

# House GOP treats 'Russian organized crime' as the new enemy image

by Edward Spannaus

Congressional hearings on Global Organized Crime, held Jan. 31 and organized by Republicans on the House International Relations Committee, were used as a forum to attempt to paint a new *Feindbild* (enemy image) of Russia, as a country hopelessly dominated by organized crime. In the eyes of some unreconstructed "Cold War" Republicans, such as Ed Royce (R-Calif.), there is little difference between the old communist-dominated Russia, and the new mafia-dominated Russia, and therefore, they say, the United States should still treat Russia as a strategic threat, and certainly should not extend to Russia any kind of assistance.

The first witnesses at the hearings were Jim Moody, Deputy Assistant Director of the FBI Criminal Investigative Division, and David Carey of the CIA, who is Director of the Crime and Narcotics Center of the office of the Director of Central Intelligence (DCI). The second panel included Arnaud de Borchgrave of the Center for Strategic and International Studies (CSIS), and Ariel Cohen of the Heritage Foundation.

While not underplaying the magnitude of the problem in Russia, the first panelists nevertheless stressed the cooperative relationship between the United States and Russia with respect to organized crime—which was obviously not what the organizers of the hearing were interested in hearing. Moody said that the United States is attempting to assist Russia with legal help, legislation, training, etc. He described U.S. strategy on global organized crime as that of entering into working partnerships with other countries, working with the Group of Seven industrial nations (plus Russia), developing multi-country task forces, and so on.

Rep. Jan Meyers (R-Kan.) asked the panelists about cooperation with other countries, and about the problem of corrupt officials in foreign countries. Moody said the United States attempts to identify officials to work with, who are not corrupt. He said that this has been particularly successful with Russia; we have had no leaks, and no problems, with the Russians. Under Presidential Decision Directive No. 42, the United States can use the International Emergency Economic Powers Act, and the authority of the State Department with respect to the issuing or withholding of visas. If the United States identifies members of a foreign government who are involved with organized crime and drug trafficking, we can try to get them removed from their government, Moody said,

or even indict them in the United States.

In response to questioning by Royce on the extent of control of Russian organized crime by Russian intelligence agencies, Carey's assistant, Ray Innis of the DCI, said that in 1989-90 there was some sanctioned activity by Russian intelligence agents and agencies, but currently, the United States has no evidence of ties between Russian intelligence and organized crime. In fact, Innis said, Russian organized crime is doing very well on its own. He reiterated that the United States has no evidence that organized crime is controlled by the Russian intelligence services; if there are ties, he said, they are more historical than current.

## The neo-Cold Warriors

The second panel gave Royce and others opportunity to expound their neo-Cold-War views. Prof. Phil Williams of the University of Pittsburgh joined de Borchgrave, who heads a project on transnational organized crime at CSIS, and Cohen, on this panel. Royce had presented a prepared statement for the hearings which contended that Russia has become a "superpower of crime," and that Russian organized crime now poses a serious threat to world financial markets and to the United States.

De Borchgrave described the massive scale of "transnational" organized crime, including the targetting of the United States and U.S. corporations. He called Russia a "feudal plutocracy," and asserted that "the KGB and organized crime are inextricably intertwined." Some "30% of the Duma [parliament] is directly linked to organized crime," de Borchgrave claimed.

Not to be outdone, Cohen claimed that the Communist Party and Vladimir Zhirinovskiy's forces control half of the votes in the Duma today. He said that organized crime is rampant in Russia, it is undermining the reforms, and as a result, Russia is now discarding free-market reforms.

His solution? As might be expected from the Heritage Foundation, Cohen insisted that Russia should deregulate even further, so as to decrease "bureaucratic intervention into the economy," so that there is less opportunity to bribe government bureaucrats!

Both de Borchgrave and Cohen argued that more covert action is needed. Both questioned whether U.S. intelligence agencies today are "up to the job."

One of the most bizarre moments of the hearings arose when Rep. Toby Roth (R-Wisc.) asked a series of questions as to whether the nation-state can deal with the problems of global organized crime, and, if individual countries can't do it, what might replace the nation-state?

De Borchgrave answered: "There is no such thing as the nation-state in cyberspace. The nation-state is obsolete in cyberspace. Where is the nation-state? I don't see it. But we still think in terms of the nation-state."

Unfortunately, no Democratic members of the committee participated in the hearings, leaving the field wide open for the new Cold Warriors. According to one Democratic congressman's office, they had not been notified of the hearing until the night before, which has become a common practice in House Speaker Newt Gingrich's 104th Congress.

### **Luttwak: Organized crime is beneficial**

CSIS, true to its British sponsors, is developing a talent for positioning itself on different sides of the same issue. While de Borchgrave was damning Russia for being dominated by the mafia and organized crime, another CSIS adviser was praising the mafia as the best thing that could happen to Russia.

Edward Luttwak, who is an adviser on strategic policy to Gingrich's GOPAC, as well as a senior fellow at CSIS, presented his argument in the Feb. 4 *Washington Post*. Luttwak said that there is a political threat from the hard-line communists and Stalinists in Russia, but, he argued, "the conventional wisdom that the mafia is bad for Russia is, in purely economic terms, all wrong."

"To begin with, it overlooks the natural evolution of the capitalist animal," Luttwak continued, arguing that "the fat cows" of today's advanced capitalist economies "started out as lean and hungry wolves" that accumulated capital through extremely unscrupulous means. There are times, when economies are undergoing drastic transformations, such as after World War II, that "only the most ruthless hyenas can survive and prosper."

Black-marketeering, predatory buying, substandard manufacture, and outright stealing were the means by which the great postwar fortunes in war-ravaged countries were built up. "Had the respective police forces been effective enough to round up all the hyenas and lock them up, the economic recovery of West Germany, Italy, and Japan would have been much slower, and many of the successful entrepreneurs of the 1950s and 1960s would never have been able to get their start."

This is even more true in Russia, Luttwak argued, because "in the Russian economy simple theft can be relatively productive," because the old Soviet economy was so inefficient. "In such a counterproductive economy, stealing can be highly productive."

His argument is that raw materials, diverted from official channels, could be made into useful products by illegal work-

ers; stolen fertilizer and farm tools could be used to grow food, etc. Thieves and consumers could only be brought together by an illegal market, and only the mafia was strong enough to organize this market and pay off corrupt officials. To do so, it had to collect "protection," i.e., its own unofficial taxes. Voilà! A proto-capitalist system!

Thus, Luttwak contended, "organized crime remains a very beneficial force: It is the only counterweight to the great number of firms backed by corrupt officials that now engage in ruthless monopolistic practices."

"One day," he concluded, "Russia will acquire a functioning system of commercial law, administrative and fiscal courts that can actually protect citizens from the demands of arbitrary, corrupt government officials, and can even impose anti-monopoly safeguards. Only then will it be safe to unleash the police against the mafia, to stop the social and political damage it is certainly inflicting. In the meantime, organized crime is the only force interposed between the new economic boyars and the defenseless consumers and entrepreneurs of Russia."

### **Bringing Russia to ruin**

So, the black hand of the mafia is really just the "invisible hand" of Adam Smith. The argument is even older than Smith, of course; Smith's mentor in such matters was Bernard Mandeville (1670-1733). Mandeville's 1714 essay, *The Fable of the Bees, or Private Vices, Publick Benefits*, is the classic argument as to how greed, avarice, slavery, and depravity, all result in good in the end. Mandeville's argument, adopted by free-market ideologues ever since, is that it is folly to attempt to apply morality to economic matters, which only interferes with the free workings of the marketplace.

International Monetary Fund (IMF)-sponsored free market reforms and "shock therapy" have brought Russia to economic and social ruin, with industrial and agricultural production falling by one-half in the past five years. The imposition of monetarist criteria as the sole gauge of so-called "democratic" reforms, the rapid deregulation of prices and markets, and the withdrawal of the State from economic affairs, have created a vacuum in which organized crime has flourished. It is no wonder that many in Russia view this as a deliberate policy designed to destroy Russia as a great power.

It is ironic that some in the West use the rise of organized crime in Russia—a condition created by IMF free-market methods—as the pretext for now arguing that the West should again view Russia as our mortal enemy. Others, like Luttwak, suggest that the rise of the mafia signifies that Russia is on its way to becoming genuinely capitalist. Both arguments are reckless in the extreme, and represent the height of strategic stupidity. And both arguments are intended to prevent the Clinton administration from breaking with the Bush-Thatcher-IMF policy of intentionally destroying Russia as a great power, and of destroying Russia as a potential strategic ally of the United States—as it once was.