



Mafias on the Move

How Organized Crime Conquers New Territories

"A compelling read."

—John le Carré

FEDERICO VARESE

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HOW ORGANIZED CRIME CONQUERS
NEW TERRITORIES

Federico Varese



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Sections of this work are based on judicial evidence. Such evidence is used simply for analytical reasons, and there is no intention to imply any criminal responsibility of the individuals mentioned in this work.

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Introduction

On September 11, 1996, *Boris Sergeev*, the director of an import-export company based in Rome and father of two, a stocky man in his late forties, arrived in Moscow to finalize a valuable contract for the importation of frozen meat. The Russian partners were Agroprom, a giant Soviet agricultural concern that was now in private hands, and two prominent banks, the Nuovo Banco Ambrosiano and Promstroybank. The former had a somewhat bumpy history—its CEO Roberto Calvi was found hanging from beneath Blackfriars Bridge in London in 1982—but was now under new management and aggressively trying to enter the Russian market. Promstroybank of Saint Petersburg was a safe bet—formerly the largest state bank in the Soviet Union and now a joint-stock company. Even Vladimir Putin once sat on its board. Some twenty million U.S. dollars were at stake. Sergeev had several meetings with top officials at both banks and the Ministry of Agriculture. His most valued contact in the political world was a Soviet-era politician who had taken part in the coup that tried to oust Mikhail Gorbachev in August 1991 and was now a lobbyist for agro-industrial interests.

By the end of the week, Boris had secured the funding and felt confident. Despite fears voiced by his family before the trip, nothing bad had happened. He could relax and spend the last few nights in his native city in style. He took a suite at an upscale hotel located on the central Tverskaya Ulitsa, the street a few yards from Red Square that runs northwest from the Manege toward Saint Petersburg. On the night of September 23, he was sipping predinner drinks at the bar on the fourth floor when two men entered

the hotel looking for him. Even with the closed-circuit television system and heavily armed guards that patrolled the hotel's granite lobby, entry was not difficult. The pair showed a bogus hotel pass and boarded the elevator to the fourth floor. Sex for sale was on display at the bar. Yet they moved on, past the gaggle of women flaunting their heavy makeup and cheap jewelry. They stopped in front of Boris's table and extracted two TT pistols with a silencer. Their victim was hit in the head by four bullets (some reports say five). The killers, who were seen on the closed-circuit television camera, calmly took the elevator back to the lobby, walked on to the busy Tverskaya, and climbed into an old Zhiguli that was waiting for them. They were in the hotel for no more than six minutes, between 6:55 and 7:01 p.m.

In the meantime, some fifteen hundred miles away, a special unit of the Italian police was picking up a lot of chatter on the several telephone lines that it was tapping. More details on the murder emerged. Boris's brother, *Sasha*, who lived in Vienna, had joined him and was sitting on the same sofa when Boris was shot. At 7:51 p.m. Moscow time, Sasha, still in shock, called Boris's wife, *Nadia*, in Rome from the police station where he was being interrogated. At first she thought he was joking, but then she asked if it was a "Georgian" who had shot Boris. Sasha replied: "It happened very fast, but the man was dark skinned." The next day they spoke again. Boris's distraught wife could not comprehend how the murder could have happened in one of the best hotels of the city, in front of so many people, with no reaction whatsoever from the hotel "security." "The police say," replied Sasha, "that the murder had the hallmarks of a professionally planned operation, with the intention of sending a clear message to others as well. Nadia, believe me, there is no chance the culprits will ever be found."

The victim in question was no ordinary businessman. Born in Russia in 1948, he had used at least four aliases in the previous ten years. He moved to Rome in 1993 to set up an import-export company. By then, he had already been prosecuted in Italy, Austria, and France on several charges related to the possession of weapons, forgery, polygamy, and fraud. He was rumored to own a large villa in Vienna and hold bank accounts worth at least thirty million U.S. dollars. Official papers state that his company, *Global Trading*, dealt in the import and export of frozen meat and other food products along with oil, alcohol, timber, and coal. The company also conducted, so the papers claim, "market research." Intent on covering his tracks, Boris had taken a rather roundabout way to reach Moscow:

he flew from Rome to Milan, then crossed the Swiss border in a rented car, and finally took a plane from Zurich to the Russian capital. While in Moscow, he carried a gun at all times. The Italian authorities were certain that Global Trading was a front for the Solntsevskaya, the most important crime group to emerge from the collapse of the Soviet Union. The Russian mafia had created an outpost in a faraway territory and was expanding fast. It was high time that someone took notice. When I was shown the files for this investigation, almost ten years ago, I decided to devote my research to the study of mafias' ability to transplant in new and distant territories. This book is the result.

One reading of the Tverskaya hotel murder would support the conventional wisdom on globalization and "transnational organized crime" that has emerged in recent years, especially thanks to authors such as Claire Sterling (*Crime without Frontiers*), Manuel Castells (*The Rise of the Network Society*), Moises Naim (*Illicit*), Louise Shelley (*Global Crime Inc.*), and Phil Williams, and is influential among policymakers: organized crime migrates easily, due to the spread of globalization and population migration, and criminal multinational corporations are increasingly unattached to a specific territory. "International organized crime," writes Shelley, the director of the Transnational Crime Institute in Washington, DC, "has globalized its activities for the same reasons as legitimate multinational corporations." She maintains that "just as multinational corporations establish branches around the world to take advantage of attractive labour or raw material markets, so do illicit businesses."¹ For Williams, organized crime now "can migrate easily."² Castells, who also describes this phenomenon, lists a number of localities where (he thinks) well-known mafias have opened outposts, such as Germany for the Sicilian mafia, Galicia for Colombian cartels, and the Netherlands for the "Chinese triads."³ These and other authors go further by arguing that the notions of territorial entrenchment and control are becoming obsolete for a "Global Crime Inc." that "transcends the sovereignty that organizes the modern state system."⁴ Factors often cited to explain the globalization of criminal activities and the geographical expansion of criminal firms include technological innovation in communications and transportation along with disappearing language barriers.⁵ This position reflects the broader debate on the nature and consequences of globalization, and is consistent with the view advanced by authors who emphasize the de-territorialization of economic power.⁶

The “transnational organized crime consensus” is influential among policymakers. Mafias have now become “liquid,” as argued in a recent report by the Italian Anti-Mafia Parliamentary Commission (CPA). Liquidity in this context does not refer to the availability of cash but instead to a version of modernity where control of a territory has been superseded by a rather unspecified fluidity. Politicians from both ends of the political spectrum find ammunition in the assertions promoted by the consensus: sections of the Right peddle unqualified fears of migrants, while some on the Left are only too happy to blame globalization and “neoliberal policies” for local state failures.

The world of international crime is more complicated than these authors wish to admit. Chapter 4 and chapter 7 will expand on the context of the Tverskaya hotel murder and unpack its mechanics. Here I wish to direct the reader’s attention to the fact that most authors interpret globalization as a process that facilitates movement and eventually transplantation. In order to evaluate the effect of globalization on organized crime generally and mafias more specifically, one needs to spell out the motivations for a group to open a branch abroad and the effects that different motivations have on how those outposts are created as well as explore whether globalization might have the opposite effect—namely, that of enabling a mafia to acquire resources produced in other countries simply by buying them on the open market rather than by setting up foreign branches. Furthermore, not all attempts at transplantation are successful. To outsiders, a mafia group might seem like a giant and unbeatable octopus about to take over the world from its headquarters in an unreachable Eastern European city. Looked at from the ground up, transplantation is fraught with difficulties.

Does it follow that mafias can never be found in faraway territories? Both Peter Reuter and Diego Gambetta, arguably the foremost scholars in the field of mafia studies, have emphasized that these organizations are hard to export and tend to be local in scope. An illegal organization opening a branch abroad would find it difficult to monitor its agents in distant localities. Outside their home region, mafiosi would struggle to corrupt the police and collect reliable information. Finally, it might be taxing to make victims believe that the person standing in front of them belongs to a menacing, foreign mafia. A reputation for violence depends on long-term relations, cemented within independent networks of kinship, friendship, and ethnicity. It is next to impossible to reproduce them in a new land.⁷

And yet under particular conditions, mafia groups have been able to open branches in distant territories. In the 1950s, members of the Calabrese 'Ndrangheta migrated to the northern Italian region of Piedmont, managed to penetrate the construction sector of some towns outside Turin, and soon became entrenched. In 1995, the president of Italy disbanded the city council of Bardonecchia, which hosted the 2006 Winter Olympics, as a result of the 'Ndrangheta's enduring influence. This was an unprecedented decision for a town in the north of Italy. An attempt by the 'Ndrangheta to set up a branch in the Veneto region at around the same time, however, failed.

Similar dyads, although neglected in the literature on organized crime, are not that rare. Most strikingly, the migration to the United States of Italians, some with mafia skills, at the turn of the nineteenth century gave rise to a set of powerful mafia groups known as the "five families" in New York City. Italian migration to another seaport, the city of Rosario in Argentina, failed to generate long-lasting criminal groups of Italian descent. After a relatively brief spell, the "Rosario Mafia" disappeared and is now a forgotten episode of local history. Why? The central question of this book is why in some cases mafia transplantation succeeded while in others it failed. In order to answer this question, I have used a wide range of data and traveled to several parts of the world during the past ten years.

Below I consider cases of both successful and unsuccessful attempts by mafias to open branches outside their territory of origin. Chapter 3 is a matched comparison between Bardonecchia and Verona, while chapter 4 is a study of efforts by the Solntsevskaya to create subsidiaries in Rome and Budapest. Chapter 5 takes us back to the turn of the twentieth century with a matched comparison between New York City and Rosario. The final chapter of this book explores the movement of Hong Kong and Taiwanese triads to mainland China. In chapter 7, I outline a general perspective of mafia emergence and transplantation, and offer some considerations on the relation between democracy and mafias.

Before I proceed further and anticipate the conclusions I reach, I should say a few words on the unit of analysis (mafia), the phenomenon (transplantation), and the structure of the argument. I focus below on a specific type of criminal organization, defined as a group that supplies protection in the territory of origin. The 'Ndrangheta, the Sicilian Cosa Nostra, the

Italian American mafia, the Hong Kong and Taiwanese triads, the Solntsevskaya and other Russian *gruppировки*, and the Japanese yakuza are essentially providers of extralegal governance, and can be collectively referred to as mafias.⁸ These groups engage in extortion—the forced extraction of resources in exchange for services that are *not* provided.⁹ But such behavior is not their defining feature.¹⁰ Rather, they are groups that aspire to govern others by providing criminal protection to both the underworld and the “upper world.”¹¹ They can supply genuine services like protection against extortion; protection against theft and police harassment; protection for thieves; protection in relation to informally obtained credit and the retrieval of loans; the elimination of competitors; the intimidation of customers, workers, and trade unionists for the benefit of employers; the intimidation of lawful right holders; and the settlement of a variety of disputes. For example, in his classic study of Chicago organized crime published in 1929, the U.S. ethnographer John Landesco highlighted the enforcement of cartel agreements as a service provided by mafia groups. Producers have an incentive to enter into cartel agreements but also to undercut fellow conspirators, placing themselves in a classic Prisoner’s Dilemma. The mafia offers to enforce the cartel agreement among producers, thereby deterring conspirators from cheating on the deal.¹²

I take the word “transplantation” to mean the ability of a mafia group to operate an outpost over a sustained period outside its region of origin and routine operation.¹³ Although in principle the new territory could be contiguous or faraway, I will focus mostly on territories that are not contiguous (a better word for transplantation in contiguous territories might be expansion). The actors involved are “made” members of the organization of origin; in other words, they are bona fide mafiosi who have gone through an initiation ritual in the territory of origin. If transplantation succeeds, such rituals may come to be performed in the new environment and recognized by the group of origin. Mafiosi might find themselves in the new territory by an accident of history, such as migration, or because they have been forced to reside there by a court order. In such cases, their presence is due to exogenous factors rather than an explicit *ex ante* plan to set up shop in a new region. Alternatively, or in addition, the mafia of origin might consciously decide to open a branch in a new land. In both scenarios the “foreign” mafiosi actively work at creating a new group, relying on the skills acquired beforehand. The new entity or “family” is either

affiliated to or a branch of an established existing mafia family. The outpost might become financially autonomous and able to generate its own profit, or continue to rely on transfers from the center. A rather crude indicator of the phenomenon is whether the mafiosi in question reside in the new territory, although they might be seen occasionally to travel back “home.” Over time, the branch organization might drift away from the original “firm” and become fully autonomous as well as financially independent, or retain a degree of dependency with the homeland.

The above definition helps distinguish transplantation proper from several phenomena that are often lumped together in the category of transnational organized crime. Criminals crossing a border (physically or virtually, as in the case of Internet frauds) with an illicit good or a person do not automatically qualify as either mafia or transplantation but rather as a form of illegal *trade*, and need to be placed in a conceptual box that differs from attempts to control markets or territories abroad. Similarly, members of mafia groups traveling abroad do not constitute transplantation of the group, nor do conspiracies between mafiosi and foreign criminals to smuggle workers, drugs, weapons, and other illegal commodities either into or out of their country.

In this work, I try to identify distinctive factors in the narratives that I present. One is the generalized migration of the population from territories where mafias are well established, such as western Sicily and Calabria. It seems plausible that when large groups of individuals migrate from territories where mafias are pervasive, some with criminal skills would also relocate and be more likely to engage in mafia activities in the new territory (I am referring here to resettlement prompted by non-mafia-related reasons). A second possible boost to mafia transplantation might be the migration of people specifically trained in violence and with mafia skills. In the case of Italy, we can evaluate this dynamic thanks to *soggiorno obbligato*, a policy that punished convicted mafiosi by forcing them to relocate outside their area of origin. Third, I consider the extent to which members of mafia groups are pushed to migrate in order to escape mafia wars or prosecution in their areas of origin, or whether they are in search of particular resources or investment opportunities.

In each chapter, I then discuss the conditions under which mafia groups are likely to become entrenched. A key dimension is the presence of a

demand for criminal protection in the new place. The presence of large illegal markets, booms in construction, an export-oriented economy, incentives to create cartel agreements, or the inability of the state to settle legal disputes quickly and effectively usually generate such a demand. I also examine whether lack of trust and low levels of civic engagement would predict a higher likelihood of mafia entrenchment.

Let me anticipate the main conclusions of this study. In all the cases narrated in this book, mafiosi find themselves in the new locale not of their own volition; they have been forced to move there by court orders, to escape justice or mafia infighting and wars. They are not seeking new markets or new products but are instead just making the most of bad luck. I had not anticipated this result, and certainly did not choose the cases in order to conform to this finding. What might appear the product of globalization is in fact the consequence of state repression exporting the problem to other countries (even mafia infighting can to an extent be the product of pressure put on the group by the state). This finding does vindicate an aspect of the perspective suggested by Reuter and Gambetta—namely, that mafias would not normally move out of their territory. An additional issue I explore is that even if they do not move willingly, they can still to an extent choose *where* to move. I find that they move to places where they had a previous contact, a trusted friend or a relative.

Is the presence of mafiosi in a new territory enough for a mafia to emerge? No. A special combination of factors must be present. First, no other mafia group (or state *apparati* offering illegal protection) must be present. It is too much of an uphill struggle for an incoming mafia to set up shop in the presence of a powerful local competitor. Second, a mafia group is most likely to succeed in transplanting when its presence coincides with the sudden emergence of new markets. To the degree that the state is not able to govern new markets, the possibility of mafia emergence or entrenchment from abroad is strong. States might be unable to clearly define and protect property rights, and market operators hence would develop a demand for alternative sources of protection. In addition, states by definition cannot protect dealers of illegal commodities. In both instances, significant opportunities exist for mafias to govern access to valuable markets, offer genuine services of dispute settlement and protection, enforce

cartel agreements, reduce competition, and thus serve the interests of a sector of society. These opportunities can be easily taken up when a supply of people trained in violence, either local or from abroad, is at hand.

The presence of a supply of mafiosi and the inability of the state to govern markets are the key factors that link cases of successful transplantation, such as the 'Ndrangheta in Bardonecchia (chapter 3) and the Russian mafia in Hungary (chapter 4). In Bardonecchia, disenfranchised migrant workers from outside the region accepted illegal employment over unemployment, thereby forgoing membership in trade unions and more generally state-sponsored protection. Entrepreneurs not only hired illegal workers but also schemed to restrict competition. The structure of the local labor market and the booming construction industry (in which firms compete locally and there is a strong incentive to form cartels) led to the emergence of a demand for illegal protection. Members of the 'Ndrangheta Mazzaferro clan resided in this territory. They offered certain firms privileged access to this market, and were able to settle disputes between workers and employers.

Although Piedmont does not have a new market economy like those of Eastern Europe, a striking parallel exists in the successful transplantation of the Russian mafia's Solnstevo criminal group in Budapest (chapter 4). In that instance the state failed to create a system to adjudicate disputes quickly and effectively, thereby leaving significant sectors of the emerging market economy unprotected by the law, as was the case for immigrant workers in Bardonecchia. When vast numbers of economic agents operate in an unprotected market, they develop a demand for nonstate forms of protection. In both Bardonecchia and Budapest, skilled criminals were available to organize a mafia group and offer a variety of services, such as the settlement of disputes and elimination of competitors in local markets.

A powerful set of mafia groups emerged in the United States around 1910 because of the unintended consequences of police reform and it was able to expand later thanks to Prohibition (chapter 5). Until then, illegal markets were protected by a combination of local politicians and corrupt police officers. When the mayor of New York enacted far-reaching reforms that curbed grand graft, illegal markets such as gambling and prostitution were in search of new protectors. In legal markets, like garment production, poultry, garbage collection, and construction, existing operators were