Russian Intelligence Services: Old Rivalries, New Problems

July 7, 2014 | 0930 GMT

Summary

Russia's problems, from the Ukraine crisis to its domestic economic distress, seem to have rekindled an age-old feud among the country's powerful intelligence services. These kinds of agencies are particularly important to Russia: The country's survival depends on maintaining order at home and imposing its will along its western border, a historic avenue for foreign intrusion. Russian President Vladimir Putin, himself a former member of the KGB, well understands how important his intelligence services are, and so he will mediate the current dispute and intervene if necessary.

Analysis

Russia has a variety of large and powerful agencies that conduct intelligence operations, and they have nearly always fought with one another for primacy. These competitions often decide which agency operates abroad (and where), which is responsible for executing the Kremlin's objective, and which receives the most funding and other economic benefits. Complicating the situation is that the Kremlin is also composed of competing political clans, which vie for control and influence over the
intelligence agencies. For example, in 2011, then-President Dmitri Medvedev attempted to install one of his loyalists as the head of the Foreign Intelligence Service, or SVR, in order to undermine his opponents, whose foundation is the Federal Security Bureau, or FSB.

Whenever the inter-agency rivalry gets out of hand, Putin tends to intervene. In 2007, when the FSB was targeting both the SVR and the Federal Drug Control Service, he completely reshuffled the SVR’s leadership. But these interventions usually take place during eras of Russian prosperity. Now that the country is struggling to maintain influence in its periphery and manage its declining economy, infighting in the intelligence community is much more problematic.

The Competition in Ukraine

The Ukraine crisis perhaps best exemplifies the ongoing rivalry. For months, Russian and Ukrainian media have alleged that the FSB and the Main Intelligence Directorate of the General Staff of the Armed Forces, or GRU, were fighting for control of intelligence and security operations in the country. Of course, details surrounding intelligence agencies are hard to come by, but several factors appear to corroborate the story.

At the height of the Maidan protests in Kiev, Ukrainian activists accused the FSB of aiding the Ukrainian government's Berkut security forces, which were cracking down on the opposition. Moreover, the now-pro-Western government in Kiev has recently accused the FSB of ordering former President Viktor Yanukovich to intensify the crackdown, including using snipers.

Though these accusations should be viewed cautiously, the FSB was almost certainly on the ground in Kiev during the uprising (as were many other foreign intelligence agencies). Russia sees Ukraine as part of its core territory, and so the FSB, traditionally a domestic agency, sometimes operates alongside the SVR, traditionally the foreign intelligence unit.

Allegations of FSB activity have since tapered off, but the agency still maintains a presence there. In fact, it operated openly in Crimea during its annexation and immediately thereafter. It was responsible for arresting pro-Ukrainian activists in the newly acquired territory. Notably, the GRU was already in Crimea because of the Russian military base located on the peninsula.

Now that the crisis has migrated to eastern Ukraine, Kiev has begun to accuse the GRU, not the FSB, of supporting the separatists. Even the commander of the Donbass People's Militia, Igor
Strelkov, has been identified as a former GRU colonel. Ukrainian security officials also say one of the separatist leaders in the city of Horlivka is Igor Bezler, reportedly a former lieutenant colonel in the GRU.

This transition coincides with rumors in Russian media and among Russian analysts that Putin has given the GRU more authority in Ukraine at the FSB’s expense. Some sources suggest that Putin blamed FSB and SVR operatives for failing to predict Yanukovich’s downfall and fired them accordingly. The perception that the FSB failed in Ukraine may have created an opportunity for the GRU.

The struggle between the two services will not have much of a practical effect in Ukraine: Russia will keep a strong presence there no matter what. But if in fact the FSB is being blamed and purged, the service’s overall strength will suffer -- a development that could dampen its efforts to secure the lead on economic policies back home.

**Economic Influence**

Ukraine notwithstanding, a more visible struggle between the intelligence services is taking place in Russia, where the agencies vie for economic influence. Economic influence is growing increasingly important as the Russian economy falters. This year, growth will be negligible -- a situation owed partly to tensions with the West. Foreign investment fell by 50 percent in the first four months of 2014, and capital flight exceeded $55 billion in the first half of the year.

It is of little surprise, then, that most Russians see economic decline as the largest threat to the country. The Kremlin knows it has to respond to this threat, and its response will naturally affect the intelligence services.

The main fight is over control of the mechanisms that determine financial crimes and corruption. The Kremlin has long used allegations of financial misconduct to pressure foreign and domestic firms and citizens. For example, Russia charged British citizen William Browder of Hermitage Capital of fraud and tax evasion after Browder reportedly took part in illegal Gazprom share purchases. Russia also charged opposition and protest leader Alexei Navalny with corruption in 2012, leading to an elaborate show trial in 2013.

Whichever agency controls the information used to determine financial crimes -- not to mention the tools used to investigate and convict such crimes -- has tremendous influence in Russia. That control also confers some influence over how money is appropriated and facilitates a degree of control over budgeting decisions and over state and local authorities on economic issues.

Most of the intelligence services have their own economic section that can influence financial crimes. The two most important are the Ministry for Internal Affairs' (or MVD) Main Directorate of Economic Security and Anti-Corruption and the FSB’s Economic Security Department.

The current battle seems to be over who controls the Main Directorate of Economic Security and Anti-Corruption -- or whether it should be independent of the MVD and the FSB. Earlier this year,
Alexander Bastryukin, the head of Russia’s highest investigatory unit, the Investigative Committee of Russia, started lobbying for the creation of a separate entity to oversee all financial crime. His proposed agency, which he would chair, would absorb other agencies’ financial assets. Bastryukin has already levied corruption charges against several MVD and Main Directorate of Economic Security and Anti-Corruption officials in a move many initially saw as a purge ahead of the creation of his new agency.

However, it appears the FSB might have been behind the purge. Bastryukin may have been the aggressor, but the FSB is reaping the benefits. In May, a former FSB official was appointed chief of the Main Directorate of Economic Security and Anti-Corruption, placing the FSB in charge of the two most important economic intelligence and investigative units in Russia. (The former chief allegedly committed suicide on June 16, though his lawyer suspects foul play and there is an active investigation underway.)

The entire story may not be clear, but what is perceptible is that a fight for control is underway for economic influence. So far, the FSB seems to have the upper hand.

**Putin’s Intervention**

Putin knows that some infighting is normal. But if he believes this fight is detrimental to Russia -- particularly at such a precarious time for the country -- he will put an end to it. If he is going to resolve Russia’s issues, he needs his intelligence services focused, not squabbling among themselves.

But the current situation differs from previous ones, since FSO chief Evgeny Murov reportedly is set to retire soon. The FSO is seen as a stabilizing force in the intelligence community, and Murov is known for keeping other agencies in line. Having held the position for more than a decade, Murov may prove irreplaceable.

So it will be up to Putin alone to ensure that these recent struggles do not impair Moscow’s ability to govern. Putin does not shy away from reshuffling or purging the security services so long as his responses do not create more instability.