

ANNEX 5: CASE STUDY – GREECE

1. Synopsis

Although the official view of institutions in Greece is that corruption is of a non-systematic nature and limited frequency, criminals seem to use it actively when dealing with the criminal justice process, customs, tax administration, and the judiciary. Investigations and trials in the past five years have revealed systematic and long-term corrupt relations permeating all these sectors, and political influence at all levels. Corruption pressures stem from both the important position of Greece as a transit point for smuggled cigarettes, drugs, and illegal migrants or human trafficking, and from the high levels of grey economic activity (stemming from significant informal labour inputs in certain economic sectors, or from smuggled products like oil, clothing, and cigarettes). Bureaucratic and political traditions based on nepotism and informal personal, family, or professional networks create an environment where criminals or their intermediaries easily tap into connections (in public and private sector institutions), allowing them to facilitate crimes or avoid justice.

2. Introduction

The information collected in this case study is based on:

- Interviews with nine key informants;
- Reports by international and national organizations, as well as NGOs, on corruption and organised crime;
- Journalistic sources discussing proven cases of corruption or ongoing investigations and judicial activity;
- Academic work discussing the above or analyzing general issues around the causes and persistence of both corruption and organised crime;
- The 1999, 2004, and 2005 Greek organised crime reports.

Interviews were conducted with officials from the Supreme Court of Greece, the Court of First Instance, the Greek Police Force, Greek liaison officers at Europol, leading criminologists, a UNODC official, and a representative from the private sector. The interviewees were willing to participate in the project on the condition and with the understanding that their identities would not be revealed. For this reason, they will be referred to as I1 to I9.

| Name | Position | Institution |
|------|---------------------------|---|
| I1 | Thessaloniki entrepreneur | Privately-owned company |
| I2 | Academic | UK University |
| I3 | Judge | Court of First Instance |
| I4 | Senior Police Official | Greek Police – Division for the analysis of criminality |
| I5 | Intelligence official | Europol |
| I6 | Criminal lawyer | Supreme Court and Athens Bar Association |
| I7 | Criminal investigator | Europol |
| I8 | Criminologist | UK University |
| I9 | Senior Researcher | UNODC |

3. Background: organised crime in Greece

Historical studies into Greek business traditions (Theodoridis and Lzarakou 1981) have traced illegal behaviour of Greek businessmen several centuries back to 18th century, when Greek merchants smuggled prohibited goods to European ports. The official discussion on organised crime has recently revolved around traditional organised crime activities (drug trafficking, prostitution, etc.) but these are presented as an external *threat*.¹³⁸ Official reports on trends, patterns, or contributing factors of organised criminal activity have not been regularly produced.¹³⁹ In 1999, 2004, and 2005, the Greek Ministry of Public Order (MPO)¹⁴⁰ produced public Organised Crime Reports.¹⁴¹ The OC reports offer detailed description of the variety of OC groups operating in the country, but little insight into causal factors. Discussion of white-collar crime is almost non-existent, being limited to occasional and scarce references to fraud.

Today, Greece is a major transit country for drugs, cigarettes, and illegal immigrants entering the EU. In addition a number of domestic illegal markets (prostitution, oil, consumer goods) also exist. The main organised criminal activities include:

- Illegal immigration – immigrants from Balkan neighbours, Asia or Africa are trafficked by organised trafficking networks originating in Greece, Turkey, Albania, Bulgaria and the Middle East.
- Trafficking in human beings (mainly for sexual exploitation) – Greek, Albanian, Bulgarian, Russian, and Turkish groups are involved in this type of criminal activity. Prostitution in Greece is legal and it is regulated. The National Statistical Service of Greece (NSSG – ΕΣΥΕ) estimates that it represents one of the largest illegal markets, with an estimated € 2 billion a year, € 180 million of which refer to bribes paid to corrupt officials (Sterigiou 2009). Nevertheless, organized crime is involved in supplying women for the Greek sex industry.
- Trafficking in drugs – Greece lies on both the Balkan heroin route, and the Atlantic route cocaine route. Links exist between foreign OC groups (Colombian, Nigerian, Spanish, Dutch) and Greek groups having as key members merchants involved in the shipping business, with the know-how and means to transport large quantities of drugs by sea. The NSSG estimated drug smuggling is estimated at about € 234 million a year.
- Trafficking in stolen vehicles – Greece is a transit point for trafficking in stolen vehicles from the rest of EU-17 countries to EU-10E, the former U.S.S.R., the Middle East and Asia. Vehicles are also stolen in the interior of the country and resold in the domestic market or are forwarded to Albania.

¹³⁸ Reports produced or published by law enforcement agents/agencies have also viewed the issue of organized crime through the prism of threat. Trigazis (2002), for instance, a high rank police officer, argued in his report on the organization of the Greek police against organized crime that the phenomenon of organized crime features high on the list of new dangers after the collapse of the Soviet bloc and the end of Cold War, and that organized crime threatens to corrode political institutions and disorganize economic order and societal cohesion (cited in Antonopoulos 2009).

¹³⁹ Some pieces of information and statistics on what could be described as empirical manifestations of organized crime can also be obtained from Coast Guard and Bureau for Special Inspections websites.

¹⁴⁰ In 2007, the Ministry of Public Order was merged with the Ministry for the Interior.

¹⁴¹ Although similar reports have been produced since 2005 they have not been publicly available (11).

- Smuggling of excise tax goods: Greece is mainly a transit country of smuggled cigarettes. Cigarette smuggling is estimated at about € 78 million a year. Alcohol and fuel are the other two large illegal markets. Alcohol smuggling is at about € 104 million a year, and fuel smuggling has an annual turnover of € 400 million.

According to NSSG, the annual turnover of goods smuggled in Greece is approximately € 2.8 billion.

3.1 Non-indigenous groups

Ethnicity and immigrant status constitute important explanatory variables of organised criminal activities in Greece, and the OC reports make explicit reference to the threat posed by non-indigenous ‘organised crime groups’. Specifically, the 1999 report suggests that “the ethnic crime groups that constituted a specific threat...were the Albanians, Russians, Bulgarians, Romanians, Turkish, Iraqi, and in some cases Pakistani and groups of Bangladeshi nationals...” (MPO 1999). The 2004 and 2005 Greek OC reports added a mix of other nationalities, such as Middle Eastern and Asian OC groups (Chinese, Iraqi, Pakistani and Turkish) are involved in illegal immigration, or Russian and Ukrainian OC groups involved in cigarette smuggling (MPO 2004 and 2005).

3.2 Indigenous OC groups

The Greek OC reports also describe the roles of Greek organised criminal groups in various OC activities:

- Working together with OC groups engaged in human trafficking; providing facilities for the detention of victims;
- Providing means of transportation for cocaine along the Atlantic route and cooperating with foreign OC groups for the purpose;
- cooperating with Albanian OC groups in the trafficking of marijuana along the Balkan route;
- Extortion (e.g. restaurants and night clubs).

The OC reports note that the EU expansion has led to an increase in heterogeneous and foreign OC groups, whereas homogenous and domestic groups have decreased. According to the 2004 and 2005 OC reports, out of 317 ‘criminal organisations’, 110 (34.7%) were composed of foreign nationals only, 110 (34.7%) were composed of Greek nationals only, and a further 78 (24.6%) were composed of both Greek *and* foreign nationals, although the degree and nature of collaboration among Greek and foreign nationals is unclear (Antonopoulos 2009).

Labour mobility within the EU, along with the country’s geographical position, including its position at the crossroads of drug trafficking transit routes, its long coastline, and political and economic problems in neighbouring countries are seen as circumstances outside the full control of law enforcement making the fight against organised crime difficult (MPO 2005, p.25).

Trafficking in a wide range of excise goods is a criminal activity in which indigenous criminal companies and individuals engage: cigarettes, alcohol, foodstuffs and fuel being the primary commodities smuggled. Alcohol beverages are a primary target of smugglers due to the very high excise tax rates on them. A variety of methods are used – e.g. fraudulent documents permitting the exporting of alcohol to foreign countries, which is actually distributed in Greece tax-free; or the setting up of ‘shop-front businesses’ which declare bankruptcy before duties can be collected. The trafficking of various petrol products has also been quite a frequent occurrence. The main mechanism involves tax-free petrol supplied to ships, yachts and fishing boats sailing under foreign flags, which is actually used as petrol for automobiles. Thus, ships have often supplied fraudulent documents detailing alleged stops at Greek ports for the purpose of refuelling, whereas such stops are never made. The untaxed petrol is then instead passed on to various fuel-supplying companies and fuelling stations, which sell it at a much higher price;

Greece’s shadow economy has levels closer to those in transition countries. The share of the hidden economy is estimated to be at 26.3% of GDP in 2005 (Scneider 2007). As one interviewee noted, “there seems to be a symbiotic relationship between the legal and the illegal sector that makes investigation [of organised crime] quite difficult” (I2). Another interviewee (I1) stated that “there are hundreds of [seemingly legal] businesses that are related to organised crime...there are so many businesses in the country that live off black money”.

Seemingly legal businesses in Greece are often perpetrators of serious organised offences, exploiting legal loopholes as well as differing regulations in different countries (e.g. more lax regulations on taxation or more stringent bank secrecy laws in tax havens). The Greek OC reports devote very little attention to the matter, as serious analysis of white-collar crime is practically absent.

Misuse and fraudulent obtaining of EU subsidies, also referred to as ‘euro-frauds’, is a significant issue: criminals exploit subsidies for exports of European goods to non-EU countries, or subsidies intended for agricultural products, development projects or EU educational schemes. In 2008, Greece reported 585 irregularities worth approximately 47 million euro.¹⁴²

The rigging of public bids and concessions is probably the most widespread form of white-collar crime. The culture of corruption helps firms that are willing to bribe officials in order to win public bids, concessions, etc, to prosper; the rest that are not willing to bribe are forced to either be at a competitive disadvantage, or to avoid paying taxes and/or exploit illegal immigrants in order to stay competitive. Such firms may eventually be forced to bribe officials at tax and employment authorities to avoid inspections (Katsios 2006).

¹⁴² In 2005, the European Commission asked Greece to repay €518 million of European funds that were paid in breach of EU public contract regulation rules. (*Europolitics.info* 2005)

Tax evasion is also very widespread in Greece, both amongst individuals as well as companies. It is estimated to reach as much as 15% of GDP (Matsaganis & Flevotomou 2008). The use of offshore companies as a means of tax avoidance (or evasion) is common. Offshore companies are frequently used as intermediary links for the trade in goods with companies from third countries, so that a significant portion of the profits of the importing or exporting Greek company remains at the head office of the offshore company it controls, where tax rates are low. Greek companies also typically overvalue export goods and, conversely, undervalue import goods to further inflate their profits;

At the same time, offshore companies are the preferred method of bribery to political leaders – as I9 has indicated, whereas administrative, lower-level officials, are bribed by means of payments that are made within the country and in cash, “payments to higher-level officials, such as government Ministers, are done via offshore accounts”, where they can also be easily ‘laundered’. Therefore, the Greek media (ToVima 1996, 1999, 2000) and official institutions like GRECOA, have often appealed that it is imperative to engage simultaneously in the fight against corruption *and* money laundering.

Stock market fraud is also common: perpetrators secure the trust of unsuspecting investors from whom they take money for investment in supposedly high-return investments, or they solicit hefty commissions via false promises that investors will receive a large number of newly floated shares. Subsequently, investors’ funds disappear together with the perpetrator(s), with the money often being sent to banks abroad or to offshore companies in tax havens where, due to strict anonymity laws, it becomes untraceable. More complex forms of Stock Market related fraud involve the illegal use of confidential information and the manipulation of share prices, or the creation of financial ‘pyramids’.

4. Background: corruption in Greece

The Modern Greek state has been characterized by a blurring of boundaries between the public and private sectors, which has meant that corruption has taken the form of kleptocracy, allowing the enrichment of a few oligarchic families at the expense of the bulk of the population (Bull and Newell 2003). Even in recent years and since democracy (in 1975) has been re-established, high levels of corruption at the political level have also alienated the general population. Indeed, it is easy to become cynical with respect to democratic or civic values and responsibilities when, as I5 observes, “corruption in Greece and favours to organised crime get a legal and even democratic mask and pretext”. However, unlike with former communist countries, by the time lasting democratization had taken hold Greece already had in place a system of property rights and an established capitalist market economy, which had already led to the concentration of wealth in a number of oligarchic families without the ensuing high levels of gang-related violence.

Numerous reports by Greek government institutions as well as by international organizations and NGOs have noted that corruption levels in Greece are very high for the country’s level of economic develop-

ment. While Greece's GDP is not far below the average for Western European countries, it lags far behind "Old Europe's" average in terms of corruption perceptions. Greece's TI scores (ranging between 4.3 and 4.7 since 2004) have consistently been closer to those of newer EU-10 countries than to those of the EU-15. The series of corruption trials against the judiciary, customs and tax officials, as well as politicians have even further heightened public perceptions of political and judicial corruption.

The question then arises as to what could explain the fact that an economically well developed country such as Greece is characterised by such high levels of corruption. Some have pointed to deep historical and cultural roots. Koutsoukis (2003, p. 25) explains that when the Modern Greek state was formed in the mid-nineteenth century, "corruption was...encouraged by an inherited culture of *rousfeti*, a system of bribery widely practiced in the Ottoman Empire". Polychroniou (2008) also points out "graft and corruption have always been an integral part of Greece's political culture".

A number of factors related to the size and operation of the public sector in Greece explain to a certain extent the broader environment that creates a corrupt business environment:

- The size of the Greek public sector is another possible explanation. OECD reports have consistently shown that Greece has one of the largest public sectors in Europe – second only to Italy's – and bigger *in absolute terms* than even Germany's. The size of the public sector relates to greater 'protectionism' to entrepreneurial activities and a greater intervention in private businesses (Tatsos 2001).
- *The system of administrative organization*: the Greek system of administrative organization is extremely centralized, while research has shown that there is a negative correlation between decentralization of state organization and corruption (Fisman & Gatti 2002).
- *Unclear and even contradictory laws and regulations and non-codified procedures*, incompatible with the overall system of administration, and allowing the use of discretion on the part of the public officials, who are as a consequence vulnerable to corruption. A report by the *Bureau of Inspectors of Public Administration* in 2001 suggested that approximately 50% of actions by public administration bodies had no legal basis. (Delvinioti 2001).
- *The level of bureaucracy*. The level of bureaucracy constitutes a very important root cause of corruption in the Greek context for a variety of reasons. According to a European Commission report, the cost of ('good' and 'bad') bureaucracy in Greece is estimated at approximately € 16.7 billion (or 6.8% of the country's GDP, which is the highest in the European Union).
- *Low salaries for public officials and especially those who are in the lower echelons of the agencies, and who have regular contact with illegal market actors*.

For all of the above, corruption is one of the ways for entrepreneurs to circumvent as effectively and – in particular – as quickly as possibly such obstacles placed by the repressive, monopolistic power of the bu-

reaucratic mechanism. That is why the money paid to corrupt officials in these cases is euphemistically termed *'grigorosimo'* ('quick stamp').

5. Targeted Institutions

The majority of Greeks (61% in 2007) consider organised crime as the major cause of corruption (Eurobarometer 2008). The 2004 OC report acknowledges the links between corruption and organised crime but only in the context of low-level, non-political corruption facilitating illegal immigration and human trafficking (MPO 2004, p.29):

"In some cases, criminal organisations cannot accomplish their economic goals without the tolerance and protection offered by civil servants. This is why they always want to approach and enlist civil servants and employees (of the judiciary, police, tax authorities, customs, etc.) for help to their criminal actions in order to assure their tolerance or protection in exchange of a considerable economic profit. During the year 2004, it was concluded that civil servants were only engaged in forgery and frauds relating with the legalization of illegal aliens in Greece."

As revealed by official documents of Greek political and administrative decision-makers with respect to corruption, the Greek Police "focuses almost exclusively on corrupt practices of the public administration" (Lambropoulou 2007).

5.1 Administrative corruption

Administrative corruption and bribery in relation to illegal immigration seems to be a major issue. In Greece, several municipal employees and civil servants have been accused of receiving money in order to supply foreigners with false documents or documents without previous production of supporting documents, which are necessary for their legal residence in the country. The amounts received through the above methods are large (MPO 2004, p.8). According to the OC reports, the Greek-Albanian criminal organisations are active in the issue of false documents and stealing of legal residence permits in Greece. Their basic collaborators are employees of municipalities who play a substantial role in their activity (MPO 2004, p.22).

Interviews conducted for the purposes of the study have suggested that corrupt civil servants facilitate illegal immigration not only by providing fraudulent documents, but also by not fulfilling their obligations to inspect businesses employing illegal immigrants. When asked whether some parts of the government administration are particularly vulnerable from white-collar or organised crime, I2 points to employment authorities, which are "bribed by illegal/legal entrepreneurs to turn a blind usually to the exploitation of people". I2 gives the following example: "Recently, the employment authorities in Thessaloniki were bribed to avoid properly inspecting the premises of a sweatshop employing/exploiting undocumented foreigners." When asked about the main reasons why criminal enterprises use administrative corruption, the same interviewee

states that “they do so primarily to avoid checks that could jeopardise their illegal business”.

In this context it is appropriate to note the close link between, on the one hand, the so-called black sector of the economy – i.e. the sector having to do with producing illegal goods (e.g. drugs) – and, on the other, the gray sector producing legal goods (e.g. cigarettes) yet using informal labour. Namely, the sweatshop under discussion was employing illegal immigrants – probably not for the production of illegal goods – yet a good proportion of these immigrants would have probably ended up in the labour market as a result of help obtained by trafficking networks. Indeed, the fact that similar businesses need to perform illegal activities – not just bribing officials, but also concealing taxes in a fairly regular and organised manner – makes the distinction between the gray and black economic sectors rather difficult to maintain, to which we will return later in the analysis. Yet again it must be stressed that gray economic activity receives very little attention in the Greek OC reports.

Sometimes in analyzing the link between corruption and organised crime, we run into further *definitional* complications. Namely, OC influence in the administration may start with occasional bribes, but then could progress to a situation where civil servants either engage in activities associated with traditional organised crime, such as extortion racketeering (Kambylis 2008), or become members of OC groups, so that it becomes impossible to conceptually separate corruption from collusion. Thus, in Greece “in many cases, members of criminal organisations were civil servants in key positions and their duties related to the issue of [false] documents” (MPO 2004) with the purpose of legalizing illegal immigrants. This becomes particularly difficult when several members or whole departments of state administrative bodies collude with OC groups by engaging in what is termed ‘systemic’ or ‘organised corruption’. What is of particular concern in the case of Greece is that the interviews conducted with experts and officials in the various branches of government have revealed evidence of instances when such large-scale corrupt collusion with organised criminals has occurred in recent years – yet somehow information on this is missing from the Greek OC reports produced and publicized so far.

5.2. Police corruption

The three OC reports barely refer to OC groups’ use of police corruption.¹⁴³ This is consistent with Lambropoulou’s study mentioned earlier, which found that reports of the Police Division of Internal Affairs dealing with corruption “describe cases of police misuse of power and corruption as occasional and not structural” (Lambropoulou 2007, p.9). Nevertheless, the evidence that the present study has arrived at indicates that there *is* police corruption in Greece, and sometimes it is systemic and organised. Indeed, it is so well organised and sometimes police officers

¹⁴³ The 2004 Greek OC report mentions only one case of police corruption involving a border guard, who served at the Illegal Immigration Enforcement Section in Athens and participated in an OC group active in human trafficking (MPO 2004, p.25)

are so closely involved in protecting the activities of OC groups that one wonders where the “police force” ends and where organised crime begins. If such outstanding examples of cooperation between the police and organised criminals have been revealed by the present study, however, this could certainly be considered evidence in support of the claim that it is not unlikely that levels of OC activity in Greece as represented by official statistics are at best underestimated, and at worst – just the “tip of the iceberg”.

There are varying opinions on police corruption among this study’s interviewees. For I2, police corruption in Greece is primarily a problem “on the lower level of police work, which involves a confrontation between the police and illegal entrepreneurs, and the need on the part of illegal entrepreneurs to neutralise law enforcement.” However, according to I6, “there is significant corruption [in the Greek police], and I believe it is widespread across the various ranks of the police force [emphasis added]”. More specifically, another interviewee (I3) points out that “organised corruption involving multiple officers at different levels can be found in the vice, narcotics and immigration divisions.”

In terms of the kinds of OC activity facilitated by police corruption, I5 indicates that the police too, just like other civil servants, play a role in human trafficking:

Years ago, an important Greek people smuggler approached a coast-guard investigator. Later on the officer said that he was shocked when the criminal entered his office and said: “why are you after me? I can make you rich. Do you know how many officers I have on my payroll?”

The same interviewee (I5) proceeds with a discussion of systemic corruption facilitating other types of crimes as well, such as drug trafficking, cigarette smuggling, etc. The dividing line between someone being a corrupt police officer and someone being a member of an OC group is not at all clear in the well-known case of organised corruption within the police recounted by I2. In a recent case a number of individuals were arrested, including coastguards (elite divers and their commanding officer) due to involvement in the criminal organisation of the notorious criminal Stefanakos. This organised crime group was involved in the extortion business, drug trafficking, oil smuggling, cigarette smuggling, etc. The court case was partially successful and several of the accused were acquitted due to the poor evidence base. According to police sources, Stefanakos, at a time when the security police of Attica was trying to bring him to justice, was issued a new ID card by a corrupt police lieutenant. Moreover, even after his imprisonment, Stefanakos’ criminal business runs uninterrupted. (I2)

Another very recent case of organised corruption in the police demonstrates the difficulty of drawing a line between police corruption and direct involvement in organised criminality. It 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 EU-10E

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 (Kathimerini 2009).

The anti-corruption efforts of the Greek police seem to be quite limited. There has been an internal affairs division since 1999, which has had some impact in terms of countering police corruption (I1, I2). Interviewees have commented that its ability to impact the ability of organised crime to corrupt official to a significant extent have been limited. On the other hand institutional preventive measures against police corruption, such as specific procedures during hiring or further education, do not exist.

5.3. Customs and tax corruption

Corruption within the Greek tax and customs is a significant issue (I1, I5, I6, I7). A number of audits by the Ministry of Finance and trials into various customs and tax offices around the country have revealed systemic corruption on a scale comparable to the situation in the EU-10E countries, rather than those in Western Europe (Siomopolous 2007). In the most recent round of trials, in 2006, 49 customs and 14 tax officials were tried and many imprisoned for cases that also included VAT fraud schemes, smuggling of cigarettes and oil, as well as numerous cases of illegal clearance (Hiotis 2006). Only a few years earlier, in 2003, the Ministry of Finance publicly released a list of 39 tax officials and 52 customs officers that had been prosecuted or dismissed for having engaged during 2002 in corruption related to smuggling, tax evasion, and VAT fraud (Kathimerini 2003a).

The scandals that surrounded the Greek customs and Ministry of Finance revealed how highly politicized the Customs Administration had become. The attempt to move the heads of certain customs offices to different position by the Secretary of Finance (as well as his open criticism of customs corruption) provoked a political reaction that also revealed the customs officers concerned were children of leading politicians, and were in practice political appointees.

The most important cases involve oil companies viewed by some as “the ‘big business’ in customs” (I6). When it comes to tax corruption however, it should be borne in mind that *even legal businesses* will attempt to bribe tax inspectors in order for them to turn a blind eye to violations of the tax code [emphasis added].

As with the police, systemic and long-lasting corruption occurs in some customs departments as well. While discussing the recent “disappearance” from the Port of Piraeus container terminal (SEMPO) of a container shipped from Latin America with a load of 20 tonnes of coffee, I5 notes that in the course of the subsequent investigation it emerged that the procedure was so lax that basically anyone could lay their hands on the shipping documents and drive off with the cargo. It was

strongly suspected that hidden in the coffee was a load of cocaine. It also transpired that corrupt officers on duty at the Keratsini customs office used to take a fixed bribe from each lorry leaving the zone. Further investigations revealed that hundreds of thefts were taking place inside SEMPO zone each year without being reported to the Security police or to the Prosecutor's office of Piraeus port. The importers did not complain because that would affect their business negatively, while the thefts and related losses were seen as "normal" business risk. A number of other investigations clearly pointed to systemic/long-lasting corruption of customs officers and criminal activities of SEMPO workers.

The port of Piraeus also comes up when I2 is asked about which customs offices are most vulnerable to corruption. According to the interviewee it is those "at the borders, particularly the northern borders of the country, as well as the ports of Piraeus and Patras." As for the OC activities facilitated by customs corruption, I2 states: "Cigarette smuggling primarily. But I would also add other legal commodities except stolen cars. Secondarily, it is drugs."

Another interviewee – I7 – also points to cigarette smuggling as an activity facilitated by customs corruption. Indeed, according to expert estimates, around 8% of cigarettes sold in Greece have been smuggled (Antonopoulos 2008, pp.263-288), which translates into staggering tax revenue losses amounting to millions of Euros per year for the Greek state. As one example of organised corruption among many, just recently – in 2006 – six customs officers were prosecuted for cigarettes smuggling in Doirani (a Greek-FYROM border check point). Tax revenues from oil smuggling are also likely to be very high indeed. The losses to the state from just one such instance facilitated again by organised corruption, in which three Customs officials were sent to prison over a petrol company's provision of five fraudulent supply permits¹⁴⁴ to ships in the port of Piraeus, amounted to 17,000 Euro (Eleftheros Typos 2000).

5.4 Judicial corruption

The experts interviewed for the present study largely agreed that corruption within the judiciary is a problem in Greece, and organized and white-collar criminals are some of the biggest drivers for the phenomenon. Judicial corruption in Greece is not restricted to ad hoc occurrences. Since 2005, multiple trials on judicial corruption networks have been initiated and have revealed what one prosecutor called the 'tip of the iceberg or only 1/10 of what is there'. These cases are referred in Greece as the 'para-judicial networks' ('παραδικαστικό κύκλωμα'). These networks involved corrupt actors from across the judiciary and concerned hundreds of organised crime or white-collar crime defendants involving sums totalling hundreds of millions of euro. Just the first case against Leonidas Stathis¹⁴⁵ concerned 18 favourable decisions related to

¹⁴⁴ Of course, as is typical of similar cases, no petrol was really supplied.

¹⁴⁵ He moved in four years between First Instance Courts in Katerini, Thessaloniki, and Athens

€ 160 million euro, and involved 10 lawyers (also prosecuted) who had deposited money in multiple accounts.

The two big 'para-judicial network' cases that were uncovered, in Athens and in Thessaloniki, provide a glimpse into how such networks operate (possibly in other parts of Greece as well). The most common scheme involved corrupt defence lawyers who would act as intermediaries and ensure impunity and/or favourable treatment of the defendants. In some of the cases an MP, civil servants, or members of the police, the customs, and or the private sector also acted as intermediaries (Ertonline News 2009; Karamanoli 2009; Lampropoulos 2007). Bank accounts in Switzerland were used to deposit the bribes.

In Thessaloniki, another 'para-judicial network has been on trial since 2006. It included 7 judges, 3 lawyers, businessmen, academics, and customs officials (some already convicted). The lawyers served as intermediaries in ensuring (1) that the process of random distribution of the cases was manipulated so that the case went to one of corrupt judges, and (2) that judges were paid to exonerate defendants or to treat them favourably (such as by reducing penalties to nominal amounts in cases that involved "laundering" dirty money, drug trafficking, fuel smuggling, bribery, murder with intent, embezzlement, forgery and extortion.) Another trial included 8 judges, 6 lawyers, 2 court officials, and a prosecutor.

One of the judges, Mr. Evangelo Kalusis, was sentenced in 2008 to 22 years of imprisonment for passive bribery, money laundering activity, attempted extortion, breach of duty, abuse of power and instigation to it, and for withholding exemption. His statement before the prosecution citing the 'self-evident reasons' as to why seven lawyers had deposited money in his accounts, captures well the type of social networks used in facilitating corruption in Greece:

Mr. Papacharalambous is my family lawyer for over twenty years, George Nikolakopoulos is my university fellow from Thessaloniki from thirty years ago, Mr. Plevris is my friend with whom we play chess, Mr. Stafrianakis and Mr. Dimosthenous are my compatriots [from Eratini], our wives are also friends from Eratini. As for Mr. Nektarios Athanassopoulos, he is my relative by marriage (Skai 2005).

As evident, professional, family and town-of-birth networks constitute probably some of the strongest networks. The very fact that Mr. Kalusis, found these explanations of networks to be self-evident proofs of his innocence, shows how strong they are. In the para-judicial networks uncovered, payment the "corrupt exchanges" often involved favours, such as a promotion of a daughter or relative. In addition, Kalousis was bribed and allegedly used the services of prostitutes from EU-10E, who were exploited by organised criminals. Kalousis and Bourboulia also laundered money in the Athens stock market.

Despite the lengthy sentences given to these individuals, questionable judicial practices aided by corruption in the healthcare sector have

undermined the judicial process. A journalist investigation in July 2009 showed that exclusively white-collar criminals and former judges have been released on bail from prison citing health reason and providing evidence from doctors (including in the above cited case of Mr. Kalusis). While the prosecution objected, the Court of Appeal upheld the requests for release from prison for health reasons (Skai 2005).

5.4 Political corruption

Most interviewees agreed that out of all sectors – private, administrative, customs/tax, judicial, police, or political – it is the latter sector that is amongst the most vulnerable to corruption.

Political corruption is most often associated with white collar criminals (I2) (whether Greek or foreign run). Nevertheless, as cases below demonstrated, political corruption is also often used by companies or individuals involved in smuggling of excise goods or even in drugs cases.

When citing an example of political corruption related to organised crime, several interviewees referred to the recent Zoniana case. Zoniana, described by the media and the government as the ‘lawless village’ on the island of Crete, was the location of a 2007 Special Forces operation, during which 25 villagers were detained on drug trafficking and arms possession charges (later as many 53 individuals were brought to trial (Xpatathens.com 2007; Bgglas.com 2009). Only a few days earlier, a police convoy conducting a drug raid on the village had been ambushed, and 3 police officers were shot and injured (Novinar.net 2007). In an interview the Minister of Interior, Prokopis Pavlopoulos, admitted that ‘for many years the government has allowed lawlessness to exist in many parts of Crete’ (Xpatathens.com 2007). In the case of Zoniana local drug lords have been able to operate uninterrupted as police ‘turned a blind eye’ under (alleged) pressure from several politicians, including a Member of the Parliament. Indeed, the situation in Zoniana “resembles, albeit on a smaller scale, the network of entangled interests that bring together criminals, politicians, police officers and judges in Italy” (Lygeros 2007). I7 points out that the cannabis cultivators throughout Crete and not just in Zoniana seem to have access to various levels and types of authorities.

In another case, also from Crete, Yannis Kefalogiannis, former MP and advisor of the Prime Minister, was sentenced in 2008 to 5 months in prison (and 3 years suspended sentences) for having pressured police officers to scrap evidence in an attempt to protect a cannabis grower in Crete.

Political power depends on the informal relationships with individuals or groups that help politicians assume a certain degree of power (the so called ‘client relationships’ – ‘πελατειακές σχέσεις’ or ‘rousfeti’, which have their roots in the Ottoman Empire). The nature of social relationships in Greece (primarily in the provinces) is such as to favour informal transactions: local politicians are elected on the basis of favours to local economic power holders, which often involves turning a blind eye to criminal activities.

Politicians and their close aides/advisors, as ultimate 'gatekeepers' of Greece's 'client-based' political system, are among the prime targets of organised crime. Political support from 'voters', who happen to be organised criminals is sometimes crucial to winning elections. Corrupt exchanges, therefore, represent one of the biggest threats to the Greek society and its democratic functioning. However, proving that political corruption has taken place is extremely difficult and if one gets close, cover-up attempts most likely follow.

One interviewee (I5) argued that "political corruption in relation to organised crime is encountered at all levels", with the Zoniana case being "just one example of what is actually happening across this country". In the interplay of OC and corruption, I5 suggests that the Greek political parties and politicians contribute to a climate of corruptive influence that organised crime readily exploits either directly or indirectly".

Another interviewee claims that what goes on at the local level pales into insignificance when compared to corrupt deals at the central level (I2) further suggesting that:

Activities that involve large amounts of money, multinational corporations and high-standing individuals are usually encountered by central governments. Overall, I would say that the local government does not really have a say here primarily because local governments are controlled by the central governments (or centrally by the parties that local governments derive from). As far as organised crime is concerned, it is central governments that appear to be the most corrupt.

In this context it is particularly pertinent to mention the role of multinational companies (MNCs) and their interaction with political leaders. MNCs use political corruption at the highest levels. The Siemens scandal is one that can partly assist in the conceptualization of the role of political corruption in white-collar activities, and the establishment of big fortunes by the so called 'oligarchs'. The company acted as a major funder for the two main political parties – New Democracy and PASOK – in exchange for favourable treatments in public tenders. According to media reports, bribes for contracts to the tune of 100 million euro are alleged to have been paid on PASOK's watch and most intensely in the years preceding the 2004 Olympic Games. As usually happens with bribes involving political leaders rather than low-ranking civil servants, direct cash payments were not involved. Instead, 100 million Euro allegedly went into Greek bank accounts from a large number of offshore companies set up in the Caribbean, Hong Kong, Dubai, Liechtenstein and Switzerland.

Another example of 'oligarchic', influence is the case of Socrates Kokkalis, who appeared in the financial scene of the country in the early 1990s and because of his relatively sudden appearance and activities, received considerable media and criminal justice system attention. Kokkalis, owner of (amongst many other companies) Intracom telecommunications, was employed as a Stasi agent for the period 1985 to

1989, during which time he accumulated significant information about the general situation in Greece, Greek politicians, the Greek secret services, terrorism, and Greek defence policy. (Kathimerini 2003). It has been claimed that Kokkalis became the fourth richest Greek individual through ambiguous business with DDR, and through controlling important actors of the Greek political life. (Pappas 2008)

A variety of accusation of illegal dealings have been aimed at Kokkalis. In 2003, he faced Russian charges of fraud involving one of his companies setting up a Lotto lottery game in Russia, but on appeal the court found that Kokkalis “does not have unfinished business with the Russian Lotto” (Kathimerini 2003). In 2008, however, the German monthly financial magazine, ‘Capital’, claimed he was involved in the Siemens’ ‘black funds’ scandal (Pappas 2008). According to ‘Capital’s’ 2008 article, DM 86 million were given since the mid-1990s to the Greek Telecommunications Organization (OTE), and another DM 18 million to Greek politicians in order for Siemens to win the public bid for the digitization of the Greek telephone network. However, Siemens was allocated 50% and Kokkalis the other half of the lucrative deal. A former member of Siemens’ executive board, Mr. Jung, also responsible for the company’s business in Greece, was allegedly very close to Kokkalis. After his retirement from Siemens, Jung became member of Intracom’s board, which was sold in 2006 for € 200 million to the Russian company AFK-Sistema – on whose board Jung also sat.

A case illustrating the point made by I2 that the link between corruption and organised crime is of greatest concern at the highest (central) level of politics is that of the 2007 suicide attempt of the former general secretary of the Ministry of Culture, Christos Zachopoulos. Mr Zachopoulos was a close associate of the Greek PM himself who was responsible for managing and allocating billions of euros worth of state funds.¹⁴⁶ The director of the PM’s office was handed a copy a DVD tape that had content implicating Mr. Zachopoulos in infidelity. In addition, though, there was content implicating him in corruption. The tape, though, was provided by the co-owner of the Proto Thema newspaper, who happened to be under investigation by the Financial Crime Squad for a € 5.5 million money-laundering scheme. It appeared that the newspaper’s co-owner was blackmailing the PM’s office to discontinue the investigation or threatened to go public with the tape. Then, in a further development, the other co-owner of Proto Tema publicly announced that he had been approached by a Greek MP on behalf of the head of the Financial Crimes Squad, and asked not to publicise DVD story and that, in exchange, the government was to discontinue the money-laundering investigation.¹⁴⁷

¹⁴⁶ A full account of the case and surrounding circumstances is given in the article by Chronis Polychroniou: “Political culture and corruption in Greece: A synergistic relationship” (available at http://onlinejournal.com/artman/publish/printer_2911.shtml).

¹⁴⁷ GRECO’s recent compliance report on Greece concluded that the money laundering regulatory framework with respect to corruption is very weak, leading to the recommendation that the Greek authorities need to “strengthen their anti-money laundering regime with a view to increasing its efficiency and contribution to the fight against corruption” (GRECO 2008).

6. Private Sector Corruption

The 2004 Greek OC report mentions one small case of passive corruption/infiltration of a private company. The case describes a company producing “forged credit cards stealing data from real cards and then, *in cooperation with storekeepers*, buying goods [emphasis added] (MPO 2004, p.21)”. It also mentions briefly the role of the private sector as an intermediary in corruption, and in particular the fact that OC groups seek “cooperation with lawyers who played the role of *mediator with illegal aliens* [emphasis added]” (MPO 2004, p.23).

Several interviewees discussed the role of lawyers as mediators between organised crime and corrupt officials. I2 points out that “the inefficient legal framework on organised crime, which is exploited by witty lawyers, is also accountable for failed [police] investigations [of organised crime]”. Another interviewee (I5) discusses a case related to drug smuggling, in which a lawyer attempted to negotiate a deal on behalf of his clients who were serving life sentence for multi-tonne cocaine smuggling. The language used in the meeting was very carefully selected by the lawyer, who frequently complimented the officers on their successes. According to I2, these were disguised corruption attempts: the police were in fact being offered a deal where they would appear to be doing their work while the criminals would be entitled to privileged treatment stipulated by law.

7. Conclusion

The study findings suggest that it is at the political level that the links between corruption and organised crime – particularly white-collar crime – present the greatest dangers to the democratic functioning of Greek society. There are widespread perceptions in Greek society that there is too much interdependence between politicians and private interests and that this has been responsible for certain kinds of illegal or in any case unethical exchanges between political parties and the private sector (Bull, M. and Newell, J. 2003). In view of this, a much more complicated picture has emerged than is presented in official publications – such as the Greek OC reports – with regard to the inter-relationship between corruption and organised criminality.

Although the size of illegal markets or criminal activities is moderate (as suggested by official OC reports), corruption is actively used throughout. Traditional organised criminal activities – such as drug trafficking, goods smuggling, etc – in some cases enjoy the covert and sometimes organised protection of politicians and/or civil servants at various levels of the administration, police, judiciary, customs and tax authorities.

The interviews have provided evidence on links between the so-called black and gray sectors of the economy, pointing to the difficulties in maintaining a conceptual distinction between the two. The significant levels of white-collar crime explain public perceptions in Greece that organised criminals are behind most corruption. In addition, the pervasive corruption practices related to the activities of ordinary citizens or legitimate companies establish an atmosphere which organised crime benefits from. In this situation, corruption provides a competitive advantage to those business structures – whether in the gray or black sector – which do not operate according to officially established rules.