



Department of Justice

STATEMENT

OF

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BEFORE THE

**SUBCOMMITTEE ON EUROPEAN AFFAIRS
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE**

CONCERNING

TRANSNATIONAL ORGANIZED CRIME

PRESENTED ON

OCTOBER 30, 2003

GOOD MORNING MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE ON EUROPEAN AFFAIRS. ON BEHALF OF THE FEDERAL BUREAU OF INVESTIGATION (FBI), I WOULD LIKE TO EXPRESS MY GRATITUDE TO THE SUBCOMMITTEE FOR AFFORDING US THE OPPORTUNITY TO PARTICIPATE IN THIS FORUM AND TO PROVIDE COMMENT TO THE SUBCOMMITTEE ON ISSUES RELATED TO EURASIAN ORGANIZED CRIMINAL ENTERPRISES, A TOPIC THAT IS OF GREAT CONCERN TO THE FBI AS WELL AS TO THIS COMMITTEE. IT IS OUR BELIEF THAT THE INTERNATIONAL GROWTH OF THESE VERY DANGEROUS, CRIMINALLY DIVERSE AND ORGANIZED GROUPS AND THEIR EMERGENCE IN THE UNITED STATES HAS CAUSED A SIGNIFICANT EXPANSION OF OUR CRIME PROBLEM. THE FBI AND DOJ ARE TAKING AN AGGRESSIVE STANCE IN ADDRESSING THESE ORGANIZED CRIMINAL ENTERPRISES, DOMESTICALLY AND INTERNATIONALLY, TO HELP OTHER NATIONS BATTLE THESE GROUPS AND TO PREVENT THEM FROM BECOMING ENTRENCHED IN THE UNITED STATES.

ORGANIZED CRIMINAL ENTERPRISES ARE NO LONGER BOUND BY THE CONSTRAINTS OF BORDERS. SUCH OFFENSES AS TERRORISM, ORGANIZED CRIME, COMPUTER CRIME, AND DRUG TRAFFICKING HAVE SPILLED FROM OTHER COUNTRIES INTO THE UNITED STATES. REGARDLESS OF ORIGIN, THESE AND OTHER OVERSEAS CRIMES DIRECTLY IMPACT U.S. NATIONAL SECURITY AND THE INTERESTS OF OUR CITIZENS. EURASIAN ORGANIZED CRIME, BECAUSE OF ITS SIZE, WEALTH AND INTERNATIONAL REACH, POSES SOME OF THE

GREATEST THREATS IN THIS REGARD.

WE HAVE DEVELOPED A VARIETY OF ANTI-CRIME EFFORTS BOTH HERE AND ABROAD TO COMBAT THESE DANGEROUS THREATS. ONE OF THE MOST EFFECTIVE WAYS TO FIGHT INTERNATIONAL CRIME IS BY BUILDING INVESTIGATOR-TO-INVESTIGATOR AND PROSECUTOR-TO-PROSECUTOR BRIDGES BETWEEN AMERICAN LAW ENFORCEMENT AND OUR OVERSEAS COUNTERPARTS. WITHOUT THESE RELATIONSHIPS, THERE CANNOT BE THE COMMONALITY OF PURPOSE AND OPEN COMMUNICATION REQUIRED FOR SUCCESS. MORE AND MORE OF THESE BRIDGES ARE BEING BUILT, AND SUCCESSES ARE FLOWING FROM THEM.

WE ARE USING A NUMBER OF APPROACHES TO DEVELOP COOPERATIVE LAW ENFORCEMENT PROGRAMS WITH OTHER COUNTRIES. FOR EXAMPLE, OUR LEGAL ATTACHE PROGRAM WORKS CLOSELY WITH A LARGE NUMBER OF FOREIGN POLICE FORCES, FORMING A SORT OF DISTANT EARLY WARNING SYSTEM TO ALERT US TO NEW AND EMERGING CRIME THREATS. INTERPOL'S UNITED STATES NATIONAL CENTRAL BUREAU, TO WHICH THE FBI HAS DETAILED FOUR SPECIAL AGENTS AND THE CRIMINAL DIVISION ONE TRIAL ATTORNEY, ALSO PLAYS AN IMPORTANT ROLE IN COORDINATING WITH OUR EUROPEAN COUNTERPARTS ON A WIDE ARRAY OF ORGANIZED CRIME ISSUES. SIMILAR PROGRAMS AT OTHER U.S. LAW ENFORCEMENT AGENCIES ALSO RENDER INVALUABLE SERVICE IN FORGING CLOSE BONDS WITH OUR FOREIGN COUNTERPARTS AND ALLOWING US EARLY IDENTIFICATION OF FOREIGN

CRIMINAL ENTERPRISES ATTEMPTING TO EXPAND TO THE UNITED STATES. TRAINING IS ANOTHER POWERFUL TOOL. THE FBI, DOJ'S CRIMINAL DIVISION, AND OTHER DEPARTMENT COMPONENTS, IN COORDINATION WITH THE DEPARTMENT OF STATE, ASSIST OUR FOREIGN LAW ENFORCEMENT COUNTERPARTS THROUGH TRAINING HERE AND ABROAD. FINALLY, THE FBI'S CUTTING EDGE TECHNIQUE FOR ADDRESSING TRANSNATIONAL EUROPEAN ORGANIZED CRIME IS THE JOINT FBI/HUNGARIAN NATIONAL POLICE ORGANIZED CRIME TASK FORCE. I WILL PROVIDE ADDITIONAL DETAILS ON THE TASK FORCE AND OUR BROADER EFFORTS AT COOPERATION AND COORDINATION LATER IN MY TESTIMONY.

DESCRIPTION OF THE THREAT

THE SUBJECT OF THE COMMITTEE'S HEARING TODAY COVERS CRIME GROUPS CATEGORIZED BY THE FBI UNDER THREE DISTINCT LABELS - EURASIAN ORGANIZED CRIME, ITALIAN ORGANIZED CRIME AND BALKAN ORGANIZED CRIME. I WILL DISCUSS THE PROBLEM PRIMARILY IN TERMS OF EURASIAN ORGANIZED CRIME FIRST.

EURASIAN ORGANIZED CRIME

"EURASIAN ORGANIZED CRIME" IS THE TERM APPLIED BY THE FBI, TO THE PHENOMENON OF ORGANIZED CRIME ASSOCIATED WITH PERSONS ORIGINATING FROM RUSSIA, EASTERN AND CENTRAL EUROPEAN COUNTRIES, AS WELL AS THE OTHER INDEPENDENT STATES CREATED FOLLOWING THE COLLAPSE OF THE SOVIET UNION. MOST MEMBERS OF EURASIAN ORGANIZED CRIME GROUPS IN

THE UNITED STATES ORIGINATED IN THE TERRITORIES OF THE FORMER SOVIET UNION, PARTICULARLY IN RUSSIA, THE UKRAINE, AND TO A LESSER DEGREE FROM THE BALTIC STATES, PRINCIPALLY LITHUANIA AND LATVIA.

THE FALL OF COMMUNISM WAS ONE OF FREEDOM'S GREATEST TRIUMPHS OVER OPPRESSION. HOWEVER, THE BREAKUP OF THE OLD COMMUNIST STATES AND THE ECONOMIC AND SOCIAL UPHEAVAL THAT FOLLOWED IN THE 1990S ALSO CREATED FERTILE GROUND FOR THE RAPID RISE OF SOPHISTICATED, RUTHLESS ORGANIZED CRIME GROUPS IN MANY FORMER COMMUNIST COUNTRIES.

IN MANY OF THOSE COUNTRIES ORGANIZED CRIME AND ITS ATTENDANT PUBLIC CORRUPTION HAVE REACHED EPIDEMIC PROPORTIONS. TO CITE BUT ONE EXAMPLE, THE RUSSIAN INTERIOR MINISTRY RECENTLY ESTIMATED THAT OVER HALF OF THE RUSSIAN ECONOMY, INCLUDING SIGNIFICANT PORTIONS OF ITS VAST ENERGY AND METALLURGICAL SECTORS, IS CONTROLLED BY ORGANIZED CRIME. THE RUSSIAN INTERIOR MINISTRY RECENTLY ESTIMATED THAT, IN A COUNTRY WHERE BY SOME ACCOUNTS OVER HALF THE POPULATION EARNS LESS THAN \$70 A MONTH, IN THIS YEAR ALONE CRIMINAL GROUPS IN RUSSIA HAVE USED RUSSIAN BANKS TO ILLEGALLY TRANSFER \$9 BILLION OUT OF THE COUNTRY. SIMILAR SOBERING STATISTICS CAN BE CITED FOR MANY OTHER COUNTRIES IN THE REGION. IN THESE COUNTRIES THE REALITY IS THAT ORGANIZED CRIME AND CORRUPTION HAVE BECOME AN ACCEPTED FACT AFFECTING ALMOST EVERY ASPECT OF DAILY LIFE.

THE END OF THE COLD WAR ALSO PROVIDED SIGNIFICANT, UNINTENDED OPPORTUNITIES FOR ORGANIZED CRIME GROUPS AND CRIMINAL ENTERPRISES IN FORMER COMMUNIST COUNTRIES TO EXPAND INTERNATIONALLY TO WESTERN EUROPE AND BEYOND. EVIDENCE THAT ORGANIZED CRIME ACTIVITY FROM THESE AREAS IS EXPANDING AND WILL CONTINUE TO EXPAND TO THE UNITED STATES IS WELL-DOCUMENTED. CRIMINAL GROUPS FROM THE BALKANS, EASTERN AND CENTRAL EUROPE AND THE FORMER SOVIET UNION ARE INVOLVED IN ALL TYPES OF CRIMINAL ACTIVITY IN THE UNITED STATES, FROM DRUG TRAFFICKING AND HUMAN TRAFFICKING TO BURGLARY AND HOME INVASION ROBBERY RINGS, FROM MONEY LAUNDERING AND SECURITIES FRAUD TO TRADITIONAL ORGANIZED CRIME GAMBLING AND EXTORTION RACKETS.

THE FBI AND DOJ PROSECUTORS HAVE MANY YEARS OF SUCCESSFUL INVESTIGATIVE AND PROSECUTORIAL EXPERIENCE IN THE BATTLE WITH LA COSA NOSTRA AND OTHER ORGANIZED CRIMINAL ENTERPRISES HERE IN THE UNITED STATES. WE VIEW ORGANIZED CRIME AS A CONTINUING CRIMINAL CONSPIRACY HAVING A FIRM ORGANIZATIONAL STRUCTURE, A CONSPIRACY FED BY FEAR AND CORRUPTION. THIS DEFINITION ALSO APPLIES TO THE EURASIAN ORGANIZED CRIME THREAT FACING EUROPE AND RUSSIA AND NOW THE UNITED STATES.

A NUMBER OF RUSSIAN/EURASIAN ORGANIZED CRIME GROUPS AND CRIMINAL ENTERPRISES OPERATE IN THE UNITED STATES. THEY MAY BE

BROADLY CATEGORIZED AS FALLING INTO TWO TYPES. THE FIRST TYPE MAY BE MORE APTLY CALLED "FRAUD AND OTHER TYPES OF CRIMES, ALL DESIGNED TO OBTAIN MONEY, PERPETRATED BY RUSSIAN-SPEAKING INDIVIDUALS". IN THIS FRAUD/FINANCIAL CRIME AREA, WE OFTEN SEE WHAT APPEAR TO BE CRIMES OF OPPORTUNITY, SOMETIMES PERPETRATED BY A FEW INDIVIDUALS OR BY LOOSELY-STRUCTURED GROUPS. THE SECOND TYPE, STRUCTURED ORGANIZED CRIME GROUPS, LIKE THE POWERFUL RUSSIAN SOLNTSEVSKAYA AND ISMAILOVSKAYA CRIMINAL ENTERPRISES, HAVE MEMBERS HERE IN THE UNITED STATES AND ARE ATTEMPTING TO GET A Foothold IN THE U.S. THESE GROUPS, WHEN THEY RESORT TO EXTORTION, KIDNAPING, DRUGS, MURDER, PROSTITUTION AND FRAUD FOR THEIR MAIN SOURCES OF REVENUE, ARE SOMETIMES EASIER TO IDENTIFY, COLLECT EVIDENCE AGAINST AND ULTIMATELY CONVICT AND INCARCERATE. ON THE OTHER HAND, WHEN WELL-ORGANIZED GROUPS DEPLOY THEIR FULL RESOURCES IN MONEY LAUNDERING OR OTHER COMPLEX WHITE COLLAR SCHEMES SUCH AS STOCK MARKET MANIPULATION, HEALTH CARE FRAUD, AND INSURANCE FRAUD, THEY CAN BE VERY DIFFICULT TO DETECT AND PROSECUTE.

THE GENESIS OF EURASIAN ORGANIZED CRIME IN THE UNITED STATES DATES TO THE 1970'S WHEN SIGNIFICANT NUMBERS OF SOVIET EMIGRES FIRST ARRIVED. MOST OF THE ESTIMATED 100,000 EMIGRES WHO ENTERED THE UNITED STATES DURING THE 1970'S AND 1980'S WERE SOVIET JEWS FLEEING RELIGIOUS PERSECUTION AND POLITICAL DISSIDENTS. A VERY SMALL CADRE

OF CRIMINALS WITHIN THIS OTHERWISE LAW-ABIDING EMIGRE POPULATION CONSTITUTED THE BASE OF DOMESTIC EURASIAN ORGANIZED CRIME ENTERPRISES OPERATING IN THE UNITED STATES. THE DISSOLUTION OF THE SOVIET UNION IN 1991 FOSTERED ANOTHER WAVE OF EMIGRATION TO THE UNITED STATES, WITH THOUSANDS OF EMIGRES TAKING ADVANTAGE OF THE LIFTING OF TRAVEL RESTRICTIONS TO FLEE DISMAL ECONOMIC CONDITIONS IN THE FORMER SOVIET UNION. WHILE THE VAST MAJORITY OF THESE INDIVIDUALS IN THIS WAVE WERE ALSO HARD-WORKING AND LAW-ABIDING, THIS EXODUS RESULTED IN AN INCREASED PRESENCE IN THE UNITED STATES OF BOTH DOMESTIC AND FOREIGN-BASED EURASIAN ORGANIZED CRIME ENTERPRISES. THIS EMERGENCE OF FOREIGN-BASED EURASIAN ORGANIZED CRIME ENTERPRISES FOLLOWING THE ADVENT OF CAPITALISM AND PRIVATIZATION IN THE FORMER SOVIET UNION AFTER 1991 HAS CHANGED THE SCOPE OF THE THREAT POSED BY EURASIAN ORGANIZED CRIME ENTERPRISES FROM A LOCALIZED PROBLEM TO ONE OF INTERNATIONAL PROPORTIONS. IN THE 1990'S, EURASIAN ORGANIZED CRIME ENTERPRISES EMERGED AS NATIONAL AND GLOBAL THREATS.

THE FBI CURRENTLY HAS 245 ONGOING CASES DEALING WITH EURASIAN ORGANIZED CRIME. FRAUD, TRANSNATIONAL MONEY LAUNDERING, EXTORTION, DRUG TRAFFICKING AND AUTO THEFT ARE THE MOST FREQUENT VIOLATIONS CITED IN FBI EURASIAN ORGANIZED CRIME CASES. MOST SIGNIFICANTLY, NEARLY 60 PERCENT OF ALL FBI CASES TARGETING EURASIAN

ORGANIZED CRIME INVOLVE SOME TYPE OF FRAUD. IN ADDITION TO THE VIOLATIONS CITED ABOVE, EURASIAN ORGANIZED CRIME ENTERPRISES HAVE BEEN IDENTIFIED IN CASES INVOLVING WHITE SLAVE TRAFFICKING/PROSTITUTION, HOSTAGE TAKING, EXTORTION OF IMMIGRANT CELEBRITIES AND SPORT FIGURES, TRANSPORTATION OF STOLEN PROPERTY FOR EXPORT, INSURANCE (STAGED AUTO ACCIDENTS) AND MEDICAL FRAUD (FALSE MEDICAL CLAIMS), COUNTERFEITING, CREDIT CARD FORGERY, AND MURDER.

EXAMPLES OF SIGNIFICANT EURASIAN ORGANIZED CRIME CASES ABOUND. IN 1991, THE U.S. ATTORNEY'S OFFICE IN LOS ANGELES CHARGED 13 DEFENDANTS IN A \$1 BILLION FALSE MEDICAL BILLING SCHEME THAT WAS HEADED BY TWO RUSSIAN EMIGRE BROTHERS. ON SEPTEMBER 20, 1994, THE ALLEGED RINGLEADER WAS SENTENCED TO 21 YEARS IN PRISON FOR FRAUD, CONSPIRACY, RACKETEERING, AND MONEY LAUNDERING. HE WAS ALSO ORDERED TO FORFEIT \$50 MILLION IN ASSETS, PAY MORE THAN \$41 MILLION IN RESTITUTION TO GOVERNMENT AGENCIES AND INSURANCE COMPANIES VICTIMIZED BY THE SCHEME.

THE FIRST SIGNIFICANT EURASIAN ORGANIZED CRIME INVESTIGATION INVOLVING A MAJOR UNDERWORLD FIGURE IN THE UNITED STATES CONCERNED VYACHESLAV IVANKOV, ONE OF THE MOST POWERFUL INTERNATIONAL EURASIAN ORGANIZED CRIME BOSSES. IVANKOV LED AN INTERNATIONAL CRIMINAL ORGANIZATION THAT OPERATED IN NUMEROUS

CITIES IN EUROPE, CANADA, AND THE UNITED STATES, CHIEFLY NEW YORK, LONDON, TORONTO, VIENNA, BUDAPEST, AND MOSCOW. THE INVESTIGATION WAS INITIATED IN 1993 AFTER THE FBI WAS ALERTED TO IVANKOV'S PRESENCE IN THE UNITED STATES BY THE RUSSIAN MINISTRY OF THE INTERIOR (MVD). IN JUNE 1995, IVANKOV AND FIVE OTHERS WERE ARRESTED BY THE FBI. IN JULY 1996, IVANKOV WAS FOUND GUILTY ON NUMEROUS COUNTS OF EXTORTION AND CONSPIRACY AND IN JANUARY 1997, THE EASTERN DISTRICT OF NEW YORK SENTENCED IVANKOV TO 115 MONTHS OF INCARCERATION AND 5 YEARS OF PROBATION.

ITALIAN ORGANIZED CRIME

THE SECOND ORGANIZED CRIME THREAT AFFLICTING EUROPE AND POISED TO ATTACK THE UNITED STATES IS COMPOSED OF ITALIAN ORGANIZED CRIME (IOC) GROUPS. THE BEST KNOWN OF THESE GROUPS IS THE SICILIAN MAFIA, BUT OTHER SIGNIFICANT ITALIAN ORGANIZED CRIME GROUPS INCLUDE THE NEAPOLITAN CAMORRA, THE CALABRIAN 'NDRANGHETA AND THE PUGLIAN SACRA CORONA UNITA. LONG DOMINANT IN SOME OF THE LESSER-DEVELOPED REGIONS OF ITALY, THERE ARE INCREASING SIGNS THAT ELEMENTS OF THESE CRIMINAL ORGANIZATIONS ARE ATTEMPTING TO EXPAND THEIR REACH BEYOND ITALY'S BORDERS.

FOR EXAMPLE, PENDING INVESTIGATIONS REFLECT THAT THERE CONTINUES TO BE A NEXUS BETWEEN THE UNITED STATES' DOMESTIC LA COSA NOSTRA (LCN) FAMILIES AND THE SICILIAN MAFIA. TRAVEL BY SENIOR UNITED

STATES LCN MEMBERS TO SICILY HAS BEEN NOTED ON SEVERAL OCCASIONS. ELEMENTS OF ITALIAN ORGANIZED CRIME CONTINUE TO TRAFFICK DRUGS TO AND FROM THE UNITED STATES AND LAUNDER THEIR MONEY FROM CRIMINAL ACTIVITY IN THE UNITED STATES, AND MEMBERS/ASSOCIATES OF THE NEAPOLITAN CAMORRA ARE ENGAGED IN THE SALE OF COUNTERFEIT CONSUMER GOODS IN THE NEW YORK/NEWARK METROPOLITAN AREA, CHICAGO, LOS ANGELES, AND SAN DIEGO.

IN COOPERATION WITH OUR ITALIAN LAW ENFORCEMENT COUNTERPARTS, WE CONTINUE TO ATTEMPT TO IDENTIFY AND TARGET MEMBERS OF TRADITIONAL IOC GROUPS ENGAGED IN CRIMINAL ACTIVITY IN BOTH COUNTRIES, AS WELL AS TO IDENTIFY AND LOCATE FUGITIVES FROM OUR RESPECTIVE CRIMINAL JUSTICE SYSTEMS.

THE DIREZIONE INVESTIGATIVA ANTIMAFIA (DIA) HAS ADVISED THAT WITH RESPECT TO TRADITIONAL ORGANIZED CRIME ACTIVITY IN ITALY, THE CALABRIAN 'NDRANGHETA HAS EVOLVED FROM KIDNAPINGS FOR RANSOM TO DRUG TRAFFICKING AND THE SYSTEMIC CORRUPTION OF PUBLIC OFFICIALS TO GAIN LUCRATIVE MUNICIPAL CONTRACTS. THE NEAPOLITAN CAMORRA IS REPORTEDLY DEVELOPING A MORE "ENTREPRENEURIAL MENTALITY" AND IS EXPANDING ITS CRIMINAL ACTIVITY BEYOND ITS TRADITIONAL EXTORTION RACKETS TO THE SMUGGLING OF COUNTERFEIT AND NON-TAXED CIGARETTES. IT IS FURTHER REPORTED THAT THE CAMORRA IS ATTEMPTING TO INTERJECT ITSELF INTO THE LEGITIMATE ECONOMIES OF EASTERN EUROPE. THE PUGLIAN

SACRA CORONA UNITA IS ALLEGEDLY TAKING ADVANTAGE OF ITS GEOGRAPHIC PROXIMITY TO THE BALKANS TO ALIGN ITSELF WITH BALKAN ORGANIZED CRIMINAL GROUPS ENGAGED IN ARMS AND CIGARETTE SMUGGLING, TRAFFICKING IN HUMANS, AND ALIEN SMUGGLING.

THROUGH THE AUSPICES OF AND IN COORDINATION WITH THE FBI'S OFFICE OF THE LEGAL ATTACHE IN ROME, OPERATIONAL RELATIONSHIPS CONTINUE TO BE DEVELOPED BETWEEN FBI SPECIAL AGENTS AND U.S. FEDERAL PROSECUTORS AND THEIR COUNTERPARTS IN ITALY, TO INCLUDE INVESTIGATIVE MAGISTRATES, THE ITALIAN NATIONAL POLICE, THE DIREZIONE INVESTIGATIVA ANTIMAFIA, CARABINIERI AND GUARDIA D'FINANZA.

IN CONJUNCTION WITH THE CROSS BORDER INITIATIVE WITH CANADA, THE ROYAL CANADIAN MOUNTED POLICE AND THE FBI HAVE IDENTIFIED IOC ENTERPRISES CRIMINALLY ACTIVE IN BOTH COUNTRIES, AND ARE WORKING JOINTLY TO ADDRESS THESE CRIMINAL ENTERPRISES AS I SPEAK.

BALKAN ORGANIZED CRIME

THE BALKAN ORGANIZED CRIME (BOC) INITIATIVE, WHICH CONSISTS OF ADDRESSING ORGANIZED CRIMINAL ACTIVITY EMANATING FROM SLOVENIA, CROATIA, SERBIA-MONTENEGRO, BOSNIA-HERZEGOVINA, ALBANIA, KOSOVO, THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA (FYROM), AND GREECE, IS A RELATIVELY NEW PROGRAM, AND A VERY HIGH PROFILE ENDEAVOR ON THE PART OF THE FBI'S ORGANIZED CRIME SECTION (OCS) AND DOJ'S ORGANIZED CRIME AND RACKETEERING SECTION (OCRS). BALKAN ORGANIZED CRIME IS AN

EMERGING ORGANIZED CRIME PROBLEM WITH TRANSNATIONAL RAMIFICATIONS THAT HAS BEEN IDENTIFIED AND IS BEING ADDRESSED IN 12 FBI DIVISIONS THROUGHOUT THE UNITED STATES.

BALKAN ORGANIZED CRIME GROUPS, PARTICULARLY THOSE COMPOSED OF ETHNIC ALBANIANS, HAVE EXPANDED RAPIDLY OVER THE LAST DECADE TO ITALY, GERMANY, SWITZERLAND, GREAT BRITAIN, AND THE SCANDINAVIAN COUNTRIES, AND ARE BEGINNING TO GAIN A Foothold IN THE UNITED STATES. IN THE LAST YEAR OR TWO, EUROPEAN NATIONS HAVE RECOGNIZED THAT BALKAN ORGANIZED CRIME IS ONE OF THE GREATEST CRIMINAL THREATS THAT THEY FACE. EUROPEAN POLICE ORGANIZATIONS NOW ESTIMATE THAT BALKAN ORGANIZED CRIME GROUPS CONTROL UPWARDS OF 70% OF THE HEROIN MARKET IN SOME OF THE LARGER EUROPEAN NATIONS, AND ARE RAPIDLY TAKING OVER HUMAN SMUGGLING, PROSTITUTION AND CAR THEFT RINGS ACROSS EUROPE.

DOMESTICALLY, ALBANIAN ORGANIZED CRIME GROUPS HAVE BEEN INVOLVED IN MURDERS, BANK AND ATM BURGLARIES, PASSPORT AND VISA FRAUD, ILLEGAL GAMBLING, WEAPONS & NARCOTICS TRAFFICKING, AND EXTORTION. IN NEW YORK CITY, THE ALBANIANS HAVE ACTUALLY CHALLENGED THE LCN FOR CONTROL OF SOME TRADITIONAL CRIMINAL ACTIVITIES WHICH HAVE HISTORICALLY BEEN THE MAINSTAY OF LCN FAMILY OPERATIONS. ALBANIAN OC GROUPS HAVE ALSO FORMED PARTNERSHIPS WITH THE GAMBINO, GENOVESE, AND LUCHESE LCN FAMILIES TO FACILITATE

SPECIFIC CRIMES.

WHILE THE ALBANIAN ORGANIZED CRIME GROUPS HAVE A WELL-DESERVED REPUTATION IN UNDERWORLD CIRCLES FOR EXTREME VIOLENCE, THEY ARE ALSO KNOWLEDGEABLE ABOUT UNITED STATES SENTENCING GUIDELINES. FOR EXAMPLE, RATHER THAN ROB A BANK AT GUN-POINT WITH EMPLOYEES AND CUSTOMERS PRESENT, AND POTENTIALLY RECEIVE A LONG SENTENCE, WE HAVE SEEN THEM BURGLARIZE THE BANK AFTER HOURS BY SMASHING INTO UNGUARDED ATMS THROUGH BRUTE FORCE.

AN INNOVATIVE SOLUTION: THE JOINT FBI/HUNGARIAN NATIONAL POLICE ORGANIZED CRIME TASK FORCE

THE DEPARTMENT AND THE FBI ARE WORKING HARD AT MANY DIFFERENT LEVELS TO IMPROVE LAW ENFORCEMENT COOPERATION BETWEEN COUNTRIES AND ENGINEER MULTI-NATIONAL CASES THAT ATTACK THE MOST DANGEROUS TRANSNATIONAL CRIMINAL ENTERPRISES OPERATING BETWEEN EUROPE AND THE UNITED STATES. I WOULD LIKE TO BEGIN MY DISCUSSION OF OUR EFFORTS BY TALKING ABOUT ONE OF THE MOST INNOVATIVE APPROACHES TO COOPERATIVE LAW ENFORCEMENT TO BE FOUND ANYWHERE IN THE WORLD - THE JOINT FBI/HUNGARIAN NATIONAL POLICE ORGANIZED CRIME TASK FORCE IN BUDAPEST, HUNGARY.

THE EVENTS THAT TRIGGERED THE NEED FOR THIS TASK FORCE AROSE FROM THE COLLAPSE AND FRAGMENTATION OF THE SOVIET

UNION. AS I PREVIOUSLY NOTED, FOLLOWING THE COLLAPSE, ORGANIZED CRIME EXPLODED THROUGHOUT RUSSIA, THE NEW REPUBLICS, AND EASTERN EUROPE. BY THE MID-1990S, THE MOSCOW-BASED SOLNTSEVSKAYA CRIMINAL ENTERPRISE EMERGED AS THE LARGEST AND MOST POWERFUL RUSSIAN ORGANIZED CRIME GROUP. IN 1995, ONE OF THE STRONGEST SOLNTSEVSKAYA FACTIONS, LED BY SEMION MOGILEVICH, ESTABLISHED ITS HEADQUARTERS IN BUDAPEST, HUNGARY. BUDAPEST WAS ATTRACTIVE TO SUCH GROUPS BECAUSE, AMONG OTHER THINGS, IT MAINTAINED A STABLE, SOPHISTICATED BANKING SYSTEM, AS WELL AS CONTACT WITH WESTERN COUNTRIES. MOGILEVICH EMPLOYED THE SAFE HAVEN IN HUNGARY TO DIRECT HIS CRIMINAL OPERATIONS AGAINST THE UNITED STATES.

DURING 1999 IT BECAME IMPERATIVE FOR THE UNITED STATES TO ADOPT A NEW APPROACH TO BRING ABOUT BROADER COOPERATION IN THE INTERNATIONAL LAW ENFORCEMENT COMMUNITY, AS WELL AS A STRATEGY FOR IMPLEMENTING AN APPROACH THAT WOULD BENEFIT THE UNITED STATES AND ITS INTERNATIONAL PARTNERS. GIVEN THE SITUATION, BUDAPEST, HUNGARY SEEMED TO BE THE LOGICAL PLACE TO INITIATE THIS NEW STRATEGY.

THE US AND HUNGARIAN GOVERNMENTS ACCORDINGLY AGREED TO SET UP A JOINT TASK FORCE WHERE FBI AND HUNGARIAN NATIONAL

POLICE OFFICERS WOULD WORK SIDE-BY-SIDE TO INVESTIGATE ORGANIZED CRIME CASES. CURRENTLY, FOUR FBI AGENTS AND SEVEN ELITE OFFICERS FROM THE HUNGARIAN NATIONAL POLICE ARE ASSIGNED TO THE TASK FORCE.

THE IMPACT OF THE TASK FORCE WAS IMMEDIATELY APPARENT. THE UKRAINIAN-BORN MOGILEVICH FLED BUDAPEST FOR MOSCOW. THE ENHANCED ASSISTANCE PROVIDED BY THE TASK FORCE ENABLED UNITED STATES PROSECUTORS FROM THE PHILADELPHIA ORGANIZED CRIME STRIKE FORCE TO OBTAIN INDICTMENTS CHARGING FOUR SUBJECTS, INCLUDING MOGILEVICH, WITH MONEY LAUNDERING, SECURITIES FRAUD, AND RICO CONSPIRACY.

WITH EASTERN EUROPE AS THE CENTER OF THE INTELLIGENCE BASE, FBI AGENTS CAN ACQUIRE EVIDENCE IN DIRECT, "REAL TIME." WITH THE COOPERATION OF THE HUNGARIAN NATIONAL POLICE, FBI AGENTS HAVE BEEN ABLE TO DEVELOP INTELLIGENCE INVOLVING EURASIAN ORGANIZED CRIME NETWORKS THROUGHOUT EUROPE. THIS ALLOWS AGENTS TO THWART EURASIAN ORGANIZED CRIMINAL ENTERPRISES BEFORE THEY REACH THE UNITED STATES.

THE TASK FORCE HAS ESTABLISHED ITSELF AS THE MOST ELITE INVESTIGATIVE UNIT IN HUNGARY. MEMBERS EMPLOY SOPHISTICATED INVESTIGATIVE TECHNIQUES REGULARLY USED BY THE FBI AND OTHER

U.S. INVESTIGATIVE AGENCIES BUT PREVIOUSLY UNKNOWN IN HUNGARY. AS A RESULT, ORGANIZED CRIME INVESTIGATIONS HAVE BEEN INITIATED THROUGHOUT THE WORLD, AS WELL AS IN A NUMBER OF FBI FIELD OFFICES THROUGHOUT THE UNITED STATES. THE SUCCESS OF THE BUDAPEST TASK FORCE HAS ENCOURAGED OTHER FOREIGN LAW ENFORCEMENT COUNTERPARTS TO SEEK EXPANSION OF THIS CONCEPT TO ADDRESS THE THREAT OF TRANSNATIONAL CRIMINAL ENTERPRISES AT THE SOURCE COUNTRIES WHERE LINKS TO THE UNITED STATES EXIST.

CONCLUSION

WE APPRECIATE THE INTEREST OF THE COMMITTEE IN THIS MATTER. I AM PREPARED TO ANSWER ANY QUESTIONS THE COMMITTEE MAY HAVE.