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# FOLLOW THE MONEY AND END UP IN REAL ESTATE IN STRATEGIC AREAS

According to Swedish Security Police, the pattern of how Russian intelligence and security services acts indicates preparations for war. In March 2019, they stated that they also saw a pattern of “platform building” to establish foothold, years after that Finnish Security Police issued a warning saying real estates could be used by “little green men” in a conflict. This brief will look into two cases from the two Nordic countries that involves the suspicion of laundered money. Thereafter, there will be a discussion on how strategic property acquisitions can be countered.

## Russian Dirty Money

Through various leaks, investigative journalism and warnings from authorities, the magnitude of the problem with dirty Russian money has been exposed. The exact amount is hard to measure, but the champion of Magnitsky legislation, Bill Browder, has estimated that \$1 trillion illicit money from the former USSR-countries is in Europe today.<sup>1</sup>

1 Schartzkopff, F. & Magnusson, N., 2019, [Browder Says Europe May Be looking at \\$1 Trillion in Dirty Money](#), Bloomberg, 7 March.

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The Organized Crime and Corruption Reporting Project (OCCRP) published the story of the ‘Laundromat’ in 2014 which in detail described how 20,8 billion USD were moved through 19 Russian banks to over 5000 companies in 96 countries. Money from the “Laundromat” was in the most harmless cases used to buy luxury goods and properties, but also for subversion. Among the findings was a case of a Polish non-governmental organization that pushed the Russian agenda in the European Union. It was run by Mateusz Piskorski, a Polish pro-Kremlin party leader, who was arrested for spying for Russia but is now released while waiting for court.<sup>2</sup>

The outflow of money from the Russian Federation continues. During the summer of 2019, Europol warned according to Reuters for “huge inflows of criminal money from Russia”.  
2 OCCRP, 2017, [The Russian Laundromat Exposed](#), 20 March.

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money” from Russia and China. The combination of high burden of proof with “zero cooperation” from Russia exacerbated the problem according to the interviewed Europol official, who also stated that “investments in real estate would be one of the main final solutions” in the laundering chain.<sup>3</sup> Money laundering is also a perfect tool to divert money for subversive measures. This could be direct funding, such as in the above-mentioned case of Piskorski.

Another potential case, as has been reported by SVT, is a Russian immigrant who, under unclear identity has gained Swedish citizenship. He managed to make a net profit of at least 6 MSEK in a real estate affair from a jailed Russian businessman.<sup>4</sup> This person has also been denied accreditation as a journalist (for a so-called alternate media site connected to the Sweden Democrats) at the Swedish parliament due to security reasons after recommendations from the Swedish security police who noted that the person has had contacts with Russian security services and had been acting under multiple identities.<sup>5</sup>

Laundered money can be used to corrupt Western banks as well as lawyers and politicians, but it can also be as an investment. Real estates are good tools to establish presence and influence. Investments in real estate in strategic areas could be useful for Russia in time of a conflict or for kinetic operations. A base for special operations forces or surveillance and intelligence would give a foreign aggressor advantages against an unknowing and unprepared defender.

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3 O'Donnell, J., 2019, [Europol highlights Russian money as biggest laundering threat](#), *Reuters*, 13 June.

4 Rosén, E., Aronsson, C. & Öhman, D., 2016, [SD-tjänstemannen gjorde miljonvinst med rysk affärsman – ”potentiell säkerhetsrisk”](#), *Sveriges Radio*, 23 September.

5 Mårtensson, R., 2019, [Putilov nekas åter ackreditering till riksdagen](#), *Omni*, 25 April

## Finland and the Case of Airiston Helmi

The last decade, Finland has been proficient in monitoring Russian real estate acquisitions in strategic areas. Since Finland allowed foreigners to purchase property in the early 2000s, over 5600 property objects have been sold to Russian citizens, according to public broadcaster Yle.<sup>6</sup> The top year was 2008 when over 900 properties were bought by Russians. This led to interest from Finnish media which started to report concerns regarding estates close to strategic places, and especially when the real estates seemed to lack business logic or visible personal use. The reporting continued over the years with some notable events.

The paper Iltalehti<sup>7</sup> published in 2015 a story together with a map over Finland which illustrated 139 Russian real estates located close to communication hubs (such as telecommunication, electrical grid, railroads and roads) and military bases. Iltalehti noted that the buyers were Russian businessmen or companies registered in Finland with direct or indirect connections to Putin's administration and/or the KGB.

The method of the purchases was described by the paper as being active and determined. Preparations to acquire properties have been conducted well in advance. Local politicians were engaged, and some local government had even supported the establishment through publicly funded roads and by connecting the real estate to the local grid of water and electricity.

In 2016 Hufvudstadsbladet reported concerns from the Finnish Security Police about real estate affairs like those described by Iltalehti two years earlier. In a letter to the administrative committee in the Finnish parliament, the Security Police raised the risk for these properties being

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6 Rappe, A., 2018, [Sommarstugor kan vara gömställen för utländska makter – i Kimito väcker ryskägad fastighet förundran](#), *YLE*, 19 February.

7 Tuula, M., 2015, [Maakauppoja strategisissa kohteissa](#), *Iltalehti*, 12 March.

used by “foreign powers” (which should be read as Russian Federation) in time of crisis<sup>8</sup>. These properties could be used to quarter special operations forces, and/or cutting important lines of communications in a conflict.

Still, it would take two more years before Finnish authorities reacted with visible and public action. In the meantime, the drone of the public broadcaster Yle was downed on the ice outside Pargas in Åboland archipelago when they tried to film the property of Pavel Melnikov, the owner of Airiston Helmi. When they reached the drone, the camera had disappeared.<sup>9</sup>

In September 2018, I brought a group of Swedish editorial writers to the residence of the Finnish president Sauli Niinistö. During the on the record conversation the President talked about the Russian neighbor and used an old saying “a Cossack takes everything that is loose”, to underline that nothing could be loose when you deal with the Russian Federation. Two days later Finland launched a historical hybrid counterattack against the properties of Pavel Melnikov.

Even if the official language focused on money laundering, the underlying message was clear. The President was informed months before, according to Finnish media reports. Whether he had the upcoming operation two days later in his mind or not when he met the Swedish journalists could of course never be confirmed, but in the weeks before, Finland had conducted several exercises with hybrid scenarios, one of them was based on green

men without insignia in the forests of Joensuu in the East of Finland.<sup>10</sup>

When the operation was launched on 22 September 2018, it involved raiding 17 properties. A no-fly zone was set up in an unprecedented operation that included cooperation between several authorities. In total 400 persons were involved with a quarter from the police. In the raid 3,5 million euros were found together with the 210 terabytes of data, a vast amount. It corresponds to somewhere over 13 000 ordinary USB-sticks.

The company Airiston Helmi started already in 2007 to buy properties in the archipelago; close to strategic sea-lanes, military protection areas and airstrips. During the years Airiston Helmi had built large houses, dredged harbors and built large piers. Some of the properties had large number of antennas as well as advanced security arrangements. Two decommissioned Finnish navy vessels were bought, and despite demands in contract, had not been repainted.<sup>11</sup>

The combination of a non-existing business logic of the investment, together with the strategic placement between Turku (Åbo) and Åland islands are indication of dual use purpose. In a hybrid scenario Russian special forces would have several bases to start operations from which could aim to delay and complicate the defense of the non-militarized, but strategically important, Åland islands. Russian Spetsnaz operating from inside the archipelago would be a serious challenge for the Finnish amphibious brigade’s movement.

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8 Lundberg, S., 2016, *Ryssar köper fastigheter åt gröna män i Finland*, *Hufvudstadsbladet*, 1 November.

9 Rappe, A., 2018 *Ryska tomter: Sex fall som väcker frågor*, *YLE*, 18 February.

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10 Oksanen, P., 2018, *En kossack tar allt som är löst sade presidenten, sen skruvade Finland fast Åbolands skärgård*, *Hela Häl-singland*, 25 September.

11 TT, 2018, *Säkerhetspolitik bakom finsk jätterazzia*, *Aftonbladet*, 25 September.

It should also be noted that Pavel Melnikov denied any wrongdoing, including money laundering. He stated in an interview with Helsingin Sanomat that he fell in love with the Archipelago during sailing, that he 'collects islands', and that Airiston Helmi was more like a hobby than anything else. He explained the sophisticated surveillance system with that he is not there so often but would like to have control and to know 'if anything sad happens'.<sup>12</sup>

The Police investigation is expected to end during 2020 but dismantling of the real estate empire in the archipelago is already ongoing. Airiston Helmi is put under liquidation and some properties were sold during the summer.<sup>13</sup>

## The Holy God Mother of Kazan in Västerås

This is the story of a church founded by KGB and Stalin, suspected money laundering, suspected infiltration of the planning board, a priest who is also CEO for a company investigated by the tax authority and a developer who is convicted for drug dealing with connections to Russian organized crime linked with FSB. And all this is going on a couple of hundred meters from the strategic airport in Västerås.

This story was published by the newspaper VLT in Västerås in March 2019 and the defense minister Peter Hultqvist stated in one of the articles "we have noted what is going on".<sup>14</sup> The story started in 2012 when VLT first reported interest from the Moscow Patriarchy of the Russian Orthodox church to establish the first construction of an own church in Sweden.

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12 Hänninen, J., 2018, [Airiston Helmis miljoner kommer från skatteparadis, säljare och köpare var samma](#), *YLE*, 27 September.

13 Wiklund, A., 2019, [Tre av Airiston Helmis är sålda för en halv miljon](#), *YLE*, 19 September.

14 Laggar, M., Lundblad, M. & Nordström, D., 2019, [Försvarsministern välkomnar VLT:s granskning, vi har noterat vad som pågår](#), *VLT*, 20 mars.

Västerås has one of the longest runways in Sweden, the town itself is close to strategic bridges over the Lake Mälaren and Stockholm is not too far away from the strategic harbor of Gävle (important if the prepositioned USMC brigade in Trondheim should move to the Baltic Sea region). The location is also close to the Swedish army's general staff in Enköping and to the military communication hub there.

When the Newspaper started to dig (with the contribution of the author of this brief) some of the findings were noteworthy: a 22 meter church cost 35 MSEK (~\$3,6m) to build and is owned by a small local congregation with around 100 members. The church will also include annex with kitchen and the possibility to stay overnight. A place to accommodate people. The Moscow Patriarchy in Sweden have in total around 1000 members. The congregation stated openly the building was made possible by donations from Russia.

In part the newspapers investigation could link money from the Russian businessman Pavel Gerasimov, owner of the Gerda group, to the construction. The priest Pavel Makarenko was also acting as the CEO of the, by Gerasimov owned, Swedish company NC Nordic Control AB. An import-export company without warehouse and with revenues around 40 MSEK. The business is officially conducted from a business hotel on Lidingö.

The company has problems however with the Swedish tax authority Skatteverket who has demanded 13,8 MSEK from the company because of wrongdoings in taxes.<sup>15</sup> In the investigation Skatteverket noted things that should not belong in the business of NC Nordic Control. The office of NC Nordic Control AB was raided in order to secure evidence.

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15 Laggar, M., Lundblad, M. & Nordström, D., 2019, [Rysk kyrka byggs nära Västerås flygplats, pekats ut som säkerhetshot](#), *VLT*, 19 March.

Skatteverket concluded that the company has, with the highest probability, been used to carry some of the owner Pavel Gerasimov personal costs, such as travels, restaurants, hotels, limousines and champagne in Petersburg, Monaco, Paris and Nice. But there are also other, and larger sums involved.

NC Nordic Control AB was also doing business with a third company, Supertransport Logistic AB in Malmö. The billing between these three entities drew the attention of Swedish tax authorities. Skatteverket concluded that “a CEO and business leader who uncritically accepts, books and also pays bills with high sums for other companies without controlling the legitimacy, that is not a normal procedure”.

Among notable things done by NC Nordic Control is the purchase of a luxury car from 1920s, a Hispano Suiza, which is parked in warehouse belonging to Supertransport Logistic. During the investigation the wife of the owner of Supertransport was a board alternate in the board of NC Nordic Control AB, she was later replaced by the daughter of the priest Makarenko. An expert, who did not want to participate with name, read the investigation from Skatteverket and to VLT concluded “sales, without any delivery, points in a direction to hide money, either to launder money or to use them for another purpose”.<sup>16</sup>

In the investigation from the tax authority, there are some direct links between NC Nordic Control AB and the congregation in Västerås. NC Nordic Control paid the rent for the congregation when it rented a church building from the Church of Sweden for 45 000 SEK. The company also ordered 2000 religious books. Another bill is for a fire safety consultant to work on the new church. The bill includes an “alarm box” and consult work for building permit.

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16 Lagggar, M., Lundblad, M. & Nordström, D., 2019, Bygget betalades med fuskfaktura på uppdrag av prästen Makarenko: “Pekar i en riktning att dölja pengar”, VLT, 19 March.

in the autumn of 2017 shortly after Skatteverket decided to claim 13,8 MSEK from the company, Pavel Makarenko leaves as CEO for Nordic Control AB. However, the links to the congregation remains in place. Makarenko’s successor as CEO is the person who 2016 was the auditor of the congregation, a person who changed names between the roles.<sup>17</sup>

The developer that was contracted to do the work of the prefabricated wooden church, which is imported from Russia, is a person with connections to organized crime. The address of the developer’s company, and the villa of his ex-wife, was raided in February 2019 by Swedish police. The target was a Russian national who was under suspicion of car insurance fraud, crimes committed together with a former FSB officer.

The developer himself is a former Estonian convicted drug smuggler. In 2001 he was jailed in seven years and he is described by police sources to Expressen, as a person well known both to Estonian and Swedish police. A police source was quoted by Expressen saying “Russian and Estonian criminals must not be let free to start common business in Sweden”.<sup>18</sup>

As the acting director of Stockholm Free World Forum Oscar Jonsson stated to VLT “There is a working relation between the Russian security services and organized crime where the criminal networks do jobs for the services when needed. This makes it hard to see when one of them ends and the other starts”.<sup>19</sup>

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17 Lagggar, M., Lundblad, M. & Nordström, D., 2019, Rysk kyrka byggs nära Västerås flygplats, pekas ut som säkerhetshot, VLT, 19 March.

18 Svanberg, N. & Malmgren, K., 2019, Jagad rysk politiker gripen i räd, Expressen, 22 February.

19 Lagggar, M., Lundblad, M. & Nordström, D., 2019, Rysk kyrka byggs nära Västerås flygplats, pekas ut som säkerhetshot, VLT, 19 March.

On the inside of the planning board. Pavel Makarenko had two persons acting on the congregation's behalf. Already in the article from 2012 in VLT, a Christian democrat alternate in the board was interviewed. This person was then inside the board during the whole process, without any protocols of conflict of interest. A second alternate, from the Moderate party, acts in a meeting as translator for the priest, although the priest speaks Swedish, in a meeting with the Airport. This meeting was held while the decision was on the boards table. The Moderate alternate does not report conflict of interests.

After many, hard to follow, turns in the planning board the decision to let the church be built is taken by only the chairman. A procedure which received heavy critic from the auditor which the municipality brought in.<sup>20</sup> The chairman of the board from the Centre Party, stated as an excuse for why he alone and not the working committee or the board itself took the decisions, that he just tried to be service minded'.

The final piece of the puzzle in assessing the risks with the project in Västerås is the Moscow patriarchy itself. The church was restored under Stalin during the WWII and put under control of NKVD, the predecessor of KGB which later turned into FSB and SVR.

In the Estonian Foreign Intelligence yearly report for 2019, the Church influence operations in Ukraine is described, and that the Church is a front of Russian security services. The Estonians express the role of the church in the Putin regime in general as:

Having transformed it into a de facto state church, the Kremlin is interested in using the institution as a decoration and defender of the legitimacy of the regime, which is why Patriarch Kirill, who has led the Church since 2009, has

enjoyed the constant political and financial support of the Russian leadership.<sup>21</sup>

In Estonia the construction of a church in Tallinn is believed to have channeled money to the pro-Kremlin Edgar Savisaar of the Centre Party.<sup>22</sup> Estonian security police believed Savisaar demanded 3 million Euros beside the building cost of 1,5 million Euros. The money was coming from the railway-oligarch Vladimir Yakunin, former KGB and a personal friend of president Putin. There are also examples from Georgia, Moldova, Montenegro as well as Bulgaria of influence work.<sup>23</sup>

In the FOI-report "Tools of Destabilization" from 2014, the Church is pointed out as an important player to build Russian patriotism and love of the Motherland. It is also contributing to the idea of Russky Mir, the Russian world, as an alternative to liberal western values. The priests are used to bless the weapons of the Russian Federations, from handguns to nuclear weapon.<sup>24</sup>

In Paris, a high-profile project of building a Russian orthodox church as a cultural project has raised the same concerns as in Västerås, that it is more than a religious project. Another aspect is also Moscow is battling for control in the Russian Orthodox world, pushing back the other Russian orthodox church which traces itself from exile after Russian Revolution.<sup>25</sup>

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21 Välistluureamet (Estonian Foreign Intelligence), International security and Estonia, 2019.

22 Jones, 2015, Estonia: Pro-Kremlin Mayor Detained over Bribery Accusations, *OCCRP*, 23 September.

23 Lagggar, M., Lundblad, M. & Nordström, D., 2019, Moskva-patriarkatet ett av Kremles verktyg - pekas ut som påverkansvapen, *VLT*, 20 March.

24 Winnerstig, M., Tools of Destablization, FOI-R--3990--SE, FOI, 2014.

25 Higgins, A., 2016, In Expanding Russian Influence, Faith Combines with Firepower, *The New York Times*, 13 September.

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20 Lundblad, M. & Adolfsson, M., 2019, Svidande kritik mot hanteringen av bygglovsärendet, *VLT*, 16 May.

Adding all these elements together, the pattern of the Västerås case indicates funding and the project itself has at least indirect blessing from the Kremlin. It fits well into the aim of advancing the interest of the Moscow Patriarchy abroad through the building of churches. But as in the Finnish cases, the geography is notable, and the church could be used in more ways than as a house of God.

## Conclusions

The cases from Finland and Sweden presented in this essay could be labelled as “multipurpose money laundering cases”. By letting a slice of the laundered money cake go to a project with long term potential, Russian security interests can be advanced.

The decision to use money in this way could either be from direct demands from Russian security structures or seen more as a “patriotic contribution”. The latter means that it is done more or less voluntarily with a certain degree of free will, either altruistic or as a way to get leverage inside Russia. Even if the real estate never will be used as bases and platforms for armed men the investment in them are still money laundering, hence the label “multipurpose money laundering”.

The cases from Sweden and Finland raises several policy questions. Some of them are already dealt with from Finnish and Swedish side. After ten years of debate Finland is taking measures against foreign real estate buyers. In 2020 a new law comes into place, where the central element is that buyers from outside EU and EEA-area needs a permit to acquire the property<sup>26</sup>. This gives the Finnish state the tool to stop affairs that could be a threat to national security. However, this do not stop people like Pavel Melnikov, i.e. Russians obtaining passport from Malta or Cyprus, to buy properties.

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26 Finnish defense ministry, 2019, [Köpare utanför EU- och EES-området behöver tillstånd för fastighetsköp från ingången av 2020](#), 28 October.

In Sweden, the debate concerning strategic interest has been broader with a different angle because the cases that has been brought to the public have concerned the acquisition and control of strategic properties such as harbors. During the summer of 2019 suggestions from the government’s investigative committee landed on the defense minister’s table.<sup>27</sup> It proposed new measures for the Swedish state to act to uphold security interests, which included state control with the possibility to raise demands or even prohibit sales of properties such as harbors, airports, energy constructions and telecommunications, as well as real estate in strategic areas. Local governments would also be responsible under law to take the interest of total defense into account in their decision-making. During November the stakeholder’s possibility to react on the proposals were ended, a Government proposal is expected during 2020.

A lot of policy questions remains nonetheless, such as how society could strengthen resilience to safeguard security values on the local level. Key issues include posing demands from state to local level and educating local officials. The examples from Finland and Sweden also show how Western democracies work with silo with few connections in between and it leads to late reactions on new problems. Cooperation must be much better between different branches of government as well as within the society as a whole.

Sharing information and understanding of information is a crucial part. The lack of structures to share information, in ways local government could understand, is harmful. The challenge is not easy; how can information be shared so that a planning board understands that the key person in an application to the board is under scrutiny from tax authorities, and that the project itself carries problems of Russian power and influence? And how do we do this

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27 Swedish Government, 2019, [Utredning föreslår förbättrat skydd för totalförsvaret](#), 4 June.

without jeopardizing personal integrity along the way or undermining rule of law and equally under the law?

In this context the efforts to detect and fight money laundering must increase. Otherwise it will be hard to tell the difference between an ordinary cottage owned by an ordinary law-abiding person and a cottage which is a tool for a foreign malign power in the grey zone.