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Weaponizing Kleptocracy: Putin's Hybrid Warfare

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Preface

Soon after Russia's annexation of Crimea in 2014, the term "hybrid warfare," encompassing the hybrid threat Russia poses to its neighbors, gained currency in foreign policy circles throughout the world. The debate over the issue, vibrant and heated, seems to have drawn in almost every conceivable player—journalists, academics, politicians, the highest-ranking military officials, those on the frontline of Russian aggression in Ukraine, and even those who still seem to believe they can view this problem from a safe distance.

At first, conventional wisdom held that the problem only involved those countries which the Kremlin shamelessly still refers to as its "near abroad" (meaning sphere of influence) and over which it has made every effort to exert control. But a sequence of events has by now demonstrated that this approach was mistaken. First were Russia's efforts to stir mistrust of migrants through propaganda and false news reports in early 2016 (events which are still ongoing and promise further troubles to come); these events reached their apex in the Kremlin's attempts to interfere in the November 2016 U.S. election.¹

The *Strategy of Constraint* presented by the Atlantic Council in March 2017 rightly notes:

...Over the long term, Russia may be a 'declining power' as its population and relative share of global gross domestic product (GDP) have shrunk. But its recent actions demonstrate that it remains capable of serving as a powerful disruptive influence on the global stage. In addition to using direct military force, Russia has resorted to a strategy that emphasizes influence operations, asymmetric tactics, and other forms of political warfare— not unlike those used during the Cold War. Moscow is highly opportunistic—adept at recognizing and exploiting opportunities to advance its goals as they come about.²

¹ Lucian Kim, "Russia Having Success in Hybrid War Against Germany," *Reuters*, February 7, 2016, <http://blogs.reuters.com/great-debate/2016/02/07/russia-having-success-in-hybrid-war-against-germany>; "The Head of Germany's Domestic Intelligence Agency has Warned that Russia is Being Increasingly Aggressive in its Cyberwar Activities," *U.S. News & World Report*, May 13, 2016, <http://www.usnews.com/news/world/articles/2016-05-13/german-intelligence-agency-warns-of-russian-cybersabotage>; "Germany Investigating Unprecedented Spread of Fake News Online," *Reuters*, January 9, 2017, <https://www.theguardian.com/world/2017/jan/09/germany-investigating-spread-fake-news-online-russia-election>; Dana Priest, Ellen Nakashima, Tom Hamburger, "U.S. investigating potential covert Russian plan to disrupt November elections," *Washington Post*, September 5, 2016, https://www.washingtonpost.com/world/national-security/intelligence-community-investigating-covert-russian-influence-operations-in-the-united-states/2016/09/04/aec27fa0-7156-11e6-8533-6b0b0ded0253_story.html

² Ash Jain, Damon Wilson, Fen Hampson, Simon Palamar, Camille Grand, Go Myong-Hyun, James Nixey, Michal Makocki, Nathalie Tocci, *Strategy of Constraint: Countering Russia's Challenge to the Democratic Order*, Atlantic Council, March 2017, <http://www.atlanticcouncil.org/publications/reports/strategy-of-constraint>

The debate about whether Putin is a master strategist or just a smart tactician is far from over.³ There is, however, more widespread agreement that the Kremlin seeks to sow divisions within the West (especially in Europe), to destroy NATO, to build a network of anti-Western states, and by all these means to marginalize the United States and the West in order to achieve regional hegemony and global power.

In many ways, Russia is successfully implementing this agenda. Hence the goal of this paper is to systematically explore how kleptocracy fits into Putin's global strategy, the roots of the kleptocratic dimension of Russia's hybrid warfare, and the ways in which it increases the risk of a conventional war between Russia and the West.

³ David French, "How Russia Wins," *National Review*, December 12, 2016, <http://www.nationalreview.com/article/442980/vladimir-putins-russia-strategy-how-russia-wins>; Stefan Meister, "Russia's Foreign Policy: Vladimir Putin - The Cunning Tactician," European Council on Foreign Relations, December 19, 2016, http://www.ecfr.eu/blog/entry/russias_foreign_policy_vladimir_putin_the_cunning_tactician

1. Hybrid Warfare: What It Means, Its Novelty, and Its Applicability to Russian Actions

Though the term “hybrid warfare” has been used to describe Russian actions at least since 2014, especially in relation to Ukraine, there has been little agreement between experts as to the accuracy of this term and whether it describes an old or a new phenomenon.

In *NATO Review*, Damien Van Puyvelde questions whether hybrid warfare even exists and encourages NATO to “forget about everything ‘hybrid’ and focus on the specificity and the interconnectedness of the threats they face.”⁴

In *Small Wars Journal*, Christopher Paul argues that hybrid war is “neither new, nor unusual.”⁵ In trying to flesh out the concept, Paul makes the very important point that analysts in the West tend to see peace and war as binary rather than a continuum:

However, our adversaries and potential adversaries do not make this crisp black and white distinction between war and peace. Most of them imagine international relations as a continual struggle, a state of constant competition, with the aspect that varies on a spectrum being the intensity of conflict. Further, not only do our adversaries and potential adversaries not make a binary distinction between war and peace in international competition, they recognize that we do make that false distinction, and they seek to use that to their advantage.

That warning applies in particular to the West’s dealings with Russia—because it so accurately describes the Kremlin’s worldview and its adherence to the Clausewitz-styled doctrine that “war is the continuation of politics by other means.” Beginning with Lenin, continuing through Soviet leaders before and after World War II, and ending with Putin’s regime, the Kremlin has creatively adopted Clausewitz’s insights.⁶ In other words, the Kremlin’s view that there is no clear distinction between war and peace forms a centerpiece not only of its military doctrine but of its concept of international relations too. This is why we should not think of the Gerasimov doctrine (named for Valery Gerasimov, Chief of the General Staff), which encompasses what we think of as hybrid

⁴ Damien Van Puyvelde, “Hybrid War – Does it Even Exist?” *NATO Review*, 2015, <http://www.nato.int/docu/Review/2015/Also-in-2015/hybrid-modern-future-warfare-russia-ukraine/EN/index.htm>

⁵ Christopher Paul, “Confessions of a Hybrid Warfare Skeptic,” *Small Wars Journal*, March 3, 2016, <http://smallwarsjournal.com/jrnl/art/confessions-of-a-hybrid-warfare-skeptic>

⁶ Jacob W. Kipp, “Lenin and Clausewitz: Militarization of Marxism, 1914-1921,” 1985, <https://www.clausewitz.com/bibl/Kipp-MilitarizationOfMarxism.pdf>; Byron Dexter, “Clausewitz and Soviet Strategy,” *Foreign Affairs*, 1950, <https://www.foreignaffairs.com/articles/russian-federation/1950-10-01/clausewitz-and-soviet-strategy>; Petteri Lahu, “On War and Perception of War in Russian Thinking,” Finnish Defence Research Agency, *Research Bulletin* 3, 2016, http://puolustusvoimat.fi/documents/1951253/2208221/PVTUTKL_160525_DOS_J_tutkimuskatsaus_on_war_and_perception_of_war_in_Russian_thinking.pdf/2d81a143-9e98-4194-92aa-86157e84b291

warfare and which allegedly has been pursued in Ukraine, as a new phenomenon or even, in point of fact, as a doctrine at all.⁷

As Charles K. Bartles rightly argues in *Military Review*:

No matter what reason the article was published, it is important to keep in mind that Gerasimov is simply explaining his view of the operational environment and the nature of future war, and not proposing a new Russian way of warfare or military doctrine, as this article was likely drafted well before the start of the Maidan protests.⁸

Mark Galeotti, who uses the term “non-linear war” instead of hybrid warfare, contends that in Ukraine the Kremlin just adopted an old strategy rather than invent a new one:⁹

Russia has long been preparing for the kind of conflict underway in Ukraine—one that combines espionage with firepower, economic pressure, information warfare, and political maneuvering. The Russian intelligence services use all these tools effortlessly—a skill that they inherited from their Soviet predecessors and further refined for today’s world, in which influence is as much about economic leverage and the ability to spin the story as about actual facts on the ground.¹⁰

In order “to get Gerasimov right,” however, we need to put his own statements on the doctrine in historical context. He states:

In the 21st century we have seen a tendency toward blurring the lines between the states of war and peace. Wars are no longer declared and, having begun, proceed according to an unfamiliar template.... The role of nonmilitary means of achieving political and strategic goals has grown, and, in many cases, they have exceeded the power of force of weapons in their effectiveness.¹¹

This sounds like a strategy Russia adopted decades ago—and there is more than just the Clausewitzian ideas reflected in Soviet/Russian military thinking that points to this fact.

⁷ Valery Gerasimov, “Ценность науки в предвидении: новые вызовы требуют новые переосмысления форм и способов ведения боевых действий” (“The Value of Science Is in the Foresight: New Challenges Demand Rethinking the Forms and Methods of Carrying out Combat Operations”), *Voenno-promyshlennyyi Kurier*, February 27, 2013, <http://www.vpk-news.ru/articles/14632>

⁸ Charles K. Bartles, “Getting Gerasimov Right,” *Military Review*, January-February 2016, http://usacac.army.mil/CAC2/MilitaryReview/Archives/English/MilitaryReview_20160228_art009.pdf

⁹ Mark Galeotti, “The ‘Gerasimov Doctrine’ and Russian Non-Linear War,” *In Moscow’s Shadows*, July 6, 2014, <https://inmoscowsshadows.wordpress.com/2014/07/06/the-gerasimov-doctrine-and-russian-non-linear-war>

¹⁰ Mark Galeotti, “Moscow’s Spy Game: Why Russia Is Winning the Intelligence War in Ukraine,” *Foreign Affairs*, October 30, 2014, <https://www.foreignaffairs.com/articles/russia-fsu/2014-10-30/moscows-spy-game>

¹¹ Mark Galeotti, “The ‘Gerasimov Doctrine’ and Russian Non-Linear War”

Retired KGB General Oleg Kalugin once defined KGB strategy in the West as:

Not intelligence collection, but subversion: active measures to weaken the West, to drive wedges in the Western community alliances of all sorts, particularly NATO, to sow discord among allies, to weaken the United States in the eyes of the people of Europe, Asia, Africa, Latin America, and thus *to prepare ground in case war really occurs*. To make America more vulnerable to the anger and distrust of other peoples.¹²

On another occasion, Kalugin admitted: “We conducted a clandestine war with assassination if necessary. Our mission was to do everything we could to have a war without the fighting. This was seen as amoral in America, but it was our ideology.”¹³

For the past several years the KGB term “active measures” has returned to use as a description of Russian actions, and with good reason. The similarity of active measures to the phenomenon we now call hybrid warfare should be clear. Comparing the two concepts, Steven Abrams reminds us that, “in short, the Soviet approach to international relations can perhaps best be described as a form of ‘political warfare,’ with the manipulative and deceptive techniques of active measures playing an essential and important role.”¹⁴

As Alan Malcher and Donald M. Bishop write:

Russian Hybrid Warfare is little more than a remodeled and modern version of KGB active measures: The old ‘tool box’ of the Soviet period has been replaced with modern tools to fit 21st-century technology along with the socioeconomic and political climate which differs greatly from the Cold War period. Although many of the tools have been either replaced or improved, their intended outcomes remain the same.¹⁵

Victor Madeira agrees:

Though modernized to exploit the speed and reach of 21st-century mass/social media, this playbook retains its basic aim: to influence behavior, enabling the Soviet-era intelligence and security men ruling Russia today to manipulate opponents. Active measures seem new to us now only because the West allowed its

¹² Michael Weiss, “Russia’s Long History of Messing with Americans Minds Before the DNC Hack,” *Daily Beast*, July 26, 2016, <http://www.thedailybeast.com/articles/2016/07/26/putin-s-wicked-leaks-didn-t-start-with-the-dnc.html>

¹³ Amie Voith, “Former CIA and KGB Agents Share Inside Look at Espionage,” *AS*, 2003 <http://www1.udel.edu/PR/UDaily/2003/spies031303.html>

¹⁴ Steve Abrams, “Beyond Propaganda: Soviet Active Measures in Putin’s Russia,” *Connections*, Winter 2016, http://connections-qj.org/article/beyond-propaganda-soviet-active-measures-putins-russia#_edn12

¹⁵ Donald M. Bishop, “Quotable: Alan Malcher on Soviet ‘Active Measures’ and Russian Hybrid Warfare,” Public Diplomacy Council, June 13, 2016, <http://www.publicdiplomacycouncil.org/commentaries/06-13-16/quotable-alan-malcher-soviet-%E2%80%9Cactive-measures%E2%80%9D-and-russian-hybrid-warfare>

Russia expertise to die away after 1991, forgetting vital Cold War lessons along the way.¹⁶

However, taking all of the above into account, it seems that the Clausewitzian concept of *total war* describes Russia's strategy against the West much more accurately than *hybrid warfare*, *non-linear war*, or even *new generation warfare* (Gerasimov's preferred term).

Which term we use to describe this phenomenon matters. Note that the concept of total war makes no distinction between war and peace, while hybrid warfare and non-linear war refer to several non-military forms of warfare undertaken in preparation for a conventional war or as a complement to traditional military activity.

As Martin N. Murphy argues in his study *Understanding Russia's Concept for Total War in Europe*:

Russia's leadership believes it can stem this erosion and achieve its objectives by combining organized military violence with economic, political, and diplomatic activity, a combination called new generation warfare (NGW). NGW is a concept for fighting total war in Europe, across all fronts—political, economic, informational, cyber—simultaneously through fear and intimidation without launching a large-scale attack. If fighting is required, it is highly networked and multi-directional. The stakes can be raised rapidly, possibly without limit.¹⁷

A thorough analysis of Russian hybrid warfare, or “active measures” as it was called by the KGB, shows us that the Soviet Union, as Kalugin acknowledged, didn't draw any distinctions between war and peace; nor does Putin's Russia.

Sergei Tretyakov, a former officer in the KGB (and then one of its successor agencies, the SVR) who defected to the United States in 2000, issued a very similar warning. His testimony is valuable insofar as it tells us about the state of affairs in Russia after the Cold War. He leaves no doubt that the KGB/SVR changed neither their attitudes about the West nor their goals, except those they had in mind before the collapse of the Soviet Union.

In his memoirs, Tretyakov pleads:

I want to warn Americans. As a people, you are very naive about Russia and its intentions. You believe because the Soviet Union no longer exists, Russia is now your friend. It isn't, and I can show you how the SVR [formerly KGB] is trying to

¹⁶ Victor Madera, “Russian Subversion – Haven't We Been Here Before?,” Institute for Statecraft, July 30, 2014, <http://www.statecraft.org.uk/research/russian-subversion-havent-we-been-here>

¹⁷ Martin N. Murphy, “Understanding Russia's Concept for Total War in Europe,” Heritage Foundation, 2016, <http://www.heritage.org/research/reports/2016/09/understanding-russias-concept-for-total-war-in-europe>

destroy the U.S. even today and even more than the KGB did during the Cold War.¹⁸

Misleading References to “Soft Power”

Naiveté and failure to acknowledge that Russia makes no distinction between war and peace has subjected the West to illusions about Russia's attempts to exercise “soft power,” which for years has been an issue for academic study rather than a major security concern.¹⁹ Though the term “soft power” can only be used to describe states that perceive a genuine distinction between war and peace, it is still widely and mistakenly used to refer to Russian strategy, or in order to try to explain these actions as a “perversion of soft power” or merely as a component of hybrid warfare.²⁰

In her 2016 study, “Agents of the Russian World Proxy Groups in the Contested Neighbourhood,” Chatham House's Orysia Lutsevych brilliantly explains why the Western concept of soft power is a poor guide for analyzing Russian actions:

Russia instead projects its influence by what has been termed ‘soft coercion,’ using methods that include both hard and soft tools, rather than through attraction. Myriad state-supported groups are an integral part of this system. They use a mix of covert and open measures that hardly fit the conventional understanding of soft power. Russia's application of soft power rather more resembles soft force (*myagkaya sila*), in the sense of an ability to exercise control or attain goals by non-military means.²¹

In order to understand how, in the context of Russian actions, the distinction between war and peace exists only in our minds, we must look back in time and assess our own judgments. For example, in 2004 it seemed perfectly plausible for Fiona Hill to argue that Russia's “new energy revenues have not been used to boost military spending or to revive Russia's defense industry at the expense of every other sector as in the Soviet period. Oil wealth has been transformed more into butter than guns.”²² But today, only a few years

¹⁸ Pete Earley, *Comrade J: The Untold Secrets of Russia's Master Spy in America After the End of the Cold War*, Putnam, 2007

¹⁹ Fiona Hill, “Russia's Newly Found ‘Soft Power,’” Brookings Institution, August 26, 2004, <https://www.brookings.edu/articles/russias-newly-found-soft-power>

²⁰ Orysia Lutsevych, “The Long Arm of Russian ‘Soft’ Power,” Atlantic Council, May 4, 2016, <http://www.atlanticcouncil.org/blogs/new-atlanticist/the-long-arm-of-russian-soft-power>; David C.Speedie, “‘Soft Power’: The Values that Shape Russian Foreign Policy,” Carnegie Council, July 30, 2015, http://www.carnegiecouncil.org/publications/articles_papers_reports/740; Adam Reichard, “Perversion of Soft Power,” *New Eastern Europe*, April 4, 2016, <http://www.neweasterneurope.eu/articles-and-commentary/books-and-reviews/1939-a-perversion-of-soft-power>; Agnia Grigas, “Empire By Other Means: Russia's Strategy for the 21st Century,” *RealClear World*, February 6, 2017, http://www.realclearworld.com/articles/2017/02/06/empire_by_other_means_russias_strategy_for_the_21st_century.html

²¹ Orysia Lutsevych, “Agents of the Russian World: Proxy Groups in the Contested Neighbourhood,” Chatham House, April 14, 2016, <https://www.chathamhouse.org/sites/files/chathamhouse/publications/research/2016-04-14-agents-russian-world-lutsevych.pdf>.

²² Fiona Hill, “Russia's Newly Found ‘Soft Power’”

on, we have just begun to witness the results of energy revenues being funneled into Russian military modernization.

While Hill acknowledged Russia's attempts to regain influence in its immediate neighborhood, she argued that "instead of the Red Army, the penetrating forces of Russian power in Ukraine, the Caucasus, and Central Asia are now Russian natural gas and the giant gas monopoly, Gazprom, as well as Russian electricity and the huge energy company, UES—and Russian culture and consumer goods."

Time passed, and the Russian army became actively involved in a proxy war in Ukraine, just as it had set out years before to wage a war against the Republic of Georgia in the Caucasus. And for the understanding of Russian long-term strategy, it is crucial to acknowledge that both "soft power" and "hard power" measures are just two sides of the same coin for Russia, which makes no distinction between war and peace in pursuing its goals.

One could argue that Russia's aggressive moves are a relatively new phenomenon, and that Moscow previously pursued a completely different policy, at least until Putin's 2007 Munich speech, which caught many by surprise.²³ But let us not forget Tretyakov's warning. Numerous Baltic state leaders, as well as Russian experts from throughout the region, have been trying to convey the message to the West that Russian weaknesses should not be overestimated and Russian threats should not be underestimated.

Back in 1994, when almost everybody in the West thought that Boris Yeltsin's Russia had chosen a democratic, Western-oriented path, the late Estonian President Lennart Meri warned that such an idea was just wishful thinking.²⁴ As Edward Lucas points out, Meri made a prophetic speech decrying the trend in Russian foreign and internal policy since the collapse of the Soviet Union. He highlighted Russia's self-proclaimed right to intervene to protect "compatriots" abroad.²⁵ If we trace events back to their origins, we should be able to see patterns matching the phenomena we now collectively define as hybrid warfare.

As Lucas puts it, "We preferred the warm glow of the end of the Cold War, the prospect of Europe seemingly whole, free, and at peace—and making money in the 'emerging market' of the ex-Soviet empire." That Western drive to "make money" or "do business" with Russia at the same time that we turned a blind eye to the core problems posed by Russia laid the foundations for the weaponization of kleptocracy—a concept this paper will explain.

However, before outlining that concept we must first understand the complexity of the problem posed by Russia's refusal to distinguish between war and peace. Tracing the

²³ Oliver Rolofs, "A Breeze of Cold War," Munich Security Conference,

<https://www.securityconference.de/en/about/munich-moments/a-breeze-of-cold-war>

²⁴ Address by HE Lennart Meri, President of the Republic of Estonia, at a Matthiae-Supper in Hamburg on February 25, 1994, <https://vp1992-2001.president.ee/eng/k6ned/K6ne.asp?ID=9401>

²⁵ Edward Lucas, "Let's Make Putin's London Cronies Sweat," *Standpoint*, April 2015, <http://www.standpointmag.co.uk/node/5987/full>

tangled path of the West's gradual revelation could help us understand. First, the West began to talk suddenly about Russia's "weaponization of energy," following years of describing this phenomenon as "just business." Later the same evolution of understanding occurred with the "weaponization of information." Finally, as NATO Supreme Allied Commander General Philip Breedlove publicly noted, Russia is now "weaponizing" the refugee crises to destabilize Europe.²⁶

What the evolution of thinking about these terms suggests is that we should now begin to treat corruption as another weapon in Russia's anti-Western arsenal. Former U.S. Director of National Intelligence James R. Clapper underscored the importance of examining weaponized corruption when he cited Russia as a "threat actor" and an example of a nation for which "the nexus among organized crime, state actors, and business blurs the distinction between state policy and private gain."²⁷

²⁶ "NATO Commander: Russia Uses Syrian Refugees as 'Weapon' Against West," *Deutsche Welle*, March 2, 2016, <http://www.dw.com/en/nato-commander-russia-uses-syrian-refugees-as-weapon-against-west/a-19086285>

²⁷ James R. Clapper, Director of National Intelligence, "Statement for the Record: Worldwide Threat Assessment of the U.S. Intelligence Community," House Appropriations Subcommittee on Defense, March 25, 2015, <http://docs.house.gov/meetings/AP/AP02/20150325/103200/HHRG-114-AP02-Wstate-ClapperJ-20150325.pdf>

2. The “Weaponization of Kleptocracy”: Easy to Spot, Hard to Admit

The term “kleptocracy” is only beginning to gain wider currency in Western political vocabulary. However, even Kremlin foreign policy advisor Sergey Karaganov, with characteristic cynical openness, describes Russian foreign policy as one that seeks to buy the elites of neighboring countries “with money that was then stolen, likely together.”²⁸ One could hardly find a more accurate description of Russia’s “weaponization of kleptocracy”—albeit with one small correction: Russia has not been limiting itself merely to bribing the politicians of neighboring countries.

One does not need to look far for evidence of this strategy. Numerous studies have examined Russian support for the various populist parties of Europe. And the Kremlin’s financing of these parties is either well-established or strongly suspected.

As then-Vice President Joseph R. Biden acknowledged in a speech at the Brookings Institution in Washington in May 2015: “As it tries to rattle the cage, the Kremlin is working hard to buy off and co-opt European political forces, funding both right-wing and left-wing anti-systemic parties throughout Europe.”²⁹

In early 2016, the U.S. Congress instructed the Director of National Intelligence to conduct a major review of clandestine Russian funding of European parties over the past decade.³⁰ The results of the review have not been made public yet. However, since then the United States itself has had its own taste of covert Russian attacks, in the form of its efforts to influence the 2016 presidential election campaign.³¹ However, neither Russian interference in the U.S. election nor the financing of anti-European populist parties—both of which are frequently called “unprecedented”—represent new phenomena when compared to KGB or Soviet practices during the Cold War.

On several occasions, the Soviet Union secretly tried to influence U.S. presidential elections. In 1968, Soviet leaders ordered their ambassador in Washington, D.C., Anatoly

²⁸ Interview with Kremlin foreign policy advisor Sergey Karaganov, “We Are Smarter, Stronger and More Determined,” *Der Spiegel*, July 13, 2016, <http://www.spiegel.de/international/world/interview-with-putin-foreign-policy-advisor-sergey-karaganov-a-1102629.html>

²⁹ Keynote Remarks: The Honorable Joe Biden, Vice President of the United States of America, “Brookings Hosts Vice President Joe Biden for Remarks on the Russia-Ukraine Conflict,” Brookings Institution, May 27, 2015, http://www.brookings.edu/~media/events/2015/05/27-biden/20150527_biden_transcript.pdf

³⁰ Peter Foster, Matthew Holehouse, “Russia Accused of Clandestine Funding of European Parties as U.S. Conducts Major Review of Vladimir Putin’s Strategy,” *Telegraph*, January 16, 2016, <http://www.telegraph.co.uk/news/worldnews/europe/russia/12103602/America-to-investigate-Russian-meddling-in-EU.html>

³¹ Adam Entous, Ellen Nakashima, “FBI in Agreement With CIA that Russia Aimed to Help Trump Win White House,” *Washington Post*, December 16, 2016, https://www.washingtonpost.com/politics/clinton-blames-putins-personal-grudge-against-her-for-election-interference/2016/12/16/12f36250-c3be-11e6-8422-eac61c0ef74d_story.html?utm_term=.57b69959d79e

Dobrynin, to approach Hubert H. Humphrey with an offer of clandestine funding for his campaign (which was declined).³²

As Mark Kramer notes:

In 1976, the Soviet Union again secretly adopted measures to influence a U.S. presidential election. Early in the year, the KGB warned the Politburo that Sen. Henry 'Scoop' Jackson, known for his fierce opposition to the Soviet Union, stood a good chance of gaining the Democratic nomination. Service A prepared a wide-ranging set of measures to discredit Jackson, sending forged FBI letters to prominent U.S. newspapers and journalists claiming that Jackson was a closeted homosexual. Even after Jackson's campaign faltered and he dropped out of the 1976 race, Service A kept up its homophobic war of disinformation against him, hoping to prevent him from ever again becoming a viable presidential candidate.³³

Further revelations relating to Edward Kennedy's involvement in secret overtures to the KGB to prevent Ronald Reagan's re-election demonstrate that Moscow never abandoned the idea of interfering in U.S. elections during Soviet times (though it had little success).³⁴ And the Soviet Union's direct financial support for left-wing parties throughout the world is now hardly a secret.

The one lesson we should take from this history is that allegations of political interference have always been hard to prove. The truth about these Cold War efforts only came out after the Communist Party's archives in Moscow were opened briefly following a failed hardline coup in 1991, after Mitrochin's archive³⁵ was made public, and after other documents were collected following the break-up of the Soviet Union. Thus we should not be too quick to dismiss accusations purely because they lack hard evidence, especially when the supporting circumstantial evidence is strong. When examining hybrid warfare and its kleptocratic dimension, we must keep this history in mind.

The current Russian regime, which is centered around elites with a KGB background, is no doubt familiar with all the strategies and techniques used during the Soviet times. The only difference is that Russia today is a kleptocracy; any illicit funding networks now in place are not only more sophisticated than Soviet-era methods for passing cash through KGB handlers, but also reflect the transformation from communism to kleptocracy.

One of the best glimpses into this "same approach, with a few new tools" influence network, described by Kalugin as "clandestine war without fighting," is provided by the

³² Mark Kramer, "The Deep Soviet Roots Of The Russian Election-Hacking Campaign," *WBUR Marathon*, January 10, 2017, <http://www.wbur.org/cognoscenti/2017/01/10/vladimir-putin-donald-trump-mark-kramer>

³³ *Ibid.*

³⁴ Kevin Mooney, "Ted Kennedy Made Secret Overtures to Russia to Prevent Ronald Reagan's Re-Election," *Daily Signal*, December 14, 2016, <http://dailysignal.com/2016/12/14/ted-kennedy-made-secret-overtures-to-russia-to-prevent-ronald-reagans-re-election/>

³⁵ Mitrokhin Archive, *Digital Archive: International History Declassified*, Wilson Center, <http://digitalarchive.wilsoncenter.org/collection/52/mitrokhin-archive>

authors of *The Kremlin Playbook: Understanding Russian Influence in Central and Eastern Europe*, a study released by Center for Strategic and International Studies (CSIS) in October 2016.³⁶ Though the study focuses just on five selected East European countries—Hungary, Slovakia, Bulgaria, Latvia, and Serbia—its findings can definitely be applied to Russia’s activities all over the world:

Russia has sought to maintain its influence by cultivating a network of local affiliates and power-brokers who are capable of advocating on Russia’s behalf. These affiliates are often wealthy and influential businessmen or former high-ranking public officials who are able to influence decision-making. Typically, Russia entices these individuals into its service by offering them lucrative business opportunities, in which the Russian government is involved, and provides premium returns to its clients. These awards are doled out through nontransparent public procurement tender processes: through overinflated contracts that often exceed the actual cost of the services procured; or through the access to well-paid board positions. Once ‘captured,’ these contacts are then used to advance Russia’s interests politically and economically. They are often the most vocal advocates of Russian-led projects, and they are strongly opposed to efforts to diversify commerce away from Russia. Russia also possesses a preexisting cadre of Soviet-era contacts (primarily originating through the security services) that it can utilize as well, as many of these networks remain intact and are integrated into the contemporary business and political environment. This channel does not just operate one way, however, and local business affiliates have also been known to rely on their business connections to provide vital capital and political backing to acquire additional assets and investments in large projects in their national economies. In this way, Russia appears to have created a mutually reinforcing network of patronage that rewards loyalty with loyalty—with increased financial compensation.

This is exactly what Karaganov described—the buying of elites in neighboring countries “with money that was then stolen, likely together.” This is the essence of the Kremlin’s scheme to weaponize kleptocracy.

The problem is that, even after Russia’s occupation of Crimea, the West still tends to think that the majority of businesses in Russia are somehow independent from the Kremlin, and that, therefore, business should be left to the businessmen. Ruslan Stefanov, one of the authors of the CSIS study, argues that such an approach only makes European countries more vulnerable—for the simple reason that the Kremlin does not share the West’s ideas about business:

Russia uses public corporations as instruments to realize its political interests. On the other hand, private businesses are used for the same purpose—companies are, in one way or another, affiliated with the state, including through informal

³⁶ Heather A. Conley, James Mina, Ruslan Stefanov, Martin Vladimirov, *The Kremlin Playbook: Understanding Russian Influence in Central and Eastern Europe*, Center for Strategic & International Studies, October 13, 2016, <https://www.csis.org/analysis/kremlin-playbook>

networks with the Russian leadership. Remember the remarkable statement that oligarchs in Russia are appointed? This kind of policy is a result of the political and economic structure of modern Russia, the subordination of big business to the state. Where Europeans see an opportunity for cooperation, investment, and so on, the Kremlin sees a chance to pursue its political interests and to expand the sphere of influence.³⁷

Interestingly enough, this kind of strategy is not new either. From publicly available information about the Soviet financing of left-wing parties around the world, one learns that the Kremlin had no problem with the leaders of these parties using some of the money for personal gain.³⁸ Taking into account the fact that the Soviet KGB targeted not just foreign politicians, diplomats, members of intelligence services, and journalists, but also businessmen, it is safe to say that the KGB considered business as a legitimate arm of its clandestine war against the West. The KGB coined the term “friendly firms” accordingly.

In his memoirs, *Comrade J.*, the aforementioned Tretyakov reveals how the Russians used kleptocratic instruments for intelligence purposes. In 1994, for example, the SVR needed a reason for its Canadian agent—code name KIRILL—to travel to Moscow, so it used a shell company to hire KIRILL's Ottawa based firm.³⁹ Tretyakov claims to have originated—and indeed seems proud of—a scheme to secure financing for KIRILL by giving him a contract to build houses in Russia. It is a telling coincidence that former president of Lithuania Rolandas Paksas began his pre-politics business career in a very similar way, being suddenly awarded a housing construction contract in Russia. Paksas' murky relationship with Russia—including alleged mafia ties—ultimately led to him becoming the first president of an EU member state to be impeached.⁴⁰ These and countless further examples demonstrate that it is a mistake to judge Russian businesses solely in the light of profit-oriented Western practices.

Paksas' case stands as an important example of what Russia and its kleptocracy are up to—which is why the Kleptocracy Initiative's Archive Project has chosen to include numerous documents from the Lithuanian Parliament's inquiry and relevant Constitutional court hearings.⁴¹ Together, these documents form a compelling narrative

³⁷ Yaroslav Shimov, “Кремлевский вирус” (Kremlin's Virus), *Radio Svoboda*, November 2, 2016, <http://www.svoboda.org/a/28090879.html>

³⁸ Alexander Evlakhov, “Твёрдым ленинцам—твёрдая валюта” (Hard Currency for Hardline Leninists), Yeltsin Center, October 10, 1991, http://www.yeltsincenter.ru/author_comment/release/tverdym-lenintsam-tverdaya-valyuta

³⁹ Pete Earley, *Comrade J: The Untold Secrets of Russia's Master Spy in America After the End of the Cold War*, (New York: Penguin Group, 2007)

⁴⁰ “On the Compliance of the Actions of President Rolandas Paksas of the Republic of Lithuania Against Whom an Impeachment Case Has Been Instituted With the Constitution of the Republic of Lithuania,” Conclusion of the Constitutional Court of the Republic of Lithuania, March 31, 2004 <http://www.lrkt.lt/en/court-acts/search/170/ta1263/content>; Liudas Dapkus, “Lithuania's President Ousted by Parliament,” *Moscow Times*, April 7, 2004, <http://old.themoscowtimes.com/news/article/tmt/231780.html>

⁴¹ “Documents on Rolandas Paksas,” *The Archive Project*, Kleptocracy Initiative, Hudson Institute <http://archive-project.org/individuals/rolandas-paksas/>

illustrating how Russia exports kleptocracy and buys influence abroad. They show that, before almost anyone in the West imagined it, Russia was already interfering in the elections of European countries. They also prove that, in Putin's Russia, it is hard to find any distinction between the state, the security services, the mafia, and business. Many other parallels can be drawn between past and present, and many lessons might be learned if this case were recalled more frequently as an illustration of the threat posed by Russian exports of kleptocracy.⁴²

We can rely on more than just documents in the Paksas case to demonstrate the kleptocratic thesis. As we learned from Wikileaks, Spanish prosecutor Jose Grinda Gonzales, in talking to American officials about the Russian mafia, pointed out that Putin runs a "virtual mafia state" where the activities of criminal networks are indistinguishable from those of the government.⁴³ He based his judgment on evidence collected by prosecutors who had been investigating the Russian mafia's illegal activity in Spain for years. The 488-page complaint prosecutors presented to the Central Court has been made public, and shows that the Russian mafia works hand-in-hand with the Kremlin.⁴⁴ Spanish authorities have even issued international arrest warrants for high-ranking Russian officials, among others, as a result of this investigation.⁴⁵

Drawing on his experience, Grinda came to a stunning, if not surprising, conclusion: Russian security services control criminal groups and use them to do things the government "cannot acceptably do."⁴⁶ And the range of such mafia "support" for Russian government goals is very wide: from working directly for Russian military intelligence to selling weapons to the Kurds to destabilize Turkey to securing glory for Russia by bribing officials in sports.⁴⁷

Precisely the same pattern applies to Russian business as well. The Russian strategy is to use corrupt businesses where government cannot or does not want to pursue its interests under its own auspices. And the Russian security services control business in the same way they control organized crime. In fact, many owners or top managers of Russian companies have backgrounds in either the KGB or other Russian/Soviet security services.

⁴² Marius Laurinavičius, "Kleptocracy: Russia's Most Successful Export," Kleptocracy Initiative, Hudson Institute, January 31, 2017, <http://kleptocracyinitiative.org/2017/01/kleptocracy-russias-most-successful-export>

⁴³ "U.S. Embassy Cables: Russia is Virtual 'Mafia State,' Says Spanish Investigator," February 8, 2010, *Guardian*, <https://www.theguardian.com/world/us-embassy-cables-documents/247712>

⁴⁴ Morgan Winsor, "Putin's Cronies Helped Russian Mafia In Spain, Prosecutors Say: Report," *International Business Times*, June 29, 2015, <http://www.ibtimes.com/putins-cronies-helped-russian-mafia-spain-prosecutors-say-report-1989167>

⁴⁵ "Spain Hunts 'Mafia-Linked' Russians Including State Officials," *BBC News*, May 3, 2016, <http://www.bbc.com/news/world-europe-36194899>

⁴⁶ "U.S. Embassy Cables: Russia is Virtual 'Mafia State,' Says Spanish Investigator"

⁴⁷ Ibid.; Spanish Preliminary Probe Into Bayern-Zenit Match," *Goalzz*, June 2, 2010, <http://www.goalzz.com/main.aspx?n=0&o=3111>; Richard Weekes, "Did Russian Mafia Pay Bayern to Throw UEFA Cup Semi-Final Against Zenit St Petersburg?" *MailOnline*, October 2, 2008, <http://www.dailymail.co.uk/sport/football/article-1066468/Did-Russian-mafia-pay-Bayern-throw-UEFA-Cup-semi-final-Zenit-St-Petersburg.html>

The testimony of another former KGB officer, Yuri Shvets, shows us exactly how wrong Western assessments of business and businessmen in Russia can be. Shvets, who was one of the key witnesses in the Alexander Litvinenko poisoning inquiry, detailed the potential threats posed by close relationships between figures like U.S. political operative and lobbyist Paul Manafort and Konstantin Kilimnik, allegedly a former GRU officer. Shvets warned:

The Western people have a strange, inadequate understanding of who can and who cannot be a spy in Russia. The inadequacy of this is based on the fact that, in the West, when an officer of the CIA in America or MI6 in England resigns, he actually retires. This was not exactly the case in the USSR, and not exactly what has been happening in Russia. If an SVR officer, one from the FSB, or the GRU resigns, he is enlisted in the reserve; that means that he is still in the system, and he can be called for vigorous activity at any time. There are different categories of reserves, but the fact is that the retiree does not break ties with his intelligence service. With regard to the Institute, where Kilimnik studied, I know this institution: He supplied cadre to special services. Many graduates of the Institute have been going to the Military Diplomatic Academy and then into the GRU. Some people come to us: the foreign intelligence of the KGB. I personally worked in the same room with the graduate of the Institute. That is the “forge of cadre” for the intelligence services. As far as I know, Kilimnik has not even been hiding the fact that at one time he worked for intelligence. And only a certain naivety on the part of the Americans allows them identify former KGB or GRU officers with retirees from the CIA or MI6. No wonder the Russians have been saying that there is no such thing as a former KGB agent. So Kilimnik all the time really was “in a cage” of the special services.⁴⁸

Oligarchs: Promoters of the Kremlin's Aggressive Foreign Policy Agenda

It is important to note that Russia created numerous governmental and non-governmental organizations to exercise its influence abroad.⁴⁹ The Kremlin, however, doesn't restrict itself to to these organizations when pursuing its hostile goals in Western countries. All or almost all publicly known financing of anti-European or anti-Western activities coming from Moscow is conducted through private Russian-led businesses rather than governmental organizations. For instance, there have been loans to Marine Le Pen's National Front (one organized by First Czech Russian Bank, and another by the Cypriot company Vernonsia Holdings, owned by former KGB officer Yuri Kudimov); financial support for the pro-Russian mayor of Tallinn, Edgars Savisaar, and his Center party, funneled through Russian Railways's head Vladimir Yakunin, who grew up in Estonia; and Russia-connected businessman's Yuri Borisov's huge contribution to Rolandas

⁴⁸ Natalia Golytsyna, “Зачем Путину Трамп?” (What Does Putin Need Trump For?), *Radio Svoboda*, August 27, 2016, <http://www.svoboda.org/a/27949833.html>

⁴⁹ Vladislava Vojtišková, Vít Novotný, Hubertus Schmid-Schmidfelden, Kristina Potapova, “The Bear in Sheep's Clothing: Russia's Government-Funded Organisations in the EU,” Wilfried Martens Center for European Studies, 2016, https://www.martenscentre.eu/sites/default/files/publication-files/russia-gongos_0.pdf

Pakas's presidential campaign in Lithuania.⁵⁰ None of these funds were provided directly by the Russian state. Instead, these examples demonstrate how Communist-era funding networks have been updated by today's kleptocratic Russia—albeit still in service of the same basic goals.

We should include one further example of this trend. In 2014, the unlikely news surfaced that Germany's right-wing anti-immigrant party, Alternative für Deutschland, had entered the gold-trading market.⁵¹ In fact, there was nothing unusual about this for Kremlin-watchers: Russia was simply funding the party by selling it gold at discounted prices.⁵²

This last scheme may sound novel, but it too is borrowed from the past. As the *Washington Post* reported back in 1993:

According to top secret documents recently declassified by the Russian government, the Kremlin used a network of companies known as “friendly firms” to channel hundreds of millions of dollars to left-wing organizations in Western Europe, Asia, and Latin America during the 1970s and 1980s. A “friendly firm” would purchase raw materials in the Soviet Union at deeply discounted prices and then sell them at much higher prices in the West, delivering huge profits to the bank accounts of sympathetic political parties.⁵³

Information about how the Kremlin uses kleptocratic tools to promote its interests helps us to understand how pro-Russian networks plug into the international arena. For example, the web of connections that helped facilitate loans for France's National Front is interesting. Leaked text messages from a high-ranking officer in Russia's Presidential Administration, Timur Prokopenko, as well as other public sources, revealed that, on the Russian side, the National Front financing deals directly or indirectly involved politicians such as then-Russian Parliamentary Chairman Sergei Naryshkin, Deputy Prime Minister Dmitry Rogozin, and Duma member and businessman Alexander Babakov (whose alleged

⁵⁰ Andrew Rettman, “Le Pen Borrowed €9mn From Kremlin-Linked Bank,” EUobserver, November 24, 2014, <https://euobserver.com/foreign/126638>; Andrew Rettman, “Mediapart: Former Russian Spy Lent €2mn to Le Pen Senior,” EUobserver, December 1, 2014, <https://euobserver.com/foreign/126731>; Ella Karapetyan, “Savisaar's Leadership Under Fire,” *Baltic Times*, January 5, 2011, <http://www.baltictimes.com/news/articles/27656>; Julius Strauss, “Baltic Leader Impeached on Eve of EU Entry,” *Telegraph*, April 7, 2004, <http://www.telegraph.co.uk/news/worldnews/europe/lithuania/1458752/Baltic-leader-impeached-on-eve-of-EU-entry.html>

⁵¹ Justin Huggler, “Germany's Eurosceptic Party Begin Selling Gold,” *Telegraph*, November 3, 2014, <http://www.telegraph.co.uk/news/worldnews/europe/germany/11205562/Germanys-eurosceptic-party-begin-selling-gold.html>

⁵² “Putin Euro Influence Strategy Targets AfD,” *The Local*, November 24, 2014, <http://www.thelocal.de/20141124/putin-euro-influence-strategy-targets-afd>

⁵³ Michael Dobbs, Steve Coll “Ex-Communists Are Scrambling For Quick Cash,” *Washington Post*, February 1, 1993, https://www.washingtonpost.com/archive/politics/1993/02/01/ex-communists-are-scrambling-for-quick-cash/00a47cf2-1f47-4051-90cd-844e3e35643b/?utm_term=.f3e88e1aec23

off-shore business was exposed by the Panama papers), as well as oligarchs Konstantin Malofeev and Gennadiy Timchenko.⁵⁴

On the French side the deal was mediated by Jean-Luc Schaffhauser, a member of the European Parliament who participated in the questionable European mission overseeing the separatist-organized Donetsk and Luhansk elections. This mission was set up by the far-right Eurasian Observatory for Democracy and Elections (EODE), a think tank led by Belgian national Luc Michel in cooperation with the pro-Kremlin European Centre for Geopolitical Analysis (ECGA), co-founded by Mateusz Piskorski, a Polish far-right politician. Aymeric Chauprade, Le Pen's adviser on international relations, traveled to Crimea to observe its "referendum" in 2014. Schaffhauser supposedly received more than €100,000 as payment for mediating the loan.

But the most important thing revealed by the loans to the National Front is the international network of Kremlin supporters who appeared on the fringes of the deal. As the loan was related to the annexation of Crimea and Russia's aggression in Eastern Ukraine, this can hardly be described as "soft power," in the Western sense of the term. Rather, it is but one more aspect of Russia's "hybrid warfare" game.

On top of all this we have the leak of more than a gigabyte of emails and other documents allegedly belonging to senior Kremlin official Vladislav Surkov.⁵⁵ The files appear to reveal, among other things, that Russian oligarchs and their money have been used either to support Russia's aggression against Ukraine or to justify that aggression. They also showed that Russian oligarch Konstantin Malofeev was involved in the preparation and implementation of the Kremlin's plans for Ukraine. Though Malofeev himself has harshly denied such allegations, Surkov's leaks appear to tell a different story.⁵⁶

More importantly, the Surkov leaks shed light on the Kremlin's close cooperation with certain oligarchs that the West tends to see as a source of actual or potential opposition to Putin's regime. Yevgeny Chichvarkin fled Moscow after Putin's cronies allegedly schemed to take over his company.⁵⁷ Living in exile in London, Chichvarkin has joined

⁵⁴ Will Wright, Kevin Rothrock, "The Russian Hackers Taking on the Kremlin are Named after Humpty Dumpty," *Quartz*, April 8, 2015, <http://qz.com/378708/the-russian-hackers-taking-on-the-kremlin-are-named-after-humpty-dumpty/>; "Panama Papers: People: Alexander Babakov," *OCCRP*, <https://www.occrp.org/en/panamapapers/persons/babakov/>; Anton Shekhovtsov, "Russia and Front National: Following the Money," *Anton Shekhovtsov's Blog*, May 2, 2015, <http://anton-shekhovtsov.blogspot.com/2015/05/russia-and-front-national-following.html>

⁵⁵ Jason Murdock, "The Surkov Leaks: Thousands of Hacked Emails of High-Ranking Kremlin Officials Published," *MSN News*, October 27, 2016, <http://www.msn.com/en-gb/news/world/the-surkov-leaks-thousands-of-hacked-emails-of-high-ranking-kremlin-officials-published/ar-AAjtWfV?li=AA59G2>

⁵⁶ Maksym Bugriy, "Hot Issue – Konstantin Malofeev: Fringe Christian Orthodox Financier of the Donbas Separatists," *Jamestown Foundation*, August 8, 2014, <https://jamestown.org/program/hot-issue-konstantin-malofeev-fringe-christian-orthodox-financier-of-the-donbas-separatists/>; "Translation: Slava in Ukraine. Surkov's Hacked Correspondence (Part I) – Originally Published by *The Insider*," *Impasse News*, October 28, 2016, <https://impasnews.wordpress.com/2016/10/28/translation-slava-in-ukraine-surkovs-hacked-correspondence-part-i-originally-published-by-the-insider>

⁵⁷ Shaun Walker, "The Whiz Kid Billionaire Who Says He Can't Go Home," *Independent*, July 28, 2010, <http://www.independent.co.uk/news/people/news/the-whiz-kid-billionaire-who-says-he-cant-go-home-2038006.html>

Mikhail Khodorkovsky in his fight against the Kremlin.⁵⁸ Strange as it may sound, however, the leaked emails revealed that Chichvarkin had maintained friendly relations with Surkov, one of the masterminds of the aggression in Ukraine; he even reviewed Surkov's novel *Uncle Vanya*.⁵⁹

Another email from the Surkov trove demonstrates how the Kremlin exploits such friendly personal relations—even those with oligarchs to whom it isn't publicly allied—for its own benefit. Alexander Lebedev, who has been deeply involved in the British media business for several years, has not only used his ownership of *The Independent* newspaper to echo the Kremlin's viewpoints in the West; he also proposed to Surkov a PR campaign to promote Russia's official position on Crimea.⁶⁰

Tracing to the Origin: Where has KGB and Communist Party Funding Turned Up?

To fully understand the scope of the kleptocratic dimension of Russia's total war concept and the threat it poses to the West, we must trace it to its origin.

It is well known that billions of dollars of the KGB and Communist Party's money vanished right before the collapse of the Soviet Union in what is typically regarded today as an unsolved mystery. However, from well-documented plans made public long ago, we know that the KGB and Communist Party sought to establish hundreds of business enterprises in the West that would provide cover for KGB and party members to transfer assets abroad with the assistance of organized crime.

Prominent Italian investigative journalists Carlo Bonini and Giuseppe d'Avanzo, who conducted an investigation of Putin's path to power, interviewed a former KGB First Directorate employee, "Nikolaj," who claims that he was approached by his superior in the spring of 1990 to be part of the following scheme:

I was about to enter the [KGB] Academy. I was approached by one of my officers. He told me that the KGB was gearing up for a new perestroika, [because] the country was collapsing and would soon have to face a civil war. I still remember

⁵⁸ Anna Malpas, "Khodorkovsky Unveils Candidates for Russia Parliamentary Polls," *AFP*, June 1, 2016, <https://www.yahoo.com/news/khodorkovsky-unveils-candidates-russia-parliamentary-polls-181335312.html>

⁵⁹ "Translation: Slava in Ukraine. Surkov's Hacked Correspondence (Part I) – Originally Published by *The Insider*," *Impasse News*, October 28, 2016, <https://impassenews.wordpress.com/2016/10/28/translation-slava-in-ukraine-surkovs-hacked-correspondence-part-i-originally-published-by-the-insider>

⁶⁰ Mark Sweney, Alasdair Glennie, "Lebedevs Have Ploughed £111m into *Independent*, *Standard* and TV station," *Guardian*, July 6, 2015, <https://www.theguardian.com/media/2015/jul/06/lebedevs-independent-standard-london-live>; Alexander Lebedev, Vladislav Inozemtsev, "Russia and the West Need a Compromise Over the Crimea," *Independent*, November 7, 2014, <http://www.independent.co.uk/news/business/analysis-and-features/russia-and-the-west-need-a-compromise-over-the-crimea-9848221.html>; Maxim Tucker, "Press Tycoon Tried to Win Support for Putin," *Times of London*, October 29, 2016, <http://www.thetimes.co.uk/article/tycoon-tried-to-win-support-for-putin-ldw7qjh95>

the words of the official: Remember boy, what now you are proud of, the shield and sword of the KGB, tomorrow could become your shame. It took a bit 'to get to the point.' But when it came down to it, it was clear: 'We offer you to get out of the official structure of the KGB, to get into a clandestine structure, where you'll work with the best of the best. Your personal files are removed from the files. No one will ever know of your the past. You will become a clandestine agent. You will begin to work for their country. Against those who want to destroy. Yes, that's right, he said: 'for the Motherland'.... I accepted. I had no choice.... After the failed coup of '91, I found myself working on behalf of the KGB as a financial officer of a major joint venture. My life was divided between Moscow, St. Petersburg, Stockholm, Vienna, Geneva. Money, money, and more money. I cared about nothing more than making them run all over the world, from one offshore haven to another. We, the patriots of the KGB, were moving millions and millions of dollars into bank vaults. And along those same channels we also moved money from organized crime, to the point that I would not be able to tell which monies belonged to the KGB and which to the mafia. In response to my timid questions, they responded: just move the damn money. And I did.⁶¹

Though Bonini and d'Avanzo have solid reputations for digging up the truth, it would be hard not to see this as a lurid conspiracy theory—except for the fact that their account is backed up by several other sources and even documentary evidence.

In 1991, Pavel Voshchanov, press secretary to Boris Yeltsin, disclosed that confidential memoranda circulated within the Communist Party of the Soviet Union (CPSU) spoke of the need to set up an “invisible party economy” in order to acquire foreign currency. This structure would enable it to launder money through joint ventures and a network of domestic and foreign banks. The CPSU had allegedly sold 280 billion rubles for \$12 billion in U.S. dollars and funneled the money through CPSU-controlled Soviet banks and top secret accounts in Western financial institutions.

Investigators stated that as many as 700 such hard currency accounts operated around the world, with a total value of \$100 billion. Voshchanov compared the CPSU to a criminal cartel that financed its “friendly firms” abroad. He claimed to have examined a list of sixty companies, all of which were established by Western communists. The KGB played the pivotal role in the transfer of these funds.

The authors of a study of Soviet efforts to finance global subversion conducted by the Australian foreign policy magazine *National Observer* concluded that the clandestine experiences the KGB gained from its political operations had been converted into commercial activities.⁶²

Paul Klebnikov, a prominent American journalist widely believed to have been killed for his investigations into the nexus of politics, business, and crime in post-Soviet Russia,

⁶¹ Carlo Bonini, Giuseppe D' Avanzo, “I Cekisti al Potere” (The Chekists in Power), *La Repubblica*, July 15, 2001, <http://ricerca.repubblica.it/repubblica/archivio/repubblica/2001/07/15/cekisti-al-potere.html>

⁶² Andrew Campbell, “Moscow's Gold: Soviet Financing of Global Subversion,” *National Observer* No. 40, Autumn 1999, http://www.nationalobserver.net/1999_autumn_campbell.htm

uncovered a CPSU memo attributed to the colonel of the KGB First Chief Directorate, Leonid Veselovsky.⁶³ The colonel, as explained by the memo, had been transferred to the Communist Party Central Committee Administrative Department with a special task:

The earnings which are accumulated in the Party treasury and are not reflected in the financial reports can be used to purchase the shares of various companies, enterprises, and banks. On the one hand, this will create a stable source of revenue, irrespective of what may happen to the Party. On the other hand, these shares can be sold on the security exchanges at any time and the capital transferred to other spheres, allowing the Party to keep its participation anonymous and still retain control.... In order to avoid mistakes in the course of this operation during the “period of emergency,” it is essential to organize, both in the USSR and abroad, special rapid response groups, staffed by specially trained instructors from the “active reserve” of the KGB of the USSR, as well as by trusted individuals volunteering their cooperation and by individuals who, for one reason or another, have lost their job in the field units or administrative departments of the KGB of the USSR.⁶⁴

In *State Within a State*, Russian journalist Yevgenia Albats describes the transformation from the Soviet to market economy in very similar terms. At the same time, however, she points out some very telling details:

In fact, a good many of these joint ventures were founded by the KGB itself: they provided perfect cover for contacts with foreigners and a respectable starting point from which to infiltrate the burgeoning class of Soviet entrepreneurs. They also provided a nice front for the agents’ personal financial transactions. And, in fall 1990, Kryuchkov issued an order permitting the KGB to engage in its own commercial business.⁶⁵

Even a special commission established by the Russian Parliament in 1992 discovered that in 1990 the Central Committee of the CPSU “arranged a series of secret orders to engage intelligence structures in financial and commercial activities aimed at looting the wealth of the country and transferring it abroad through banks and joint ventures.”⁶⁶ The KGB founded one hundred banks in Moscow alone, 600 throughout the entire Soviet Union, and no fewer than this in the West. Western companies interested in doing business in Russia were forced to establish joint ventures with Soviet firms. According to some reports, in 1992, about 80 percent of joint ventures formed in the Russian Federation involved KGB officers.⁶⁷

⁶³ Otto Pohl, “The Assassination of a Dream,” *New York Magazine*, November 1, 2004, <http://nymag.com/nymetro/news/people/features/10193/>

⁶⁴ Paul Klebnikov, *Godfather of the Kremlin: The Decline of Russia in the Age of Gangster Capitalism* (Mariner Books, 2000), p. 59

⁶⁵ Yevgenia Albats, *KGB: State Within a State* (London, New York: I.B.Tauris, 1995), p. 247

⁶⁶ Carlo Bonini, Giuseppe D’Avanzo, “I Cekisti al Potere” (The Chekists in Power), *La Repubblica*, July 15, 2001, <http://ricerca.repubblica.it/repubblica/archivio/repubblica/2001/07/15/cekisti-al-potere.html>

⁶⁷ *Ibid.*

3. From Control of Assets to Political Infiltration and Institutional Capture

Knowing the origins of modern kleptocratic Russia is essential to understanding the “weaponization of kleptocracy,” allowing us to see that the KGB intended from the very beginning not only to stay in charge in Russia but also to maintain and strengthen its network abroad. The details of this arrangement are ably presented in Karen Dawisha’s book, *Putin’s Kleptocracy: Who Owns Russia?*, but perhaps the most telling piece of evidence is the document recovered by Russian General Prosecutor Valentin Stepankov, who investigated the looting of party money. In a secret August 1990 memorandum, Gorbachev’s Deputy General Secretary Vladimir Ivashko proposed greatly expanding the party’s network of Russian and international joint ventures to hide the party’s assets, as well as to maintain its influence abroad.⁶⁸

In his study, “The Organized Crime Morass in the Former Soviet Union,” Rensselaer W. Lee III (a respected authority on international crime, narcotics, and nuclear security issues) explicitly suggested that Western counterintelligence agencies must be on the lookout for the global rise of Russian criminal infrastructure intended to advance certain foreign policy interests.⁶⁹

Richard Palmer, former CIA agent and prominent expert on Russian organized crime, has also testified to systematic efforts not only to hide CPSU assets but also to buy influence. In his testimony before the House Committee on Banking and Financial Services on September 21, 1999, Palmer referred to Top Secret Message 174033, a classified directive authored by KGB chairman Vladimir Kryuchkov and sent by the KGB Third Directorate to military bases throughout the USSR in January 1991. This directive called for the creation of private commercial firms to sell military technology overseas. In the document Kryuchkov cited the “deteriorating domestic political situation” and called for the creation of more private, commercial firms. Kryuchkov stated that the program had three strategic aims: 1) the new companies were to serve as “reliable covers for (KGB) leaders and the most valuable (KGB) operatives, in case the domestic...situation develops along East German lines”; 2) to provide financial means for the organization of underground work if “destructive elements” came to power; and, 3) to create conditions for the effective use of foreign and domestic agent networks during (a period of) increased political stability.”⁷⁰

Mafia In Uniform: The Criminalization of the Russian Armed Forces, a paper by Dr. Graham H. Turbiville, Jr., former Chief of the Defense Intelligence Agency’s

⁶⁸ Valentin Stepankov, Yevgenyi Lisov, “Кремлевский заговор. Версия следствия” (Kremlin’s Conspiracy: Version of the Investigation), 1992, <https://document.wikireading.ru/34951>

⁶⁹ Rensselaer W. Lee, III, “The Organized Crime Morass in the Former Soviet Union,” 2 *DEMOKRATIZATSIYA*, 1994, pp.394-411,

https://www2.gwu.edu/~ieresgwu/assets/docs/demokratizatsiya%20archive/02-3_Lee.PDF

⁷⁰ Richard L. Palmer, “Statement of Richard L. Palmer, President of Cachet International, Inc. on the Infiltration of the Western Financial System by Elements of Russian Organized Crime Before the House Committee on Banking and Financial Services,” September 21, 1999, <http://archives.financialservices.house.gov/banking/92199pal.shtml>

Soviet/Warsaw Pact Strategic Operations Branch, points to institutionalized military crime and corruption as well:

In light of all this, it is clearly an understatement to say that crime in the Russian Armed Forces is a serious and growing threat to democratization, economic development, and stability throughout the region, and a central issue in Russia's relations with other countries.⁷¹

Palmer went even further in his testimony before the House Committee on Banking and Financial Services, laying out a highly sophisticated, six-step scheme by KGB-trained kleptocrats to take over post-Soviet Russia. On top of that, he noted that firms created by looted Russian money frequently make political donations to U.S. politicians and political parties to obtain influence.⁷²

Examining the publicly available sources detailing efforts by Russian oligarchs and kleptocrats to buy influence in foreign countries allows us to draw several conclusions:

First, it is clear that these attempts were initiated by the KGB long before the collapse of the Soviet Union, a period of time in Russia that is typically considered a chaotic free-for-all. “Friendly firms” and “friendly businessmen” in the West were used as tools to implement this CPSU strategy, which involved aforementioned KGB “active measures” that we now tend to group under the term “hybrid warfare.”⁷³

In a 1993 article prophetically titled, “Introducing KGB Plc.,” Mark Almond, an expert on Soviet bloc security services and their transformation, reminded us that the “friendly companies” (or “friendly firms” as they are now usually called) were first developed in Lenin’s time in order to provide the hard currency the Soviet system needed to survive.⁷⁴ He suggests that “a network of apparently legitimate businesses was set up in the West both to provide cover for KGB activities and to make a profit for the Party and KGB.”

However, the most striking and telling feature of this network is its persistence and determination in trying to gain political influence in both the former Soviet bloc and the West. Attempts to buy political or geopolitical influence have occurred—and continue to occur—in almost every Western country. In many cases, commercial interests provide only the thinnest of disguises for the strategic payoff motivating such activities.

⁷¹ Graham H. Turbiville, Jr., “Mafia In Uniform: The Criminalization of the Russian Armed Forces,” Foreign Military Studies Office, 1995, <http://fmso.leavenworth.army.mil/documents/mafia.htm>

⁷² Richard L. Palmer, “Statement.... On the Infiltration of the Western Financial System by Elements of Russian Organized Crime Before the House Committee on Banking and Financial Services”

⁷³ Yevgenia Albats, *KGB: State Within a State*, pp. 247-248; Michael Dobbs, Steve Coll, “Ex-Communists Are Scrambling For Quick Cash,” *Washington Post*, February 1, 1993, https://www.washingtonpost.com/archive/politics/1993/02/01/ex-communists-are-scrambling-for-quick-cash/00a47cf2-1f47-4051-90cd-844e3e35643b/?utm_term=.f3e88e1aec23

⁷⁴ Mark Almond, “Introducing KGB Plc.,” *Spectator*, July 9, 1993, <http://archive.spectator.co.uk/article/10th-july-1993/9/introducing-kgb-plc>

Second, as Almond and many others have warned from the very beginning, the West has largely turned a blind eye to this problem:

While the West sends accountants and economists wet behind the ears to tell Russians how to run a market economy, Moscow has been exporting its own expertise in creative accounting, fraud and misappropriation. Even the Italians can learn a few lessons. While we talk about sending aid to Russia, six times as much hard currency has left the CIS in the last two years as has been invested or given in aid there.... Indeed, with the help of its new western friends, released from hidebound Party control, hardly damaged by defections, the KGB has taken on a new lease of life. Its capacity to recruit in the West has blossomed as ideological inhibitions wane. Information is power, and the ex-KGB has unequalled files on its former subjects at home and abroad. Whereas the FBI employs some 22,000 people throughout America, Russia's Ministry of Security needs 140,000 agents to supervise a population about one-fifth smaller. But it is not just the quantity of contacts which matters to the old KGB, it is the quality. If even genuine émigrés can be manipulated into co-operation because of private peccadilloes, imagine how many people working in foreign governments can still be fatally embarrassed by the contents of Primakov's files.⁷⁵

In his paper *The Kleptocracy Curse: Rethinking Containment*,⁷⁶ Ben Judah describes the negligence of the U.S. government, and its intelligence services in particular. In 1991, Russia's first post-Soviet Prime Minister Yegor Gaidar approached the CIA asking for help in retrieving billions of dollars of assets stolen from the country by KGB agents during the Soviet collapse. The response he received from the CIA, acting on instructions from the White House, was that the agency could locate the money but that "capital flight is capital flight."⁷⁷ Says Judah:

This attitude has seriously undermined American foreign policy. It should not be misunderstood as unfortunate and harmless theft. In the developing world corruption is a major killer, taking multitudinous forms, from stolen healthcare and infrastructure budgets, and turning them into deadly personal extortion. One estimate from the antipoverty group One blames corruption for 3.6 million deaths per year.

And the problem is even more serious today. The Kremlin uses its kleptocratic networks not only to support an overtly aggressive foreign policy, but also to fuel the subversive "active measures" of hybrid warfare.

Third, the Kremlin has been attempting to institutionalize kleptocracy in the West much in the same way as it has done inside Russia: by infiltrating major institutions. Besides the political infiltration addressed above, examining the infiltration of the lobbying

⁷⁵ Mark Almond, "Introducing KGB Plc."

⁷⁶ Ben Judah, *The Kleptocracy Curse: Rethinking Containment*, Hudson Institute, October 20, 2016, <https://hudson.org/research/12928-the-kleptocracy-curse-rethinking-containment>

⁷⁷ Robert I. Friedman, *Red Mafiya: How the Russian Mob Has Invaded America*, (Little, Brown & Company, 2000)

business, media, and think-tanks also leads to the conclusion that these efforts are intended to advance Russia's strategic goals as well as the private interests of individual oligarchs.⁷⁸ These activities also fit snugly alongside another decades-long KGB strategy, "ideological subversion," which complements "active measures" and was revealed by KGB defector Yuri Bezmenov back in 1985.⁷⁹

Understanding the institutionalization of kleptocracy allows us to perceive yet another dimension to the three stages described by Oliver Bullough in *Stage Hands: How Western Enablers Facilitate Kleptocracy*.⁸⁰

In Stage One, the kleptocrat secures his newly acquired assets by getting his money and company ownership offshore. This successfully insulates him against unexpected political changes at home.

In Stage Two, the kleptocrat secures himself and his children by physically moving his family offshore. This insulates those closest to him against the consequences of the misgovernment that made him rich, while providing both them and him with a more amenable environment in which to spend his wealth.

In Stage Three, the kleptocrat secures his reputation by building a network among influential people in Western countries. In simple terms, the goal of Stage Three is to make sure that a Google search returns more news stories about good deeds than about allegations of corruption and loutishness.

These three stages apply to the universal kleptocracy model. However, when we consider the "weaponization of kleptocracy," it's clear that we must posit a Stage Four: the institutionalization of kleptocracy by means of the capture of various Western institutions, sectors of public life, and, if possible, entire states.

Russian Money Laundering: Separate Cases or Facets of a Single, Overarching Strategy?

From the very beginning, the infiltration of the Western banking system had a strategic dimension as well. Beginning with the collapse of the USSR, the strategic placement of support personnel abroad facilitated the creation of money laundering networks. A Russian parliamentary commission implicated the son of KGB chairman Vladimir Kryuchkov, a station chief in Switzerland, in a scam to bank fortunes in hard currency for the KGB and Communist Party leaders and their families. The son of former Soviet Prime

⁷⁸ Tim Fernholz, "A Recent History of Russia's Efforts to Buy Influence in U.S. Politics," *Quartz*, September 5, 2014, <https://qz.com/260064/a-recent-history-of-russias-efforts-to-buy-influence-in-us-politics>

⁷⁹ G. Edward Griffin, "Demoralization, Destabilization, Insurgency, Normalization," *MIA*, November 2009, <https://mcalvanyintelligenceadvisor.com/demoralization-destabilization-insurgency-normalization>

⁸⁰ Oliver Bullough, "Stage Hands: How Western Enablers Facilitate Kleptocracy," Kleptocracy Initiative, Hudson Institute, May 2, 2016, <http://kleptocracyinitiative.org/2016/05/stage-hands-how-western-enablers-facilitate-kleptocracy>

Minister Valentin Pavlov, an employee in a Luxembourg bank, was implicated in the same scandal. Even as the Russian government went through the motions of tracking down such monies, the foreign intelligence chief Yevgeniy Primakov blocked the parliamentary investigation from looking any further, and the matter was forgotten.⁸¹

In testimony to the House Committee on Banking and Financial Services, Karon von Gehrke-Thompson, vice president of First Columbia Co Ltd., a political consulting firm, provided evidence that the KGB had led and fully controlled a major Russian money laundering operation in 1993.⁸² Investigations into another major money laundering operation utilizing the Bank of New York revealed links not only to individuals implicated in the scheme exposed by Von Gehrke-Thompson, but also to an international banking network created by the same dubiously connected figures that extended from an oligarch close to Putin, through Latvia, to the United States.⁸³

Richard Palmer, testifying before the House Committee on Banking and Financial Services, explained that:

Russian banks and firms are not the only ones that need a special level of scrutiny. Latvia, a former Russian republic, is now allegedly on the “fast track” to becoming a member of the European Union and NATO. Riga, Latvia, was the scene in June 1999 of Ms. Lucy Edwards’s presentation on how to avoid difficulties with U.S. money laundering laws on behalf of the Bank of New York. However, take a close look at Latvia and you will see that its banks and firms also deserve special attention.⁸⁴

Needless to say, these Latvian banks were in one way or another connected to the Russian-led kleptocracy network of the former Soviet Union and served the interests of said

⁸¹ Michael Waller, “Russia’s Biggest ‘Mafia’ is the KGB,” *Wall Street Journal Europe*, June 22, 1994, <http://webcache.googleusercontent.com/search?q=cache:931ca7tLEAOJ:acmeofskill.com/1994/06/russia-biggest-mafia-is-the-kgb/+&cd=1&hl=en&ct=clnk&gl=us>

⁸² Karon von Gerhke-Thompson, “Statement Prepared for the Committee on Banking and Financial Services,” Committee on Banking and Financial Services, September 22, 1999, <http://archives.financialservices.house.gov/banking/92299ger.pdf>

⁸³ Timothy L. O’Brien, Raymond Bonner, “Russian Money-Laundering Investigation Finds a Familiar Swiss Banker in the Middle,” *New York Times*, August 22, 1999, <http://www.nytimes.com/1999/08/22/world/russian-money-laundering-investigation-finds-familiar-swiss-banker-middle.html>; Catherine Belton, “Key Guy in Bank of New York Scandal to be Returned to Russia?” *Moscow Times*, January 19, 2004, <http://old.themoscowtimes.com/sitemap/free/2004/1/article/ins-says-courts-decision-irrelevant/233538.html>; Knut Royce, “San Francisco Bank Linked to Laundering Probe at Bank of New York,” Center for Public Integrity, December 9, 1999, <https://www.publicintegrity.org/1999/12/09/3321/san-francisco-bank-linked-laundering-probe-bank-new-york>; Alan A. Block, “Banking, Drugs, Fraud and Stock Manipulation: Russian Opportunities and Dilemmas,” *Organized Crime, Trafficking, Drugs: Selected Papers Presented at The Annual Conference of the European Society of Criminology, Helsinki 2003*, European Institute for Crime Prevention and Control, 2004, http://www.heuni.fi/material/attachments/heuni/reports/6KkbNhFWZ/First_part_42.pdf

⁸⁴ Richard L. Palmer, “Statement.... On the Infiltration of the Western Financial System by Elements of Russian Organized Crime Before the House Committee on Banking and Financial Services”

kleptocracy.⁸⁵ It remains one of the best examples of a Russian kleptocratic capture of an entire business sector in a Western state, though banks in various other Western countries have also been implicated in major money laundering schemes emanating from Russia.⁸⁶

As a recent investigation by the Organized Crime and Corruption Reporting Project revealed, money laundered successfully out of Russia can be used by Kremlin operatives for bribing foreign politicians and to further Russian state interests.⁸⁷

The Weaponization of Real Estate Markets and Business Enterprises

Efforts to take a systematic and sophisticated look at Russian-related corruption are prone to accusations of conspiracy theorizing, but there is more than just historical and documentary evidence to back up these contentions. Recently surfaced reports detailing Western security services' efforts to track suspicious real estate purchases in the West suggest that we would be foolish to underestimate the reach of the Kremlin's total war concept.

The Western real estate market has only recently begun to be exposed as a target for global kleptocratic money laundering.⁸⁸ Recent news, however, also shows us how real estate activity fits in not only with Russia's plans for hybrid warfare but also in some cases with its conventional military planning. In Finland late last year, news broke that foreigners (namely Russians) were buying up property in politically sensitive areas. The Finnish Security Intelligence Service (SUPO) released a report warning of the risk of a foreign state using purchased land to cut transport links or to house hostile soldiers on Finnish territory. The Finnish government announced plans to block foreigners from buying

⁸⁵ Graham Stack, Arta Giga, "Latvian Banks Promote Money Laundering Companies," *OCCRP*, June 16, 2016, <https://www.occrp.org/en/investigations/5358-latvian-banks-promote-money-laundering-companies>

⁸⁶ Rupert Neate, "HSBC Escaped U.S. Money-Laundering Charges After Osborne's Intervention," *Guardian*, July 11, 2016, <https://www.theguardian.com/business/2016/jul/11/hsbc-us-money-laundering-george-osborne-report>; Michael Weiss, "How HSBC Got Rich Off Russian Corruption," *Daily Beast*, February 10, 2015, <http://www.thedailybeast.com/articles/2015/02/10/how-hsbc-got-rich-off-russian-corruption.html>; David Leigh, James Ball, Juliette Garside, David Pegg, "HSBC files: Swiss Bank Hid Money for Suspected Criminals," *Guardian*, February 12, 2015, <https://www.theguardian.com/news/2015/feb/12/hsbc-files-swiss-bank-hid-money-for-suspected-criminals>; Irina Reznik, Keri Geiger, Jake Rudnitsky, Gregory White, "Putin Allies Said to Be Behind Scrutinized Deutsche Bank Trades," *Bloomberg*, October 16, 2015, <https://www.bloomberg.com/news/articles/2015-10-16/putin-allies-said-to-be-behind-scrutinized-deutsche-bank-trades>

⁸⁷ Luke Harding, Nick Hopkins, Caelainn Barr, "British Banks Handled Vast Sums of Laundered Russian Money," *Guardian*, March 20, 2017, <https://www.theguardian.com/world/2017/mar/20/british-banks-handled-vast-sums-of-laundered-russian-money>

⁸⁸ James Nickerson, "I Took a 'Kleptocracy Tour' Around London and Discovered the Corruption Capital," *New Statesman*, March 7, 2016, <http://www.newstatesman.com/politics/economy/2016/03/i-took-kleptocracy-tour-around-london-and-discovered-corruption-capital>; Louise Story, Stephanie Saul, "Stream of Foreign Wealth Flows to Elite New York Real Estate," *New York Times*, February 7, 2015, <https://www.nytimes.com/2015/02/08/nyregion/stream-of-foreign-wealth-flows-to-time-warner-condos.html?mtrref=www.millersamuel.com&gwh=B919C12022E13F76205060E54F966D84&gwt=pay>

houses near military sites, as security services had expressed concerns that the Russians were acquiring the land to accommodate troops in the event of an invasion.⁸⁹

Finnish MP Suna Kymäläinen, who revealed that some of the recent property transactions would be canceled, said sales of land close to the border between Finland and Russia and summer cottages near airports would be probed by the Ministry of Defense, which has indicated that some property transactions by non-residents will be canceled on the grounds of national security. The Finnish Government also plans to launch a formal investigation. The Ministry of Justice will then prepare legislation aimed at blocking foreigners from buying land in strategically important locations.⁹⁰

Similar suspicions have been raised elsewhere. In Lithuania, officials turned down a generous Russian investment offer in exchange for access to areas near the Zokniai military airport, from which NATO air patrols are conducted, and a data center project was shot down over fears of Russian spying.⁹¹ Journalists and government officials in France have even raised questions about the location and function of the Russian-built Holy Trinity Cathedral and Russian Orthodox Spiritual and Cultural Center in Paris, which enjoys diplomatic immunity.⁹²

There are as yet no publicly available reports of similar kinds of suspicious real estate deals in the United States. But recently the Government Accountability Office issued a report claiming that it was impossible to identify the beneficial owners for about a third of the federal government's 1,400 "high-security" leases.⁹³ The report went on to recommend that tenant agencies leasing high-security space from foreign owners should be apprised of that fact and take necessary precautions. Furthermore, a recent Treasury pilot scheme requiring title insurance providers to disclose information about customers involved in all-cash luxury real estate deals found that one-third had triggered Suspicious Activity Reports elsewhere.⁹⁴ Given that many of these were anonymously owned shell

⁸⁹ Gabriel Samuels, "Finnish Government 'Suspects Russia of Buying Property to House Soldiers' in Case of Future Invasion, Tabloid Claims," *Independent*, November 2, 2016, <http://www.independent.co.uk/news/world/europe/finnish-government-suspects-russia-of-buying-property-to-house-troops-a7392841.html>

⁹⁰ Tom Batchelor, "Finland Stops Russians Buying Land Near Military Sites Amid Invasion Fears," *Independent*, February 13, 2017, <http://www.independent.co.uk/news/world/europe/russia-finland-invasion-fears-military-sites-land-sales-blocked-a7578601.html>

⁹¹ "A Genuine Investment Project? A Boondoggle? A Scheme? Lithuania: A National Security Threat First," *Baltic News Network*, September 25, 2014, <http://bnn-news.com/genuine-investment-project-boondoggle-scheme-lithuania-national-security-threat-119828>; "Lithuania Bars Data Center Project Over Fears of Russian Spying," *Reuters*, January 9, 2017, <http://www.reuters.com/article/us-lithuania-russia-idUSKBN14T1XW>

⁹² Christopher Dickey, Erin Zaleski, "Vladimir Putin's Campaign to Seduce, Subvert and Screw Over Western Democracies—Including Ours," *Daily Beast*, October 30, 2016, <http://www.thedailybeast.com/articles/2016/10/30/vladimir-putin-s-campaign-to-seduce-subvert-and-screw-over-western-democracies-including-ours.html>

⁹³ "Federal Real Property: GSA Should Inform Tenant Agencies When Leasing High-Security Space from Foreign Owners," U.S. Government Accountability Office, January 3, 2017, <http://www.gao.gov/products/GAO-17-195>

⁹⁴ "FinCEN Renews Real Estate "Geographic Targeting Orders" to Identify High-End Cash Buyers in Six Major Metropolitan Areas," U.S. Department of the Treasury (FinCEN), February 23, 2017,

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companies, there is no way of knowing who really owns or controls them, or where their money originates from.

<https://www.fincen.gov/news/news-releases/fincen-renews-real-estate-geographic-targeting-orders-identify-high-end-cash>

4. Conclusions

The Russian mafia's infiltration of Western businesses and financial institutions has been recognized as a threat for decades, and largely neglected as such for just as long. The events of recent years have made clear the futility of attempting to differentiate between the Russian mafia and the Russian state. As Spanish prosecutor Grinda Gonzales has pointed out, the Russian security services control criminal groups, using them to do things the government "cannot acceptably do."⁹⁵ As this report has sought to detail, the security services extend a similar type of control over corrupt businesses and other organizations.

Russia uses kleptocratic methods to pursue objectives that cannot be achieved by official state institutions. In this regard, Mark Galeotti calls Moscow a "master of 'hybrid business,' of developing commercial enterprises—legal and illegal—that ideally make money, but at the same time, whether private concerns or not, can be used for state purposes."⁹⁶ Indeed, kleptocratic means are indispensable tools for Russian hybrid warfare efforts (of which Ukraine remains the quintessential example) because, when "using non-intelligence assets [including business and kleptocracy] to undertake intelligence work, Russia can avoid the risk of seeing them prosecuted."⁹⁷

During the Cold War, the KGB pursued the same state goals by almost the same kleptocratic means. The current Russian regime is based on the KGB (or is at least run by officials with a KGB background), and the only major difference between past and present besides ideology is that Russia's modern funding networks are significantly more sophisticated than Soviet-era methods of passing cash through KGB handlers.

What the findings of this paper suggest is that Russia's hybrid warfare efforts in the West are not a wholly new phenomenon but rather a continuation of the Kremlin's total war against the West. Globalization and the broader kleptocratic challenges the West has been facing in recent years merely offer Russia a few new tools and opportunities in this regard.

Russia has discovered that the West increasingly:

Likes cash—and that influence, if not loyalty, can be bought, that politics and policy can be shaped and tweaked even more effectively by a company directorship here; a business deal there. The indelicacy of recruitment—except when it comes to

⁹⁵ "U.S. Embassy Cables: Russia is Virtual 'Mafia State', Says Spanish Investigator"

⁹⁶ Mark Galeotti, *Hybrid War or Gibrinaya Voyna? Getting Russia's Non-Linear Military Challenge Right* (Mayak Intelligence, 2016)

⁹⁷ Stephen Komarnyckyj, "How Russia's Use of Deniable Assets Bamboozled Western Security Services," *EuroMaidan Press*, September 3, 2016, <http://euromaidanpress.com/2016/09/03/how-russias-use-of-deniable-assets-bamboozled-western-security-services>

penetrating Western intelligence agencies—is not needed; politics, business and intelligence objectives can be enmeshed subversively to guide and mold.⁹⁸

The West once assumed that corruption and the power of organized crime in Russia would diminish as capitalism and free markets improved economic conditions, and that democratic reforms would gradually reshape the government and infrastructure of Russia, causing criminal enterprises to spontaneously “legitimize” their operations. But some sounded early alarm bells about this view. In his 1999 testimony before the House Committee on Banking and Financial Services, Richard Palmer prophetically warned:

The expected improvements in the economy, infrastructure and government of Russia may well not take place for the next five to ten years and will not occur at a pace required to overcome the corruption and criminality now rampant. First, as much of the money flowing into Russia due to criminal activity and foreign aid is sent to off-shore banks for investments and to pay for the corruption of public officials in Russia and other countries as well, it is not likely to aid the Russian economy. Secondly, there is no way to reign in this oligarchy of criminals, government officials and the former cream of the Communist Party. There is no incentive to change.⁹⁹

Not only has there been no incentive to change; as this paper demonstrates, Russia has integrated corruption and kleptocratic business practices into its arsenal for total war against the West, weaponizing kleptocracy in the same way it has weaponized energy, information, refugees and whatever other Western weaknesses it has uncovered.

Insofar as the West continues to consider Russia “open for business,” it will be easy for the Kremlin to pursue its goals by means of corruption and sweetheart business deals for its Western enablers. Aside from spreading its influence, the Kremlin’s efforts at subversion are aimed at two further goals:

First, as kleptocracy cannot otherwise hope to compete with democratic, free market countries, the Kremlin hopes to infect Western countries with its own kleptocratic virus, refashioning them in Russia’s image.

Second, Russia is pursuing the same Soviet goal as described by Kalugin: to weaken Western countries as a preparation for the possibility of war. In this light, “weaponization of kleptocracy” is the most fitting term for Russia’s activities.

As former CIA director and retired General David Petraeus noted in 2008, money can also be a “weapons system.”¹⁰⁰ By this, he meant that money can help “to win hearts and

⁹⁸ Jamie Dettmer, “Exploring Russian Ties to the Men Lurking Behind Trump,” *The Hill*, July 25, 2016, <http://thehill.com/blogs/pundits-blog/presidential-campaign/289047-exploring-russian-ties-to-the-men-lurking-behind>

⁹⁹ Richard L. Palmer, “Statement.... On the Infiltration of the Western Financial System by Elements of Russian Organized Crime Before the House Committee on Banking and Financial Services”

¹⁰⁰ “Handbook: Commander’s Guide to Money as a Weapons System,” U.S. Army Combined Arms Center, April 2009,

minds” of insurgents and local populations in the theater of war. In the U.S. context, using “money as a weapon system” means spending money on reconstruction and development projects. America has spent billions of dollars in Iraq and Afghanistan on a wide range of projects: schools, infrastructure, agricultural assistance, and microfinance programs, among others. Military doctrine now also extends to helping implement free-market economies, supporting business creation, setting up banking facilities, and promoting entrepreneurship.¹⁰¹

The Kremlin realized that money is a “weapons system” much earlier, hence the Soviet Union’s networks of “friendly firms,” corruption, money laundering, and funding for anti-Western activities and organizations. Globalization merely added new weapons to the old Russian arsenal of subversive activities.

In the Russian concept, as in the U.S. one, money is used to win the “hearts and minds” of decision-makers in the West, to corrupt the democratic system, and to weaken societies in order to win wars against the West. That war recognizes no boundaries, as there are no boundaries for corruption, money laundering, and illicit activity. Neglecting Russia’s weaponization of kleptocracy gives the Kremlin a big advantage, and puts the West in danger of being seriously undermined by an adversary that recognizes no clear distinction between war and peace.

[http://www.usma.edu/cnrkd/SiteAssets/SitePages/Government%20Publications/CALL%20MAAWS%20Handbook%2009-27%20\(APRIL%2009\).pdf](http://www.usma.edu/cnrkd/SiteAssets/SitePages/Government%20Publications/CALL%20MAAWS%20Handbook%2009-27%20(APRIL%2009).pdf)

¹⁰¹ Emily Gilbert, “Money as a ‘Weapons System’ and the Business of War,” *Critical Military Studies* 1(3), 2015, pp. 202-219

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