

European Union situation report on east European organised crime

Based on information from 1996 to 2000

EUROPOL



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E U R O P O L

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Cataloguing data can be found at the end of this publication.

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1. Introduction

The primary objective of this situation report is to review the impact of east European organised crime (EE-OC) on the Member States. Evaluated open source material ⁽¹⁾, especially the so-called 'grey literature' ⁽²⁾, has been used to supplement unclassified data and information provided by the Member States.

Unlike the previous classified versions of this report, this updated edition is not exclusively addressed to Member States' law enforcement agencies, but is also meant to be disseminated as widely as possible. For this purpose, a draft of this document was handed over to experts from Member States during a meeting held at Europol on 30 November and 1 December 2000, in order for them to review its content as well as verify compliance with data-protection regulations and confidentiality requirements. Additional caution with regard to confidentiality has been taken by willingly omitting all references to law enforcement documents utilised as sources for the information included in this report.

It should be kept in mind that certain situations that are notoriously common in different geographical areas may not always be covered with equal detail. It is deeply hoped that these intelligence and information gaps will be closed in the near future through stronger cooperation and further enhancement of information exchange, first of

all with the Member States, but also with other international and third-State law enforcement authorities. This is a crucial aspect of one of the fundamental objectives that Europol is striving to achieve in the field of law enforcement cooperation and coordination on a European Union-wide scale.

This report also provides an overview of the results of a quick scan of available research and literature ⁽³⁾ concerning EE-OC. It lays out the background to the problem and outlines the current political initiatives undertaken in the area of cooperation with east European States.

The breakdown of political and economic systems in the former Soviet Union (FSU) not only changed the long-term balance of lasting world politics, but also led to a parallel refocusing of public attention on the aspects of organised crime (OC).

When using the term '**east European organised crime**', Europol is referring to criminal organisations which have their origins in the former Soviet Union. These organisations are often wrongly referred to as 'Russian or Russian-speaking organised crime' (ROC) and are also known as 'Eurasian Crime', the 'Russian Mafiya', the 'Red Mafiya' or, more ironically, the 'Vodka Connection'. However, within the EU legal framework concerning the specific issue, EE-OC should include organised crime originating at least from **Moldova, Russia and Ukraine**, which have signed the so-called partnership and cooperation agreements (PCAs) with the European Union.

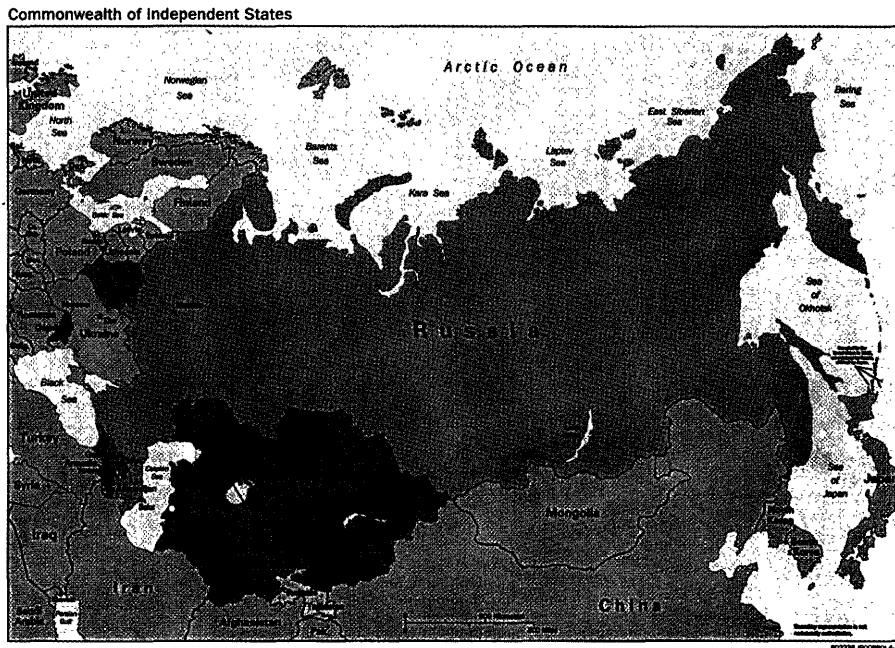
Under the terms of the European Parliament 'Resolution on the action plan to combat organised

(1) Open source information which is legally available in various sources such as government public information (e.g. open versions of the *European organised crime situation report*), library literature, academic public reports, private companies; as far as evaluated, also television or radio news, scientific journals, databases or maps.

(2) Sources that are neither officially published nor classified, which can consist of research reports, economic reports, working papers, unofficial governmental documents, pre-prints, dissertations and theses, trade literature, discussion papers, or newsletters.

(3) The report was completed with current intelligence, principally from sources which were compiling strategic reports or initiating intelligence gathering on east European organised crime groups. Open and sensitive sources were used, the latter being appropriately sanitised.

Former Soviet Union



crime' ⁽⁴⁾, **Belarus** should also be included. It should be taken into account that Russia and Belarus have recently formed a new union. According to the dynamic and complex structures of EE-OC, all other FSU countries ⁽⁵⁾ should be considered for the purpose of the issues under discussion.

Various characteristics belonging to, and activities carried out by, east European criminal groups, along with the background of their members, lead to the belief that such groups are highly organised ⁽⁶⁾. For example, they have worldwide con-

nections and have added a new dimension to the face of the international criminal world as they form hundreds of links with underground organisations throughout Europe and North and South America, as well as the Middle East and North Africa.

These groups have also proven themselves to be extremely successful in accruing and transferring criminal finances on an international scale and have thus evolved into sophisticated criminal enterprises. Another noteworthy general characteristic of EE-OC groups engaged within the EU is their comparative ruthlessness and violence, which includes contract killings ⁽⁷⁾.

⁽⁴⁾ Document 7421/97-C4-1999/97.

⁽⁵⁾ Armenia, Azerbaijan, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Tajikistan, Turkmenistan and Uzbekistan. Of special interest are also all pre-accession States (PAS), especially the six so-called forerunners which include, besides Estonia, Cyprus, the Czech Republic, Hungary, Poland and Slovenia. Some PAS have growing importance as transit, destination, basis or depot countries for various illegal commodities.

⁽⁶⁾ On the contrary, according to Germany's findings in 1999 (contribution to the 1999 EU OC situation report), the structure of Russian OC groups was determined either by the family or the modest business operations involved. There was no evidence of targeted recruitment of special skills in any of the groups. The structures examined were remarkably poorly organised and highly unprofessional in comparison with other groups. No clearly delimited, per-

manent criminal grouping with internal rules, clear recruitment policies or recognisable specialisation among members was found. In several cases, it was difficult to find evidence of lasting cooperation among Russian suspects. In only one of the cases examined could a permanent nature of cooperation be properly established.

⁽⁷⁾ According to the Russian Ministry of the Interior, there are about 500 contract murders in Russia a year. In 1999, there were twice as many killings as in previous years. In addition, a large number of contract murders took place in the Member States.

EE-OC is a very unusual coalition of professional criminals, former members of the underground economy, members of the former Party elite and the security apparatus, which defies traditional conceptions of OC groups ⁽⁸⁾. Furthermore, there are indications that young, unscrupulous economic managers, computer specialists and intellectuals are increasingly engaged in this coalition ⁽⁹⁾.

In recent years, EE-OC has become so entrenched that local governments cannot remove it. This situation poses threats at international and domestic levels, particularly within the EU and pre-accession States (PAS) ⁽¹⁰⁾.

Since the collapse of the FSU, the economic and political power of EE-OC has grown dramatically. Various sources indicate that, within the last 10 years, criminal earnings have approximately increased from less than RUB 1 billion to RUB 130 billion – the size of the Soviet national deficit.

There are objective facts illustrating the emergence of this new threat. Studies have shown that, since 1992, the greatest single long-term threat collectively facing the EU has been the criminal finances originating from central and eastern Europe (CEE), particularly Russia. To illustrate this point, by 1993 the mostly unknown EE-OC groups in the past had become a serious criminal presence in about 40 countries throughout the western world.

Already in 1993, the Royal Canadian Mounted Police had discovered that a large number of the members of EE-OC originated from a unique group of people that had emerged in the private sector following the collapse of the Soviet State. In the FSU, these people were members of security services, the Communist Party and the government ⁽¹¹⁾. Within this context, it is logical that there is a relationship between the opening of the Iron Curtain and the expansion of criminal groups from the Commonwealth of Independent States

(CIS) ⁽¹²⁾. These groups have made the most out of the new opportunities by increasing their criminal activities in many countries of the western world. There is no doubt: **EE-OC is moving west!**

According to Europol studies, EE-OC groups, which are involved in financial crime, prostitution and extortion as well as trafficking in drugs, human beings, stolen vehicles and arms, have been increasingly active in almost all the European countries since 1994–95.

Furthermore, in 1997, 1998, and 1999, the Europol Drugs Unit/Europol published the *European organised crime situation report* ⁽¹³⁾. The contributions of several Member States showed an increasing involvement of EE-OC in illegal activities within the EU. In this respect, it was recommended that a project on EE-OC be initiated at Europol in order to obtain a comprehensive overview of the impact of EE-OC on the EU.

⁽⁸⁾ Professor Louise Shelley, *Post Soviet organized crime – A new form of authoritarianism*, United States, 1998.

⁽⁹⁾ Professor Jean Ziegler, *Die Barbaren kommen*, Zurich, 1999.

⁽¹⁰⁾ Countries that will become members of the EU within a few years.

⁽¹¹⁾ CISC, *Eastern European organised crime – Thieves' world*, Canada, 1997.

⁽¹²⁾ The Commonwealth of Independent States includes Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

⁽¹³⁾ Europol, *European organised crime situation report*, The Hague, 1997–99.

2. Political and legal framework ⁽¹⁴⁾

The EU is moving east – no question. In this way, the first PAS will definitely be EU Member States within a few years, which will constitute a challenge for law enforcement agencies.

The basis for cooperation between the EU and east European States in this area was formed by the conclusions from the meeting between the EU and Russia on 4 and 5 December 1996 in Helsinki.

The other starting point was the **action plan on organised crime** developed by the high-level group and adopted by the European Council of Amsterdam on 16 and 17 June 1997. The UK Presidency at that time set out the background to the EU's engagement with Russia in the fight against OC ⁽¹⁴⁾.

EU–Russian relations took a significant step forwards with the **EU–Russia** partnership and cooperation agreement (PCA), which came into force on 1 December 1997. The newly founded Cooperation Council created a cooperation committee in January 1998. The latter then started establishing its own sub-committees (Subcommittee A is responsible for OC).

The **EU–Ukraine** PCA came into force in March 1998 and the **EU–Moldova** PCA – already signed in November 1997 – came into force on 1 July 1998. Structures similar to the EU–Russia PCA were also created within both of these PCAs (Cooperation Council/committees, etc.).

EU PCAs with east European countries are unique external relations instruments of the European Union that provide a structure for concrete and coordinated actions. They are the only existing legal frameworks for decisions on all aspects of the fight

against organised crime ⁽¹⁵⁾. These political decisions indirectly function as directives for Europol's working programmes. As a consequence, Europol's EE-OC project has to put most of its efforts into the abovementioned PCA countries.

The Vienna European Council in December 1998 called for stronger EU action against OC in relation to the new possibilities opened by the Amsterdam Treaty. In this respect, a new '**EU strategy for the beginning of the new millennium**' ⁽¹⁶⁾ was adopted. It is the basis for common European activities concerning OC. The EU strategy stresses the responsibility of Europol and its intermediary role for closer cooperation as well as further arrangements with Russia, Ukraine and other transatlantic partners.

According to the PCA between the EU and Russia, the European Council adopted a **common strategy on Russia** ⁽¹⁷⁾ in May 1999. It was stated that the fight against EE-OC ⁽¹⁸⁾ is an obvious priority. The European Council had already decided on the common strategy of the EU on Russia ⁽¹⁹⁾ and proposed to set up an **action plan on common action with Russia to fight OC** ⁽²⁰⁾.

⁽¹⁵⁾ EU Commissioner responsible for external affairs, Hans van den Broek, Moscow, 9 and 10 July 1998.

⁽¹⁶⁾ Document 6611/00 Crimorg 36, *The prevention and control of OC – A European strategy for the beginning of the new millennium*, Brussels, 3 March 2000.

⁽¹⁷⁾ *EU–Russia common strategy*, document 7073/5/99 REV 5 PESC 72 COEST 9.

⁽¹⁸⁾ Including actions to fight corruption, money laundering, trafficking in drugs and human beings, and illegal immigration.

⁽¹⁹⁾ During the conference in Cologne held on 3 and 4 June 1999.

⁽²⁰⁾ Document 6698/00 Crimorg 39 NIS 34.

⁽¹⁴⁾ Document 12784/97 Crimorg 28.

Besides confirming cooperation in judicial matters and in other areas, the action plan states that steps will be taken by the Union to promote the development of cooperation with Russian law enforcement authorities.

To further develop cooperation between the Member States' **liaison officers** in Russia, the Union seeks to ensure that these officers meet on a regular basis. As provided for in the EU common strategy on Russia, cooperation between Europol and the competent Russian agencies will be developed in accordance with the Europol Convention.

In this respect, the **EU–Russia Conference on Organised Crime** ⁽²¹⁾, held on 15 and 16 December 1999 in Helsinki, was of particular importance. In

parallel with this conference, a **practitioner's forum** was conducted. The forum discussed in detail the abovementioned draft EU–Russia action plan and aimed at strengthening and enhancing the content of the draft plan from a perspective of practical law enforcement cooperation.

The implementation of the current and future guidelines must certainly be done in very close cooperation with **Europol**. Among other possibilities, data could be exchanged on the general criminal situation in the EU and Russia, *inter alia* for use in the preparation of the EU's OC situation report. Europol should be mentioned where appropriate as a supporting European body especially in the activities under the title 'Law enforcement cooperation' of the action plan on Russia.

⁽²¹⁾ Document 5014/00 Crimorg 1 NIS 1.

3. Brief general situation report

3.1. East European perspectives

In 1998 and 1999, the heads of the CIS countries and the Baltic States discussed at their annual conferences measures to combat EE-OC, particularly in relation to groups involved in money laundering, drug trafficking, kidnapping and arms smuggling, as well as attempts by wealthy EE-OC members to penetrate politics ⁽²²⁾.

3.1.1. Russia (past)

Vladimir Selivanov, head of the Russian Ministry of the Interior's OC Division, reported on 21 July 1998 that Russian criminal groups had successfully penetrated the Russian Government. Their members were serving as elected officials on local and national levels. Furthermore, he stated that about 9 000 criminal groups were at that time operating across Russia. These groups have demonstrated that they possess impressively sophisticated weaponry and technological equipment, as well as a deep knowledge of money-laundering techniques and illicit financial dealing.

At the beginning of 1998, the Ministry for the Interior stated that the number of reported crimes for 1997 (2.39 million) was down by 8.7 % ⁽²³⁾. However, already in 1998 this trend had swung to the other extreme, with a total number of 2.58 million. Besides the official statistics, the real number of crimes was closer to 8.5 million according

to the General Prosecutor's office. In 1997, prosecutors encountered more than 50 000 known cases in which detectives either refused to register or investigate hard-to-solve crimes ⁽²⁴⁾.

Of particular note is the development of the number of drug-related crimes. From 1990 to 1999, drug offences increased by more than 1 200 %. In fact, compared with 16 255 drug offences that were registered in 1990, their number rose to 216 364 in 1999. The most spectacular yearly increases were recorded in 1993 and 1997 ⁽²⁵⁾. In that year, the new criminal code came into effect and a new drug law was elaborated in parliament and subsequently signed by the president in December. The growth of drug offences thus reflects not only the spread of drug trade and consumption, but also the increasing attention to the phenomenon paid by Russian law enforcement authorities and the media.

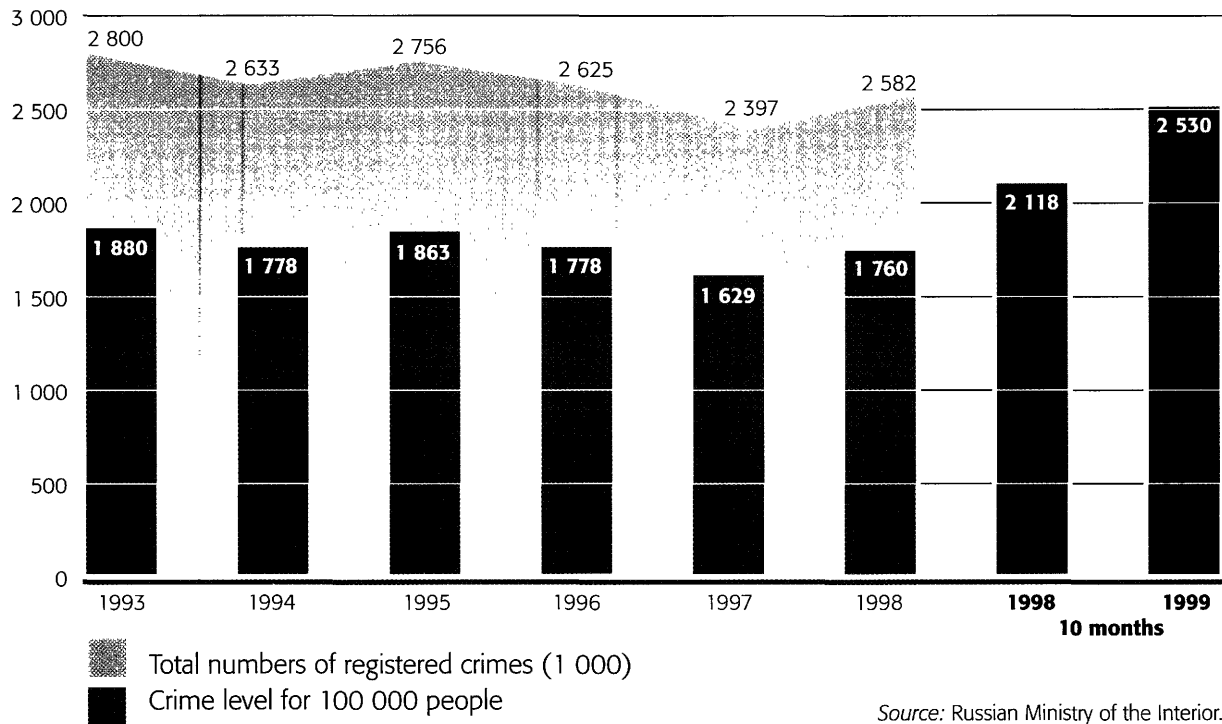
⁽²²⁾ Annual conference of heads of the CIS and Baltic States' organised crime departments, Moscow, Russia, 6 to 9 July 1998. Several police attachés of EU Member States and other countries accredited in Moscow attended the conference as observers.

⁽²³⁾ More than 60 % of these crimes were serious.

⁽²⁴⁾ In 1997, a study of the Saint Petersburg police revealed that more than 600 crimes including 20 murders (in one case the police found parts of a mutilated body) and 30 armed robberies were committed in the city but were not registered.

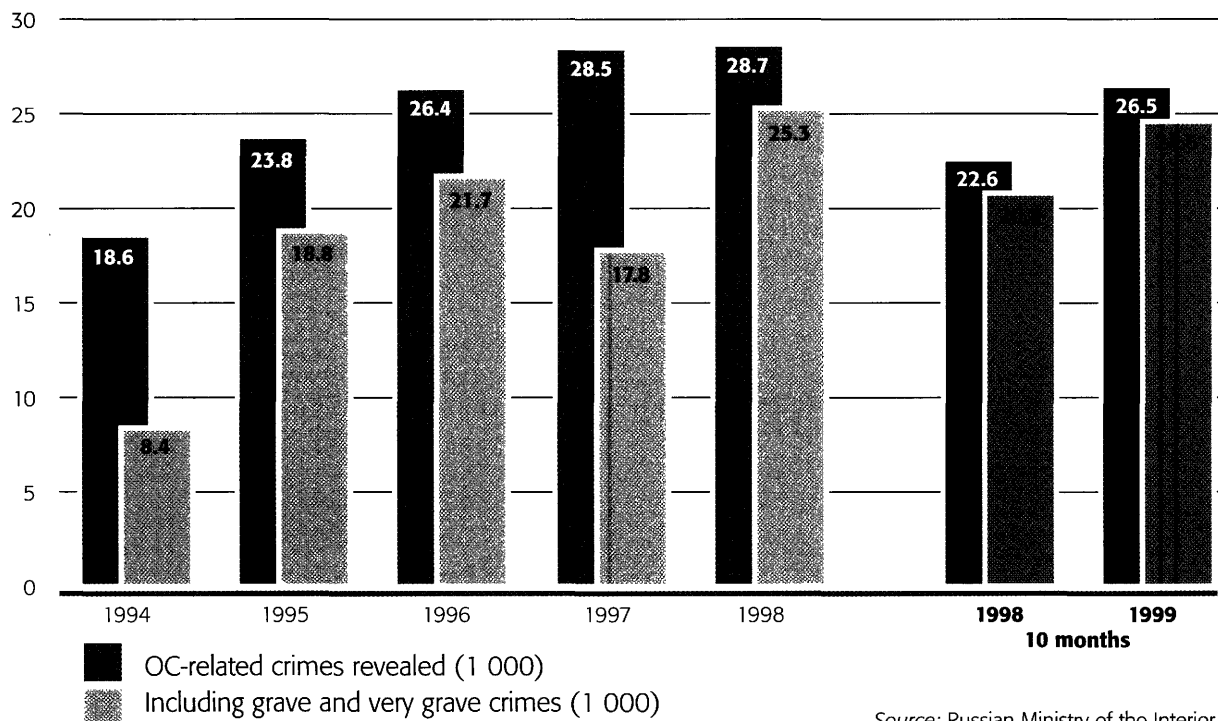
⁽²⁵⁾ It is necessary to point out that these statistical data include only the reports made by the Ministry of the Interior. Penal proceedings initiated by other investigative bodies, such as the Russian Federal Border Service (FSB, the former KGB), are not included.

Russian crime statistic



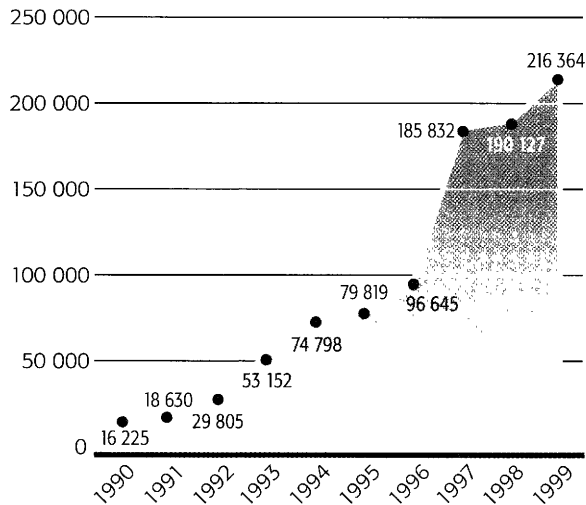
Source: Russian Ministry of the Interior.

According to prior Russian crime statistics, the number of crimes committed by members of OC gangs increased from 23 800 (1995) to 28 700 (1998) and 26 500 crimes related to only 10 months of 1999.



Source: Russian Ministry of the Interior.

Drug offences in Russia from 1990 to 1999



Source: Russian Ministry of the Interior, 2000.

In general, official figures indicate an upward trend in Russian crime. From 1997 to 1999, the official overall crime rates in Russia showed a small but constant increase. In addition, corporate crime accordingly rose and was largely unreported. It has to be taken into account that, according to the last available figures, 2 million people out of a total Russian population of 147 million regularly use drugs including a quarter of a million registered addicts. These figures have shown a threefold increase over the past five or six years.

According to the Russian figures, the average detection rate was more than 72 %⁽²⁶⁾. The optimistic statistics provided by the Russian police look more than doubtful when compared with an average disclosure rate of less than 40 % by most western police forces. Experts claim that hard-to-solve crimes such as burglaries and economic crimes are left out of the official statistics.

The former Interior Minister, Sergei Stepashin, and Yuri Skuratov, the Prosecutor-General at that time, have publicly called on the police to stop doctoring the statistics. Russia established a new statistical system in late 1998⁽²⁷⁾. However, official Russian

figures certainly underestimate the extent of involvement of organised criminal groups.

3.1.2. Russia (present)

With regard to the upward trend detected in Russian criminality, noteworthy of mention are the results offered by the Netherlands. In particular, this Member State has pointed out that various improvements in the Russian situation between 1997 and 1998 give reason to believe in a possible pause in OC escalation. The reasons indicated for the optimistic forecast are a higher level of stabilisation, progress in tax collection and a major balance in trade with the west.

Although these factors are without doubt promising aspects, it must, in turn, be duly recognised that such improvements are probably not enough to influence positively the OC problem, which is also a result of deeper political, social and cultural difficulties that the country is facing. However, significant improvements in the fight against OC in Russia can be achieved through the introduction of effective law enforcement legislation against crimes (such as money laundering) that represent the most crucial areas of interest for OC groups.

Appropriate attention should nonetheless be given to recent statistics that according to Russian authorities appear to show an improvement in the general crime situation within Russia. Of course, it is still too early to evaluate the significance of these statistics or the factors that may have had an influence on them. Any attempt to foresee the future developments related to the EE-OC situation is also inappropriate at this stage due to the incomplete nature of the current statistics and the absence of supporting data from other sources.

As just mentioned, according to Russian authorities⁽²⁸⁾, an overall improvement in the crime situation was recorded in the first eight months of this year. The crime statistics from January to August 2000 expressed the following **decreases** compared to the same period of the preceding year:

- reported crimes (– 2.2 %);

⁽²⁶⁾ Moscow's Prosecutor, Sergey Gerasimov, claimed that in the first half of 1998 even 86 % of crimes had been solved.

⁽²⁷⁾ *Moscow Times*, 9 July 1998.

⁽²⁸⁾ Statistics presented by the Russian delegation during the third meeting of the EU–Russia Subcommittee, Moscow, 5 and 6 October 2000.

- number of serious crimes (– 8.3 %) and their proportion within the total amount of reported crimes (– 0.9 %);
- number of murders (– 2.5 %);
- thefts (– 9.7 %), robberies (– 8.9 %) and armed robberies (– 9.7 %).
- serious or very serious crimes related to traffic of illegal drugs, psychotropic and highly potent substances (+ 8.7 %);
- criminal violations against life and limb (+ 5.4 %).

3.1.3. Ukraine

The positive trend was explained as dependent on both a certain stabilisation of the socio-political and economic situation and an active involvement of law enforcement bodies in crime control and public order protection. The following **improvements** in the fight against organised crime were indicated:

- exposure of leaders and active members of organised criminal groups in commission of serious crimes (+ 11 %);
- suppression of 43 contract murders and 318 gangster assaults;
- detection of economic crimes (+ 67 %);
- exposure of criminal attempts in the financial and credit area (+ 37.5 %);
- exposure of crimes related to the consumer market (+ 39 %);
- suppression of crimes in the foreign economic area (+ 27.6 %);
- exposure of privatisation-related offences (+ 25.3 %);
- detected criminal violations against public service and self-government service interests (+ 18.1 %);
- suppressed bribery cases (+ 0.7 %);
- exposure of crimes related to traffic of illegal drugs, psychotropic and highly potent substances, more than one third of which were serious or very serious (+ 15.1 %).

The positive indications were, however, accompanied by a generalised rise in crime in 28 regions, as well as a reported **increase** in:

It should be noted that, in reality, it is very difficult to distinguish between, for example, Russian and Ukrainian groups, without actually establishing points of individual origin.

OC in the Odessa region is based around the port with an estimated 6 000 participants ⁽²⁹⁾. The criminal groups from this region have strong links with the Brighton Beach area of New York, which has for some time been a focus of US law enforcement efforts against EE-OC. Due to the lack of border controls, the Odessa area is particularly notorious for trafficking drugs produced in south-west and central Asia destined for Europe.

In February 1999, Mykola Dzhyha, Vice-Minister for Internal Affairs, at a news conference, announced the presence of 200 criminal gangs operating in Ukraine. Of these, 49 had an ethnic base. Official statistics indicate that in 1998 over 1 157 criminal groups with 4 856 members were disbanded. They were responsible for 9 000 crimes that included 127 killings, 670 assaults, 468 cases of extortion and 648 cases of theft of State and communal property. Most of the groups were connected with local government structures. These groups had their own punishment sections; the police uncovered 13 punishment cells run by criminal groups in Sevastopol. These cells were used to inflict torture on sellers to force them to pay protection money.

In November 1998, the Russian Interior Minister stated that 'Budapest was the headquarters of the EE-OC originating from Russia and Ukraine'. In February 1999, the prolonged presence in Budapest of Semion Yukovich Mogilevich ⁽³⁰⁾ continued to cause embarrassment to the Hungarian authorities. In August 1999, Mogilevich, born in Ukraine, was

⁽²⁹⁾ Based on declassified Federal Bureau of Investigation (FBI) information.

⁽³⁰⁾ Further information about Mogilevich is given in Chapter 4 'Financial crime'.

linked to a new financial scandal, this time involving the Bank of New York and a company known as Benex. According to a report in March 1999, the Slovak Interior Minister, Ladislav Pittner, stated that EE-OC, originating in Ukraine, was penetrating Slovakia. This followed the killings of several Slovak criminals, believed to be the victims of an attempted takeover by EE-OC groups.

3.1.4. Moldova

Moldova is the smallest republic of the FSU and since its independence has suffered a civil war, political unrest and economic turmoil – the classic ‘breeding ground’ of organised crime.

Although Moldova seems to maintain a low threat profile in comparison with the remainder of the EE-OC emanating from the FSU, it was mentioned by Spain in last year’s *European organised crime situation report* in relation to police operations concluded against criminal organisations. Specifically, a few Moldovan nationals were members of criminal organisations that allegedly committed violent crimes as well as economic and financial crimes.

Nonetheless, there is significant anecdotal evidence that Moldova’s eastern border is used to tranship all types of contraband, including narcotics. Intermittent seizures by Moldovan officials indicate that the country is a transit route for heroin and cocaine moving from central Asia to Europe and precursor chemicals moving in the opposite direction.

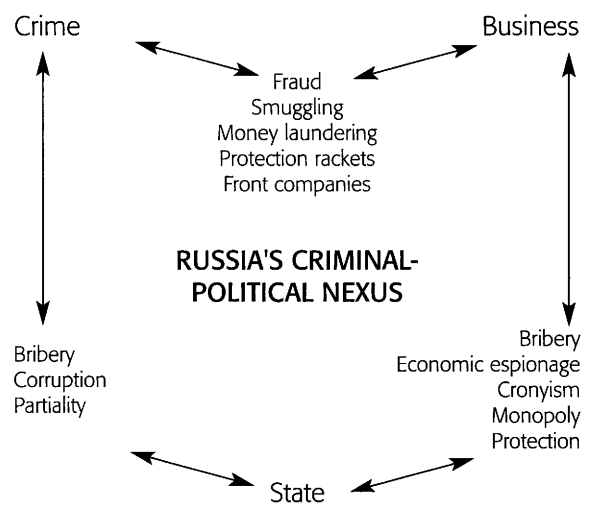
Furthermore, there are indications that extremely favourable money-laundering conditions exist in Moldova, and investigations confirm that such activity has taken place. The activities of EE-OC in many sectors of the economy and the high level of official corruption suggest a high prevalence of money-laundering activity. Several Moldovan banks have regularly exported large amounts of bulk currency whose volume was not correlated to or justified by business transactions.

3.2. Global impacts

There can be no doubt that EE-OC groups do have a global impact. However, it is evident from several Member States that the real nature of EE-OC

and its impact on the EU are still unclear. Despite the fact that there is a great deal of information concerning their activities, significant intelligence gaps remain concerning the structures involved in EE-OC groups.

Russian authorities believe that EE-OC gangs are active in the territories of more than 40 countries worldwide, for example in Germany, Israel, Italy, the Netherlands, Switzerland, Turkey and the United States ⁽³¹⁾. An issue of increasing concern is the infiltration of EE-OC groups into the PAS. Once these States are fully-fledged members of the EU, those criminal groups will have the opportunity to operate at the heart of the Community while already having a stable operating base. The extent of crime in east European countries is a matter of particular concern. This continuing phenomenon is referred to by several commentators as the ‘criminal-political nexus’. The best proponent of this paradigm ⁽³²⁾ is Professor Louise Shelley ⁽³³⁾, and can be shown as follows:



Source: Professor Louise Shelley.

⁽³¹⁾ Vladimir Strashkov, Russian First Deputy Officer for Foreign Affairs, International Conference of Politicians and Experts from Germany, Russia and the United States, 5 and 6 June 1998.

⁽³²⁾ In this context, paradigm means a model of activity.

⁽³³⁾ Professor Louise Shelley is the Director of the Center for the Study of Transnational Organised Crime and Corruption at the American University, Washington D.C. Her published works include *Post Soviet organised crime – A new form of authoritarianism*, *The criminal-political nexus: A Russian case study*, and *Organised crime and corruption in Ukraine: Impediments to the development of a free market economy*.

The conditions created by this 'criminal-political nexus' (such as widespread corruption, social problems and economic breakdown) clearly demonstrate the environment in which EE-OC groups have the opportunity to thrive and project their power and influence to the wider world.

Another issue that is perhaps unique to EE-OC groups concerns the actual activities, structure and extent of the criminal networks involved. Several Member States make specific reference to having members of EE-OC groups active and/or resident on their territory. These groups are actually based on ad hoc associations between criminals who share some common link to perhaps geographical areas within the FSU. However, these networks are volatile and may disintegrate very quickly.

Further research carried out in Italy has also provided information on the actual modus operandi of EE-OC groups active in the country. Again, it seems fair to say that these generic characteristics could be applied to the targeting of EE-OC across the EU.

EE-OC in Italy⁽³⁴⁾ has demonstrated to specialise in money laundering, drug supply and arms trafficking, as well as a widespread economic impact and capability of utilising independent criminal structures based on violence and corruption. Other characteristics are control over natural resources, political influence and international links to other OC groups. They are known for making extensive use of Israeli identity papers and false bank accounts. The most affected areas in Italy have been the central Adriatic provinces where the local economy has suffered undeniable consequences.

Over the past few years, the wealth of EE-OC in Italy has increased, particularly through an increase in the tourism industry. Prostitutes, goods and money have been moved in and out of the country through tourist companies. So-called 'shopping tours' have been organised in Adriatic resorts and have provided ready cash turnover for EE-OC groups in the region. Travel agencies set up by EE-OC groups in Russia are used to facilitate these trips. It has been revealed that EE-OC groups employ specific infiltration tactics to gain Italian citizenship.

Alliances have been formed with local OC groups and informants have spoken about specific con-

tacts between Cosa Nostra and EE-OC criminals. However, EE-OC groups seem to steer clear of those crime areas normally associated with Italian OC activities or territories. Investigations have revealed that both the *Solntsevskaya* and the *Is-mailovskaya* crime syndicates are active in Italy, specifically in the Greater Rome, Greater Milan and Adriatic areas.

Although the groups keep a low profile and are very careful about their criminal activities, they are involved in the following main activities:

- trafficking of arms, explosives and nuclear material;
- trafficking of women for prostitution;
- counterfeiting of US dollars;
- production of forged documents;
- theft and trafficking of art and antiquities.

Many other countries are assessed as being affected by EE-OC. The following countries are of specific interest.

Cyprus: This is a favourite location for money laundering as well as a final destination for illegal Russian capital, estimated at USD 1.3 billion arriving every month. The problem here is that Cypriot authorities have refused to cooperate with the Russian Central Bank on the matter of licences for Russian companies to operate. In Cyprus, there are a myriad of offshore bank accounts for Russians where capital is safe from inflation, low interest rates and, of course, the unstable rouble. The country is also a way station for money going into the London property market.

Switzerland: Since this is a major business centre for Russians, no overt criminal activity normally takes place. Nevertheless, they do engage in extensive money laundering and have overtaken the Colombians in the amounts involved. The amount of registered money has reached USD 4 billion annually. Extortion cases in Russia have usually demanded that resulting payments be made to Swiss bank accounts.

In the recent past, several other events have contributed to define better the activities, structure and extent of EE-OC.

⁽³⁴⁾ Based on research carried out by the Italian Interior Ministry and the University of Milan.

- The consolidation of Chechen OC groups in Moscow and Chechnya. However, these groups have been put under severe pressure due to the Russian military campaign in Chechnya.
- Extensive official reports of EE-OC-related crime and offenders by law enforcement authorities in Estonia, central Asia, Hungary, Saint Petersburg, Tambov, Ukraine, Vladivostok, the Czech Republic, Florida, the Caribbean Islands, Israel, Switzerland (including the unsuccessful trial of Sergei Mikhailov), Latvia and Georgia.
- The involvement of EE-OC in the sporting world, including participation in gambling rings and attempts to influence key events in major sports, such as ice hockey and football, in both Europe and North America.

3.2.1. Potential extent of EE-OC interests ⁽³⁵⁾

A recent episode serves as an example of EE-OC interest in the sporting world and also gives an indication of the potential scale and impact of its influence on various areas of society in general.

Just a few days before the opening of the Sydney Olympic Games, Gafur Rakhimov, from Tashkent in Uzbekistan, was banned from entering Australia for his alleged links to the Russian Mafiya and to drug dealing. Besides being very rich, Rakhimov is a member of the International Amateur Boxing Association's (AIBA) Executive Committee and one of the world's most senior boxing administrators.

Rakhimov also has a number of business interests in the west, including in the UK. He is known to be a long-time associate and friend of other high-ranking officials in the international boxing community who were helping coordinate the Olympic boxing bouts.

The FBI started to keep an eye on Rakhimov's activities in 1995. His name is said to appear in a federal file entitled 'Russian organised crime/racketeering enterprises', in which his associates are described as the cream of the Russian Mafiya, and that alleges his involvement in cocaine trafficking.

The Moscow Office of the Chief Directorate for Fighting Economic Crime, the body that took over the KGB's surveillance of Soviet gangsters, also seems to have opened a file on him. That report apparently states that Rakhimov is one of the leaders of Uzbek organised crime, as well as a major figure in an international drug syndicate, and his main speciality is the organised production of drugs in central Asian countries. He is believed to keep very close connections with Afghan traders in drugs.

The Olympic incident is not the first of its kind to involve Rakhimov. It seems that during one of his trips to Paris the immigration service allowed him into France, but filed a report to the Interior Ministry describing him as a mobster who posed a danger to public safety. In another attempt he made to enter the country, French police tore up his visa and put him on his private jet back to Tashkent.

The jet's pilot was Andre Guelfi, who is said to be under investigation in France, Germany and Switzerland for his self-confessed role in laundering USD 40 million.

There have also been allegations that Rakhimov and his associates were involved in bribery connected to elections for senior positions in the Olympic Boxing Association.

⁽³⁵⁾ *Sunday Herald*, 10 September 2000.

4. Financial crime

4.1. Financial crime in general

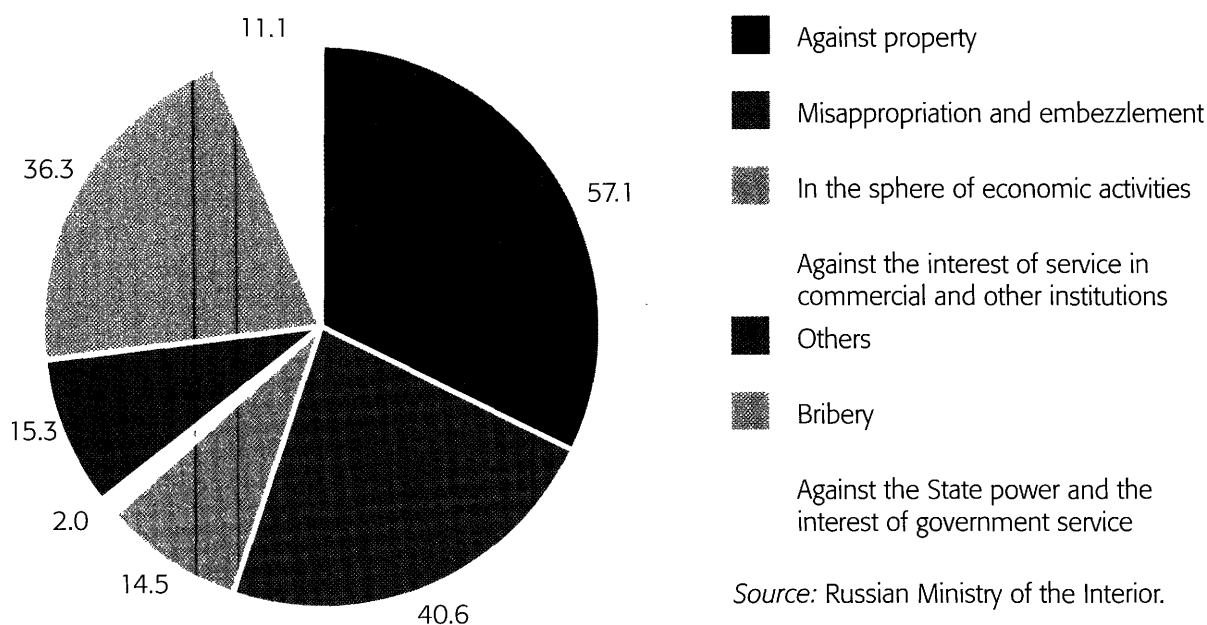
Due to the serious and well-documented social and economic problems existing in the FSU, especially in Russia, there is an ongoing movement of criminal finance from these areas to the Member States. Several national contributions make reference to the scale of money-laundering activities carried out by EE-OC groups. Detailed modi operandi include the use of offshore and front companies, complex fund concealment tactics, exploitation of the instability of the rouble, misappropriation of aid money and taking full advantage of electronic banking systems as well as sophisticated currency and commodity markets in the Member States. Several Member States report that they are used as transit countries for ille-

gal funds from the FSU. These sophisticated modi operandi present severe problems to financial investigators targeting criminal finances from the FSU – the rapid movement of funds across electronic national borders and the rapid turnover of companies and accounts make tracing the origin of the funds extremely difficult. An added attraction in several Member States is the availability of property, which is purchased in order to launder illicit funds.

Links to specific business interests are mentioned, including companies in Stockholm with links to OC groups from the Saint Petersburg region, companies in the Bahamas with connections to Austrian firms and the YBM Magnex scandal involving several countries (particularly Hungary, Lithuania, Rus-

Russian economic crime statistics

January to August 1999 (1 000)



Source: Russian Ministry of the Interior.

sia, the UK and the United States). Perhaps the most significant problem now facing law enforcement attempts to investigate money laundering from the FSU is the difficulty in differentiating between actual illegal and what may now be semi-legitimate funds moving both in and out of the EU and the FSU. In addition, it seems clear that, although there are many potential cases involving money laundering and EE-OC groups, this is generally a symptom of other crime. The difficulty lies in allocating resources to both the criminal and the financial activities.

In addition, the under-invoicing of goods and the use of fraudulent contracts to export credit are other enforcement problems. Furthermore, Russian banks have encountered serious difficulties in the area of payment card fraud. In Russia more than 200 false cards (70 % Visa cards) are confiscated daily with the annual damage amounting to several million dollars.

4.2. Organised crime involvement

4.2.1. Situation in CIS countries

Since 1990, EE-OC gangsters and crooked officials have sent more than USD 300 billion to foreign bank accounts ⁽³⁶⁾ — a sum which is greater than the total amount of the post-1990 western aid.

According to various sources, **Russia's** economy is under the influence of EE-OC as follows:

- 40 000 Russian businesses and industrial enterprises ⁽³⁷⁾;
- 40 % of private businesses;
- 50–80 % of the Russian banks;
- 60 % of State-owned companies ⁽³⁸⁾;

⁽³⁶⁾ Anatoly Kulikov, interview in *Obshchaya gazeta*, No 46, Moscow, March 1997.

⁽³⁷⁾ Anatoly Kulikov, former Interior Minister, 21 February 1998.

⁽³⁸⁾ Seventh session of the UN Commission for Crime Prevention and Criminal Justice, Vienna, April 1998.

- 70–80 % of all Russian commercial activities ⁽³⁹⁾.

The excessively large percentage of Russian banking business reported to be under criminal influence is not based on the actual number of institutions, but on asset holding and deposit-based ratio figures. These figures (period 1996–mid 1997) show that criminal ownership of a comparatively few large-scale banking houses can obtain effective control of significant segments of the entire banking sector to gain investment control of certain large commodities and natural resources.

The reality of the **Ukrainian** economy is of particular concern. On 31 July 1998, Leonid Kuchma, President of Ukraine, claimed that the shadow economy accounted for 45 % of the Ukrainian gross national product (GNP). Independent economists put this figure as high as 60 % of the entire economy being in the hands of OC.

Much of the economic troubles and the vulnerability to money laundering of Ukraine is a result of its currency. In 1992, in the aftermath of the break-up of the FSU and the formation of the CIS, Ukraine remained within the rouble zone. Inflation rose sharply to between 300 and 380 %. A lack of adequate procedural machinery to fully enforce stringent legislation has encouraged criminal control over the private sector, with the growth of front subsidiary companies specifically established to circumvent the legislation and facilitate capital flight and tax evasion. An estimated USD 15 billion to USD 20 billion has been illegally taken out of Ukraine since 1991 ⁽⁴⁰⁾.

Moldova's economic situation is hardly better. After it introduced its own national currency in 1993, one of Moldova's most important economic troubles was the GNP, which fell constantly. Other troubles were its production of goods and services, which dropped to a level of the 1960s, its foreign debts, which reached with USD 1.3 billion more than 60 % of its GNP, and its internal debts, which reached the critical level of USD 240 million.

⁽³⁹⁾ FBI Director, Louis Freeh, in a testimony at the US Congress, 30 April 1998.

It is not a secret that a lot of privatised enterprises and commercial banks pay for a so-called 'krysha' (that means a 'roof' — the friendly term for racketeering money for 'protection') — usually 10–20 % of the turnover.

⁽⁴⁰⁾ This is more than Ukraine's external debt.

All these circumstances put together have led to a grey economic sector that is already involved in about 60 % of the republic's business. The effects are growing: economic crime rates, embezzlements of State property and capital flight from the country. Of particular note is that extremely favourable money-laundering conditions exist in Moldova. Investigations confirm that such activity does take place. The activities of OC in many sectors of the economy and the high level of official corruption suggest a high prevalence of money-laundering activity. Certain Moldovan banks are known to regularly export large amounts of bulk currency whose volume is not correlated to, or justified by, business transactions. It is not uncommon for some institutions to be set up for a short period and for the sole purpose of laundering money. Such institutions are then taken over or merged under a different name.

4.2.2. Situation in other east European countries ⁽⁴¹⁾

Organised crime involvement in financial crime also occurs in other east European countries that are strongly influenced in various aspects by the geographically near CIS.

The transition to a market economy in **Lithuania** since 1990 has been accompanied by a rise in criminality. Drug trafficking, in particular, has virtually doubled since 1995. Lithuania has also seen the development of domestic organised crime groups, operating both at the domestic and at the international level. Money laundering is frequently used by these groups. Similarly organised crime groups abroad are known to launder money in Lithuania. Thus, money laundering is seen as a real threat to the developing Lithuanian financial system, which is vulnerable at the placement, layering and integration stages. The Lithuanian authorities perceive the pressure to be currently on the banking sector, but they recognise that, increasingly, other non-bank financial institutions and real estate will become more vulnerable.

Estonia is bordered to the east by Russia and to the south by Latvia. Its extensive Russian border and regular import of Russian currency makes it vulnerable to cash smuggling and money laundering. Its proximity to Russia and Scandinavia also

makes it a transit country and vulnerable to the trafficking of drugs. Crime is increasing in Estonia. In 1999, there was an 11 % rise, mostly in crimes against property and drug offences. Organised crime groups are known to operate in Estonia and include persons of various national origins, including Russians, Chechens and Azerbaijanis. These groups are thought to be involved in drug trafficking, theft, robbery, prostitution and traffic in contraband. Organised crime groups are also thought to be involved in money laundering – which is considered principally to be an external threat. The banking sector is currently considered to be the most frequent money-laundering target at the placement stage. However, the Estonian authorities recognise the real vulnerability of the 160 bureaux de change (all of which are unsupervised) and the 130 casinos to cash money laundering.

4.2.3. Banking vulnerability

Since 1992, there have been strong indicators that OC groups within Russia have engaged in large-scale infiltration and control of the banking system. Similar situations are reported for Moldova and Ukraine.

Criminal ownership of banks is not unprecedented. EE-OC groups, however, have engaged in this technique to an unprecedented level.

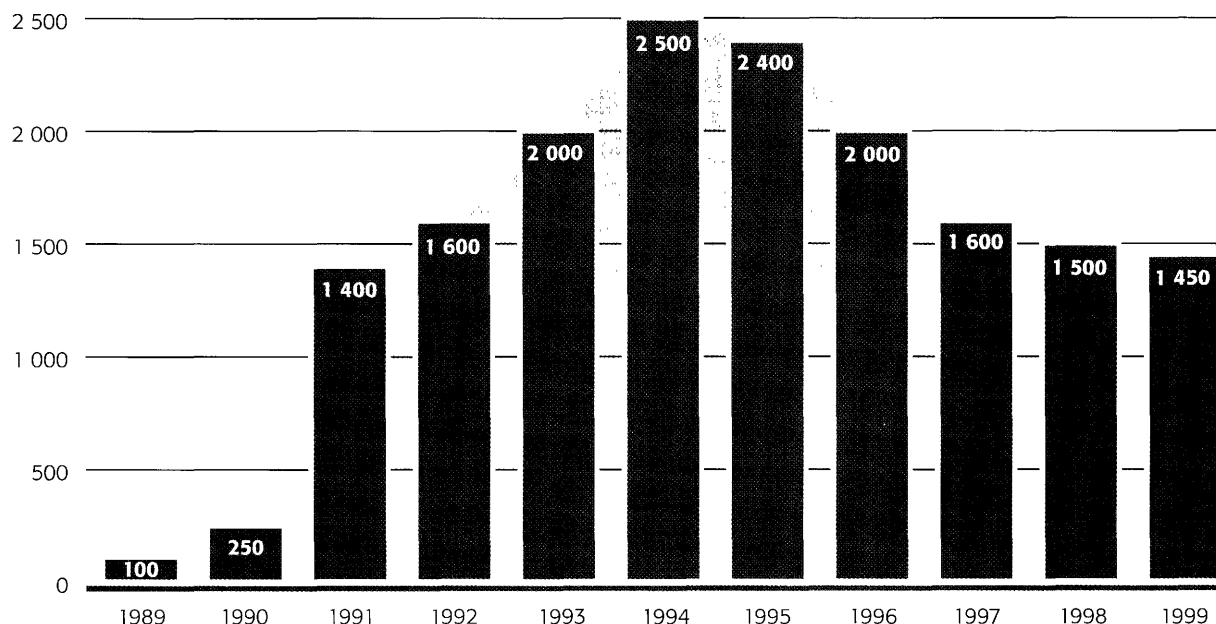
The exact nature and extent of criminal control are subject to differing views. Official estimates ⁽⁴²⁾ have placed between 400 and 900 banks under criminal control; other estimates place the proportion of Russian banks under criminal control at between 70 and 80 % of banks in the private sector. Moreover, an exact definition of criminal control is difficult to constitute. In some cases, members of criminal groups may have secured places on the management board of various banks and become full participants in all key decisions of the bank. Alternatively, they may keep a comparatively low profile and exercise power by sheer, but effective, intimidation.

Irrespective of the precise nature of criminal control, it is of significance that the activity of foreign banks within Russia is severely restricted. Of the Russian banks themselves, less than 20 of the total have foreign capital affiliations. However, the re-

⁽⁴¹⁾ FATF, *Annual report 1999–2000*, 22 June 2000.

⁽⁴²⁾ Brassey's, UK, 1996.

Number of banks in Russia between 1989 and 1999



sult of this limited and controlled activity by foreign banks means that criminal control of banks within Russia need only amount to 3 or 4 of the largest banks and between 20 and 30 of the second size banks to achieve an effective control of the entire Russian financial system.

Infiltration of the banking system offers advantages to criminal groups due to the nature of banking practice, including the following aspects.

- Corruption in banking staff could be combined with exploitation of regional differences in banking practices. Reforms eradicating most, but not all, differences in the Russian banking systems have since been enacted.
- The Bank of Russia has no supervisory authority over banks operating outside Russia that transact business with Russian residents and businesses. Such institutions are growing in number, mainly registered in Cyprus and the Baltic republics, and advertise freely in Russian business publications.
- Banks are allowed to maintain both nominee and numbered accounts. No requirements exist for the banks concerned to maintain

records of either personal details or organisations associated with such accounts.

- Russian citizens and corporate businesses have the right to open foreign currency accounts without any limitations in banks licensed by the Bank of Russia.
- Customer identification and monitoring rules exist and are followed; however, these are essentially in place by the institution itself for sound banking practice. Russian banks are not considered part of the enforcement process and any internal banking records maintained on accounts are purely for banking purposes.
- Transactions in foreign currencies require formal identification, usually a passport, but no identification is required for rouble transactions, irrespective of the amount.
- Banks are required to record and report unusual transactions and transactions over the equivalent of USD 10 000 made by Russian citizens. Such reporting, however, is done en bloc by 1 April of each year (for instance, individual suspicious transactions need not be reported immediately), and such reports are

made to the tax authorities in accordance with legislation on reporting excess income.

- The banks' counter staff are the first in line of any reporting chain and are essential in assisting in customer identification for bank-law enforcement operational liaison. In the case of the old State banking institutions, such staff are long serving and disciplined, but ill-versed as to suspicious transaction recognition. In the case of the newer commercial banks, retention of the clients' accounts is of paramount importance and banking staff have this priority instilled into their working ethos.
- Banks are not required by law to develop, or even inaugurate, formalised programmes, or training of staff, against money laundering. This is in contrast to at least one EU Member State, where every financial institution must have continuous staff training programmes, with records kept of staff attendees, against money laundering, and which are subject to random inspection. Lack of evidence of such training can result in a statutory standstill of business.
- One of the mainstay roles of prevention of money laundering within Russia is that assumed by the Central Bank of Russia. By issuing periodic guidelines in the form of open letters to financial institutions, anti-money laundering measures concerning suspicious transaction recognition, reporting advice and procedures, preventive measures and training to a certain standard are instilled into financial institutions. However, the Central Bank itself is not immune to internal corruption. Indeed, its corrupt employees may themselves be involved in money-laundering activities. In 1996, five cases of various types of banking fraud were discovered, resulting in the imprisonment of five senior employees of the Central Bank. These cases covered offences such as unlawful granting of loans, manipulation of the interest rates of the Central Bank to commercial banks, and blatantly unlawful cash payments from the Central Bank of Russia accounts. Similar indicators of malpractice also appeared during the period between late 1996 and early 1998 ⁽⁴³⁾.

- Cases of abuse and fraud in the banking system jumped in the first quarter of 1998 by 15 % ⁽⁴⁴⁾.

A further trend giving cause for concern is that the potential criminal control of banks leads to de facto criminal control of economic investment, and possibly perversion of normal macroeconomic forces. Sources indicate that, over a three-year period, the wealth established by criminal groups within the banking world has permitted these groups to establish themselves as a form of financial middlemen. Indicators have come to light that, at a rate of commission of 10–20 % of the value of the proposed venture, criminal groups can guarantee the involvement of any particular bank in any directed credit venture. Such commission is paid in cash, and deposited by the criminal group in another bank, allied but not owned by the lending bank. This ensures that the affected part of the banking sector involved in the coerced granting of credit actually benefits in terms of increased assets.

Given such vulnerability to money laundering, compared to their EU counterparts, it would appear that the violence which has been inflicted on executives in the banking sector since 1992 is due to organised crime infiltrating and influencing the banking sector. Public awareness of these phenomena was heightened by a national commercial banking stoppage which occurred on the day of the funeral of the murdered chairman of Rosslekhov Bank. Senior banking officials expressed their alarm and frustration at the apparent ineffectiveness of governmental action.

4.2.4. Capital flight

Russia's economy continues to struggle through the post-Soviet transition towards a market economy. The main causes of such economic difficulties are economic crime, corruption, the laundering of the proceeds of crime and also large-scale capital flight. The origin of the last-mentioned problem is the OC-controlled shadow economy, which — as stated by experts — has by now reached 40 % of Russia's entire GNP. The problem is at its worst in some sectors and areas (Urals and Siberia). A huge proportion of corporate entities transfer up to 80 % of their foreign currency abroad every month, according to Nicolay Kovalev, Director of Russia's FSB.

⁽⁴³⁾ Centre for Strategic and Global Studies at the Russian Academy of Science, Moscow, 1998.

⁽⁴⁴⁾ Association of Russian Banks, Moscow, 30 June 1998.

Anatoly Kulikov, former Minister for Internal Affairs, revealed that much of the capital is laundered in offshore tax shelters ⁽⁴⁵⁾. Moreover, he suggested that 'we need to think seriously about "amnesty" for criminal money abroad and about its return to Russia'.

The foreign exchange controls imposed by the Central Bank since the rouble devaluation in August 1998 have had some success in both improving overall economic performance and slowing capital outflows. However, this is also due to a two-tier system, whereby there are two currency trading sessions, one for importers and exporters, and one for other market participants. The objective is to build up foreign reserves by manipulating the exchange rate between the two sessions. This two-tier system has, in effect, created a dual exchange rate and is in breach of International Monetary Fund (IMF) statutes. Certain restrictions have been laid down by the Central Bank; for example, in order further to facilitate capital inflow, 75 % of all hard currency earned by Russian exports must be repatriated within seven days of receipt. However, it is anticipated that the overall banking sector will exploit loopholes in the exchange restrictions as the Central Bank of Russia eases this policy, allowing roubles to find their way onto the foreign exchange market. Given the still low levels of reserves, this would result in a sharp fall in the value of the rouble, and would further facilitate both laundering and capital flight with the accompanying fluctuations.

4.2.5. Money laundering

Money laundering originating from the east European countries continues to be a significant and growing concern to the European members of the Financial Action Task Force (FATF) ⁽⁴⁶⁾.

Although the official estimates of the amount of laundered criminal funds vary, there is no doubt about the enormous scale of the problem. The IMF estimates that global money laundering amounts to between 2 and 5 % of the world's entire GP, i.e. USD 500 billion to USD 1.3 trillion ⁽⁴⁷⁾.

⁽⁴⁵⁾ Anatoly Kulikov, interview in *Obshchaya gazeta*, No 46, Moscow, March 1997.

⁽⁴⁶⁾ FATF, *Report on money-laundering typologies*, 1996–97 and 1998–99, Paris, 12 February 1998 and 10 February 1999.

⁽⁴⁷⁾ National Strategic Information Center, *Trends in organized crime*, Washington, summer 1999.

Also the 1997 annual police intelligence report of Switzerland claimed a massive influx of dirty money (USD 40 billion to USD 50 billion) from organised criminal gangs in eastern Europe. The report assumes that Switzerland is not used for the first phase of money laundering, the placement, but primarily used for the second and third phases, i.e. for the phases of layering and integration. This report also notes that the number of visas granted to people from the CIS had leapt significantly – from 4 000 in the late 1980s to 70 000 in 1997, which is also seen as an indicator of the increase in money laundering.

From many and various case studies, it can be stated that the methods of illicit capital transfer and laundering can be broken down into four principal *modi operandi*, simplified as follows.

1. The use and exploitation of unwitting parent and subsidiary companies within Russia, combined with the initial transfer of sums of money from the parent to the subsidiary by false documentation. Then monies are transferred from the bank accounts of the Russian subsidiary companies to EU bank accounts, previously opened by front companies of the criminal organisation, and then onto EU bank accounts within a second EU country.
2. The use of parent companies within Russia whose ownership has been acquired by criminal organisations. The initial transfer of criminal monies is made to subsidiary companies by false letters of credit or similar false documentation. It is then transferred to different company bank accounts within Russia (the subsidiary companies are based in differing regions of Russia). At some stage, monies are transferred back to the bank account(s) of the parent company, and then, in large cash transactions, deposited into the account of a subsidiary company. From there, it is transferred to EU bank accounts. This method exploits the regional differences of banking supervision and regulation within the vast Russian Federation.
3. The use of company accounts in an offshore jurisdiction to receive monies from Russia and transfer monies to a private account in a different branch of the same bank in an EU country. The funds are then transferred into a different private account of the same bank in a second EU country, this last transfer occurring within 14 days.

4. Criminal organisations within Russia using front companies to purchase large amounts of raw materials, then reselling and exporting to EU countries. This method involves the Russian oil industry on an intensive scale.

In both 1 and 2, legitimate trading of goods for monies is carried out between the various subsidiary companies. This provides genuine documentation of goods ordered and paid for (however irrational the commercial prices charged) and enables the parent company to trade in those goods within Russia, thus adding a veneer of legitimate trade to what are primarily money-laundering organisations. It should be noted that the first three methods require the compliant use and exploitation of banks and the interbanking system within Russia.

When assessing strategically the organised criminality emanating from Russia, there is a tendency to overemphasise the Russian–European interface, to the detriment of the implications of the Russian–Asian dimension. The frontier is far longer than that of Russia’s border with central Europe, and traditionally the Russian/FSU military, economic and criminal considerations in this strategic direction have always been of higher priority than those towards western Europe. This trend is particularly appropriate regarding money laundering and criminal funds considering the following.

- Asian economies are extremely cash-intensive, with few, if any, mechanisms in place to track large cash transactions.
- Drug trafficking has been identified as one of the principal sources of illegal proceeds in the Asian region. The other primary source of illegal wealth is financial crime.
- Since 1992, there have been strategic indicators that Russian criminal enterprises are extending into east and south-east Asian enterprises involving prostitution. Such criminality invariably involves the necessity to launder criminal proceeds, and there are already reports of Russian criminal investment in property development and gambling operations.
- The banking systems of all CIS central Asian republics, linked to Moscow for generations, are in their formative stages and vulnerable to economic crime.

4.2.6. Anti-money laundering measures in Russia ⁽⁴⁸⁾

The FATF report on non-cooperative countries and territories in the international fight against money laundering identifies Russia as one of the 15 countries or territories which are viewed by the FATF as non-cooperative in the fight against money laundering.

Russia faces many obstacles in meeting international standards for the prevention, detection and prosecution of money laundering. The report indicates the lack of comprehensive anti-money laundering laws and implementing regulations that meet international standards as Russia’s most critical barriers to improving its money-laundering regime. In particular, Russia lacks comprehensive customer identification requirements, a suspicious transaction reporting system, a fully operational financial investigative unit (FIU) with adequate resources, and effective and timely procedures for providing evidence to assist in foreign money laundering prosecutions.

The existence of continued large-scale capital flight, underdeveloped market institutions and lack of fiscal resources additionally complicate the fight against money laundering.

In conclusion, the FATF has recommended that financial institutions should give special attention to business relations and transactions with persons, including companies and financial institutions, from the ‘non-cooperative countries and territories’, amongst which Russia is included. Furthermore, the FATF has stated that should those countries or territories identified as non-cooperative maintain their detrimental rules and practices, despite having been encouraged to make certain reforms, the adoption of countermeasures should then be considered by its members.

4.3. Criminal funds in Russia impacting on the EU

Crimes involving organised physical violence such as large-scale extortion, vice, including widespread illegal immigration for purposes of prostitution, and drug trafficking are impacting severely on the EU.

⁽⁴⁸⁾ FATF, *Annual report 1999–2000*, 22 June 2000.

However, the most debilitating crime category within Russia is economic crime.

In assessing the problem of organised crime in Russia, the following aspects regarding large-scale criminal sums must be stressed.

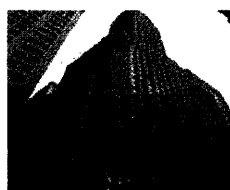
1. In 1995, Russian sources cited that 72.2 % of all criminal offences registered in Russia over the previous 12 months were economic crimes. This caused, at a conservative estimate, a loss of revenue in excess of USD 4 billion. OC groups perpetrated 36.4 % of the economic crimes. The long-term effects of this on the EU will be less apparent – and certainly less spectacular – than those other crime categories, but they will have greater adverse strategic consequences in the long term.
2. The essential nature of capital flight. In basic terms, this is large-scale asset transfer, or tax evasion, which results in much-needed working capital being illicitly transferred from Russia to foreign banks, primarily in the EU. The economic effects of this cannot be understated. As early as 1991–92, Russian sources estimated that up to 20 % of the Russian national income was lost due to illicit transfer abroad. During the same period, every fourth US dollar earned in exported goods from Russia remained in a foreign bank, unavailable as working capital to the Russian economy. The difficulty is compounded by the fact that the transfer of individual or corporate assets is not a comparable offence under collective EU law, or indeed within many individual Member States.
3. Mention has been made of the difficulty in distinguishing essentially criminal and illicitly transferred capital funds, originating from Russia, into the EU. Up to the end of 1994, EU law enforcement experts reported that large volumes of cash were arriving from central and east European nations into Member States' banks and financial institutions. Such reports, accompanied by frustration and suspicions that the sums were criminal monies, remained unconfirmed.

Not much seems to have changed since then, considering that money continues to move out of Russia on a large scale. Russian officials estimate that some USD 1.5 billion to USD 2 billion leaves the country monthly. Most is not

derived from criminal activities but rather is sent abroad to avoid taxation and the country's economic instability. Still, Russian officials say that criminal activity may account for about one third of the capital flight ⁽⁴⁹⁾.

4. There is much publicity regarding laundering and capital flight out of Russia. Since late 1994, a corollary trend has occurred whereby large-scale transfers from abroad have entered Russian banks. In one year, this amounted to USD 20 billion; this is the equivalent of 10 % of all US cash holdings held abroad. The majority of such transfers were made in the form of low-denomination notes (USD 10, USD 20 or USD 50); intelligence indicates that a significant proportion of the total sum was in the possession of Russian criminal groups, which were laundering it on behalf of other foreign-based criminal groups.
5. The nature of economic crime does not in itself entail related violence abroad. The sheer amount of criminal monies involved and the methods of laundering, however, have resulted in certain violent effects in EU Member States.

4.4. The Bank of New York crisis ⁽⁵⁰⁾



In terms of dimension, the Bank of New York crisis is the biggest affair we have seen up to now. British authorities, investigating the financial activities of EE-OC activity, alerted the FBI to the suspected illicit financial activities at the Bank of New York more than a year earlier.

There were 3 500 pages of transactions for one account in the name of Benex, a company run by a Russian. Investigators found references to Benex, which was linked to YBM Magnex, an industrial

⁽⁴⁹⁾ Statement by the director of the Central Intelligence Agency (CIA) addressed to the Senate Select Committee on Intelligence, 2 February 2000.

⁽⁵⁰⁾ *International Currency Review*, Volume 25, No 3, London, October 1999.

magnet-maker based in Newton, Pennsylvania, operating as a money laundering front for Mogilevich⁽⁵¹⁾.

'Once, I accidentally washed USD 5 I'd left in a shirt pocket. I must say they looked a lot cleaner after that.'

Semyon Yukovich Mogilevich

In June 1999, YBM Magnex pleaded guilty in the Federal District Court in Philadelphia to one count of conspiracy to commit securities and mail fraud. The Bank of New York responded to the abrupt emergence of this scandal into the public spotlight by suspending two Russian employees. Both were senior officers with the bank's East European Division and are married to Russian 'businessmen'. One of the two employees was Natasha Gurfinkel Kagalovsky. A few years ago, Ms Gurfinkel married Konstantin Kagalovsky, a former economic adviser to the Russian Government. Kagalovsky's appointment as vice-president of the second largest Russian oil firm, YUKOS Oil, included close connections with Eurobank — Banque commerciale pour l'Europe du Nord, 78 % owned by the Central Bank of Russia. Eurobank was at the centre of investigations regarding the laundering of USD 1.4 billion to USD 50 billion through accounts held by Fimaco, a Jersey-based offshore company, which is wholly managed and controlled by Eurobank out of its offices in France.

4.4.1. Developments in the Bank of New York investigations ⁽⁵²⁾

The latest developments regarding the Bank of New York investigations give a fairly clear idea of the complexity and scale of financial crime in eastern Europe, the involvement of organised crime groups and the links to high-level political and business circles.

⁽⁵¹⁾ Mogilevich, known as the 'Red Don', is suspected of earning billions through arms dealing, prostitution, art fraud and extortion. British investigators say his empire stretches through central Europe to the United Kingdom, the Channel Islands and the United States. Estimates claimed that more than USD 4.2 billion passed through one account in more than 10 000 transactions between October 1998 and March 1999.

⁽⁵²⁾ *Wall Street Journal*, Dow Jones News Service and The New York Times News Service (14 and 15 September 2000).

After about two years of investigating the movement of billions of dollars through the Bank of New York, US federal law enforcement officials stated that much of the money involved tax evasion by Russian businesses. Furthermore, the investigators offered to help Moscow if Russia wished to pursue its own cases.

Law enforcement officials determined that much of the wrongdoing — tax fraud and kidnapping — appeared to have occurred in Russia. The Bank of New York was not accused of any wrongdoing.

A politically connected Moscow bank was at the heart of a scheme that siphoned about USD 7 billion from Russia through the Bank of New York Co. Court documents supporting the government's successful seizure of a US account owned by Sobinbank, which transferred money out of Russia from 1995 to 1999, portrayed it as a central player in the operation. Specifically, federal investigators seized USD 15 million in 1999 from a Sobinbank account in the Bank of New York and the FBI believed that Sobinbank-controlled accounts at the American bank were responsible for moving 'the vast majority' of USD 7 billion channelled out of Russia from 1996 to 1999.

The documents allege Sobinbank's account was a significant factor in the flow of funds from Russia to three Bank of New York accounts maintained by Russian émigré Peter Berlin, who along with his wife, former Bank of New York official Lucy Edwards, pleaded guilty in federal court to conspiracy to launder money. They also cooperated with the government's probe.

The documents also link Sobinbank to accounts of Benex and Becs International LLC, also maintained by Mr Berlin.

The complex money-transfer system was established chiefly to send funds from Russian importers to their western suppliers without detection by Russian tax authorities.

The documents also reveal further evidence that the system for moving funds through the Bank of New York was used to transfer money to individuals connected with organised crime in Russia.

As well as a previously reported USD 300 000 kidnapping ransom that was paid through the system, US authorities found traces of funds in the complex web of transactions that were linked to Russ-

ian organised crime. For instance, in 1997, two members of a Russian organised crime group charged with extortion and kidnapping received more than USD 1 million in transfers from an account in the name of Benex International Co., which was maintained by Mr Berlin.

Furthermore, it appears that USD 85 000 was transferred in 1999 from the Benex account to two Russian organised crime figures of interest to the Federal Bureau of Investigation.

Sobinbank, founded in Moscow in 1990, became one of the most politically connected financial institutions in the country. It was put together by a collection of larger powerful banks, some of which had ties to President Boris Yeltsin's inner circle, including Boris A. Berezovsky, Russia's leading financier and media tycoon.

4.5. Conclusions

In all aspects of large-scale criminal monies emanating from Russia, and the necessary illicit transfer, a central factor is the banking sector. This sector is also pivotal in the furtherance of the reform programme within Russia. Therefore, should progress and improvements within the Russian banking system be impeded, and the trend of criminal involvement and control remain unchecked, it will result in long-term adverse effects regarding OC and money laundering within the EU.

5. Trafficking in drugs

5.1. Drugs in general

Although a huge amount of drug-related information and intelligence is available, there is only limited information on the role of east European countries and central Asia as transit regions for drug trafficking into the EU⁽⁵³⁾. This may be due to the fact that considerable amounts of drugs transiting the region are smuggled into Turkey first and then continue their way via the Balkan routes.

Fierce repression by the Iranian authorities⁽⁵⁴⁾ has forced drug traffickers to look for alternative routes, particularly through central Asia. These trends of drug trafficking from central Asia via Russia towards Ukraine, central and eastern Europe (CEE) and the Baltic States pose an increasing threat to the European Union. Special concern⁽⁵⁵⁾ is caused by the situation on the southern border between Russia and central Asia, in particular with Kazakhstan. In 1998–99, 80 % of heroin, 84 % of hashish, 60 % of opium and 53 % of marijuana seized in Russia came from this direction.

The emergence of drug exports from the CIS countries to western Europe has been brought about primarily by the fact that the domestic drug market has been oversupplied and prices have dropped drastically. In this respect, Russian drug experts say that the Russian market seems to be saturated and the State Customs Committee of Russia has stated that the EE-OC drug gangs strain to expand their activities towards western Europe.

⁽⁵³⁾ In this respect, several contributions have their origin in official reports as well as open sources. Use was also made of several reports of the UNODCCP and the EMCDDA.

⁽⁵⁴⁾ In 1999, Iranian law agencies seized 204 485 kilograms of opium, 22 764 kilograms of morphine and 6 030 kilograms of heroin (UNODCCP).

⁽⁵⁵⁾ *Russian drug situation report 1999*.

The latest information states that over 1 500 drug trafficking gangs are working in and outside Russia⁽⁵⁶⁾. Moreover, there are indications showing Russian OC groups as active buyers and providers on drug markets through the use of their existing criminal networks within and outside the EU⁽⁵⁷⁾.

For these reasons, the Russian Government has set up an interdepartmental working group to draw up the draft of a federal special-purpose programme to intensify the fight against OC in the years 2001–03⁽⁵⁸⁾.

5.2. Heroin

5.2.1. Source countries

According to the United Nations Office for Drug Control and Crime Prevention (UNODCCP), global illicit **opium** production in 1999 reached a record level of almost 6 000 tonnes. About 80 % of all heroin seized in the EU originates from south-west Asia. Afghanistan is the world's leading opium-producing country, with 4 600 tonnes harvested in 1999.

The UNODCCP assumes that the annual opium production in Afghanistan in 2000 will decrease to 3 275 tonnes, due to severe drought and efforts by the Taliban rulers. However, a report issued by the International Narcotics Control Board says that the commitment by Afghanistan's purist Islamic

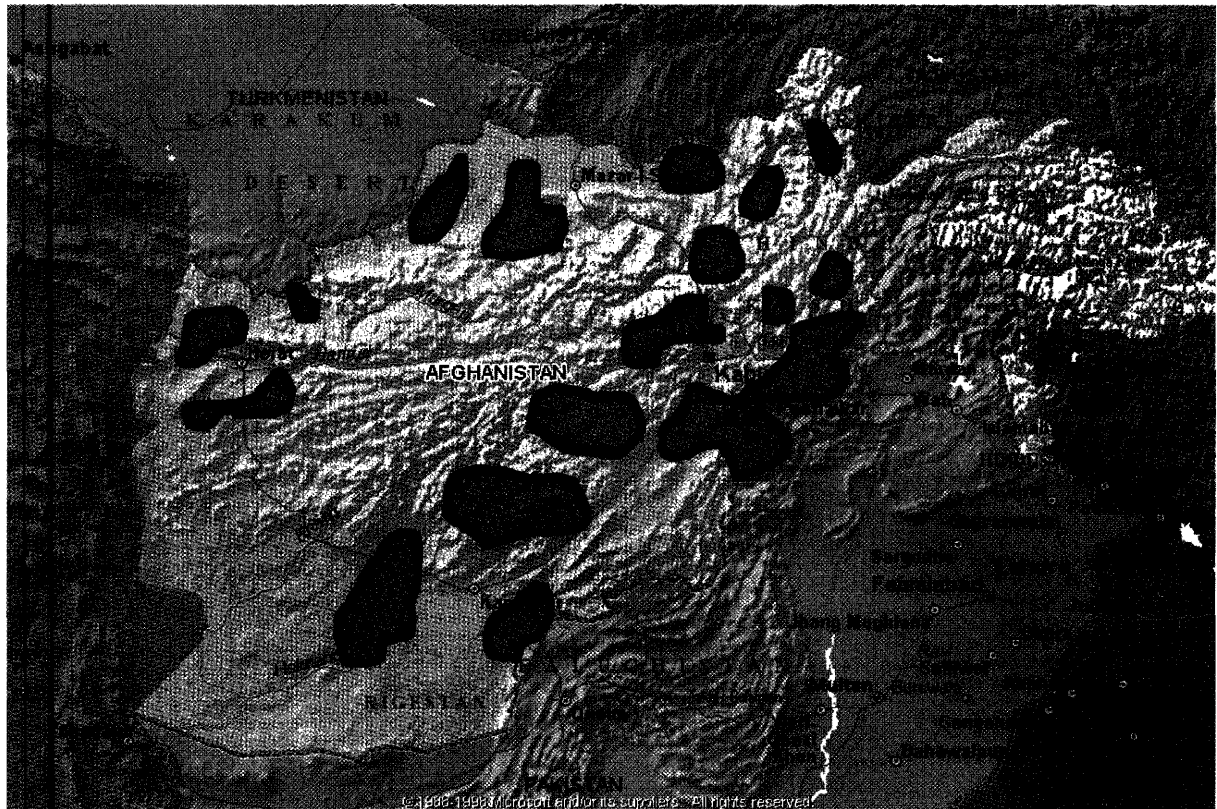
⁽⁵⁶⁾ *Segodnya gazeta*, Moscow, 28 September 1999.

⁽⁵⁷⁾ IRT, Dutch Research and Consultancy Department, *EE-OC – A threat to the Netherlands?*, Nijverdal, 1999.

⁽⁵⁸⁾ Russian Government web site (www.gov.ru), 7 January 2000. The priority of this programme lies in counteracting OC, particularly in the areas of illegal drug trafficking, financial crime and corruption.

Afghanistan and its dubious honour: the world's leading opium-producing country

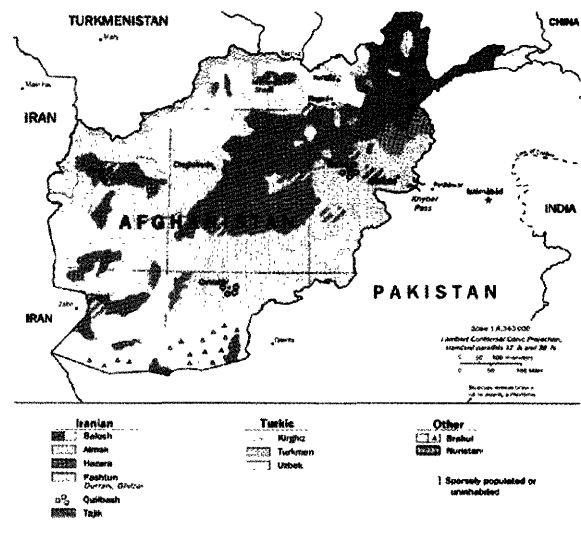
Main cultivation areas of opium (95 % Taliban-controlled)



Taliban movement to ban poppy growing and opiate processing is questionable. Furthermore, a UN-ODCCP survey stated that 95 % of Afghanistan's 1999 poppy cultivation was in Taliban-controlled areas.

Large amounts of heroin are also believed to be stored in northern Afghanistan for further transportation.

The rapid spread of illicit crop cultivation in the central Asian countries is another cause of concern to the international bodies.



5.2.2. Transit

Turkey continues to be a gateway for the trafficking of heroin along the various **Balkan routes** into the EU. In 1999, Turkish law enforcement agencies seized 3 602 kilograms of heroin. The 2000 ⁽⁵⁹⁾ (as of September) statistics reported by Turkish authorities indicate a substantially unchanged situation: 3 995 kilograms of heroin seized.

Although heroin seizures in 1999 in central Europe, particularly in Romania, Hungary and the Czech Republic decreased compared with 1998, there are still strong indications that large amounts of heroin are stored in depots in that region for secondary distribution. Based on what has been recently reported by the authorities of almost all of these countries, the traffic of heroin along the Balkan routes remains very important. This may be confirmed by the steady growth of heroin seizures in Bulgaria. Albania is increasingly being used as a transit country for the trafficking of heroin, notably to Italy and Greece.

Lorries, private cars and buses are predominantly used to transport heroin along the Balkan routes.

Organised criminal groups have built up a sophisticated distribution network. Turkish criminal groups still dominate the heroin traffic from Turkey along the various Balkan routes. 'Subcontractors' of such groups recruit couriers from among petty young criminals in central and some west European countries. These couriers are not members of the criminal group and are not informed about its structure.

It is even believed that EE-OC groups engaged in trafficking human beings (THB) via the Balkans link their criminal activities with trafficking drugs.

In the last decade, **new drug smuggling routes** have emerged from the 'Golden Crescent' to western Europe. These routes cross central Asian countries, Russia, Caucasian countries and eastern Europe.

Afghanistan's opium and processed heroin, which will end up on the consumer markets of the European Union, are increasingly being moved through the central Asian republics of Turkmenistan, Uzbekistan, Tajikistan, Kyrgyzstan and Kazakhstan.

⁽⁵⁹⁾ Presentations during the workshop 'Transport of drugs along the silk route', Wiesbaden, Germany, 20 to 22 September 2000.

The transit role of **central Asia** is largely due to its geographical location between Afghanistan and Iran, on the one hand, and Russia, other members of the CIS countries and Turkey, on the other, all with emerging consumer markets or access to western Europe ⁽⁶⁰⁾.

This role is facilitated by the unstable political and economic situation as hundreds of jobless people are ready to work as drug couriers for only a pittance. Furthermore, as a consequence of underpaid border service staff's vulnerability to corruption, law enforcement officials are among those protecting drug dealers.

The closure of the Afghan-Uzbek border at Termez has led to large quantities of drugs entering Uzbekistan through Tajikistan. Estimates by the UNODCCP indicate that the equivalent of 20–30 tonnes of heroin may cross the territory of Tajikistan on its way to western markets. The Afghan-Tajik border is also guarded by Russian border troops ⁽⁶¹⁾.

Kazakhstan, being the only central Asian State that borders Russia, is a major transit country. Kazakh authorities have strong indications that criminal organisations want to use the country for transiting drugs into Russia and onwards into the EU. On the other hand, Kazakhstan is close to producing high-quality heroin on its territory ⁽⁶²⁾. In 1998–99, 80 % of heroin seized in Russia came from this direction. Furthermore, there are no safe zones left along almost the entire 70 000 km Russian border ⁽⁶³⁾. The

⁽⁶⁰⁾ According to the *Russian drug situation report 1999*, more than a half of heroin (by quantity) seized in Russia was destined for further transit shipment to western Europe.

⁽⁶¹⁾ In particular, General Totsky, Director of the Russian Federal Border Guards Service, took the liberty of openly criticising his Tajik colleagues. According to him, in January 1999, in accordance with an agreement with the republican authorities, the Federal Border Service started an experiment of handing over protection of a 20 km stretch of the Tajik-Afghan border to Tajik frontier guards. However, two months after the beginning of the experiment, it was learned that the flow of drugs and firearms had grown many times in the 'training zone' – the local frontier guards had simply opened the border to drug couriers.

⁽⁶²⁾ According to a statement of the United Nations Drug Control Programme Coordinator, Alma Yesirkegenova.

⁽⁶³⁾ According to General Konstantin Totsky, Director of the Russian Federal Border Service, during a press conference on the eve of Frontier Guards' Day, June 1999.

State has no money to maintain the troops or equip the new stretches of the border ⁽⁶⁴⁾.

Routes from Afghanistan into central Asia link up with the Balkan routes via the Caspian Sea or Russia, the Caucasian countries and Turkey.

One of the main drug trafficking routes runs from Afghanistan into Turkmenistan and onwards, via the Caspian Sea port of Turkmenbashi to the port of Baku ⁽⁶⁵⁾ in Azerbaijan and via Armenia into Turkey.

Another major trafficking route from Afghanistan is the M41, the route from Afghanistan via Khorog in Tajikistan to Osh in Kyrgyzstan and onwards, via Uzbekistan and Kazakhstan to Russia or into the Caucasus.

Lorries, containers and buses are the usual means of transport used in the frequently occurring overland shipments.

The central Asian republics have a relatively modern railway network, which dates from the former Soviet era and which connects them with Russia. Thus, criminal groups use this means of transport for trafficking heroin, particularly to Russia. Tashkent (Uzbekistan), Termez (Uzbekistan), Almaty (Kazakhstan) and Dushanbe (Tajikistan) are all directly or indirectly connected with Moscow. Couriers travelling in passenger trains as well as goods trains are used for drug transport.

Criminal groups involved in trafficking heroin also make use of international airports in the central Asian republics. Direct routes connect several of these airports with Tehran, Karachi, Islamabad, Istanbul, Moscow, London, Birmingham and Frankfurt.

Drug traffickers also seem to have rediscovered the ancient '**silk route**' as a gateway for the transport of their illicit goods. Heroin is smuggled along these routes through Russia into east European countries for further distribution into the EU.

Opiates originating from the 'Golden Crescent' bound for Europe also transit **Caucasian and Black**

⁽⁶⁴⁾ Since there is no money to build special trespassing warning systems, the Russian Federal Border Service has to depend solely on servicemen and build frontier posts based on three soldiers for each kilometre of border.

⁽⁶⁵⁾ Seizures of heroin at the seaports of Astrakhan, Turkmenbashi and Baku indicate the importance of the Caspian Sea for drug smuggling.

Sea regions. Although the role of Chechnya as distribution centre for heroin originating in Afghanistan has decreased in recent years ⁽⁶⁶⁾, according to FSB (Russian Federal Border Service) documents, the Chechen rebel leader, Basayev, still maintains close contacts with Afghanistan ⁽⁶⁷⁾, on the one hand, as well as with the Baltic States, on the other hand. Heroin is particularly smuggled into the Baltic States via the Ingoshetian airport of Slepzovsk, Ufa, Saint Petersburg and Kazan. Mountain paths connecting Chechnya with Georgia and Azerbaijan offer ample opportunities for heroin smuggling.

Ukraine is well placed as a strategic location for all types of smuggling. The Black Sea makes it a natural link between Asia and Europe. The Crimean ports have a long history of trafficking and most estimates predict that this trend will increase over the coming years ⁽⁶⁸⁾. Due to the lack of border controls, the Odessa area is particularly notorious for drug trafficking.

An extension of the transit of heroin smuggling through **Estonia** ⁽⁶⁹⁾ is expected towards Nordic countries and other areas of western Europe, due to the continuous growth of white heroin trafficking in Estonia and the coinciding growing demand in Finland.

There is also intelligence on the intensification of heroin smuggling by rail from the Golden Triangle countries through the territory of China and the Russian far east into Europe ⁽⁷⁰⁾.

Criminal groups from Turkey, Afghanistan, Iran and Pakistan have gradually extended their influence in the heroin production region, partly replacing indigenous groups.

⁽⁶⁶⁾ German Society of Foreign Politics, EU–Russian Forum, Room document handed over by Alexander Zdanovich, FSB Russia, Berlin, 21 and 22 January 2000.

⁽⁶⁷⁾ In particular, General Dustum and Premier Minister Gulbeddin Hekmatiar.

⁽⁶⁸⁾ The influence of OC groups in the Black Sea area, particularly the Crimean peninsula, has led one leading commentator to dub the region 'Ukraine's Sicily'. Research suggests that the pre-eminent groups in the Black Sea area are the Seilem, the Shevirov and the Bashmaki.

⁽⁶⁹⁾ Presentations during the workshop 'Transport of drugs along the silk route', Wiesbaden, Germany, 20 and 22 September 2000.

⁽⁷⁰⁾ Russian Ministry of the Interior, *Drug situation in the Russian Federation*, Moscow, November 1999.

OC groups are reported to be active in the Osh region, located at the border with Uzbekistan ⁽⁷¹⁾.

In the Odessa region, based around the port, OC is well established with an estimated 6 000 participants. These criminal groups have strong links with the Brighton Beach area of New York, which has for some time been a focus of US law enforcement efforts against EE-OC. In addition, many Ukrainian criminals served in the former German Democratic Republic (GDR) and have good contacts in German criminal groups.

Opiates and the essential chemicals used for the processing of heroin cross each other along the above-described routes. In other words, large amounts of **precursors** are being smuggled from the manufacturing countries in the opposite direction through the European Union, central and eastern Europe, Turkey, Russia and the central Asian republics into Afghanistan. This is illustrated by the amount of acetic anhydride seized in several countries along the Balkan routes and in central Asia.

Only this year, the Romanian authorities seized 19 tonnes of this chemical and the quantities seized by the Bulgarian law enforcement agencies increased from 2.9 tonnes in 1999 to some 8.2 tonnes in the first eight months of 2000. Furthermore, on this route, the amount of acetic anhydride seized in Turkey up to September 2000 was 6.2 tonnes ⁽⁷²⁾, compared with nearly 38 tonnes seized the year before.

In 1997, 11 tonnes of precursors were seized in Kazakhstan. In 1998, Uzbek customs seized a total of 98 tonnes of acetic anhydride. This includes 16 tonnes that were seized in Termez at the Uzbek–Afghan border in containers that arrived from China via Kyrgyzstan.

In Turkmenistan, 41 tonnes of acetic anhydride were seized in 1998. The additional availability of precursors in the area is offered by the chemical industry in Kazakhstan, which produces substances whose use can be subsequently diverted into that of precursors.

⁽⁷¹⁾ Transshipment bases and drug caches have been installed in the cities of Kunduz, Imamsahib, Talukan and Faizabad, and the villages of Bahorak, Hash, Jarm, Ishkashim, Kalai Panj, Sarshah, Kalai Barpanj, Sarchashma, Sudush, Pojdvat and Chovid of the Badakhshan province.

⁽⁷²⁾ Presentations during the workshop 'Transport of drugs along the silk route', Wiesbaden, Germany, 20 to 22 September 2000.

5.2.3. The impact on the EU

In several **Member States**, particularly in Belgium, Germany, the Netherlands and the United Kingdom, Turkish criminal groups still control the importation and wholesale distribution of heroin. They maintain close links with indigenous and other ethnic groups (such as ethnic Albanian-Yugoslav groups), which handle different parts of the chain from Turkey, along the Balkan routes into Member States. These criminal networks are entrepreneurial, business-like and highly flexible in responding to changing market situations, using non-criminal business specialists and structures to facilitate their criminal activities ⁽⁷³⁾.

Other Member States observe a growing influence of ethnic Albanian-Yugoslav OC groups in heroin trafficking, even replacing Turkish criminal groups in that field. Like the Turkish groups, ethnic Albanian-Yugoslav criminal organisations cooperate with indigenous groups in the Member States and in countries along the routes into the EU.

The consequences of heroin trafficking are enormous and serious. It is estimated that 3 to 5 million European Union citizens have tried heroin. The consequent supply to consumer markets is massive and it is thought that over 100 tonnes of heroin are being shipped into the Member States annually.

5.3. Cocaine

5.3.1. Source countries

Cocaine originates in Latin America, particularly in Colombia, Peru and Bolivia.

5.3.2. Transit

Although about 90 % of all cocaine trafficking is in the hands of Colombian criminal groups, EE-OC groups are becoming more and more active in cocaine smuggling. Unsurprisingly, the transit role of central and eastern Europe developed further in 1998 and 1999.

⁽⁷³⁾ Document 6611/00 Crimorg 36, *The prevention and control of OC – A European strategy for the beginning of the new millennium*, Brussels, 3 March 2000.

Due to its location, Ukraine is becoming a significant corridor for the transit of narcotic drugs, especially those originating in Latin America. Its numerous ports on the Black Sea and its porous borders, coupled with poorly funded and underequipped customs and border services, make Ukraine increasingly attractive for trafficking organisations. In late 1998, foreign companies began to divert ships from the Black Sea ports of Novorossiysk and Tuapse due to the alleged involvement of organised crime groups at these locations. Ukraine's importance to drug traffickers as a transit corridor to the EU and eastern Europe is increasing as evidenced by the following seizures: in port areas on the Black Sea, 625 kilograms of cocaine originating in Colombia and 250 kilograms of cocaine paste originating in Ecuador were seized in 1998. Furthermore, a shipment of 4 tonnes of cocaine headed for Europe was discovered by US Coast Guard officers who boarded the cargo vessel *China Breeze* in the Caribbean. Sources said that the entire vessel's crew was of Ukrainian nationality and that her owners were based in Odessa, Ukraine.

It is also worth noting that Ukraine's neighbouring country, Moldova, has reported on intermittent seizures of cocaine moving from central Asia to Europe and precursor chemicals moving in the opposite direction.

Cocaine is brought to Russia both directly from Latin America and indirectly through transit States, in particular the central Asian States. It is transported by couriers on planes coming from that region, in containers by sea and mailed through postal services. The arrest of Andrew Cline, a coordinator of the Afghan and South American drug dealers who are active in the Russian, European and American markets, was one of the most successful operations of the National Security Service of Uzbekistan (UNSS) (74).

In addition, there are some other serious indications that EE-OC and its associates have established drug trafficking partnerships with Colombia's top drug barons (75).

(74) Andrew Cline organised a single shipment of 13 tonnes of drugs from Asia to Europe via Russia. His headquarters was situated in Bolivia where he was out of the reach of any special service.

(75) According to documents filed in a federal court in 1998, an undercover US drug enforcement agent was involved in brokering a deal (which in the end was not concluded)

According to Russian expert data, the Baltic States have begun playing a noticeable role in the international cocaine smuggling network. After arriving at ports in the east European Baltic States, cocaine continues further towards the European Union and Russia (76).

Well-conspired West African, particularly Nigerian, organised groups with international links are becoming more and more active in the Russian drug trade. According to statistics drawn up by the Moscow Anti-Drug Unit (GOUVD), Nigerian nationals were by far the biggest group of foreigners arrested in Moscow and the surrounding area for drug offences. Russian police reports say that Nigerians are protected by the largest EE-OC groups: the Russian *Solntstevskaya* and the *Orehevo* gangs. These groups allow Nigerians to sell drugs on their territory against payment of 'taxes'.

5.3.3. The impact on the EU

There is very limited information concerning EE-OC involvement in cocaine trafficking into the Member States.

Colombian groups still control the worldwide supply of cocaine. Within the EU, the Netherlands and Spain are primary gateways for the importation and further distribution of cocaine. However, cocaine trafficking via east European countries to western Europe seems to increase year by year.

The consequences on EU society are demonstrated by the estimation that 1–5 % of young adults in the European Union have tried cocaine. In addition, Colombian police sources estimate that some 180 tonnes of this drug will enter the European Union in 2000.

between Russian OC groups and Colombian drug lords for the delivery of a USD 35 million Soviet navy submarine. This submarine would have been able to carry 40 tonnes of cocaine per trip.

Three years before there was a (successfully) brokered sale of six Soviet MI-8 military helicopters to the Colombian cocaine cartels at USD 1 million each.

(76) Russian Ministry of the Interior, *Drug situation in the Russian Federation*, Moscow, November 1999.

5.4. Synthetic drugs

5.4.1. Source countries

As was the case in previous years, most amphetamine-type stimulants, such as ecstasy, seized in the Member States in 1999 originated primarily from the Netherlands and Belgium. Other sources are the Baltic States. Pre-accession States, particularly Bulgaria, the Czech Republic, Hungary and Poland, are increasingly becoming producers of synthetic drugs.

5.4.2. Transit

There seems to be an increasing demand for synthetic drugs in many central and east European countries. However, the most significant destination countries for amphetamines and ecstasy in 1999 were Germany, France and the United Kingdom.

Russia has reported ⁽⁷⁷⁾ that synthetic drugs are brought to it from Germany, the Netherlands and Poland through western and north-western regions of its territory. On the borders with the Baltic States, the situation is characterised by a trend of increased drug smuggling. In this way, the Baltic States are becoming a main distribution centre for all kinds of drugs. While, in previous years, the drugs smuggled in this region were mostly poppy straw and cannabis, cases of amphetamine as well as heroin and cocaine smuggling were noticed in 1998 and 1999. There is also information that suggests that some EE-OC groups in the Baltic States use legitimised chemical and pharmaceutical industries for the production of synthetic drugs.

Another transit area for drugs, especially for synthetic ones, seems to be the Kaliningrad region ⁽⁷⁸⁾. Due to its geographical location as a Russian enclave in Poland, this region could gain increasing importance after Poland's accession to the EU.

Although intelligence in **Sweden** suggests that Polish groups control the trafficking of amphetamines

from Poland via Germany and Denmark to Scandinavia, there are indications that drug smuggling via the Baltic States is increasing. According to Finnish customs, the amount of narcotics seized from travellers from Estonia indicates that this country has been used to pass illegal drugs into **Finland** more than in any previous year ⁽⁷⁹⁾.

In fact, Estonian authorities ⁽⁸⁰⁾ have reported that their country has gained international-scale importance as an area of significant transit (towards the Nordic countries) and origin of certain narcotic drugs. Specifically, synthetic drugs are moving in both directions from western and central Europe (mainly via Belgium, the Netherlands and Poland), but drugs are also produced in local laboratories. In both cases, Estonian experience shows that amphetamines and metamphetamines of double origin are delivered to Nordic countries as having been produced in western Europe. The extensive consequences suffered by the street trade of drugs in Helsinki when Estonian police apprehend a key criminal figure in their country is a clear indication of how Estonia's role in the trade of amphetamines has a direct impact in Finland. Another increasingly important source of profits for local traffickers is the smuggling of precursors from Russia through Estonia to western Europe. A portion of those substances belongs to Belarus, Ukraine and Lithuania. In addition, participation of Estonian criminals in smuggling precursors coming from China, Thailand and Vietnam has also been noticed.

5.4.3. The impact on the EU

Amphetamine and amphetamine-type stimulants are, next to cannabis, the second most abused illicit drugs in the European Union. According to the EMCDDA, 1–4 % of all adults in the European Union have experienced amphetamines. Ecstasy has been tried by 1–5 % of young adults. The usage rates for both drugs are significantly higher in the United Kingdom, where the area of synthetic drugs is the most rapidly expanding drug market with an estimated ecstasy consumption reaching 1 million tablets a week.

⁽⁷⁷⁾ Russian Ministry of the Interior, *Drug situation in the Russian Federation*, Moscow, November 1999.

⁽⁷⁸⁾ According to an interview on 5 November 1998 with Aleksandr Orlov, at that time representative of the Russian president.

⁽⁷⁹⁾ Between November and December 1999, Finland's southern customs authority uncovered seven serious drug-related crimes; six were related to Estonia.

⁽⁸⁰⁾ Estonian presentation during the workshop 'Transport of drugs along the silk route', Wiesbaden, Germany, 20 and 22 September 2000.

5.5. Cannabis

5.5.1. Source countries

Morocco remains the main country of origin for cannabis resin. According to Europol's information, about 85 % of all cannabis resin seized within the Member States originates from this country using Spain as the gateway to the European Union.

According to the *Russian drug situation report 1999*, wild growth of cannabis occurs in the south of Siberia and in the far eastern regions, as well as in the northern Caucasian region on over 1 million hectares and on 100 000 hectares in Ukraine ⁽⁸¹⁾.

In addition, central Asia is increasingly becoming a major cannabis-growing region. Cannabis grows wild in Kazakhstan. According to the UNDCP, the largest area of hemp growth in the world, at 340 000 hectares, is the Chu valley of Kazakhstan. Other production areas are Taldukorgan, Kyrgyzstan (60 000 hectares), Uzbekistan (Samarkand region) and Tajikistan. Pakistan and Afghanistan are also significant sources of cannabis resin.

5.5.2. Transit

Cargo ships or containers are predominantly used for the trafficking of cannabis resin from Afghanistan/Pakistan, as well as herbal cannabis from main sources such as Colombia, Jamaica, Nigeria and South Africa. In addition, the route from Afghanistan through central Asia into Russia and along the silk route into Ukraine and central and eastern Europe towards the EU is also an important trafficking route for Afghan cannabis resin. Large amounts of Afghan cannabis have been seized in recent years by authorities in Turkmenistan and Kazakhstan.

Central and eastern Europe is therefore an important transit region for cannabis destined for the Member States. Of particular note is the influence of Ukrainian OC in cannabis smuggling. In June 1999, over 6 tonnes of cannabis resin were burnt in the furnaces of the Uzhorod brick plant by the

Ukrainian secret services. The consignment of 6 141 kilograms of hashish was confiscated from two nationals of the Czech Republic at the Uzhorod checkpoint on the Ukrainian–Slovak border in January 1998. The hashish was declared as parquet and was to be shipped from Uganda to the Czech Republic for the non-existent company 'Bohemia Furniture Parquet'. Another 6 tonnes of herbal cannabis from Nigeria were seized in the port of Odessa.

As already mentioned, there is only limited information on the influence of EE-OC in the EU. In the **United Kingdom**, British Caucasian groups control the importation and wholesale of cannabis. EE-OC groups often infiltrate pre-accession States, recruit young drug couriers and help other criminal groups to smuggle cannabis into western Europe.

5.5.3. The impact on the EU

As in other regions of the world, cannabis is the most prevalent illicit drug of abuse in the EU. Subsequently, seizures in the Member States are massive.

According to the EMCDDA, over 40 million people in the European Union have used cannabis. On average, about one in every four 15- to 34-year-olds has tried cannabis. Indications are, however, that there is a convergence in usage levels where higher prevalence countries show a stabilisation or decrease in use and lower prevalence countries indicate an increase. In addition, statistics show that seizure levels remain high in Spain, France, Italy, the Netherlands and the United Kingdom and that the Nordic Member States are experiencing a marked increase, albeit from significantly lower base levels. Belgium, however, with historically high seizure levels, has seen a decrease over the last two years.

5.6. General conclusions

The Balkan routes are likely to remain the principal trafficking routes into the EU of heroin and, to a lesser extent, cannabis resin from south-west Asia.

The threat to the EU of drug trafficking via central Asia is increasing as large amounts of drugs transiting central Asia are smuggled into Turkey first and then continue via the Balkan routes.

⁽⁸¹⁾ Measures taken to destroy hotbeds of cannabis sprouting have not brought positive results. As Russian specialists state, depending on climate zones, 1 hectare of cannabis can reproduce up to 10 million seeds, which preserves reproduction capability for five years.

In addition, drugs transit Russia along the silk route towards Ukraine as well as central and eastern Europe for subsequent trafficking into the EU.

Member States have to be aware that the transit role of central Asia is seriously influenced by the unstable political and economic situation in the region.

Large amounts of cannabis and opium poppy grow wild in the central Asian republics and the rapid spread of illicit crop cultivation is a cause of concern. The region has the potential to supersede traditional supply regions in Africa, Latin America and south-west Asia.

Criminal groups from Afghanistan, Iran, Pakistan and Turkey are increasingly involved in drug trafficking in central Asia. Organised crime is also strongly present in other key transit regions.

Law enforcement in the regions involved is hindered by a lack of legislation, resources, expertise and equipment and by rivalry between the law enforcement agencies. The level of corruption makes the exchange of sensitive information extremely difficult between Member States and the concerned east European counterparts.

6. Trafficking in human beings

6.1. Trafficking in human beings in general



Basically, this chapter gives a description of the situation concerning the phenomenon of trafficking in human beings (THB)⁽⁸²⁾ as precisely as possible. It is not the intention to present a detailed threat assessment regarding long-term future trends. However, on the basis of the Member States' contributions and other information, it is possible to see trends that provide indications on possible future developments.

THB into the Member States will probably continue to increase or at least remain at current levels. Economic discrepancies and conflicts in various parts of the world will also function as 'push and pull' factors in the future for a large amount of people seeking a better future within the Member States. These factors will ensure a large supply of potential victims to be recruited by the sex industries in the Member States.

Furthermore, huge potential profits will probably stimulate more involvement of OC groups in THB. This, in turn, could lead to increased trafficking and more sophisticated modi operandi used by the criminals, as well as increased competition among criminal groups. The last could occasionally result in the escalation of violence between some criminal structures.

⁽⁸²⁾ The definition can be found in the annex to the Europol Convention: 'Traffic in human beings means subjection of a person to the real and illegal sway of other persons by using violence or menaces or by abuse of authority or intrigue with a view to the exploitation of prostitution, forms of sexual exploitation and assault of minors or trade in abandoned children.' As from 1 January 1999, the definition was supplemented with the following text: 'These forms of exploitation also include the production, sale or distribution of child-pornography material.'

According to experts and some of the national contributions, the THB crime situation is underestimated and not properly understood. Subsequently, many law enforcement agencies in the Member States do not allocate appropriate resources to the fight against THB. If a greater priority is not given to combat THB, the situation may inevitably worsen. When potential profits are very high and the risks of imprisonment rather low – as in the case of THB – there is an immense risk of attracting organised crime involvement in the criminal area.

6.2. Victims and their countries of origin

UN figures have shown that as many as 4 million people are smuggled into foreign countries each year generating up to USD 7 billion in illicit profits for criminal syndicates. The general trend in recent years, which has also been pointed out in several national contributions to this report, is the increase of victims from CEE illegally moved to the EU.

According to Anita Botti, Deputy Director of the Office for International Women's Issues in the US Department of State, Russia and Ukraine are among the main 'source' countries from which women are exported and exploited.

The Member States that are the closest to CEE appear to be more affected by trafficking from this part of Europe, but Spain and France also report that an increase in victims from CEE has been observed. However, many victims are still trafficked to Europe from Africa, Asia and Latin America.

Economic discrepancies are the main factors behind trafficking in human beings. This is a well-known fact and is stated in various studies undertaken by non-governmental organisations (NGOs), as well as

some of the national contributions. The victims always originate from countries that are economically disadvantaged in comparison with the Member States. Poverty and/or the hope of a more prosperous future are important reasons behind the ability to recruit or lure victims into sexual exploitation⁽⁸³⁾.

No overall figures are available of the total number of victims trafficked to the EU each year, but there are reasons to believe that they should be counted in hundreds of thousands⁽⁸⁴⁾. Due to the nature of the main factors behind THB, several Member States are of the opinion that THB will increase further or at least stay at the current level in the foreseeable future.

Furthermore, the profits from trafficking are very high and in several of the national contributions it is reported that EE-OC groups are increasingly involved in THB.

Trafficking from CEE has increased continuously during the 1990s. This is reported by almost all Member States, and often stated by various governmental and non-governmental organisations. In the Greek contribution, it is said that 90 % of all foreign victims of trafficking in 1998 came from CEE. The closeness of Greece to the central and east European source countries is the main reason for the large share of victims from this region. Germany reports that approximately 75 % of the victims in 1998 came from eight of the central and east European countries, most from Poland, Ukraine and the Czech Republic⁽⁸⁵⁾.

Probably the countries that neighbour central and east European States have the largest influx of vic-

tims from this region, but, as already stated, Spain and France report a significant increase of women trafficked from CEE. Moreover, in an official Portuguese report to Europol concerning illegal immigration, cases are mentioned in which women have been trafficked from Moldova⁽⁸⁶⁾ and Ukraine to Portugal. Other major 'source' countries are Albania, Bulgaria, the Czech Republic, Lithuania, Poland, Romania and Slovakia.

Almost all the victims tend to be female and the age range is in general between 18 and 30 years. This is depriving the Russian and Ukrainian labour force of valuable human capital, because the women who are trafficked, unlike many of their Asian counterparts, are often women with high-school or university-level education. Unconfirmed intelligence and other information indicate that much younger female victims have also been trafficked; some as young as 13 or 14 years⁽⁸⁷⁾. Furthermore, there is information, confirmed by known Member States' cases of previous years, that boys and young men have been trafficked from CEE to some of the Member States. It is possible that this type of trafficking still takes place.

An unfortunate consequence is that trafficked victims are often illegal immigrants and have little incentive to report their exploitation to the police. This reluctance makes them vulnerable to threats and health risk. Moreover, in addition to the risk of expulsion as illegal immigrants, the victims are often afraid of giving evidence due to threats and other pressure from the exploiters.

6.3. Modi operandi

6.3.1. The criminals

The size, nature and origins of the groups involved in trafficking vary both within and between the Member States. Sometimes, there are small groups of people consisting of just three to five individuals that take care of the whole chain of activities related to the trafficking. However, although

⁽⁸³⁾ Russian and Ukrainian women, looking for a way out of poor economic conditions resulting from the significant spillover effect in Ukraine, have only exacerbated the problem of human trafficking which began with the collapse of the Soviet Union in 1991.

⁽⁸⁴⁾ The Geneva-based International Organisation for Migration (IOM) states that, since Ukrainian independence in 1991, organised criminal gangs have illegally trafficked about 500 000 Ukrainian women to the west. Of those, the IOM estimates that at least one in five is trapped in the sex industry, largely in the EU Member States (and this is the most conservative estimate). Furthermore, research studies by Dr Gerben Bruinsma of Leiden University indicate that 33 % of approximately 25 000 women working in the Netherlands came from Ukraine and an additional 3 % came from Russia.

⁽⁸⁵⁾ The total number of victims registered in Germany in 1998 was 840.

⁽⁸⁶⁾ In December 1998, Moldovan border guards discovered four underground tunnels through which illegal immigrants were channelled to Romania. The tunnels were over 200 metres long and well constructed. Over 2 000 people were detained in 1998. Several EE-OC gangs had an interest in this business.

⁽⁸⁷⁾ This was stated explicitly in the UK national report.

a generalisation is not possible, it seems that, in many Member States, the groups and networks most often involved are larger, between 5 and 20 people, and satisfy most of the EU criteria for organised crime. The groups often have some hierarchical structure, divisions of responsibilities (recruiters, escorts, procurers and brothel-keepers, etc.), are profit driven and their activities often continue over a considerable period of time. Several countries report an increased involvement in trafficking by what is referred to as 'organised crime groups' or 'Mafia-type' organisations. The organisations involved in trafficking have, as said in the Spanish contribution amongst others, an infrastructure and access to useful contacts in the countries of origin and destination.

In 1998, the British Chilworth Group reported the existence of increasing evidence of cooperation, on an ad hoc basis, between OC groups in individual Member States (mostly Italian) and EE-OC groups in dual criminal ventures, particularly relating to prostitution ⁽⁸⁸⁾.

The criminals are predominantly nationally homogeneous and come to a large extent from the same country or geographical region as their victims. This is valid for the exploiters in the destination countries as well as the recruiters and escorts. EE-OC groups are dominant in the trafficking from central and east European countries.

A general trend reported by most of the Member States is the increased involvement of criminals from CEE in the sex industries of the destination countries. This increase is parallel to the increased influx of victims from CEE into the EU, and in line with the general findings described. In many Member States, successful operations have been concluded where EE-OC groups have been involved in this activity. The problem of trafficking women from the FSU, particularly Ukraine, is having a clear impact on the vice trade in the rest of Europe. Clearly, the ongoing conflicts in the Balkans are both exacerbating the situation and providing a route into the EU for unwilling women. Certain operational data and anecdotal evidence suggest that this issue has at least two follow-on problems: an increase in the volume of crime (such as burglary, theft and prostitu-

⁽⁸⁸⁾ In a related case, three Russian managers of a travel company in Hanover, Germany, who had obtained German nationality, sent more than 3 000 officially attested invitations to Kazakhstan, Russia and Ukraine, in order to get women for the west European sex industry. They have been sentenced for trafficking in human beings.

tion) and the creation of safe areas for the more sinister elements from EE-OC groups.

The modi operandi used by the criminals that are engaged in THB show similarities when taking into account the country/region from which the victims are trafficked. However, differences exist depending on, for example, visa restrictions and travel opportunities.

In the specific case of the Albanian criminals in France, since autumn 1999, they have been settling/residing in neighbouring countries, mainly Belgium, Germany and Spain and limit their travels to France. They are using prostitutes who they trust as money couriers to collect and transport the money from France to, for instance, Belgium.

6.3.2. Recruitment

Many women who previously were active prostitutes in their home country are among the victims of THB. It is stated in several of the national contributions that many victims knew at the time of recruitment that they would work in the sex industry, but later, when it appeared that the situation was much worse than promised, they were unable to escape from their situation. However, victims have often been recruited with deceit and false promises. The women are promised jobs as club hostesses, bartenders, waitresses, dancers, etc., but upon arrival in the country of destination they are forced into prostitution. When a woman accepts a proposal to work abroad, the recruiters often provide assistance for necessary documents and travel. The women have to pay back the cost of these services at a later stage. Less frequently, the women are 'recruited' and transported by the use of threat and violence, although this is normally used in the later stages of the exploitation. Some of the known ways through which victims are recruited are listed below:

- friends and acquaintances;
- newspapers and recruitment offices ⁽⁸⁹⁾;

⁽⁸⁹⁾ In some countries, advertisements in newspapers, or sometimes at recruitment offices, are used to find women willing to migrate and take on a job in western Europe. The job offers vary, although it is often implied and understandable for the women that the job in reality is within the sex industry. In the French contribution, it is said that those in charge of recruitment are often businessmen or company managers (this has been observed in cases concerning Thai and Benin networks). Their legitimate activities often enable them to obtain visas, travel documents, etc. These people 'sell' the women to criminal groups.

- bars, discos and nightclubs;
- from the local sex scene;
- marriage of convenience ⁽⁹⁰⁾;
- threats and violence.

6.3.3. Routes and means of transportation

From CEE, a variety of routes and means are utilised to transport the victims into the EU countries. The victims are trafficked by air, car, and train and sometimes by ferry. Most of the trafficking is probably overland.

The typical route for east European women, who ultimately become prostitutes in the EU, is simple. The women are transported from their homes to consolidation points near the border with the EU or PAS ⁽⁹¹⁾. They are then moved (often via the Balkans), with many actually remaining in the region, particularly in Bosnia. In most cases, representatives of EE-OC groups take over the control of the women who are then forced into prostitution or other aspects of the vice trade. It is common practice for criminal groups to pay a series of bribes whilst moving women.

Since 1997, ethnic Albanian-Yugoslav OC groups have formed a ready-made chain of contacts which can be exploited for trafficking human beings. One accompanying indicator worthy of note concerns an urban area in the north of the Netherlands. There are signs of a violent conflict between Turkish and ethnic Albanian-Yugoslav criminal groups regarding establishing a monopoly in prostitution.

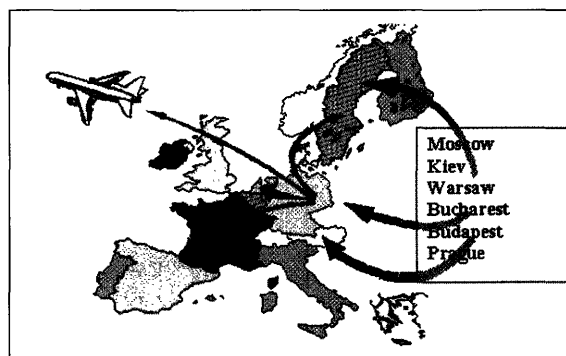
In regard to Italy, in 1997 it was estimated that between 20 000 and 25 000 prostitutes of foreign origin were residing in that country, originating from Nigeria, Albania and central Europe ⁽⁹²⁾. The ethnic Albanian-Yugoslav proportion has increased sharply

⁽⁹⁰⁾ In a few reports, mention is made of arranged marriages between women and individuals in the destination countries only for the purpose of obtaining the necessary residence permits.

⁽⁹¹⁾ In particular, Ukrainian women are transported in west Ukraine near Uzhhorod.

⁽⁹²⁾ *Migrations-Sociales*, published by the Centre d'informations et d'études sur les migrations internationales (CIE-MI), Paris, 1997.

Distribution throughout and beyond Europe



Source: Europol OC Department

over a five-year period. According to the Albanian Ministry of the Interior, Italian law enforcement recorded 100 prostitutes of Albanian origin in Italy in 1991. In 1996, the number had risen to 4 800 ⁽⁹³⁾. This continues to increase partially due to the change in method by Albanian organisers and procurers. Since early 1996, in order to procure women and adolescents often by force, they have concentrated on the rural areas of Albania, mainly the Fieri, Berat and Bulqize districts where they are less known than in urban areas ⁽⁹⁴⁾. In some cases, victims are transported by ferry from Albania or other Balkan countries over the Adriatic Sea to the eastern Italian coast. Thereafter, they enter illegally and are transported further into the country.

Within Germany, ethnic Albanian-Yugoslav groups have been involved in organised prostitution for some time. Since late 1997, they have increasingly engaged in this activity with a degree of notable violence. Such groups tend to replace Turkish criminal groups in dominating certain red-light areas. As a part of this criminal activity, ethnic Albanian-Yugoslav OC groups have engaged in trafficking of minors for prostitution purposes. During 1997, up to 150 adolescents in the Berat region were reported to have been abducted for trafficking to Italy and Greece.

In the Greek contribution, it is stated that most of the women enter via roads in the northern part of Greece. Women with valid travel documents are transported through normal entry points, whilst

⁽⁹³⁾ Cited in *Koha Jone*, 14 December 1997.

⁽⁹⁴⁾ International Organisation for Migration, *Trafficking in women to Italy for sexual exploitation*.

women without such papers are hidden in vehicles, such as TIR (Transport international routier) trucks, or walk across the border.

6.3.4. Use of forged documents

Forged documents are used when necessary, and probably extensively ⁽⁹⁵⁾. The criminal groups often arrange the supply of the required travel documents, for example by using contacts that can provide forged papers ⁽⁹⁶⁾ or through the bribery of officials. Victims could also use legally obtained documents, but the stated purpose of the travel may be false. That is, the victims are provided with genuine student or tourist visas, residence permits, or official permission for jobs in the legal labour market. There are cases known when criminal organisations have established rather sophisticated business structures with front companies such as travel agencies and nightclubs, both in the countries of origin and destination, in order to obtain the necessary documents for travel and residence. Upon arrival in the country of destination, it is very common that the criminals confiscate the victims' identity papers and other travel documents, occasionally exchanging them for new false documents.

In the French report, it is said that the cases of forgery identified include false passports (with or without change of identity) with false visas, or false visas being inserted into genuine passports. It is also said that, in the country of destination, the genuine passport may be confiscated and a forged or falsified passport, or a false residence permit, presented to the victim.

6.4. Types of criminality linked to THB

In most of the EU Member States, THB is not coded as a crime in itself. The crimes related to trafficking vary, depending on the way different

⁽⁹⁵⁾ This is mentioned in several national contributions.

⁽⁹⁶⁾ In late 1998, false Slovenian passports were used by a growing number of ethnic Albanian-Yugoslavs arriving in Belgium by air. During the same period, UK authorities noted a continuing trend in the use of fraudulent Slovenian documentation including stolen passport visas and driving licence applications.

criminal groups operate. In this way, common crimes are document forgery, abuse of immigration laws, unlawful coercion, unlawful threat, extortion, bodily harm, aggravated assault, sexual assault, rape, procuring, tax evasion and money laundering.

Several criminal groups engaged in trafficking have also diversified their activities and commit crimes that are not related to trafficking, although a certain group may use the same logistic and support structures for many types of criminality. It is stated that the following forms of criminality have been found linked to criminal groups engaged in trafficking in human beings: drug trafficking (Belgium, France, the Netherlands and the UK ⁽⁹⁷⁾); illegal firearms trafficking (Belgium and the Netherlands), car theft (the Netherlands), illegal immigration (Belgium) and fraud (the Netherlands).

6.5. The situation in the country of destination

Once in the country of destination, the victims are forced to comply with the demands of the exploiters, either immediately or after being forced into prostitution or other forms of sexual exploitation. The victim may, for example, first start working as a bar hostess, but later be forced into prostitution. The exploiters could be brothel-owners who have ordered women from traffickers, or it could be the criminal group behind the recruitment and transportation which also controls the actual sexual exploitation of the victim.

It would appear from a study of the national contributions that the victims of trafficking are less often visible in street prostitution or 'windows' in red-light areas, where they can be seen and helped by police or social workers, and are more difficult to control by the criminals. Instead, they are offered to customers in bars, clubs, sauna clubs and hidden brothels and apartments of very low standard. Having been utilised for a period at one place, the victims, in many cases, are moved to new cities or areas where they can be further exploited. Sometimes, they are sold again to other criminals or brothel-owners.

⁽⁹⁷⁾ Mentioned in the contributions of the Member States in brackets.

Reality for the victims in the country of destination is not always what was expected. Often their passports are taken away and the earnings are considerably less than was promised. They have to work very long hours and the overall work and living conditions are very bad.

Meanwhile the health of the women trafficked appears to deteriorate in line with the general trend in this area within the States involved.

Several areas within Russia have seen a dramatic increase, particularly in the past two years, in the rate of diseases relating to both AIDS and various stages of HIV. In 1998, the total of HIV-positive cases officially stood at 5 073, of which 50 % were diagnosed for the first time in 1998. The increase of drug abuse appears to be a major contributory factor to this trend, together with overall sexual behaviour patterns.

Other diseases are also taking their toll. In Moscow, of the 26 000 prostitutes detained in police custody in mid-1997, over 30 % were syphilitic. Russian statistics show a general increase in syphilis cases of 1 500 % in adults and 2 000 % in children between 1990 and 1998.

6.6. Profits gained by THB

As is stated in the Dutch contribution, the earnings from trafficking in human beings are enormous. According to the contributions, it seems that the average daily sum that could be earned per victim is around EUR 350. Thus, a criminal group controlling 10 women, which is not uncommon, could potentially receive an income of EUR 3 500 a day.

In one of several cases referred to in the French national contribution, a highly structured criminal network controlled some 50 young women. The women charged their customers between FRF 1 500 and FRF 8 500 for their services. The profits made on the women were ploughed into major real-estate investments in the south-east of France.

In the UK contribution, it is stated that the overall estimated criminal benefit figures for operations involving trafficked victims during 1998 amount to GBP 9 948 000 (EUR 14 600 000).

In the German report, it is calculated that the total profit for trafficking in connection with 63

different investigations was DEM 15 006 245 (EUR 7 500 000) ⁽⁹⁸⁾.

Thus, THB is a very lucrative criminal business. This, in addition to the difficulties in getting the victims to testify and the sometimes brief imprisonment convictions, is probably the main explanation for the increased involvement of what can be labelled as organised crime.

Finally, it is very important to mention that bank accounts are opened under the names of prostitutes and victims in the country of origin, which hampers law enforcement investigations.

6.7. Use of violence

Some Member States have reported an increase in violence by the Albanian 'pimps' towards the prostitutes and their families in their home countries.

6.8. Conclusions

Based on what is stated in this chapter, the following main conclusions may be drawn.

- Most of the EU Member States are affected by THB.
- THB is a transnational and complex phenomenon, which has to be met with increased international cooperation and a multi-agency approach.
- The main trend has been the rise in victims originating from CEE. However, many victims are still trafficked from Africa, Asia and Latin America.
- There are case-related indications that OC is increasingly involved in THB.
- Case information shows that the profits made in this type of criminality can be very large.
- THB is a very cruel crime where victims are always subjected to severe psychological pressure and often physical violence.

⁽⁹⁸⁾ Those 63 investigations were 20 % of the total number of investigations related to trafficking in human beings in 1998.

7. Illegal immigration

7.1. Illegal immigration in general

The main aim of this chapter is to define the Member States' crime situation in the field of illegal immigration ⁽⁹⁹⁾.

Briefly, illegal immigration involves the facilitation of a border crossing and the smuggling of people. Although THB may also involve an illegal border crossing, it encompasses by definition a form of exploitation of the persons themselves, for instance for sexual-oriented business purposes.

Although exact figures are hard to obtain, it is estimated that, amongst the 375 million inhabitants living in the EU at the end of 1998 ⁽¹⁰⁰⁾, over 3 % (around 13 million) were legally resident immigrants (not including EU citizens residing in another EU country). In accordance with the United Nations figures on population trends, 2 % of the worldwide population are migrants ⁽¹⁰¹⁾.

The number of people residing illegally in the EU is harder to determine, but may range between 3 and 6 million.

This criminal industry is strongly based on a cash economy, like most of the other OC trafficking activi-

ties. If the money travels with the illegal immigration flow, then it is also smuggled across frontiers, from less developed financial systems to the more sophisticated, computerised financial systems in the EU.

7.2. Illegal immigrants and their countries of origin

Although the main origin countries of asylum-seekers were Afghanistan, Croatia, the Federal Republic of Yugoslavia, Iraq and Rwanda, migration from the CIS countries and the Baltic region has developed further. The economic decline and instability following the overall political situation were increasingly the main reasons for illegal immigration. A large percentage of this flow was directed towards Russia, but most migrants continue to move to Germany (55 %), Israel (19 %) or the United States (12 %) ⁽¹⁰²⁾.

In this sense, it is important to mention that amongst the main dominant illegal immigrants' nationalities registered by the Member States are the Moroccans and Algerians from Africa, and the Chinese, Iraqi/Kurds and Sri Lankans from the Asian continent. The other nationalities associated with the illegal immigration flow to the EU are reported by the Member States as ethnic Albanian-Yugoslavs, Romanians and Poles.

7.3. The illegal immigration situation

Over the past decade, the 'political geography' of the European continent has dramatically changed:

⁽⁹⁹⁾ Contributions were received from 14 Member States, which provided valuable data to produce this chapter. Additional sources have also been used for this report, namely studies edited and published by international governmental and non-governmental organisations such as Cifefi, UNHCR, IGC and ICMPD in order to complement and more comprehensively integrate the data available from the Member States' contributions.

⁽¹⁰⁰⁾ Population Reference Bureau, 'World population data sheet', 1999 (www.prb.org).

⁽¹⁰¹⁾ UNFPA, *Report on the state of the world population 1999*. The world population statistically reached 6 billion during this year.

⁽¹⁰²⁾ IOM News Release, 'Migration in the CIS', No 826, International Organisation for Migration, 6 July 1999 (www.iom.int).

not less than 27 'new' countries have emerged which now represent CEE. In this respect, criminal groups around Europe, which used to smuggle drugs and other commodities, have been transferring their network facilities to the newly emerging 'business' of illegal immigration as well as THB.

The market is highly profitable and the risks associated, notably the law penalties, are negligible in comparison with other forms of trafficking.

7.3.1. The criminals

It has to be stressed that organised illegal immigration involves not only groups in the country of origin. International criminal structures are firmly established along the borders of EU neighbouring countries.

The fact that the majority of people smuggled into the EU have been assisted by small criminal groups, which often have ad hoc based structures, does not preclude 'professional' approaches from the criminal organisations involved with illegal immigration. Moreover, the longer the distance for illegal immigrants, the more important it is to have a good network on which to rely. The continuous impact of these criminal organisations' activities on the EU borders is anticipated due to the circumstance that the EU adjacent countries do not have the necessary 'filter effect' to control ongoing illegal immigration towards the west from east European countries. In several reported cases, the organisers were not of the same nationality as the smuggled people. Nationals and immigrants from central and east European countries (for instance, from the Czech Republic, Romania, Slovenia, Poland, Ukraine or Moldova) involved in transnational networks are often relevant on a global scale. This is apparently based on close ethnic ties.

7.3.2. Routes and means of illegal immigration

During the first half of 1998, over 11 000 illegal immigrants were apprehended at Ukraine's borders. Over half of these came from south-east Asia, Asia and the Middle East.

Ukraine is increasingly used as a transit country to the west — once illegal entry is gained to Ukraine, the next leg of the journey westwards is across Poland, Slovakia, Moldova and Hungary.

The following table shows the nationality of the investigated and/or detained smugglers.

Smugglers: Top 10 nationalities

- 1 Former Yugoslavia
- 2 Turkey
- 3 Germany
- 4 Czech Republic
- 5 China
- 6 Ukraine
- 7 Romania
- 8 Africa (various countries)
- 9 Pakistan
- 10 Slovenia

The Portuguese and Spanish contributions confirm this fact. There have been a large number of incidents of illegal immigrants coming from Ukraine and Moldova. Their modus operandi would appear to be the following. The procedure begins with obtaining a standard visa for a short stay through local travel agencies. This visa is backed up with purported tourist journeys to Italy or the Netherlands. The visas are issued in several consular offices or embassies from Germany, Spain, France, the Netherlands and Austria located in the capitals of central and east European countries: Chisinau, Kiev, Bucharest, Budapest, Prague or Moscow. Once a big group is gathered, the journey is arranged using medium-sized or large passenger vehicles and crosses several borders including the Austrian. When arriving in Portugal or Spain, another member of the organisation will contact the group, frequently at bus or coach stations, to provide them with lodgings or clandestine jobs. Sometimes, the immigrants are abused and left without the valid documents, money or tickets required to

return home, once they learn that there are no real job offers. The usual price for the journey is about USD 1 000.

Some further examples illustrate the impact of EE-OC on the EU.

- In December 1998, Moldovan border guards discovered four underground tunnels through which illegal Asian immigrants were channelled to Romania. The tunnels were over 200 metres long and well constructed. Over 2 000 people were detained in 1998. Several EE-OC groups had an interest in this business.
- In October 1998, an aeroplane containing 100 illegal refugees from Afghanistan was stopped by the Czech authorities at Prague airport. The aircraft had travelled from Moldova. The Czech authorities were concerned that the Moldovans had let the plane through knowing that it contained illegal immigrants. It was also believed that the immigrants were possibly CIS citizens claiming to be Afghans for political purposes. They are said to have paid between USD 2 500 and USD 5 000 per person for their transport. The Czech Government said it would consider the reimposition of visas to persons arriving from Moldova.
- In October 1998, police in Israel detained 150 stowaways on a ship docked in Haifa. The ship had travelled from Odessa. The illegal immigrants were Moldovan nationals.

Countries outside the EU which are used as a last 'transit point' before the illegal immigrants are moved into the EU are, in particular, Russia, Ukraine, Hungary, Poland, the Czech Republic, Macedonia, Romania, Slovakia and Turkey. In this way, central and east European countries accumulate the double status as places of origin for some illegal immigration flows and 'stopover' places used by networks exploiting the Asian routes, combined with the use of specific Middle East airports for long-distance trips. In addition, **Italy** reported that the Igoumenitsa to Corfu (Greece) to Venice (Italy) route was another route utilised by EE-OC groups.

It seems clear that **Denmark** and the Netherlands are the main transit points and the first countries where an asylum application is presented in order

to reach Sweden, Finland or Norway. **Sweden** noted that ferries from non-European Union countries in the Baltic area have also been used. In other cases, the immigrants have crossed the borders between central/east European countries and Germany before they reach their destiny in the north. **Finland** identified a route for Tamil groups from Sri Lanka through Moscow by plane and later by bus to the Finnish border.

In the EU, the most preferred destination countries are Germany, France, the United Kingdom, the Netherlands and Italy. Geographically speaking, these countries represent not only a substantial part of the EU territory but also a large proportion of its external frontier, both on land and sea.

7.3.3. Use of forged documents

The documents used by illegal immigrants can result mainly from forgery (genuine document altered to comply with the details of the current user), from counterfeiting (document wholly or partially manufactured to resemble the original) or obtained fraudulently (genuine document obtained by deception). A genuine document is also used or, more properly, misused by an immigrant when he acts as an impostor attempting to pass off as the person named on the document. In this connection, **Germany** reported that some smuggling organisations seem to be responsible for break-ins into German office buildings in order to procure the required documentation.

An example of the use of stolen genuine documents is also provided by the results of an Irish police authority investigation, which revealed a passport swindle that may have helped bring dozens of false refugees into the country. The stolen passports were being continually sent to Romania, where they were altered and used repeatedly for passage into Ireland. Three stolen Irish passports, three Romanian documents and other international driving licences and ID papers were discovered during a raid on an apartment in Dublin. Six Romanians, four of whom were from the same family, were discovered in the flat. The investigators believed that the gang was offering 'package deals' to fellow countrymen. A Russian gang, linked to the Mafia, was also involved in a fake passport operation (¹⁰³).

(¹⁰³) *The Mirror*, London, 20 September 2000.

7.4. Types of criminality linked to illegal immigration

The main forms of OC linked to illegal immigration cases that were reported are the following:

- drug trafficking (mainly ethnic Albanian-Yugoslavs and Nigerians);
- trafficking in arms (Albanian rings);
- money laundering (Russian, Albanian and Asian rings) through travel companies, travel agencies, import-export companies, credit institutions, the transport industry, hotels, bars or restaurants;
- trafficking in human beings (central and east European countries, African countries, South American rings, Albanian networks and lately Chinese rings exclusively for the Chinese community);
- trafficking in stolen vehicles.



Press conference by members of Russian security forces alleging high-level corruption

Other crime areas reported are:

- corruption;
- forgery/counterfeiting;
- kidnapping, extortion;
- bogus marriages;
- tax fraud;
- professional break-in thefts;
- clandestine labour;

- child pornography (reported by Italy concerning Chinese rings in connection with THB);
- petty crime (France found illegal Romanians involved in this area of criminality).

7.5. Profits gained through illegal immigration

According to the International Centre for Migration Policy Development (ICMPD), the number of illegal immigrants entering the EU during 1998 was estimated at about 500 000. The possible global revenues from alien smuggling probably reached USD 10 billion (about EUR 9 billion) during this period.

Some alleged prices paid, as stated by the illegal immigrants, are the following:

- from Pakistan to Germany: EUR 6 000;
- from Kosovo to Germany: EUR 400;
- from Kosovo to France: from EUR 770 to EUR 3 076;
- from east European countries to Italy: from EUR 512 to EUR 862;
- from east European countries to Portugal: EUR 862.

Trafficking in human beings has become the world's most lucrative illicit industry, with profits rivalling the drug trade and with far more lenient penalties. The number of migrants on the move around the world has doubled in the last 30 years, and now comprises an estimated 120 million. Global trafficking in undocumented migrants is estimated to generate USD 5 billion to USD 7 billion a year.

7.6. Conclusions

Although the migration flow into the European Union is in essence a socioeconomic problem requiring a comprehensive answer from the EU institutions at political level, it has become increasingly apparent that illegal immigration is also a serious criminal problem impacting on all Member States.

The information gathered is insufficient to completely determine the level of threat of the organised criminal structures working in illegal immigration. The indicators available from every Member State clearly show involvement of criminal elements in the migration flows to the EU and that this provokes a variety of interlinked criminal activities.

The estimated profit is a primary motive for the involvement of criminal organisations in illegal immigration. Consequently, the co-related financial aspects of illegal immigration networks (revenues, amount of payments, phases and type of payments, layering of the money received, money management, etc.) must be reported and analysed in depth, allowing a comprehensive understanding of the overall criminal activity.

Research in the past has revealed that criminal organisations do not restrict themselves to only one area of crime if other opportunities occur. Illegal immigration can be seen as just another challenging opportunity. The number of potential immigrants cannot really be estimated, but it could be millions. Criminal organisations will gain further potential as long as the business is financially interesting for them. Furthermore, these organisations do not limit themselves to smuggling only one nationality, but provide 'service' to any customer. Links to other forms of OC are consequently of interest and therefore organised illegal immigration should not be faced in an isolated manner.

8. Stolen vehicles

8.1. Stolen vehicles in general

EU Member States observed a general increase in the figures for vehicle theft in the years up to 1993. This was largely due to the change in the political structures and also the advent of the single European market, which meant that there were no longer border controls between the EU Member States. For example, it is now possible to drive from Portugal in the west across Spain, France, Belgium, the Netherlands and Germany to the German–Polish border without being checked at any border. Similarly, there has been a greater freedom of movement in all the east European States after the breakdown of the FSU. This situation has created an increasing demand for automobiles in eastern Europe and is, to a large extent, being exploited by criminal networks involved in the theft and trafficking of motor vehicles.

From 1994 onwards, EU Member States saw a slight decrease in vehicle thefts, in particular, in the main manufacturing countries. This may be due to enhanced police efforts, to improved security and detection systems, to modified regulations in insurance contracts or even to the beginning of the saturation of the market. According to the latest EU legislation, vehicle manufacturers are obliged to install alarms and other security features in their new car models. In addition, a number of other methods of tracking and locating stolen vehicles have appeared on the market. However, whilst the overall number of thefts in western Europe has decreased, it would seem that the incidence of organised international vehicle trafficking is on the increase.

As far as car theft is concerned, no other type of criminal activity is as lucrative for such minimal risk. A theft of 100 top-of-the-range cars can generate a net profit of USD 1 million to USD 2 million. This criminal activity is more profitable than prostitution or other black-market activities. According to the

overall head of Russian insurance companies, Mr Yourgens, about 700 000 stolen cars are trafficked to east European countries annually.

8.2. Countries of theft

The following table indicates the volume of stolen vehicles in the European Union in 1999, but there is good reason for treating such statistics with some caution. The problem recently identified is the variation in the definition of a vehicle theft be-

Statistics 1999 – Europol

Country	Stolen vehicles	Not recovered
Belgium	31 193	12 661
Denmark	33 930	2 714
Germany	74 490	34 127
Greece	17 362	9 964
Spain	90 790	18 527
France	297 058	Not known
Ireland	14 851	791
Italy	263 493	123 598
Luxembourg	626	189
Netherlands	30 575	12 782
Austria	6 275	3 415
Portugal	18 250	4 546
Finland	15 379	1 582
Sweden	48 328	3 722
United Kingdom	391 807	200 909
Total	1 334 407	429 517

tween EU Member States. The figures include different types of offences and categories of vehicle in different countries. The figures from some Member States, for example the United Kingdom, take into account all vehicles when recording thefts; Germany and Italy only record thefts of cars and no other type of vehicle, whilst France records all vehicles except buses, and others include motor-bikes in their vehicle theft figures.

If we look at the development of vehicle theft statistics, there was no common trend in the EU Member States in 1999 in comparison with the previous year.

Denmark, Germany and Italy seemed to have a decrease in stolen vehicle thefts of between 7 and 10 % in 1999 compared to 1998, whereas Finland and Portugal seemed to have an increase of about 13–14 %.

For France (no official national collection), the figures for (non) recovered vehicles are unknown. For Ireland (see table), the figures for non-recovered vehicles are up to September 1999 only. Therefore, the indicated total number has to be interpreted with some caution.

It should be noted that the figures for non-recovered vehicles are as important as the figures

for stolen vehicles when comparing statistics. Taking into consideration an amount of approximately 78 000 non-recovered vehicles in France (the average of the last six years), the total amount of non-recovered vehicles in the European Union exceeds 500 000. Compared to 1998, this means an increase of more than 15 %.

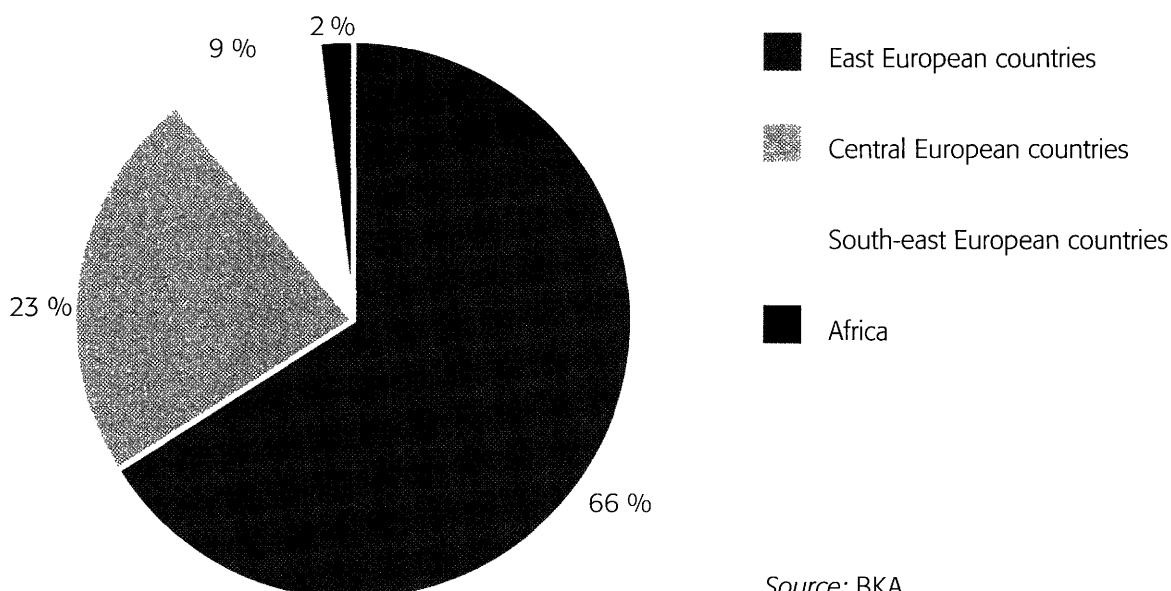
Furthermore, compared to the total amount of stolen vehicles, the percentage of non-recovered vehicles is approximately 38 % for the year 1999.

8.3. Destination countries

In about one third of all cases, the Member States did not know the final destination. According to the information provided, they believed final destinations were mainly east European countries. Only a small proportion of the vehicles were destined for Africa, whilst a small number remained within western Europe.

However, for the purpose of putting the issue into perspective, it must be mentioned that current intelligence indicates that a considerable number of stolen vehicles are trafficked within the European Union itself.

Countries of recovery
179 cases of recovered cars stolen in Germany (January 2000)



Source: BKA

According to several contributions, the principal central and east European countries involved as countries of destination are the Czech Republic, Poland and Russia.

This means that at least Ukraine, Belarus and the Baltic States are used as transit countries for the smuggling of stolen vehicles.

It should be noted that two of these countries – the Czech Republic and Poland – border directly with Germany.

8.4. Transit

Basic transit routes comprise the following:

- from western Europe, especially the EU Member States to east European countries;
- from the EU to North Africa;
- from Europe to Central and South Africa;
- from Europe to the Middle and Far East.

According to the information provided by some Member States, vehicles stolen mainly in Belgium, Germany, France and Italy are transported principally towards the Czech Republic and Poland.

Three main transit countries or group of countries have emerged: Germany and, to a lesser extent, Italy and the Nordic countries. Looking at the UK and Spain, it appears that both these countries are distribution centres for African countries.

8.4.1. Germany

Germany has acted as a transit country for countries such as Belgium and France. The fact that both these countries have borders with Germany should be underlined. Moreover, Germany has been used as a transit country for stolen vehicles into Italy and Spain.

Whether as a transit country or as a country of theft, vehicles coming from Germany were mainly destined for CEE.

8.4.2. Italy

Italy has acted as a transit point for countries like Belgium, France, Germany, Spain and Switzerland. Most of the vehicles either stolen in Italy or transiting through Italy were destined for south-east Europe, and also for the Middle East.

8.4.3. Nordic countries

In this example, it is obvious that Finland has acted as a transit country. Approximately 90 % of the vehicles recovered in this country were destined for Estonia and principally Russia.

Sweden has acted either as a transit country in the case of Belgium, Germany and France or as a source country.

8.5. Organised crime involvement

This type of criminality is mostly very well organised particularly when it concerns the international trafficking of stolen vehicles. Groups of criminals are organised just like a large international company. They have very sophisticated structures. For example, some will specialise in the production of forged vehicle and identity documentation, while others are skilled mechanics who undertake the alteration of the vehicle identity (VIN/chassis number, production number, number plates, etc.). Then there are the couriers who are hired to drive the vehicles from one country to another. Finally, another person sells the car to a usually innocent purchaser at the end of the chain. These organisations may consist of many different nationalities along the chain.

8.6. Modi operandi



It is clear that the modi operandi of the groups evolve as quickly as the circumstances change. A few years ago, it was quite a simple matter for thieves to break into a parked car.

However, since most of the cars are now being equipped with very sophisticated locks, alarms, im-

mobilising systems and other security features, other methods are being used. In addition to these *modi operandi*, there are still other methods of vehicle theft.

'Carjacking', as it is called, is a method which is being used increasingly to gain possession of vehicles. Threats of violence and the use of firearms to steal vehicles are becoming worrying phenomena.

Furthermore, there are cases of **'showroomjacking'**, where offenders are breaking into vehicle showrooms and stealing cars. In Italy, there are cases of **'highwayjacking'**, where offenders cause a small accident. After the driver of the targeted vehicle stops for the purpose of exchanging information for the insurance claim, violence is used in order to force him/her to surrender the car to his/her aggressors.

There have been a large number of violent vehicle crimes reported in **Belgium** in the past few years and also many cases in **Spain, Italy, Luxembourg** and **the Netherlands**.

The above-described methods have the advantage of obtaining possession of the vehicle, the original documents and the keys at the same time. Therefore, it is no longer necessary for the offenders to overcome sophisticated mobilising systems installed on the vehicles.

The thieves also carry out burglaries in houses for the purpose of obtaining the keys to the vehicle in the garage. Once the keys have been stolen, the vehicle is taken shortly afterwards.

It must be added that a very large number of reported thefts are, in fact, insurance frauds, where the owner reports a car stolen but has actually ei-

ther sold the car to a third person or destroyed the vehicle himself/herself in order to obtain the insured value.

In many incidents, offenders have made use of forged documents (such as insurance cards, passports, identity cards, registration documents, etc.). This enables the traffickers of stolen motor vehicles to overcome problems caused by possible police checks and/or border controls. In order to give an impression of authenticity, in some cases licence plates have been changed into those of the destination country. Furthermore, it has appeared that the VIN/serial number and engine number were also altered and/or falsified.

Particularly in Germany, traffickers sometimes prefer to steal rented vehicles to avoid problems with forged documents.

8.7. Conclusions

The problem of trafficking stolen vehicles still exists and very similar patterns can be found throughout the EU. There is always a market for second-hand vehicles at a cheap price – particularly in those countries which are not so economically developed or do not manufacture vehicles themselves. Certainly, some types of vehicles are valued more than others: four-wheel drive vehicles are in demand.

It is also important not to forget thefts of lorries and trucks. This frequently ignored crime actually requires more demanding organisational skills and extensive criminal structures, but usually produces higher profits.

9. Recommendations

The impact that EE-OC is having on the European Union is difficult to quantify in exact terms due to the vastness of its activities and networks, which also extend beyond the European continent. However, it can be safely concluded that the criminal capabilities and potential are certainly high and constantly growing.

Therefore, a greater acknowledgement of the increasing threat of east European organised crime to the European Union should be made by taking prioritised steps for the adoption and implementation of a legislative framework concerning judicial and law enforcement cooperation with Russia.

In order to assist effectively the competent European Union institutions in identifying the most appropriate policies, Europol should be provided with all relevant information and intelligence concerning east European criminals residing and active in the Member States. This will allow the development of a more accurate and reliable European Union

overview concerning the issue. As a result, the identification and adoption of common preventive and repressive actions will be facilitated at all levels of concerned European Union and Member States' institutions and agencies.

Together with such efforts, Member States' law enforcement bodies involved in contrasting east European criminal organisations in their countries should join forces in a more practical and operationally effective manner with Europol. The initial legal foundations provided by the Europol Convention, its implementing regulations and two recent Council recommendations offer a starting point on which to build.

Constant attention should also focus on deepening relations and supporting as well as intensifying cooperation on training programmes with east European countries such as those currently in place and funded through the European bodies (Falcone, Tacis, Phare).

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Annex I

Political and legal framework

I.1. Action plan on organised crime

The basis for the cooperation between the EU and east European States in this area was formed by the conclusions of the EU–Russian Conference on Organised Crime held on 4 and 5 December 1996 in Helsinki.

The other starting point was the action plan on organised crime developed by the high-level group and adopted by the European Council of Amsterdam on 16 and 17 June 1997 ⁽¹⁰⁴⁾.

In its resolution on the action plan to combat OC ⁽¹⁰⁵⁾ adopted on 20 November 1997, the European Parliament suggested that ‘in addition to the transatlantic partners, Russia and Ukraine, the States with which closer cooperation in combating organised crime is sought should also include **Belarus**. The same applies to those States in which large quantities of drugs are produced for the European market or which are regarded as transit countries for drugs’.

In Crimorg 28 ⁽¹⁰⁶⁾, the incoming UK Presidency set out the background to the EU’s engagement with Russia in the fight against OC. This paper reports on the outcome of the meeting of EU liaison officers in Moscow, notes the outcome of the inaugural meeting of the EU–Russia Cooperation

Council on 27 January 1998 and sets out proposals for future cooperation with Russia in this field.

The **Multidisciplinary Group on Organised Crime (MDG)** at an early stage decided ⁽¹⁰⁷⁾:

- to concentrate on measures to promote practical cooperation;
- to use existing mechanisms and programmes (especially Tacis, liaison officers, Europol);
- to convene a forum, consisting of a representative from each institution or international body involved, in order to provide an overview of their current and planned initiatives so as to avoid duplication with the work of other institutions (G7/P8, Council of Europe, FATF);
- to produce a paper listing current bilateral agreements between EU Member States and Russia (covering fiscal questions, crime and issues of cooperation between Member States and Russia);
- that – to maintain continuity – Europol with the assistance of the General Secretariat should monitor the state of play concerning relevant agreements and memoranda of understanding and should provide an annual update on these instruments.

⁽¹⁰⁴⁾ Recommendation 4: ‘It is necessary to develop closer cooperation with other countries and international organisations and bodies involved in the fight against organised crime. In particular, relations with the Union’s transatlantic partners as well as with **Russia** and **Ukraine** need to be developed, the latter two for instance through the Tacis programme.’

⁽¹⁰⁵⁾ Document 7421/97-C4-0199/97.

⁽¹⁰⁶⁾ Document 12784/97 Crimorg 28.

⁽¹⁰⁷⁾ Document 7771/98 Crimorg 62.

I.2. Partnership and cooperation agreements (PCAs) between the EU and east European countries

EU–Russian relations took a significant step forward with the EU–Russia partnership and cooperation agreement, which came into force on 1 December 1997. A Cooperation Council discussed and adopted the joint PCA work programme for 1998 in addition to two other important documents. A cooperation committee was created at the first meeting of the Cooperation Council on 27 January 1998. Furthermore, the Cooperation Council started establishing its own subcommittee.

Concerning justice and home affairs ⁽¹⁰⁸⁾, the following was decided:

‘Both sides will seek to give **new impetus** to cooperation in tackling organised crime including drug trafficking and illegal activities in the sphere of economics. They will explore, in particular, the possibilities for enhancing practical law enforcement cooperation.’

In the meantime, the EU developed similar relations on a legal basis with Moldova and Ukraine.

The **EU–Ukraine** PCA came into force in March 1998. The **EU–Moldova** PCA – already signed in November 1997 – came into force on 1 July 1998. Key items of these PCAs are the fight against OC (Articles 66 and 76), particularly money laundering, drug trafficking and customs cooperation (Article 73) ⁽¹⁰⁹⁾. Other objectives are the protection of intellectual property rights, as well as the restriction of drugs and arms trafficking.

EU PCAs with east European countries are unique instruments of the European Union’s external relations, providing a structure for concrete and coordinated actions. They are the only existing legal frameworks for decisions on all aspects of the fight against OC ⁽¹¹⁰⁾.

⁽¹⁰⁸⁾ Article 84 of the EU–Russia PCA.

⁽¹⁰⁹⁾ Another subcommittee deals with customs issues. Main topics are current fraud and contraband practices in customs transit, particularly concerning the operation of the TIR system in Russia and effects of fraud because of false declarations of the value of goods.

⁽¹¹⁰⁾ EU Commissioner responsible for external affairs, Hans van den Broek, Moscow, 9 and 10 July 1998.

These political decisions are indirectly directives for the working programmes of Europol. As a consequence, Europol’s EE-OC project has to encompass at least the PCA countries of the territory of the FSU.

I.3. The impact of the Treaty of Amsterdam

The Vienna European Council in December 1998 called for a strengthening of EU action against OC in the light of the new possibilities opened by the Treaty of Amsterdam. The Finnish Presidency, in line with the mandate of the Vienna European Council, considered a follow-up in which the different elements should be brought together into one document, with a specification of what action should be carried out and with what priority, who should have responsibility, and in accordance with what timetable. This document is the ‘EU strategy for the beginning of the new millennium – The prevention and control of OC’ ⁽¹¹¹⁾. It is the basis for common European activities concerning the fight against OC. The EU strategy stresses the responsibility of Europol and its intermediary role for closer cooperation as well as further arrangements with Russia, Ukraine and other transatlantic partners.

In the conclusions of the Tampere Conference ⁽¹¹²⁾ held on 15 and 16 October 1999, the European Council was deeply committed to reinforcing the fight against serious organised and transnational crime. The European Council called for joint investigative teams, as foreseen in the Treaty of Amsterdam, to be set up without delay as a first step to combating trafficking in drugs and human beings. The rules to be set up should allow representatives of Europol to participate as appropriate in such teams in a support capacity. Moreover, the European Council encouraged the establishment of a ‘European police chiefs’ operational task force’ to exchange – in cooperation with Europol – experience, best practices and information on current trends in cross-border crime and contribute to the planning of operative actions. Furthermore, a European police college for the training of senior law enforcement officials should be founded. The European Council underlined the importance of addressing the drug problem.

⁽¹¹¹⁾ Document 9423/99 Crimorg 80.

⁽¹¹²⁾ Document SN 200/99 EN CAB of the European Commission.

I.4. Common strategy of the EU on Russia

According to the PCA between the EU and Russia, the European Council adopted a common strategy on Russia ⁽¹¹³⁾ in May 1999. It was stated that the fight against EE-OC ⁽¹¹⁴⁾ is an obvious priority. The following areas of action concerning the EE-OC project were included:

- to develop the cooperation of Europol with competent Russian authorities as provided for under the Europol Convention notably for improving the fight against illicit trafficking in human beings and drugs, as well as illegal immigration;
- to intensify cooperation between liaison officers of the Member States in Moscow, within the limits of their respective national laws;
- to develop cooperation mechanisms in combating transnational drug crime;
- to combat illegal migration including continuing the basic and advanced training courses for staff members of border and migration authorities.

During the meeting in Cologne held on 3 and 4 June 1999, the **European Council** decided on the common strategy of the EU in respect of Russia. It was stressed that this first strategy will strengthen the strategic partnership between Russia and the EU, which is so crucial to maintaining peace and security in Europe. In addition, the European Council welcomed the increasing cooperation with Ukraine under the PCA in force since March 1998. Full use should be made of the considerable potential afforded by that agreement so as to bring Ukraine into closer contact with the EU. A common strategy on Ukraine should be prepared for completion.

⁽¹¹³⁾ *EU–Russian common strategy*, document 7073/5/99 REV 5 PESC 72 COEST 9.

⁽¹¹⁴⁾ Including actions to fight corruption, money laundering, trafficking in drugs, human beings and illegal immigration.

I.5. EU action plan on common action for Russia on combating organised crime (EU–Russia action plan on organised crime)

In accordance with the Common strategy of the EU on Russia, an action plan on common action for the Russian Federation on combating organised crime was drawn up. This action plan was approved by Russia at the Cooperation Council meeting on 10 April 2000 and is now established as a joint plan for shaping cooperation between the European Union and the Russian Federation.

The action plan establishes the improvement of international judicial cooperation as a priority and sets out the steps to be taken toward this end. The same is done with regard to law enforcement cooperation by listing the steps to be taken by the Union to promote, with Russian law enforcement authorities, development of arrangements particularly regarding:

- technical, operational and strategic information and intelligence exchange between the EU and Russia;
- establishment of central Russian contact points for information exchange with the EU;
- training courses for Russian law enforcement personnel to develop good practice in the field of international cooperation;
- further development of cooperation between the Member States' liaison officers in Russia thereby ensuring that these officers meet on a regular basis;
- development of cooperation between Europol and the competent Russian agencies, in accordance with the Europol Convention, as provided for in the EU common strategy on Russia.

Annex II

The European Union and Russia ⁽¹¹⁵⁾

Measures, memoranda of understanding, joint actions and other agreements

Country	Agreement	Area covered
Belgium	<i>Under negotiation</i>	<i>Police cooperation</i>
	<i>Agreement between the Russian Authorities and the Belgian Government</i>	<i>Fight against organised crime</i>
Denmark	<i>Under negotiation</i>	<i>Police cooperation</i>
Germany	<i>Under negotiation</i>	<i>Agreement to tackle organised crime</i>
	<i>Draft agreement between Russia and Germany, January 1996</i>	
	Signed: 9 June 1998	
	Mutual joint action to fight international crime (permanent working group)	Trafficking in drugs, arms, stolen vehicles and human beings, high-tech crime, and money laundering
Greece	Signed: 21 May 1981	
	Convention between the Hellenic Republic and the Union of Soviet Socialist Republics	Judicial assistance in civil and criminal matters (convention also applies in respect of Russia in accordance with the law of the succession of States in international conventions)
Spain	Signed: 24 February 1984	
		Exchange of verbal notes on cancellation of legislation and expedition of register office certificates

⁽¹¹⁵⁾ Table summarising the replies concerning bilateral agreements between Member States and Russia, Multidisciplinary Group on Organised Crime (MDG), Room Document No 3, Brussels, 7 and 8 May 1998.

Country	Agreement	Area covered
	<p>Signed: 26 October 1990</p> <p>Agreement between the Spanish Foreign Ministry and the Government of the Soviet Union</p> <p>Signed: 26 October 1990</p> <p>Convention on Judicial Assistance in Civil Matters</p> <p>Signed: 25 March 1996</p> <p>Convention on Judicial Assistance in Criminal Matters (has not yet entered into force)</p> <p>Signed: 21 February 1998</p> <p>Convention between the Spanish Ministry of Justice and the Russian General Prosecutor's office</p> <p><i>Under negotiation</i></p>	<p>Agreement on cooperation in the field of the fight against drug trafficking</p> <p>Transfer of convicts</p> <p><i>Cooperation in the field of the fight against organised crime</i></p>
France	<p>Signed: 24 November 1997</p> <p>Protocol between the French Ministry of the Interior and the Russian Ministry of the Interior</p> <p>Rules of reciprocity and the application of the French law of 10 March 1927 cover this area</p>	<p>Police cooperation</p> <p>Judicial cooperation</p>
Ireland	<p>Signed: 10 February 2000</p> <p>Agreements between the Ministry of the Interior of the Russian Federation and An Garda Síochána (Ireland's national police service)</p>	<p>Agreement on combating drug trafficking</p> <p>Agreement on fighting organised crime</p>
Italy	<p>Signed: 11 September 1993</p> <p>Agreement between the Ministry of the Interior of the Russian Federation and the Ministry of the Interior of the Italian Republic</p> <p><i>Under negotiation</i></p>	<p>Cooperation in the field of combating the organised crime and illegal turnover of narcotics and psychoactive agents</p> <p><i>Terrorism</i></p>
Luxembourg	No agreements	
Netherlands	<p>Signed: 1 October 1997</p> <p>Agreement between the Ministry of Justice of the Russian Federation and the Ministry of Justice of the Netherlands</p>	<p>Judicial cooperation</p> <p>Central contact points in Moscow</p>

Country	Agreement	Area covered
Austria	<p>Signed: 1997</p> <p>Memorandum of understanding between the Austrian Ministry of the Interior and the Russian Ministry of the Interior</p> <p>Signed: (renewable annually)</p> <p>Memorandum of understanding between the Austrian Ministry of the Interior and the Russian FSB</p>	<p>Police cooperation</p> <p>Police cooperation</p>
Portugal	<p><i>Under negotiation</i></p> <p><i>Agreement between Russia and Portugal</i></p>	<p><i>Judicial cooperation on organised crime and terrorism</i></p>
Finland	<p>Signed: 5 March 1993</p> <p>Agreement between the Government of the Republic of Finland and the Government of the Russian Federation</p> <p>Signed: 11 March 1994</p> <p>Agreement between the Government of the Republic of Finland and the Government of the Russian Federation</p>	<p>Cooperation of customs and law enforcement agencies in the prevention of crime (entered into force in 1994)</p> <p>Cooperation and mutual assistance in customs areas</p>
Sweden	<p>Signed: 13 January 1988</p> <p>Agreement between the Government of Sweden and the Government of the Soviet Union</p> <p>Signed: 27 January 1994</p> <p>Agreement between the Government of Sweden and the Government of the Russian Federation</p> <p>Signed: 19 April 1995</p> <p>Agreement between the Government of Sweden and the Government of the Russian Federation, including additional protocols signed on 30 October 1996 and 2 December 1997</p> <p>Signed: 2 May 1996</p> <p>Agreement on cooperation between the Swedish National Police Board and the Russian Federal Security Service</p>	<p>Matters related to the issuing of visas</p> <p>Mutual assistance in customs matters</p> <p>Police cooperation</p>

Country	Agreement	Area covered
	<p>Signed: 2 May 1996</p> <p>Agreement between the Swedish National Police Board and the Russian Ministry of Internal Affairs</p>	
	<p>Signed: 2 December 1997</p> <p>Agreement on cooperation between the Swedish National Police Board and the Russian Fiscal Police Force</p>	
	<p>Signed: 2 December 1997</p> <p>Agreement between the Government of Sweden and the Government of the Russian Federation</p>	Mutual assistance in combating certain fiscal offences
	<p>Signed: 2 December 1997</p> <p>Agreement on cooperation between the Swedish Ministry of Justice and the Russian Ministry of Justice</p>	Judicial cooperation
	<p>Signed: 19 April 1998</p> <p>Agreement between the Swedish National Police Board and the Russian Currency and Export Control Committee</p>	
United Kingdom	<p>Signed: October 1997</p> <p>Agreement between the Russian Federation and the United Kingdom of Great Britain and Northern Ireland</p>	Cooperation in fighting crime
	<p>Signed: 6 January 1994</p> <p>Memorandum of understanding between her Majesty's Customs and Excise of the United Kingdom of Great Britain and Northern Ireland and the State Customs Committee of the Russian Federation</p>	Cooperation and mutual assistance
	<p>Signed: 18 June 1998</p> <p>Multi-agency memorandum of understanding between the UK (NCIS, NCS, Customs and Excise, Fraud Office, ACPO and Crown Prosecution Service) and Russia (Ministry of the Interior)</p> <p>Negotiation ongoing for similar document with Tax Police</p>	Serious crimes, organised crime, and drugs

NB: On 7 November 1996, Russia signed the European Convention on Mutual Legal Assistance and the European Convention on Extradition, dated 13 December 1957. Neither convention has been ratified.

Annex III

The European Union and Ukraine

Measures, memoranda of understanding, joint actions and other agreements

Country	Agreement	Area covered
Germany	<p>Signed: 6 February 1995</p> <p>Agreement to fight organised crime</p> <p>Signed: 9 June 1998</p> <p>EU agreement on assistance in extradition</p>	
Spain	<p>Protocol of 10 April 1997 developing some aspects of the collaboration agreement between Ukraine and the European Communities (14 June 1994)</p> <p>Convention of 7 October 1996 on Social Security (ratified on 4 February 1998)</p> <p>Agreement of 7 October 1996 on transport by air</p> <p>Treaty of 8 October 1996 on Friendship and Cooperation</p> <p>Convention of 7 October 1996 on Education and Cultural Cooperation</p> <p>Agreement of 16 June 1995 on international transport by road</p> <p>Resolutions on import limitations for raw aluminium (18 August 1993, RCL/1993/2499)</p>	General cooperation
Sweden	<p>Signed: 23 May 1999</p> <p>Governmental agreement concerning the fight against crime</p> <p>Signed: 10 May 2000</p> <p>Agreement between the Swedish National Police Board and the Ukrainian Ministry of the Interior</p>	
United Kingdom	<p>Signed: 16 January 1998:</p> <p>Multi-agency memorandum of understanding between the UK (NCIS, Customs and Excise, ACPO and Crown Prosecution Service) and Ukraine (Customs Security Service, MVD and Tax Police)</p>	Serious crimes, organised crime, and drugs

Annex IV

Short historical overview of organised crime in the USSR/Russia

Although EE-OC has been operating within the United States for the past 25 years, there has been, until now, limited reliable information available to law enforcement agencies. Linguistic and cultural differences have made their organisations hard to penetrate and the immigrants have a deep mistrust of the police.

Until now, little has been known about the history of organised crime in the former Soviet Union, due to the secrecy associated with the Government of the former Soviet Union. Russian history, as with all histories, reveals the existence of thieves and robbers dating back centuries.

The criminal underworld, known to its members as the *Vorovskoi mir* ('Thieves society' or 'Thieves world'), has existed on the margins of Russian life for centuries. In the late Tsarist era, outlaw bands were glamorous because of their struggle against landowners and an oppressive State. The traditional gang structure, fortified by a code of honour and rituals that discouraged outsiders, became a model for the early Bolshevik clandestine organisations (¹¹⁶).

During the Bolshevik revolution, Russia experienced a long period of disorder. Revolutionaries roamed the countryside stealing and attacking authorities in the name of the revolution. Bandits were recruited for so-called expropriations, carried out in order to raise funds. Following the revolution, the Soviets continued their relations with these criminal gangs. They were used as enforcers and informers against political dissidents in the Gulag.

Most organised crime prevalent in Russia is a result of economic fluctuations. These, in turn, have their

long-term causal factors embedded in the period 1940–70. The following summarised historical sequence traces the progress. All such factors were, in the long-term, conducive to the growth of organised crime groups.

The former Soviet Union survived the Second World War after hardly avoiding initial defeat. At a comparatively late stage, its industry was mobilised and placed on a war footing. This tardiness was due to Stalin's disastrous priority of the eradication of the internal political enemy; only during the period 1943–45, with the military turning point achieved, was industrial production approaching full capacity, giving the standard false stimulus that war affords to economic growth. Stalin remained suspicious of the western allies, and in the very period when western Europe was striving for retrenchment, demobilisation and social reform and welfare, the Soviet economy remained on a quasi-military footing.

Such a résumé is a general description. It does not detail the combined west European and US responses to the various cold-war crises; responses which met with some undoubted success. The salient point of the description, however, remains that of the resulting totalitarian economic and financial planning. Such economic planning was made out of necessity, without ideologically accepting, or taking into account, the regional economic developments and the shortfall involving cash/credit proportions.

In global terms, credit flow and credit transfer increased in western Europe, and intensified commercial activity by increasing the availability of large-scale funds. During a single decade, 1968–78, deposits held in western hemisphere tax havens by US-based holders increased from

(¹¹⁶) Stephen Handelman, *The Russian Mafiya*, pp. 85–86.

USD 1.5 billion to USD 159 billion. In a similar 10-year period, 1970–80, the early growth rate of the Eurodollar market was over 27 %.

A market economy emerges when prices in the markets of a given area fluctuate in unison. Once such price groupings fluctuate in a sort of unison, accompanied by coordinates of forming politico-strategic blocs, a form of pro-capitalism in regional or central zones emerges. This occurred during the period 1980–83, and particularly after the 1980s, and, whilst free business initiative was stifled, a market economy within the eastern bloc operated in that coherent albeit illogical trade circuits were established on the apparently contradictory axis of single trade centres. The former Soviet Union ascribed to itself in terms of export of produce in return for heavily protecting the industrial plant.

This economic area was virtually bypassed by the massive increase in credit and currency flow experienced by the United States and western Europe during the period 1950 to the early 1970s. During the 1960s and 1970s, the relationship between the State and organised crime reached new heights. The Communist 'centrally planned economy' was suited to the growth of heavy industry, but was unable to meet consumer demands. The scarcity of consumer goods amounted to nationwide shortages of virtually any item the consumer wanted. Subsequently, the Soviet leadership further cultivated its relationship and used the criminal organisations to satisfy the consumer needs, the Communist Party (nomenclature) and Soviet society.

The fact that these needs were met by organisations which stole, smuggled, bribed and terrorised was of little consequence. Organised crime groups have exploited these shortages in the past and continue to do so even though the Soviet Union no longer exists. This was a profitable area of illegal trade from which both criminals and State benefited. During this period, several large criminal organisations evolved. One of the largest was the Uzbek Mafia, which had ties to every level of the Communist Party.

These shortcomings of Communism created a society of people who were brought up learning how to manipulate the system to obtain the necessities of life and to obtain a better standard of living.

This knowledge included bribing officials and paying protection to get good jobs, housing, education and business. Beating the system became a way of life.

Although perestroika was intended to address the problems that were a part of the centralised Soviet economy, the social and economic changes, which accompanied the process, contributed to the growth of organised crime in the Soviet Union. When measures were introduced which broadened the area of private commerce, organised crime groups used the opportunity to infiltrate the legitimate Soviet economy with funds that had been obtained illegally. Cooperatives, banks and stock companies were all penetrated by 'black' funds from both official and criminal sources.

Finally, in 1991, a failed *coup d'état* provided the opportunity for reformers to alter the course of the Soviet experiment.

By 1992, the Soviet Union was no more. In its place 15 sovereign States now existed, administered by no central authority. The borders between these States were porous and smuggling of Soviet resources was rampant.

Although a number of the former Soviet republics had come together to form the Commonwealth of Independent States (CIS), levels of cooperation within this alliance were low. Subsequently, little agreement was reached on the state of the borders and smuggling continued unabated.

By the time measures within the CIS were developed to regulate the flow of people and goods between States, the profits generated by previous smuggling operations were already being put back into the legitimate economies of the successor States. As had happened before, privatisation plans, real-estate projects and new financial institutions were infiltrated by criminal organisations.

In 1993, FBI officials claimed that there were 15 organised crime groups from the former Soviet Union operating in 18 cities within the United States.

Comparing their arrival with the arrival of Italians who formed the Cosa Nostra, the following similarities surfaced:

- they arrived by way of mass immigration;
- they settled in small urban enclaves;
- they shared a common language;
- they exploited their own people.

The FBI ⁽¹¹⁷⁾ indicates that east European organised crime groups can be classified into four general groups, as follows.

Old Soviet-style criminal enterprise

This group is a circle of corrupt Communist Party officials, production and distribution bosses, corrupt regional government officials, and involving local and regional criminal bosses and gangs.

The top level is 'The elite'. They carry out the organisational and administrative functions. They do not commit the criminal acts and as a result are insulated from the crime. Two groups share the next level.

- **The suppliers:** They ensure that orders are carried out according to the wishes of 'The elite'. They settle disputes between groups and ensure communication between criminal families.
- **The security:** They include corrupt officials and journalists who provide social prestige and assist the criminals by informing them of any investigations and insulating them from the criminal responsibilities of their acts.

The base is occupied by the people who commit the offences, i.e. thieves, con men and burglars.

Ethnic-based criminal enterprise

These groups are clan-based and are somewhat structured, such as Chechen, Azerbaijani, Georgian, and Dagestani groups. The leader's position in the group depends on his stature within the group and how he gets along with other groups within their ethnic community.

Thieves-in-law (*Vory V Zakonye*)

The thief-in-law is considered to be the top echelon of the criminal hierarchy in EE-OC. These elite criminals earned their title through an election by the heads of various convict gangs while serving a prison term. Once elected, they must take an oath and are crowned in an induction ceremony. Under the thief-in-law are supervisors (*Smotryaschiy*) who run the gangs of fighters (*Boetz*), who conduct the day-to-day criminal activities. Under the *Boetz* are helpers, people who are not in the organisation, but who provide support to the thief-in-law.

Within the ranks of the thief-in-law is an inner council (*Bratski krug*), a panel of leading bosses who operate a kind of overseeing council. They meet to settle disputes over territory and transgressions within the organisation. Leadership, it is believed, is determined by succession.

Other criminal enterprises

These are groups which operate in a particular region, are led by a powerful leader, or whose members are involved in similar occupations or criminal activities. In the late 1980s, the Soviet Union still refused to acknowledge the fact that organised criminal groups existed. In June 1997, the Centre for Strategic and International Studies (CSIS) and FBI reported that, in the United States, 26 Russian OC groups were active (the Russian Ministry of the Interior counted 24 groups). The *Organizatsiya* operates in Los Angeles, Miami, and New York (more specifically Brighton Beach near Brooklyn, also called 'Little Odessa'), and other groups in New Jersey, Boston, San Francisco, Chicago, Seattle, Denver, Cleveland, Detroit and Philadelphia.

⁽¹¹⁷⁾ FBI, National Drug Intelligence Center, *Russian Organized Crime – A baseline perspective*, United States, November 1993.

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