

6. CORRUPTION AND CRIMINAL MARKETS

This chapter aims to provide a different dimension of organised criminals' use of corruption. While the previous chapters focus on institutions, here the analysis focuses on the how corruption facilitates particular 'organised criminal activities' that often involve multiple public institutions and private sector participants.

The proposed analysis focuses on "illegal markets," not simply on "criminal activities," for two reasons:

- It allows for easier measurements and comparisons of 'organised crime' across countries;
- It is broad enough to include all actors and aspects of corruption, not solely higher levels of structured criminal organisations; This approach provides a more comprehensive understanding of 'petty' and 'grand' corruption, which are often inextricably linked in the operation of illegal markets.

Many organised criminal activities (e.g. VAT fraud, or credit card fraud) are not market-based crimes based on 'demand' for illegal services or products. They are not discussed in this chapter, though they similarly might involve corruption. Most criminal groups and networks are involved in multiple markets and non-market based criminal activities. They use similar corruption networks for all types of crimes. Therefore, the analyses below provide sufficient analytical insight for further analysis of corruption in other types of organised criminal activities.

6.1 Illegal cigarettes

6.1.1 The market

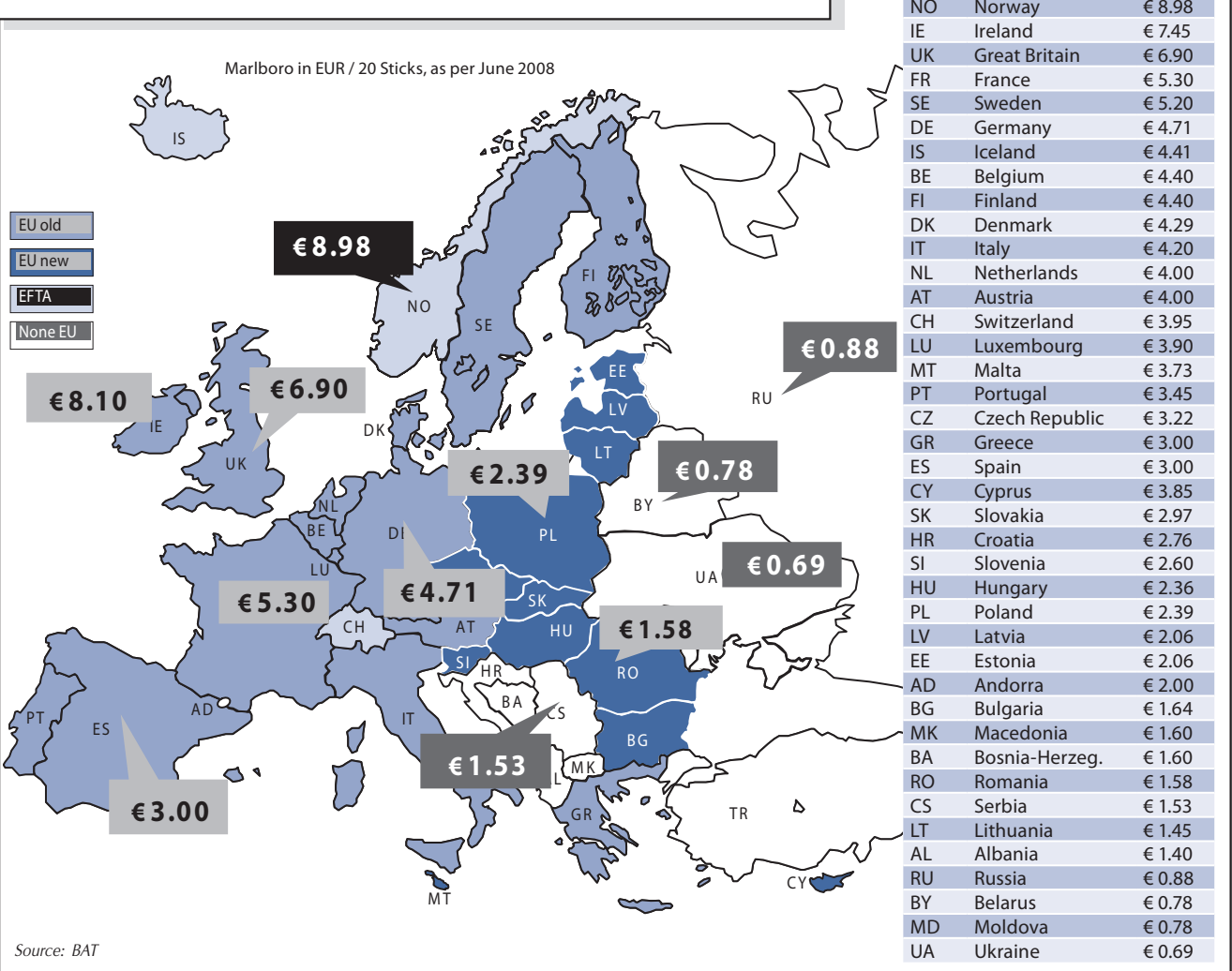
The sale of contraband cigarettes (legal or counterfeit) is one of the largest illegal markets in Europe. The price differentials of retail sales of cigarettes between the EU and its neighbouring countries, between EU-17 and EU-10E, or even within EU-17, create lucrative opportunities for criminals. An estimated 99 billion cigarettes are smuggled annually into the EU, of which 80% had been legally produced and 20% counterfeit. The main purpose of this illicit trade is avoiding excise taxes. Seizures account for only 3% of illicit trade in the EU. The losses to European governments according to some estimates are €10 billion. There are generally three types of smuggling practices:

- **Bootlegging**, or buying a quantity of cigarettes that exceeds custom regulations;
- **large-scale smuggling**;
- **postal imports**, or using the postal system to smuggle cigarettes;
- **counterfeit production**.

Large-scale smuggling and bootlegging possibly present the largest 'threats'. Some interviewees estimated that about 80% of cigarettes are smuggled across land borders through EU-10E countries, while about

20% (mostly counterfeit ones) are shipped by boat from outside the EU, mainly China.

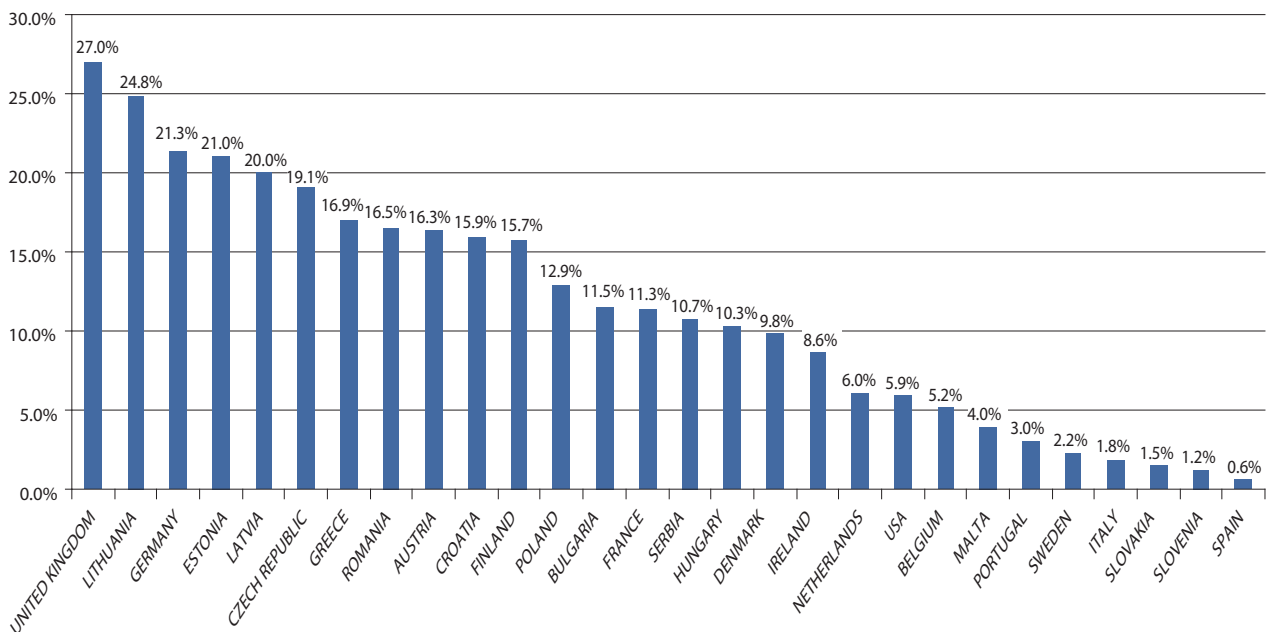
TABLE 16. CIGARETTE PRICES IN EUROPE



The key drivers for cigarette smuggling are the price differentials (see above map), the proximity to supplies (from EU-10E), and the size of the market. These factors determine that the most attractive markets and those that have the highest share of duty-not-paid (i.e. smuggled) cigarettes are Germany, Poland, Romania, Spain, the UK, etc. However, although price differentials and cigarette affordability are extremely important, there are a number of (non-financial) factors that, according to Joossens et al. (2009), contribute significantly to the establishment and consolidation of illegal markets in cigarettes (and other tobacco products). These include: (a) a long history of cigarette smuggling; (b) the presence of informal distribution networks; and (c) levels of a country's corruption that have been positively associated with the levels of illicit trade in cigarettes (see also Merriman et al. 2000).

The distribution of cigarettes across the EU is heavily dependent on informal labour and sectors of the economy with high levels of informality (e.g. 'night-time' economy).

FIGURE 13. ILLICIT TRADE AS PERCENTAGE OF TOTAL CONSUMPTION



Source: Euromonitor International⁶³

6.1.2 Criminal structures and organisation

Across the EU, a large number of criminal entrepreneurs engage in cigarette smuggling and distribution, forming a variety of criminal networks throughout the EU with links to the former Soviet Union or China. Although each Member State has a specific illegal market structure (depending on the size of the market, the local legal cigarette prices, the country's position – transit or destination, the demand for illegal cigarettes) several generalisations could be made to sketch the illegal cigarette markets in the EU.

- **Large hierarchical** structures operating in networks, often connected to local producers in several countries. One example are the cigarette makers in Russia (Kaliningrad), Ukraine, and Belarus, whose products are smuggled into Eastern Europe, where part of them are sold, but ultimately destined to reach lucrative markets in Germany and the UK. The model often involves 3-4 large factory owners, wholesalers in Poland and the Baltic countries, and street vendors (Vietnamese immigrants) in Germany (Lampe 2001; LEI).
- **Large networks** involving dozens of trading companies, providing the purchase and delivery of international brands of cigarettes. After numerous transfers of the goods through duty-free zones and ports, the

⁶³ Malta's data is for 2002-2003. No data is available for Cyprus and Luxembourg. The estimates provided by Euromonitor should be considered carefully. National governments or "Big Tobacco" companies have their own estimates. These estimates were presented as they are probably more independent than others and provide a general idea of the country risks.

cigarettes are eventually smuggled and distributed through criminal networks of wholesalers and retailers.

- **Small networks.** The first two/three structures take advantage of the in-transit system which allows the temporary suspension of taxation.
- **Individual cigarette smugglers** who illegally deal in small quantities of duty-paid cigarettes bought from legitimate retail outlets (see, for instance, Antonopoulos and Mitra 2009).
- **Counterfeiting networks** organising illegal production of counterfeit cigarettes within the EU, particularly in Central Europe, using low-cost machinery from Asia. The investment pays off even if one container of cigarettes is sold.

The main players within these different networks include wholesale brokers who trade in various brands, and who are usually involved in securing the transit of the cigarettes, including paying the necessary bribes, between sellers and wholesalers who have exposure to retail networks. Polish traders who have a long tradition playing such an intermediary roles are one such example. The upper-level players are often criminal companies that have the financial capacity and legitimate *appearance* to purchase large quantities from legal distributors or producers (Lampe 2001).

Networks of warehouse owners serving the several thousand bootleggers who daily cross the borders between countries with higher and low priced cigarettes (e.g. Poland-Ukraine, Romania-Ukraine, Bulgaria-Serbia, Poland-Belorussia) also play an important role. Illegal cigarettes are distributed in these networks. The above-described entities for production, transport, import, wholesale and retail often interact and establish longer term symbiotic relations.

6.1.3 Corruption pressures

Corruption could be observed at all levels of these networks. The targets include:

- Customs
- Politicians
- Private sectors
- Police

Customs: The main target of corruption related to cigarette smuggling are customs agencies and checkpoints – the institutions involved in controlling imports of cigarettes and collecting excise taxes. The pressure is greatest along external EU borders, in particular the eastern borders of the EU Customs Union. In some Member States along the eastern border of the EC, entire land-border customs operations have been compromised – from front-line detection officers to supervisors, heads of office, regional directors, possibly even including at the central level (BG, HU, LT, RO).

Bootlegging, which is rife in border regions of EU-10E, is usually related to low-level corruption or even tolerance. The key border crossings that

were identified by interviewees as locations where large-scale cross-border bootlegging include:

- Bulgaria (Svilengrad, bordering Turkey; Kalotina, bordering Serbia)
- Romania (Siret/Suceava, bordering Ukraine)
- Poland (Bialystok, bordering Belarus; Przemysl-Medyka, bordering Ukraine)
- Greece (crossings with Bulgaria, Macedonia, and Albania)
- Hungary (Zahony, bordering Ukraine)
- Slovakia (Vysne Nemecke, bordering Ukraine)

The border towns at the crossings are heavily dependent on bootlegging and trafficking excisable goods. The local customs and border authorities usually allow this trade as a routine way of survival. Central and local customs leadership generally tolerate this cross-border culture. There are different schemes for 'border crossing fees': from fixed amounts, which are split between the officers on a shift, with a share going to higher-ups, to fees determined according to the quantity smuggled. The bribes are paid either by 'mules' transporting the cigarettes or scheme organisers.

The main reasons behind the continuing corruption interviewees mentioned were:

- Relatively low salaries;
- Inadequate organisation of operations to prevent corruption;
- Organisational cultures histories of tolerating corruption;
- Lack of economic alternatives of border communities involved in shuttle trade smuggling.

In EU-17, the lack of land-border posts concentrates the pressure for corruption amongst customs officers at sea ports/airports. Surprisingly, no corruption cases have been detected and reported by customs in most EU-17 ports where large shipments of cigarettes arrive (BE ES, NL, UK), with the exception of cases detected in Greece (EL). Interviewees explained that there was no need to use corruption. Smugglers refer to the '1 in 7 rule', which states that even if only one out of every seven containers smuggled passes, it compensates and makes the smuggler break even. In reality, as most customs, particularly in big ports like Le Havre, Rotterdam or Hamburg check less around 2% of containers, the statistical chances of successful smuggling are quite high.

Law enforcement experts argue that large shipments of more than one container are typically considered high-risk to smugglers, and they take precautions by bribing customs officials. This approach leaves open the question of why customs offices in ports across EU-17 are not coming across any corruption cases. Some interviewees offer one possible, albeit speculative, answer, saying that many customs offices in EU-17 don't traditionally handle corruption problems and thus are not making special efforts to detect them. In some Member States (e.g. BE, DM) there are no internal investigation departments in customs agencies. In others, particularly in Nordic countries, where organised crime has a more limited presence, fewer resources are allocated to complex investigations (e.g. involving wiretapping) to uncover corruption in customs (EU). Therefore,

the investigations usually stop at arresting the mule or the few immediate associates. For instance, the large seizure of close 1 billion cigarettes in several warehouses across Belgium did not result in uncovering corruption, yet according to law-enforcement experts such a large shipment is unlikely to have crossed border without any corruption (EU).

In some countries, smuggling takes place at sea or on rivers (BG, EL, ES, IT). In these cases, the smugglers disperse sealed packages with cigarettes near the coast, where small boats later collect the shipments. In such schemes, sometimes the corrupt border guards or customs officers inform smugglers of the patrolling schedules of border guards, so as to avoid detection. In countries like Italy and Greece that have thousands of kilometres of sea border, successful smuggling could also be attributed to the lack of the capacity to effectively guard the extensive coasts.

Private sector: several industries are particularly vulnerable to cigarette-smuggling-related corruption: transport, port services, and duty-free shops. Several studies present evidence of collusion between smugglers and legal companies, as well as corruption:

- **Transport sector:** research on cigarette smuggling in the Netherlands (Van Dijk, 2007) has shown that corruption could exist in about 19% of the cases where a company employee – most often a driver – would become involved in a smuggling ring. There were also smuggling cases involving managers or cargo-planners.
- **Port authorities:** there are various cases in which corrupt port or dock workers were arrested in smuggling schemes. In some cases, these workers might cooperate with corrupt customs officers. Corrupt workers could be used to transfer goods out of ports or duty free zones and help avoid customs detection.
- **Duty free shops:** the role of land-border duty free shops in Eastern Europe, in particular in Romania and Bulgaria has been noted in various studies (CSD 2004).
- **Retailers:** In EU-10E, small and medium-sized stores could distribute illegal cigarettes (through corrupt store managers or owners), while in EU-17, bars and coffee shops (Antonopoulos and Mitra, 2009) or even CD shops, groceries, haberdasheries and kiosks (Antonopoulos, 2008) play a similar role.
- **Tobacco manufacturers:** The bulk of the commodity to be sold on the illegal market comes from here. Tobacco manufacturers may appear as one of the parties that suffers losses from the illegal cigarette trade. However, by turning a blind eye to cigarette smuggling, they are the main beneficiaries, since they indirectly use the cigarette black market as a 'market entry strategy' (Joossens & Raw, 1998) to 'open' markets that are increasingly 'closed' due to a tighter tobacco control frameworks, introducing cheaper cigarettes and stimulating consumption. In addition, tobacco manufacturers 'exploit' the issues surrounding cigarette smuggling to pressure governments to reduce or avoid increasing cigarette taxes (Joossens & Raw, 1995; 1998; 2002).

Political corruption: political corruption is limited allegedly only to EU-10E Member States. No particular evidence was provided, although allegations were made about existing problems in Bulgaria, Lithuania,

Poland and Romania (BG, LT, PO, RO). Political corruption is used:

- To influence customs to provide protection;
- To act as intermediary in facilitating customs corruption;
- To provide protection to private sector players involved.

Political corruption, especially in local governments, is more frequent in border regions, particularly in towns where cross-border smuggling provides a living for many families.

Police corruption: In countries where customs agencies lack investigative powers (Bulgaria, Denmark, etc.), the police become a more important corruption target for smugglers. Throughout the EU, police enforce laws related to the retail distribution of counterfeit or smuggled cigarettes. Some interviewees stated that illegal cigarettes are generally a lower priority for police inspections, unlike customs, therefore making police corruption related to illegal cigarette distribution unnecessary. In Germany, for instance, police practically never arrest street sellers or even low-level whole-sellers of illegal cigarettes, as they usually carry only small legal quantities.

In Eastern Europe (e.g. Bulgaria), retail sales of illegal cigarettes could be ‘charged’ by low or middle-level officers. The charge is made in return for warning retailers about police raids or concentrating police raids on the competition. In some cases, durable relations between the officers and retailers do not exist. In cases of successful police raids, ad-hoc payments could be made to prevent or impede further investigations. High-level police corruption is usually related to political corruption, where investigations against large-scale smugglers are stopped under pressure from corrupt politicians or relevant intelligence is withheld.

TABLE 17. CIGARETTE SMUGGLING AND CORRUPTION

Illegal cigarettes and corruption summary card				
Targeted Institutions	Customs (all levels)	Private sector: Transport Ports Duty free outlets Retailers	Police(all levels)	Politicians Local and central government
Purpose of corruption	Avoid detection, ensure smuggling channels	Smuggle tobacco Distribute tobacco	Protection in distribution; protection from investigation	Influence customs, police, legislation
Countries targeted	BG, EL, LT, PL, RO, HU	All (except duty-free shops: RO & BG)	n/a	BG, PL, LT, RO
Level of risk	High	High	Low	Low

6.2 Prostitution and trafficking of human beings for sexual exploitation

The link between prostitution and trafficking in human beings for sexual exploitation (abbreviated as THB) can be elucidated by the large demand for sexual services across the EU, prostitution’s large profits and the relatively low-risk operation of people smuggling. Historical, geographic, and specific prostitution market contexts in Member States affect corruption pressure related to THB and prostitution.

6.2.1 Historic and geographic contexts

In the former communist countries – EU-10E, the prostitution market re-emerged after the democratic changes of the early 1990s. The transition to market economies that followed resulted in high levels of unemployment and marginalisation of many vulnerable groups, leading to a surge in the number of women involved in prostitution domestically and, above all, internationally.⁶⁴ At the same time, the low standards of living created a relatively limited prostitution market. These countervailing factors, coupled with the demand for sexual services in EU-17 and the larger profits earned from prostitution abroad, lead to a substantial number of women being trafficked for the purpose of sexual exploitation to wealthier Member States.

In destination countries of THB, the type of corruption pressure exerted is affected by the legal status and regulatory framework of prostitution. In Member States, where prostitution is legal but regulated, corruption of local administration (DE, NL) or tax authorities (EL) is likely to exist, as some sex workers or brothels work in the grey economy. In Member States, where certain prostitution related activities are criminalized (e.g. profiting from prostitution in France, inducing someone into prostitution in Bulgaria, paying for sexual services in Sweden), corruption pressure falls primarily on police officers.

The geographic distribution of sex markets across the EU also influences the prostitution landscape and, consequently, the corruption pressure exercised. Large metropolitan centres (e.g. London, Amsterdam, Brussels, Frankfurt, Madrid, or Paris), coastal tourist centres (e.g. Mediterranean or Black Sea resorts), or border areas usually concentrate demand for paid sex. These concentrations lead to high corruption pressure on local police officers, local authorities, and immigration offices (UK, NL, BG, EL, CY, ES, CZ, BE).

6.2.2 Market context

In most Member States, there are four main market segments for prostitution: the street, brothels, elite prostitutes, and independent prostitutes. Although the four levels are often interrelated, the actors (prostitutes or criminal networks) in them are often different, as are the corruption targets.

- **Street and highway prostitution:** this is the most conspicuous type of prostitution and most directly controlled by the police. Low-level corruption of patrolling police officers for protection/racketeering is most common (UK, BG, FR, ES, DE).
- **Club prostitution** (brothels, massage parlours etc): low to mid-level corruption of law enforcement is likely to be used to prevent raids and vice squad investigations (BG, UK, CY). Brothel-regulation-related

⁶⁴ In Bulgaria, within two decades after the fall of the regime, between 25,000 and 30,000 of women were involved in prostitution annually up from a few hundred at the most before 1990 (Bezlov et al. 2007).

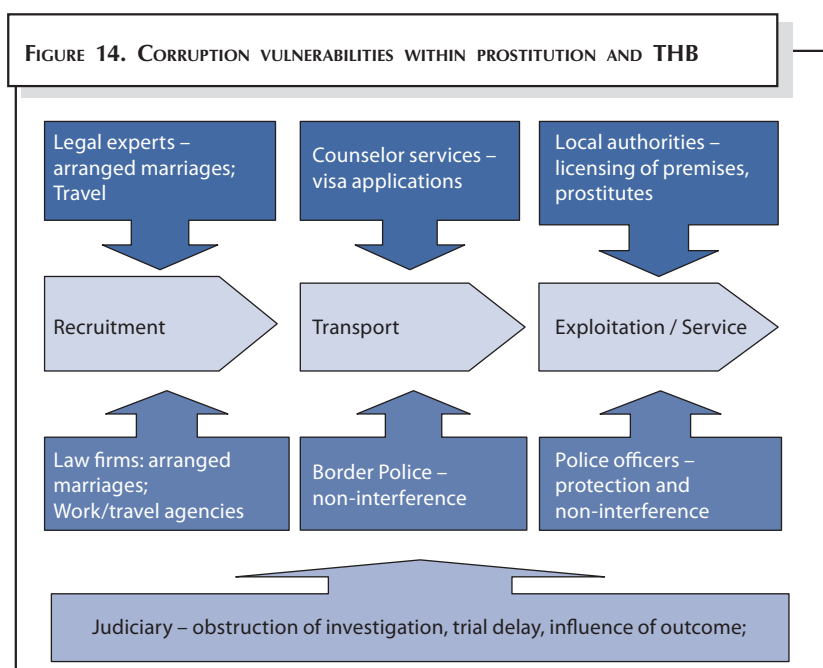
corruption could also affect local government and tax authorities that enforce licenses or zoning laws (NL, DE).

- **Elite prostitution:** Elite prostitutes are used as a corruption instrument by organised crime to gain influence over politicians, magistrates, and representatives of multinational corporations (FR, BG, DE).
- **Independent:** the internet has provided an opportunity for some women to work independently as prostitutes. Little corruption seems to be involved, and organised crime, especially in countries where prostitution is legal, often does not control independent prostitutes).

The criminal groups and organisations involved may be small, sometimes working in collaborations, or part of larger criminal structures. Often, parts of them operate remotely, with someone in the supply country (typically in Central and Eastern Europe) controlling women and pimps. Cooperation with local criminal structures controlling prostitution and local 'distribution channels' (e.g. brothel/cabaret/window/restaurant owners) is vital.

The most common activities within THB or trans-national prostitution networks are the following:

- Recruitment and procurement;
- Smuggling and transport;
- Counterfeiting of identity and travel documents;
- Provision, management and control of safe houses;
- Pimping;
- Operation of premises where victims are exploited or prostitutes work: bars, nightclubs, brothel factories, hotels, cabarets;
- Collection, delivery and distribution of the profits of trafficking;
- Money laundering and the management of assets and proceeds of crime (Europol, p.6).



6.2.3 Corruption pressure

Corruption could be used at many points during the trafficking process, or in the course of the operation of a prostitution ring, or the running of a legitimate or semi-legitimate commercial sex enterprise. The graph below illustrates how, starting from the recruitment of prostitutes or victims (typically in EU-10E, e.g. BG, CZ, PO, RO), and leading through the transport and the exploitation or 'service-provision' phases, private companies and public officials could be involved.

Staff member of the Belgian Embassy in Sofia in 1996 were bribed by an organised criminal smuggling ring that led to the issuing of 250 visas to Bulgarian nationals, including many prostitutes. Subsequent evidence emerged that a senior diplomat had developed a network of front companies at home for making fictitious work visas. (BE)

Staff at the French embassy in Sofia (BG) were implicated in selling an estimated 20 000 to 25 000 visas to Bulgarian prostitutes and charges were brought against a former vice consul (US TIP Report 2001).

In Netherlands, the municipal councils responsible for the enforcement of the administrative law concerning the licensing of "sex workers" are often bribed by criminal groups to avoid payment of taxes (NL).

In Cyprus, where prostitution is illegal, trafficked women from Eastern Europe, Latin America, Southeast Asia and North Africa come to work in cabarets and bars on "artist" visa. Intermediaries are used and consular officials may be bribed to turn a blind eye when issuing the "artist" visa permits to foreign women (CY).

Political corruption: cases

In the past in Belgium there were two parliamentary commissions on organised crime and one on human trafficking. Political involvement in OC and corruption of politicians was to be discussed by those commissions. The parliamentary commissions, however, were liquidated in 2003 after politically sensitive report was issued. Magistrates were not allowed to speak publicly fearing that they will lose their jobs. OC groups probably corrupt politicians on various levels but there is no hard evidence and cases to provide strong support of such claims. (BE)

In public scandal, the Bulgarian Parliament passed a legislative amendment that became publicly known as the 'Vanko-1 amendment': named after not the legislators that initiated it, but after one of two well-known traffickers of human beings and pimps. The convicted pimp, Vanko-1, who was also a popular singer, was considered to have had undue influence on certain MPs through his lawyers. (BG)

Investigations have also shown links between the Italian mafia and the Socialist Party in Belgium. In Belgium, Defence Minister Van Den Boeynants is known to have had connections in the 1970s with criminal groups operating escort services. The use of escort »

In the sections below, the various forms of administrative, police, law-enforcement, and judicial corruption are discussed.

6.2.3.1 Administrative corruption

Administrative corruption is more common where prostitution is legal and regulated (DE, NL). In such countries, brothels or prostitutes may decide to conduct activities without the necessary licences, avoiding tax, and are part of the grey, rather than the 'black,' economy. Nevertheless, administrations could be corrupted for different reasons:

- **Avoid zoning requirements** (in countries with legalised prostitution certain areas cannot have brothels), licensing regimes, and the payment of taxes (NL).
- **Work permits:** Labour bureaus are also a target of organised crime aiming to legalise the status of victims of trafficking (CZ).
- **Real estate:** concealing or changing the purpose of real estate operating as a brothel. In the Netherlands, municipal officials are bribed to change the classification of premises in the Red Light District purchased as "residential real estate" to "brothel" (NL).
- Obtaining licenses for bars and night clubs functioning as brothels (NL).
- **Visa-fraud:** securing forged documents for trafficking victims to facilitate **transportation**. In some cases, visa fraud secures legal stays in the EU Member State where the non-EU national criminal group resides (BE).

6.2.3.2 Political corruption.

As indicated in the section on political corruption, participants in illegal markets, such as prostitution or THB, have limited access to politicians in EU-17. Evidence reveals, though, that political corruption, mostly at a local level in EU-10E, is more common. Whenever it occurs, corrupt politicians ensure protection from investigations or prosecution (as already discussed in the sections on police and judicial corruption).

The disparity of the levels of political corruption in Eastern and Western Europe can be explained partially by the fact that larger shares of proceeds from prostitution and trafficking return to Eastern Europe, often via laundering in the 'white' economy. 'Ring leaders' are often based in Eastern European countries, where they become local economic players and might have political links, or even political posts (BG).

Political elites at the local level in EU-10E then become vulnerable to corruption pressure as they are more exposed to wealthy local businessmen involved in criminal networks dealing with prostitution and THB.

Across the EU, though, elite prostitutes and escort service are often used to corrupt political figures and provide criminal networks with protection from investigation (BG, DE, FR, NL). For the criminal networks running elite prostitution rings, access to politicians is either direct, or via businessmen that could be their clients.

»services by political elites/ royalties, notably Prince Albert (now King of Belgium), is often used as a blackmail tool by the criminal groups. (BE)

In 2000, Melikhov, member of Russia-Georgian mafia, operating in prostitution and human trafficking, money laundering, Antwerp diamond sector, bribed Belgian political figures to obtain Belgian nationality. (BE)

Police corruption

In Lithuania, police officers have been involved in racketeering involving prostitutes and criminal networks. The prostitute would service a rich client and complain to the police officers that she had been raped. The police officer or a fake relative would show photos to the client as evidence and demand pay-off (LT).

In a 2006 case, 7 community police officers from the Paris suburb of Seine-Saint-Denis were sentenced to various prison terms for committing a number of crimes, including obtaining free services from prostitutes. In a different case in 2006, four police officers (3 from Marseille and higher level Commissaire, from Carpentras) received sentences of between 1 and 4 years for having financed and operated at least two swinger clubs that also involved prostitution. (CS-FR)

On May 8, 2008, the chief of the local police of Coslada (a Madrid suburb) and other 26 local police officers were arrested on suspicion of involvement in a corruption ring that involved extortion from prostitutes, bars and local businesses. On May 14, a judge authorized detention without bail for 13 of the arrested officers (SP).

A recent case from Greece cited by an interviewee revealed the difficulty of drawing the line between police corruption and full-scale involvement in organised crime. The case involved four police officers who were arrested for their alleged participation in a sex-trafficking ring believed to have brought hundreds of women to Greece from Eastern Europe and the Balkans for prostitution. Two of the four had been previously prosecuted, while one was convicted and dismissed from the force after being found guilty of participating in extortion racketeering (GR).

Police officers in Germany make themselves vulnerable to blackmailing by visits brothels and the „milieu“. Police officers are then bribed into providing information to the criminal group (DE).

6.2.3.3 Police corruption

Interviews revealed that police corruption is the most common type used throughout the EU to facilitate prostitution. Along with drugs, the prostitution market is a key driver to corruption within the police. In general, across the EU, police corruption takes place at the low level of the law enforcement hierarchy, where there is direct exposure to prostitutes, pimps, and brothels.

Different types of corruption pressure may be exerted, depending on the legal status of prostitution in the respective country and the level of prostitution (street level, club, elite). Brothels, especially, provide a covert environment where corrupt exchanges can take place. The following are the most common reasons, why criminals or prostitutes corrupt the police:

- In countries with liberal regulation of prostitution, police officers, responsible for the enforcing of the licensing regime, are bribed to “turn a blind eye” on non-licensed prostitutes (NL).
- In Member States that criminalise prostitution, corrupt police officers are essential for the operation of street level prostitution – the most conspicuous type of prostitution.
- In countries criminalising profiting from prostitution, police officers are bribed to provide protection of brothels and other types of premises for sexual services. Such corruption pressure is likely to affect police officers at a higher level to prevent investigations or ensure information (e.g. time and place) on police raids.
- Police officers are themselves involved in racketeering prostitutes, in return of sexual favours or payments (EL, FR, SP).⁶⁵
- In some cases (FR, UK), police officers have been directly involved in prostitution, setting up and operating a brothel with Eastern European prostitutes (UK) and swinger clubs, that also involved prostitution (FR). In Greece, police officers were arrested for alleged participation in a trafficking ring; participation of police in trafficking networks is also evidenced in Bulgaria.
- Police officers leak information leaking on police operations or obstruct investigations for organised crime.
- Criminal networks bribe border control law enforcement to evade surveillance in the countries of origin of trafficking victims, such as Bulgaria.
- Acting on behalf of criminal groups, prostitutes blackmail police officers, a recurring trend throughout EU Member States (UK, NL, DE, BG). Recordings made of officers gambling or having sex with prostitutes is used to exhort information.

⁶⁵ A recent study of prostitution in Chicago revealed that around 3% of all ‘tricks’ that prostitutes did were freebies to police officers (Levitt and Venkatesh 2007).

Judicial corruption: cases

A recent case in Spain demonstrated connections between a judge and a criminal network, involved in, among others, prostitution and trafficking. The judge was suspended from the General Council of the Judicial power; later, however, the suspension was lifted (ES)

Other cases are presented in section 4.6 on judicial corruption in Germany and France.

6.2.3.4 Judicial corruption

The judiciary, particularly the courts, is much less targeted by organised crime than the police or politicians. The objectives criminal organizations pursue to corrupt the judiciary to facilitate prostitution or human trafficking follows the same models for the corrupt protection of other illegal activities – focusing on avoiding investigation, influencing the trial, obtaining lower sentences, etc.

Judicial corruption is often linked to political corruption. In some “politically sensitive cases” involving members of the political elite, magistrates may obstruct or refrain from investigations.

Interviews reveal that blackmail involving prostitutes is a common technique to corrupt judges and prosecutors (BG, CS-FR, DE, NL). Under threat of exposure, judges and prosecutor are then blackmailed into committing further corrupt acts.

Organised crime uses social, professional and political networks to influence the judiciary. The case study of Bulgaria reveals that prosecutors are involved in sub-networks of large local businessmen, local MPs, judges, mayors, city council members, law enforcement officers that act in concert in exercising or protecting organised crime activities, including THB.

Private sector corruption

Human trafficking activities in EU Member States have been facilitated by the involvement of law firms/legal consultants and work-abroad agencies. Advice provided by lawyers on marriage of convenience serves an important function in trafficking of women (NL).

- Lawyers can serve as intermediaries between criminal groups and magistrates for the settlement of cases related to THB.
- Work-abroad/ travel agencies serve to recruit victims of trafficking through advertisements of unrealistic job offers.
- Transport companies (particularly bus companies) could transport prostitutes, trafficking victims and earnings between source and destination countries. Bus drivers are usually easy corruption targets (BG).

6.3 Drugs**6.3.1 The market**

The drug market continues to be one of the most significant source of income for organised crime (Europol 2005). The EU’s market for cannabis, cocaine, heroin, and amphetamine type substances (ATS) is estimated at between 55 and 100 billion EUR on the consumption level.⁶⁶

⁶⁶ This estimate excludes meta-amphetamines and precursors.

(UNODC 2008, RAND 2009). EU member states have different levels of consumption (in both relative and absolute terms). The table below shows what share of adult population uses a given drug. Although the real market sizes could be much larger (see RAND 2009) the table indicates how different the drug markets landscape could be amongst MS.

TABLE 18. LIFETIME PREVALENCE (15-65)⁶⁷

	Opiates	Cocaine	Amphetamines	XTC	Cannabis
UK	0.9	2.6	1.3	1.8	8.2
ES	0.2	3.0	1.0	1.2	11.2
AU	0.5	0.9	0.8	3.5	7.5
IT	0.8	2.1	0.4	0.4	11.2
EE	1.5	0.6	1.3	1.7	4.6
IE	0.5	1.7	0.4	1.2	6.3
LU	0.9	0.9	0.4	0.5	7.6
CZ	0.2	0.2	0.7	1.0	9.3
BE	0.4	0.9	0.6	0.9	5.0
LV	0.9	0.2	1.1	0.8	3.8
HU	0.4	0.4	0.8	1.4	3.9
DK	0.5	1.0	0.7	0.3	5.2
FR	0.4	0.6	0.2	0.5	8.6
NL	0.3	0.6	0.3	1.2	5.4
SI	0.5	0.3	0.2	0.9	6.2
SK	0.4	0.5	0.2	1.2	4.1
DE	0.3	0.7	0.5	0.4	4.7
BG	0.5	0.3	0.4	1.1	1.5
FI	0.2	0.5	0.6	0.5	3.6
PT	0.7	0.3	0.1	0.4	3.3
LT	0.6	0.3	0.3	0.4	2.2
CY	0.1	0.6	0.4	0.5	2.1
PO	0.2	0.2	0.7	0.3	2.7
SE	0.2	0.2	0.2	0.4	3.1
MT	0.6	0.3	0.03	0.2	0.8
EL	0.3	0.1	0.2	0.2	1.7
RO	0.2	0.1	0.1	0.1	0.9

Source: EMCDDA

⁶⁷ The data in this table comes from national representative surveys where respondents self-report the frequency and quantity of consumed drugs (see below).

Each of the four groups of drugs has its own specific sub-markets, with their own consumers, distribution, traffic and production (as is the case with cannabis and ATS). Organised crime participates in different aspects of these markets: import/production and wholesale and retail trade. In the various national markets, depending on the impact of organised crime, distribution at the lowest level in certain regions and towns might be free, while elsewhere distribution may be under total control. Accordingly, the opportunities for corruption pressure and influence over police and customs are different.

6.3.2 The cocaine market

EU countries consume about 250 tonnes out of the annual global output of about 800-1,000 tonnes of pure cocaine hydrochloride (UNODC 2008a). In the EU, about 100 tonnes of cocaine are seized annually, around half (49.6 tonnes) in Spain. The demand for cocaine continues to grow in many Member States, and especially in Spain and the UK (RAND 2009).

Corruption among customs officers is quite rare because a single officer or even a group of officers have very limited possibilities to provide a 'safe channel for smuggling' (UK, BG, FR). A successful import scheme would have to involve numerous teams from vertical and horizontal structures, and thus would become prohibitively expensive. It is much simpler to take into account the enormous volume of imports (in ports like Antwerp and Rotterdam), the expected percent of checked shipments, and to include the loss from intercepted goods in the overall price of cocaine. Another factor favouring the lack of pressure on customs officers is that inland controls are relatively light. At places where there is a more substantial control (for instance, the French-Spanish border where the trafficking route to the Netherlands passes, with distribution links to Denmark, Germany, Scandinavian countries and the UK), expected losses have been calculated for couriers travelling at their own risk.

Interviewees outlined other systemic weaknesses exploited by cocaine trafficking networks. For example, drug traffickers intentionally overfill airport detention facilities with "swallowers" (people who have swallowed cocaine for smuggling), knowing that customs officers would not be able to check everyone, so some "mules" would get through. Officers would not risk the lives of detainees who might die from the swallowed cocaine unless they are placed under required medical monitoring in specialized hospital rooms.

From the data about the seized cocaine, it could be concluded that organised crime in Latin America and Europe lose from such seizures about 4,5 to 5 billion EUR (re-calculated at retail prices). It is difficult, then, to explain the reported lack of attempts to corrupt customs and coastal guard officers in the major entry countries, such as Spain and Portugal (ES, PT). At the same time, other interviewees argued that shipments of more than 1 tonne of cocaine usually are sent through a 'safe

channel' (i.e. high-ranking customs officers provide protection).⁶⁸ Furthermore, cases were cited (NL, UK) in which customs officers at airports were involved in a cocaine channel where their role was to imitate a thorough check, thus letting cocaine smugglers go through the customs undisturbed. Their participation was uncovered by chance through unscheduled changes in the shifts.

Different hypotheses based on uncovered cases have been outlined with regard to involvement of corrupt law-enforcement employees. Criminal groups provided these employees with information pertaining to their rivals in return for unhindered trafficking of their shipments (ES, NL, UK). They even sacrificed their couriers in order to avoid any suspicion of possible involvement of these employees in the trafficking channel.

The EU's cocaine interception rate declined by 35% in 2007 (UNODC 2009). The main reason is that cocaine trafficking has shrunk in the old Member States, drastically in Spain, Portugal and France, and to a smaller degree in Belgium, Sweden, Italy. At the same time there is an increase in cocaine trafficking in the new member states – Central, Eastern and South-Eastern Europe.⁶⁹ In this context, some interviewees (BG, EL, RO) stated that for some time there have been attempts by organized crime to develop new channels for trafficking of cocaine in Western Europe. Taking into consideration the high corruption levels in the police force, border and customs services of the above-mentioned countries, the police could be turned into a preferred partner for securing a route for cocaine smuggling. There are different indications that organised crime in the Balkans is trying to add cocaine to its heroin trafficking based on the presumption that cocaine demand would increase while those of heroin decrease (BG).

In the retail market, the number of corrupt police officers varies by country. In some countries, like the Netherlands and Spain, street dealers are generally not prosecuted; middle-level distributors are targeted instead. This method is a much more cost effective in combating drug distribution (it causes much higher damage to the distribution networks with minimum resources). In addition, it avoids placing the low level police force at risk of corruption, or the risk of corrupt officers recruiting within their own ranks or even attracting their superiors (ES, NL). In EU-10E, the opposite model seems to be applied, as police try to report better statistical results and prosecute street level dealers, while avoiding higher levels (BG, RO). In some cases, insignificant players are prosecuted so that attention is diverted from the higher levels (BG).

In some countries (BG, CZ, EL, ES, HU, IT, PL, PT, RO), local immigrant distribution networks have established spheres of influence in the enter-

⁶⁸ Interview with a Head of a Drugs Department in an EU Member customs who asked to remain anonymous. According to him, 'even if these attempts to pay for a 'safe passage' are not successful, they are recurring and certain customs officers would take the risk, get 2-3 million EUR and then retire'.

⁶⁹ The registered decline in cocaine interception rate spans over a short period of time and the information is fragmented so that no realistic analysis could be made. The reason for this change is still unclear having in mind that the increase in bulk and retail prices in the EU is insignificant in comparison to the USA (World Drug Report 2009, UNODC).

tainment industry (e.g. bars, night clubs and other places where cocaine is on demand). Organized crime employs various corruption instruments, depending on the country. In countries where the police are responsible for exerting control over street distribution of drugs, the targeted group are police officers. In others where the entrances of night clubs are controlled, the objects of corruption are private security companies and club owners (ES, UK).

6.3.3 The heroin market

UNODC has estimated that 135 tonnes of heroin are supplied annually to the EU. According to the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA), there have not been signs in recent years that point to a significant decrease of the market after the slowdown in the beginning of the century (Europol 2006). UNODC estimates that the size of the market exceeds €22 billion. RAND's estimates between €5 billion and €14 billion, depending on the purity level assumed (RAND Europe 2009, UNODC 2008, UNODC 2008a).

By a wide margin, most of the heroin that enters the EU originates from the opium poppy fields in Afghanistan. The Netherlands and, to a lesser degree, Belgium, play an important role in the secondary distribution of heroin across the EU. For instance, the Netherlands and Belgium supply most of the heroin destined for the United Kingdom. In addition, France, Germany and Spain have observed over the years that a considerable part of the heroin seized in their countries is being supplied via the Netherlands and Belgium (Europol 2006). Turkish criminal networks with ties to Afghanistan and the Netherlands, Belgium, France, Germany and the UK dominate the trade.

The big players in the heroin market (i.e. bosses of Turkish criminal clans) sell to traffic organisers who risk their own capital and hire 'mules' for transportation. Balkan route organisers or the new northern route are aware of the expected losses and include them in the price. If their planning turns out wrong, they lose money or may be forced out of business. The situation with wholesale storage facility owners is similar. The de jure owners of the facilities for storing of heroin are low-level players who, just like the 'mules', know only middlemen, while the real owners remain unknown. Law enforcement usually targets this lower-level group without significantly affecting the system. Thus, in the countries with low levels of corruption, criminal networks incur higher losses from seizures and arrest and calculate this difference in the price. In countries with high levels of corruption, the price of heroin is lower, because corruption expenses make losses lower. Analyses and interviews lead us to believe that in the EU there are very few regions (if any) where systematic corruption at all levels allows criminal groups to establish monopoly over local cocaine markets. Such controlled regions are disappearing even in the new member states (Bezlov et al. 2007). The old model of total corruption is replaced by a smaller or larger number of corrupt officers gaining income from criminal networks.

6.3.4 Amphetamine-type substances

After cannabis, the most commonly used drugs in the European Union are synthetic drugs, either amphetamine or ecstasy (EMCDDA). From the start of the decade, the amphetamine market has experienced a serious decline in the EU due to the change in the subcultures of young consumers. Unlike other drugs, local production largely supplies the amphetamine market. In the EU, approximately 70-90 illicit production facilities are dismantled annually (Europol 2007). The largest numbers have been detected in the Netherlands (47). Other facilities have been seized in Belgium, Hungary, and Poland. Smaller-scale synthetic drug production facilities have been reported by Austria, Denmark, Estonia, Germany and Lithuania (Europol 2007). Reports reveal that the Dutch and, to a lesser extent, Belgian OC groups still dominate the major production of synthetic drugs (Europol 2009).

It is unclear how illegal production continues in countries like the Netherlands and Belgium, which have effective law enforcement structures and low levels of corruption. The official version is that this production is the result of an effective strategy of risk reduction, where low-level producers are sacrificed to law enforcement seizure to ensure, through intermediaries, that highly qualified chemists and large-scale producers remain intact. This view holds that corruption is impossible due to the robust control by prosecutors, teamwork by the police and attention by the media and public opinion.

According to an alternative perspective, amphetamine production persists namely because drug producers in small towns are able to corrupt police officers who are often relatives or friends. On the street level, the police checks follow the same logic as with cocaine and heroin inspections.

Amphetamines and XTC are also known as 'party drugs' and, similarly to cocaine, are often related to corruption around dance clubs where they are usually distributed. Interviewees reported cases of both private sector (security company bouncers) and police corruption related to protecting drug distribution in dance clubs. (UK) In some cases, police officers directly controlled who could sell drugs in certain clubs. In other cases, former police officers working for private security firms served as middlemen in providing protection from the police. (UK)

6.3.5 Cannabis market

The cannabis market is the largest illicit drug market in the EU: between € 6.1 billion and € 28.5 billion (RAND 2009), or between 1165 and 5424 tons. Despite the significant criminal incomes generated in the cannabis market, most Member States pay fairly limited attention to this market, because the associated social and criminal harms are considered to be low. One specific characteristic of this market is that significant part of the cannabis sold is produced within the EU, and therefore much of trafficking is intra-regional. Much like with other drug markets, criminal networks are involved within all aspects of the cannabis market: production, trafficking wholesale, and retail distribution. In addition to

EU based production, criminal networks traffic significant amounts of cannabis resin into the EU (mostly from Morocco via Spain and towards the Netherlands for further distribution (Eurpopol 2009).

The cannabis market generates different types of corruption pressure towards the police and customs, depending on the:

- national policies towards the legality of cannabis (e.g. the Netherlands)
- the size of the market (some countries, like the Czech Republic or Spain, have very high levels of consumption)
- the policies of tolerance towards consumption (e.g. Spain or Italy practically do not investigate retail distribution).

In countries with high levels of corruption, the expenses for police corruption for street level distribution is considered a necessary expense for the criminal networks. In these countries the police often racketeers not only retail dealers, but also consumers. In such countries police patrols or investigators might be receiving a regular income from criminal networks to tolerate the trade, even directly being involved in the distribution (BG). In such countries, the higher levels of law-enforcement might also tolerate the corruption of the patrol officers, as they see it as harmless 'stimulus package' to the employees. The problem is that criminal networks often use the cannabis distribution, as an entry point to recruiting officers into providing protection for other drugs as well (often leading to corruption also at higher level officers).

In countries with lower level of police corruption, and with more lenient attitudes towards retail distribution and consumption of cannabis, or legalisation of cannabis, the corruption pressure is low. The efforts there are focused on upper wholesale importers and distributors. Undertaking difficult investigations involving retail distributors, where the law is rather a murky, is generally avoided, as for the investigators it could only bring career problems (as failure is more likely). Further on, the while the investigations on cannabis networks usually focus on mid to higher level dealers (as the low level might be legal), the ones for cocaine might start from the retail level (i.e. the street or local dealer). Therefore, the corruption risks in the cannabis market are lesser, as the scale is usually different.

The import trafficking of herbal cannabis and especially cannabis resin into the EU relies on an infrastructure similar to the cocaine one described above. Therefore the above described corruption risks for cocaine are more or less valid for trafficking of cannabis.

In countries with systemic corruption, the lack of investigations of higher levels of criminal networks or the associated money laundering schemes could indicate not only low capacity to tackle these levels, but also corruption.

6.4 Vehicle-theft

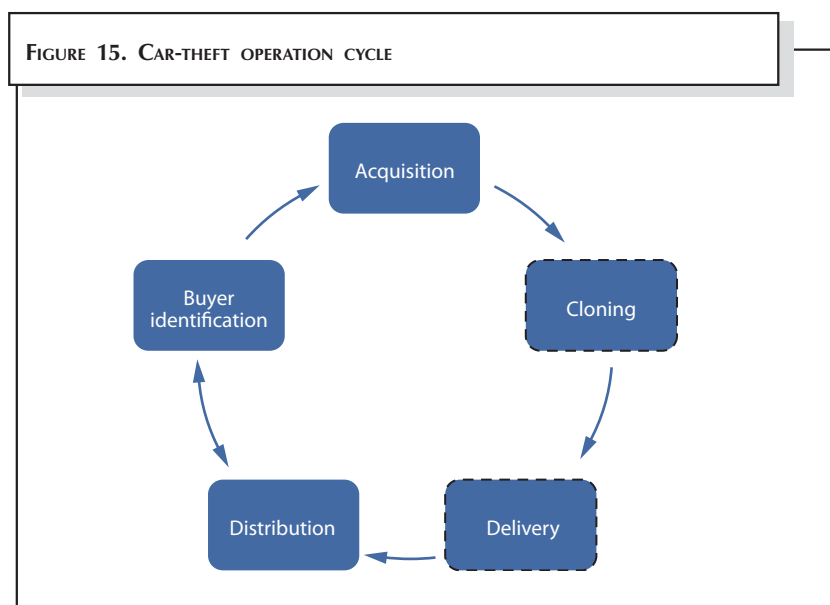
6.4.1 Market organisation

Eurpopol estimates that approximately one million vehicles were stolen in 2004. At least 450,000 vehicles with a total value of € 6.75 billion were

never recovered (Europol 2006). Professional criminal groups and networks usually steal these non-recovered vehicles. For much of the 1990s, when most Eastern European countries had a huge demand for cheap vehicles, massive car-theft rings stole hundreds of thousands of cars and resold them in EU-10E and former Soviet Union countries. In the late 1990s, with increases in living standards, access to credit, and increased sophistication of anti-vehicle theft mechanisms and vehicle theft policies (e.g. Europol electronic databases), the market for stolen cars focused primarily on expensive vehicles or those that could be resold for parts. EU-10E became less of a destination and more of an important trans-shipment point towards countries of the former Soviet Union or the Middle East.

Vehicle theft has become a rather complex criminal enterprise. It involves a range of players, depending on the particular theft scheme. The most common scheme, in which a vehicle is stolen and then made into a 'clone' and resold, has the following steps:

- Buyers of stolen cars order a particular brand and model: they could be located outside the EU (mainly former Soviet Union, Middle East and Africa), but also inside;
- Car thieves working individually or in small teams, often coordinated within larger groups or network: some are responsible for finding and spotting the vehicle; other teams or individuals steal it;
- In the meantime, an identical vehicle is found: this vehicle might have been in an accident,⁷⁰ and its identification numbers and documents are taken. Other professionals (or car-mechanics) are hired to forge chassis or vehicle identification numbers and forging the vehicle-document, so that the stolen vehicle is given the identity of a non-stolen one (i.e. the one that has been in an accident);
- mules drive the stolen car to a destination country; transport companies might be involved in driving vehicles across countries;
- distribution or sale of the stolen vehicle could take place through a used car dealership; mechanic shops, parking lots, or through direct sale.



Although there are fixed costs that could reach to up to € 10,000 or more for expensive vehicles, the profit from a vehicle that could be resold for € 60,000 is split amongst different high-level players in the criminal network. The largest share of the profit usually goes to the 'ringleader' who organises the vehicle sale to the final buyer, who might be someone from the legal car market (e.g. an owner of a used car dealership). A significant part also goes to the person organising the theft and funding transportation to the destination country.

⁷⁰ There are numerous other possibilities to find a vehicle whose identity could be stolen.

6.4.2 Corruption and car-theft

As Europol has noted, vehicle theft is one of the 'low-risk – high gain' criminal activities. Once the stolen vehicle is transformed into a clone, it becomes a legal commodity, and corruption is not needed. Nevertheless, there are a number of points at which members of car-theft networks could turn to corruption to facilitate the stolen vehicles market:

- **Information on identifying a vehicle to be stolen:** corruption within traffic administrations could help criminals obtain information on the location (town/address) and victim from which a vehicle could be stolen. This access saves much time and effort, as once the vehicle is ordered from a potential buyer or middle-man, the car thieves could have difficulty spotting a particular model (BG, DE).
- **Buying information:** car-theft groups that are investigated could obtain access to information about ongoing investigations (BG, ES). As the section on police corruption explains, this takes place across the EU on various scales. Car thieves could also access corrupt police through drugs and prostitution networks.
- **Corruption in traffic police** (often associated with petty corruption) is needed if a stolen vehicle is pulled over in a regular traffic check. The mule could buy his way out of the check. Interviews with car thieves suggest this practice is common (BG, EL, HI, PO, RO).
- If the country of destination is not an EU Member State, **customs corruption** also plays a role, as stolen vehicles, particularly luxury ones, are subject to high import taxes. Thieves often further minimise their expenses by bribing customs officials or ensuring that no detailed customs checks take place. Customs usually are not linked to Europol's databases on stolen vehicles but could forward this information to police.
- **Registration of the stolen vehicle** in the destination country could also involve corruption within the police administration. Again, this access often is related to traffic police that usually are responsible for vehicle registration. In EU-10E, this category of police or administrative corruption is common and could be exploited by criminal groups for the purposes of car-theft operations.
- Finally, corruption could take place in the **process of distribution** through used car dealerships. Used car dealers could be bribed or collude into selling stolen vehicle (BG, ES, NL).
- **Judicial corruption:** the fact that ring leaders are often removed from car thieves or are associated with legal business structures (e.g. used car dealerships or service stations) means that they sometimes enjoy a higher socio-economic or political status. In Bulgaria for instance, many individuals at the top of international criminal car-theft rings are so far removed from the actual operations (and often have other legal businesses) that they enjoy easy access to judicial corruption, as much as any other white-collar criminal.
- **Border police corruption:** along the external eastern land borders of the EU, where stolen vehicles are driven into Russia, Ukraine, or Belarus, border police could be bribed to avoid inspections. This type of corruption usually serves multiple purposes, as stolen vehicles are transporting other illegal commodities (drugs or small arms) (LT, EE, BG).

The organisation of vehicle theft shows how a criminal activity that is seemingly a low-risk or corruption-free activity still takes advantage of corruption networks developed in other criminal markets.

6.5 Extortion racketeering⁷¹

Extortion-racketeering takes place across the entire economic spectrum, from illegal markets and the grey economy into the legal economy. Across the EU, a variety of extortion racketeering forms exist: from control over criminal networks, protection in immigrant communities or grey markets. The present study examines how and to what extent corruption plays a role in generating, facilitating or protecting extortion-racketeering schemes. There are important historical and demographic differences that have shaped the attitudes of victims and police across the EU.

- In certain regions of the EU (e.g. Corsica, Northern Ireland, Southern Italy) extortion rackets go back decades.
- In EU-10E during the 1990s, the crisis in law enforcement and judicial institutions and the drastic reduction of security forces left thousands of police officers or military members jobless. The unemployed turned to private security companies to fill the ‘security gap’, often resorting to protection rackets (CS-BG, CZ, RO).
- In EU-17 capitals, a big concentration of immigrant minorities from China, EU-10E and the former Soviet Union were subject to extortion from their organised criminal networks that were connected to powerful criminal structures in their countries of origin (DE, FR, UK).

These socio-historical specificities determine the three main reasons for extortion-racketeering and protection rackets:

- Financing of independence/terrorist and irredentist movements (Corsica, Northern Ireland);
- Lack of trust in state/weak state (EU-10E, Southern Italy);
- Isolation of immigrant communities.

One complex aspect in analysing ‘corruption’ in regards to ‘extortion-racketeering’ is the need to conceptually differentiate the two terms. Many of the interviewees talked about police “extortion” of criminals. The extortion of illegal market participants (e.g. prostitutes) is the area where **criminals and police compete**. In this sense, ‘extortion-racketeering’ should be seen as one particular aspect of corrupt police behaviour.⁷²

Protection rackets are best known in the Italian context and have been described as part of the local socio-economic structures, or as a unique set of social arrangements (Blok, 1974) that emerged as an “expression of a need for order” (Falcone 1993, p.56). With reference to Sicily, Gambetta (2005, i) maintains that “the mafia, at its core, is an institution that exploits and thrives on the absence of trust, by providing protection, largely in the form of enforcing contracts, settling disputes and deterring competition”. Similar protection markets have been observed in parts

In Northern Ireland until 1994, terrorist groups on both sides – Republicans and Loyalists were involved in protection rackets. That was a key way of raising funds. With the conclusion of the peace accord and the 1994 seize-fire much of the racketeering disappeared, as previously it was presented as ‘noble cause’. After 1994, paramilitaries, such as UDA or LDF, turned to protection and subsequently control of the drug trade, which coincided with a growing drug culture and rising incomes in N. Ireland. They started to extort protection rackets from any incoming foreign criminals. If you’re an entrepreneur that wanted to come and open a brothel in Belfast, you definitely need protection and back from someone with a local foothold, and ex-paramilitaries provide this. They also had the connections and relations of loyalties from the prior 1994 period, or from simply having the local social connections to officers. Therefore, in a way they could serve as intermediaries in corrupting officers, and there have been such cases. (UK)

⁷¹ Extortion is often defined as “the unlawful demand for property or money through the threat of force”. As such it has long been an entry level activity both for individuals embarking on criminal careers, and for collaborations of criminals seeking to establish a monopoly or “protected enclave” Arlacchi (1986).

⁷² As in other cases (e.g. police officers distributing drugs), whether this sort of corrupt behaviour should be seen as ‘corruption’ or as a ‘police crime’ is a matter of interpretation.

of Eastern Europe, particularly in the 1990s, when law-enforcement and the judiciary were weak and businesses turned to private protection, including that provided by criminals.

It has been argued that the informal, grey economy⁷³ attracts private security firms because contracts cannot be enforced through the legal system and official law-enforcement, therefore opening a niche for private enforcers (Frye 2000). The attempts to hide business activity and to avoid taxes, regulatory fees or permits, makes entrepreneurs vulnerable to extortion and racketeering either by criminals or by corrupt police, tax, and other government authorities.

Europol (2007) explains that criminal groups often try to extort non-integrated minorities. Marginalised immigrant communities lean heavily upon their cultural inheritance and practices. They are cut off from the family structures that often sustain concepts of personal security and are unable to communicate with the indigenous population or its institutions. This has led to a concentration of specific criminal activities and the accompanying racketeering.

The social and historic circumstances surrounding the particular racketeering activity determines the levels of corruption needed. These circumstances also determine the police perceptions and its level of direct involvement in racketeering.

6.5.1 'Traditional' protection rackets

In Southern Italy, the largest mafia business continues to be protection rackets. There is **little corruption** related to this type of extortion arrangement. The victims never report to the police. Even in cases where the protection racket is forced on them, the complex social arrangements at the local level and fear instilled by criminals make reporting dangerous. The lack of victims willing to come forward as witnesses makes police investigations and prosecution unlikely and, consequently, corruption is not needed to prevent trial and investigations (IT).

In areas like Corsica (under the guise of a 'revolutionary tax'), or until recently in Northern Ireland, protection rackets were so much ingrained in the local social structure/or conflicts that, again, reporting to the police was uncommon. Further, many police officers were sympathetic to the independence movements and were therefore passively corrupt, tolerating protection rackets. In both Northern Ireland and Corsica, though, local politics is intertwined with violent movements, and Sinn Fein and the various Corsican independence parties were said to be profiting directly from protection rackets. (IE, UK, CS-FR)

In one of the largest towns at the Balaton Lake, local Roma-run criminal network from the surrounding villages was actively extorting money from street vendors. At some point last year 200-300 Roma involved in protection rackets marched down the main street, in an apparent show of force to threaten vendors. The local police was aware of this and did nothing, which further left the local vendors with the sense that the local police was corrupt by the local organised crime. The scandal came out, after the media aired some reports. None of this was reported to the higher levels within the police; When the media tried to interview the vendors they all denied the existence of protection rackets. (HU)

There was an extortion scheme uncovered in Klaipeda where organised criminals were using police officers to racketeer wealthy individuals. A prostitute, part of the scheme, would have sex with the man, gather some evidence of it, then complain to the police claiming that she had been raped. Then, either directly police officers or a fake relative of the girl would approach the man and propose to settle for a sum. (LT)

⁷³ The list of "grey markets" is long: retail trade, construction, street markets, restaurants, scrap, taxis, transport companies, construction, 'night-time economy', etc. In Member States, where prostitution functions on the fringes of legality, it is also in effect a grey market. Some industries that attract proceeds of crime such as the real estate sector can also become vulnerable targets.

6.5.2 Protection rackets in the legal and grey economies

Corruption is probably more common in protection rackets related to the grey economy. Interviewees commonly mentioned protection rackets to be widespread in entertainment (restaurants, bars and nightclubs) or construction industry (RO, BG, CZ, EL, CY). Extortion ranges from demands for cash sums of money to co-ownership stakes in the businesses (EL).

The grey economy is one of the areas where lower-level inspectors from the 'economic police', as well as detectives, could become corrupt. (RO) In countries with high levels of police corruption and low incomes, the police have a predatory disposition and look for alternative sources of income. In such cases, they might allow criminal groups to extort small businesses and receive a share of the extortion fees.

Extortion could also be carried against legal business, and corrupt police could cover up the groups engaged in such activities for a fee. Such cases are usually categorized as blackmail or ransom seeking.

In many parts of EU-10E (BG, EL, RO, SK), car theft is hand-in-glove with extortion. Victims whose cars are stolen are asked to pay a ransom for their car to be returned. In such schemes, corrupt police officers are often involved as intermediaries between the thieves and the owners, arranging ransom payments.

Extortion rackets and illegal markets

As Reuter (1983) has observed, illegal enterprises are unable to turn to state agencies for protection. Many academics (Gambetta 1993, Jacobs 1999, Varese 2001, Reuter 1983) have argued that mafias provide protection to unregulated markets or geographic areas where government law-enforcement is feeble, corrupt, or absent. Racketeering in criminal markets (prostitution, drugs, vehicle-theft, or trafficking of consumer goods) is more common than in grey or legal markets.

One particular aspect of interest to the present report is the protection rackets that indigenous criminal groups provide on foreign based groups. In these cases, local criminals could serve as intermediaries and provide protection from police, rather than protecting them from other competitors. (CS-FR, UK, IT)

In Italy, for instance, in some regions, foreign organised crime is independent from Italian criminal groups, because the latter are by now engaged in productive, entrepreneurial and financial activities. Other specific criminal sectors may have undergone a process of 'succession', whereby foreign groups occupy the space left by Italian groups who have moved on to operate elsewhere. In some cases, however, the succession is accompanied by the racket – 'requests' by Italian groups of a percentage on the profits made by the new comers. (CS-IT)

Similarly, while prostitution networks from Eastern Europe operate on the streets of cities like Marseille, or provide women to cabarets and

'In Cyprus, usually those extorting illegal immigrants are middle-men between them and the police. By middle-men I merely mean that they act as police informants – i.e. tipping the police where there might be illegal immigrants and what sort of illicit activities they might be engaged in. The extortion usually revolves around the illegal status of immigrants – i.e. the 'middlemen' would often offer them legal advice through expensive lawyers, yet by tipping the police would also ensure the legal advice and all the fees paid are just wasted. All benefit in this case apart from the illegal immigrants – the middlemen score points with the police and get commissions from lawyers, the police can boast of successful actions, and the lawyers get their fees – but in the end illegal immigrants are deported. (CY)

To my knowledge, this only occurs in Jesenica, where there is actually a Bosnian Serb majority, with lots of racketeering occurring on a regular basis within the Bosnian Serb community. Police officers there do take bribes to protect racketeers. (SI)

bars in Paris or Bordeaux, the street 'posts' or cabarets are controlled or racketed by local criminal elites. (CS-FR) The French and Spanish case studies also provide a number of examples of direct police rackets on prostitutes (CS-FR, CS-ES).

In Germany as well, Turkish and Polish groups have little connection to upwardly mobile social groups and therefore much less access to corruption (DE). Instead, they rely on their symbiosis with local criminals. In the UK, former IRA-turned-criminals in Northern Ireland have played a similar role of protection rackets from the police (see box).

6.5.3 Minorities and extortion racketeering

Interviews mentioned extortion of small, immigrant-owned businesses in countries where significant concentrations of minorities and organised crime from their country of origin exist. The immigrant communities mentioned by interviewees included: Middle Eastern (DE), Russian/Ukrainian (CZ), Chinese (UK), Western Balkans (Bosnians, Montenegrins, Kosovars, Serbs) (SI). As in other cases, because victims usually do not report the crime, there is little need for corruption to prevent investigations. Instead, corruption attempts are limited mostly to police officers.