



Geoff Dean, Ivar Fahsing,
and Petter Gottschalk

Organized Crime

Policing Illegal Business
Entrepreneurialism

OXFORD

Organized Crime

Policing Illegal Business
Entrepreneurialism

Geoff Dean,
Ivar Fahsing,
and
Petter Gottschalk



OXFORD
UNIVERSITY PRESS

OXFORD

UNIVERSITY PRESS

Great Clarendon Street, Oxford OX2 6DP

Oxford University Press is a department of the University of Oxford.
It furthers the University's objective of excellence in research, scholarship,
and education by publishing worldwide in

Oxford New York

Auckland Cape Town Dar es Salaam Hong Kong Karachi

Kuala Lumpur Madrid Melbourne Mexico City Nairobi

New Delhi Shanghai Taipei Toronto

With offices in

Argentina Austria Brazil Chile Czech Republic France Greece

Guatemala Hungary Italy Japan Poland Portugal Singapore

South Korea Switzerland Thailand Turkey Ukraine Vietnam

Oxford is a registered trade mark of Oxford University Press
in the UK and in certain other countries

Published in the United States

by Oxford University Press Inc., New York

© Geoff Dean, Ivar Fahsing, and Petter Gottschalk, 2010

The moral rights of the author have been asserted

Database right Oxford University Press (maker)

Crown copyright material is reproduced under Class Licence

Number C01P0000148 with the permission of OPSI

and the Queen's Printer for Scotland

First published 2010

All rights reserved. No part of this publication may be reproduced,
stored in a retrieval system, or transmitted, in any form or by any means,
without the prior permission in writing of Oxford University Press,
or as expressly permitted by law, or under terms agreed with the appropriate
reprographics rights organization. Enquiries concerning reproduction
outside the scope of the above should be sent to the Rights Department,
Oxford University Press, at the address above

You must not circulate this book in any other binding or cover
and you must impose the same condition on any acquirer

British Library Cataloguing in Publication Data

Data available

Library of Congress Cataloging-in-Publication Data

Data available

Typeset by MPS Limited, A Macmillan Company

Printed in Great Britain on acid-free paper by

CPI Antony Rowe

ISBN 978-0-19-957843-6

10 9 8 7 6 5 4 3 2 1

Foreword

The huge expansion of organized crime that has accompanied globalization has presented policy makers, police practitioners, and academics with many challenges. Two of the most significant are: understanding how organized crime operates and developing effective interventions to address it. The first of these is a problem because, in addition to the usual difficulty of uncovering information about criminal behaviour, it is not always easy to see how local manifestations of organized crime relate to the wider picture. The second is a problem because a successful intervention against a particular type of crime or operations against individuals or groups often simply provides others with a new business opportunity. The result is that despite the apparent success of the initiative or operation, economies, communities, and individuals continue to be victimized.

The authors of this book are uniquely well placed to help the reader deal with these challenges. They bring together a wealth of knowledge and practical experience in policing, knowledge management, and business to provide a coherent way of understanding how organized crime operates and how best to develop effective responses to it. The use of case examples, crime scenarios, and extended case studies helps the reader to relate the conceptual 'enterprise model' of organized crime into the real business world of criminal entrepreneurialism that will support both policy development and operational activity. This book provides a valuable addition to the literature on organized crime for police practitioners, policy makers, and academics.

Dr Peter Stelfox
Head of Investigative Practice
National Policing Improvement Agency

Acknowledgements

To write anything worthwhile requires much time, lots of patience, and a supportive environment. To get the time requires pinching it from somewhere or someone. For that, I owe a debt I can't repay in kind to my family, especially my life partner, Robyn and children, Megan, Amber, Simon, and Jeremy.

Moreover, a book like this can't happen without the support of many dedicated police and scholars. The ones I know personally, work with, and consult around the globe have provided invaluable assistance. Top of this list are my two co-authors. They have supplied buckets of material to make sense of, valuable insights, and wonderful companionship on the tough road of the writing craft.

Finally, this book started as a spark of an idea which has now seen the light of day. I and my co-authors owe a deep sense of gratitude to the commissioning editor, Peter Daniell at Oxford University Press. He had and held the faith in us to produce, what we hope, many others will come to regard as a very important and worthwhile contribution to the betterment of society.

Geoff Dean

To partake in writing books like this can sometimes be a very isolated and lonely experience. However, my co-authors have made it a thrilling affair ranging all over the mood scale. With Petter onboard you are guaranteed some serious work and lots of entertainment and surprises. Thank you. And thanks to Geoff for making this book come through with his fantastic effort, insight, and patience on all phases of the project. You should be really proud of yourself. Furthermore, I wish to send my warm regards to my colleagues at the Organized Crime Section in the Amsterdam Police, especially to Chu Man and Rene Bulstra. I especially want to thank Andy Griffiths in the Sussex Police, David Murthwaite, Merseyside Police, Jan Glent at the Norwegian National Authority for Prosecution of Organized and Other Serious Crime, as well as all my colleagues at the Norwegian Police University College. Then last, but not least, I want to thank Vivian, Steffen, Tuva, Kristian, and the rest of my family for making it all worthwhile.

Ivar Fahsing

It has been a strange, but interesting and exciting experience to apply what we teach in business administration and management to illegal enterprises and organized crime. So many management scholars have contributed to this book in terms of their theories and models of entrepreneurs, markets, leadership, and strategy. Without encouragement from and discussions with experienced police officers and criminology faculties in many parts of the world, this book would

Acknowledgements

never have achieved the quality we are proud of. They know who they are—I thank them all.

To Grethe and our two wonderful adult daughters Anne and Mette, who provide fantastic support, I extend my heartfelt thanks. I am especially grateful to my life companion Grethe, who is excited about this new book. We have a weekend deal where I can get up in the middle of the night to write so long as I have morning tea ready for her when she wakes up. I am truly thankful for such a partnership of mutual joy and benefit.

Petter Gottschalk

Special Features

This book is designed for police practitioners, executives, policy makers, and students in the criminal justice/criminological domain and related government and non-government agencies. It is also applicable to specific industry sectors of business, economics, and finance. There are a number of special features to aid your understanding, reflection, and study of the content contained within this work.

- **Figures**—there are some 34 diagrams that illustrate various ideas, processes, and relationships. They convey complex information and act as conceptual graphics for teaching and training purposes.
- **Case Examples**—these contain some 52 case examples and brief vignettes of the operation of various business factors associated with the entrepreneurial capabilities of crime groups.
- **Case Studies**—there are seven case studies that present a more extended and in-depth study of particular illegal business activities in various crime markets.

Abbreviations

| | |
|---------|---------------------------------------------------------------------------------------------------------------------------------|
| ABCI | Australian Bureau of Criminal Intelligence |
| ACC | Australian Crime Commission |
| ACS | Australian Customs Service |
| AFP | Australian Federal Police |
| AMRS | Alternative Money Remittance Schemes |
| ASIO | Australian Security Intelligence Organization |
| BCB | Big Circle Boys |
| BE | Business Enterprise |
| CBAM | Crime Business Analysis Matrix |
| CDPP | Commonwealth Director of Public Prosecutions |
| CMM | Crime Money Management |
| DIKW | Data-Information-Knowledge-Wisdom |
| FATF | Financial Action Task Force |
| FBI | Federal Bureau of Investigation |
| FCBP | Fuzzy Crime Business Profile |
| IBC | International Banking Corporation |
| IBS | Informal Banking Systems |
| KC | Knowledge Cube |
| KM | Knowledge Management |
| KMP | Knowledge-Managed Policing |
| ML/TF | Money Laundering/Terrorism Financing |
| MPS | Metropolitan Police Service |
| MPS-CTC | Counter Terrorism Command of the Metropolitan Police Service |
| NAGIA | National Alliance of Gang Investigators Association |
| NCA | National Crime Authority (Australia) |
| OCTA | Organized Crime Threat Assessment |
| OMCG | Outlaw Motorcycle Gang |
| OSCA | Office of Strategic Crime Assessments |
| PACO | Program against Corruption and Organized Crime in South Eastern Europe |
| SOCA | Serious Organised Crime Agency |
| SOP | Standard Operating Procedure |
| SWOT | Strengths-Weaknesses-Opportunities-Threats |
| TraCCC | Transnational Crime and Corruption Centre |
| WODC | <i>Wetenschappelijk Onderzoek- en Documentatiecentrum</i> (Research and Documentation Centre for the Dutch Ministry of Justice) |

List of Figures and Tables

List of Figures

| | |
|-----------------------------------------------------------------------------|-----|
| 1.1 Entrepreneurial capabilities framework | 7 |
| 2.1 Model of business development applied to organized crime | 20 |
| 2.2 Key factors in a competing market environment | 26 |
| 2.3 Market price determined by intersecting supply and demand curves | 29 |
| 2.4 Market price fluctuations due to law enforcement | 29 |
| 2.5 Market price when 'demand elasticity' is low | 30 |
| 2.6 Global spheres of influence in criminal markets | 34 |
| 2.7 Dynamic interconnectivity in criminal market global spheres | 35 |
| 3.1 Crime business model: Phase 1—'establishment' business factors | 44 |
| 3.2 Entrepreneurial capability by business factors at 'establishing' phase | 45 |
| 3.3 Fuzzy scenarios of entrepreneurial capability at 'establishment' phase | 64 |
| 4.1 Crime business model: Phase 2—'expansion' business factors | 69 |
| 4.2 Entrepreneurial capability by business factors at 'expansion' phase | 69 |
| 4.3 Conceptualization of police crime and organized crime | 78 |
| 4.4 Fuzzy scenarios of entrepreneurial capability at 'expansion' phase | 84 |
| 5.1 Crime business model: Phase 3—'consolidation' business factors | 88 |
| 5.2 Entrepreneurial capability by business factors at 'consolidation' phase | 88 |
| 5.3 Fuzzy scenarios of entrepreneurial capability at 'consolidation' phase | 101 |
| 6.1 Crime business model: Phase 4—'positioning' business factors | 104 |
| 6.2 Entrepreneurial capability by business factors at 'positioning' phase | 104 |
| 6.3 Fuzzy scenarios of entrepreneurial capability at 'positioning' phase | 117 |
| 7.1 Two sides of knowledge-managed policing | 125 |
| 7.2 Matrix of knowledge categories and levels within policing | 128 |
| 7.3 A 'Knowledge Cube' of policing | 129 |
| 7.4 Plotting knowledge points on 'Knowledge Cube' | 132 |
| 7.5 Knowledge Cube of failed terrorism investigation | 140 |
| 8.1 Interrelationship of crime business phases to criminal market spheres | 151 |
| 8.2 Criminal Business Analysis Matrix for policing organized crime groups | 155 |
| 8.3 Application of CBAM tool to Bandidos crime business in Norway | 160 |
| 9.1 UK approach to combating organized crime | 172 |
| 9.2 Strategic knowledge framework for sector policing of organized crime | 175 |
| 9.3 Intervention strategies against organized criminal entrepreneurialism | 179 |

List of Figures and Tables

| | |
|-------------------------------------------------------------------------|-----|
| 9.4 Integrating emergent and engineering models of knowledge sharing | 181 |
| 9.5 Balanced alignment of enabling factors in international cooperation | 184 |

List of Tables

| | |
|---------------------------------------|-----|
| 7.1 Sequence of events in Haneef case | 134 |
|---------------------------------------|-----|

List of Case Examples and Case Studies

List of Case Examples

| | |
|---------------------------------------------------------------------------|----|
| 1.1 Entrapping Young Women as Unsuspecting Drug Mules | 3 |
| 3.1 Verhagen Group (Dutch) | 46 |
| 3.2 Computer Chips (Vietnamese) | 47 |
| 3.3 Hijacking Technology (Australia) | 48 |
| 3.4 Thinking Man's 'Red Daisy' Fraud (Russian) | 49 |
| 3.5 Value-Added Illegal Immigration (Chinese) | 49 |
| 3.6 Fake 'Versace Jackets' (Italian Camorra in Canada) | 50 |
| 3.7 Systemic Corruption in Pharmaceutical Industry (Ukraine) | 54 |
| 3.8 Variations on Smurfing: 'Cuckoo' Fraud (Europe and Australia) | 55 |
| 3.9 Financing Backing for Cigarette Trafficking (Europe) | 57 |
| 3.10 Pooling Resources in Drug Trade (United Kingdom) | 57 |
| 3.11 Cyber Crime: Electronic Gambling Machines (Canada) | 58 |
| 3.12 Human Smuggling and Trafficking (Belgium) | 59 |
| 3.13 Trafficking in Illegal Weapons (Europe) | 59 |
| 3.14 'Criminal Heaven' for Organized Crime (Canada) | 60 |
| 3.15 Employment Pool: Criminal Lifestyle (Global) | 61 |
| 4.1 'Patching Over' Business Strategy (OMCGs) | 71 |
| 4.2 Brokering 'Street War' (Canada) | 72 |
| 4.3 'Baby's Bonnet': Indirect Brutal Violence (Chinese) | 73 |
| 4.4 'Operation Kronos': Human Smuggling Twist (United Kingdom) | 74 |
| 4.5 'Reputational Violence': Branding Strategy (Sicilian Mafia) | 75 |
| 4.6 Violence 'Asian-style' (Vietnamese) | 75 |
| 4.7 Perfecting a Criminal State: Systemic Corruption (Post-Soviet Russia) | 77 |
| 4.8 Vladimir 'The Poodle' Podatiev (Russia) | 79 |
| 4.9 Corruption as a 'Corrosive Agent' (Global) | 80 |
| 4.10 'Criminal Intelligence Service' by Hash-Smuggler (Netherlands) | 82 |
| 4.11 Hells Angels' Surveillance Programme on Police (Canada) | 82 |
| 5.1 Avoiding Turf War: Hells Angels and Italian Mafia (Canada) | 90 |
| 5.2 Syndicated Criminal Networks: Big Circle Boys (Chinese) | 92 |
| 5.3 Banking Scam: 'Mafiya' [<i>vory v zakone</i>] (Russian) | 93 |
| 5.4 Triad Infiltration of 'Tongs' (Chinese) | 94 |
| 5.5 Publicly Traded Company 'Shares Scam' (Australia) | 95 |
| 5.6 Lawyers as Go-betweens for Organized Criminals (Italy) | 96 |
| 5.7 Lawyers as Enablers of Human Trafficking (Italy) | 97 |
| 5.8 'Mafiaocracy' (Post-Soviet Russia) | 97 |
| 5.9 'Triads as Water': Triads in Czech Republic (Chinese) | 98 |

List of Case Examples and Case Studies

| | |
|-----------------------------------------------------------------------|-----|
| 5.10 Money-Laundering via Derivatives Market (Australia) | 98 |
| 5.11 Risky Business of CMM (Netherlands) | 99 |
| 6.1 'One way' Russian-Style Joint Ventures (Russia) | 107 |
| 6.2 'New Kids' on Block: the Case of MS-13 (Salvadorans) | 108 |
| 6.3 'The Corporation': Albanian Organized Crime (United States) | 109 |
| 6.4 Spreading the Organized Crime Virus (Global) | 109 |
| 6.5 'Black Hole' of Nigerian Crime Groups (Africa) | 110 |
| 6.6 Strategy 1: Operate a 'Decentralized Command Structure' | 111 |
| 6.7 Strategy 2: Create Specialists' Roles | 112 |
| 6.8 Strategy 3: Utilize 'Little and Often' Principle | 112 |
| 6.9 Strategy 4: Recycle 'Crime Networks' and Utilize 'Porous Borders' | 113 |
| 6.10 Strategy 5: Exploit 'Failed States' and Civil Wars | 114 |
| 6.11 Strategy 6: Capitalize on Police Crackdowns | 115 |
| 6.12 Strategy 7: Make Strategic Alliances | 115 |
| 6.13 Strategy 8: Ensure Impenetrability | 116 |
| 6.14 Strategy 9: Keep a 'Low-Profile' | 116 |

List of Case Studies

| | |
|----------------------------------------------------------|-----|
| Case Study: Criminal Entrepreneurship | 14 |
| Case Study: The Business of Organized Crime in Lithuania | 23 |
| Case Study: Crime in the Commerce Industry | 38 |
| Case Study: Knowledge Failure of Suspected Terrorist | 133 |
| Case Study: The Business of Human Trafficking | 146 |
| Case Study: Business, Crime, and Politics in Montenegro | 152 |
| Case Study: Outlaw Motorcycle Gangs—Bandidos in Norway | 156 |

Introduction

Organized criminals are good at adapting things to fit their illegal activities. Take for example the oft quoted saying in business that *it is not what you know but who you know that counts*. The spin entrepreneurially-oriented criminals put on this goes something like—*it is not what you know but 'what you know about' who you know that really counts*. Our book is about this 'high-end' of organized crime and its manifest forms of illegal business entrepreneurialism.

This is a hard subject to write about, not because it is difficult, but because we do not want to unduly assist organized crime groups to get better at their illegal business activities. Consequently, considerable thought has gone into what to put in and what to leave out. Hence for reasons of security, the 'left out' bits are better discussed in the context of police educational and training programmes. However, even what we have 'left in' will no doubt 'unfortunately' provide some crime groups with useful knowledge for them. But the greater danger, in our view, is in not making the innovative knowledge in this book available to policing, security, law enforcement, and related government departments, politicians, and the various sectors of banking, economics, and finance. Agencies and practitioners in the criminal justice field need to be smarter, more educated, and better trained than criminal entrepreneurs. There is no alternative. Our book seeks to bridge this knowledge gap between 'high-end' organized crime and 'knowledge-managed' policing.

We have endeavoured to pack this book with numerous, highly relevant, and practical case examples, crime scenarios, and extended case studies to illustrate the business of profit-driven, market-oriented, entrepreneurially-led crime. We trust our work in producing this book will well serve the interests of society in general and practitioners, in particular, in the criminal justice field.

Geoff Dean, Ivar Fahsing, and Petter Gottschalk
(Brisbane, Australia, Lillesand, Norway,
and Oslo, Norway)

Contents

| | |
|----------------------------------------|------|
| Special Features | xiii |
| Abbreviations | xv |
| List of Figures and Tables | xvii |
| List of Case Examples and Case Studies | xix |
| Introduction | xxi |

Part One The Business of Crime

| | |
|----------------------------------------------------------|-----------|
| 1 Entrepreneurialism of Organized Crime | 3 |
| Introduction | 3 |
| Focal Framework: Business Enterprise Paradigm | 5 |
| Entrepreneurial Framework: Individual Capabilities | 6 |
| Opportunity Perspective | 7 |
| Resources Mobilization | 8 |
| Decision-Making under Uncertainty | 10 |
| People Cooperation | 11 |
| Profit Maximization | 12 |
| Case Study: Criminal Entrepreneurship | 14 |
| Summary | 17 |
| 2 Criminal Enterprises, Markets, and Industries | 19 |
| Introduction | 19 |
| Operating Framework: Model of Business Development | 19 |
| Case Study: The Business of Organized Crime in Lithuania | 23 |
| Market Mechanisms | 24 |
| Criminal Markets | 33 |
| Criminal Enterprises as Global Industries | 37 |
| Case Study: Crime in the Commerce Industry | 38 |
| Summary | 40 |

Part Two Crime Business Phases

| | |
|-----------------------------------------------------|-----------|
| 3 Establishing the Crime Business | 43 |
| Introduction | 43 |
| Criminal Business Modelling: Establishment Phase | 43 |
| Entrepreneurial Capability: Opportunity Perspective | 45 |

Contents

| | |
|---------------------------------------------------------------|------------|
| Entrepreneurial Vision | 46 |
| Business Planning | 48 |
| Crime Money Management | 52 |
| Entrepreneurial Capability: Resources Mobilization | 55 |
| Financial Capital | 56 |
| Operational Logistics | 57 |
| 'Fuzzy' Mapping of <i>Establishing</i> Crime Business | 63 |
| Summary | 67 |
| 4 Expanding the Crime Business | 68 |
| Introduction | 68 |
| Criminal Business Modelling: Expansion Phase | 68 |
| Entrepreneurial Capability: Decision-Making under Uncertainty | 70 |
| Business Intelligence | 70 |
| Violence | 73 |
| Corruption | 76 |
| Counter-intelligence | 81 |
| 'Fuzzy' Mapping of <i>Expanding</i> Crime Business | 83 |
| Summary | 86 |
| 5 Consolidating the Crime Business | 87 |
| Introduction | 87 |
| Criminal Business Modelling: Consolidation Phase | 87 |
| Entrepreneurial Capability: People Cooperation | 89 |
| Criminal Business Connections | 90 |
| Legitimate Business Connections | 93 |
| Influential People Connections | 96 |
| 'Fuzzy' Mapping of <i>Consolidating</i> Crime Business | 100 |
| Summary | 102 |
| 6 Positioning the Crime Business | 103 |
| Introduction | 103 |
| Criminal Business Modelling: Positioning Phase | 103 |
| Entrepreneurial Capability: Profit Maximization | 105 |
| 'Local' Market Share | 107 |
| 'Global' Market Share | 109 |
| Competitive Advantages | 111 |
| 'Fuzzy' Mapping of <i>Positioning</i> Crime Business | 117 |
| Summary | 119 |
| <hr/> | |
| Part Three Policing Crime Businesses | |
| 7 Knowledge-Managed Policing: Principles and Practices | 123 |
| Introduction | 123 |
| Application of 'Knowledge' in Policing | 123 |
| Knowledge Categories in Policing | 126 |

| | |
|-----------------------------------------------------------------|------------|
| Knowledge Levels of Police | 126 |
| Knowledge Depth to Police | 127 |
| Police Knowledge Framework: Knowledge Cubes | 130 |
| Case Study: Knowledge Failure of Suspected Terrorist | 133 |
| Summary | 142 |
| 8 Policing Criminal Businesses | 143 |
| Introduction | 143 |
| Policing in Context | 143 |
| Criminal Structures | 144 |
| Business Models: Cultural Variations | 146 |
| Case Study: The Business of Human Trafficking | 146 |
| Market Spheres: Dynamic Interconnectivity | 150 |
| Case Study: Business, Crime, and Politics in Montenegro | 152 |
| Operational Knowledge Framework: Crime Business Analysis Matrix | 153 |
| Case Study: Outlaw Motorcycle Gangs—Bandidos in Norway | 156 |
| Summary | 166 |
| 9 Future Policing of ‘Organized Crime’ | 168 |
| Introduction | 168 |
| Morphing of ‘Organized Crime’ | 169 |
| Combating Organized Crime: UK Approach | 171 |
| Knowledge War: Policing Criminal Entrepreneurialism | 173 |
| Strategic Knowledge Framework: ‘Policing Sector’ Positioning | 174 |
| Intervention Strategies against Illegal Business Activities | 177 |
| Knowledge Sharing: Local and Global Policing Partnerships | 178 |
| International Cooperation in Policing | 182 |
| Future Directions | 185 |
| References | 189 |
| Index | 203 |

PART ONE

The Business of Crime

This first section deals with the twin themes of this work—illegal businesses and entrepreneurial criminality. The section consists of two interrelated chapters (1 and 2). These chapters lay the groundwork for understanding organized crime as a profit-oriented, market-driven business, and more importantly, focus on ‘high-end’ illegal enterprises. High-end illegal businesses are characteristically run by criminals with entrepreneurial talent.

Chapter 1 outlines and discusses specific capabilities which form the entrepreneurial framework used throughout this book. This is the focal reference point for analysing and planning policing and law enforcement intervention strategies to combat entrepreneurially-driven organized criminals.

Chapter 2 links this entrepreneurial capabilities framework to a business development model of organized criminality. It explores how a crime business is subject to market mechanisms and therefore must operate in a global competitive criminal market context. A competitive market context presents both obstacles and opportunities for policing intervention. Case studies are presented throughout these first two chapters to illustrate the workings of profit-driven, market-oriented, and entrepreneurially-led, criminal business enterprises.