortion targets was beaten to death and left on a train platform in Moscow after the demands by Ivankov and his associates were not met. Ivankov was arrested after the two businessmen agreed to cooperate with United States law enforcement.⁵⁸

In Brighton Beach, a Russian-emigre shoplifter was the extortion victim of Alexander Levichitz, also known as "Sasha Pinya," a particularly violent Russian-emigre criminal. The basis for this extortion is notable. Pinya and his girlfriend became involved in an argument over Pinya's infidelity based upon information provided to Pinya's girlfriend by the shoplifter. Pinya demanded a monetary settlement from the shoplifter to atone for the problem he had caused. Eventually, a resolution was reached whereby the shoplifter provided Pinya with the names of other low-level criminals in Brighton Beach from whom Pinya could successfully extort money. In September 1993, Pinya was arrested by the Suffolk County District Attorney's Office with assistance from members of the Project staff.

In March 1995, four Russian emigres from Brooklyn used threats and physical violence in an attempt to extort \$25,000 from a Russian-emigre auto repair shop owner in Roselle, N.J.⁵⁹ The four pleaded guilty in May 1995. In 1992, a group of Russian emigres in Philadelphia sponsored the arrival of women from the CIS to be employed as live-in domestics. The women were subsequently threatened with deportation if they did not turn over a portion of their weekly earnings to their sponsors.⁶⁰ In other cases, the extortion of Russian emigres residing in the United States has been accomplished by kidnapping the victim and either demanding a ransom from the victim's family or forcing the victim to withdraw money from bank accounts or purchase money orders for their captors.⁶¹

Drug Trafficking

Since the demise of the Soviet Union, the F.B.I. and Drug Enforcement Administration report that many of the new republics are being used as trans-shipment points for deliveries of Colombian cocaine into Western Europe.⁶² In 1993, Russian authorities in St. Petersburg intercepted a one-ton shipment of cocaine, packaged in cans of corned beef, believed to be the product of a cooperative arrangement between crime groups in Russia and Colombian cartels.⁶³

Russian emigres are also involved with the Colombian cartels in United States drug activity. In the late 1980s and early 1990s, Russian-emigre Vladimir Beigelman, of Brooklyn, N.Y., was known to be involved in cocaine trafficking with the Cali cartel. On December 2, 1993, Beigelman was fatally shot in the face while exiting a van in Queens, N.Y. Witnesses described the assailants as two Hispanics. Evidence indicates Beigelman was murdered in a dispute over a large quantity of missing cocaine.⁶⁴

In 1992, the United States Attorney for the Southern District of New York prosecuted sixteen individuals, including Russian emigres David Podlog and Alexander Moysif, on charges of distributing heroin and cocaine.⁶⁵ The next year, twenty-four individuals led by four Russian emigres were indicted for the manufacture of crack cocaine vials at factories in New Jersey and Pennsylvania. During the arrests, authorities seized more than \$1 million in cash, along with several vehicles, stock portfolios and other property.⁶⁶ In 1994, another federal indictment was filed against Russian-emigre narcotics traffickers. In this indictment, Boris Nayfeld, Shalva Ukleba, Alexander Mikhailov, Simon Elishakov and Valery Krutiy were charged with participating in the smuggling, distribution and sale of heroin which originated in Southeast Asia and was smuggled into the United States via Poland.⁶⁷

Money Laundering

The demise of the Soviet Union and its transformation to a market economy ignited a great deal of currency exchange activity with the United States and western Europe by Russia and other former Soviet republics. During the last few years, a massive influx of money originating as rubles has been exchanged for United States dollars, via financial institutions and front companies in this country and Europe, and then transported back to the CIS.⁶⁸ Fearful that the funds are being used to support criminal organizations, terrorist groups and drug cartels, law enforcement officials are trying to determine how much of this activity is legitimate.

There is some evidence that suggests the activity is linked to organized crime. The F.B.I. reports that a substantial percentage of these funds is derived from fraud, theft and other criminal activities in the CIS.⁶⁹ In addition, many privately-

owned banks which have surfaced throughout the former Soviet Union, and through which many of the transactions are being made, are alleged to be owned by Russian organized crime operatives. Also, during the past year, more than thirty people involved in the Russian banking system have been murdered. Russian authorities believe these events are the result of organized crime efforts to control the banking industry.⁷⁰

Conversely, there is evidence that much of the increased activity is legitimate.⁷¹ Many of the transactions involve Russian investment firms, financial institutions and other businesses engaged in international commerce which need convertible currencies, such as United States dollars and German marks, to transact business. In addition, Russian companies seeking to upgrade or expand facilities are forced to deal with the United States and other western nations due to the lack of modern technology in Russia. These businesses also exchange rubles for dollars and marks in order to purchase equipment.

Several factors make it difficult to determine which currency exchanges are legitimate business ventures and which constitute illegal money laundering schemes. First, based upon United States law, the transfer of money from one account to another is legal unless it is done for an illegitimate purpose.⁷² Second, most of the currency exchanges are made through banks in other countries both before the funds enter and after they leave the United States. This makes tracing the entire route of the funds nearly impossible. Finally, any crimes connected to the exchanges are usually committed in the country which initiated the transfer. Thus, even if United States law enforcement can show the funds are illicit and trace their path through the financial institutions involved in the exchanges, it may be impossible to establish jurisdiction over the crime.

During the past four years, Project staff members provided assistance to several agencies, including the F.B.I. and United States Customs Service, conducting money laundering investigations. The Project assisted these agencies primarily by providing information from the Project's database. The Project also gathered information regarding various money laundering schemes which either occurred in or affected the tri-state region.

One case illustrated the high-tech sophistication of Russian criminals. In 1994, Vladimir Levin, operating in St. Petersburg, Russia, stole \$10 million from Citibank via the bank's electronic money transfer system. Using only his computer hacking abilities and the assistance of several other persons, he was able to circumvent the bank's security system and wire transfer the misappropriated funds to accounts in Finland, Russia, Germany, the Netherlands, Israel, Switzerland and the United States.⁷³

Other money laundering schemes examined by the Project are less sophisticated. Russian emigres involved in fuel tax scams have used illicit proceeds to purchase vehicles in the United

States which were then shipped to the CIS and resold at three to four times their United States retail prices.⁷⁴ On other occasions, Russians have simply smuggled money through international borders by secreting it in clothing or body cavities. In 1994, Yuri Anatoliyevich Desyatov pleaded guilty to smuggling \$1.2 million into the United States.⁷⁵ Desyatov was also involved with extortion and weapons purchasing in addition to money smuggling.

Russian emigres have also been conducting various types of money laundering schemes in hotels and casinos in Atlantic City, N.J.⁷⁶ Casino operators indicate that a significant number of Russian emigres frequent casinos. Many of them are "high-rollers" recognized as favored customers and, as such, have received such perks as limousine service, plush hotel suites, meal and alcohol allowances, and seating for prime events. One of the schemes observed by various law enforcement agencies, including the United States Secret Service and the New Jersey State Police, involves the use or attempted use of counterfeit currency and traveler's checks. Russian-emigre criminals use the bogus currency, in amounts below the federal Currency Transaction Report threshold, to obtain cash and/or playing chips.⁷⁷

In New York City and other financial centers around the country, the potential for Russian money laundering should not be underestimated. During a recent United States House of Representatives Banking Committee hearing, United States Federal Reserve Governor Edward W. Kelley, Jr., estimated that nearly \$500 billion is laundered through United States banks annually.⁷⁸ As the use of electronic international banking grows, the vulnerability of these financial institutions to fraudulent transactions becomes a paramount concern to law enforcement everywhere. Manipulation of these institutions could seriously impact the economic stability of this country.

Vice Crimes

Project staff members have developed little data concerning Russian-emigre vice crimes. Although gambling and prostitution rings exist, they are predominantly small-scale operations in Brighton Beach and other Russian communities. The Project found no evidence that Russian-emigre criminal organizations are exercising wide-spread control over these types of criminal activities.

One recent case in New Jersey, however, reveals both the willingness and ability of Russian-emigre criminals to maximize profits by transporting criminal activities. Earlier this year, police in North Brunswick, N.J., investigating what they believed to be a prostitution ring, arrested several female dancers inside a local go-go bar. One of the females was a Russian juvenile who, police later learned, was an exotic dancer brought from Brooklyn, along with several other young, Russian females, to dance in go-go bars and work in massage parlors in central and northern New Jersey. The dancers were being driven to and from

New Jersey by a hired driver.79

IV. AN ASSESSMENT OF THE PROBLEM

There is a tendency on the part of some in law enforcement and the media to readily adopt simplistic, stereotypical perceptions of organized crime. This has certainly been true in regard to Russian crime, where terms such as "Russian Mafia" have been loosely applied. Superimposing descriptions which fit other known criminal groups upon Russian-emigre criminals impedes the ability of law enforcement to identify and address the real problem.

Project staff used La Cosa Nostra, solely for comparative purposes, to assist in analyzing and assessing Russian-emigre crime. La Cosa Nostra is the most familiar exemplar and best illustrates the harm potential of organized crime. This is not to imply that La Cosa Nostra is the only form of organized crime, nor does it suggest that any organized crime group which does not resemble La Cosa Nostra should not be viewed as a serious problem. Project staff also examined indigenous Russian organized crime to provide a frame of reference that might indicate potential organizational structures in the United States.

Russian Criminal Types

In Russia, criminals typically fall into three major types: 1) the vory v zakone; 2) the young entrepreneurs; and, 3) the "thieves in authority."⁸⁰

Vory v Zakone

Reputed members of the vory v zakone, or "thieves in law," have been said to be the closest thing the ex-Soviets have to being a "made guy" in La Cosa Nostra, and the top vory are portrayed as godfather-like figures.⁸¹ The vory are the most sophisticated of the professional criminals. Their roots are generally traced to the Soviet prison system -- more specifically, to the far-flung Gulag prison network established by Stalin in the 1930s. Most vory have spent the bulk of their lives in prison and profess a complete submission to the criminal life. They maintain their own laws and rules and reject any involvement with, or obligation to, the legitimate world. According to one Russian expert, the association of vory is a rather loose structure with little differentiation among its members, and with the elite being just the first among equals.⁸² There are an estimated 600 vory in the former Soviet Union, with approximately 200 of them in Russia. The elite make up a Moscow-based politburo of 10-15 vory who govern the criminal world through their representatives.⁸³ Vyacheslav Ivankov is alleged to be one of the 200 vory in Russia, and perhaps even among the top leadership group.⁸⁴

The vory share a number of characteristics with members of

La Cosa Nostra: a set of rules, a code of behavior, nicknames, and their own vernacular.⁸⁵ They also have a system for mediating and resolving disputes. Whether there is any enforcement mechanism to back-up the resolutions from these meditations is not clear. It should be reiterated, however, that the vory's rules and code of conduct are practiced principally in the closed environment of the Soviet prison system, where they have lived most of their lives.

Of the three major types of Russian criminals, the vory most resemble the members of La Cosa Nostra. Thus, an argument can be made that they constitute the greatest criminal threat currently presented by Russians in the United States. The credibility of such a threat is conditioned, however, upon a number of factors such as the number of vory presently in the United States, how closely they are linked to the Moscow-based crime leaders, and how successfully they can organize and control the multitude of criminal ventures in which Russians are involved in the United States. The F.B.I. estimates that there have been as many as five vory in the United States at one time or another.⁸⁶ The real potential for harm from the vory will depend on how well internal discipline can be maintained outside the prisons walls where their roots lie. This control will be complicated by the fact that criminal activity is now taking place thousands of miles from Moscow.

Some experts challenge the primacy of the vory, both as a present and future threat.⁸⁷ It is alleged that the traditional initiation into the vory has been corrupted by the selling of this title. If so, this would affect whether and how well internal discipline can be maintained. The criminal expertise of the vory is also more likely to involve common crimes such as theft, robbery and extortion. More complex crimes such as international banking and commodities scams, money laundering, and dealing in strategic metals, may be beyond the scope of their criminal expertise. The vory are the most astute criminals at present, but may constitute less of a problem over the long term. Some experts believe that although the vory still dominate the traditional criminal world in Russia, especially in prison, the gangster bureaucrats, with their intertwined links to the government, will soon dominate the social, economic, and political structures of the former Soviet Union.⁸⁸ Russia is currently a very attractive venue for criminal pursuits. As those pursuits grow in size and sophistication, it is expected that these criminals will look to expand their interests internationally.

Young Entrepreneurs

The young entrepreneurs see crime as the easy route to riches. These are people in their late teens to mid-30s who were not criminals before the collapse of the Soviet Union, but who, out of necessity, had experience in the Soviet black market and shadow economy. Some are students or graduates of higher education, while others were in the military. Few, if any, have

attractive job prospects in the legitimate sector. They constitute a pool for recruitment by criminal organizations in Russia or operate within their own small group. Unlike that of the professionals, their criminal behavior is not very well entrenched. They are first generation criminals, and their crimes are most often crimes of opportunity.⁸⁹

Thieves in Authority

The "thieves in authority" or avtoritety, arose during the last few decades of the Soviet Union, beginning during the Brezhnev era. Some were part of the Communist Party and/or were Soviet bureaucrats. They were part of what has been called the "Soviet Mafia." Some were deputy directors or former administrators of factories and other business enterprises. Others ran cooperatives during the Gorbachev era or were members of the national security and military establishments. Whatever their background, nearly all are well-educated persons who possess international connections. These "gangster-bureaucrats" operate at the intersection of crime, capitalism, and government in the former Soviet Union. They have the knowledge, experience, sophistication, and contacts needed to run international banking schemes and major commodities deals. They are also the ones best suited to deal in black market nuclear materials. For these reasons, they have the greatest potential for future harm both within and outside the CIS.⁹⁰

La Cosa Nostra and Russian-Emigre Criminals

In the view of some, Russian-emigre criminals are organized in a continuing structure to conduct a variety of criminal ventures.⁹¹ There have been reports that between three and five Russian-emigre organized crime "families" presently exist in the New York area.⁹² Vyacheslav Ivankov's arrival in the United States was seen by many as proof that a centralized Russian criminal organization exists.⁹³ When he was arrested in 1995, Ivankov was labeled, in La Cosa Nostra terms, the "capo di tutti capi," or "boss of bosses," of Russian crime in the United States⁹⁴

An opposing view is that Russian-emigre criminals have no defined organizational structure or hierarchy.⁹⁵ This view holds that Russian criminals are individuals who do not follow a rigid authoritarian structure. Instead, "like liquid mercury on a countertop,"⁹⁶ they operate mainly as individual specialists or in fluid groups that occasionally unite to commit a crime.

Based upon its review and assessment of Russian-emigre crime, the Project believes that the reality lies somewhere between these two positions. With the exception of the vory v zakone, it is the Project's belief that Russian-emigre criminal organizations are not, by and large, like the families of La Cosa Nostra. There is no evidence of either a central "commission" which oversees the various Russian-emigre criminal activities, or even a few hierarchical groups that engage in specialized

criminal activities. Although Russian criminals have shown a propensity for extreme violence and possess the capacity to corrupt, they have yet to assert monopoly power in any of their United States criminal activities other than in the fuel frauds where they functioned as partners of La Cosa Nostra.

The professional criminals and opportunists who currently characterize Russian-emigre crime in the United States typically mistrust each other. There is generally little or no personal loyalty based upon common ethnic or cultural backgrounds, even though some of the criminals knew each other in the former USSR. The most prevalent network structure is usually an ad hoc team of specialists who are mustered for specific criminal ventures usually pertaining to crimes of deception. These specialists form opportunistic partnerships which are sometimes based on referrals by other Russian criminals. After the criminal objective is attained, the specialists may split up or may move together to other criminal ventures.

Networks of specialists, however, are not the only manner in which Russian-emigre criminals organize. Professional criminals who profess a propensity for violence have formed small criminal groups to commit extortions or engage in narcotics trafficking. These groups often center around one or more dominant individuals and the composition of the group is subject to frequent change.

One way to contrast La Cosa Nostra and Russian-emigre criminal organizations is to view the former as having a structure -- a distinct, definable crime family -- that is supported by criminal activities. The structure is continuous, and crime is used to carry out its objectives and maintain its strength and vitality. Russians, however, create floating structures on an as-needed basis to enable them to carry out particular crimes. The criminal opportunities come first, and the necessary structure to take advantage of those opportunities follows. Generally, La Cosa Nostra is structure-oriented; members use criminal activities to support the structure. Russian-emigre criminals are venture-oriented; they use structure to support their criminal activity.

Harm Capacity

The critical distinction between organized crime and all other crime lies in its capacity to cause harm. When the Project began its investigation in 1992, little was known about the structures of any Russian-emigre criminal networks. Likewise, little was known about their capacity to commit harm either in local communities, such as Brighton Beach and Northeast Philadelphia, or in the larger society. Assessing the harm potential of Russian-emigre criminals is, therefore, vital to understanding the Russian criminal threat.

Harm occurs in a variety of ways -- economic, physical,

psychological and societal. Economic harm includes monetary losses by victims, illicit gains by criminals, and detrimental effects to the marketplace. Physical harm is the violence used to attain and retain monopoly control over criminal ventures. Psychological harm involves the creation of a climate of fear and intimidation and a perception that criminal networks can avoid apprehension by law enforcement. Societal harm is the undermining of the system, the compromising of the political process, and the corruption of law enforcement and other institutions.

The motor fuel tax scams exhibit most of the harms caused by organized crime. First, economic harm is caused when conspirators keep the tax due and discount the fuel sold to motor fuel retailers. This allows those retailers who purchased their product from the conspirators to undersell their competitors, increase their profits and gain a greater market share. The price advantage enjoyed by these retailers destroys competition in the retail market over time. In this way, predatory pricing can upset the entire distribution system. Second, physical harm is caused. A cartel of motor fuel bootleggers enforces the rules of the cartel through the use of threats and violence. Third, psychological harm is caused when retailers are intimidated into purchasing non-taxed motor fuels from the cartel. Finally, societal harm may be caused if the cartels continue to grow in power and accumulate wealth. This could, eventually, permit them to entrench their position through corruption of the established political structure.

The capacity to cause harm is determined by the size, scope, sophistication and, especially, continuity of the criminal networks involved. The harm occurs when criminal organizations attempt to monopolize specific areas of the marketplace and employ violence and corruption to attain criminal objectives.

Monopoly Power

Just as a desire for market monopoly exists in the licit marketplace, so it exists in the illicit marketplace as well, and for the same reason -- to optimize wealth and power. Monopoly power is attained by forcing out and discouraging competition. This is achieved through the threat and use of force and violence and by obtaining advantages over competitors, such as the ability to underprice, through other criminal activity. Market monopolies permit the accumulation of wealth and power which can then be used to corrupt the legal and political systems. This, in turn, further solidifies the criminal organization's position in the marketplace. This is the essence of organized crime. It is the most severe and insidious form of harm caused by organized crime.

La Cosa Nostra has monopolized many different areas of the marketplace. For the past several decades, law enforcement in this country has fought to eradicate La Cosa Nostra's influence over these areas. Conversely, Russian-emigre criminals have not

yet established monopoly control over any of their United States criminal activities. Although Russian-emigres were among the first to take part in the motor fuel tax scams, monopoly control of this activity was not attained until members of La Cosa Nostra became involved.

Use of Violence

The demonstrated willingness to use force and violence to attain a monopoly, discourage competition, and intimidate witnesses is also one of the hallmarks of organized crime. It is systematic and functional in that it furthers the interests of the criminal organization. La Cosa Nostra uses violence as a calculated tool for business gain, to enforce mediated agreements, and to organize markets. On the other hand, Russian-emigre criminal violence appears to be a mix of the calculated and the ad hoc.

Russian emigres have shown a willingness to use violent acts to achieve their criminal goals. There have been numerous murders and attempted murders involving Russian emigres in the tri-state region, many of which remain unsolved. Generally, however, these crimes appear to be neither systematic nor designed to protect any particular criminal enterprise. Instead, they seem to have been motivated by greed or personal vendetta. For example, in 1995, Monya Elson and a group called "Monya's Brigada" were indicted by a federal grand jury for, among other crimes, three murders and one attempted murder.⁹⁷ This violence reportedly resulted from Elson's desire for recognition and stature. Two of the victims were targeted by Elson because he was jealous of their status in the criminal community.

There have also been numerous extortions of Russian-emigres in the region. Many of these were committed by enforcers, criminals who specialize in extorting Russian-owned businesses in Brighton Beach and elsewhere. The enforcers work for whomever pays them. Although, occasionally, there may be disputes between individuals or groups regarding certain extortion victims, most of the extortions appear to be opportunistic rather than a systematic approach to obtain power or control.

Russian violence is not random in the same sense as the drive-by shootings of street gangs. Russian-emigre criminals appear to exercise some care in choosing their victims and avoiding harm to innocent bystanders. Furthermore, several Russian-emigre murders and attempted murders resulted from attempts to assert hegemony over various market areas, such as the bootleg motor fuel business, or to settle scores between criminal groups. Nevertheless, there is a view among some in law enforcement that the Russians' reputation for violence exceeds the reality of its use, at least in the United States⁹⁸ As has been true in United States drug markets, a great deal of Russian-emigre violence is attributable to the unregulated competition that exists in their criminal ventures.

Use of Corruption

The threat of Russian-emigre criminals using corruption as a means to further their criminal pursuits is more of a potential than an actual harm. La Cosa Nostra uses corruption to facilitate its criminal activities, eliminate competition, and entrench itself in the marketplace. At the present time,

Russian-

emigre criminals in the United States have not cultivated the appropriate political contacts to emulate La Cosa Nostra. Perhaps they presently see no need to maintain corrupt relationships to further criminal objectives. Should the situation change, however, Russian-emigres do possess the capacity to corrupt. They are products of a system that is accustomed to bribing politicians and government officials, and in which corruption is a way of life.

In the meantime, the pervasive corruption that exists throughout the governments of the former Soviet republics creates problems for United States law enforcement agencies collaborating with their counterparts in those countries. For example, ascertaining whether a Russian-emigre suspect in the United States has a criminal history, or is currently under investigation in one of the former Soviet republics, is risky because the target may be informed about the inquiry. The United States Immigration and Naturalization Service indicates that it is often impossible to find out whether a United States visa applicant from one of the former Soviet republics has a criminal background.⁹⁹ In these and other ways, corruption in the former Soviet Union may facilitate Russian-emigre crime in the United States

V. CONCLUSION

Based upon its four-year investigation of Russian-emigre crime in the tri-state region, the Project concludes that

Russian-

emigre criminals constitute a serious and evolving crime threat in the United States. At present, Russian-emigre criminals do not possess either the organizational or harm capacity which would warrant considering this threat as critical as the threat posed by South America drug cartels or La Cosa Nostra. Nevertheless, given the sophisticated nature of their criminal activities, as well as the extensive planning and coordination those activities require, it may be only a matter of time before the Russian-emigre crime threat reaches that level.

Russian-emigre criminal groups in the United States do not resemble traditional organized crime, such as La Cosa Nostra. Russian-emigre groups lack the structure and permanence found in other crime groups. Instead, Russian-emigre criminals operate within an amorphous confederation in which roles are not as clearly defined and relationships among members not as continuous as those within other criminal organizations. Furthermore, the Project found little evidence, other than in connection with the

motor fuel tax scams, that Russian-emigre criminals are employing or attempting to employ violence and corruption to attain monopoly power or organize the marketplaces in which they are functioning. Russian-emigre crimes have been, and are being, committed mainly by individual opportunists or ad hoc criminal groups.

Despite these differences, Russian-emigre criminals could very well prove to be more prolific and successful in this country than other, more structured crime groups. Although maintaining a permanent, continuous organization has, in the past, proven to be significantly advantageous in the criminal world, it has also led, in part, to the decline of many criminal groups. The very structure which enables criminal organizations, such as La Cosa Nostra, to survive continuously despite the loss of one or more of its members, also provides law enforcement with a window through which the organization can be attacked. Thus, although there is evidence that some Russian-emigre criminals are beginning to develop more structured, hierarchal organizations, the present lack of structure within Russian-emigre crime groups may prove to be even more troubling to law enforcement.

In any case, Russian-emigre criminals in the United States present a formidable problem for law enforcement. They are generally more intelligent and sophisticated than most criminals, and are imbued with a business acumen rarely seen in traditional organized crime groups. Having been "trained" under the black market and shadow economy of the former Soviet Union, Russian-emigre criminals are adept at identifying weaknesses in legal, business and financial systems, and capitalizing on those weaknesses for their financial benefit. They survived under the strict, punitive control of the communists and are clearly willing to continue their criminal ways in this country.

History has shown that criminal networks often evolve into more harmful types of organized crime.¹⁰⁰ The evolution of Russian-emigre crime will be governed by the social context in which the criminal groups are operating. Consumer demand for its particular goods and services, its ability to expand, the amount of attention devoted to it by law enforcement, and competition from other crime groups will each influence the domestic growth of Russian-emigre crime. The task of American law enforcement is to shape the social context and create obstacles so as to keep Russian criminals from developing the capacity for greater harm.

The Project also recognizes a prospective Russian organized crime problem which may have no connection to Russian-emigre crime other than a common heritage. Yet, it is one that, potentially, may cause severe harm within the United States. Currently, within the CIS, there are numerous criminal organizations which are demonstrating an enormous capacity for harm.¹⁰¹ They have acquired monopoly control of a broad array of illegal and legal enterprises, including some Russian banks, and have amassed considerable wealth and power within the CIS in a relatively short span of time. These organizations have used

violence -- against businessmen, journalists, and government and law enforcement personnel -- to acquire and maintain their monopoly control and are also engaging in massive corruption to facilitate their criminal pursuits.

The geographic and political barriers which had impeded the Soviet Union from full participation in the global economy are gone. Ease of travel and enhanced global communications will continue the expansion of international business, both legal and illegal, in the CIS. As criminal organizations and gangster bureaucrats position themselves to further their political power and wealth, their business/criminal activities will continually extend internationally. The proliferation of money laundering between the CIS and the United States is evidence that this expansion is already underway.

The task for United States law enforcement is to counter both these Russian crime threats simultaneously. State and local agencies, with assistance and cooperation from federal agencies, must insure that more permanent and sophisticated criminal networks do not evolve within their jurisdictions. At the same time, federal law enforcement agencies must assume primary responsibility for countering the international organized crime threat. Together, these efforts can prevent the "Russian Mafia" from becoming the twenty-first century's La Cosa Nostra.

Appendix A - Tri-State Project Member Agencies

New Jersey State Commission of Investigation

The New Jersey State Commission of Investigation ("SCI") was created in 1968 following extensive research and public hearings conducted by the Joint Legislative Committee to Study Crime and the System of Criminal Justice in New Jersey. That Committee, which was under direction from the Legislature to find ways to correct what was a serious and intensifying crime problem, attributed the expanding activities of organized crime to "failure, to some considerable degree, in the system itself, official corruption, or both." Sweeping recommendations for improving various areas of the criminal justice system were proposed.

Two of the Committee's most significant recommendations were for a new State criminal justice unit in the executive branch and an independent State Commission of Investigation. The Committee envisioned the criminal justice unit and SCI as complementary agencies in the fight against crime and corruption. The criminal justice unit was to be a large organization with extensive manpower and authority to coordinate and conduct criminal investigations and prosecutions throughout the state. The SCI was to be a relatively small, expert body which would conduct fact-finding investigations, bring the facts to the public's attention and make recommendations to the Governor and the Legislature for improvements in laws and the operations of government. The Committee's recommendations prompted immediate legislative and executive action and New Jersey now has a Criminal Justice

Division in the Department of Law and Public Safety and an independent State Commission of Investigation.

To eliminate any appearance of political influence in the SCI's operations, no more than two of the four Commissioners may be of the same political party. Two Commissioners are appointed by the Governor and one each by the President of the Senate and the Speaker of the Assembly. It thus may be said the Commission is by law, bipartisan, and by concern and action, nonpartisan.

The SCI's enabling statute assigns to it a wide range of responsibilities and powers. The SCI may compel testimony and the production of other evidence by subpoena and has authority to grant immunity from prosecution to witnesses. Since the SCI does not have prosecutorial functions, it refers any findings of possible criminality to an appropriate prosecutorial authority.

The Commission emphasizes that indictments and convictions which result from referral of criminal matters to other agencies are not the only test of the efficacy of its public actions. More important are the corrective statutory and regulatory reforms spurred by arousing public and legislative interest. The Commission takes particular pride in all such actions which have resulted in improved laws and governmental operations.
New York State Commission of Investigation

With a broad statutory mandate to investigate "any matter concerning the public peace, public safety and public justice," the New York State Commission of Investigation undertakes investigations of corruption, fraud and mismanagement in New York State and local government. The Commission is also charged with conducting investigations into organized crime and labor racketeering and their relation to the enforcement of State law.

Established in 1958 as an independent, bi-partisan agency, with members appointed equally by the Governor, the President Pro Tem of the Senate and the Speaker of the Assembly, the Commission is uniquely qualified to investigate matters pertaining to the effective enforcement of State law. The Commission is authorized to conduct public and private hearings and issue public and private reports. Since its inception, the Commission has published over one hundred reports and has provided the impetus for Statewide change in many areas including the construction industry, municipal finance law, and eavesdropping and wiretapping statutes. The Commission is also mandated to work cooperatively with other State agencies and routinely responds to requests for assistance from out-of-state agencies and federal authorities as well.

The Commission's purely investigative character enables it to address problems -- and suggest legislative and administrative remedies -- beyond the jurisdiction of other State agencies. When evidence of criminal behavior is developed during an investigation, it is referred to an appropriate prosecutor. Of equal importance is the Commission's role as a "sunshine agency"

by which the Commission is able to focus public attention on particular problems of local or Statewide importance.

The Commission's investigative powers extend to more than 80 State agencies, divisions, boards and authorities as well as over 1,600 political subdivisions of the State -- including the State's 62 counties and more than 500 villages, 900 towns and 60 cities. Its broad investigative jurisdiction also includes thousands of school, water and sewer districts throughout the State. In most circumstances, outside of the local district attorney, the Commission is the only independent investigative body in the State with the power to review and investigate allegations of fraud, waste, corruption and malfeasance. Unlike a local prosecutor's office, the Commission, through its "sunshine" role, also has the authority to address these types of allegations outside the traditional criminal justice forum and highlight these governmental problems for the Governor, the legislature and the public.

New York State Organized Crime Task Force

The New York State Organized Crime Task Force ("OCTF") is a division of the New York State Department of Law that specializes in the investigation and prosecution of multicounty and multistate organized crime activities. Recognizing the complexity and diversity of organized crime and the need for a coordinated centralized approach to combat it, the New York State Legislature established OCTF in 1970 through the enactment of Section 70-a of New York's Executive Law. OCTF identifies emerging and existing organized crime enterprises and, through a broad array of civil and criminal enforcement techniques, seeks to undermine their structure, influence and presence within the State.

Section 70-a gives OCTF broad power to investigate and prosecute criminal activity throughout the State of New York. Its jurisdiction extends to all organized crime activity that crosses county or state boundaries. OCTF may conduct investigative hearings, compel the production of documents and other evidence, apply for search and eavesdropping warrants, and, upon the consent of the governor and the appropriate district attorney, appear before grand juries, conduct criminal and civil actions and exercise the same powers as the local district attorney.

OCTF has offices throughout the State of New York, with the largest concentration of its staff in White Plains and Albany. Most of its cases involve long-term investigations into such areas as narcotics trafficking, gambling, money laundering, grand larceny, official corruption and fraud. The attorneys, investigators and forensic accountants pool their expertise from the inception of an investigation through the resolution of any resulting criminal or civil case. Civil remedies, in particular, civil forfeiture, are used in conjunction with criminal sanctions to remove the economic capabilities of criminal enterprises and incentives for further criminal activity.

OCTF is also involved in analyses of particular organized crime problems to formulate enforcement strategies that may include legislative and administrative reforms in addition to case-specific criminal and civil remedies.
Pennsylvania Crime Commission

In response to a marked increase in crime during the 1960s, Pennsylvania Governor Raymond P. Shafer issued an executive order in March 1967, creating a temporary Crime Commission to look into the causes of crime, assess the adequacy of the State's enforcement efforts, and make recommendations to prevent, reduce and control crime. Eighteen months later, the Commission presented a report containing several recommendations for reform to the Governor and General Assembly. One recommendation proposed the creation of a permanent crime commission which would focus attention on the problem of organized crime.

Based upon that recommendation, the Pennsylvania Crime Commission was established in July 1968. Set up as an independent fact-finding agency, the Commission's primary responsibility was to investigate and expose the problems of organized crime and criminal justice along with all other types of systemic fraud or corruption. As stated by former Gov. Shafer, the Commission was "empowered to investigate serious crime wherever it exists in Pennsylvania."

The Commission's unique powers and duties distinguished it from other law enforcement and prosecutive agencies which focus on the development and prosecution of criminal cases. As a fact-finding body, the Commission was equipped to shed light upon the fundamental causes of problems in ways that traditional enforcement agencies could rarely accomplish. To perform its functions, the Commission was granted the power to hold hearings, subpoena witnesses and compel testimony regarding a broad array of issues.

For more than two decades, the Pennsylvania Crime Commission investigated all types of organized criminal activities and rooted out corruption throughout the state. Some of the Commission's more notable investigations focused on uncovering Italian organized crime involvement in the waste hauling industry, identifying the operations of Philadelphia's Junior Black Mafia, and targeting Philadelphia's Chinatown racketeers. Other investigative targets included Jamaican drug posses, Korean gambling organizations, and Vietnamese gangs, as well as numerous corrupt politicians, police officers and government employees. In addition, the Commission often served as a catalyst for positive change in the Pennsylvania criminal justice system. In 1970, the Commission drafted the Pennsylvania Corrupt Organizations Act, which was designed to curb racketeer infiltration into legitimate business. The Commission also continually proposed changes in State law to improve law enforcement's ability to combat organized crime. These proposed changes included improving the State's witness immunity statutes

and reforming its electronic surveillance laws.

Following a highly publicized dispute with former State Attorney General Ernie Preate, the Pennsylvania Crime Commission was disbanded by the Pennsylvania Legislature in June 1994.
Rutgers - The State University of New Jersey
School of Criminal Justice

The Rutgers School of Criminal Justice, founded in 1973, is located in Newark, the largest city in the State of New Jersey. The School was authorized by an act of the New Jersey legislature in 1968, and was directed to develop a program of instruction, research and leadership. The School of Criminal Justice has programs of both undergraduate and graduate education, as well as research and public service. The goal of the School is to provide students with a basic understanding of delinquency and crime, of the criminal justice system, and of methods of assessing current problems and issues in these areas. The faculty of the School is interdisciplinary, being drawn principally from criminology, law, psychology, and sociology. This is necessary since no traditional academic discipline covers the wide spectrum of expertise required to accomplish the School's purposes.

The School of Criminal Justice is also a major national and international center for scholarly research on all aspects of delinquency, crime, and criminal justice administration. Among the School's recent research project's are studies of the sentencing of white-collar offenders, Chinese gangs, domestic violence, and Russian-emigre organized crime.

Appendix B - Russian-Emigre Populations in the Tri-State Area

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Appendix C - Rutgers University/Tri-State Project Law Enforcement Survey

The Rutgers University research team, in collaboration with the Tri-State Project, conducted a nationwide mail survey of law enforcement agencies to determine the extent of Russian-emigre crime in the United States. A total of 750 questionnaires were mailed to law enforcement agencies across the country. In response, the team received 484 completed questionnaires from agencies in every state representing every level (federal, state, county and local) of government. The results of the survey are summarized below.

Survey Results

Participants in the survey were asked whether their agency had, within the previous five years, investigated, prosecuted or otherwise had contact with criminals or suspected criminals from the former Soviet Union. Of the 484 respondents, 167 (35%) replied "yes." Asked whether Russian-emigre crime was considered

a major problem within their jurisdiction, 65 (13%) indicated it was. Of those agencies which have had contact with Russian-emigre crime, 47 (28%) have dealt with more than twenty Russian-emigre criminals, while 84 (50%) agencies have been able to obtain at least one criminal conviction against a Russian-emigre.

Since one of the Project's goals was to determine whether Russian-emigre crime in the United States is a form of organized crime, survey participants were asked, "According to your agency's definition of organized crime, are any persons from the former Soviet Union considered part of organized crime?" One hundred and one agencies (64%) responded affirmatively. Participants were also asked about the types of crimes being committed within their area by Russian-emigres. Fraud (53.3%) was the most common crime reported, followed by money laundering (31.7%), drugs (31.1%), violent crimes (31.1%), extortion (19.2%), forgery (18.6%), racketeering (16.8%), prostitution (12.0%) and loan sharking (4.8%).

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Those respondents who indicated their agency has had contact with Russian-emigre criminals were asked several questions about their response to this problem. 40 respondents (24%) indicated they have attempted to obtain information from government agencies in the former Soviet Union. More than half of these attempts were successful and, in several instances, the agency's efforts were still in progress. 52 respondents (31%) indicated having staff members with Russian language skills, while 72 (43%) said that within their agencies, special efforts were being made to focus on Soviet-emigre crime. Finally, 79 respondents (47%) reported that there is a single person or group within their agency that handles most cases involving crime by Soviet-emigres.

Appendix D - Russian-Emigre Crime Statistics for the Tri-State Area

Table 1 - Number of Arrests of Russian-emigres in New York State Between 1989 and 1995

Year Total	New York City			Non-New York City			
	Felony	Misd	Total	Felony	Misd	Total	
1989	268	326	594	30	178	208	802
1990	273	346	619	50	180	230	849
1991	306	388	694	64	214	278	972
1992	363	654	1017	53	246	299	1316

1993	334	618	952	48	278	326	1278
1994	434	799	1233	50	261	311	1544
1995	497	750	1247	64	278	342	1589

(Source: N.Y.S. Dept. of Criminal Justice Services)

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4

NEW JERSEY
FINGERPRINT SUPPORTED ARRESTS:
RUSSIAN BORN SUBJECTS
1989-1995

COUNTY	1989	1990	1991	1992	1993	1994	1995	TOTAL
Atlantic	10	8	4	12	24	32	22	112
Bergen	14	39	53	74	85	72	120	457
Burlington	4	3	2	10	6	10	14	49
Camden	1	8	13	9	10	17	17	75
Cape May	1	2	0	4	7	5	0	19
Cumberland	0	3	17	5	3	5	2	35
Essex	9	20	27	17	25	34	42	174
Gloucester	0	0	0	0	3	3	5	11
Hudson	11	21	17	19	21	17	11	117
Hunterdon	0	6	0	0	2	0	1	9
Mercer	5	2	12	11	18	11	18	77
Middlesex	29	34	83	58	66	72	71	413
Monmouth	18	28	76	36	15	63	29	265
Morris	6	7	13	13	10	16	19	84
Ocean	6	11	4	1	12	5	3	42
Passaic	5	7	10	11	13	25	23	94
Salem	0	0	0	0	3	2	0	5
Somerset	0	3	2	2	3	9	8	27
Sussex	0	0	0	2	1	3	0	6
Union	23	21	12	32	27	38	49	202
Warren	1	1	5	1	12	3	0	23
Unassigned	8	5	9	18	0	0	0	40
TOTAL	151	229	359	335	366	442	454	2336

Statistics supplied by New Jersey State Police

NEW JERSEY
FINGERPRINT SUPPORTED ARRESTS
RUSSIAN-BORN SUBJECTS
1989-1995

5

Statistics supplied by New Jersey State Police

Appendix E - Russian-Emigre Homicides and Attempted Homicides
1981-1995

1. Rachmel Dementev

Shot to death on January 1, 1981, by Vladimir Reznikov. Dementev was allegedly killed after calling Reznikov an informant.
2. Sheila and Slavi Shaknis

Mother and son shot to death on March 3, 1981, allegedly because their husband/father failed to repay money owed to other criminals.
3. Yuri Brokhin

Shot to death in his New York City apartment on December 5, 1982. Some time earlier, his wife had been found dead in their bathtub. Originally thought a suicide, she may have been murdered also.
4. David Eligolashavili

Murdered in 1982. He was allegedly involved in loan-sharking and the sale of stolen Torah scrolls.
5. Victor Malinsky

Found shot to death in Manhattan on February 6, 1983.
6. Zurab Minakhi

Stabbed to death on August 21, 1983, in the Sadko Restaurant in Brighton Beach, Brooklyn, allegedly by Benjamin Nayfeld during a fight.
7. Ilya Goldstein (Attempt)

Shot five times in Manhattan on December 15, 1983.
8. Evsei Agron (Attempt)

Shot in the neck on January 24, 1984, as he exited an underground garage in the building in which he lived in Park Slope, Brooklyn. He survived the attack but was later killed on May 4, 1985 (see below). A self-proclaimed "Russian Godfather," Agron came to the United States in 1975 and, within a few years, built a criminal empire in Brighton Beach.
9. Mikhail Tolstonog

Found shot to death in a boiler room on February 28, 1984.
10. Evsei Agron

Shot to death on May 4, 1985, when an assassin fired two

bullets into his head as he waited for an elevator in his building.

11. Ilya Zeltzer

Shot to death on Feb. 3, 1986, during a shootout inside a gas distribution office ("Platinum Energy") in Brooklyn. He was allegedly shot by Vladimir Reznikov in a dispute over bootleg gas.

12. Shaya Kalikman

Shot to death on March 3, 1986, in a Brighton Beach social club, allegedly by Garik Verbitsky (see below).

13. Oleg Vaksman

Shot to death on April 26, 1986, inside a friend's Brighton Beach apartment. He was allegedly a mid-level cocaine dealer.

14. Vladimir Reznikov

Shot to death on June 13, 1986, while getting into his car in front of the Odessa Restaurant in Brighton Beach. He was allegedly killed by La Cosa Nostra at the request of Russian criminals involved in the bootleg gas scams.

15. Anatoly Rubashkin

Shot to death. His body was found in a lot in Sheepshead Bay, Brooklyn, on July 25, 1986.

16. Garik Verbitsky

Shot to death in a Brighton Beach social club on April 21, 1987. Also known as "Jerry Razor," he was suspected of murdering Shaya Kalikman (see above).

17. Rosala Elyurina

Stabbed to death on September 13, 1987.

18. Boris Rubinov

Shot to death in his car on November 18, 1987. He was believed to have been a low-level criminal killed over a drug debt.

19. Lev Persits (Attempt)

Paralyzed after being shot in the back on November 18, 1987. He was allegedly involved in the bootleg gas scams.

20. Philip Moskowitz

Found dead in North Brunswick, N.J., on December 5, 1987. His body exhibited signs that he had been tortured prior to his death. Moskowitz was a friend of Michael Markowitz (see below) and was also involved in the bootleg gas scams.

21. Gregory Yampolsky

Allegedly killed by Felix Furman (see below) on October 18, 1988.

22. Felix Furman

Shot to death in Brighton Beach on December 10, 1988, by Valery Zlotnikov from whom Furman was extorting money.

23. Michael Markowitz

Shot to death in a car on May 2, 1989. Arrested in connection with the bootleg gas scams, he was allegedly killed on orders from La Cosa Nostra to prevent his cooperation with police.

24. Abram Khaskin

Found shot to death inside a burning car on May 23, 1990.

25. Boris Nayfeld (Attempt)

Unexploded bomb found under his car on January 14, 1991.

26. Jerome Slobotkin

Shot to death near his Philadelphia home by Antuan Bronshtein on February 19, 1991. In 1988, Slobotkin had testified against Nicodemo Scarfo and other Scarfo associates, claiming to be a victim of a Scarfo protection racket.

27. Vladimir Vaynerchuk

Bludgeoned to death in an elevator on February 28, 1991.

28. Vyacheslav Lyubarsky (Attempt)

Shot in the buttocks by an unknown assailant on March 3, 1991, in the hall outside his apartment. He was allegedly a member of a Soviet narcotics trafficking group that imported heroin into the United States through Bangkok, Poland and Brussels. He was later killed, along with his son Vadim, in January 1992 (see below).

29. David Shuster (Attempt)

Shot on March 20, 1991. He was allegedly involved in the

bootleg gas scams.

30. Emil Puzyretsky

Shot to death on May 11, 1991, inside the National Restaurant in Brighton Beach. A gunman shot him twice at close range with a silencer-equipped handgun and several additional times after he fell to the floor. Puzyretsky was a mob enforcer known for his use of knives. He was also involved in the bootleg gas scams.

31. Monya Elson (Attempt)

Shot in Brighton Beach on May 14, 1991. Reputed leader of a crime group involved in counterfeiting, drug trafficking and other criminal activities. He was allegedly involved in the murders of Elbrous Evdoev and the Lubarskys (see below). This attempt was suspected to have been in retaliation for the attempt on Vyacheslav Lyubarsky (see above). Other attempts on Elson's life are detailed below.

32. Gintis Digry

Shot to death in a car in Brooklyn on May 22, 1991. A second man, Richardas Vasiliavitchous, was wounded during the attack.

33. Moisy Zusim and Leonid Khazanovich

Zusim, the owner of a West Philadelphia jewelry store, and his employee, Khazanovich, were shot to death with semi-automatic weapons on June 11, 1991, during a robbery at the jewelry store.

34. Fima Miller

Murdered inside a Brooklyn jewelry store on July 27, 1991. He was alleged to be an associate of Namik Karafov and Fima Laskin (see below).

35. Namik Karafov

Shot to death inside his apartment on July 30, 1991. Several guns were found at the scene but not the murder weapon.

36. Yevgeni Michailov

Abducted in Brooklyn on July 8, 1991, his body was found in a lot near Kennedy Airport in New York City on August 27, 1991. He had been shot four times in the head. He was allegedly involved in jewelry theft and fraud.

37. Fima Laskin

Stabbed to death in Munich on September 27, 1991.

38. Roman Kegueles

Body found floating in Sheepshead Bay, Brooklyn, on November 6, 1991. He had been stabbed numerous times.

39. Robert Sason (Attempt)

Shot in the hand on December 15, 1991.

40. Vyacheslav and Vadim Lyubarsky

Vyacheslav ("Slava") and his son, Vadim, were shot to death on January 12, 1992, in the hallway outside their Brighton Beach apartment. After returning from dinner with Slava's wife, Nellie, they were ambushed by an assassin who emerged from the hallway shadows and shot both men, but not Nellie. In 1995, Monya Elson and others were charged in a federal indictment for these and other murders.

41. Efrim Ostrovsky

Shot to death on January 21, 1992, while exiting his stretch limousine in Queens, N.Y. The hit was allegedly arranged by Alexander Slepinin (see below) who was extorting money from Ostrovsky.

42. Said Amin Moussostov

Shot to death by two unknown gunmen on May 8, 1992, in the hallway of his home in Palisades Park, N.J. A former Soviet kick-boxer, he was reputed to be a member of a violent Chechen crime group. It is suspected that he was involved in the murder of Fima Laskin (see above).

43. Elbrous Evdoev (Attempt)

Shot in the jaw and back in New York City on June 5, 1992. Alleged to be involved in prostitution, Evdoev survived this attack but was later killed in early 1993 (see below).

44. Alexander Slepinin

Shot to death in his car on June 23, 1992. Allegedly responsible for the death of Efrim Ostrovsky (see above), Slepinin was shot numerous times in the head and back. In 1995, Monya Elson and others were charged in a federal indictment for this and other murders.

45. Elbrous Evdoev (Attempt)

Shot in the shoulder and hand on July 4, 1992, in New York City. Evdoev told police the shooting had been ordered by Monya Elson.

46. Boris Roitman

Shot to death on August 26, 1992.

47. Monya Elson (Attempt)

Shot in the forearm by an unknown assailant in Los Angeles on November 6, 1992. Elson was driven by Leonyard Kanterkantetes to a hospital where he was treated and released. Two days later, an Armenian attempting to plant a bomb under Kanterkantetes' car was critically injured when the bomb detonated prematurely.

48. Vladimir Zilbersteyn (Attempt)

Shot in the face and upper body by shotgun pellets fired from another vehicle while driving in Manhattan on November 20, 1992. The shooting was allegedly caused by a dispute with Italian mobsters involved in the bootleg motor fuel tax scams.

49. Vanya Sargsyan

Body was found early in the morning on January 1, 1993, in an industrial area in Lynbrook, Long Island. A Brighton Beach resident, he had been shot three times in the head, chest and shoulder with an automatic weapon. He was allegedly shot over a dispute regarding the trade of colored metals.

50. Elbrous Evdov

Body was found fully dressed, frozen solid in a snow bank at an auto salvage yard in Pine Brook, N.J., on March 6, 1993. He had been shot three times in the head. Evdov had been the target of two previous shootings (see above).

51. Lev Gendler

Found dead in his apartment on March 23, 1993. He had been shot numerous times in the head and body. Gendler's criminal history included arrests in the United States and Israel for counterfeiting, extortion, kidnapping and bank fraud.

52. Michael Libkin (Attempt)

On June 10, 1993, Michael Libkin was shot inside his antique store in Manhattan by Peter Gripaldi, a California "hitman" who had arrived in New York a few days earlier. Gripaldi entered the store, spoke briefly with Libkin, removed a silencer-equipped, automatic handgun from his briefcase and shot Libkin in the groin. After a struggle, Libkin took out his own gun, followed Gripaldi out of the store and shot him

in the chest. Both men were taken to Bellevue Hospital and released a few days later. Gripaldi was later convicted for this shooting on the basis of an indictment filed by the Manhattan District Attorney.

53. Monya Elson (Attempt)

Elson, his wife and bodyguard Oleg Zapinakmine were shot in front of Elson's Brooklyn home by Boris Grigoriev on July 26, 1993. All three were treated and released after a brief stay at a local hospital. The attempts on Elson's life resulted from a dispute between Elson and other criminal factions within the Brighton Beach community.

54. Oleg Zapinakmine

On September 24, 1993, two months after the failed attempt on Monya Elson, bodyguard Oleg Zapinakmine was shot once in the back and killed by an unknown assailant. At the time he was shot, Zapinakmine was checking a flat tire on his car in front of his Brooklyn home.

55. Georgiy Sidropulo (Attempt)

Shot three times in the jaw, chest and shoulder while sitting in front of a Brighton Beach cafe on October 20, 1993. The shots were fired from a van. Sidropulo was believed to be part of a Russian and Hispanic narcotics group known as "T.F." (Together Forever).

56. Vladimir Beigelman

Shot to death by two unknown males who fired four shots into his head, neck and back as he exited a van in Queens, N.Y., on December 2, 1993. Witnesses told police the shooters appeared to be Hispanic. Reputed to be a major cocaine trafficker with ties to both the Cali Cartel and La Cosa Nostra, Beigelman may have been blamed for losing a large shipment of cocaine.

57. Alexander Gutman

Shot to death execution-style by Northeast Philadelphia resident and Soviet emigre Antuan Bronshtein (see above) on January 11, 1994, at the victim's Philadelphia jewelry store.

58. Oleg Korataev

Shot to death on January 12, 1994, near the Arbat Restaurant in Brighton Beach. A former Soviet boxer known to be a brutal mob enforcer, he was attending a party at the restaurant and was shot in the back of the head as he stepped outside to get some air.

59. Alexander Levichitz ("Sasha Pinya") (Attempt)

Shot three times in the head near the Arbat Restaurant in Brighton Beach on the evening of January 17, 1994. He was allegedly a close friend of Monya Elson.

60. Vladimir Karak

Shot to death on January 21, 1994.

61. Yanik Megasaev

Body was found on March 23, 1994, in a pile of garbage in a wooded area near Shore Parkway in Brooklyn. Megasaev had been shot four times in the face and chest.

62. Alexander Graber

Was shot along with two other men in Moscow on June 16, 1994, by unknown assailants in a car. Graber had lived in Brighton Beach for over a year and allegedly had ties to local organized crime.

63. Naum and Simeon Raichel (Attempt)

On July 11, 1994, Naum Raichel was shot three times in the chest and stomach near the Winter Garden Restaurant in Brighton Beach. That same day, his brother Simeon was severely beaten in Berlin, Germany. Both men survived the attacks.

64. Arkady Shvartsman

Shot and killed by two gunmen on January 18, 1995, as he sat in his vehicle during the evening rush hour, just a few blocks away from the Philadelphia Police Department headquarters. Shvartsman's briefcase, which contained over \$10 thousand, was left untouched by the gunmen on the seat next to Shvartsman.

65. Heinrich Barel (Attempt)

Shot in the face on April 20, 1995.

APPENDIX F

Testimony of Eric Seidel, Deputy Attorney General - In Charge
New York State Organized Crime Task Force

before the

House Committee on International Relations

(April 30, 1996)

ENDNOTES

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1. Subsequent to the Project's inception, the Soviet Union collapsed. For purposes of simplicity, individuals from the former Soviet Union who might be classified as immigrants or emigres will be referred to as Russian emigres.
 2. The project has continued beyond its original two-year term absent the Pennsylvania Crime Commission which was abolished as an independent agency by its state legislature in June 1994.
 3. The officer returned to his country in 1994 after fulfilling his two-year commitment.
 4. President's Commission on Organized Crime, *The Impact: Organized Crime Today*, Washington, D.C. (April 1986).
 5. Finckenauer, James O., *Russian Organized Crime in America*, in *Handbook of Organized Crime in the United States*, (Robert J. Kelly, et al, eds.). Westport, CT: Greenwood Press, 1994; Kenney, Dennis J., and Finckenauer, James O., *Organized Crime in America*. Belmont, CA: Wadsworth Publishing Co., 1995.
 6. Id.
 7. Id.
 8. U.S. v. Shae Presaizen, et al, 95-CR263 (S.D.N.Y. 1995); U.S. v. Monya Elson, 95-CR179 (S.D.N.Y. 1995); U.S. v. Boris Nayfeld, 94-CR537 (S.D.N.Y. 1994); U.S. v. Anthony Morelli, et al, 93-CR210 (D.N.J. 1993); U.S. v. Jacob Dobrer, et al, 92-CR419 (E.D.Pa. 1993); N.J. v. Christopher Grungo, et al, SGJ350 (1994).
 9. Information provided by the U.S. Immigration and Naturalization Service.
 10. Information provided by the New York City Planning Commission.
 11. Information developed by Project staff has revealed that Middlesex and Monmouth Counties in the central part of the state have become the bedroom communities of many former Brighton Beach Russian emigres.
 12. According to the Philadelphia Police Department, Russian populations in Camden and Burlington Counties, N.J., and Bucks County, Pa., have doubled during the last ten years while increasing seventy-five percent in Montgomery County, Pa., within the same period.
 13. Pres. Comm. on Org. Crime, *supra*; see also, N.Y. Times, Feb. 12, 1983, at B3, col.1.
 14. Information provided by the Philadelphia Police Dept. See also, Philadelphia Inquirer, Apr. 24, 1983, at A1.

15. Philadelphia Police detectives noted a link between the two communities as early as 1981.
16. Rosner, Lydia S., *The Soviet Way of Crime: Beating the System in the Soviet Union and the U.S.A.* South Hadley, MA: Bergin and Garvey Publishers, Inc., 1986.
17. *Id.* at 116.
18. *Id.*
19. Russian and Italian criminal associations allegedly began in the early to mid-1980s. See, *U.S. v. Morelli, supra*; *U.S. v. Dobrer, supra*; and *U.S. v. Joseph Reisch*, 93-CR598 (E.D.N.Y. 1993). See also, Adams, Nathan M., *Menace of the Russian Mafia*, *Readers's Digest* (Aug. 1992); Friedman, Robert I., *Brighton Beach Goodfellas*, *Vanity Fair* (Jan. 1993); Franzese, M. and Matera, D., *Quitting the Mob: How they Yuppie Don Left the Mafia and Lived to Tell His Story*. New York, NY: Harper Collins, 1992.
20. Friedman, *supra*.
21. Finckenauer, and Kenney and Finckenauer, *supra*. See also, *N.Y. Times*, Aug. 23, 1994, at A1, col. 5; *N.Y. Law Journal*, Jan. 29, 1981, at 1, col. 2.
22. Adams, *supra*; see also, *Philadelphia Inquirer*, Apr. 24, 1983, at A1; *Los Angeles Times*, Jan. 28, 1982, at 1.
23. According to F.B.I. Deputy Assistant Director James E. Moody, only a small fraction of Russian emigres in this country are criminals (*N.Y. Times*, Aug. 23, 1994, at A1, col. 5). See also, *N.Y. Times*, Feb. 15, 1983, at B3, col. 1.
24. Reuter, Peter, *Research on American Organized Crime*, in *Handbook of Organized Crime in the United States*, (Robert J. Kelly, et al, eds.). Westport, CT: Greenwood Press, 1994.
25. Testimony of F.B.I. Director Louis J. Freeh before the U.S. Senate Permanent Subcommittee on Investigations (May 25, 1994).
26. 1990 U.S. Census Bureau estimate regarding foreign-born Soviet emigres. The Census Bureau reported that, in 1990, more than two million people in the U.S. claimed a Soviet ancestry.
27. Rosner, *supra*; see also, Kleinknecht, William, *The New Ethnic Mobs*. New York, NY: The Free Press, 1996.
28. *Los Angeles Times*, Oct. 10, 1994, at A8, col. 1.
29. Rosner, *supra*.
30. *Id.*, at 29.

31. Bell, Daniel, Crime as an American Way of Life, Antioch Review 13, 131-154 (Sept. 1953).
32. O'Kane, James M., The Crooked Ladder. New Brunswick, NJ: Transaction Publishers, 1992.
33. Simon, Rita J., Families Adjustments and Aspirations: A Comparison of Soviet Jew and Vietnamese Immigrants. Ethnic and Racial Studies (Oct. 1983).
34. See Appendix C.
35. Fuel used to propel vehicles on highways is subject to federal and state excise taxes. See, 26 U.S.C. 4041 (1995); N.Y. Tax Law 282 et seq. (McKinney supp. 1987-1995); N.J. Rev. Stat. 54:39-27 (West 1986 and supp. 1995).
36. Franzese and Matera, supra.
37. N.Y. Times, May 13, 1996, at A1, col.3.
38. Diesel fuel may contain additives which improve its burning quality in an engine.
39. Federal excise tax (24.4%), plus NJ sales tax (13.5%), plus NJ petroleum gross receipts excise tax (4%). Information provided by the N.J. Department of Taxation.
40. N.J. Rev. Stat. 54:39-27.
41. Franzese and Matera, supra.
42. Michael Markowitz was shot to death in 1989, allegedly on orders from La Cosa Nostra to prevent his cooperation with the police (see Appendix E).
43. As evidenced by the numerous recent federal indictments filed in each of these states.
44. U.S. v. Dobrer, supra.
45. U.S. v. Morelli, supra.
46. U.S. v. Reisch, supra.
47. U.S. v. Daniel Enright, 95-CR388 (D.N.J. 1995).
48. Smushkevich pleaded guilty in 1994 and was sentenced a year later to twenty-two years incarceration and ordered to pay restitution in the amount of \$41 million. U.S. v. Smushkevich, 90-CR960D (C.D.Cal., 1990).
49. U.S. v. Alexander Zaverukha, et al, 94CR-515 (E.D.Pa. 1994). Zaverukha later pleaded guilty to racketeering. On Oct. 16, 1995, he was sentenced to forty-five months in prison, fined

\$25,000 and ordered to forfeit \$100,000 and pay \$100,000 in restitution.

50. The Washington Post, June 24, 1990, at C1.

51. U.S. v. Peter Cherepinsky, 93-CR123 (E.D.Pa. 1993).

52. Information provided by the Philadelphia Police Department.

53. N.Y. Times, Sept. 13, 1995, at B3, col. 1.

54. Breskin, Korogodsky and Yosifian have been arrested by the F.B.I. Portnov is a fugitive believed to be in Russia. U.S. v. Lev Breskin, et al, 95-CR1091 (S.D.N.Y. 1996).

55. One method used by Russian-emigre criminals to produce bogus cards is to silk screen the logo of an issuing bank, color it onto a blank plastic card, and emboss the card with the account number of a legitimate credit card.

56. U.S. v. Roman Kolompar, et al, 89-CR429 (1989).

57. See Appendix E. The Project limited its information gathering efforts to those homicides and attempted homicides which were somehow related to the tri-state area.

58. U.S. v. Vyacheslav Kirillovich Ivankov, Complaint No. 95-0899M (E.D.N.Y. 1995).

59. The Star Ledger (Newark), Apr. 1, 1995, at 19.

60. Information regarding this matter was developed by the Pennsylvania Crime Commission.

61. Both New York City and Philadelphia Police Department records contain numerous complaints involving the kidnapping/extortion of Russian-emigres.

62. F.B.I. Dir. Freeh, Senate Perm. Subcomm. on Inv., supra.

63. Id.

64. Information provided by various N.Y.P.D., D.E.A., and U.S. Customs Service agents.

65. U.S. v. David Podlog, et al, 92-CR374 (S.D.N.Y. 1992).

66. U.S. v. Henry Belkin, et al, 93-CR240 (E.D.Pa. 1993) and U.S. v. Valery Sigal, et al, 93-CR241 (E.D.Pa. 1993.) All defendants have pleaded guilty. On March 15, 1996, Sigal was sentenced to forty-six months in prison and fined \$25,000.

67. U.S. v. Boris Nayfeld, et al, 93-CR965 (S.D.N.Y. 1994).

68. F.B.I. Dir. Freeh, Senate Perm. Subcomm. on Inv., supra.

69. Id.

70. Id. See also, *Organized Crime Digest*, Vol. 17:6, 1-3 (Mar. 13, 1996).

71. F.B.I. Dir. Freeh, Senate Perm. Subcomm. on Inv., *supra*; see also, Friedman, Robert I., *The Money Plane*, *New York Magazine* (Jan. 22, 1996).

72. 18 U.S.C. 1956.

73. *Organized Crime Digest*, Vol. 16:18 (Aug. 30, 1995).

74. *Organized Crime Digest*, Vol. 15:4, (Feb. 23, 1994); *Wall Street Journal*, Aug. 23, 1994, at A14.

75. *Organized Crime Digest*, Vol. 16:1 (Jan. 4, 1995).

76. A February 13, 1996, U.S. General Accounting Office report indicated that casinos, especially those on riverboats and Indian lands, have the potential to become major money laundering conduits. *Casino Crime Digest* (Mar. 1996).

77. Information provided by the N.J. State Police Intelligence Section.

78. *Organized Crime Digest*, Vol. 17:6, 1-3 (Mar. 13, 1996).

79. Information provided by North Brunswick Police Director Thomas Maltese.

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81. F.B.I. Dep. Asst. Dir. Moody, Remarks before the Fifth Annual Economic Crime Investigation Institute Conference at Utica College of Syracuse University (Oct. 1994).

82. Vyacheslav Afanasyev, *Organized Crime and Society, Demokratizatsiya*, Vol. 2:3 (Summer 1994).

83. Id.

84. F.B.I. Agent James Kallstrom, as quoted in *The Times* (Trenton), Aug. 14, 1995 at A1.

85. Handelman, *supra*; Sterling, Claire, *Thieves' World*. New York, NY: Simon and Schuster, 1994.

86. See, Remarks of F.B.I. Dep. Asst. Dir. Moody, *supra*.

87. Afanasyev, *supra*.

88. Id.

89. Handelman, *supra*.
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91. The Times (Trenton), Aug. 14, 1995, at A1.
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94. The Times (Trenton), Aug. 14, 1995, at A1.
95. U.S. Customs Agent Roy Surret, Remarks before the First International Law Enforcement Info Sharing Conference on Russian Organized Crime (Sept. 19-23, 1994); Rosner, Lydia S., The Sexy Russian Mafia, Criminal Organizations 10:1 (Fall 1995).
96. N.Y. Daily News, June 9, 1995, at 4.
97. U.S. v. Elson, *supra*.
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99. Statement of I.N.S. Special Agent Helene Berkholcs, during interview by James O. Finckenauer (Jun. 14, 1995).
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