



**UNIVERSITY OF TRENTO - Italy**  
**School of International Studies**

**THE STATE AND TRANSNATIONAL ORGANIZED CRIME:  
A CASE STUDY ANALYSIS OF CRIMINAL OPPORTUNITIES IN THE  
RUSSIAN FEDERATION AND THE UNITED STATES**

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## ABSTRACT

The concern with the role of failing and post-conflict states as incubators of transnational organized crime (TOC) was a recurrent theme in research in the 1990s. Because of deep-seated institutional failures, instability and impoverishment, weak states were considered as crime-facilitative environments, in which criminal organizations were provided with rewarding criminal opportunities and a high degree of immunity. The resilience of properly functioning states has often been taken for granted in mainstream accounts of TOC. Fragmented but nevertheless important empirical data provide evidence that TOC has established in many countries around the world irrespective of high levels of economic development and outstanding governance.

This dissertation studies the nexus between state features and TOC. In order to do so, a qualitative analysis of the formation of criminal opportunities within different types of states is offered. Two case studies, the Russian Federation (the North Caucasus region) and the United States (the US-Mexico border area) were selected for the analysis. Although the two states have encountered similar security problems such as those related to securing extended borders, fighting terrorism and TOC, they have experienced different patterns of relative success and failure circumscribed by their contrasting governance, economic and security capacities as well as different roles, perspectives and ambitions on global and regional agendas.

Based on the data collected from interviews with experts in Moscow and in Washington, D.C., the analysis of official reports, secondary literature and the mass media, the dissertation offers both the knowledge base on organized crime groups and specific criminal offences, as well as develops a comparative framework for the study of criminal opportunities in the context of poorly functioning and properly-performing states defined along Weberian categories of statehood.

The analysis of the data was performed to develop a typology of criminal opportunities for TOC. Three major categories are distinguished. Criminal opportunities of *a-type* are characteristic of poorly functioning states and presuppose a vicious downward spiral, in which deteriorating political, economic and security institutions as well as the presence of illicit armed groups and lawless zones generate unprecedented criminogenic opportunities such as in the case of the Russian Federation during the two large-scale wars in Chechnya and the post-conflict reconstruction years.

Criminal opportunities of *b-type* refer to situations, when policies adopted by developed democracies accidentally facilitate transnational criminal activities, thus, creating more lucrative criminal opportunities. Based on the analysis of criminal activities at the US-Mexico border, the dissertation argues that properly functioning states that endorse vastly penalizing security policies create the criminogenic environment that instigates more sophisticated and resourceful criminal strategies.

Finally, not only state qualities define criminal opportunities. The nature of the systemic environment is a crucial contributing factor to the formation of criminal opportunities of *c-type*. The findings suggest that TOC triumphs in the circumstances of criminogenic asymmetries constituted by systemic gaps between those states that are affluent and secure and those that are poor and ungoverned. Discrepancies between properly functioning states and zones of instability generate lucrative opportunities for

the creation of black markets. This said, criminal opportunities may not only be produced by states but also by a particular composition of asymmetric relationships among states.

Although non-exclusive and often overlapping, the patterns of the formation of criminal opportunities studied in this dissertation are important as they provide greater detail about the concept of a criminal opportunity and shed light to the role of the state as target and a facilitator of TOC.

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## NOTE ON TRANSLITERATION

The dissertation follows the transliteration system adopted by the United States Board on Geographic Names (BGN) and the Permanent Committee on Geographical Names for British Official Use (PCGN) in 1947 and later by the Oxford University Press. Exceptions to this system have been applied in instances when a BGN/PCGN transliteration version was, in my opinion, too difficult to read for non-native speakers of Russian (e.g., *Ingushetia* rather than *Ingushetiya*; *boevik* rather than *boyevik*). Soft signs and hard signs have been preserved. Soft signs are marked with a prime symbol (e.g., *Astrakhan'*). Hard signs are indicated by a double prime symbol to denote reduction of the middle vowel sound (e.g., *Ob''yektivnaya Gazeta*). When referencing works by Russian authors published in English, the way they transliterate their name is preserved.

RUSSIAN, CAP	TRANSLITERATION, CAP	RUSSIAN, LOWERCASE	TRANSLITERATION, LOWERCASE
А	A	а	a
Б	B	б	b
В	C	в	v
Г	G	г	g
Д	D	д	d
Е	Ye <sup>1</sup>	е	e, ye
Ё	Yo <sup>2</sup>	ё	yo
Ж	Zh	ж	zh

<sup>1</sup> The character **e** is transliterated **ye** initially, after the vowel characters а, е, ё, и, о, у, ы, э, ю, and я, and after й, ъ, and ь. In all other instances, it should be transliterated **e**.

<sup>2</sup> The character **ё** is not considered a separate character of the Russian alphabet and the dieresis is generally not shown. When the dieresis is shown, the character is transliterated not according to the BGN/PCGN Romanization style as **yë**, but as **yo**. This deviation from the BGN/PCGN standards is explained by expected better readability for non-Russian speaking readers.

З	Z	з	z
И	I	и	i
Й	Y	й	y
К	K	к	k
Л	L	л	l
М	M	м	m
Н	N	н	n
О	O	о	o
П	P	п	p
Р	R	р	r
С	S	с	s
Т	T	т	t
У	U	у	u
Ф	F	ф	f
Х	Kh	х	kh
Ц	Ts	ц	ts
Ч	Ch	ч	ch
Ш	Sh	ш	sh
Щ	Shch	щ	shch
Ъ	-	ъ	'
Ы	-	ы	y
Ь	-	ь	"
Э	e	э	e
Ю	Yu <sup>3</sup>	ю	iu
Я	Ya	я	ya

---

<sup>3</sup> The character **ю** is transliterated **yu** initially. In all other positions it is transliterated **iu**.

## LIST OF ACRONYMS AND ABBREVIATIONS

<b>AML</b>	Anti-Money Laundering
<b>BCS</b>	Bulk Cash Smuggling
<b>CBAG</b>	California Border Alliance Group
<b>CDC</b>	Cases de Cambio
<b>CITES</b>	Convention on International Trade in Endangered Species of Wild Fauna and Flora
<b>CTOC</b>	Convention against Transnational Organized Crime
<b>DPS</b>	Dorozhno-postovaya sluzhba (Road/Traffic Police)
<b>DTO</b>	Drug Trafficking Organization
<b>EU</b>	European Union
<b>EU-TWIX</b>	European Union Trade in Wildlife Information Exchange
<b>FBI</b>	Federal Bureau of Investigation
<b>FSB</b>	Federal'naya sluzhba bezopasnosti (Federal Security Service)
<b>FSKN</b>	Federal'naya sluzhba po kontroliu za oborotom narkotikov (Federal Narcotics Control Service of the Russian Federation)
<b>FTS</b>	Federal'naya tamozhennaya sluzhba (Federal Customs Service)
<b>GRU</b>	Glavnoe razvedyvatelnoye upravleniye (Main Intelligence Directorate)
<b>ILO</b>	International Labour Organization
<b>IMF</b>	International Monetary Fund
<b>IVTS</b>	Informal Value Transfer System
<b>MDMA</b>	Methylenedioxymethamphetamine
<b>MVD</b>	Ministerstvo vnutrennikh del (Ministry of Internal Affairs)

<b>NDIC</b>	National Drug Intelligence Center
<b>OAD</b>	Otkrytoye aktsyonernoye obschestvo (Public Liability Company)
<b>OCG</b>	Organized Crime Group
<b>OMON</b>	Otryad militsii osobogo naznacheniya (Special Purpose Police Unit)
<b>OSCE</b>	Organization for Security and Cooperation in Europe
<b>PFO</b>	Privolzhskiy federal'nyi okrug (Volga Federal District)
<b>POE</b>	Point of Entry
<b>PPS</b>	Patrul'no-postovaya sluzhba (Patrol-Guard Service)
<b>RF</b>	Russian Federation
<b>SBI</b>	Strategic Borders Initiative Network
<b>SKFO</b>	Severo-kavkazskiy federal'nyi okrug (North Caucasian Federal District)
<b>SME</b>	Small Money Exchangers
<b>UFSB</b>	Upravleniye federal'noi sluzhby bezopasnosti (Federal Security Service Directorate)
<b>UNDP</b>	United Nations Development Programme
<b>UNODC</b>	United Nations Office on Drugs and Crime
<b>US</b>	United States
<b>USATF</b>	Bureau of Alcohol, Tobacco, Firearms and Explosives
<b>USBP</b>	United States Border Patrol
<b>USCBP</b>	United States Customs and Border Protection
<b>USCG</b>	United States Coast Guard
<b>USDA</b>	United States Department of Agriculture
<b>USDEA</b>	United States Drug Enforcement Administration

<b>USDHS</b>	United States Department of Homeland Security
<b>USDOJ</b>	United States Department of Justice
<b>USFWS</b>	United States Fish and Wildlife Service
<b>USGAO</b>	United States Government Accountability Office
<b>USICE</b>	United States Immigration and Customs Enforcement
<b>USSR</b>	Soyuz Sovetskikh Sotsialisticheskikh Respublik (Union of Soviet Socialist Republics)
<b>UVD</b>	Upravleniye vnutrennikh del (Internal Affairs Directorate)
<b>WGI</b>	World Governance Indicators
<b>WMD</b>	Weapons of Mass Destruction
<b>WWF</b>	World Wildlife Fund
<b>YUFO</b>	Yuzhnyi federal'nyi okrug (Southern Federal District)

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## INTRODUCTION

### **The State and Transnational Organized Crime**

The multiplicity of actors has been one of the major features of the international system at the beginning of the 21st century. Traditional actors in International Relations consisting purely of sovereign states have been expanded to accommodate non-state actors. In such a diversified international system, states have become confronted with sovereignty-free actors (Rosenau 1990: 36), including not only those of the “upperworld” such as international non-governmental organizations and multinational corporations, largely preserving the causes of peace, development and stability, but also transnational criminal actors, pursuing political power and economic wealth through illicit means. These “underworld” non-state actors have been powerful enough to establish alternative norms of political, economic and social exchanges, often mutating into alternative norms of governance and justice. Whereas Westphalian states are obliged to comply with “the baggage of statehood” that requires states to secure accountable governments, appropriate distribution of public goods, the rule of law, human rights and freedoms, the new generation of perpetrators with the global outreach recognize no national commitment and no laws but their own. With a pinch of cynicism Robinson (2000: 9) illustratively noted:

As long as we live in a world where a seventeenth-century philosophy of sovereignty is reinforced with an eighteenth-century judicial model, defended by a nineteenth-century concept of law enforcement that is still trying to come to terms with twentieth-century technology, the twenty-first century will belong to transnational organized crime.

While the historical curve of globalization has often been contested, it is unambiguous that the international system today exhibits a greater impact and magnitude of transnational processes than ever before. Since the end of the Cold War, patterns in crime have diversified, gone global and reached unprecedented macro-economic levels. Violent non-state actors authorized to act on behalf of national governments characteristic of the Cold War period have transformed into independent, profit-minded and highly-adaptable actors.

The concern with the role of failing and conflict-torn states as incubators of transnational organized crime (TOC) was a leitmotif of research in the mid-1990s. Because of deep-seated institutional failures, instability and impoverishment, these states were considered as crime-facilitative systems, in which criminal organizations are provided with rewarding criminal opportunities and a high degree of immunity (e.g., Zartman 1995; Williams 2002; Gros 2003; Patrick 2006; Rotberg 2007; Briscoe 2008). Lacking both the capacity and/or determination for good governance not only were failed states understood as incubators of organized crime but also as hotbeds of threats spilling over national borders into “crime-free” states. Such “spillovers” have been considered as one of the most urgent threats to international peace and security (Baker 2007).

Although providing useful insights pertaining to the relationship between failed states and TOC, this body of literature largely neglected the role of properly functioning states as indispensable contributors to the formation of criminal opportunities for TOC. The resilience of powerful states has often been taken for granted in mainstream accounts of TOC (Rabasa et al 2007). A few studies that dealt with the capacity of developed states to respond to TOC have, unfortunately, approached transnational criminal processes as “interesting”, “exotic” and “anomalous” (Allum & Gilmour 2011: xiii). Because developed states exercise a fair control over the territory under their jurisdiction, develop resilient bureaucratic structures and demonstrate progress in economic performance, they have been conventionally considered unlikely providers of opportunities for TOC.

Fragmented but nevertheless important empirical data provide evidence that TOC has established in many countries around the world irrespective of their levels of development and good governance. According to a UNODC Report 2010, TOC is “the strongest in richest countries” (UNODC 2010a: 223). The presence of TOC in developed states is not, however, as visible as in weak states. This is so because the share of the illicit economy in developed states is “so small that it does not rise to become a substantial threat to state security” (ibid). But when this wealth is leveled against countries with much smaller economies, organized crime is given the resources to overwhelm local law enforcement.

Empirical data provided by international organizations such as the UNODC’s annual reports on TOC and academic literature suggested that well-governed and economically developed democracies with advanced security capacities have experienced

serious challenges in responding to TOC (e.g., Petras & Veltmeyer 2001; Arsovska 2011; Beare 2003). Moreover, there is a growing “critical” literature that suggests criminal justice and law enforcement policies enacted by developed democracies may produce unanticipated and undesirable outcomes—the so-called unintended consequences (Beare 2003; Bowling 2011). This group of studies focuses on fallacies of policymaking—miscalculated from the planning state or poorly performed policies—that may, regardless of its initial aims, create the environment in which crime flourishes.

Given that the nature of criminal opportunities for TOC and the contribution of states into the formation of criminogenic environments remain ambiguous, the dissertation has the following research objectives:

- to study the ways fragile and conflict-affected states contribute to the formation of criminal opportunities for TOC;
- to evaluate the possibility of public policy mistakes leading to counterproductive effects such as displacement of criminal activities, proliferation, and a growing intensity and sophistication of TOC;
- to analyze the potential of the international system to constantly create and produce new opportunities for crime that stem from inequalities in the availability of resources across states, discrepancies among national legal systems and unevenness of the distribution of economic assets and income;
- to recommend a set of measures that should be taken by national governments and international organizations to reduce TOC.

## **Research Framework**

In order to achieve these goals, the dissertation provides a qualitative analysis of the formation of criminal opportunities in different types of states. A criminal opportunity should not, however, be considered a cause of crime. Rather, it is a favorable occasion that renders a good possibility of success of illicit activities. Thus, the overall aim of the dissertation is not to establish a causal relationship between criminal opportunities and TOC. The aim is rather to analyze the variety of criminal opportunities, capture the dynamics of their presence in various national contexts and describe the process of their activation by profit-driven offenders.

In order to study criminal opportunities for TOC, the dissertation offers a qualitative analysis of two heterogeneous case studies. Although the Russian Federation is conceived as a poorly functioning state in this research, it should not be considered so in absolute terms. In comparative terms, however, the Russian Federation has certainly demonstrated weaknesses with regards to governance and institutional integrity, the rule of law, the provision of public goods and holding a legitimate monopoly of force over its territory. Having served as a playground for two devastating Russo-Chechen wars and a large-scale anti-terrorist campaign, the North Caucasus region, mainly the republics of Chechnya and Dagestan, continue to represent some of the most troubling regions for the Russian government. The United States may be considered a more stable and more advanced state when it comes down to governance matters, transparency and accountability compared to the Russian Federation. Despite its domestic stability and relatively high resilience to external threats, the US government has, however, encountered a wide range of vulnerabilities, most of which have featured along the border with Mexico. Finally, although the two states have encountered similar security problems

such as those related to securing extended borders, fighting terrorism and TOC, they have experienced different patterns of success and failure circumscribed by their contrasting governance, economic and security capacities as well as different roles, perspectives and ambitions on global and regional agendas.

The dissertation is primarily concerned with the activities that represent some of the biggest illicit markets globally. These are illicit transfers of illegal goods (drugs and arms) and illicit transfers of scarce but legal resources (oil and caviar). In studying these activities, the data were obtained from primary and secondary sources. Semi-structured interviews with experts in academia, policymaking and the law enforcement as well as in the media in the United States and the Russian Federation were conducted. Secondary sources such as reports issued by governments and international organizations, police reports and court files, as well as both the print and online news media provided the data which were not available from interviews.

References to specific criminal groups or declarations of names of offenders have been largely avoided. The goal of the study is not to disrupt criminal rings or provide a practical guide for criminal investigators. This research is a purely academic endeavor concerned with providing a systematic overview of some of the patterns and trends of TOC through an interdisciplinary lens that up-to-day have not been in a compelling manner covered in previous research on TOC.

### **Structure of the Thesis**

The dissertation is divided into two major parts, one theoretical and one empirical, and into seven chapters. Following the introduction that sets the background, the goals and the framework of this research, Chapter 1 focuses on the definitional debate, specifying

the key features of TOC and the ways approaches towards TOC evolved over several decades. Chapter 2 offers a review of the state of the art in research. The first part of the chapter examines the literature on the nexus between state features and TOC. The second part of the chapter presents the review of the literature on criminal opportunities and criminogenic asymmetries. Chapter 3 describes the methodology and research instruments used to achieve the goals of the dissertation. It presents the working definitions of concepts, introduces the data collection and data analysis methods, as well as informs about some of the problematic ethical issues involved. This chapter also describes some of the difficulties and limitations in collecting and analyzing empirical data.

Four empirical chapters follow the methodological chapter. Chapter 5 and Chapter 6 are dedicated to the analysis of criminal opportunities in the Russian Federation with the focus on transnational criminal activities traversing the North Caucasus region during the Russo-Chechen wars and the post-conflict reconstruction period. The analysis of the fight of the United States against drug trafficking across the US-Mexico border and other illicit cross-border activities is presented in Chapter 7 and Chapter 8. The concluding chapter of the thesis summarizes the findings of the dissertation and frames them within the wider context of academic research.

## **PART I. THEORY**

## THE DEFINING ELEMENTS OF TRANSNATIONAL ORGANIZED CRIME

Defining the concept “transnational organized crime” has been the source of some major debates academic for several decades. Back in the 1970s, Reuter and Rubinstein warned that defining TOC would always be the “Achilles heel” of the studies concerned with illicit cross-border activities. Not without some irony, they acknowledged that “most discussions [on transnational organized crime] end up sounding like debates about UFO: those who have seen one are arrayed on one side, and all of those who have never seen one but dispute the validity or interpretation of the observations are on the other” (Reuter & Rubinstein 1978: 59). Wright emphasizes that challenges in defining TOC are ingrained in its semantic and empirical qualities. He specifies that TOC has been contested due to some disagreement with regards to the activities that the term refers to. There is “no absolute consensus about the substantive examples that might fall within its scope” (Wright 2006: 203). The illicit activities that have been known as transnational organized crime are “hybrid and rarely exist as ideal type. Rather they represent a combination of different types and forms, and overcoming ambiguities is an impossible task” (Zabyelina 2010: 125).

Indeed, TOC is an “umbrella term” (von Lampe 2004: 108), an “ambiguous catchphrase” (Paoli & Fijnaut 2004: 41) or a hypernym that refers to a superset or grouping of related sub-categories of concepts representing various illicit cross-border activities. In light of its multifaceted nature transnational organized crime may include anything ranging from trafficking in narcotic drugs and trafficking in arms to money laundering and trafficking in body parts. Because TOC refers to a multiplicity of criminal phenomena, definitions of the term typically tend to be general and all-inclusive. From this perspective, the term is rather normative than functional.

This chapter reviews the concept of TOC along several axes that are expected to help disentangle some of the complexity and heterogeneity associated with the term and its empirical application. It assesses the United Nations definition of TOC adopted in 2000 by enriching it with nuances pertaining to the scope of cross-border illicit activities and the diversity of their forms.

## **Background**

The problems related to TOC are hardly new. Nor are the concerted efforts to eradicate or ameliorate them. What has changed, at least since the early 1990s, is the scale and intensity of TOC, as well as the perceptions about the role and the impact of TOC on national and international security.

The use, production and sale of narcotic drugs can be traced back to ancient history (Arsovska 2011: 307). Recorded by Homer, opiates were common in Ancient Greece, marijuana was in use over two millennia ago, and coca was as much an integral part of societal life as it is in some parts of contemporary Andean South America. Piracy was a menace to international commerce since as early as the fourth century a.d.. It

gradually grew through the centuries becoming particularly rife in the Mediterranean from the 16th through the 18th centuries. Violent non-state actors were also present during the Cold War. Arrangements with criminal groups and insurgents were made by each of the two superpowers. The funding of insurgencies of that time, however, were issues of the Soviet-American battle rather than something to be studied in its own right. They were, as one author specified, “insurgencies by proxy” (Williams and Felbab-Brown 2012: 28).

In the preface to the *Transnational Organized Crime Threat Assessment*, the Executive Director of the UNODC emphasized that since the end of the Cold War global governance has failed to keep pace with the rapidly growing economic globalization. While globalization has stimulated economic growth and development (at least in certain locations), it has also provided new opportunities for criminals to prosper (UNODC 2010a). Specifically, the Executive Director goes on to state that

...traditional organized crime has diversified, gone global and reached macro-economic proportions: illicit goods are sourced from one continent, trafficked across another, and marketed in a third.... Crime is fuelling corruption, infiltrating business and politics, and hindering development” (ibid: ii).

Those who operate outside the law, according to the UNODC (ibid: ii), represent a multiplicity of actors:

- drug cartels are spreading violence in Central America, the Caribbean and West Africa;
- collusion between insurgents and criminal groups (in Central Africa, the Sahel and South-East Asia) fuels terrorism and plunders natural resources;

- smuggling of migrants and modern slavery have spread in Eastern Europe as much as South-East Asia and Latin America;
- in so many urban centers authorities have lost control to organized gangs;
- cybercrime threatens vital infrastructure and state security, steals identities and commits fraud;
- pirates from the world’s poorest countries (the Horn of Africa) hold to ransom ships from the richest nations;
- counterfeit goods undermine licit trade and endanger lives;
- money-laundering in rogue jurisdictions and uncontrolled economic sectors corrupts the banking sector, worldwide.

The question is: what is there in common that these various actors and their illicit activities share? Although any definition of TOC is likely to be too abstract and too general, it is important at least for legal purposes.

Definitions contained in criminal codes or civil statutes are developed to target specific acts of offence and make it possible to prosecute and take legal measures against them. “They must sharply and narrowly define what behavior is to be subject to criminal or civil remedy,” write Finckenauer (2005: 68), ironically adding an allegory that “[I]f it looks like a duck, walks like a duck, and hangs around with ducks, then it is a duck,” actually fits members of organized crime, no one—again in the United States at least—can be prosecuted just for looking like, walking like, or hanging around with members of organized crime groups.”

The United Nations Crime Prevention and Criminal Justice Branch first coined the term “transnational organized crime” in 1975 in an attempt to identify criminal acts

that transcended national boundaries, transgressed national legislations and had an impact on another state. Efforts to arrive to an internationally agreed definition of TOC were made under the auspices of the Naples Political Declaration and Global Plan of Action against Transnational Organized Crime at the World Ministerial Conference in 1994. At that meeting, 140 states committed themselves to joining the forces against TOC. It took the international community five more years to reach an agreement over a common definition of TOC that was reached in the beginning of the 2000s. The outcomes of the G8 meeting in September 2000 laid the foundations for the proceedings of the United Nations Convention against Transnational Organized Crime (CTOC) that adopted the first internationally recognized definition of the concept. As of today, the CTOC definition of TOC has been accepted worldwide as being the *locus classicus* that most accounts on TOC cite.

According to the CTOC, TOC refers to offences that are transnational in nature and involve an organized criminal group. An organized criminal group applies to “a structured group of three or more persons, existing for a period of time and acting in concert with the aim of committing one or more serious crimes or offences established in accordance with this Convention, in order to obtain, directly or indirectly, a financial or other material benefit (CTOC: Art. 2a). An offence is *transnational* when:

- a) it is committed in more than one State;
- b) it is committed in one State but a substantial part of its preparation, planning, direction or control takes place in another State;
- c) it is committed in one State but involves an organized criminal group that engages in criminal activities in more than one State; or

- d) it is committed in one State but has substantial effects in another State  
(CTOC: Art. 3, Par. 2).

The CTOC also identifies that transnational organized crime is characterized by:

- a) systematic or occasional corruption and violence;
- b) investment and manipulation of illicit goods and services (tangible and intangible); and
- c) high rates of economic or socio-political benefit.

Though this definition has become one of the fundamentals of the literature on TOC, it does little to capture some of important nuances. Scholarly research is particularly useful to alleviate this dearth. “Researchers use specific looking glasses with their own appropriate and chosen lenses to address their research interest.” (Allum & Gilmour 2011: 8). For example, van Duyne offers a comprehensive definition that conceptualizes TOC as “the passing of illegal goods and/or services over national borders and/or rendering criminal support to criminal activities or related persons in more than one country” (van Duyne in Allum & Gilmour 2011: 7). Albanese suggests that TOC is about “violations of law that involve more than one country in their planning, execution, or impact” (Albanese 2011: 148). Finally, Armao recommends that TOC is to be taken as a “genus” that includes many different species, depending on the geographical and historical contexts. He writes that TOC represents a continuum,

starting from organized crime in the sense of a group of individuals who are together to commit crimes of different types (such as robberies, drug-pushing, etc.), even on a transnational basis; then moving on to crime syndicates as well-structured criminal groups with different hierarchical

roles devoted to the search for profits, acting first of all as entrepreneurs; and finally at the other end of the continuum mafia, as the most specialized criminal groups, also using politics (which means the totalitarian control of a territory) to obtain politics (Armao 2003: 28).

Academic definitions of TOC, unfortunately, do not resolve the conceptual dilemma. Yet, they emphasize what aspects and elements should be further explained and investigated. The sections ahead describe some of the dimensions of TOC that eventually build the foundations of the working definition adopted in the dissertation.

### **Key Features**

Before the “transnational” feature is discussed, it may be helpful to clarify the key features of the concept “organized crime.” According to Hagan, “orgaized crime” is used in the most generic sense to refer to group crimes. Having performed the content analysis of criminology, organized crime and criminal justice texts, Hagan (1983; 2006), for his part, several key dimensions of organized crime. A more specific criminological definition would refer to groups that must have the following essential features to be considered as “organized crime” [Table 1]:

- (a) utilize violence or threats of violence;
- (b) are highly organized and self-perpetuating;
- (c) provide illicit goods that are in public demand; and
- (3) assure immunity for their operators through corruption and enforcement.

Secondary characteristics include:

- (a) structured hierarchy;
- (b) rules/codes of secrecy;

(c) initiation/exclusive membership (Hagan 2006: 135).

A similar attempt was made by Maltz (1985; 1994). He proposed that “organized crime” was identifiable by means of a list of distinguishing features, of which four were considered essential characteristics: violence, corruption, continuity, and variety in types of crime engaged in.

<b>ORGANIZED CRIME TEXTS</b>		<b>CRIMINOLOGY TEXTS</b>		<b>CRIMINAL JUSTICE TEXTS</b>	
<b>Violence/Threats</b>	<b>6</b>	<b>Violence</b>	<b>6</b>	<b>Violence/Threats</b>	<b>4</b>
<b>Monopolistic</b>	<b>5</b>	Monopoly	3	-	
<b>Self-perpetuating</b>	<b>5</b>	<b>Highly Organized</b>	<b>4</b>	<b>Crime by Organizations</b>	<b>6</b>
<b>Corruption</b>	<b>5</b>	Corruption/Immunity	3	Corruption	2
Hierarchy	4	Hierarchy	2	Hierarchy	3
Vice/Illegal Acts	4	<b>Illegal Activities</b>	<b>7</b>	<b>Illegal Enterprise</b>	<b>9</b>
Rules/Secrecy	2	Organizational Continuity	3	Conspiracy	2

**Table 1. Summary of Content Analyses of Textbook Definitions of Organized Crime.**  
**Source: Hagan (2006: 133).**

Finckenauer (2005) integrated these two approaches and offered the following dimensions and characteristics of organized crime:

- Ideology (or lack thereof);
- Structure/organized hierarchy;
- Continuity;
- Violence/use force or the threat of force;
- Restricted membership/bonding;

- Illegal enterprises: the purpose of organized crime is to make a profit;
- Penetration of legitimate businesses;
- Corruption.

Albanese, Das and Verma (2003) discussed the potential for the international consensus on the common features of organized crime. The features this author suggested to be most agreeable among various parties include the following:

- Planned criminal activity for profit;
- A conspiracy of a continuing enterprise formed around social, ethnic, or business relationships, or around a certain product or opportunity;
- Use of violence, threats and intimidation to achieve goals;
- The use of corruption to protect its interests and avoid arrest and prosecution.

These analyses are important but not without their own limitations. One of the limitations refers to the fact that all of the cited scholars' analyses were conducted in the United States and may have a definite bias, both in terms of approaching a particular selection of texts and the selection of case studies for the analysis. Second, many of these sources were developed several decades ago and may be outdated. Regardless of several drawbacks, the features pointed out by scholars serve the perfect ground for developing a conceptual framework for thinking about TOC.

Given that the nature of organized crime has changed dramatically in the past two decades, the sections below present the state of the art in the literature on organized crime with the emphasis on the traditional features of organized crime and several unique features that are exclusive characteristics of TOC.

### *TOC vs. International Crime*

One could expect that *transnational* and *international* crimes are synonymous. Yet, these are quite different concepts that should not be confused (Gevorgyan 2002). International crime involves the relationship between and among states, while transnational crime pertains to arrangements among a variety of actors such as states, private organizations and individuals. Whereas international crimes include dealings between the government of one state with the government of another state, or of several states, the category of transnational crime covers activities that transcend national borders without the direct involvement of national governments. “Transnational organized crime” is used to designate a form of criminality that represents the emergence of criminal networks, acting independently from the state (Bowling 2011: 365; Albanese 2011: 2-3). Thinking of crime as a transnational phenomenon helps emphasize the “ways in which (...) criminal organizations seek to operate outside of the state system in essence, transcending the sovereignty that organizes the modern state system and leveraging it for their own gain” (Shelley et al 2011: 144). International crimes refer to criminal offenses committed by states against international peace and humanity “based on international agreements between countries or based on legal precedents developed through history” (Albanese 2011: 3). International crimes are usually placed in the context of the Rome Statute of the International Criminal Court with the reference to such offenses as:

- a) *crime against humanity* (a serious attack on human dignity or a grave humiliation of one or more human beings, e.g., murder, extermination, torture, rape, political, racial, religious persecution and other inhumane acts);

- b) *crime against peace* (planning, preparation, initiation or waging of wars of aggression, or a war in violation of international treaties, agreements or assurances, or participation in a common plan or conspiracy for the accomplishment of any of the foregoing);
- c) *war crime* (serious violations of the laws applicable to armed conflict, e.g., murder, ill-treatment or deportation of civilian residents of an occupied territory to slave labor camps, killing of prisoners, destruction of cities, towns and villages and any devastation not justified by military or civilian necessities) (Rome Statute of the International Criminal Court 1998).

While international crimes are closely associated with state-organized crime and, to a certain extent, sponsored or directed by a nation-state as a matter of covert official policy, TOC is usually conducted by private actors. Transnational organized crimes are crimes that are less threatening for international peace. Instead, they endanger:

- a) international cooperation (terrorism, plane hijacking, etc.);
- b) international economic and socio-cultural development (contraband, illegal immigration, coinage offence, drug trafficking);
- c) well-being of individuals, their property and the universal system of values (human trafficking and trafficking in body parts, pirateering, pornography).

Within this perspective, TOC has been commonly conceptualized as private or non-governmental crime because it is committed by individuals or groups for unofficial ends (Boister 2012: 4-5). Perpetrators of TOC may be private natural persons, or by juridical persons such as companies. They may also be state officials acting unlawfully in their private capacity.

### *How Transnational is TOC?*

There should be a careful distinction made between the elements of TOC that are intrinsically transnational and those that do not have any reference to crossing national jurisdictions. Longo, for instance, argues that “transnational” is not referred to criminal actors, but to the operational dimension of domestic crimes (Longo 2010: 26-27). She highlights the *glocal* nature of TOC, referring to local criminal groups and global criminal activities they coordinate. According to this line of reasoning, perpetrators are located domestically within one jurisdiction and do not cross national border in a physical sense. Rather, they engage in cooperative arrangements with criminal networks and organized criminal groups in other states, thereby forming transnational organized criminal groups. From this perspective, only the nature of committed illicit activities and illicit exchanges is transnational. Organized criminal groups are local. It is, nevertheless, possible that perpetrators cross national jurisdictions in attempt to avoid prosecution. In cases when organized criminal groups expand the network they belong to into another state’s jurisdiction, for instance when they open affiliates of illicit enterprises, they transform themselves into a transnational criminal network.

Furthermore, one is to be careful with using the concept of TOC because it includes several key components, which depending on the context may mean different things. According to Williams (2001a: 61), there are five separate components or categories which may constitute TOC:

- (a) *Perpetrators*: the actual or potential perpetrators of crime who cross borders in the course of their activities or in efforts to evade law enforcement and seek a safe heaven.

- (b) *Products*: either illegal goods such as drugs that are banned in absolute terms or licit products that are taken out of the country/imported in violation of customs restrictions, moratoria or international embargoes. The list here is a long one and includes drugs, arms, cars, nuclear materials, fuel, counterfeit goods, fauna and flora, and arts and antiquities.
- (c) *People*: illegal aliens who enter countries either clandestinely or using false documentation in violation of immigration restrictions, and women and children who are trafficked across border to fulfill demand in the global sex/labor trade. In effect, the people in this category are treated as human commodities and may be considered as “products.”
- (d) *Proceeds*: the profits derived from illicit activities. Criminal enterprises, whether transnational or domestic in scope, are primarily about the pursuit of profit. In many jurisdictions, however, the money obtained through criminal activities such as drug trafficking is subject to seizure and forfeiture. Consequently, this money is often moved through a variety of foreign jurisdictions in order to obfuscate the trail and hide away from the national law enforcement. It often ends up in offshore financial centers or bank secrecy jurisdictions that are not readily amenable to efforts to seize the funds.
- (e) *Digital signals*: the transmission of digital signals refers to the virtual reality and opposed to physical border crossing. These signals can take the form of child pornography or a virus that is designed to attack information systems. Because of the global nature of information space, much cybercrime is inherently transnational in character.

This said, one should keep in mind that variety of criminal groups and the diversity of their activities. The “test” for *transnationalism* should be performed on a case by case basis in order to avoid methodological and analytical complications.

### *Organized vs. Disorganized Crime*

The debate on the structure of organized crime is old and remains unresolved till today. Definitions of TOC often differentiate between traditional *criminal organizations* and more modern *criminal networks*. Traditional criminal organizations have a hierarchical structure that operates continuously or for an extended period. Newer networks, in contrast, are seen as having a more decentralized, often cell-like structure (Gilmore 1995: 15; Scholenhardt 1999). The structure of criminal organizations depends on multiple factors such as the accessibility and barriers to illegal markets and illegal resources, presence of competitors in the areas of operation, pricing and marketing strategies and the possibility of using violence and opportunities for infiltration of legal institutions and businesses (Scholenhardt 1999: 214). Depending on a factor or a combination of factors, criminal arrangements vary considerably in terms of their organizational structure, size, geographical scope, diversity of actors and sophistication.

One of the most popular and widely known images of criminal organizations is a hierarchy, in which criminal leaders exert “formal and brutal control over their own organizations and linked to other criminal groups through treaties and standing commissions, and coordinating operations over multiple sectors of the criminal economy” (Friman 2005). Ever since the 1930s, the major argument held by most criminologists was that organized crime was a nation-wide, centralized criminal organization paralleled to Sicilian mafia—“headed by and, to a great extent, consisted of

members of Italian and Sicilian origin” (Paoli 2002: 53). This view of organized crime was presented by the Special Committee to Investigate Organized Crime of the Interstate Commerce Commission chaired by Estes Kefauver.

In *Theft of the Nation*, Donald Cressey emphasized the existence of a “nationwide illicit cartel and confederation,” with “a hierarchical structure and the clear division of labor between local branches” that formed itself at the beginning of the 1930s in the United States (Albanese 1994; Cressey 1972). The hierarchical paradigm of crime presents a structural arrangement characterized by vertical relations between its members. A hierarchically structured criminal group is characterized by strong internal lines of control and discipline as well as by violence to be an essential strategy of criminal activities. Mafias are a specific form of a criminal organization that sell private protection, have close links to government officials or agencies and often assume quasi-governmental roles within society. Cressey’s hierarchical model can be generally characterized by: (a) extensive divisions of labor and strict rules and regulations; (b) positions assigned on the basis of proven loyalty and recruitment history; (c) tasks carried out in an impersonal manner; (d) communication and orders flowing down the hierarchy.

One of the advantages of hierarchical structures is that such structures hold a fast, effective and monopolized ability to control members and operations of the organizations that also implies more efficient management and distribution of resources and tasks. Hierarchical criminal organizations are rather resistance to disruption unless the head (the “capo”) and his close associates are removed (Hill 2006).

Since the 1980s and probably even earlier echoing the overall debate in sociology concerned with “social networks,” there has been an increase in studies on criminal

networks. Scholars focused on shifts in the organizational structures of criminal groups. Arguably, criminal organizations were undergoing a transition towards diverse, decentralized and fluid networks (Adamoli et al 1998: 11-12; Fiorentini & Peltzman 1997: 6; Reuter 1983: 109).

The network paradigm of criminal associations represents a different way of looking at (transnational) organized crime. It grew out of the dissatisfaction with both hierarchical and local ethnic models (Albanese 2011: 5-6). “The view was that if the factors causing these illicit relationships to form could be isolated, a determination might be made about the true causes of organized crime” regardless of ethnicity or hierarchy (Albanese 1994: 85). Organized crime is the product of market forces, similar to those that cause legitimate businesses to flourish or die in the legal sector of the economy. From this perspective, economic relationships rather than personal ties form the basis of organized criminal activity (Albanese 1994: 86).

The UNODC survey found that hierarchical criminal structures were less characteristic of organized criminal groups in the beginning of the 2000s. Networks have come to dominate the way criminal organizations arrange internal coordination and separation of functions (UNODC 2002: 30). Criminal networks, among other features, are characterized by: (a) a limited number of individuals forming a relatively tight and structured core group surrounded by a loose network of “associates”; (b) prominence in network determined by contacts/skills; (c) low public profile (seldom recognition by name); and (d) seldom has ethnic or a specific social identity (UNODC 2002: 39-41). Their activities tend to be profit-orientated and shifting between illegal and legal activities on the basis of where the most profits can be generated with lower risks of

disruption. This type of criminal groups possess several structural advantages such as the structure-environment flexibility that accommodates the concepts of kinship and conspiracy as well as leaves space for bonding with other players. The disruption of networks is difficult, particularly when networks operate in different national jurisdictions.

Regardless of a plethora of studies on structures of organized crime, some studies argue that organized crime does not always follow a rigid organizational logic. Although a degree of organization on the part of those committing TOC is useful, whether a crime is committed by an individual or by a criminal network depends in part on the nature of the crime. Whereas certain crimes literally cannot be committed by persons acting alone because of its complex and demanding nature, certain crime can be easily managed just by one perpetrator. So, if the nature of offense permits, the crime may be carried out by the so-called “criminal isolates” (Starita 2007: 6).

Scholars, particularly those specializing in cyber-crime and money laundering, emphasize that it is not a prerequisite for a transnational criminal activity to take any organizational forms. It can be disorganized and opportunistic. Although the phenomenon of cybercrime goes beyond the scope of this dissertation, it should be pointed out that the technologies of the twenty-first century apparently make disorganized criminal activities much more likely. Cybercrime, for instance, is likely to take a form of diffuse, loosely-structured opportunity groups, criminal associative entities that come together to exploit specific types of a criminal activity and having accomplished those would dissolve. Non-organized models of transnational criminal activities clearly emphasize that there are no set, fixed, easily identified and easily tracked criminal organizations. “It is hard to say

what forms the organized crime will take in the future, but the reality is not very far from some science fiction movies,” ironically writes Dobovšek (1996).

### *Illegal Enterprises and Penetration of Legitimate Businesses*

In its essence, the predominant form of TOC exists to provide goods and services that are either illegal, illicit or in short supply. The distinction between *illegal* and *illicit* can be understood in several ways. Illegal is forbidden by law. It means “against the law” or “unlawful.” Trade in heavy narcotic substances, for example, is illegal in absolute terms. Illicit relates to unlawfulness in relative terms. If something is illicit, it is disallowed by law but with a variance that makes it legal under certain circumstances as in cases of proper licensing or certification. Illicit implies a much broader category. For example, whereas a commodity or a services offered in a criminal market may be illicit, the transaction associated with the sale/exchange of these goods or services is illegal (Shaw & Kemp 2012: 9). Alcohol is a legal commodity for international trade in a certain quantity that depends on national regulations and standards. So, it is legal to import, for instance, whisky, but only in the amount and the quality prescribed by national standards and taxation regulations. “Illicit means almost the same thing, but it also includes the improper—that is, grey areas of what is lawful or not—and further suggests ‘the furtive or clandestine nature of acts so characterized’” (Kupferschmidt 2009: 6).

Accompanied by severe criticism, some data on the scale of illicit businesses have been projected. Drug trafficking, for example, continues to be the most lucrative form of business for criminals, with an estimated annual value of USD 320 bln (UNODC 2011). In 2009, UNODC placed the approximate annual worth of the global cocaine and opiate markets alone at USD 85 bln and USD 68 bln, respectively (ibid). Human trafficking is a

global crime in which men, women and children are used as products for sexual or labor exploitation. While figures vary, the ILO data issued in 2005 indicated the number of victims of trafficking to be around 2.4 mln, with annual profits of about USD 32 bln. Smuggling of migrants is a well-organized business moving people around the globe through criminal networks, groups and routes. Migrants can be offered a “smuggling package” by organized crime groups, and the treatment they get along the route corresponds to the price they pay to their smugglers. In 2009 some USD 6.6 bln was generated through the illegal smuggling of 3 mln migrants from Latin America to North America, while the previous year 55,000 migrants were smuggled from Africa into Europe for a sum of USD 150 mln (UNODC 2010a). Illicit trading in firearms generates from around USD 170 mln to USD 320 mln annually and puts handguns and assault rifles in the hands of criminals and gangs (ibid). Trafficking in natural resources includes the smuggling of raw materials such as diamonds, rare metals and oil. The black market in oil, for instance, has been estimated to reach USD 9 bln (The Economist 2013). The illegal trade in wildlife is another lucrative business for organized criminal groups, with poachers targeting skins and body parts for export to foreign markets. Organized crime groups also deal in live and rare plants and animals threatening their very existence to meet demand from collectors or unwitting consumers. According to the WWF, traffickers illegally move over 100 mln tons of fish, 1.5 mln live birds and 440,000 tons of medicinal plants per year (WWF 2013).

### *TOC vs. Terrorism*

Activities of organized crime and terrorism often overlap. Whereas the nuances of the nexus are still being debated, there is little dispute today about the existence of various

types of collaborative relationships between terrorist networks and criminal organizations. What brings these disparate groups together are the “pipelines” that these actors need to move goods, money, weapons and personnel through (Farah 2008). Although such cooperative arrangements tend to be temporal and parasitical rather than long-run and symbiotic, crime-terror tandems are highly sophisticated in avoiding law enforcement and exploiting state institutions (Shelley et al 2005). “As such these entities share a common role as ‘strategic criminals’ whose lawlessness and violence threaten a range of state security interests” (Wilson & Sullivan 2007: 15).

The “crime-for-cash” strategy developed by terrorist groups is nothing new. Crime has been a vital funding source for many terrorist activities and is, arguably, one of the strongest links with organized crime. Terrorists cooperate with organized crime groups in situations when they need to receive funding or control over illicit markets, particularly those of trafficking arms and radioactive materials. Terrorists though would be willing to assist traditional criminal activities such as trafficking in drugs, robberies and the like to guarantee revenues for more important ideological goals (Mili 2006).

Terrorism and TOC indeed share some similarities and common goals as the ones discussed above. Yet, the differences are important. Terrorists pursue a political goal, whereas criminals do not seek to change the political status quo. Criminal actors do not espouse a particular radical, liberal, conservative or other political ideology. Neither do they attempt to overthrow a regime or a national government. What they are seeking is access to governmentally controlled resources and the nullification of a government’s law enforcement mechanisms achieved by the means of bribery, payoffs and kickbacks (Rollins & Wyler 2010; Makarenko 2004). Criminal groups are unlikely to work with

terrorists permanently, as they are not likely to want to draw attraction to their profits and in no means want to displace the state, but rather they are interested in a semi-functioning weakened state with structural and functional gaps. Radical change is by no means the end-goal of criminal groups as it might engender the cash flow that they are interested in.

### *Penetration of Politics and Corruption*

Not all perpetrators pursue purely economic benefits. Some offenders seek political advantage through violence, some develop collaborative relationships with public officials to “gain access to, and to exploit for their own purposes, the political, economic, and social apparatus of the state,” as well as to increase the security of their operations (Trends in Organized Crime 1997). The opportunities and, consequently, the profits increase if criminal actors gain the “green light”—approval and patronage by state institutions. As Galeotti (2010: 125) rightfully noted,

[I]n the long term [they] are parasites who need their host body to live for them to continue to feed from it. They either degrade national resources (from subverting the rule of law to demoralizing security forces) or act as a powerful “force multiplier” to more obvious threats, such as insurgents.

Politics and crime grow from the same impulse, namely, the drive to quickly obtain money and power. Criminal actors buy off state officials when they cannot elude them. The law enforcement working for criminal networks provide the latter with the insider’s information and protection from disruption. The politics-crime nexus reduces constraints on criminal markets, removes obstacles and expands the possibilities of illicit profit-making. “Criminals also want economic information from government sources that can be exploited for profit. For example, advance information on government economic

policy and regulatory activity enables them to take advantage of privatization plans, bids for public contracts, sales of licenses, and other opportunities” (Godson 2003: 265). State officials, however, collaborate with the criminal world in the pursuit of personal and political purposes, such as maintaining chic lifestyles and financing political campaigns to prolong their leadership.

According to Lupsha (Lupsha 1996; Lupsha & Pimentel 1997), there are two patterns of the politics-crime nexus that he defines as state-evolutionary and elite-exploitative. The criterion for the dichotomy is the source of illicit power. In state-evolutionary models of the politics-crime nexus, in pursuit of insurance and protection criminal groups are considered evolutionary and develop upward from low level bonding with state institutions to upper ladder bureaucrats. The elite-exploitative model of the politics-crime nexus implies a top-down relationship, in which criminal organizations are exploited by fraudulent political elite as “cash cows” to be “milked,” i.e. manipulated and exploited for their own benefits (Lupsha & Pimentel 1997). This model positions politicians as active participants rather than passive victims of criminal processes.

Kupatadze (2010) scrutinized Lupsha’s models along the domination continuum that extends from the dominance of the underworld to elite dominance. Underworld dominance implies that illegal organizations co-opt and recruit the agents of the state, thereby constituting the realm of “dirty economy.” Elite dominance relates to cases when legal organizations set up illegal businesses in the black market.

Bailey and Godson (Bailey & Godson 2001) distinguished another generic typology of states with respect to the politics-crime nexus based on the extent of the criminalization of state institutions. The fragmented-contested model of the politics-crime

nexus represents a situation, when there is a strong parallel authority outside the state apparatus. In states that qualify for this model of crime-state relationship might have legitimate elections and state apparatus parallel to underground networks that have a strong control over political, social and economic realms, while such state institutions as border guards, customs officials and the police might be involved in criminal networks. The second generic type, the centralized-systemic model, emerges under a government's control and penetrates throughout all state structures. It is a top-down construction that begins at the highest echelons of government and extends down to local governments. It is visible in cases when:

... all governmental structures, including law enforcement, military, and border guards are under the centralized state's oversight. Therefore, corruption at any level has a pyramid-like structure, and the president, at the top of the hierarchy, is typically the primary benefactor (Marat 2006).

The culmination of corruption in the long run may lead to new sources of grievances for the people, renewed risk of conflict and, ultimately, the corrosion of legitimacy of the state (Cockayne & Pfister 2008). In certain contexts, it is even impossible to differentiate organized crime from political networks. As one study specified,

[B]ecause these networks straddle existing boundaries between government and civil society, between the public and the private, and across belligerent frontlines, it may prove both conceptually difficult and politically problematic to label some parts of these networks as 'organized

crime,' while leaving other parts of the network free of this label" (ibid: 16).

The culmination of the politics-crime nexus is a critical condition that supposes a subversion of the very principles of government, when "[O]nly the shell of government remains, its institutions are corrupted and serve the interests of a limited elite rather than the citizenry" (Shelley 2010: 2). Such large-scale decay of state institutions and their embrace with criminal organizations has been labeled in the literature as "state capture" (Hellman et al 2000 Kupferschmidt 2009; Kupatadze 2010), "social embeddedness of organized crime" (Kleemans & van de Bunt 1999) and "crime institutionalization" (Dryomin 2004; 2006).

## **Conclusion**

Experts seem to agree that TOC varies considerably in structure, strength, size, geographical range, and the scope and diversity of their operations. Despite its highly fluid natures, several major features of TOC seem to have been recognized. TOC refers to forms of a private offence, i.e. illicit activities that are performed by non-state actors for non-officials ends TOC is economic crime in so far as it is driven by desire for personal economic gain. It is also a globalized crime because criminals go where they can do business and to spread out into unregulated areas. Offenders take advantage of cheap goods or services in one state and move them across national borders to another state where there is strong demand and the goods or services can be sold at a profit. Although cross-border smuggling by one person would suffice for count as transnational crime, TOC is usually associated with organized crime—a group of two or more individuals involved in an offence. TOC does not have to exhibit the rigid hierarchy of traditional

organized crime groups such as the Italian Mafia. Corruption of public and law enforcement officials is the process that is very characteristic of organized crime and its transnational forms, but may not be employed by every criminal group.



## LITERATURE REVIEW

This chapter aims to expand on the broader theoretical context related the formation of criminal opportunities in different types of states. Firstly, it focused on the literature on failed and conflict-affected states. According to this literature, weak states are to be considered as crime-facilitative environments, in which criminal organizations are provided with highly lucrative criminal opportunities and a high degree of immunity. Secondly, the chapter reviews the literature on the relationship between TOC and properly functioning states. Going beyond state failure, this body of literature has provided important accounts of the formation of criminal opportunities as a function of miscalculated state policies and ill-suited institutional arrangements. This literature is grounded on the premise that programs designed to prevent crime do not always reach their aims, but may oftentimes produce unwanted outcomes. Thirdly, criminal opportunity theories are revisited. Accounts in the anomie tradition present insights into the formation of criminal opportunities as a function of collapse of social bonds between individuals and communities, fragmentation of social identity and the mismatch of means and ends broadly conceived. By expanding on some of the contemporary interpretations of anomie, this section reviews the literature on criminogenic asymmetries. It suggests

that inequalities of various kinds embedded in the international system may also produce opportunities for TOC.

### **The Literature on Failed and Conflict-Affected States**

Varying from more specific and context-dependent to more general dimensions of state weakness, various authors argue that failed and conflict-affected states, with some variations along a continuum, fail to exercise basic state functions, such as providing “basic services to its population and ensuring law and order marked by the loss of control over political and economic space” and, arguably, produce criminogenic factors that offer direct opportunities and structural vacuums ready to be exploited by criminal actors (Al-Rodhan & Kuepfer 2007: 41-42; Zartman 1995: 9). In one of pioneering studies on failed states, Job (1992: 17-18) suggested several aspects of fragile states: (a) the state lacks effective capacities for providing internal peace and order; (b) popular support for the regime is lacking; the existence and security interests of the regime are not considered legitimate; and (c) primary identification is with communal groups contending for their own security. One way of thinking about this group of states is in terms of capacity gaps that create functional holes as suggested by Williams (2002; 2010). “Capacity gaps and functional holes are exploited by criminal organizations in one of two ways—either by filling them and, in effect, substituting or compensating for the state, or by exploiting the room for maneuver that they provide” (Williams 2002: 171).

Transition states were often lumped together with the category of criminogenic societies. Scholars argued that states undergoing a regime change experience an amplified vulnerability, temporal or permanent, to criminal influences and pressures (Williams 1997; Goehsing 2006: 7-10). Criminal groups are likely to expand under the

conditions that accompany transitions to democratic regimes and market liberalization. Characterized by collapse and reshuffling of state structures, fundamental shifts in the principles underlying economic management, the redefinition of values on which society operates and the reorientation of relationships with the international system, states in transformation are likely to be faced with the multiplicity of appalling economic and political crises, severe resource insufficiencies in training post-transformation political institutions and equipping law enforcement agencies (Williams 1997: 20). The constraints of state systems in transition neutralize state mechanisms of resilience to corruption and produce a plethora of opportunities and resources available for criminal mistreatment.

There have been various attempts to measure the degree of weakness and the likelihood of state failure along several dimensions such as governance, territorial control and management of public goods (Foreign Policy 2010, WGI 2010). Other indicators of state failure are (Hall 2011: 177):

- institutional weakness,
- lack of state penetration throughout its territory;
- lack of physical infrastructure;
- weak rule of law;
- prevalence of corruption and informal networks;
- close links between the government and organized crime groups;
- lack of border controls and presence of alternative sources of authority such as various kinds of illegal armed groups.

Drawn from the analysis of the literature from the 1980 through the 2000s, the table below [Table 2] summarizes the literature on state weaknesses along three major categories: (a) governance degeneration and collapse of state institutions; (b) incapacity of territorial control and a limited state monopoly on the legitimate use of force; and (c) incapacity of managing public goods. The literature that pertains to each of these categories is discussed in greater detail later in this chapter.

<b>DIMENSIONS</b>	<b>FACTORS</b>	<b>PRESENT IN ACCOUNTS</b>
<b>Governance degeneration and collapse of state institutions</b>	Absent/weak state institutions/weak rule of law	van Schendel & Abraham (2005); Kupatadze (2007); Humphrey (1999); Briscoe (2008); Marat (2006); Godson (2003); Bailey and Taylor (2009).
	Lack of state penetration/ lack of physical infrastructure	Rabasa et al (2007); Reno (2009).
	Corruption and the prevalence of the informal networks/ criminal traditions	Smart (1999); Marat (2006); Tzvetkova (2010); Cheloukhine and Haberfeld (2011); Hajdinjak (2002); Reno (2009); Cheloukhine (2011); van Schendel and Abraham (2005); Sandholtz and Taagepera (2005).
<b>Incapacity of territorial control and a limited state monopoly of the legitimate use of force</b>	Gaps in the state monopoly of the legitimate use of force/presence of alternative sources of authority/illegal armed groups and criminal networks/population with access to arms	Makarenko (2004; 2010; 2011); Marten (2006; 2009; 2010); Reno (2010); Menkhaus and Shapiro (2010); Groh (2010).
	Limited territorial control; gaps in border management	Kupatadze (2007); Zhurzhenko (2007); Zaitseva (2010); Kukhianidze et al (2004; 2007); Hajdinjak (2002); İçduygu and

		Toktas (2002); Groh (2010); Devdariani and Hancilova (2002).
<b>Incapacity of managing public goods</b>	Crime as a survival strategy adopted by average citizens	Zabyelina (2012); Gros (2003); Migdal (1988); Williams (2010).

**Table 2. The Overview of the Literature on Failed States.**

**Source: Author's Elaboration.**

*Degeneration of Governance*

With regards to weak and failed states, scholars focused on the degeneration of governance and collapse of state institutions as a factor of empowerment of criminal organizations. Failed states are characterized by fragile political institutions that lack management qualities to ensure functioning state organs—decision-making (the parliament), decision/law-enforcing (bureaucracy and security forces), and decision-mediating (courts) organs (Williams 2002).

At times, feeble institutions retreat completely in the face of criminal dominance over the state apparatus. Weak, underfinanced, and poorly managed institutions are favored by criminal actors. Occasionally, criminal actors manage to exercise only sporadic pressures on the state. More sophisticated criminal groups, particularly those allied with politicians, have the ability to embed themselves into state institutions, thereby transforming the state into a corruption-dependent apparatus. With “grand” forms of corruption, the problem is not that fraudulent individuals misuse public offices, but that corrupted practices affect a whole government, the entire institutional apparatus (Andvig & Fjeldstad 2000). When corruption reaches these levels, state institutions become chaotic and are turned into a rubber-stamping machine that fails to fulfill the functions associated with statehood such as fair processes of representation,

accountability and legitimacy. Corruption thus acquires the functions that go beyond simply “greasing the wheels” of the state apparatus. State institutions, either public (judiciary, police, customs) or private (banks and businesses), become dependent on criminal money and protection exterminate the very armor of the state apparatus. Bribes paid in order to “gain licenses, to smooth customs procedures, to win public procurement contracts, or to be given priority in the provision of a variety of other government services” are some of the most widely spread “grease payments” (ibid).

Arguably, derived from low government performance and effectiveness in maintaining state institutions is the environment of legal uncertainty—thus another invitation for criminal activities. The uncertainty associated with legal favoritism as a system of double standards makes illegal techniques of fighting for the share of the legal, gray, and the black markets feasible (Kaufmann et al 2009:6). In the end, weak states are challenged by citizens with low trust in state institutions. Citizens, then, inadequately abide by the rules established by the state mainly because of tales of unfettered official corruption, abuse of discretionary powers by government functionaries and agents, and, importantly, double standards in law enforcement (ibid). Hence, not only Machiavellian political elites and fraudulent criminal organizations but also average citizens alike, whether they form political-criminal alliances or no, decide in favor of a free reign of corruption over state institutions. This extra-legal environment produces shifts of state resources leading to powers largely concentrated in a few hands and benefiting a few individuals. The state is literally owned by an exclusive group with all others pushed aside.

### *Gaps in Territorial Integrity and the Monopoly on the Use of Force*

Various accounts exist that pertain to states' incapability of managing the control over national borders and upholding the state monopoly of the legitimate use of physical force in the enforcement of its order (often referred to as the state's monopoly on violence). Some scholars specified that a limited monopoly on violence may also refer to a category of states, where the government has a virtual monopoly on power and violence but has morphed into a predatory criminal enterprise for the benefit of a small fraction of population—the political elite. In such cases, states inevitably lose legitimacy and become unable to exercise effective monitoring of their borders. Hence, weak states are limited in how much they can manage goods and services crossing their borders and the activities permissible in the territory under jurisdiction (Rabasa et al 2007; Gros 2003; Falk 1997). In other words, these states only account for a fraction of activities—licit and illicit—which traverse their national territories. Usually these areas include the capital region, whereas “criminals may find it relatively easy to set up camp in the hinterland, where they are safely out of reach” (Gros 2003: 64-65).

Exercising a scrupulous control over borders becomes difficult, if not impossible, when lines of demarcation extend for thousands of kilometers such as the borders between the Russian Federation and China, the USA and Mexico, to name a few (Shelley 2003). Transnational criminal groups conventionally favored contested and “heavily-frequented” borders (ibid). Very limited, if any, state control is feasible in states with shifting, confusing or disputed demarcation. When a border has not been clearly demarcated, it becomes easy to conduct act illicit cross-border movements and exchanges (Zhurzenko 2007). Unrecognized territories—geopolitical entities that wish to be

recognized as sovereign states but have been hindered by a lack of diplomatic recognition—often serve as risk-free transits for illicit cross-border activities (Scott 2006; Kukhianidze et al 2004; 2007).

The incapacity of states to control national borders is closely connected to the ability of the government to ensure its presence in remote areas of the state (Rabasa et al 2007: 8-9). Abandoned, economically marginal and sparsely populated areas often turn into criminal havens. The conditions that retard economic development and diminish the state's incentives to develop the infrastructure necessary to maintain a robust state presence lead to the emergence of shadow economies and black markets. The prevalence of the informal sector overshadows the official economy and escapes the control of the state, thus degenerating tax revenues for the state.

Conventionally, these regions are the areas, where the state is least likely to exercise the monopoly on the (legitimate) use of force. This is when alternatives to the state monopoly on the use of violence and the means of coercion emerge. The presence of armed non-state groups outside the control of the state is one of the main pointers of the extent to which the state is criminogenic. The variety of armed non-state actors may be broadly associated with four major groups:

- a) *terrorist groups*: motivated by religion, politics or ethnic forces;
- b) *transnational criminal organizations and organized crime groups*: profit-driven illicit organization that either embed themselves within state structures or take over the state;
- c) *militias*: armed groups that want separation from the state for the purpose of obtaining a local ethnic/religious/economic interest.

- d) *insurgencies*: politically-motivated armed groups, seeking to take over the state or formally divide it (Farah 2010).

In many cases these groups challenge the state either by breaking the role of law and/or by employing violence to dominate local communities. Despite their divergent agendas, roles, organization structures and the relationship with state authorities, each of them represents a common challenge to the state monopoly of force and violence (Williams 2008). They may provide alternative governance, “offering services and supplying collective goods that the state is unable or unwilling to offer and provide” (Williams 2008; Rabasa et al 2007). Sullivan (2009) suggests that in some cases they are even capable of transforming into “war-making entities capable of the challenging the legitimacy and even the solvency of nation-states.”

#### *Mismanagement of Public Goods*

The state is to be understood not only as a territorial and regulatory space but also as a functional space (Williams 2010). The premise of contractarianism between the state and its people is the essential pillar of sovereign statehood that implies that individuals unite into a society by a process of mutual consent to adhere to certain rules and fulfill certain duties to protect one another from violence, deception and negligence. Having delegated allegiances to the state, the latter assures the provision of *pure public goods* (state provided non-rival and non-excludable goods) and the management of *collective goods* (unrestricted communal goods delivered by private actors). Do governments provide adequate roads, schools, health care, water supplies, public sanitation, minimum nutrition and the like? If a state is incapable of producing and distributing public goods and services or it chooses to do so only for a small group of the privileged, the consequences

may often lead to citizens rendering to alternative, usually criminal ways, of obtaining access to social services. Inequitable and discriminatory delivery of social services may cause grave social tensions and eventually bring about crime and violence (United Nations Peacebuilding Support Office 2012).

Whereas dimensions of state weakness in terms of the institutional incapacity offer direct opportunities for criminal behavior, provision and management of public goods relates to the inability of weak states to serve the citizens, thereby, creating incentives to engage in criminal activities as a “survival strategy” (Migdal 1988, Williams 2010). Although there is a possibility that expectations and demands vary from one society to another, the responsibility to provide minimum public goods, such as welfare and security for citizens, is recognized as the fundamental task of most states. As there is low fulfillment of state obligations and little commitment on behalf of the political elite in serving the interests of the society at large, there is a high likelihood that the state is going to be perceived as a source of insecurity and economic mismanagement. Under such circumstances, average citizens are likely to “transfer their allegiances to clan and group leaders, some of whom [may] become warlords” (Rotberg 2002: 90). The withdrawal of the citizens’ contract with the state to adhere to state rules and the obligation from below that includes low voter participation, tax evasion and expressed distrust in the state apparatus. These are vivid indicators of the criminalization of the society. Gros (2003: 65) notes,

... [i]n an environment where wages are low and often in arrears—which increase the changes that salaries will be reduced by inflation—the only to keep food on the table is through ‘extracurricular’ activities such as

bribery and even open robbery. The attraction becomes all the more irresistible if ‘everyone is doing it.

The rapidly deteriorating quality of public goods is a strong force that re-directs individuals into pragmatic survival activities, which often take violate the law. Criminogenic states are usually characterized not only by poor domestic performance of their governing institutions, but also by the existence of a dual economy (Schneider 2011; Schneider et al 2010). Unequal development and widespread corruption contribute to state falling prey to crime. Barriers of entry into the formal economy also have a direct input into the formation of the criminogenic environment. The limited capacity of formal economies to absorb surplus labor together with increasing numbers of job seekers can boost the size of the informal economy and those working in the black market (Schneider 2011).

### **The Literature on Unintended Consequences**

A group of studies investigated the reasons why, despite military resilience and properly functioning state institutions, states like Italy, the Netherlands, the United Kingdom or the United States have nevertheless experienced susceptibility to TOC. This strand of literature acknowledges that TOC “is as much a Western phenomenon as it is a Third World one” (Arsovska 2011). It suggests that even most sophisticated borders and institutions may be exploited by offenders and not even without the assistance of corrupt police officers, politicians and civil servants in affluent democracies. Arsovska writes that “corporations and government officials from the West are often part of complex organized crime networks and money laundering schemes—much more than it is publically acknowledged” (Arsovska 2011: 315).

With a reference to the US-waged “war on drugs”, one author points out that the “externalization” of the drug problem only “provides a pretext for the continuous manipulation of Latin politics, politicians and military officials” but it is “fundamentally ... an internal problem of the US and its government, society, economy and cultural system...” (Petras & Veltmeyer 2001: 140). Other authors acknowledge that the focus on failed states in the context of developing strategies against TOC fails to consider that illegitimate goods have historically been exported to developing countries by the West, whereas the profits from TOC often ended up in more developed and stable countries (Standing 2003). In making these points, this body of literature is concerned with the effects of policies of the criminal justice system that may provide favorable conditions for crime and/or contribute to the development of the social and political contexts that motivates motivated individuals to commit an offense.

More “critical” reflections of TOC argue that widespread perceptions of TOC as a “serious threat” by governments of developed states is misleading (Beare 2003). As van Duyne and Vander Beken (2009) suggest “it is more plausible to argue that... [policy making is] surrounded by a lot of emotions, values, make-belief and plain self-interests, which come to the fore as soon as they get connected to perceptions of threats and related fears.” Van Duyne and Vander Beken further specify:

Those agencies tasked with the responsibility of public and national security (i.e., those that act in a protective capacity) generally rely on the negative aspect of impact, and thus the likelihood of events or actions (which they then define in terms of threat) is often the defining variable. The main focus of threat assessments is on the *intent* and *capability* of the

criminal actors involved...not on the *consequences* (impact, harm) this might cause (impact assessments). It is also possible, apart from threat and/or impact, to study the *vulnerability* of the (legal) environment of ('organized') crime and assess to what extent capable and willing offenders (threat) have the *opportunity* to commit their acts and cause harm to society (impact).

According to Woodiwiss (2003: 3), most people today understand organized crime in "a way that is much more acceptable to governmental and commercial interests in virtually every country. Most policy makers, commentators, and media outlets around the world now use 'organized crime' as a term that is virtually synonymous with gangsters in general, or the Mafia (or Mafia-types organizations) in particular." Such stereotypes, Sheptycki (2007: 5) notes, "represent the globally criminalized 'other' that threatens a just and true world order." In projecting these perceptions of TOC, national governments create "a one-dimensional caricature based on a set of stereotypical folk devils and the mainstream media" (ibid: 4). As threat-based approach to TOC, argue critical criminologists, have led to tighter anticrime legislation and wider criminalization at one end, and military response at the other (Naylor 1995: 50). The livelihood of these industries therefore depends on a continuous assigning a high priority to combating these forms of criminality (Beare 2003). Policies developed based on stereotypes about TOC may eventually lead to complications in the process of formulating, enforcing, and accessing them. "Some policies may even make a situation much worse, rather than merely have no impact," argue Beare and Naylor (1999), "[L]ike false statistics, a false or ambiguous 'label' can have serious policy and enforcement implications."

Not without some irony, some studies demonstrated that tough criminal justice and law enforcement measures “often make things worse even if ... their intentions are benevolent” (Cohen quoted in Bowling 2011: 362). Merton should be given a credit for developing the concept of *unintended consequences*—outcomes that have a perverse effect contrary to what was originally intended. Unintended consequences, according to Merton, explain why certain social systems are prevented from positive progress (Merton 1996). Having made parallels to medicine and clinical studies, Bowling applies the concept of *iatrogenesis*—undesirable effects or complications resulting from medical treatment and/or medical errors—to the criminological context, arguing that “the applications of criminology and the end-products of ‘criminal justice’ are often suffering, insecurity and injustice” (Bowling 2011: 374). Collateral effects caused by inaccurate and sometimes contradictory policies make even high-capacity states fall prey to crime (ibid: 27). Criminal groups search for loopholes strategically in a variety of circumstances, including banking and taxes, customs clearance and border security.

According to Chouvy (2013), one needs to distinguish between the two main types of unintended consequences—the unintended consequences of an action (direct consequences) and the unintended consequences of the intended consequence of the action (collateral consequences). Direct and collateral unintended consequences can not only be harmful, but also beneficial, or even neutral (for actors, institutions, and even the environment) but also foreseen or unforeseen and even perverse. Perverse unintended consequences are consequences of an action (both direct and collateral consequences) that contradict the initial goal of policies. Drawing from his research on drug crop reduction, Chouvy argues that perverse unintended consequences are those that should

matter the most to policy makers because they reveal the inefficiency or even the counter-productivity of a given policy and/or intervention.

This being said, whereas the literature on failed states focuses on state incapacities to fulfill its major functions, what is referred to in this thesis as the literature on unintended consequences includes accounts of the formation of criminal opportunities as a function of outcomes of state policies that were not intended by policy developers.

### *Displacement of Crime*

Some of the unintended consequences of law enforcement were largely formulated within literature on crime displacement (Andreas 2005; Madsen 2007; Boba 2005). The displacement theory argues that removing the opportunity for crime by changing the situation in which it occurs does not actually prevent crime but merely moves it to other locations (Felson & Clarke 1998). The risk is that a criminal activity, rather than prevented absolutely, will switch into other areas within or beyond one's jurisdiction or policy domain (Grabosky 1995; 1996). When tighter controls "squeeze" crimes in one place, they might produce a "swelling" in a different location, or potentially cause a modernization of criminal techniques and a change/diversification of criminal products (Felson & Clarke 1998).

The idea of displacement helps to understand how many powerful states often end up in a "regulatory capture"—that is when governments become more or less witting tolls of the illicit industries they are trying to regulate (Gilman et al 2011: 16). When developing tough security measure aimed to curtail TOC, governments often only make illicit businesses more profitable. From this perspective, governments do not curtail illicit activities. Rather, they only define the shape and the geography of illicit marketplaces.

Displacement, however, is not simply a geographic shift of crime to another location. According to the theory, it involves a variety of behavioral changes resulting from the blocking of criminal opportunities. In particular, there are six possible forms of crime displacement:

- a) spatial displacement is the shifting of an activity from targets in area A to those in area B;
- b) temporal displacement is the shifting of an activity from one time to another including time of day, day of week and even season of the year;
- c) target displacement that involves a shift of preference from one victim/target to a more lucrative or more vulnerable victim/target;
- d) tactical/method displacement refers to shifting of tactics by perpetrators when they invent new methods of committing crime;
- e) crime type (offenders switch from one form of crime to another);
- f) perpetrator (new offenders replace old offenders removed by the law enforcement (Hakim & Rengert 1981; Guerette 2009; Eck 1993; Boba 2005; Felson & Clark 1998)).

A recent study by Williams and Felbab-Brown (2012: 10-11) suggests that some illicit economies and new smuggling methods to which “belligerents are pushed as result of suppression efforts against the original illicit economy can have far more dangerous repercussions for global security ... than did the original illicit economy.” These scholars argue that the “success” in suppressing poppy in Afghanistan, for example, might well “increase threats to US security in other ways. Given existing global demand, poppy cultivation will shift elsewhere. There are many countries where poppy can be grown; but

Burma, which used to be the number one producer for many years, the countries of Central Asia, and Pakistan are likely candidates” (ibid: 15). In a similar vein, Smith and Walker (2010) studied the phenomenon of cash smuggling following the introduction of toughened anti-money laundering programs initiated after the 9/11 terrorist attacks. These scholars presented evidence that the global regulatory measures designed to minimize risks of money laundering and financing of terrorism in fact caused a change in the way illicit funds were transferred. Financial pipelines were substituted by money transfers that bypassed official financial institutions.

#### *Adaptation and Professionalization of Crime*

According to Grabosky (1995), one of the dangers of ill-created or ill-managed criminal justice policies is that they inspire adaptive behavior on the part of offenders that develop more inventive, devious or violent activities. He argues:

...with a view to remaining one step ahead of the law, entrepreneurial criminals may engage in increasingly refined avoidance behavior. The ingenuity and adaptability of crime prevention targets may be enhanced by new challenges and, with repeated strengthening, may constitute a more formidable threat than was initially the case (ibid: 349).

Echoing Grabosky’s argument, Ballantyne (2008) acknowledges that advances in crime prevention techniques may actually be contributing to training “super criminals, forcing the criminal to use creative adaptation.”

Bowling suggests that the destruction of the Cali and Medellin cartels in the 1980s and 1990s had the effect of creating much more complex networks constituted by smaller, more flexible and looser associations dealing in drug-importation projects

(Bowling 2011). Other scholars pointed out that criminal adaptation to regulation on behalf of the state may bring violence and destabilization. This may be applicable to the increase in violence in Mexico since the Mexican government forces made attempts to fight drug trafficking cartels with tough military means. Even if some success against drug cartels has been made and some of the leading drug-trafficking organizations were removed, the large-scale violence among the civilian population cannot be ignored as a fundamental side-effect of enacted law enforcement strategies.

It is indeed, a “forensics’ nightmare” that the outcomes of criminal justice regulation in Mexico have cost the total of 55,000 drug-related deaths since 2006 (Grillo 2012; Bowling 2011; Kenney 2009). Kenney’s (2009) analysis of Columbian drug trafficking organizations concludes that some criminals manage to “out-smart” the criminal justice and progressively “learn” to adapt to law enforcement by “gathering information about alternative routes and transshipment methods, experimenting with certain alternatives that proved capable of transporting large quantities” (ibid: 110). Drug trafficking organizations constantly change routes and methods of drug transportation in order to keep one step ahead of law enforcement. And if law enforcement “hardens”, criminal organizations upgrade immediately (Ayling 2009: 192).

## **Criminal Opportunity Theories**

### *Anomic Deviance and Blocked Opportunities*

All of theories of the anomie tradition, to one degree or another, blame crime on the overpowering influence of the economy and the distribution of legitimate opportunities in society. The term anomie was coined by French sociologist Durkheim who applied it to the French society with the purpose of examining suicide rates in the late 1800s. The

Durkheimian vision of the society is the one of a constant criminogenic potential, in which even minor deviations could potentially trigger serious crimes. The theories most relevant to more recent interpretations of anomie and strain, as analyzed in this chapter, include Merton's contributions, Messner and Rosenfeld's institutional anomie theory and Cloward and Ohlin's theory of differential opportunity.

Merton (1938; 1957; 1959; 1968) developed a macro-level explanation of rates of norm-violating behavior in the American society. Merton's anomie refers to the state of "normlessness" and arises when there is "an acute disjunction between the cultural norms and goals and the socially structured capacities of members of the group to act in accord with them" that result in a de-institutionalization of the legitimate means (Merton 1968: 162). Anomie takes place when there are not enough legitimate means to reach legitimate goals.

Building on Merton's contribution, Messner and Rosenfeld (1994) centered their analysis on the criminogenic influence of social institutions in American society. Drawing heavily on Marxist theory, they argue that the cultural penchant for pecuniary rewards is so all-encompassing that the major social institutions, e.g., religion, education, and the family, lose their ability to regulate passions and behavior. Thus, these types of institutions are not likely to control anti-social and criminal behaviors when they are weakened. Instead, "when other institutions such as polity, religion, education, and the family are unable to regulate human impulses generated by the economy, criminality and deviance are more likely" (Robinson, 2004: 227). According to Messner and Rosenfeld (1994), when the economy takes precedence over other institutions: (1) non-economic institutions are devalued; (2) norms and values of non-economic institutions give way to

norms and values of economic institutions; and (3) non-economic institutions make accommodations to economic institutions (Murphy 2008: 507). To summarize, intense cultural pressure for monetary success/rewards couples with weak control from value-oriented (non-economic) institutions promote high rates of criminal activities.

Another extension of Merton's ideas was introduced by Cloward and Ohlin (1960) in the early 1960s. They enriched the anomie group of theories with the concept of differential criminal opportunity. They argue that anomie encourages criminality but does not determine the type of a criminal conduct. Illegitimate opportunities, like legitimate ones, are differentially available. How one deviates may have much to do with the illegitimate opportunities available to the individual. Relative availability of illegitimate opportunities affects the resolution of an individual's adjustment problems (Adler et al 1999: 44-46). Thus, delinquency depends not only on the relative success of the system or a given social structure, but also on the access of a person in the anomie condition to criminal opportunities.

Overall, the anomie perspective makes an important contribution in its view that aspirations to deviate are rooted in the structural contradictions of a society. This general idea has endured the test of time. Can it be advanced further to apply to contemporary delinquency such as various forms of TOC? It seems that the answer to this question is positive. With mixed support, anomie strain theories have been used to develop projects designed to study transnational illicit phenomena such as the one developed by Passas discussed later in this chapter. Passas' "global anomie" (2000), is one of the theories that deals with frustration arisen from increased wants and desires in the context of globalization and neoliberalism.

*Environmental Criminology and Beyond*

This family of theories contends that no crime can be committed unless the opportunity to complete the act is present. According to its developers, “the nature of opportunity affects what, where, how and against whom crimes are committed. In a given situation, it shapes what choices offenders make—whether, for example, they decide to burglarize one house and not another” (Felson 2010: 329). Opportunity theorists suggest that when offenders want to commit crime, they look for an opportunity (Felson & Clarke 1998). Even if offenders want to commit a crime, they cannot do so unless there is an opportunity to break the law available to them.

Felson suggests that the motivation or predisposition to offend—*mens rea*—may matter, but such “willingness to break the law cannot be automatically translated into a concrete criminal act.... The opportunity itself is the initial reason for a crime to take place” (Felson 2010: 310). Offenders may be able to opt for a particular opportunity, but they are not likely to create opportunities. Therefore, it is important to concentrate on crime event and the environment, in which crime occurs rather than criminality. This said, the scholars of this school of thought approached the origins and the dynamics of delinquency not through the prism of individuals, but within the framework that was based on circumstances as well as temporal and spatial conditions (Felson 2010; Felson & Clarke 1998).

Felson and Clarke refer to the routine activity and the rational choice approaches as the pillars of the criminal opportunity theory (Felson & Clarke 1998). The *routine activity theory* brings the arguments that frame criminal opportunities within the context of everyday lives. Routine activity developers—a fraction of opportunity theory

scholars—tend to see crime as emerging from the routines that people, whether offenders or their victims, follow as they go about their daily lives (Cohen & Felson 1979). The routine activities theory frames the concept of criminal opportunity within the routine parameters of day-to-day activities of ordinary people.

Brantingham and Brantingham (1981) suggest that perpetrators engage in *patterned behaviors*. According to these scholars, criminal acts occur in areas where “the offender’s awareness space intersects with an environment containing suitable targets at an acceptable level of risk” (Rossmo et al 2005: 105). The “awareness space” provides cues, either learned through experience or learned through social transmission, that help the offender to locate and identify targets/victims for a criminal act. They argue that offenders are capable of developing “cognitive maps” of their environment and tend to commit crimes in places that are familiar to them. Offenders also develop “mental templates” that pertain to holistic conceptualizations based on experience and routines that they employ to evaluate the characteristics of a “suitable target” or “good crime site” and to identify what a “good opportunity” would be for a criminal act (Brantingham & Brantingham 1993: 278).

The scholars of the *rational choice approach* reject the idea that “offenders are like billiard balls, pushed and pulled into crime in a mechanical way” (Felson 2010: 328). The argument here is that offenders are active and rational participants of criminal acts. They make a choice. For example, they choose crimes that offer immediate gratification, require little effort to complete and expose them to a scant risk of detection and arrest. According to the rational choice approach, “law-violating behavior occurs when an offender decides to risk breaking the law after considering both personal factors and the

situational factors. Those offenders who believe that the risks of crime outweigh the rewards may decide to go straight” (Siegel 2012: 105). As rational actors, offenders may also create opportunities. Von Lampe offers a concept of *criminal foraging*, by which he refers to sophisticated offenders who are “capable of taking the initiative and seeking and creating crime opportunities” (ibid: 189). From this perspective migrant communities are often been highlighted as an important criminal opportunity for offenders (Varese 2011; Arsovska 2011; Martinez & Valenzuela 2006; Finckenauer & Waring 2001). Similarities in language and culture as the ramparts of colonization (Zaitch 2002) or imperial legacies (Shelley 2006; Kupatadze 2012) were also found to facilitate the study of TOC opportunities.

#### *Criminogenic Asymmetries*

Having integrated the anomie tradition in criminology and environmental theories of crime, Nikos Passas approached the study of TOC from a systemic perspective. Passas suggests that as many scholars individualize the problem of TOC in each particular context, they often “neglect systemic and structural causes of the demand for goods and services which are outlawed, in short supply or embarrassing” (Passas 2002: 12), “[U]nderestimating the significance of such factors leads to false impressions of the risks posed by such crimes, to scapegoating, to injustice, and to an illusionary comfort that control systems to function satisfactorily,” argues Passas (2002: 20).

Inequalities of various kinds embedded in the international system create circumstances that criminal organizations are able to exploit while making the regulation of illegal flows more difficult. Referring to these processes of disharmonisation in the

international system as *criminogenic asymmetries*,<sup>4</sup> he suggests that “structural discrepancies, mismatches and inequalities in the realms of the economy, law, politics, and culture” present lucrative opportunities for misconduct and delineate the contours of global illicit markets. In other words, disparities in economic development, legal regulations, state effectiveness and resources availability between states in the international system are expected to create the criminogenic environment—i.e. precondition the rise of transnational flows of illicit goods. If some states are stable and prosperous and other states are poor and conflict-torn, there are multiple possibilities for TOC. Driven by this logic, Passas acknowledges that the “criminogenic potential is most likely to be activated when opportunities, motives, and weak controls are all present” (ibid: 18).

With reference to the illicit domestic market in the United States, Passas (2001: 26) specified that this country became a host or target state for transnational criminal organizations with home bases in other states. This trend is largely connected to a high purchasing power and a high demand for illicit goods and services in the United States:

Political and economic asymmetries between China and Western countries have fuelled the smuggling of both commodities and humans. Asymmetries in environmental regulation facilitate the illegal trade in toxic and other hazardous waste. Asymmetries between art-rich and art-collecting countries underlie the trade in stolen art and national cultural property (ibid).

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<sup>4</sup> Paronyms *criminal* and *criminogenic* should not be confused. The adjective “criminal” refers to delinquency and abuse that infer some sort of punishment. Criminality is a state, quality or fact of being criminal such as a criminal practice or act. When something is criminogenic, it is characterized by propensity, predisposition or an inclination to criminal offense.

To emphasize these dynamics, it is offered to investigate the dynamics of criminogenic asymmetries. *Asymmetry of resources* refers to differences in resource distribution worldwide. It refers to the geographic occurrence or spatial arrangement of resources on earth that are different from one state to another. Given different natural conditions, resources are distributed unevenly across the globe. Some states are rich in oil, whereas others have access to other minerals in the territory of their jurisdiction such as diamonds or rare wildlife. Countries may not have the resources that are important to them, but trade enables them to acquire those resources from places that do. The same principle guides illicit trade. Due to factors unique for each location, some states offer more opportunities for illicit resource extraction than other. Criminal organizations set transnational businesses in order to obtain resources that are difficult and more expensive to get hold of in their home markets. Although sharing some common features with licit markets, illegal markets have their specificities such as the use of violence to “enforce” contracts, to gain “market share” or monopolize a certain segment of the market. Moreover, the costs involved in avoiding getting caught by the law enforcement make the prices of illicit goods much higher (Boister 2012: 5).

*Asymmetry of prices* refers to disparities between states in the distribution of economic assets and income. The opportunity for criminal activities provided by asymmetry of prices imitates the principle of financial arbitrage often utilized by legitimate multinational corporations. It is the practice of purchasing a good or a service at a lower price in one market and selling it at a higher price in another. Asymmetry of prices and disparities among states in the distribution of economic assets helps to better understand the reason why perpetrators cross national borders in the course of their

activities, seeking profits from the illicit trade by exploiting price differences for products in different national markets. Products vary and may be illegal goods such as drugs that are banned in absolute terms. They may also constitute licit products that are taken in/out of the country in violation of export/import restrictions, moratoria and/or international embargoes. Transnational criminal entrepreneurs have demonstrated a firm grasp on exploiting price differences between two or more national markets, thus retrieving revenues from deals that capitalize upon price differentials. If there are different prices in different locations, perpetrators are very likely to take advantage of the arbitrage.

Transnational criminal activities are criminalized in some national legal contexts, whereas they can be legal under other national jurisdictions. The variability of criminalization across states provides an invitation for criminal entrepreneurs to make the most of the *legal asymmetry* that pertains to a unique adaptive skill of criminal entrepreneurs to relocate illicit activities to various jurisdictions that allow the conduct outlawed in the state these perpetrators originate from. In so doing, TOC challenges penal competences of national legal systems. Criminal enterprises, argues Passas (2002: 11), have shown "...they can exploit the weaknesses of the existing regulatory patchwork. Nationalisms, concerns about sovereignty and the lack of clear international rules and effective enforcement mechanisms have led to a situation in which cosmopolitan offenders easily escape the nets of 'parochial' controllers." As Gilman (2011: 3) rightfully pointed out:

When we codify and institutionalize our moral outrage at selling sex by making prostitution illegal, for example, we create a market opportunity for those who would kidnap women and smuggle them into sexual slavery.

When we decide that methamphetamine is a danger to public health and prohibit it, we create opportunity for drug dealers who delight in the high profit margins as they fill the illicit orders. When we assemble lists of endangered species in an effort to protect global biodiversity, we create à *la carte* menus for daring global gastronomes and collectors. Every time a community or nation, acting on the basis of their good faith and clear moral values, decides to “just say no,” it creates an opportunity for arbitrage (Gilman et al 2011: 3).

Behaviors such as murder, robbery and theft—are crimes that *mala in se*, or inherently wrong. Other behaviors, such as prostitution, drug dealing, bribery and gambling—behaviors that are *mala prohibita*, or wrong because they are prohibited. The latter may even be accepted in certain cultures. As one research put it:

Many transnational movements of people, commodities and ideas are illegal because they defy the norms and rules of formal political authority, but they are quite acceptable, ‘licit,’ in the eyes of participants in these transactions and flows (van Schendel & Abraham 2005: 6).

In such cases, there is a qualitative difference that separates activities illegal in a formal sense and activities that are socially permitted, i.e. licit, based on the scores of micro-practices in a certain socio-cultural setting. In some societies, corruption is a socially-accepted and sometimes even welcomed practice. Chewing coca leaves is one of the ancient habits in the Andes. In Argentina “you will meet journalists, doctors, member of parliament, mine worker, billiard players, and government officials who chew coca leaves much as other around the world consume coffee and tea” (Rivera Cusicanqui

2005: 128). Having existed there for centuries and up to the second half of the twentieth century it was legal in northern Argentina to import coca leaves from Bolivia and other regions, until UN strict quotas on coca leaf imports and later total prohibition were imposed in 1977. Or even as the Dutch gradually shift from defining narcotics as illegal to licit by replacing narcotics, hallucinogens, drugs, stimulants with the pleasure-inducing or plants of pleasure and sociability titles that also includes tea, coffee, beer, tobacco. In connection to this, TOC represents “a means of producing and distributing those goods and services which are officially declared illegal—thus,—realistically, it represents an area of conflict between our desires and our morals” (Ianni and Ruess-Ianni (1976: xv).

### **Research Questions and Objectives**

The literature on failed and conflict-stricken states argues that socio-political fragmentation and economic failures characteristic of this group of states often provide favorable environments for TOC, also generating lucrative incentives for power-holders to seek out collusion with criminal groups. This literature is a bonanza of insights about state capacities and organized crime that helps understand why certain states are more vulnerable to organized crime and depend on illicit activities for the very survival of citizens. This literature is also a source of knowledge about the ways TOC infiltrates the structural composition of states, feeding on their weaknesses and eventually exacerbating the state of fragility. Learning about various dimensions of problematic statehood and how it relates to delinquency is enlightening about where one should expect criminal opportunities to arise.

It is, however, unclear whether state failure is the only contributor to the formation of criminal opportunities. What is the likelihood that the idea of failed states is

just a reflection of Western anxieties over “new” dangers with TOC being one of them? Is it possible to move away from the embodiment of fragile states as criminal hubs? One of the breaches of the existing literature is that it has largely left the faultiness of properly functioning states and their role in the constitution of criminal opportunities unstudied. Whereas incapacities of fragile states to restrain TOC are important, the vulnerabilities of developed democracies may also contribute to the formation of criminal opportunities and serve as fundamental catalysts of TOC. Knowing that a particular state is incapable of eradicating criminal elements is not sufficient to understand why and how criminal organizations diffuse around the globe.

Although some of the insights developed by critical criminology have been used in this thesis, the critical literature is less of a concern given the purposes of the study. At the end of the day, if policy makers perceive TOC to present as a “threat, then these “threats” will exist in their policy consequences. The thesis does not study the discourse of TOC. Rather, the focus is on the analysis of the consequences of adopted policies. The idea of unintended consequences is particularly useful to explain some of the negative externalities of state policies. They shed light on situations when policy consequences backfire by bringing degeneration of the initial condition. The merit of this literature is that its theoretical and empirical premises focus on states beyond criteria related to state weaknesses and strengths. This body of literature analyzes criminal justice and law enforcement policy failures with the focus on unanticipated or undesirable outcomes as well as negative externalities that conventionally accompany state attempts in curtailing deviant behavior. The pool of unintended consequences is diverse and has been only fragmentally covered in the literature.

The theory of criminogenic asymmetries has produced an important contribution into understanding why certain environments are more conducive to crime than others. Its biggest merit is the applicability to thinking about TOC from a global perspective. Going beyond state-centric criminal opportunities, it helps to understand the global expansion of TOC, whereby criminals exploited global market opportunities much more rapidly than states did in shutting down opportunity for crime. Whereas this theoretical argument is a piece of prominent intellectual work, there have been only few attempts to definitively prove its usefulness. One of the major deficiencies of this theoretical framework is that it falls short of evidence. It is too abstract and lacks nuance to local condition—the kind relating to local factors and sociological details.

The objective of the dissertation is to study the nexus between state features and TOC with the focus on the formation of criminal opportunities in the context of both poorly and properly functioning states. In doing so, the research questions around which this research is organized are formulated as follows: What is the relationship between state features (state institutions and state policies) and the formation of criminal opportunities for TOC? Are there differences in the ways different types of states contribute to the formation of opportunities for TOC? What is the configuration of criminal opportunities domestically in states and in the international system?

## METHODS AND RESEARCH INSTRUMENTS

This chapter describes the methods and research instruments employed to achieve the goals of the thesis and answer its main research questions. This chapter thus bridges the theoretical and the empirical parts of the thesis. The chapter is split in two main parts. The first part provides working definitions of key concepts and explains the rationale behind the selection of cases. The second part specifies the data collection approach undertaken and the methodology used to analyze the data. Finally, the chapter ends with a discussion of some of the ethical issues involved.

### **Working Definitions**

#### *“Transnational Organized Crime”*

The features of the term “organized crime” discussed in Chapter 1 are useful in identifying the activities which qualify to be considered as TOC and which fail to do. Based on the literature review, there are five mandatory criteria for identifying TOC used in this thesis. They are the following:

- **Conspiracy:** performance under disguise and secrecy;
- **Highly organized:** coordinated planning, organizing, executing; two or more group members with a division of labor or specialization;

- **Ideology of economics:** the ultimate goal is making a profit;
- **Systematic or occasional corruption and violence:** payoffs to public and law-enforcement officers to avoid prosecution and to facilitate illicit activities; use force or threaten its use to accomplish aims;

Thus all cases selected for the analysis share some common features: they are profit-oriented criminal activities committed by organized groups that engage in violence and corruption, and penetrate state institutions and legitimate economies to accomplish their goals. Given the focus of this dissertation on TOC rather than conventional organized crime, the following criteria associated exclusively with TOC are to be met for an offence to qualify as “transnational”:

- it is committed in more than one state;
- it is committed in one state but a substantial part of its preparation, planning, direction or control takes place in another state;
- it is committed in one state but involves an organized criminal group that engages in criminal activities in more than one state; or
- it is committed in one state but has substantial effects in another state.

Given these criteria, the cases selected for the analyses primarily include predatory crimes that provide illicit goods (prohibited, controlled or highly taxed goods such as drugs, arms, oil and endangered species) to locations under different national jurisdictions. This dissertation does not aim to provide in-depth analyses of the internal organization of criminal groups or the nature of membership. These aspects go beyond the scope of this research and will only be slightly covered in the analysis of case studies. The way offenders organize themselves, and if and how they exert control over territories

or (illegal) markets as well as other (legitimate) actors will be of concern only to the extent it helps to reach the purposes of the thesis.

*“Criminal Opportunity”*

The presence of a motivated offender is a necessary element for the commission of an offence but not a sufficient one. There have to be opportunities for crime in the environment in which that offender is situated. What is understood in this research as a “criminal opportunity” refers to a set of circumstances that makes it possible to commit a criminal offence. Criminal opportunities, however, should not be considered as causes of crime. The idea of criminal opportunities pertains to a high probability and likelihood of criminal activities.

Based on the literature review, there exists a variety of criminal opportunities. Some criminal opportunities are created by motivated offenders, who develop sophisticated strategies that make it possible to engage in the provision of illicit goods and services that are in high public demand. The activation of these criminal opportunities involves bribery, smart contraband schemes and collaboration with public officials and legitimate businesses.

Other criminal opportunities are not created by motivated offenders but are embedded in social systems and can be exploited by offenders with relatively little effort and risk. As the literature on failed states suggests, poorly functioning states provide easy access to illicit enrichment without incurring high risks of being caught because of state failures with regards to managing its institutions and ensuring the effectiveness of law enforcement.

The literature on unintended consequences sheds light on a unique kind of criminal opportunities, which are not permanently embedded in social systems, but emerge as a result of ill-suited or poorly-performed policies. Finally, the nature of the international architecture may be considered a crucial contributing factor to the formation of criminal opportunities. Given the transnational nature of TOC, the kind of criminal opportunities discussed in the thesis are often external to national jurisdictions and therefore are very difficult to control for national governments. These opportunities refer to unconformity of national legislations, the lucre for economic profits to be generated from richer markets or asymmetrical availability of lootable resources among states. Differences in the availability of resources across states, discrepancies among national legal systems, unevenness of the distribution of economic assets and income may be considered as important determinants of the formation of criminal opportunities. These “gaps” between properly functioning states and unstable and malfunctioning states tend to generate highly lucrative opportunities for the black market where illicit goods and services are sold and purchased.

### **Selection of Case Studies**

The dissertation studies the nexus between state features and TOC. In order to do so, the dissertation provides a qualitative analysis of the formation of opportunities for TOC in different types of states. Two case studies, the Russian Federation (the North Caucasus region) and the United States (the US-Mexico border) have been selected for the analysis.

There are several reasons behind this choice. The case of the United States was chosen because of the inherent interest in the circumstances surrounding the continuity of security concerns along the US-Mexico border in connection to global terrorism, drug

trafficking and illegal migration despite the security spending and border militarization paid for by the past three administrations. The case of the North Caucasus in the Russian Federation was preferred because of the author's local knowledge of the case. Rich knowledge of settings and circumstances allows the researcher to "soak and poke" into the case and reveal more information.

The most important factor in the case selection, however, is the possibility to conduct a comparative analysis of cases, in which despite encountering a similar array of security problems related to terrorism and organized crime, as well as securing extended borders, the United States and the Russian Federation have gone through different experiences in countering these problems circumscribed by differences in institutional structures, economic development and the role-models the countries have adopted in global and regional security architectures. Such a comparative focus allows the researcher to evaluate similar and divergent patterns with regards to the formation of criminal opportunities in states with varying political and economic potential, military capabilities, and socio-legal cultures.

With regards to the time frame, the case of the Russian Federation is studied from the early 1990s, i.e. the break-up of the Soviet Union, until the return of Vladimir Putin to the presidential office in May 2012. The time-frame for the analysis of the case of the United States extends from the launch of the restructuring of the US government enacted by the Homeland Security Act of 2002 and the USA Patriot Act of 2001 following the 9/11 terrorist attacks that stroke the areas of New York City and Washington, D.C., to the US Presidential Elections 2012.

### *The Russian Federation*

The Russian Federation is not a failed state, but it is critically weak along a number of critical axes, including its legacy of powerful regional clans, a criminal-political nexus, its extreme ethnic polarization, dynamics of parallel authorities competing for legitimacy and its deep economic stagnation. The weaknesses have most vividly present in the North Caucasus. More than any other border areas of the Russian Federation, the border in the Caucasus has been plagued with crime and conflict since the collapse of the Soviet Union.

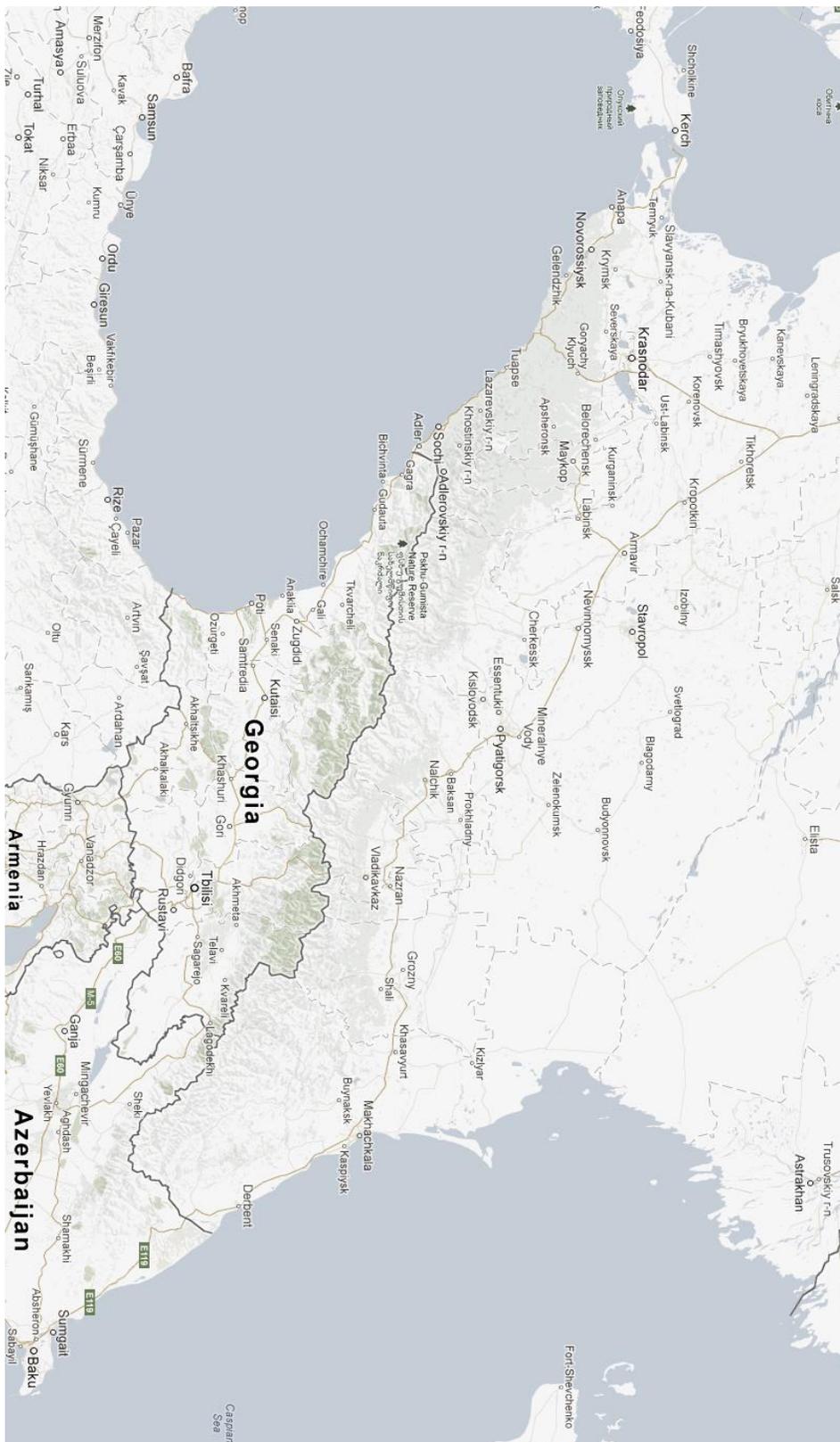
The border does not stand out for its length, but it definitely represents an important gateway between Europe and Asia. This gateway is remote from Moscow that has had little success in controlling the region. Putin's and Medvedev's offices have been losing international support over tensions in Chechnya. The unresolved nature of conflict in South Ossetia and Abkhazia has had broad implications for stability in the area. The wars in Chechnya from 1994 to 1996 and from 1999 to 2009 deeply questioned Russia's "stateness" with regards to its maintenance of the monopoly on the use of legitimate force in the region. Apart from the Chechen case, there were other less serious but, nevertheless, important limitations on Russia's authority in Dagestan and Ingushetia in the early 2000s. Although the Putin third administration have managed to bring relative stability to these volatile republics in the North Caucasus, the effectiveness of post-conflict reconstruction and development projects in the region are undermined by corruption and the presence of illicit economy. Moreover, Chechnya and Dagestan are heavily involved in drug trafficking on the "Northern" route. Oil smuggling and the trade in contraband fuel are commonplace.

The border area included in the analysis includes all republics of the North Caucasian Federal District<sup>5</sup> (SKFO) created by the President's decree on January 19, 2010, Republic of Dagestan, Republic of Ingushetia, Kabardino-Balkaria, Karachayev-Cherkessia, Republic of North Ossetia-Alania, Stavropol'skiy krai,<sup>6</sup> the Chechen Republic [Map 1].

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<sup>5</sup> Federal districts (Russian: *okrug*) are President's groupings of federal subjects of the Russian Federation for the convenience of governing by a Plenipotentiary Representative of the President of the Russian Federation. Federation districts consist of several federal subjects, which are not under the direct control of the federal government. Thus, federal districts serve as liaisons between the federal subjects and the federal government and are primarily responsible for overseeing the compliance of the federal subjects with the federal laws.

<sup>6</sup> *Krai* is translated as "province" or "territory" (Russian) and refers to a type of an administrative division in the Russian Federation.



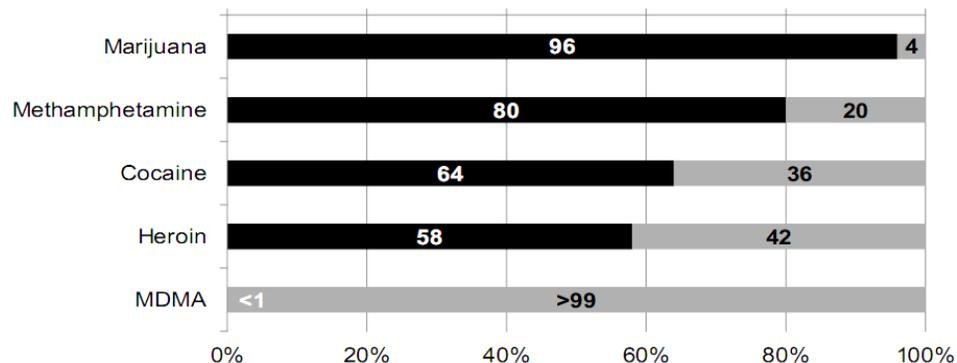
**Map 1. Map of the Caucasus.**

**Source: googlemaps.**

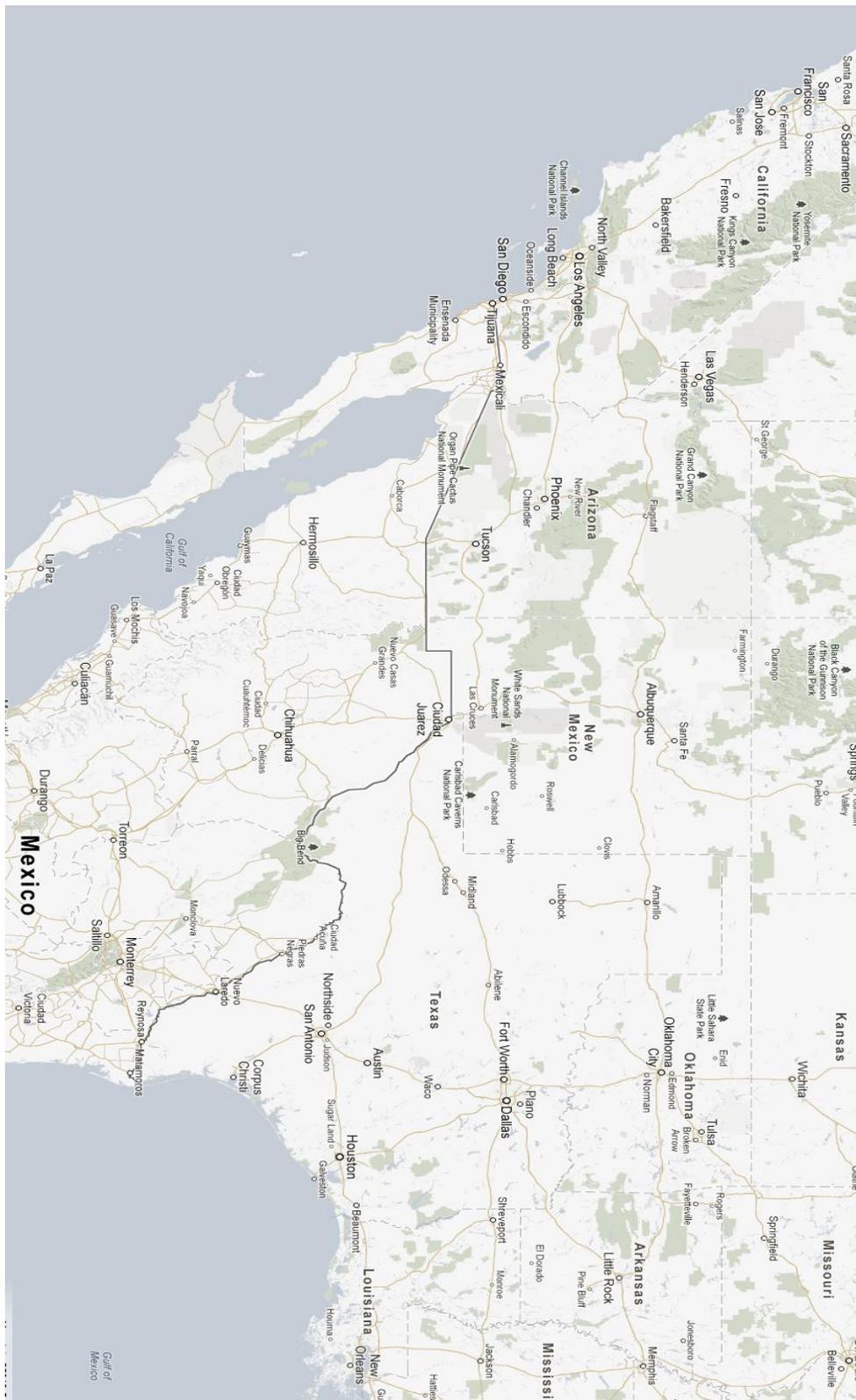
### *The United States*

Although the United States is not a properly functioning state in absolute terms, it is so in relative terms. The United States may be considered a more stable and more advanced state in terms of governance indicators compared to the Russian Federation. Despite its domestic stability and relatively high resilience in terms of security and national defense, the United States has, however, encountered a range of vulnerabilities along the border with Mexico prompted by drug-trafficking and violence associated with illegal border crossings.

Not only is the US-Mexico border [Map 2] one of the longest borderlines in the world stretching for 3,169 km, but it also represents the most frequently crossed international border with approximately 350 mln crossings per year that generate up to USD 1 bln revenues of trade per day (Booth 2010). Border crossings, however, have not only constituted legal movements of people, goods and services. The US-Mexico border is the “primary gateway for illicit drug smuggling to the United States” (NDIC 2011: 13) [Figure 1]. Smugglers move cocaine, heroin, foreign-produced marijuana and foreign-produced methamphetamine that are available in the United States through, between, and around land border crossings in Arizona, California, New Mexico and Texas (ibid).



**Figure 1. Drug Seizures along the US-Mexico Border.**  
Source: NDIC (2011: 13); (in %, black bars: US-Mexico Border; grey bars: Rest of the US).



**Map 2. Map of the Region along the US-Mexico Border.**

**Source: googlemaps.**

## **Data Collection**

Initially, an ethnographic method was planned but was ruled out. One of the reasons for doing so was the low-violence situation in the North Caucasus, which made it difficult to arrange a field trip to Chechnya in 2010 because of security concerns. Moreover, ethnographic methods in research usually require prolonged trips, which were not possible given the four-year span of the doctoral program. Thus, it was decided to stick to a more classic criminological approach grounded on a combination of semi-structured interviews with experts and journalists and the analysis of official data and secondary literature.

The collection of data for this thesis consisted of three key components:

- semi-structured face-to-face interviews;
- review of police and official statistical data, reports and court files;
- review of the mass media.

The data collection process lasted about two years and was carried out between 2009 and 2011.

### *Interviews*

The main objective of conducting interviews was to obtain rich and detailed information both with regards to factual data and the meaning that interviewees attach to it. The interviews served as a reliable source of data about: (a) the operation of trafficking crimes in the context of the broader social and market contexts; (b) the variety of perpetrators; and (c) the legal and economic context, in which criminal activities were performed.

Interviews with law enforcement experts, government employees, journalists and academics in the United States and in the Russian Federation were conducted in Moscow

(March-May 2010), and in Washington, D.C. (September-December 2010) and in New York City (January-April 2012). Suitable interviewees were contacted in the United States (13 experts) and in the Russian Federation (10 experts) from a month to two weeks in advance. Not all experts were available or willing to be interviewed. Eventually, only twelve interviews were conducted (7/US and 5/RF). Interviews were completed by the author alone. No interpreters/translators were used given the author's proficiency in both English and Russian. The author's fluency in Russian was an advantage as it allowed for collecting insights from monolingual Russian-speaking experts without interpreters' assistance.

Interviews conducted in the United States were semi-structured. This allowed for the possibility to ask new questions to be brought up during the interview as a result of what the interviewee said. When it came down to interviewing experts in Russia, however, more informal interviews had to be conducted. It was particularly important to remain as open and adaptable as possible due to the sensitive nature of the topic discussed.

Most interviews were conducted in real time and space. This provided the interviewer with the opportunity to probe or ask follow-up questions. Some interviews were conducted online via *skype* (interviews with experts in Rostov-na-Donu). Due to the video chat instrument it was, nevertheless, possible to conduct synchronous online interviews, thus preserving all the key advantages of a face-to-face interview.

The interviews were audio-recorded with exception of several cases in Russia when it was only possible to take notes because of the restrictions established by the interviewee. Moreover, interviewees in Russia also deserved special attention as each

interviewee required a special approach in development of the questionnaire and interview approach.

Given the politicized nature of organized crime, terrorism and corruption in Russia, finding interviewees in Moscow was a big challenge. One of the main factors that helped me overcome the difficulty of reaching experts and law enforcements officials was my affiliation with Carnegie Moscow Centre, a reputable research institute committed to the principles of international scholarship and objectivity. Most interviewees were nevertheless very reluctant to share information, citing the lack of permit and the sensitivity of the topic. If they answered questions, their answers were very general without particular details and specifications. Fragments of the data retrieved from those interviews were used for further research of undisclosed and publicly available sources. Journalists proved most useful in their willingness to discuss the subject and providing insights. The interviews conducted in the United States were much more productive. Moreover, most of the information the respondents provided was publicly available through governmental websites. Thus, interviews with American experts not only served as a critical source of information, but also as a cross-validation tool of the data obtained from open sources.

Overall, interviews unveiled unique and sensitive details, which people may feel uncomfortable discussing publicly or in large groups. Interviews also made it possible to gain insight into people's interior experiences and specifically learn about how people perceive and how they interpret them. Yet, this method of data collection presents several limitations. Largely due to the personal nature of the method, interviews may lead to producing biased information. For this reason, it is important to have supporting evidence

from other sources. In order to supplement gaps in the data as well as ensure that the objectivity of the data, secondary sources were used for data collection.

### *Official Reports and Court Files*

Official reports constituted a fundamental source of information that this research benefited from. Reports provided by the following organizations were used:

- |   |  |
|---|--|
| <b><i>(a) international organizations with general mandates</i></b> | United Nations on Drugs and Crime (UNODC); International Narcotics Control Board (INCB); Global Commission on Drug Policy (GCDP); Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)  |
| <b><i>(b) national governmental agencies</i></b>                    | Federal Narcotics Control Service of the Russian Federation (FKSN); Federal Security Service Directorate; United States Department of Homeland Security (USDEA); United States Government Accountability Office (USGAO); United States Bureau of Alcohol, Tobacco, Firearms and Explosives (USATF); United States Customs and Border Patrol (UNCBP); United States Fish and Wildlife Service (USFWS) |
| <b><i>(c) research institutes, think tanks and NGOs</i></b>         | Wildlife Trade Monitoring Network (TRAFFIC); Small Arms Survey; STRATFOR.  |

Court files served as a vital source of data as well. The United States Department of Justice and its sub-agencies, for instance, have large databases of court files available online. Unrestricted access to those databases was a valuable source of data. The General Prosecutor's Office of the Russian Federation does not offer access to court files. Press releases posted on the General Prosecutor's Office website were studied instead. The latter were used to cross-check the validity and reliability of the data collected from other sources.

Among some of the risks of reliance on official data remain. Some agencies may have exaggerated the data for political purposes (Andreas and Greenhill 2010), some data are so patchy that do not help in restoring the general picture. Moreover, particular kinds of official data, such as testimonies, may have distorted data such as in the case of Joseph Valachi's testimony before the Kefauver Committee, which informed about the structure of Italian organized crime, and were later disproved (Hobbs 2000).

### *Review of the Mass Media*

A systematic analysis of the mass media, i.e. publications in the press, documentaries and news broadcasted on TV and public radio and investigation files, was undertaken. This served several purposes. One was to obtain data about cross-border crimes included into this research. Another was to acquire clues for possible interviews. As interviewees generally avoided mentioning names of offenders, once a name was in the media, it was easy to ask the interviewee and to possibly obtain further details on the case. The analysis of the media was performed by a keyword search in online databases of the Russian- and English-language mass media.

Some important limitations and risks connected to the mass media as a method of data collection should be highlighted. Mass media sources, for example, are often selective and may bring certain issues to public attention while ignoring others. They may also prefer certain agenda-setting rhetoric that could distort the findings. Finally, journalists often create their own meanings out of the information they receive, thus promoting subjective interpretations rather than providing objective information. These issues were handled by cross-checking information with several sources.

## **Data Analysis**

The Grounded Theory Method (GTM) was used at the data analysis stage. The GTM was developed by American sociologists Glaser and Strauss in 1967 in their research *Awareness of Dying* (1965). In this study, they adopted an investigative research method with no preconceived hypothesis. Whereas traditional research designs usually rely on a literature review leading to the formation of a hypothesis, then testing it through experimentation in the real world, the GTM, contrary to logico-deductive methods, provided this research with analytical tools to systematically investigate and recognize how phenomena occurred (Strauss and Corbin 1998; Alvesson and Skoldberg 2000).

The GMT is an effective approach to understand new phenomena and allowed the findings and methods to be refined and negotiated throughout the research process. Among other strengths, the GMT leaves space for a certain level of methodological flexibility and allows the researcher to look at the data through various perspectives. The GMT, however, has some weaknesses. Huge volumes of data, for example, have to be studied. Moreover, tensions between the flexible style of the study and the systematic approach in data analysis may be a problem. Finally, influences and bias are difficult to avoid.

### *Theoretical Sampling*

The GMT is based on *theoretical sampling*. The aim of theoretical sampling is not to capture all possible variations, as in the case with probabilistic sampling, but to gain a deeper understanding of analyzed cases, as well as facilitate the development of the analytical frame and concepts (Strauss and Corbin 1990). In this research the usage of

theoretical sampling is tied to the purpose of generating and developing theoretical ideas. It enables the researcher to select subjects that maximize the potential to discover as many dimensions and conditions related to the aims of the inquiry as possible.

### *Coding*

From the data collected the key points were identified with a series of codes. The codes were grouped into similar concepts in order to make them more workable. From these concepts, categories were formed, which laid the basis for the creation of the theoretical framework, i.e. a reverse-engineered hypothesis (Strauss and Corbin 1990). The coding procedure was performed in two stages. At the first stage, *selective coding*, only the most pertinent passages of interview transcripts were analyzed. At the second stage, *theoretical coding* (Jones and Alony 2011) was conducted to create new categories and moving towards the development of conceptual relationships between them and the wider literature (Glaser 1992). While the procedure of selective coding served the purpose of fracturing and organizing the data according to abstract similarity, theoretical coding aimed to knit the pieces back together again to conceptualize the relationships between the research question and the categories that have become *saturated* (Seldén 2005: 124).

### *The Role of Description in the Analysis of Case Studies*

The GMT is not a descriptive method. Its goal is to generate concepts. Although the original objective of the case study analysis was not a descriptive one, an in-depth descriptive analysis of cases studies was undertaken to illustrate a particular trait or problem, thus helping to maintain a chain of evidence to support the formation of the theoretical framework. Particular attention was paid to empirical details and evidence with the aim to ensure that all avenues were studied and conflicting propositions were

clearly communicated. Thus, the descriptive analysis of cases studies, as Stake (2000: 436) put it, was both “a process of inquiry about the case and the product of that inquiry.”

### **Ethical Issues**

Empirical research into crime and corruption has always been surrounded by ethical challenges. Ethical issues such as informed consent, privacy and confidentiality were carefully considered before conducting interviews. All subjects were informed about the purpose of the research and its design. In order to avoid the confidentiality problem, interviewees were neither identified anywhere in the text nor revealed to peers and colleagues. With regards to informed consent, an agreement was reached before the interview.

In addition, an extensive effort was made to make anonymous a number of other individuals involved. This was primarily done for legal purposes that concern the issue of libel against the reputation of a person. There is likelihood that claims, expressly stated or implied in the thesis, with a reference to certain suspects' involvement in a criminal act were later dismissed from charges. To overcome potential problems with regards to libel, no person mentioned in the context of alleged offence in this thesis should be considered guilty unless there is a formal guilty court verdict. Most criminal cases were provided to illustrate the arguments of the theoretical framework based on a *de facto* presumption of guilt. These cases, however, are not always supported by a *de jure* sentence that is the only legal condition to validate the involvement of a suspect in offence.

## **PART II. ANALYSIS OF CASE STUDIES**



**THE VOLATILE BORDERLAND: CRIME AND GOVERNANCE IN THE NORTH  
CAUCASUS**

The Chechen issue that has remained unresolved since the break-up of the Soviet Union is one of the most difficult problems of today's Russia. Along the lines of the literature on state failure, this chapter studies the destabilization of the North Caucasus region following the conflict in Chechnya.

The analysis is focused on TOC and corruption with insights into the broad political economy of the conflict in Chechnya from the break-up of the Soviet Union in the 1990s through the following stages: (a) the Chechen revolution and Dzhokhar Dudayev's rule (1991-1994); the First Russo-Chechen War (1994-1996); (b) the period of quasi-independence of the Chechen Republic of Ichkeria under Aslan Maskhadov (1996-1999); (c) the Second Russo-Chechen War and the counter-terrorism operation (1999-2009); and (d) the post-insurgency period under Ramzan Kadyrov (2009-current). It brings attention to the collaboration between criminal and political actors as well as the crime-terror nexus and its negative impact on the stabilization of Chechnya and the neighboring republics of Dagestan and Ingushetia. Particular emphasis is placed on studying corrupt arrangements during the post-conflict stabilization stage, when corruption, although an old obstacle to conflict settlement throughout all the stages of the

Russo-Chechen confrontation, transformed into the biggest impediment to sustainable peace and state building.

### **Chechen Organized Crime in the Early 1990s**

Crime and corruption have never been outside factors in the Russian political and economic system. They have always been a part of the process of building the “new” Russian state that followed the collapse of the USSR in 1991.

By the end of the 1980s, the Soviet system was already dysfunctional. From this point on, corruption, power abuse and the shadow economy permeated the entire Soviet system. As one scholar suggested, “the soviet system probably could not have survived for as long as it did without the involvement of illicit activities” that were “an essential lubricant for the rigidities of the planned economy” (Smith 1984: 86). According to Alexeyev (1997: 256),

besides greasing the wheels of the official economy and correcting its mistakes, (...) the illegal sector grew rapidly during the 1970s and 1980s, both the productive potential of the underground economy and its negative impact on the rest of the economy were becoming more and more apparent.

Other studies on illicit economic activities in the Soviet Union also acknowledged that illicit activities were integral to planned economy—“sometimes complementing it, sometimes hindering it directly, sometimes competing with it” (Sampson 1987: 122).

Following the collapse of the USSR, the conditions under which this transition took place provided a tremendous boost to the development of different forms of crime. As salaries were downsized, corruption has become widespread at all levels of the

society, ranging from school teachers and engineers to military officers and state officials. Societal polarization between *nouveau riche* who made fortunes in the new market economy and those beyond the poverty margins reached the extremes. Criminal groups have found an environment, where the practice of buying services of favors, including illegal ones, for money were common, a feature of these societies that they have used with great skill.

The Chechens were well-represented in Soviet-era organized crime. Their early activities included extortion and robbery of small traders, moving on to racketeering of larger enterprises and profiting from the sales of goods and services in the black market (Shelley et al 2005: 68). According to the documentary *The Making of a New Empire* directed by Jos de Putter (1999) in which one of the Chechen warlords is interviewed, the Chechen organized crime group (OCG) started in Moscow as early as the 1980s. Even back then, the Chechen OCG was different from other criminal groups due to its strong attachment to an underground political movement gathered around Khozh-Ahmed Nukhayev. Following the “turf wars” in Moscow’s criminal *beau monde*, Chechen gangs consolidated and developed into a well-organized and brutal organization. The Chechen OCG seized control over illicit trade in foreign cars in Moscow’s Yuzhnyi Port, as well as extended their racketeering activities. They also assumed a central role in criminal activities evolved around hotel, entertainment and gambling businesses (Shelley et al 2005: 68). According to some scholars, Chechen businesses in Russia survived only because they were protected by the Chechen mafia (Kaliyev 2002). Chechens became virtually the only category of businesses that could resist paying protection money to governmental syndicates of those times (ibid). This position owed a great deal to the fact

that, unlike Slavic criminal groups, Chechens had much more stricter lines of internal organization and cohesion. Moreover, some of the members of Chechen OCG did not operate in Moscow permanently. They were the so-called *gastrology*—visiting criminals. Thus, it was often very difficult to reach them for “Slavic” OCGs. It required travelling to the North Caucasus, an unknown, and therefore threatening, environment for most “Slavic” OCGs.

As soon as Moscow’s “Slavic” OCGs made significant progress in wiping the Chechen OCG out of the capital (largely due to the collaboration with the law enforcement), the Chechen OCGs transplanted many of their activities to Russia’s Far East and Western Europe<sup>7</sup> with its members involved in various areas of criminal activity ranging from automobile theft, money laundering, trafficking illegal immigrants, narcotics smuggling and the illegal sale of radiological materials. When the First Russo-Chechen War started in 1999, many Chechen gangs returned to Chechnya and joined the rising Chechen separatist movement led by Dzhokhar Dudayev. A great deal of criminal proceeds accumulated by the Chechen OCGs in Moscow was also transferred to Chechnya in support of the Chechen cause.

### **From Racket to the War for Independence**

Inspired by the idea of *marsho*<sup>8</sup> that guided the struggle of Chechen separatists against the Russian government, the rising Chechen separatist movement led by Major-General Dzhokhar Dudayev in 1991 took the full advantage of the environment of impunity,

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<sup>7</sup> The Chechen mafia is often referenced to as the Russian mafia in Europe, because most people of Chechen ethnicity speak Russian and many emigrated from the Russian Federation during the Chechen wars.

<sup>8</sup> *Marsho* (also *maršo*) refers to a Chechen word for “freedom.” This idea is currently reflected in the anthem of the Chechen Republic “Jozalla ya Maršo” (Chechen for “Freedom or Death”) approved in 1991.

corruption and institutional hemorrhage of the post-soviet transition. Whereas a significant proportion of financial resources to support the Chechen movement in the First Russo-Chechen War came from outside of the republic, the ammunition was obtained domestically within Chechnya and neighboring republics. This was largely possible due to the decay of the regulatory and law enforcement capacity in the republics of the former USSR throughout the transition in the 1990s. The powerlessness of security and law enforcement agencies as well as the general environment of impunity contributed to the empowerment of the Chechen underground army.

### *Institutional Collapse*

In the mid-1990s, there was a period of extraordinary and almost uncontrolled corruption and entrepreneurialism within the armed forces, almost all of which were “criminal to a greater or lesser extent” (Galeotti 2006: 475). This first of all refers to theft, diversion and unauthorized sale of weapons, ammunition and equipment from Soviet military stockpiles (Turbiville 1995). Unprotected military depots and corruption among security officers made it possible for colossal arsenals getting into the hands of illegal groups, criminal syndicates as well as ordinary civilians. “Consequently, in the early 1990s Russia lacked the monopoly of weapons and therefore the unrivalled capability to deal with any eruption of mass dissent, while the Chechen nationalists were arming themselves” (Peimani 2004: 7).

The biggest supplier of weapons in Chechnya was the army that, by all estimations, delivered up to half of the weapons in illicit circulation in the North Caucasus. In the early 1990s, Russian troops left behind large quantities of SALW during their withdrawal from Chechnya, which they were unable or unwilling to protect. Whilst

these stockpiles of arms did not end up in the hands of rebel forces immediately, they fuelled criminality and low-scale violence in the region ahead of the conflict that began in 1994. Furthermore, some of these “free-floating” arms found their way towards conflict-stricken areas that had already erupted elsewhere in the Caucasus (Matveeva 2003).

Having taken advantage of the Soviet Union’s post-disintegration chaos, Dudayev and his supporters had easy access to the Soviet ammunition located in the republics of the North Caucasus. Major-General Dudayev, the first Chechen general in the Soviet Army, was well-informed about the quantity and the location of arms stored in Chechnya. The first large arms theft from the stockpiles in Chechnya was Dudayev’s attack on the building of the KGB in September 1991. The Dudayev-led militants obtained 42,000 pieces of small arms from army depots, including 28,000 Kalashnikov assault rifles, 200,000 hand grenades and over 13.5 mln rounds of various types of ammunition (Prokofyev 1999). Schaefer’s research (2010: 116-117) suggests that there were no casualties from these raids because no one tried to stop the Chechens. The Soviet troops stationed in Chechnya (which could have been from any ethnic groups or nationality, including members of former Soviet states that were now independent) were more interested in getting home alive and making money than they were in defending arsenals for a country that had ceased to exist (ibid). Bislan Gantamirov, the leader of the raid, was never prosecuted. On the contrary, he became the mayor of Grozny in 1991 and the Prime Minister of Chechnya in 1992.

In addition to having an almost unlimited access to Soviet weapons in Chechnya<sup>9</sup>, there was an important pipeline of weapons from Georgia to Chechnya. Illicit arms

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<sup>9</sup> Before the disintegration of the USSR in December 1991 and following the Declaration of Independence of Chechnya (President’s Decree as of 1 November 1991), the Chechen government declared on 26

traveled first from Tbilisi to Akhmeta and then through the Pankisi Gorge into the mountains, from where the route was taking to Chechnya via footpaths (Demetriou 2002: 36). Some SALW were also brought into Chechnya from Abkhazia by the Chechen soldiers who were conscripted there during the Abkhaz-Georgian War (Monetchikov 2010). Shamil Basayev, one of the leaders of the Chechen movement during the Second Chechen War, was one of them.

With the escalation of the First Chechen War in 1994, the Dudayev separatist movement still lacked arms supplies. In 1992, Dudayev ordered the production of the Chechen submachine gun, Borz,<sup>10</sup> at the Krasnyi Molot plant in Grozny. The Chechen-manufactured Borz is one of the firearms that was produced and reconfigured in Chechnya. The Borz was initially a close-copy of the Armenian K6-92, which itself was loosely a modification of the Soviet PPS submachine gun. According to one of the employees of Krasnyi Molot, there were only several hundred pieces of that model from 1992 to 1999 (Dudayev 2004). All later models were manufactured at underground workshops and households. Given its low costs, less than USD 100 per gun, the Borz was in wide use among civilians. As it was not very popular among professional combatants,<sup>11</sup> members of the Chechen resistance used to trade these guns for food,

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November 1991 that all military equipment stationed in Chechnya belonged to the Chechen Republic and could not be removed. Bislan Gantamirov, for instance, the leader of the Grozny KGB raid, was never prosecuted for arms theft. On the contrary, he became the mayor of Grozny in 1991 and the Prime Minister of Chechnya in 1992.

<sup>10</sup> “Borz” is the Chechen word for “wolf”. This name is chosen because of the special position of a wolf on the coat of arms of the Chechen Republic of Ichkeria.

<sup>11</sup> A series of defeats in winter-spring 1995 made Dudayev change the tactics. Whereas initially Dudayev preferred the combating strategy, in which federal forces were attacked at a short distance. At a later stage, Dudayev realized that his fighters would have an advantage if they would attack unexpectedly from the mountains. The shift in the strategy made AK-47 to be the weapon of choice. The Borz is a short-range gun.

alcohol or other necessities with civilians. The net result of the firearms theft and production in Chechnya was the failure of the Russian authorities to restrict the circulation of illicit arms in Chechnya and achieve any progress in resolving the Russo-Chechen conflict. Due to a unique interplay of state failures caused by the post-communist transition the access to arms has rarely been restricted in Chechnya. Due to a unique interplay of state failure caused by the break of the Soviet Union the access to arms has rarely been restricted in the North Caucasus. During the peace negotiations in 1995 one element discussed intensively was the scale of equipment holdings among various Chechen armed formations. According to the Russian side, Chechen forces held 45,000 guns of all kinds (Anthony 1998). This condition gave rise to various illegal armed groups widely present in the region since the launch of the secessionist movement in the beginning of the 1990s. Militarized non-state groups operating in the region were diverse, vibrant and decentralized with a mixture of criminal brutality and religious fanaticism.

#### *Chechnya's Shadow Government*

As the previous section has emphasized, due to a unique interplay of state failure caused by the break of the Soviet Union the access to arms has rarely been restricted in the North Caucasus. This condition gave rise to various illegal armed groups widely present in the region since the launch of the secessionist movement in the beginning of the 1990s. The pool of militarized non-state groups operating in the region has been anything but homogeneous. It still remains diverse, vibrant and decentralized with a mixture of criminal brutality and religious fanaticism.

The history of extremist involvement in Chechnya goes back to 1995 when the first generation of Arabs led by Emir Khattab<sup>12</sup> arrived in Chechnya to assist the fight of Chechen's against the federal forces (Glyn Williams 2005). Khattab-led foreign fighters provided invaluable assistance to the outgunned Chechen resistance, having established connections between the Chechen resistance movement and terrorist organizations outside of the republic (Moore and Tumelty 2008). The intra-Chechen struggle and the presence of foreign fighters in the North Caucasus sustained extremism, while the connection between Islam and Chechen national identity and Russian aggression were primary causes. Foreign fighters brought considerable manpower as well as provided financial and administrative support (Shelley 2005: 70). Following the Moscow theatre siege in 2002,<sup>13</sup> the Al Jazeera broadcasted Bin Laden's message, in which he highlighted the international dimension of the Chechen resistance. "If you were distressed by the killing of your nationals in Moscow, remember ours in Chechnya," he warned about the prominence that the Chechen gained among fundamentalist Islamic militants (The Guardian 2002; BBC 2002b).

One of the principle sources of financial assets sent to Chechnya from international extremist organizations and from the Chechen diasporas was through cash smuggling. According to Russian sources, Chechen groups were receiving up to USD 8 mln a year from overseas "donations," and foreign groups (Baranets 2004). In 2003, the

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<sup>12</sup> Emir al-Khattab (also translated as Amir Khattab, Ameer Khattab, Ibn al-Khattab) was a Saudi-born guerilla fighter working with Chechen rebels in the First and the Second Chechen Wars who Basayev met in Pakistan and who was killed (reported in April 2002) by exposure to a poison letter delivered via a courier recruited by Russia's FSB. According to intelligence sources, al-Khattab was close to bin Laden and his network of financiers; he administered the inflowing money from radical groups into Chechnya.

<sup>13</sup> The Moscow theater hostage crisis was a seizure of the House of Culture (DK) in the *Dubrovka* area of Moscow on 23 October 2002 by some 30-40 armed Chechens who claimed allegiance to the Islamist separatist movement in Chechnya. See: BBC (2002a), Karon (2002).

FSB found an archive belonging to Maskhadov in the village of Makhkety of Vedensky raion (RIA Novosti 2005). Shabalkin reported that the papers from the archive revealed grounds to claim that Maskhadov had large amounts of money denominated in foreign currency at his disposal in 1999 (RIA Novosti 2005; Interfax 2003b).

According to Russian and Western source, NGOs have widely been involved in transferring illicit funds to Chechnya. In recent years, multinational movements of terrorist funds, involving the use of international NGOs and charity funds have been traced to terrorist or rebel movements based in Chechnya. In a world-wide renowned case, Enaam Arnaout pleaded guilty on charges of diverting charity money raised through Benevolence International Foundation (BIF) that was allegedly connected to al-Khattab<sup>14</sup> during the period 1999-2002 (Lichtblau 2003; NYT 2006). Throughout this period, the financial resources provided by the BIF were used by the Chechen rebels to purchase x-ray machines, anti-mine boots, camouflage military uniforms and other supplies (United States of America vs. Enaam M. Arnaout 2005: 26). The BIF office in Baku headed by Gul Mohamed<sup>15</sup> was an important in the money transfer scheme. The Georgian affiliate of the BIF was an NGO MADLEE.<sup>16</sup> It distributed money from the BIF via courier to boeviki in Pankisi and Chechnya (United States of America vs. Enaam M. Arnaout 2005: 93). MADLEE used to receive up to a total of USD 850,000 by 1999 and USD 685,560 between January and April 2000 (Burr & Collins 2006: 174-175; Wittig 2009: 257; United States of America vs. Enaam M. Arnaout 2005: 93).

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<sup>14</sup> BIF were identified on Khattab's Internet website as conduits for financial support to Chechen fighters. See: United States of America vs. Enaam M. Arnaout (2005: 26).

<sup>15</sup> Gul Mohamed was a representative of the *Hezb e Islami* in Baku.

<sup>16</sup> Also known as *MADLI*—a Georgian-registered charity organization. This NGO was supposedly involved in humanitarian aid related to medical and health-related management and assistance in Pankisi Gorge.

Russian Prosecutor-General Yury Chaika on April 30, 2009, accused both Georgia and Azerbaijan of failing to take effective measures to curtail the flow of funds to the North Caucasus resistance (Radio Free 2009; Molchanov 2009). In his annual 2008-report on law and order in Russia, he warned that in most cases the cash was transferred from sponsors abroad by couriers who entered the Russian Federation via Azerbaijan or Georgia (Radio Free 2009; Molchanov 2009; Chronika 2009).

For many years Shamil Basayev and al-Khattab headed the most radical regiments of the pro-independence movement such as the Islamic International Brigade (IIB). Their radical stances on the future of Chechnya, however, were profoundly challenged when the invasion on Dagestan in support of the Shura of Dagestan<sup>17</sup> was unsuccessful. The growing number of supporters of more secular models of statebuilding for Chechnya and the influence of the pro-Russian campaign led to the solidification of the Maskhadov regime. Maskhadov's supporters were against radical interpretations of separatism and largely condemned violence such as the one committed by the Basayev-led army during its invasion of Dagestan in 1999.

Against the background of destruction, poverty and massive violence, the Maskhadov regime was aggravated by the extensive control of criminals, using the idea of secessionism in order to operate freely in an international criminal heaven at the crossroads of major economic and political routes connecting Europe and Asia. Back in 1997, Gakayev (1997: 240) wrote:

[O]rganized crime turned Chechnya into a large-scale producer and consumer of, as well as a dealer in, narcotics and arms in the south of

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<sup>17</sup> The Shura of Dagestan has been known as an Islamic council signed at a secret meeting in 1999 that has not been recognized by Moscow.

Russia. While the largest pro-government groups controlled the oil pipeline and illegal trade in petroleum products, other smaller organized criminal groups engaged in plunder, abductions of humans and slave trading.

The imperfections of the Maskhadov's regime indeed transformed Chechnya into an area controlled by armed formations, organized criminal networks and solitary bandits. During Maskhadov's three-year reign, virtually nothing was done for Chechnya's economic and social revival; no creative process was achieved. Chechnya embarked on the road toward consolidation of anti-Maskhadov sentiments.

#### *Problems of Post-Conflict Reconstruction in Chechnya*

After the Russian forces seized control over Chechnya in July 2000, Akhmad Kadyrov was appointed acting Head of the Republic's administration by the President Putin (BBC 2000a). With the support of the Russian side, Akhmad Kadyrov became the first Russia-backed Chechen President in 2003, who, although giving allegiances to Russian federal forces, had an unlimited power over the republic and ruled by corruption and intimidation.

After A. Kadyrov's assassination, his son Ramzan Kadyrov headed the father's *kadyrovtsy*<sup>18</sup> militia. R. Kadyrov was committed to his father's policies and had a personal control over the largest faction of the armed, pro-Grozny security forces at a time when there were no alternative candidates. R. Kadyrov advocated numerous amnesty campaigns (primarily in 2003 and 2006) for former rebel fighters, who were allowed to join the Chechen police and loyalist militia forces if they surrendered (Blandy

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<sup>18</sup> Literally "Kadyrov's followers" (Russian).

2010: 97). Several Spetsnaz battalions were formed of kadyrovtsy. Kadyrov's *Spetsnaz*<sup>19</sup> battalions and, namely, the *Yug* and the *Sever* regiments composed of 1000 former kadyrovtsy and OMON (Kavkazsky Uzel 2005). The leadership tried to secure the allegiance of kadyrovtsy with generous payments. Kadyrovtsy militiamen were paid up to USD 1400 per month—a fine salary for any one in Russia (Schaefer 2010: 257).

According to some scholars, it was a negative development that ex-insurgents were hired to work for the military and law enforcement institutions. According to Galeotti, “the recruitment of former boeviki and their leaders into republic’s subunits was in itself a dangerous security move due to the possibility of the amnestied paramilitaries could still remain faithful to their original views” (Galeotti 2010: 97). Schaefer warns that kadyrovtsy could, in fact, “serve” the two sides (Schaefer 2010: 257).

Having interpreted economic hardship as the root-cause of insurgency in Chechnya, the Putin and Medvedev duumvirate decided to fight insurgency with generous federal funds. Since the end of the counter-terrorism operation in 2009, the republic has been a recipient of a steady flow of aid and subsidies from the federal budget.

The Russian government allocated colossal funding into Chechnya, including RUB 30.6 bln (USD 916 mln) provided in 2002-2006 within the federal target program of the republic’s restoration after the Kremlin-led military campaigns in the 1990s-early 2000s against separatist forces (RIA Novosti 2009f). Since 2008, the Russian government approved the national program of socio-economic development for the Chechen Republic 2008-2011 with the budget of RUB 120.6 bln (USD 5 bln). This federal program aimed

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<sup>19</sup> *Spetsnaz* is a specialized division of Russian forces; literally “force of special purpose.”

to create jobs, boost industrial output and create a resources base to develop local social and transport infrastructure. Regardless of the recurrent nation-wide “khvatit kormit’ Kavkaz”<sup>20</sup> protests against disproportionate pumping of money into Chechnya and other republics of the North Caucasus, there have not been any major cuts in the funding reserved for the SKFO.<sup>21</sup> In recent years, the federal government has still been trying to quell the simmering Islamist insurgency through massive grants. According to the Chamber of Accounts, the SKFO received RUB 167.8 bln in 2010 and RUB 270 bln in 2011 (Kavkazskiy Uzel 2012)

Against the backdrop of colossal federal funding, the problem of widespread corruption in Chechnya seemed to overshadow the federal agenda of post-conflict stabilization. The hands-off relationship between Moscow and Grozny that ensures the non-interference of federal forces in Chechnya’s administrative, infrastructural and political activities in exchange for Kadyrov’s loyalty and his promises to neutralize the separatist and religious movements does not exactly work well. Because of rampant corruption as well as a certain laxness and propensity to corruption on the part of the federal authorities, Moscow was ineffective in tracking this money. “A significant portion of the aid very often ends up in the pockets of high officials and those closest to them, who are from what are in effect closed power clans, often structured on the basis of blood kinship” (Souleimanov 2011). Then President Medvedev (Vesti 2010c) and the

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<sup>20</sup> “Stop feeding the Caucasus” (Russian). One of the examples was an anti-Caucasian protest action in Moscow on October 22, 2011. Extensively advertised in both the government and the press, further protests were supposed to take place across Russia. Given unimpressive results of the first demonstration, other protests were not considered successful.

<sup>21</sup> SKFO refers to the North Caucasian Federal District created by the President’s decree on 19 January 2010. It includes the following republics: Dagestan, Ingushetia, Kabardino-Balkaria, Karachayevo-Cherkessia, North Ossetia-Alania, Stavropolskiy krai, and the Chechen Republic.

current President's plenipotentiary representative to the SKFO Khloponin (Interfax 2012) have publicly confessed that corruption was widespread and entrenched in the region.

The Prosecutor General's Office announced in 2012 that RUB 2.5 bln (USD 84 mln) of state funds were embezzled in the republics of the North Caucasus. Alexei Melnikov, the head of the prosecutor office in the North Caucasus branch, blamed "corrupt officials working in cahoots with law enforcements for the money drain" (RIA Novosti 2012). A total of 1,400 corruption-related violations were reported in the region in 2011 with more than 1,000 leading to criminal cases (ibid). Most of the cases were brought in action against state officials, law enforcement agencies and other power agencies.

The rapid inflow of aid indeed provided ample opportunities for embezzlement and rent-seeking. According to the Prosecutor General's Office, accountants of the Chechen military units allegedly misappropriated RUB 113 mln (USD 3.7 mln) intended as rewards to the soldiers participating in counter terrorism operations in the North Caucasus. Interfax (2011) reported that the perpetrators purchased luxury cars and immobile property with the embezzled money. In another case in 2009, the embezzlement of RUB 64 mln (USD 2.1 mln) was discovered in the Chechen military unit (Safronova 2009). Three offenders were convicted to more than 5 years of imprisonment (BaltInfo 2012).

Corruption in the North Caucasus, however, is largely perceived not only as a public evil, but rather an unfortunate necessity. According to the sociological survey conducted by The Caucasus Times in the capitals of the 6 republics in the North Caucasus from December 2008 through May 2009, only 19% of the respondents never

gave a bribe. In Chechnya, 83% of respondents confessed that they have been repeatedly exposed to corruption (Tyakushev 2009). The results of the survey also suggested that most corrupt were members of the local government (45%) and those working for federal agencies (33%). Around 30% of the respondents consider that the source of corruption in Chechnya is the general populace, who recurrently engage in corrupt exchanges. When answering the question “Where, in your opinion, is the problem of corruption most outrageous?” the respondents listed: the law enforcement (53%), higher education (51%), health services (49%), the judiciary (39%) and tax agencies (28%) (ibid).

The respondents in Chechnya also said that the situation with corrupt practices has worsened in the recent years. According to the survey data, 34% respondents acknowledged some increase in the diffusion of corruption arrangements; 49% respondents confessed they were expecting corruption to intensify in the future; only 4% are optimistic and believe that situation with corruption in Chechnya and in the wider region of the North Caucasus is going to improve. An interesting aspect covered by the survey includes responses about the links between corruption and culture. The survey revealed that most respondents in Chechnya do not agree that there is a direct link between corruption and the culture of the peoples in the North Caucasus. Rather, the respondents suggested that corrupt officials abused their mandates and office privileges for a private gain (60%) (ibid). Respondents, however, admitted that living in the North Caucasus was impossible without paying bribes. This view was shared by 60% of the respondents. The remaining 40% agreed with the statement that the entire society was built on the “service for service” principle (HSU 2010: 6).

Whereas corruption is high, the Islamist insurgency in the North Caucasus republics remains active. Having fought a guerilla war against Russia, the Chechen “government-in-exile” headed by Dokka Umarov declared a Caucasus-wide Islamic Caucasus Emirate with Umarov as Emir on October 31, 2007. According to Emir’s claims, territories of current Chechnya, Ingushetia and North Ossetia, Adygea and a southern part of Krasnodarsky Krai, Dagestan, Kabardino-Balkaria and Karachay (a part of Karachai-Cherkessia) were to be transformed into *vilayet*—provinces of the Caucasian Emirate (Kavkaz Center 2007). Umarov also took the responsibility for the January 2011 Moscow airport bombing and the March 2010 suicide bombing in Moscow’s metro. Although Umarov’s terrorism organization has experienced severe fractures along both financial and ethnic lines as well as it has been severely hurt by the Kremlin-led anti-terrorist campaigns, limitations in its operational capacity still threaten with violence outbreaks and other criminal activities. Moreover, terrorist activities have been relocated from Chechnya to other North Caucasus republics. Moreover, destroying Kadyrov’s “sultanic regime” ingrained in corruption and patronage arrangements supported by the federal center with generous funds has become the mobilizing idea for a new generation of rebels not connected to the Umarov movement, who have grown up knowing only war and violence and who have continuously been witnessing widespread injustice and impunity (Baev 2011: 16).

### **Chechnya as a Lawless Zone**

Apart from receiving external support from Islamic organizations and the Chechen diaspora, there was a strong connection between insurgents and organized crime. The use of drug revenues and profits generated by illicit oil deals have been extensively used to

finance the Chechen separatist movement. As the conflict developed, militants in Chechnya no longer depended on external financing and developed powerful criminal enterprises.

Destruction and isolation brought by the war, concentrated natural resources and the mountainous border landscape are the factors that have contributed to the formation of a highly lucrative criminogenic environment. They transformed the entire southern region of the Russian Federation into a criminal heaven—a no-go zone, where abundant armed groups, corrupt officials, fraudulent military officers and loot-seeking loners were successfully exploiting the wide range of criminal opportunities.

#### *Chechen Warlords and Drug Trafficking*

Similar to Mexican and Columbian cartels, Chechen criminal groups and guerilla factions played a significant role in narcotics trafficking into Russia and Western Europe. Since the break-up of the Soviet Union till the end of the Second Russo-Chechen War, Chechnya was a lucrative and risk-free hotbed for trafficking drugs from Afghanistan.

The active involvement of the Chechen republic in the system of the international drug trafficking goes back to the 1990s. The major push for the development of drug trafficking in Chechnya was the disintegration of the systems of tight control provided by the USSR internal security agencies, such as MVD and the FSB and, of course, the outburst of armed violence connected by the Russo-Chechen wars. Among other sources of funding discussed above, the Republic of Chechnya's first war with Russia was also funded with the proceeds of drug trafficking and drug processing. The Second Russo-Chechen War was analogously supported with financial resources related to the trade in narcotics. Drug trafficking during the First Russo-Chechen War was mainly controlled by

Shamil Basayev and his brother Shyrvani. Ruslan Gelayev, an active field commander during the Dudayev regime, concentrated fully on the narcotics trade in the Second Russo-Chechen War.

According to the investigation of Lt.-Col. Alekseyev, employed by the Russian FSB in Grozny during the First Russo-Chechen War, Dudayev was heavily involved in the drug trade and was linked to sources of supply of Afghani heroin in Central Asia. Dudayev's Chechnya was an essential hub for transporting narcotics from Afghanistan. At the beginning of the 1990s, large opium poppy and morphine shipments of 2-3 t each from Afghanistan were first stored in the boundary area between Uzbekistan and Afghanistan. From there, narcotics were transferred on trucks or helicopters to Uzbek towns of Termez and Samarkand. At the airdrome in Samarkand, the opium poppy or morphine were loaded onboard of private aircrafts directed to Chechnya's airports Grozny-Severnyi, Khankala and Kalinovskaya (Alekseyev 2002).

Ringleaders also set up a widely ramified network of drug traffickers not only on the territory of Chechnya but also in the neighboring republics. After 1995, when Maskhadov established reliable political connections in Ingushetia, drugs were transferred from the airport in Sleptsovsk to Vilnius and Šiauliai in Lithuania. From the Lithuanian port of Klaipėda, drugs were shipped off to the German island of Rügen in the Baltic Sea to be taken care of by the Sicilian and Albanian OCGs on to England (ibid).

Maskhadov and Basayev took the decision to use the production and trafficking of narcotics as an additional source of income (RIA Novosti 2004a; Lenta.ru 2004). The information obtained from the detainees warned about the route for illegal supplies of strong narcotics such as heroin. The Basayev brothers were coordinating drug deliveries

into Azerbaijan, Abkhazia, Dagestan, the regions of North Caucasus and the north of Russia, whereas Kutayev's group was in charge of drug processing in Chechnya and deliveries to Moscow, St. Petersburg and other locations in Russia's interior (Kommersant 2000). They controlled small heroin shipments delivered by messengers via railway and automobile routes as well as by *verbliud*<sup>22</sup> couriers.

Seeking profit maximization, Chechen militants also took over a share of the drug processing market. By getting involved in the processing stage, they used to increase profits generated by the difference between the prUS ICE of raw drugs and the prUS ICE of the ready-to-be-used narcotics. Drug processing laboratories in Chechnya were processing opium poppy and morphine exported from Afghanistan and Pakistan into heroin. Some laboratories were also processing opium poppy leftovers—the “poppy straw” processed into a narco-concoction known in Russia as *kompot*.

Up to the beginning of the Second Russo-Chechen War, Basayev controlled several heroin processing laboratories—clan labs—in Chechnya. Some of the biggest of them were located in the former sanatorium for energy engineers in Vedenskyi raion. Shabalkin, the official representative of the Regional Operational Staff of the counter-terrorist operation in the North Caucasus of that time, reported on Basayev's 12 laboratories for producing heroin disrupted during Aslan Maskhadov's rule (Lenta.ru 2003a). According to Russian security agencies, Kutayev controlled clandestine labs such as the ones disrupted in the former pioneer camp “Zorka” in Shalinsky raion (Kommersant 2000).

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<sup>22</sup> *Verbliud* is a drug courier, transporting narcotics in the gastrointestinal tract or other body cavities.

The involvement of Shamil Basayev in drug trafficking was proved by the investigation of Prosecutor's Office of Ryazan following the arrest a 26-year-old Umar Vakhidov—a relative of the well-known Chechen rebel commander. According to the evidence provide by the Russian law enforcement, Vakhidov controlled a substantial part of drug sales (including synthetic drugs produced in Chechnya) in Ryazan oblast and was responsible for transporting drugs from Chechnya to Russia (Pervyi Kanal 2000). The press release informed that the offender used to visit Chechnya every 3-4 months and traveled across the republic even during military operations (Pravda 2000).

Chechen field commander Ruslan Gelayev was frequently involved in drug trafficking operations well beyond the borders of Chechnya—in Pakistan and Georgia. Since the end of the 1990s until 2004, the year he was found dead, Gelayev featured as one of the key figures in drug trafficking from Afghanistan into Russia and Europe via the Caucasus (Curtis 2000). He also organized large plantations of opium poppy and hemp in Chechnya. The largest plantations were located in wooded areas of Nozhay-Yurtovskiy and Vedenskiy regions.



**Map 3. Administrative Map of the Chechen Republic.**

In order to avoid detention, Gelayev was exploiting the extra-territorial shelter in the infamous Pankisi Gorge (also in Ahmet, Duisi and Dumasturi) in Georgia. Pankisi Gorge is a 30-kilometre-long valley in northeastern Georgia mainly populated by an ethnic group called Kists of Chechen roots. Given his friendly relations with Georgian leaders, businessmen and the Georgian mafia, he transformed the Pankisi area into a major gateway for drug trafficking (Curtis 2000: 6).

After the establishment of the Kadyrov regime in Chechnya, many sources have acknowledged a decrease in the involvement of Chechen OCGs in drug trafficking and

drug production. Nevertheless, the problem of drug related crime has not vanished. Kadyrov's Chechnya, where the concentration of a wide range of security officer is the highest, demonstrated the smallest volumes drug trafficking record (Pain 2002). As of the 2010 drug seizures statistics in SKFO, the most of the seizures took place in Stavropol, where 526 kg of drugs were confiscated. At the same time, one should be careful about the improvements of the Chechen drug trafficking track since the statistics on drug seizures do not necessarily reflect the overall change of the drug trafficking dynamics. They are more a reflection of the activity of the law enforcement agencies and the priorities they adopt in dealing with drug-related crimes. It could as well be possible that drug traffickers working along the Chechen route relocated their activities to other favorable locations that could be found in abundance in the North Caucasus. In this context, with the insurgency-related violence and widespread corruption concentrated in Dagestan and Ingushetia, these republics are likely to be the next sites for drug trafficking activities.

### *Oil Sapping*

Natural resources have played a conspicuous role in slowing down Russia's attempts to bring peace and order to the republics in the North Caucasus. According to various sources, Chechen and Dagestani armed groups while seeking independence from the Russian Federation also involved in oil smuggling. While the statistics on the amount of revenues generated from oil contraband do not exist, it is known that smuggling oil and petroleum products has been omnipresent in the North Caucasus both during the two Russo-Chechen wars and the post-insurgency period. Given the weakness of the ruble, obtaining resources in the North Caucasus and selling them abroad at much higher

practices has often been the goal of most illicit businesses. Much of the illicit profits, however, were also spent to pay purposes ranging from purchasing weapons and paying bribes.

The pro-independence movement with jihad's elements in Chechnya kindled pressing issues related to Chechen oil reserves and the transportation of Azeri oil through the territory of Chechnya. Following the outbreak of the First Russo-Chechen War, the Russian government could no longer manage the extraction of oil from the oilfields in Chechnya or administer the Soviet-era oil refinery. Moreover, the Russo-Chechen wars undermined Russia's plans to work together with Azerbaijan's SOCAR along the lines of the Baku-Novorossiysk oil pipeline.<sup>23</sup> After a hard bargaining process in 1997, Russian and Chechen officials signed an agreement, according to which the Azerbaijani oil from the Caspian Basin could be transferred through Chechnya and Dagestan to Russia's Black Sea port in Novorossiysk. The Russian side offered to provide economic aid to Chechnya on the condition that Chechnya could secure the safety of oil transportation.

Given the environment of chaos and impunity, the pipelines were interrupted continuously by sabotage and theft. Most of illicit profits generated from oil smuggling were used to maintain the rebel forces—in those years run by Shamil Basayev. The illegal resale of oil and petroleum products became another direction of obtaining means for terrorist activities. Referring to the mid of the 1990s, Boris Gryzlov, then the Minister of the Internal Affairs, emphasized that the Basayev-led militants were making fortunes with illicit oil processing and illicit trade. He warned that the oil sector of the YUFO

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<sup>23</sup> The Baku-Novorossiysk Pipeline extends to 1,330 km (830 m), of which 231 km (144 m) are in Azerbaijan. In Russia the pipeline runs through Dagestan and Chechnya.

(later reorganized into the SKFO) was controlled by Chechen militants and criminal groups (Lenta.ru 2003b).

Based on Borisov's journalistic investigation, Shelley acknowledged that Chechen warlords Shamil Basayev and al-Khattab used to unlawfully collect oil from primitive refineries in Chechnya for the purpose of reselling it in other republics of the North Caucasus. By the end of 1990s, the Russian tax police ruptured illegal channels of financing that were set up by Chechen organized crime groups in Primorsky krai, Astrakhan', Novgorodskaya and Lipetskaya oblasts (Borisov 1999). The law enforcement identified 12 such companies owned by Chechen warlords in Dagestan and in Karachayevo-Cherkessia (Shelley et al 2005: 73). According to Russian sources, as soon as oil contraband reached Novorossiysk or Tuapse, it was shipped off as if purchased by legitimate offshore companies (Pylnikova & Shkrylyov 2009).

Worthwhile mentioning is the fact that the abundance of oil resources in Chechnya combined with poverty and unemployment gave a rise to a powerful shadow economy and the black market in oil and petroleum products. Given the need for refined oil in the absence of a viable economy, ordinary Chechens used to set up illicit small-scale refineries in the backyard. Locals would merely dig in and pump out the "condensate"—a cheap substitute of gasoline widely available in the region. As one expert noted, oil condensate in Chechnya was so pure that many drivers used to run their cars with it (Ob'yektivnaya Gazeta 2004). Locals were accustomed to buying the home-produced fuel as cheap as beer and water. By 2004, there were up to 600 illicit oil "factories" in Chechnya (ibid). According to some sources, from 500,000 to 700,000 t of

oil were stolen in Chechnya every year and up to 30 thousand people were involved in illegal oil production in 2003 (Vatchagaev 2008).

After 2004, when the pro-Moscow President Akhmad Kadyrov reinforced the positions of federal forces in the republic, the monopoly over licit (and also illicit) oil processing and transportation was split under zones of influence controlled by Russian soldiers and *kadyrovtsy*—Kadyrov’s loyalist militia forces. “Before, the business was a source of income for warlords,” reported the Telegraph’s reporter Warren, whereas “now it is the generals who are in charge” (Warren 2002). Sometimes, there was a good level of cooperation between underground Chechen groups and Russian soldiers. “Chechens do the digging and produce the petrol while the Russian military helps with the smuggling and takes its cut in protection money” published *The Guardian* in 2002 (Warren 2002).

A 47-year-old an employee at “Grazneftegaz” warned that it was not a secret for anyone that siloviki including military men from Kadyrov’s specialized forces and Chechen MVD authorized and protected oil contraband (Abubakarov 2005). The Russian forces at checkpoints would typically collect fees from passing trolleys, cars and even trucks loaded with illicit oil (Warren 2002).

If before 2004, most of oil refineries, transportation and sales were controlled by Chechen insurgents, the Russian military forces replaced them with the rise of R. Kadyrov. As the insurgency period of the war started in around 2001 and when Chechnya was vested in the Kadyrovs’ hands, a specialized Neftepolk constituted by up to two thousand people was formed to protect oil facilities and remove all illicit refineries and illicit tap in the main pipelines that were now the new property of “Rosneft” and OAO “Grozneftegaz.” Moreover, observers stress that the control over illicit oil refineries was

occasionally resolved by a clashes among different groups of siloviki. One example circulated by The Kavkazsky Uzel described an armed clash over a monopoly over oil wells in the Tersky mountain range between a specialized military division of Chechen FSB *Gorets* located by the village of Pobedinskoye in the Graznenskiy raion and a Spetsnaz battalion GRU *Zapad* with the base positioned in the outskirts of Grozny in Staropromyslovskiy raion (Ibragimov 2011a).

Whereas oil smuggling peaked in Chechnya in the mid-1990s, Dagestan's large-scale involvement into oil contraband started in the 2000s. As soon as Ramzan Kadyrov's harsh tactics shut down most of illicit oil refineries in Chechnya, oil smuggling became a widespread low-risk and high-profit source of income in Dagestan. Because of the lucrative nature of oil sales, many criminal gangs in Dagestan vigorously engaged in oil contraband.

In 2011, Transneft expressed concerns over the security to Dagestan's President Magomedislam Magomedov, asking him to take the necessary measures to put an end to pipeline sabotage and oil theft. As of June 2011, Transneft lost more than 4,465 t of oil and in July it reached the record—13,596 t—stolen via illicit taps into the Baku-Novorossiysk pipeline on the territory of Dagestan (Centre for the Study of Regional Problems 2011). Just in 2009, there were up to 50-77 illicit mini oil-refineries revealed in Dagestan in 2009 (Chernomorskneft 2009).

According to the management of Transneft, oil thieves have significantly professionalized their businesses (Chernomorskneft 2009). They tap the pipeline by drilling a hole and filling oil drums that they transport by car or truck. "Someone with a car needs only about half an hour to take 2 t of oil," said Jafar Nasirov, local chief

working for Transneft, in an interview to The St. Petersburg Times (ibid). Investigating sites can be difficult because at times there are no roads or the pipe goes through farms and other forms of private property. Transneft security guards found illicit “taps” in the pipeline even under houses and offices (Bierman 2009).

In October, 2008, nearby Makhachkala, the FSB of Dagestan disrupted an organized group of oil smugglers, stealing oil from the Baku-Novorossiysk pipeline (Chernomorskneft 2009). The thievery became obvious when the owner failed to show a bill proving the sale of 80 t of oil (Bierman 2009). The group set an illicit tap in the pipeline that was connected via a 600-m-hose to five underground rusting cisterns (Chernomorskneft 2009). The smugglers were selling crude oil to refineries at a discount practice. By times, they would process it themselves in order to increase the profits. A similar case was revealed by the FSB of Dagestan in September 2011, when a group of nine people on charges of stealing oil near the village of Pervomayskoye in Kayakentskiy district was detained. The investigators also discovered an illegal oil terminal with eight containers of a total of 240 t of illicit oil (Aref'yev 2011).

Oil smuggling, the FSB in Dagestan warns, could not be successful without law enforcement organs “protection” (Hartman 2011). Criminal cases speak for themselves. In 2009, the MVD in Dagestan arrested three clerks from Babaiurtovskiy raion on charges of stealing oil from the pipeline. One of the perpetrators had a position in the local administration; the other was a deputy of for the district council. The arrested perpetrators had arms on them—a Makarov PM and an AK-47—without licenses authorizing the purchase of these arms and arms possession (RIA Novosti 2009b).

Having expressed a grave concern about the dangerousness of the situation in the North Caucasus as well as other regions in Russia, the State Duma issued a degree that criminalized acts of theft of crude oil and oil products in 2006. Today, a theft of energy resources is punishable by a fine of RUB 100,000 to 500,000 or an amount calculated according to the salary of the offender, or by imprisonment for between two and six years, in addition to a fine. Damage to oil or gas pipelines has been criminalized too. Depending on the severity of the damage, the fine ranges between RUB 400,000 to 500,000 or an amount calculated according to the salary of the offender through the period from seven months to one year, or by imprisonment for between two and five years.

According to the Duma's legislation adopted in 2007, Gazprom and Transneft were authorized to form specialized paramilitary units, the so-called "corporate armies" to protect the pipelines. These troops are allowed to purchase and carry weapons for the purposes of the mission and for self-defense. These units can only be deployed to protect the pipeline infrastructure. Yet, given the fact that both companies have pipelines throughout vast chunks of land, they can operate almost anywhere.

This piece of legislation has provoked a storm of contrasting opinions. Some analysts have explained that Russia's move to arm Gazprom and Transneft is nothing but a response to contemporary practices employed by multinational oil companies. Others interpret this legislation as a threatening step. They emphasize that the effectiveness and appropriateness of the militarization of Russia's energy monopolists is questionable at least when it pertains to the North Caucasus—a post-conflict region with a high

predisposition to outbreaks of violence. The militarization of state enterprises could contribute to the likelihood of clashes between armed groups.

## **Conclusion**

The chapter demonstrates that problems that emerged in the North Caucasus after the break-up of the Soviet Union and during the Russo-Chechen Wars contributed to the formation of highly criminogenic environment exploited both by separatists, terrorists and average citizens. The way the rebel forces utilized criminal activities as the means of collecting revenues for their cause added to the regions transformation into a criminal hub. Unable to stabilize the region, the federal government vested the powers in a pro-Russian leader who ensured that the succession sentiment languished but failed to terminate illicit activities. Ramzan Kadyrov did not seem to express a strong will to curtail illicit activities. Quite on the contrary, his militia was well-placed to utilize the criminal opportunities of the de facto sovereignty of the republic. The authoritarian rule in Chechnya led to the establishment of a disguised form of warlordism—a situation when a clan who had previously been illegitimate embraced formal institution-building, regulation and law enforcement and other functions.

Though the republic has never become entirely peaceful and stable, the reign of Ramzan Kadyrov ushered in a period of relative calm. Despite the claims of both the Kremlin and the Kadyrov government that the security situation in Chechnya is dramatically improved, the success of the direct rule invested into Kadyrov's hands is ambiguous. The monopoly of force vested in his hands generously supported by the Kremlin does not mean the termination of violence and crime. Rather, it likely that the Kadyrov rule has acquired most of the features of a patronage-based system that is not

based on professionalism and discipline, but on a commander's ability to take care of his followers and liquidate those who may upset the status quo.

If access to illicit activities is removed, there is a danger that a new wave of violence takes place. Thus, the Kremlin has to carefully consider the costs and benefits of crime, corruption and violence. Misbalancing the current power establishment consolidated under the control of Ramzan Kadyrov may have serious consequences by throwing the republic into turmoil.



**CRIMINOGENIC ASYMMETRIES IN THE NORTH CAUCASUS: TRAFFICKING IN  
NARCOTICS AND IN CAVIAR**

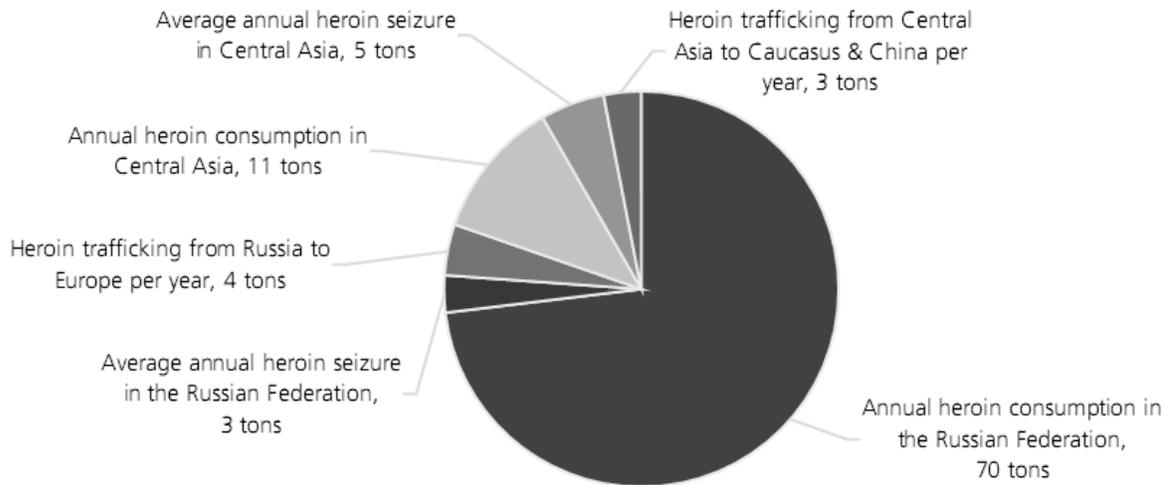
This chapter studies the formation of criminal opportunities as a function of criminogenic asymmetries that abound in the North Caucasus. The first section of the chapter is dedicated to the analysis of drug trafficking into the Russian Federation. The analysis offers some insights into the price formation of heroin shipments on their way from Afghanistan into Russia via Central Asia and the North Caucasus. It also investigates the reverse drug trafficking channel of synthetic drugs from the European Union into Russia.

The second section of the chapter deals with illicit trafficking in wildlife. Beluga caviar is a rare resource concentrated in the Caspian basin. Possessing an almost exclusive control secure by corruption and patronage in the area of the Caspian Sea where the rare species of sturgeon abounds, organized criminal groups and fraudulent public officials made fortunes with contraband sales of black caviar in the international market. The legal asymmetry between Russia's moratorium on sturgeon fishing since 2002 and Iran's fully-fledged export boom in beluga caviar has contributed to the transformation of poaching into a large-scale transnational criminal enterprise.

## **Russia as a Transit and a Destination for Illegal Drugs**

### *Rising Demand for Narcotics*

Before the Soviet Union was dismantled, Russia as well as other Soviet republics were not actively involved in the international drug trade. Given the severity of the Soviet-style control over security institutions and national borders, the USSR did not participate significantly in the international markets for illegal drugs as a consumer or supplier of illicit substances (Paoli 2001). This situation, however, changed drastically in the 1990s, as the pattern of Russia's relative self-sufficiency transformed into a rapidly growing demand for narcotics. According to Paoli's (2001) research, the number of registered drug users increased by almost 400 % in the 1990s. By the mid-2000s, the Russian Federation rapidly transformed from mainly a transshipment state into a major drug market with 21% of the world heroin consumption, 1.5 mln heroin users and the black market in drugs worth USD 13 bln (UNODC 2010b: 7). In 2010, the UNODC provided evidence that out of 70 t of heroin reserved for domestic consumption, only 4 t were trafficked from Russia into the EU (ibid: 117).



**Figure 2. Opiate Consumption, Seizure and Trafficking (in mt).**  
**Source: UNODC 2010b: 22).**

What may also be considered an important warning sign in terms of the post-soviet black market in drugs is that the preference in the black market shifted from light narcotics to the heaviest and most dangerous narcotic substances such as heroin. In the early 1990s, most of drug seizures included marijuana (49%) and poppy straw (42%), whereas heroin, cocaine and synthetic drugs were not widely present in the black market (RIA Novosti 2011b). In the beginning of the 2000s, heroin seizures constituted the every third arrest (ibid). The head of Russia’s anti-narcotics agency, Viktor Ivanov, acknowledged in 2009 that seizures of Afghan heroin were up to 70% in the Russian Federation (The Telegraph 2009). According to Ivanov, the drug was partly to blame for rising crime and a demographic fall in Russia’s population: “[I]n recent years Russia has not just become massively hooked on Afghan opiates, it has also become the world’s absolute leader in the opiate trade and the number one heroin consumer,” he said (ibid).

The causes of this explosion were deeply imbedded in the social and economic changes experienced in the last two decades. One of the factors pertains to the economic

chaos that followed the political changes of the early 1990s. Another important factor was the arrival of organized crime to dominate drug trafficking operations that resulted in huge profits for them, particularly in increasing the amount of heroin that flowed into Russia from Afghanistan. Aggravating porous borders and widespread corruption among law enforcement officials, including the police and customs officials, additionally contributed to the solidification of transnational trafficking in drugs and impunity of drug traffickers. Citizens of economically-depressed countries adjacent to Russia also found drug trafficking a fast and relatively easy way to generate income, whereas traffickers of synthetic drugs discovered a new, yet untouched criminal opportunity.

Indeed, following the rapid increase of illegal drug use, the black market expanded in both its turnover and its geographic extension, so much that illegal drugs of some kind became available even in the most remote parts of the federation. Russia's vulnerability to the drug trade increased with the opening of its borders, the collapse of economies in neighboring countries and the rise of regional conflict throughout the 1990s. During this period, the so-called Northern route<sup>24</sup> of heroin smuggling linked to Afghanistan via Central Asia to Russia became particularly acute. No single cartel like in the case of Mexico became powerful enough to control the major drug trafficking routes. Criminal groups from Central Asia, the Caspian region and Russia became active along various segments of the route. This time also coincided with the period when millions of

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<sup>24</sup> According to the UNODC (2010b: 54), the Northern route out of Afghanistan passes through Central Asia (largely Tajikistan and Kyrgyzstan) and into the Russian Federation (either through is a relatively recent phenomenon only taking shape in the mid-1990s strongly shaped by the dissolution of the USSR. The newly-formed states were incapable of administering borders and establishing efficient national customs (ibid: 48). UNODC identified the following routes running through the Caucasus: Islamic Republic of Iran – Azerbaijan – Georgia – Black Sea – Ukraine and/or Bulgaria; Islamic Republic of Iran – Caspian Sea – Russian Federation/Caucasus – Black Sea – Ukraine and/or Bulgaria; Afghanistan – Central Asia – Caspian Sea – Azerbaijan/Caucasus.

illegal immigrants, primarily from republics in Central Asia, poured into Russia. Some of them never stayed permanently. Rather, they “shuttled” back and forth. Many of these migrants with no other means for survival turned to drug trafficking as a means of survival as they were not able to support themselves and their families in the licit economy.

Russia’s under-financed health care system has failed to provide assistance to a growing population of drug-addicts that according to the Russian sources number 503,000 officially registered drug-addicts. The United Nations, however, estimates that the number of drug-addicts in Russia is much higher, reaching 2.5 mln paralleled by Russia’s skyrocketing HIV rates (Ria Novosti 2009c ). The FSKN, Russia’s agency of control and monitoring trafficking in drugs, reported on Russia’s growing role as a consumer of narcotics. No longer, said the FSKN, should Russia “be considered as a transit state for drugs” (RIA Novosti 2011c; 2011d).

### *The “Opiate” Asymmetry*

Similar to cases of drug trafficking from Mexico into the United States, drug trafficking from Afghanistan into Russia and primarily its capital region presents multiple opportunities for making illicit profits. The continued demand for illicit drugs in Russia, the availability of relatively cheap narcotics in Afghanistan, the post-conflict chaos in the North Caucasus and an army of the unemployed in the republics in Central Asia have gravely undermined any effort against drug trafficking in the region.

Today, Afghanistan accounts for an estimated three-fourths of the world’s heroin supply, with an increasing proportion (one-half to two-thirds) of those drugs trafficked

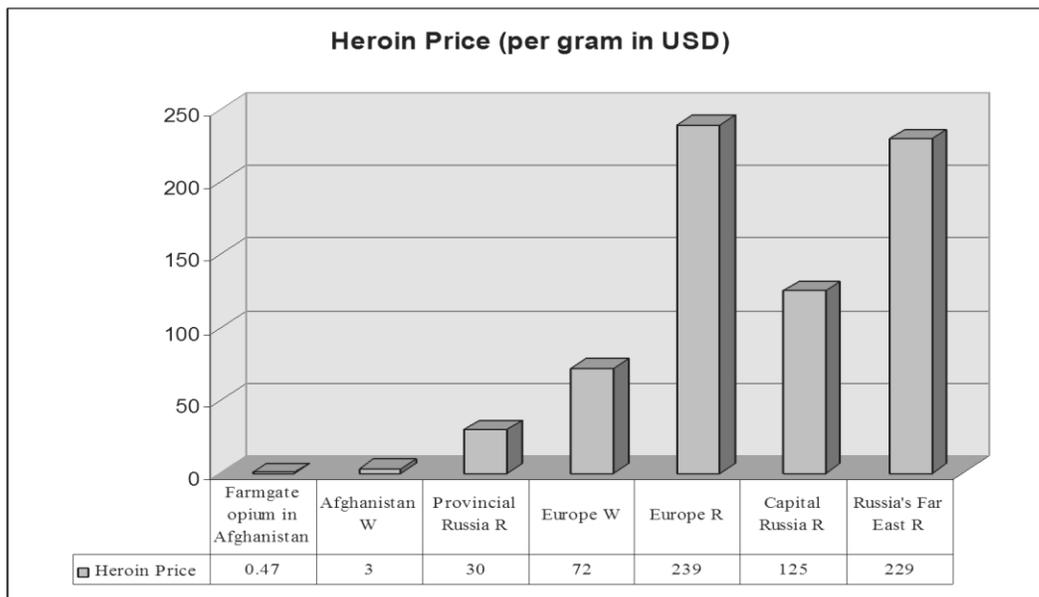
into Russia through the Central Asian states of Tajikistan, Uzbekistan, Kyrgyzstan, Turkmenistan and Kazakhstan as well as the republics in the Caucasus.

The appeal of drug trafficking is increased by the asymmetry between economic hardships suffered in many countries surrounding Russia (Tajikistan, Kyrgyzstan), Russia's internal economic asymmetries between the federal center and its regions and the availability of relatively cheap narcotic substances in Afghanistan.

Indeed, drug trafficking from Afghanistan into Russia promises extensive speculation of drug prices. When opiates are transported from Afghanistan to Russia, they usually go through multiple dealers and each of them makes a profit by adding a "tax" for transportation and risk management. When opiates from Afghanistan reach Moscow, for example, they can be sold at a price that is multiple times higher than their value in Afghanistan.

About 90% of heroin in Russia is smuggled from Afghanistan via the former-Soviet states of Tajikistan and Uzbekistan. Drug trafficking is a major source of income for Afghanistan's impoverished rural population as well as economically deprived nationals of Central Asian republics and the republics in the Caucasus. Even after some increase in 2010, drug traffickers can buy one gram of wholesale heroin for less than USD 3 in Afghanistan (UNODC 2011: 77). When drug traffickers cross the border between Afghanistan and Tajikistan, they find themselves in another price zone (Golunov 2006: 334). The price per a gram of heroin in a border town of Termiz at the Uzbekistan-Afghanistan border is USD 2-3 per gram. In Uzbekistan's Fergana Valley, a gram of heroin already costs USD 30.

In this way, the Afghani heroin intended for sale in Russia, when passing the Russia-Kazakhstan border rises in price by 70 times (RIA Novosti 2009d ). Thus, a 3-dollar gram of Afghani heroin soars up to the wholesale price of USD 30-80 in provincial areas of the Russian Federation (ibid: 80). A standard retail price per gram of Afghani heroin in the capital region of Russia is established at a rate of USD 125-130 per gram, whereas one can buy a gram Afghani heroin only for RUB 7000 (USD 229.4) in Russia's Far East (RIA Novosti 2009e). Notwithstanding the increase in the volume of drug seizures, the annual inflow of Afghani narcotics into the Russian Federation is not less than 12 t of pure heroin worth USD 3 bln of doses (State Anti-Narcotics Committee 2011).



**Figure 3. Heroin Prices, 2009-2011.** (W-wholesale; R-retail, in USD). Source: author's elaboration of the data obtained from interviews with experts and secondary sources.

Afghani or Iranian DTOs rarely smuggle drugs into Russia. They pocket drug profits for transportation in the Middle East—primarily to Turkey and Azerbaijan. The

majority of the profits, arguably, go to Iranian criminal groups, trafficking groups from Central Asian republics and the republics in the Caucasus (UNODC 2011: 83).

Central Asia groups conventionally operate along the drug trafficking route through Central Asia, across the Russia-Kazakhstan border into Russia. Various Central Asian DTOs have been continuously crossing the 7000-kilometer Russian border with Kazakhstan—that is twice the length of the US-Mexican border and is poorly guarded. Drug trafficking at the Kazakhstan-Russian border is the largest trafficking route into Russia. Central Asia forms the largest gateway for heroin destined for the Russian Federation and Eastern Europe estimated at total USD 13 bln per year (UNODC 2010: 111). The inflow of heavy drugs is so high along the Russia-Kazakhstan boundary that the FSKN started talking about the “heroinization” of population predominantly in Orenburgskaya, Chelyabinskaya, Astrakhanskaya oblasts (State Anti-Narcotics Committee 2011). The Urals top all other regions in its high levels of drug consumption that is 30% higher than a cross-country average (ibid).

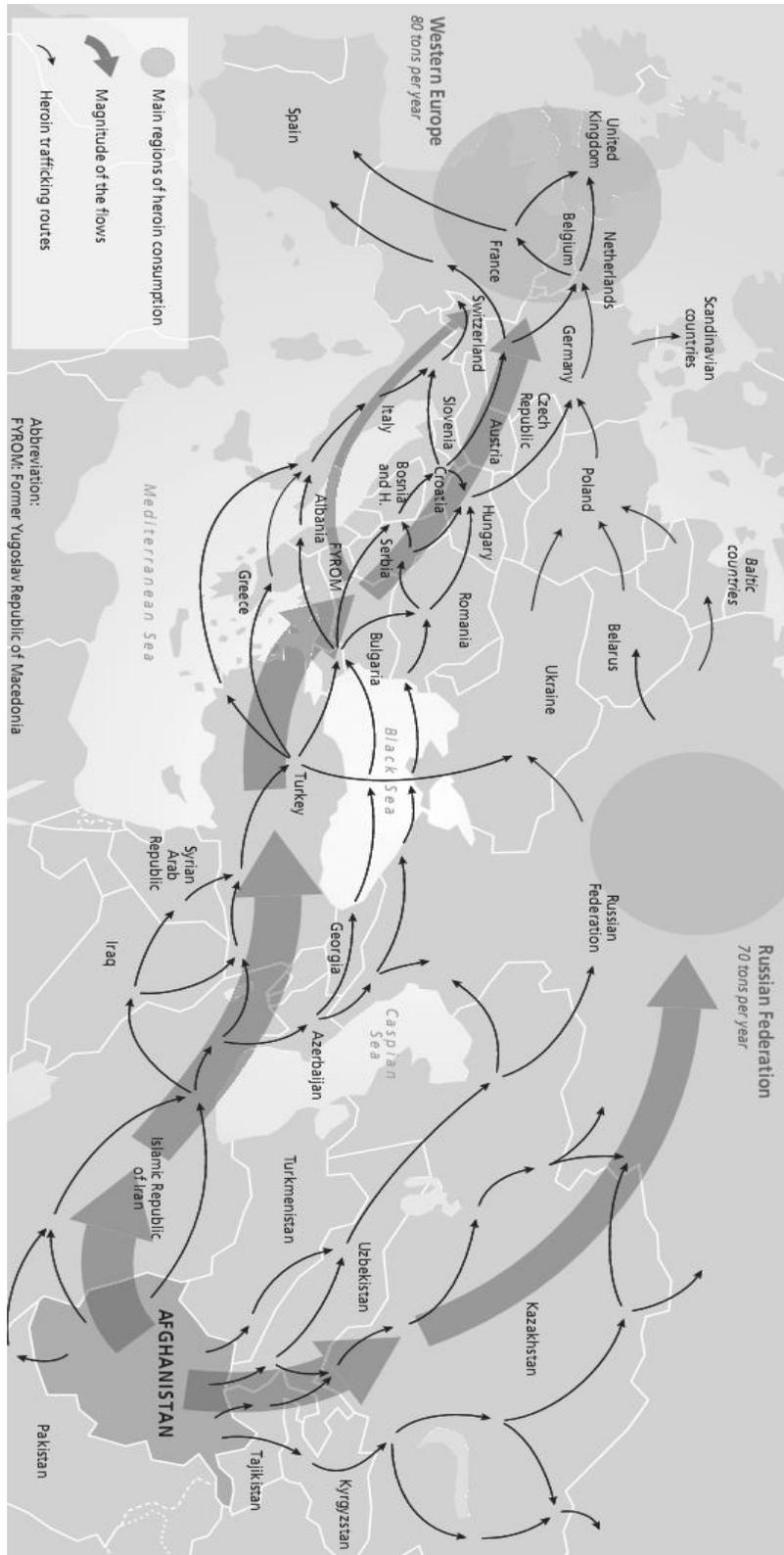
#### *Afghan Drug Trafficking Redirected to Russia’s North Caucasus*

Although Central Asia has been most widely cited as the gateway of narcotics trafficked into Russia, the North Caucasus is an equally important transit point for illicit drugs. In 2010, the FSKN reported that there was a record flow of Afghan drugs toward Russia’s North Caucasus on the back of a number of anti-drug trafficking operations in Pakistan. “According to our Pakistani colleagues, special operations caused a 70% weakening in the southern drug trafficking routes across Pakistan to India and that [percentage] has been redirected to the North Caucasus,” Viktor Ivanov said (Ria Novosti 2010f). The chief of Russia’s drug control also stressed that drug traffickers were actively using Iran

and Azerbaijan for transit. Finally, Ivanov pointed to the substantial role that Georgia was playing in drug trafficking into Russia.

Strategically located between Asia and Europe, the North Caucasus is a critical transit point for narcotics from Afghanistan into Russia. Corruption, instability and separatist conflicts were cited as the contributing factors to the region's rising role in drug trafficking. The Trans-Caucasus route attracts drug smugglers for transparency of the borders, the post-conflict instability in Chechnya and the ongoing insurgency in Dagestan as well as possibilities to use clan and ethnic ties for criminal operations and recruitment.

What is unique about the North Caucasus, however, is that the variations of the two of the major drug trafficking routes from Afghanistan—the “Northern” and the “Balkan” routes—traverse the Caucasus to deliver drugs to both Russian and, to a lesser extent, European markets. The “Northern” route traverses the Caucasus from Central Asia (UNODC 2010b: 115). The classical “Balkan” route usually lies through the Islamic Republic of Iran, Turkey, Greece and Bulgaria across South East-Europe to the western European market. The “Balkan” route, however, can also traverse the Caucasus rather than Turkey, in this case, traversing Azerbaijan, Dagestan before reaching Russia (ibid).



Map 4. The 'Northern' Drug Trafficking Route.

Source: UNODC 2010b: 54.

Russian security sources disclosed information about several criminal cases, in which narcotics from Afghanistan had been trafficked from Iranian sea ports (Anzali and Nowshahr) on the Caspian Sea directly into Russia (Dagestan and Astrakhanskaya oblast) (State Anti-Narcotics Committee 2009; FSKN 2010a). One of such cases took place in 2011. A drug trafficking ring was disrupted when they attempted to smuggle 263 kg of hashish from Iran's Anzali port via Azerbaijan to Russia's Astrakhan' through waters of the Caspian Sea. As the investigation revealed, the members of the gang, four Azerbaijanis were arrested in Russia's city of Novokuznetsk, concealed the shipment in a container loaded with sheet glass (SibNovosti 2011). In another case, the FSKN seized 320 kg of Afghan hashish worth RUB 96 mln (USD 3.1 mln) in St. Petersburg. The head of the FSKN emphasized in the press that three members of an international drug ring were detained during the operation. They were transporting narcotics from Afghanistan to the Iranian port in Anzali, across the Caspian Sea to Astrakhan' and then in a truck to St. Petersburg. The drugs, equivalent to 1 mln doses, were skillfully hidden in wooden boxes (RIA Novosti 2010c; STC TV 2010).

Although the role of the Chechen Republic as a transit for drug trafficking has relatively diminished since the end of the insurgency period ushered by the arrival of Ramzan Kadyrov to power, the problem of the involvement of the wider region of the North Caucasus into drug trafficking has not been resolved. Drug trafficking groups found alternative routes and means of maintaining drug trafficking businesses in the North Caucasus.

Dagestan has realized the potential to serve as one of the attractive trafficking routes only yielding to drug trafficking across Russia's border with Kazakhstan.

Institutional chaos, widespread violence and insurgency attacks against law enforcement officers and civilians as well as widespread corruption created lucrative opportunities for trafficking narcotics. Referring to the fact that a third of Afghan narcotics that enter Russia are trafficked via Dagestan, Nikolai Tsvetkov, FSKN Deputy Director, acknowledged that the border between Dagestan and Azerbaijan has definitely become the “golden gateway” for drug trafficking (FSKN 2010a). The FSKN also suggests that Afghan narcotics trafficking through Dagestan has been “an important catalyst of negative processes” such as an increase in drug related crimes and insurgency (RIA Novosti 2010d). According to Nikolai Shepel, former Russian prosecutor general to YUFO, a considerable part of profits generated with drug trafficking finances insurgents’ activities including arms purchases for illegal armed formations and pay-offs for officials (Smirnov 2006).

Drug traffickers that control drug smuggling routes through Dagestan vary by far. Widely known for their involvement into drug trafficking, according to Russian law enforcement sources, are Azerbaijani and Dagestani drug trafficking organizations. Little is known about their structure, leadership and activity patterns. Despite the fact that they advanced ethnic networks on both sides of the Russia-Azerbaijan border maintained by the absence of the language barrier, former economic and transportation infrastructure connections. Azerbaijan’s geographical proximity to Iran provides these trafficking groups with an easy access to the resource market in Iran that they extensively use to supply Russia’s drug market with narcotics (Voennyi Vesnik Yuga Rossii 2011).

Many inhabitants of the Dagestan-Azerbaijan border area are recruited to participate in drug trafficking. For a considerable part of local inhabitants involvement in

illegal cross-border activities is the best or even the only source of income. Most Azerbaijani speak Russian, whereas many local ethnic groups in Dagestan such as Lezgins speak Azerbaijani. Lezgins—one of the largest ethnic groups in Dagestan that, according to some scholars, failed to integrate into the system of ruling ethnically-based groupings and, as outsiders who missed their chance to gain a grip on the levers of power, were moved towards outright criminal activities (Kisriev 2003: 10). As one scholar noted, “strong internal ties within Lezgin *jamaats*<sup>25</sup> that are located a long way from the capital Makhachkala and have limited access to the seat of power are eminent in criminal activities” (ibid). Constituting majority in rural Dagestan’s south, Lezgins hold profitable posts in the customs and border guard units and often serve not the interests of the state, but rather work for the benefit of their *jamaats* (ibid). At the same time, it would be an overestimation to claim that Lezgins control the border. Rather, the mountainous terrain and knowledge of the local environment and the support of the population living in the border area is of more utility for cross-border smuggling.

The main drug trafficking route across the Russian-Azerbaijani is the highway Baku-Rostov-Moscow. Different kinds of drugs, including marijuana, hashish, raw opium and heroin, are smuggled through Dagestan’ segment of the Russia-Azerbaijan border. Within Russia, narcotics are transported northwards and to affluent resort areas of Krasnodarskyi krai and Stravropolskyi krai as well as to the metropolitan Central Federal District—Moscow and St. Petersburg. A 197 kg cargo of heroin (378 plastic packages),

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<sup>25</sup> *Jamaat* (also *djamaat* and *jama’at*) is a term used to refer to a community united by a universal conviction that is often religious in nature. The term became widely used in Chechnya back in the 1990s following the formation of militarized groups under the leadership of Sheikh Fathi, an ethnic Chechen from Jordan. In recent years, *jamaats* acquired noticeable societal recognition and popularity as religion-based organizations in other republics of the North Caucasus. The term, however, may be used without the religious connotation in this context. In Dagestan, for example, the term is widely used in everyday life to refer to communities and kinship groups.

one of the biggest seizures in recent years, was confiscated at the Dagestani side (Kazmalyar) of the Baku-Rostov highway from a citizen of Belarus travelling from Iran to Belarus via Azerbaijan (Kavkazsky Uzel 2009).

### *Russia's Black Market in Ecstasy*

What is critical for understanding the drug market dynamics in the context of the Russian Federation is that parallel to trafficking Afghan narcotics from southern regions of Russia to the Central Federal District, there has been another important drug trafficking dynamics present—yet along quite an unexpected trajectory. This trajectory indicates new sources of drugs, new technologies of drug production and new routes of drug trafficking.

According to official sources, the distribution of synthetic drugs in the Russian Federation has increased by 600% since 2004—from 23.6 kg in 2003 to 165.3 kg in 2004 (RIA Novosti 2011c). In 2006, law enforcement agencies reported on an increase of drug addicts using 3-methylfentanyl also known as *Belyi Kitayets* (China White).<sup>26</sup> The China White is a designer drug that is 340-1300 times as strong as morphine and 100-300 times as dangerous as heroin. If compared to heroin, an average dose of heroin is usually around 0.5-0.10 g, whereas a dose of China White is only 0.00002 g.

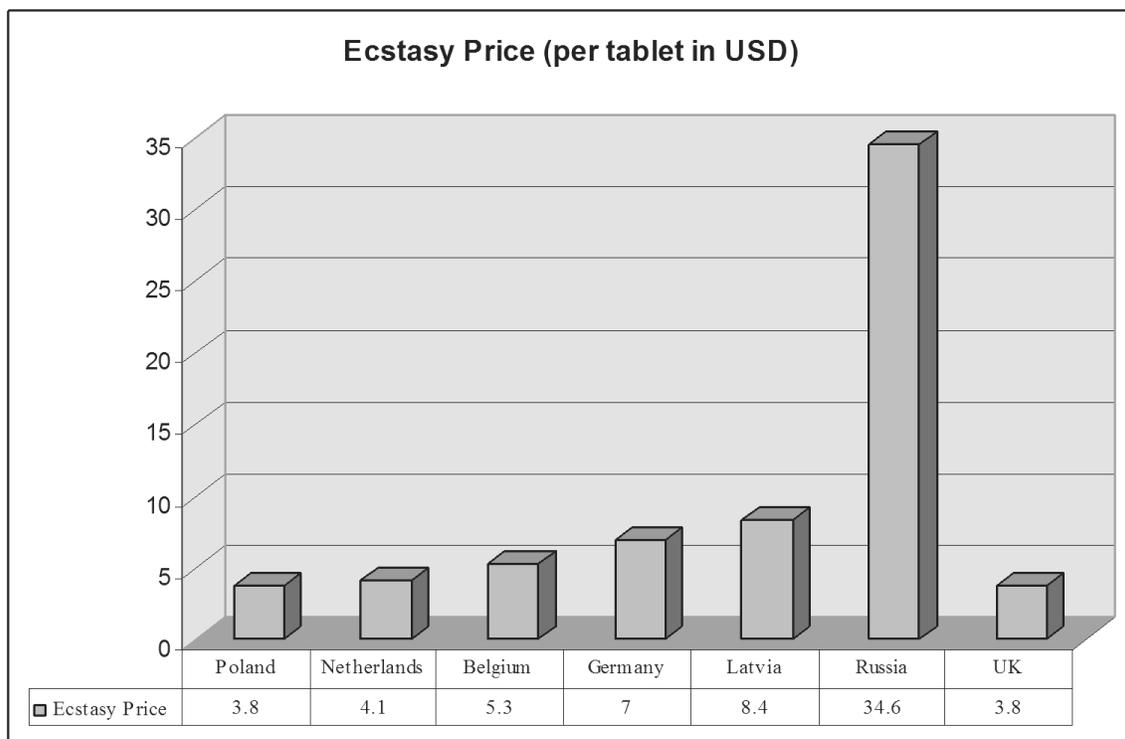
Up to 85% of synthetic drugs smuggled into Russia are produced in the EU (Ria Novosti 2011c). Ivanov warned that European criminal groups (including Russian-

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<sup>26</sup> China White was discovered in 1974 in California. In Russia, it appeared in the 1990s. According to some sources, Belyi Kitaets was synthesized by Russian senior students Fyodor Alekseyev, a winner of Berlin Olympiad in 1990, and his classmate Rinat Mivtakhov both of who were enrolled at the Chemistry Department of Moscow State University. Fyodor was a winner of Berlin Olympiad in 1990. In an interview documented in the documentary “Delo Khimikov” (“The Chemists’ Case”) he confessed that he learnt about 3-methylfentanyl synthesis from chemistry books. As soon as Alekseyev and Mivtakhov succeeded in 3-methylfentanyl experiment, Kazanskaya OGC pressured the students to expand the production of Belyi Kitaets to a market-oriented scale (NTV Documentary 1995).

speaking criminal groups in the EU) often collaborated with Russia’s domestic criminal groups in order to ensure continuity of sources, safe contraband and a dense dealer’s network within capital and provincial Russia. FSKN agents have repeatedly detained synthetic drugs in the capital, in big cities and even in small villages in Russia’s interior (FSKN 2006).

This dynamics should be of no big surprise. Transnational criminal groups have always been flexible and fast-developing. First, synthetic drugs produced in the EU are of a much higher quality than analogous drugs produced in Russian underground laboratories. Synthetic drugs are twice as expensive in Russia that in western European markets. One can purchase a tablet (around 270 mg) of ecstasy in the EU ranging from USD 3 to 10 per tablet. In Russia, however, a tablet of ecstasy is worth USD 32-34.



**Figure 4. Prices of Ecstasy, 2007-2011.**  
**(per tablet, in USD)**  
**Source: developed based on the data from UNODC (2011).**

Trafficking in ecstasy has conventionally been an intraregional phenomenon within the EU. In recent years, however, it has been demonstrated the importance of the EU illicit drugs market could be as a source of outsourcing trafficking in synthetic drugs destined for Russia. Moreover, production of ecstasy has been moved to Eastern European states. According to most recent investigations, synthetic drug exports from Poland into Russia have been prominent.

Poland has been muscling itself in the synthetic drug market since the 2000s. Poland's international cargo trucks and tourist buses excessively used to transfer goods from the EU to non-EU Eastern Europe including European regions of Russia. Since 2006, the FSKN recorded 25 cases of trafficking in synthetic drugs of Polish origin into Russia (FSKN 2006). In 2009, 1.5 kg of MDMA and 915.4 g of amphetamine were smuggled into Kaliningrad from Poland inside of a spare tire of a *Lexus* car (Russkaya Liniya 2009).

The dramatic increase in ecstasy production in the Baltic states has been largely attributed to the closure of many highly-equipped labs founded during the Soviet times. The FSKN disrupted a transnational organized criminal group that was supplying capital regions of Russia as well as more eastern Perm and Yekaterinburg with synthetic drugs from Estonia. The DTO headed by a native of Sakhalinskaya oblast known as Uncle was disrupted when his accomplice's 2.7-kg-amphetamine shipment was seized in Moscow in 2008 (FSKN 2010b). In the end of February 2009, other five members, Russian and Estonian citizens, were arrested with subsequent incrimination on charges of production of psychotropic substances, narcotics trafficking and illegal arms possession (Kozlova 2009).

In a similar manner, Latvia featured as a state of origin of synthetic narcotic substances. In 2006, in a town of Gatchina in Lenigradskaya oblast, the FSKN officers discovered 15 kg of MDMA (more than 50 thousand tablets) worth RUB 20 mln in a gasoline tank of *Hyundai Sonata* car to be distributed in discos and elite clubs in Moscow and St. Petersburg. This has been the biggest seizure of synthetic drugs (Novy Region 2006).

### **The Illicit Market in Black Caviar**

#### *Caspian “Diamonds”*

Parallels between the caviar and the diamond industries have been drawn: both are rare resources and image products of prestige and wealth, both are compact and easy to conceal, and both are derived from sources concentrated in specific geographical areas. Although diamonds have also been found in Brazil, Russia, Canada and China, South African states have for years succeeded in keeping the world’s supply of diamonds. Analogously, sturgeons that give the world-famous delicacy black caviar are concentrated in specific geographic areas, large rivers and estuaries,<sup>27</sup> in North America and Eurasia. The Caspian Sea is one of the largest habitats of sturgeon species and an exclusive habitat of *Huso huso*<sup>28</sup> sturgeons. The position of the Russian Federation on the Caspian Sea has a big advantage compared to other Caspian states (Iran, Azerbaijan,

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<sup>27</sup> Sturgeons, although sometimes mistakenly considered as a sea fish, are, however, river fish because they can spawn only in fresh water.

<sup>28</sup> *Huso huso* refers to beluga—a species of the sturgeon family. Historically, only the roe of wild beluga sturgeons from the Caspian Sea were referred to as caviar. Today, roe of other fish, including but not limited to other species of sturgeon, are also called caviar. This article is limited to studying black caviar that consists of the roe of the *beluga* sturgeon in the *Acipenseridae* sturgeon family. Other representatives of this sturgeon family are *ossetra* and *sevruga*. They are also sources of the most expensive varieties of black caviar. It should not be confused with red caviar that is obtained from several species of fish in the *Salmonidae* family.

Kazakhstan and Turkmenistan) due to its Volga basin in the Astrakhan region, where, similar to other sturgeons, beluga sturgeons travel upstream to the Volga River's estuary to spawn. Sturgeons, although sometimes mistakenly considered as a sea fish, are, however, river fish because they can spawn only in fresh water. The Russian Federation holds a territorial advantage on hosting spawning sturgeons.



**Map 5. Map of the Caspian Sea Basin.**

**Source: googlemaps.**

Poaching was uncommon in the Soviet Union<sup>29</sup> and it took the independent Russia about a decade to realize its environmental losses caused by TOC throughout the 1990s. The early-mid 1990s are considered to be a turning point in sturgeon fisheries management in the Caspian Sea, after which increased illegal harvest and trade emerged, having flooded the international market with illegal, low quality and inexpensive caviar. Wild capitalism and the murky reforms of the 1990s in countries of the former Soviet Union were a severe blow to soviet fisheries. Poverty and unemployment were powerful factors that pushed many people into poaching. Due to widespread poaching and the involvement of OCGs in trafficking in black caviar often protected by corrupt state and law enforcement officials, the Russian Federation along with Azerbaijan and Kazakhstan has become the hotbed of wildlife crime.

OCGs also did not miss the opportunity to make profits in the black fish market. There were numerous reports on machinegun attacks and exchange of fire between fishery inspectors/border guards on one side and poachers on another in Dagestan, a republic in Russia's part of the Caucasus (Lagutov 2007: 242). The seizures also demonstrated that caviar smugglers are well-organized and use sophisticated methods. Given the grand-scale of caviar-related crimes in the 1990s, beluga sturgeon and other Caspian sturgeons have been given the "critically endangered" status, the highest risk category, assigned by the Red List for wild species established by the International Union for Conservation of Nature (IUCN).

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<sup>29</sup> Claiming that contraband in black caviar did not take place in the Soviet Union would be an exaggeration. Notorious in the 1980s was the so-called "Ocean Case"—a corruption investigation in realization of caviar and sturgeon by a chain of "Okean" ("Ocean") shops throughout the USSR. In summer of 1978 there were arrests of a director of the "Okean" shop in Sochi and his subordinates incriminated for caviar and sturgeon contraband. High-ranking officials and law levels clerks were involved in power abuse and corruption. Vladimir Rytov—the Deputy Minister—was executed by shooting. Fedosenko (2004);

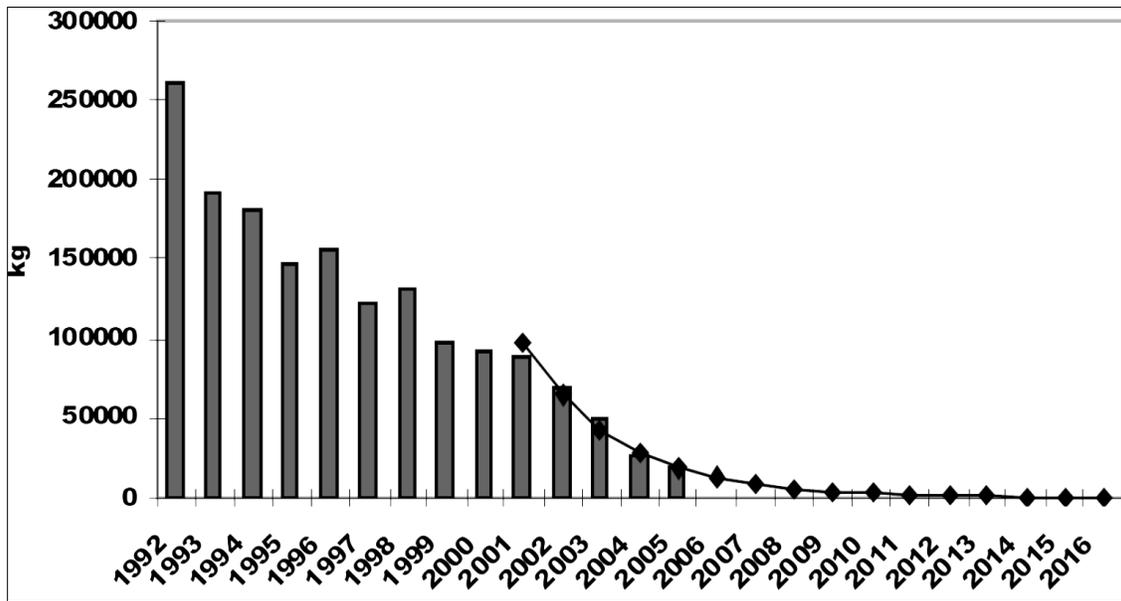


Figure 5. Caviar Harvested from Five Sturgeon Species during 1992-2016 and Predicted Trends in the Future.

Source: European Commission (2006). (Bars: harvest; diamonds: predicted trends).

Following the international pressure under the aegis of CITES, the Russian government declared a moratorium on exports of Caspian sturgeons, both meat and caviar, in 2002 and, a year later, on commercial sturgeon fishery in the Caspian Sea. The bans, however, did not remove the opportunities for smuggling contraband caviar. OCGs exploited several loopholes in the moratorium in 2002 such as the one that left a fishing quota for scientific research. According to the statistical data covering several years after the ban, 600 t of sturgeon caviar were fished out of the Caspian Sea for allegedly “scientific” purposes (Gurdin 2010). In 2009, fishing for sturgeon species in the Caspian Sea even for scientific purposes was outlawed.

Violence in Dagestan has drawn attention to the region’s exports of caviar. Back in 1998, a BBC reporter, Tom de Waal, wrote that an armed revolt against the republican government was sponsored with the proceeds of trade in contraband black caviar (BBC 1998). According to the Minister of Internal Affairs Rashyd Nurgaliyev, the post-2000s

situation with insurgency in Dagestan has not altered much. The minister also asserted that caviar contraband was a substantial source of funds for insurgency in Dagestan (Sidorov 2010). “Illegal armed groups equipped with speed maritime vehicles and contemporary navigation and communication systems considerably supersede the capacity of law enforcement to act,” cautioned the MVD head (Vesti 2010). The “caviar mafia” was, for example, thought to have been behind a terrorist bomb attack in the town of Kaspiysk in Dagestan that killed 67 people and destroyed a nine-story apartment building in 2000. Most of the victims were Russian border guards and their families. The choice of victims was not random: the border guards residing in the building that was destroyed had allegedly discovered a caviar smuggling network and were removed by perpetrators (Cooper 2006). In 2007, a Russian citizen, a leader of an Astrakhan group of *wakhabites*,<sup>30</sup> was arrested on charges of smuggling 16 kg of contraband caviar in a neighboring town of Atyrau in Kazakhstan (Sokolov 2007).

The lack of a regulatory muscle, the poverty caused by economic havoc and the basic unwillingness to address the problem of poaching have defeated all serious attempts in Russia at forming an effective anti-contraband mechanism. The lack of a regulatory muscle that can verify the scientific application of large scale takes of the Caspian sturgeon species. Strict quotas on sturgeon fishing were blatantly ignored.

The archives of the Russian Ministry of Internal Affairs (MVD) have also suggested that those who were positioned to fight illicit fishing and contraband in endangered species from the Caspian Sea were actively involved in criminal activities. In 2005, an MVD official was seized with 180 kg of beluga caviar loaded into a GAZ-3110

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<sup>30</sup> Although “wahhabism” is often used to refer to the branch of Sunni Islam practiced by those who follow the teachings of Muhammad ibn Abd-al-Wahhab, “wakhsbism” is used in the context of radical religious movements and terrorism activities in the Russian Federation.

at a road police check point in the “Astrakhan-Volgograd” highway (NEWSru 2005). In 2010, two Russian citizens were incriminated: Sergei Pavlenko and his accomplice Dmitri Khalyavsky, a road police officers (Interfax 2010). Pavlenko used to buy black caviar from a poacher in Astrakhan who also possessed professional equipment for parcelling and canning caviar under the label of *OAO Russkaya Ikra*. Given his mandate in the police, Khalyavsky was ensuring the unimpeded transportation of the contraband cargo all the way from Astrakhan to St. Petersburg. In 2011, an inspector of the marine section of the Russian Federal Security Service (FSB) was arrested on board of his boat with 935 kg of contraband sturgeon (RBK 2004). As the Kavkazsky Uzel reported in 2006, the head of the Internal Affairs Directorate (UVD) of Astrakhanskaya Oblast Col. Valeriy Malov and his subordinate warrant officer were arrested at the highway entrance into Volgograd by the FSB and local officials from the nature conservation public prosecutor’s office with a contraband cargo containing 91 kg of black caviar and 20 kg of sturgeon meat concealed in his Hyundai car (Perkina 2006).

In order to diversify the sources of black caviar, some countries, including the Russian Federation, invested in sturgeon aquaculture in the early 2000s. A new, cost-effective and environmentally sustainable method for farming sturgeon pioneered by several countries has the potential to protect wild sturgeon populations while creating a lucrative agricultural commodity. Although the highly controlled environment that the fish is raised in means that farmed caviar can be of better quality than wild-caught, sturgeon farms are expensive to run and require highly trained staff. Worthwhile mentioning is that farmed sturgeon cannot entirely satisfy the demand for caviar. The difference between supply and demand is made up of contraband caviar from wild

sturgeon. Thus, sturgeon farming only saves the rare species from extinction, but by no means satisfies the global demand for black caviar.

According to some experts, sturgeon aquaculture farms may even be used by poachers to legalize illicit caviar. As it has been reported by the German authorities, a witness in an organized crime investigation conducted by the Cologne Customs Investigation Office claimed that Russian caviar was smuggled into the EU, where it was subsequently legalized as Bulgarian aquaculture caviar. Following an investigation by the German authorities using innovative techniques, such as isotope analysis, a sample test revealed in 2009 that caviar labeled as originating from Bulgarian aquaculture operations actually originated from the Caspian Sea (Kecse-Nagy 2011: 11).

#### *Circumventing Russia's Moratorium*

As the Russian government was issuing penalties and agreed on the precarious moratorium on commercial fishing in the early 2000s, Iran did not face severe limitations on fishing in the Caspian Sea due to the tight control the Iranian government placed on the caviar industry handled through the state-owned Iranian Fishing Company and its low record in poaching and caviar trafficking records. The success in securing the surgeon fisheries in Iran is also the outcome of high penalties for poaching such as cutting off the perpetrator's fingers—the measure that has been often criticized by human rights advocates. The existence of divergent legal environments in the Caspian Sea region created the jurisdictional arbitrage that was exploited by caviar criminals.

According to some sources, black caviar poached in the Russian part of the Caspian Sea was smuggled into Iran via Dagestan and Azerbaijan. When in Iran, it was repackaged together with legally-produced and licensed Iranian caviar (Kuliyev and

Ramizoglu 2004; Petrova 2004). “If one compares the amount of fishing and exported caviar, then the Iranian caviar industry makes 20-25% of the world market. This is absolutely impossible,” insists the member of Makhachkala city council (Aliyev 2008).

Similarly to the role of Iran, the UAE played an important role for funneling illicit black caviar from Russia’s waters of the Caspian Sea (European Commission 2006). “CITES said in a statement it had enlisted the help of UAE authorities after an investigation uncovered a “major problem” with illicitly-harvested caviar that was re-exported through the country. The agency said organized crime groups, based mainly in Dubai, had been coordinating the caviar smuggling by forging documents and making false declarations to customs officials to obtain re-export certificates from local authorities” (BBC 2001). A CITES investigation in the UAE discovered that OCGs in Dubai coordinated transfers of illicit black caviar from the Caspian Sea into the UAE, and later, supported by false certification, controlled “legalized” caviar exports further on the route to the final destination. In 2001, CITES recorded that unlicensed caviar worth USD 25 mln was exported from the UAE to Asia, Europe and North America (Garibov and Mamezade 2001).

### *The Rule of the Price*

Restrictions on exports from the Caspian Sea have forced the price of caviar on world markets much higher. A single sale of a kilogram of beluga caviar purchased in Dagestan at a rate of USD 500-800 allows making USD 100-200 extra for every kilogram sold to smugglers, moving the contraband further to Moscow and other regions of the Russian Federation (Spetsyalny Korrespondent 2011). When in Moscow, one can purchase caviar in the black market at a price ranging from USD 1,000-1,200 to USD 5,000 per 1 kg,

bringing high profits to contraband runners and making the Russian capital the biggest domestic consumer market of illicit black caviar (Gridneva 2005). According to the MVD records, OCGs often supply Moscow's supermarket chains with illicit sturgeon meat and caviar, where one can purchase a 40-g tin of black caviar for RUB 1200 (USD 38,2). In 2009, the MVD RF detained four perpetrators who had realized 3.1 t of contraband caviar worth RUB 93.5 mln in supermarkets "Ostrov", "Stockman" "Ashan" and "Billa" in 2009 (Interfax 2009).

Not only the domestic markets in Moscow and St. Petersburg constitute lucrative targets for caviar traffickers, black markets in the EU and the US offer as much as USD 6,000-15,000 per 1 kg (European Commission 2006: 7). Whereas licit caviar exports from Russia were shrinking to zero, imports of sturgeon products were constantly rising with 1.5-2% in Western Europe and 100% in the United States by 100% (European Commission 2006: 10). According to trade statistics reported by countries to CITES, the EU, the USA and Switzerland are the largest importers of caviar, importing 81% of all caviar reported in legal international trade between 1998 and 2006. France and Germany are the largest importers (TRAFFIC 2009). Germany tops the list with 2,224 kg per year, followed by Switzerland with 2,067 kg, the Netherlands with 1,920 kg, Poland with 1,841 kg and the UK with 1,587 kg (Environmental New Service 2005).

<b>Largest caviar importers in t</b>	<b>Largest caviar exporters in t</b>
EU Member States 619 t	Iran 438 t
Germany 233 t	Russian Federation 138 t
USA 292 t	Kazakhstan 95 t
France 231 t	Azerbaijan 35 t
Switzerland 149 t	China 29 t
Japan 132 t	Romania 26 t

**Table 3. The World's Largest Importers/Exporters of Caviar, 1998-2006.**  
**Source: based on the data provided by TRAFFIC (2009).**

It is difficult to quantify the scope of the illicit market in black caviar as there are no cross-national statistical data, nor has there been much comprehensive research available on trafficking in caviar. CITES (2001: 8), however, observed that for every ton of fish caught legally, at least five tons are harvested illegally. According to the data reported to the EU-TWIX, the database developed by the Belgian Federal Police and TRAFFIC Europe, over seven tons of illegal caviar were seized by European authorities from 2000 to 2007 (TRAFFIC 2009). Investigations by the German Customs agency in March 2005 revealed that two businessmen were responsible for smuggling more than 1.4 t of caviar into the EU market in 2005 (Environmental New Service 2005). In July 2004, the French customs stopped a shipment of 37 kg of caviar from Frankfurt with the final destination in the UK (European Commission 2006). Contraband caviar has also been seized in Italy. In 2008, homeless people in Milan were served 40 kg of Russian beluga caviar for Christmas that had been seized at a woman's home in Milan. The delicacy was destined for the black market in Milan, Venice and Monte Carlo for

celebrations on the New Year's Eve. The Italian woman and two Polish accomplices were detained (BBC 2008).

Country	Year					
	2002	2003	2004	2005	2006	TOTAL
Germany	106	85	57	40	9	297
France	8	29	27	25	8	97
Italy	16	13	35	7	1	72
Netherlands	14	15	4			33
Austria	15	12	3			30
Poland		12	2	2	1	17
United Kingdom	9	4	1			14
Belgium			2			2
Denmark	1	1				2
Czech Republic	1					1
Spain			1			1
<b>TOTAL</b>	<b>171</b>	<b>171</b>	<b>132</b>	<b>74</b>	<b>19</b>	<b>566</b>

**Table 4. Cases of Caviar Seizures in the EU, 2002-2006.**  
**Source: European Commission (2006).**

With so many opportunities for fast enrichment in North America, trafficking in black caviar became a problem in the United States as well. Federal authorities revealed several serious large-scale contraband cases and cracked down on several “roe rings” operating in the United States in the end of the 1990s and early 2000s. Eugeniusz Koczuk, one of the leading importers of caviar in the United States and an owner of Caviar Russe café on Madison Avenue in New York City, was sentenced in Connecticut

with a fine of USD 25,000 for smuggling a ton of caviar into the USA in 1999 (TRAFFIC 2011). Examination of the company's paperwork revealed that between April 1, 1998, and November 3, 1998, Koczuk's company, Gino International, sold 21,000 pounds (9,525 kg) of caviar. The wildlife import/export declarations filed with the US FWS in fact revealed that Gino International legally imported only 88 pounds (39 kg) during this seven-month period (Fried 1999). The remaining cargo's origin was a subject to investigation. Thus, Koczuk was selling caviar for which he did not have importing permits. The investigation recovered dozens of documents detailing the suitcase-smuggling scheme masterminded by Koczuk. According to this scheme, Alfred Yazback, the president and owner of Connoisseur Brands Ltd., purchased caviar out of luggage and suitcases delivered to his warehouse by Koczuk. As this became known, Yazback was convicted for smuggling caviar into the country in luggage with the use of paid couriers, making false statements to the US FWS, as well as selling counterfeit caviar to retail food companies with false labels in violation of the Lacey Act<sup>31</sup> (USDOJ 2002). It was also revealed by the prosecutors that a flight attendant from LOT Polish Airlines, who allegedly hired couriers to transport luggage packed with unrefrigerated caviar tins into the United States, was a part of Koczuk's smuggling scheme. Among the recruits, according to the US government was also Andrzej Lepkowska, a high-ranking police official in Warsaw, Poland (McCaffery 2000).

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<sup>31</sup> Among other things, the Lacey Act makes it unlawful for any person to import, export, transport, sell, receive, acquire or purchase fish that were taken, possessed, transported or sold in violation of any law or regulation of any State, or to attempt to do so. Such conduct constitutes a felony crime if the defendant knowingly engaged in conduct involving the purchase or sale, offer to purchase or sell, or intent to purchase or sell, fish with a market value in excess of USD350, knowing that the fish were taken, possessed, transported or sold in violation of, or in a manner unlawful under, a law or regulation of any State.

Arkady Pancherniko's importing business, Caspian Star Caviar, which was then based at JFK Airport, was drawn into investigation on allegations of caviar trafficking in the same time as Koczuk's case. Supplying cruise-line industry with wholesale caviar imports into the United States and Caviar Russe café in New York City with retail caviar, Panchernikov was making profits with illegal distribution and labelling of Russian caviar. The DNA testing revealed that he was packaging lower-grade roe (e.g., ossetra) and labelling it as high-grade caviar such as the one from beluga sturgeons. Both Koczuk and Panchernikov were also accused of selling caviar twice under one permit (McCaffery 2000; Newman 2003).

The case against Panchernikov was the culmination of the series of investigations in the late 1990s and early 2000s by US authorities, resulting in the jailing of around 70 % of major caviar importers on charges of caviar trafficking, contraband smuggling and poaching offenses. Over a period of five years, special agents and inspectors of the US FWS together with federal prosecutors unraveled and exposed an illegal trade in endangered sturgeon roe that has left beluga species on the verge of extinction.

Tightening the law enforcement net around several dozens of caviar importers in the New York City area, the largest caviar market in the United States, was only an immediate consequence, a much more important legislative measure was adopted by the US government in 2005, when the Congress issued a ban on beluga caviar imports from the Caspian Sea to prevent extinction of the prized fish. The US FWS immediately suspended imports of both beluga caviar and meat from the Caspian Sea basin. Also some nature lovers supported the campaign, some experts such as Armen Petrossian, one of the biggest and best known distributors of caviar, warned that the decision could

merely push the trade underground, adding that it was already possible to buy illicit caviar over the internet (Polivanov 2005).

*American Roe: Resource Asymmetry Revisited*

Given the devastated condition of Caspian sturgeon populations and skyrocketing caviar prices, North American supplies of sturgeons<sup>32</sup> have become the targets of criminal masterminds as an alternative source of black caviar. According to the Missouri Department of Conservation (MDC) Protection Chief Larry Yamnitz, this trend has been largely the “result of European sources of caviar having declined from overfishing of the Caspian Sea’s once plentiful and lucrative beluga sturgeon, another species of fish known for its caviar” (Norfleet 2013). Between 2001 and 2010, there was a rising demand for paddlefish and shovelnose roe. According to CITES and the USFWS, white sturgeon roe increased from roughly 5,214 pounds (2,365 kg) to about 37,712 pounds (17,105 kg), with a majority of wild origin (Saulny 2012). More than a half of the total caviar and roe exported from the United States in 2010 went to countries in the EU, Ukraine and Japan.

The USFWS has recently brought criminal charges in Tennessee and the Pacific Northwest against alleged caviar criminals. In 2008, an Arkansas man pleaded guilty to federal charges for illegally harvesting and selling roe from paddlefish caught in a Missouri lake. The defendant, who sold 387 pounds (175 kg) of paddlefish caviar to a Tennessee company in January 2008, had over 75 pounds (34 kg) of unprocessed roe in his possession and another 91 pounds (41 kg) at his home at the time of his arrest (US FWS 2008). In another caviar case, a subject pleaded guilty to a felony Lacey Act count

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<sup>32</sup> North American sturgeons are often known as *white sturgeons* that are concentrated along the West coast of North America. White sturgeons are sturgeons of the same Acipenseridae family as Caspian sturgeons. Some of the representatives of white sturgeons are paddlefish (*Polyodon spathula*) and shovelnose (*Scaphirhynchus platyrhynchus*).

in connection with the unlawful harvest, transport, and interstate sale of more than 660 pounds (299 kg) of shovelnose sturgeon and paddlefish caviar. A Florida caviar dealer and his company were charged with conspiracy, false labeling of export shipments, and the illegal export of American paddlefish roe to Europe.

Known as the “paddlefish capital of the world,” Warsaw is a favorite area for many of Missouri’s sport paddlefish fishers because of its location along the Osage River. State and federal agents discovered that the Warsaw area is a favorite location for paddlefish poachers. Warsaw, Missouri, has transformed into a poaching hotspot, where spawning fish become trapped by a dam on the Osage River, upstream the Mississippi. More than 100 suspects were contacted, and eight were charged with illegal trafficking of paddlefish and their eggs in 2013. Three of the eight defendants, Arkadiy Lvovskiy, Dmitri Elitchev, Artour Magdessian, and Felix Baravik, were charged with conspiring with each other, and others, to violate the Lacey Act. The indictment alleges that in spring months of 2011 and 2012, the defendants travelled to Warsaw, Missouri, where they engaged in multiple, illegal purchases of paddlefish and processed the eggs from those paddlefish into caviar. After processing the paddlefish eggs into caviar, the defendants transported the caviar from Missouri to Colorado (USDOJ 2013). Other two, Petr Babenko and Bogdan Nahapetyan, were also charged with conspiring with each other and with trafficking in paddlefish and paddlefish eggs in violation of the Lacey Act from Missouri to New Jersey (ibid). Andrew Praskovsky was charged with two counts: one of trafficking in paddlefish and paddlefish eggs in violation of the Lacey Act and the other is international trafficking. According to the indictment, in March and April 2012, Praskovsky twice travelled to Warsaw for the purpose of purchasing paddlefish roe. After

processing the paddlefish eggs into caviar, Pakhnyuk transported the caviar from Missouri to Kansas. The indictment alleges that, in April 2012, Praskovsky attempted to export some of the paddlefish eggs in checked luggage on an international flight departing from Dulles International Airport in Washington, D.C. The paddlefish eggs were seized at Dulles, as paddlefish eggs may only be exported if they are accompanied by a valid permit issued by the US FWS.

## **Conclusion**

Various types of criminogenic asymmetries cut through the Russian Federation. The analysis of asymmetries driving the demand and supply for drug trafficking and contraband of black caviar suggests that illicit flows across the borders of the Russian Federation are qualitatively dangerous experiences of social ordering and international magnitude.

Asymmetries of prices in the drug trafficking case provide drug traffickers with opportunities not only to stick to conventional drug trafficking routes from Afghanistan into Russia, but also to expand to new market such as the one in synthetic narcotics. The Russian Federation with sorrowfully world's highest levels of drug addiction is attacked by drug trafficking cross-cutting its borders from within and from outside.

The ways asymmetry of resources causes crimes such as poaching and trafficking in endangered species is illustrated by the illicit black caviar market driven by OCGs supplying the world's market with illicit black caviar. Because sturgeon resources are concentrated in the Caspian Sea poachers from the Caspian coast of the North Caucasus and Astrakhan used to have a unique access to such a rare natural resource. The lack of the regulatory muscle, poverty caused by economic havoc and mere unwillingness to

address these problems have defeated all serious attempts at developing effective countermeasures to trafficking in black caviar. The asymmetry of price is a useful analytical tool to delineate the trafficking trajectories. Soaring prices in Moscow and St. Petersburg compared to domestic costs of Caspian caviar were important determinants of the rise of illicit markets in Russia's capital region, Western Europe and North America. This trend also demonstrates that the black caviar consumption is no longer a tribute symbol of the Russian cultural heritage but a global luxury delicacy. Although CITES together with the Russian government banned exports of black caviar and sturgeon meat from the Caspian and Black Seas, multiple loopholes remained. Circumventing the moratorium on fishing and CITES bans was possible by smuggling poached roe along Russia's coastline of the Caspian Sea to Iran, where it could be mixed with licensed caviar.

Although this chapter is mainly concerned with systemic factors behind transnational criminal activities embedded in the international system, what makes the case of the Russian Federation stand out is that domestic criminogenic factors are fundamental contributors to the creation of a highly favorable environment for the expansion and continuity of illicit practices. Thus, although asymmetries play a vital role in creating lucrative opportunities for TOC, domestic vulnerabilities of the Russian Federation are not less critical in providing the favorable conditions for illicit activities.



## UNINTENDED CONSEQUENCES OF BORDER SECURITY REFORMS AFTER THE 9/11

*The United States is confronted by a new class of complex, fast-moving challenges that are outstripping its capacity to respond and “win the future.... They require measures that extend the horizon of awareness deeper into the future, improve capacity to orchestrate both planning and action in ways that mobilize the full capacities of government, and speed up the process of detecting error and propagating success.*

LEON S. FUERTH,  
Former Diplomat and National Security  
Adviser to the US Government

This chapter analyzes the formation of criminal opportunities as a function of unintended effects caused by tightening border policies along the US-Mexico border. The chapter scrutinizes the main reforms of the post-9/11 security agenda such as the creation of the USDHS and border security projects. It also scrutinizes the prospects of bilateral cooperation within the Mérida Initiative between the United States and Mexico as well as investigates some of the policy gaps and their unintended outcomes.

The chapter describes selected criminal cases related to corruption within the US border security agencies and other illicit financial flows across the border that point at exacerbating the vulnerability of the United States to respond to money laundering and

financial fraud. The analysis of criminal cases of drug trafficking via maritime, land and air routes suggests that criminal organizations, regardless of the “tough” security agenda generously funded by the US government, have become more prolific and adaptive than ever.

Perpetrators responded to government counter-narcotics efforts by altering drug production modes and adjusting the trafficking routes and methods. Mexican drug trafficking organizations, thus, continue to solidify their dominance over the wholesale illicit drug trade as they manage to control the movement of most foreign-produced drug supplies across the US-Mexico border. This suggests that despite enhanced detection efforts and better countermeasures, criminal opportunities have not been removed.

### **The 9/11’s Impact on US National Security**

Frequently conceptualized in the literature as a “focusing event,” the 9/11 terrorist attacks indeed catalyzed a unique transformation in homeland and border security visions in Washington, D.C. (Heyman & Ackleson 2009; Andreas 2003; Mabee 2007). The terrorist attacks in New York City and Washington, D.C., indeed became a larger impetus for a “system perturbation” of the US security apparatus that launched new security agencies and shifted policy emphases (Barnett 2005). The consequences of these reforms, arguably, extended well beyond what the architects of the security reforms would have imagined and desired.

Although for most of its recent history the US border patrol has had to restrain illegal immigration and drug trafficking, the terrorist attacks brought critical adjustments to the role and meaning of border management. The fear that Al-Qaeda could sneak across the “unguarded” 2000-mile border accounted for the ferocious law-enforcement

reaction that overwhelmed the US border security institutions.<sup>33</sup> Therefore, the long-standing issues of drug trafficking and illegal migration across the US-Mexico border became linked to the counter-terrorism initiative, propelling it up the agenda. The collision of the “war on drugs” initiated by Ronald Reagan and the “war on terror” has prompted not only the allocation of more resources for border control, but also for the consolidation and reorganization of multiple agencies under a new cabinet—the United States Department of Homeland Security (USDHS)—the largest government restructuring since the 1950s.

Before the USDHS, drug trafficking and immigration were not centrally coordinated, and most of related agencies reported to different executive departments of the federal government. Moreover, each agency had its own specialized tasks, none of which regarded security as its core mission. Before the establishment of US DHS, homeland security activities were spread across more than forty federal agencies and an estimated 2,000 separate Congressional appropriations accounts (USDHS 2001: 3). The US DHS was created to fill in this void and to reorganize separate agencies by integrating their information systems into a fully interoperable database and communications network.

After the reform, the USDHS incorporated 22 government agencies including the Citizenship and Immigration Service responsible for processing citizenship, residency and asylum requests; Customs and Border Protection working on law enforcement

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<sup>33</sup> An important “whistle blower” case that demonstrated that terrorists could indeed enter the United States unnotUS ICed took place in 1999. Algerian terrorist Ahmed Ressaym with alleged links with Osama bin Laden was interdicted when he was trying to enter the United States from Canada accompanied by a covert shipment of WMD. The perpetrator took a ferry from British Columbia, Canada, to Port Angeles, Washington with bomb-making material in his car. A US customs official found Ressaym’s suspicious and after a closer inspection discovered garbage bags with 53.6 kg of urea fertilizer and 96.4 kg of sulfate powder. For more details about the case, see: Bock (2001) and Fessler (2003).

service along the US national borders; Immigration and Custom Enforcement specialized in investigating national and international criminal activities (Homeland Security Investigations) and the enforcement of deportations and removals of immigration violators (Enforcement and Removal Operations). The unilateral approach to homeland security may be explained by the necessity to escape the problem of interagency coordination by concentrating the counter-terrorism mission in a single agency that would aggregate functions such as customs, immigration, border patrol and coast guard into one apparatus.

Since the 9/11 terrorist attacks, the USDHS symbolized restrictive border and immigration policies, the fundamental tenets of which included protection as a unilateral action, fortification against outside threats for the population within a security perimeter patrolled by guards keeping order and maintaining a watch. In more concrete terms, the USDHS largely focused on the following operational strategic elements:

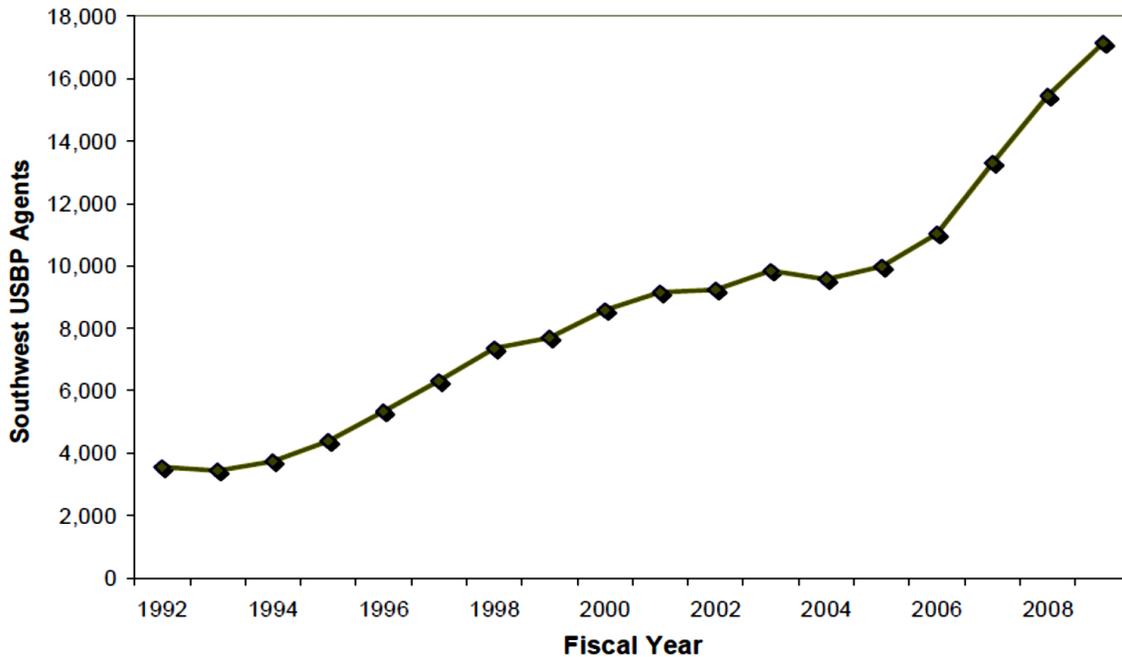
- Deploying layered security through infrastructure, manpower, and other force multipliers;
- Maximizing domain awareness to manage risk by leveraging information, intelligence, and technology;
- Expanding the zone of security by fostering international and domestic cooperation and partnerships (Haddal 2010a: 14).

The goals of the USDHS have been most evident in the volume of resources allocated to the US-Mexico border management. More agents, more technology and infrastructure have been the key aspects that have continuously enjoyed a robust

congressional support in the form of reliable and upwardly adjusted yearly funding since 2001.

*“Fortressing” the US-Mexico Border*

Launched by the George W. Bush administration after 2001, the build-up of manpower along the US-Mexico border led to numbers leaping by nearly 85% to more than 17,700 border patrol agents, with total employees increasing to 21,294 in 2011 (USCBP 2010). Following the elections, Obama has also given consistent support to border security as well. In May 2010, President Obama announced he was going to deploy additional 1,200 troops to help secure the border (White House 2010). In August, 2010, he also signed a USD 600 mln border bill (Prestoni 2010) to fund 1,500 new border agents, additional unmanned surveillance drones and new Border Patrol (BP) stations along the southwest border (White House 2010). Although there was a minor decrease in Obama’s proposal for the budget in 2011 that requested a reduction of 181 BP agents, his budget plan for the financial year 2012 again requested additional funds for more BP agents (ibid). The Obama administration emphasized that the “porous” and “broken” state of US borders requires allocating “more boots on the ground near the US-Mexico border than at any time in our history” (ibid) [Figure 5].



**Figure 6. The US-Mexico Border Agent Manpower, 1992-2008.**  
**Source: Haddal (2010b: 14).**

During the period between 1993 and 1999, border patrolling hours along the US-Mexico border also escalated dramatically—by 300% during 1992 to 2001, and by 36% during 2006 to 2008 (Roberts et al 2010: 3). This period coincided with the construction of fencing and other infrastructure along the US-Mexico border including the deployment of new technologies.

One of the measures the Congress included in the expansive US Patriot Act 2001, which substantially increased the enforcement, surveillance and detention powers of the federal government in relation to non-citizens, was the deployment of the National Guard troops along the US-Mexico border. In May 2006, then President George W. Bush announced The Operation Jump Start initiative to support the US Customs and Border Protection (USCBP) agency with military, administrative, observational and intelligence-gathering capacities. Although there was an operational pause in 2008, most probably

caused by its price tag of close to USD 1.2 bln per year, Obama deployed another 1,200 National Guard troops to the border in 2010 (Archibold 2010).

Another, more controversial, project was to construct a physical barrier along the border with the aim of discouraging illegal cross-border transfer of goods, people and services. The first attempt to construct physical barriers along the US-Mexico border started in the 1990s and was largely driven by the necessity to deter illegal entries and drug smuggling in the San Diego sector.

The initial fence in San Diego was initiated by Clinton's administration that by the Illegal Immigration Reform and the Immigrant Responsibility Act enacted in 1996 gave the Attorney General, currently the Secretary of the USDHS, a broad authority to construct barriers along the border and authorized the construction of fencing to reinforce a 14-mile San Diego primary fence.

On July 25, 2002, the Duncan Hunter's triple fence proposal suggested a construction of the third-layer fence between San Diego and Mexico's Baja region. The construction of the fence, however, was stalled due to environmental concerns raised by environmental activists, opposing the construction of a man-made border that could endanger the flora and fauna of the region as well as aggravate other environmental problems.

After fundamental rethinking, the 2005 was the year when the Congress passed the Real ID Act (2005) that authorized the Secretary of the newly created USDHS to waive all legal requirements (mainly environmental laws) in order to expedite the construction of border barriers. Specifically, the Secretary of the USDHS was authorized to "waive all legal requirements necessary to ensure expeditious construction of ...

security barriers” (ibid: Section 102, C-1). The USDHS announced it would use this waiver authority to complete the San Diego fence.

Despite the claims of the Mexican government that fencing was discriminatory in the projection of the problem to be solely on the Mexican side, the construction went ahead under the Secure Border Fence Act of 2006. The bill was supposed to help secure US-Mexico border from illegal entry, drug trafficking and other security threats by creating an advanced physical infrastructure with additional checkpoints and more sophisticated searches (Secure Fence Act 2006, Section 2, A-1). It also authorized the USDHS to increase the use of advanced technology like cameras, satellites and unmanned aerial vehicles to reinforce infrastructure at the border.

### *High-Tech Surveillance*

Originally border patrolling was implemented via horse raids. Although the USCBP still uses horses to patrol deserts, the agency has kept up with the technological progress. Beyond its advanced human resources, as discussed above, the period from 2001 to 2010 also saw the continued roll-out of material border security efforts including surveillance technologies and fencing. Technology has been repeatedly presented as the critical solution for achieving these diverse objectives.

One of the key mechanisms employed to monitor the border via technological means has been the Secure Border Initiative Network (SBIInet)<sup>34</sup> launched in 2006. The ambitions behind the SBIInet—also known as the “virtual fence”—was meant to: (a) monitor the border with unattended ground sensors, radar, and cameras for

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<sup>34</sup> SBIInet has gone through several name changes. Originally known as the Integrated Surveillance Information System (ISIS), it was renamed into the America’s Shield Initiative (ASI) in 2005.

comprehensive awareness of the border situation(s) in order to give agents the information they need to make deployment and interdiction decisions in their area of responsibility; (b) help create and manage large volumes of information through a “common operating picture” that facilitate tactical decision-making and coordination of law enforcement responses (USDHS 2009).

In 2006, the USDHS awarded the BOEING Company, best known for its wide-bodied aircraft, a contract for the newest iteration of the SBInet technology. The Project 28<sup>35</sup> (P-28) was the pilot system with the capabilities to control a 45-km stretch of the US-Mexico border in southern Arizona (USGAO 2008a; 2008b). The SBInet was expected to blanket the entire of the US borders with a networked chain of radars, cameras and heat-and-motion detectors that allow border patrol agents to synchronize a common operational border surveillance to make up for a lack of personnel or physical barriers in remote areas. As of January 2011, the USCBP reported it had paid the contractor a total of USD 780 mln under the original SBInet program (USGAO 2011a).

The BOEING erected a picket line of 17 towers—the Tucson-1. Nine towers are holding the detectors and eight handle communications in Arizona (Booth 2009). On top of each of the 24-meter-tall detection towers there is a radar and two cameras. One of the cameras works with daylight and another detects signals at night. Radars and cameras operate 24/7 registering movements in the diapason. As radars detect any suspicious movement, the camera zooms in. The information from cameras and radars is sent back to the command center in Tucson.

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<sup>35</sup> P-28 components include 9 mobile radar/sensor towers; 4 unattended ground sensors, 70 small handheld satellite phones that allow for agents to communicate throughout the Tucson sector, and 50 CBP agent vehicles with secure-mounted laptop computers and communications capabilities (US GAO 2008a).

This section of the border is also equipped with unattended ground sensors (UGS)—a sophisticated system capable of taking field-of-view images of intruders in all light conditions. The UGSs transmit images back to a remote operator or the network’s center, where immediate recognition of human intruders can be achieved. The UGS is a particularly useful tool for monitoring remote battlefield applications, caves and tunnels (Global Security 2011).

The unmanned aircraft system (UAS) was also a part of the SBInet employed to monitor the US-Mexico border (USCBP 2004). Known as the Predator B, an UAS is a small aircraft that can reach the airspeed over 407 km/hr and bears the endurance up to 20 operational hours at the altitude of 15,240 m (USDHS 2009). The UASs reduce the risks of monitoring hazardous and desolate environments as well as significantly contribute to personnel safety.

Although significant financial resources have been allocated to the SBInet, USGAO reports have demonstrated that this technological initiative has had significant weaknesses and has generally failed to operate as intended. Despite its hi-tech surveillance—including radar towers and video cameras, unattended ground sensors and unmanned and aerial vehicles—it had “met fewer than half of its performance objectives” (USGAO 2011a). In October 2010, after USGAO reported that the USDHS had failed to adequately oversee the BOEING’s contract realization, the USDHS put a hold on the project that resulted in cutting the funding for the SBI initiative in the FY 2011 to USD 574.2 mln (USD 158.3-mln reduction), which is 28% less than the USD 800 mln allocated in the FY 2010 (USDHS 2011: 56-57; Aitoro 2010).

Partly as a result of such findings, the border fence project was cancelled in early 2011, marking a tacit admission that the strategy had proved largely ineffective and impossible to implement across such a long border. Nonetheless, the idea of a border fence still remains popular, with the Arizona state government seeking to raise funds to complete the barrier across the Arizona-Sonora section of the US-Mexico border, following the revocation of federal financial support.

### **Evolution of Mexican DTOs**

Although ongoing efforts by the US government directed towards ensuring greater border security have focused on curbing the operations of transnational criminal organizations, criminal groups appear to have adapted to the new security environment.

#### *Greasing Palms*

As the border became highly monitored and the demand for illicit goods and services remained, the US government had to rediscover corruption within its own institutions. Mexican DTOs supply illicit narcotics to 230 US cities, and they utilize a broad range of tactics to ensure the successful transport of their narcotics. From the perspective of drug traffickers, it is much cheaper to pay money to an official to allow a cargo of drugs through rather than take the risk of the shipment being captured.

According to the US Department of Justice, Mexican DTOs pose a serious impediment on the US regulatory capacity at the border. As the United States has increased enforcement activities along the US side of the border, the DTOs have increasingly begun to target US law enforcement personnel with bribes and other

inducements in order to facilitate moving drug loads across the border (Anti-Border Corruption Act 2010, Section II).

Although the vast majority of border personnel are not corrupt, “even one bad apple is too many,” an FBI agent explained (FBI 2010). With the “purchasable” assistance of a border patrol agent, terrorists or equipment that could be used for a terrorist attack could also slip across the border. Despite a lack of evidence so far that terrorists have attempted to use Mexican trafficking networks to cross the border, the risk remains such that US officials must factor this into their scenario planning and incorporate counter-efforts into border security strategy.

Kevin Perkins, the assistant director of the FBI Criminal Investigative Division, on 11 March 2010 told a Senate Homeland Security and Governmental Affairs Ad Hoc Sub-Committee that in the period between 2008 and 2010, 1,600 federal, state and local officials were convicted in cases of corruption and smuggling. Another 3,200 public corruption cases are pending. Perkins warned that between 2005 and 2010, cases of crimes committed by such employees increased by 42% (Anti-Border Corruption Act 2010, Section II).

Indeed, cartels based in Mexico increasingly rely on well-placed operatives to reach the black market in the United States. For example, a recent case was that of border official Martha Alicia Garnica. According to an investigative article in *The Washington Post* published in September 2010, she worked for the Mexican drug cartel La Linea from Ciudad Juárez while serving on the US side of the border in El Paso (Connolly 2010). She was arrested and indicted on charges of conspiracy to smuggle undocumented aliens, two counts of bribery and one count of importation of 90 kg of marijuana between April

and November 2009 (Bersin 2011: 4). Garnica's 21-year-old daughter had also applied for a job with the USCBP, in what investigators deemed a "suspicious move, given her mother's alleged involvement in the drug trade," according to The Washington Post. The daughter, testifying in court, admitted she had lied on the application form both about being a US citizen and about owning property in Mexico. Garnica was convicted in August 2010 and sentenced to 20 years' imprisonment. Her daughter, however, was not charged with any offence (Connolly 2010).

In a similar case, a 46-year-old USCBP veteran, Michael Gilliland arrested in 2006, waved "special" cars through his lane when he was working the late shift at the Otay Mesa port of entry, east of San Diego in California (Thomas 2009). Gilliland's task was to secure the safe passage of illegal immigrants. He pleaded guilty to charges of bribery, and in February 2007 was sentenced to five years in prison and three years of supervised release, with a USD 200,000 fine. Similarly, Margarita Crispin, a USCBP inspector at El Paso, was arrested in July 2007 and pleaded guilty in 2008 to charges of corruption, trafficking in drugs and human smuggling. She was later sentenced to 20 years in prison (US Attorney General 2007).

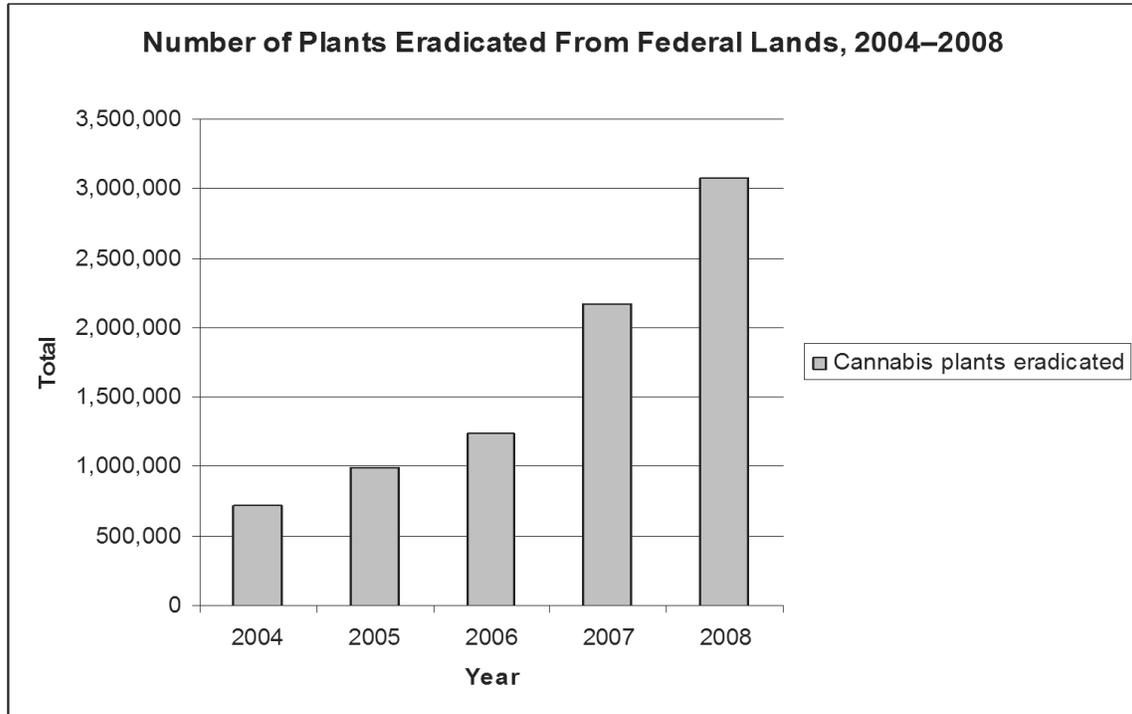
#### *Marijuana Plantations in US National Parks*

As well as increased corruption on the US side of the border, drug cultivation is also moving into the United States after a long period of being primarily based in Mexico. This is particularly the case with marijuana. Mexican DTOs have expanded marijuana cultivation operations into the United States that has been an ongoing trend for the past decade. Plantations in the United States are much closer to their main customers in the

United States. They also significantly minimize the risks of being caught while moving marijuana loads across the border (US Department of Agriculture 2003: 2).

Marijuana plantations have been found in California's Los Padres National Forest (Roosevelt 2003), Yosemite Park (Burgess 2010), Tahoe National Forest (Roosevelt 2003), and Sequoia National Forest (Foxman 2008) as well as in Arizona, Oregon, Colorado and other US states. According to the USDA, the number of plants eradicated from national forests more than quadrupled between 2004 and 2008 (NDIC 2009b: 23). The NDIC reported there were approximately 3.1 mln marijuana plants eradicated from federal lands in 2008 (NDIC 2008a) [Figure 6]. The report also suggested there were approximately 3,079,923 marijuana plants eradicated from federal lands in 2008 (ibid). Both private and public sites have been used for cannabis cultivation.

National forests in California have been most extensively exploited sites in terms of illicit cannabis cultivation. The Domestic Cannabis Eradication/Suppression Program (DCE/SP) administered by the US DEA accounted that 89% of outdoor plants eradicated nationally were eradicated in California, Hawaii, Kentucky, Oregon, Tennessee, Washington and West Virginia, while 66% of indoor and indoor plants were eradicated in California alone (NDIC 2009c: 6).



**Figure 7. Number of Plants Eradicated from Federal Lands, 2004-2008.**  
**Source: based on data from NDIC (2009).**

Marijuana cultivation seems to have gravely degraded public safety in US national forests. A journalistic investigation by the CNN revealed that marijuana traffickers who, when violently protecting the illicit plantations, held kayakers on the Salmon River in the Klamath National Forest at gunpoint (Roosevelt 2003). A more dramatic story took place in Eldorado National Forest, where an 8-year-old boy and his father were shot by marijuana farmers (ibid).

### *Subterranean Smuggling*

At the same time, Mexican drug trafficking organizations are also seeking to maintain increasingly secure methods of smuggling goods across the border. While tunnels under the border have always been a staple of cross-border crime, they are developing in terms of sophistication and geographical expansion.

More than a dozen of subterranean tunnels have been discovered from the 1990s to the 2000s, and 64 from 2001 to 2007. Mexican DTOs have excessively used such tunnels in Arizona and California. Arizona and CBAG<sup>36</sup> have been the most vulnerable regions with respect to the number of smuggling tunnels discovered [Table 5].

LOCATION	FY				
	2004	2005	2006	2007	2008
<b>Calexico</b>	0	1	1	0	1
<b>Mexicali</b>	0	0	0	0	1
<b>Otay Mesa</b>	1	1	5	3	0
<b>San Ysidro</b>	2	0	9	0	1
<b>Tecate</b>	0	0	0	1	0
<b>Total in CBAG</b>	3	2	15	4	3

**Table 5. Tunnels Discovered in the CBAG Region, 2004-2008.**  
Source: NDIC (2009b: 7)

In Arizona, throughout the period 2006-2010, at least 51 tunnels were disrupted by the law enforcement between Sonora and Nogales (Lichtenwald & Perri 2011). In 2008 alone, USCBP officers found 16 subterranean tunnels in the Tucson sector, Arizona (NDIC 2010b: 15) [Table 6]. “It is Swiss cheese under there,” comments a Border Patrol supervisor in Nogales where the digging became so extensive beneath the city that the southbound traffic lane through the international port of entry collapsed (Booth & Fox 2009).

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<sup>36</sup> The CBAG region encompasses California’s entire portion of the US-Mexico border (San Diego and Imperial Counties).

LOCATION	FY				
	2005	2006	2007	2008	2009
Douglas	0	0	0	0	0
Nogales	3	4	10	14	9
San Luis	0	0	1	0	1
<b>Total seized in Arizona</b>	3	4	11	14	10

**Table 6. Tunnels Disrupted in Arizona (HIDTA Region), 2005-2009.**  
Source: NDIC (2009a:12).

A good example of criminal sophistication has been the 24-m Nogales tunnel disrupted in 2009. It had ventilation tubes, wooden beams and plywood ceilings. Located at the busiest intersection in downtown Nogales, at East International Street and North Nelson Avenue, just down the block from the port of entry manned by hundreds of US agents, the tunnel traveled from a house in Mexico to a warehouse in the United States (ibid). In 2007, USICE and USDEA discovered a completed tunnel in an apartment in Nogales, Sonora, Mexico. The opening to the United States territory was found in a utility room beneath sandbags (NDIC 2008b: 16).

A similar scenario took place in California. Approximately 36 tunnels have been discovered along the US-Mexico border since 1993. The employment of smuggling through subterranean tunnels is primarily characteristic of large-scale Mexican DTOs that have the resources and influence needed to construct, maintain and operate such tunnels.

Bundles with total of 6262 kg of marijuana were seized in 2007 from a tunnel that on the US exit was in a 9-m shipping container in Tecate, San Diego, connected to an opening at an office building in Mexico. The tunnel had lighting, ventilation and a water extraction system (NDIC 2008c: 11). In 2010, a similar tunnel was uncovered. It was

running from a warehouse near the international airport in Tijuana, Mexico, to a vacant industrial building in Otay Mesa, California. The tunnel extended for more than 260 m into the United States below ground. It was outfitted with a concrete floor, electricity, ventilation and groundwater pumping (USDEA 2010a). The USDEA reported that approximately 30 t of cannabis seized in the US and Mexico have been connected to the tunnel (ibid).

### *Maritime and Air Smuggling*

As well as maintaining subterranean routes, maritime drug trafficking channels continue to be a useful alternative for trafficking drugs into the United States, increasingly through the use of self-propelled semi-submersible vessels (SPSSs). These aggregates are usually constructed in Colombia, navigated via GPS and driven just below the surface to meeting points in the Pacific or of the Caribbean coasts of Mexico. As these vessels typically protrude only a few inches above the surface of the water, it is very difficult to detect them.

SPSSs were not treated seriously by law enforcement officials until the seizure of a true 30 m steel submarine outside the city of Bogota in 2000. The investigation evaluated the submarine's capacity to transport drugs was up to 10 t (BBC 2000b). "The seizure of this high-tech submarine demonstrated the vast resources and ingenuity of Colombian drug traffickers and the lengths they were willing to go to transport their product," acknowledges the US DEA (USDEA 2003).

In 2007, the USCBP P-3 Orion aircraft tracked a semi-submerged smuggling vessel designed to avoid detection. The interdiction resulted in seizing 5 t of cocaine estimated at USD 352 mln (ibid). The largest seizure of cocaine—7 t worth about USD

196 mln—was conducted in 2008 by a Seattle-based Coast Guard that caught a drug-running submarine about 640 km south of the Mexico-Guatemala (Barber 2008). Jay Bergman acknowledged that “the advent of the narco-submarine presents new detection challenges for maritime interdiction forces. The submarine’s nautical range, payload capacity and quantum leap in stealth have raised the stakes for the counter-drug forces and the national security community alike” (Mackey 2010).

Semi-submersible vessels account for 32% of all maritime cocaine flow in the transit zone (USDHS 2008). Between 2000 and 2007, the USDEA reported only about 23 total SPSS events, while drug trafficking organizations conducted at least 45 SPSS transits during the first six months of 2008. So, there is a pronounced increase in the use of SPSS vessels by various DTOs.

The stepping up anti-drug efforts in at the US-Mexico border might have forced to move drug loads via more dangerous but more secure maritime routes. According to some scholars, the most severe threat might emerge if drug traffickers choose to diversify the drug smuggling business with the not less profitable business of “payload” and “rent space.” In most simple terms, it could involve shipments of not just tons of cocaine in a semi-submersible, but also people smuggling and WMD smuggling services that terrorist organization are seeking.

The Bush administration strongly supported legislative reforms focused on criminalizing the operation of or embarkation in stateless self-propelled semi-submersible vessels on international voyages. The Drug Trafficking Interdiction Assistance Act of 2008 passed by the House of Representatives enacted that “operating or embarking in a submersible or semi-submersible vessel without nationality and on an international

voyage” is a serious offence because it “facilitates TOC, including drug trafficking, and terrorism, and presents a specific threat to the safety of maritime navigation and the security of the United States” (Drug Trafficking Vessel Interdiction Act 2008, Section 2). Whoever knowingly operates, or attempts or conspires to operate an SPSS that is without nationality navigated through or from waters beyond the outer limit of the territorial sea of a single country shall be fined and imprisoned to not more than 15 years (ibid: Section 3). Another legal instrument enacted has been the Coast Guard Authorization Act of 2008 that authorized an increase in penalties for smuggling illegal aliens via maritime routes, intensification of protection of vessels and facilities. Both of these legal reforms have enjoyed strong bipartisan support.

Speedboats have also had a long history of involvement in smuggling goods. In order to avoid law enforcement along the US-Mexico border, Mexican and Colombian drug trafficking organizations have favored “go-fasts” or “cigarette boats” for smuggling drugs into the US through South Florida, South Texas and southern California. These fast boats are useful in terms of size and speed. They are nearly invisible to radars and are difficult to see in daylight. The boats are typically 9 to 12 m long and capable of travelling at 40 knots. Their cargo capacity can reach up to 2,700 kg of drugs.

The USCBP has recently reported on two big cases featuring speed boats. In 2006, an air interdiction apprehended smugglers, traveling in a speed boat loaded with cocaine with estimated street value of USD 35 mln (USCBP 2006). Another disruption occurred in Corpus Christi, Texas, where USCBP agents intercepted a boat carrying more than 340 kg of cocaine (USCBP 2009d).

Recreational boats have also been employed by drug traffickers. In 2011, San Diego USCBP marine interdiction disrupted two smuggling rings, having seized a total of about 326 kg of marijuana. In the first case, two Mexican nationals in a boat that had a double-floor were carrying 75 kg of marijuana worth an estimated value of USD 100,000 (USCBP 2011).

Similarly to maritime smuggling, new trends emerged after the 9/11 security reforms. In recent years, for example, drug smugglers have begun using ultralight airplanes to move drugs across the US-Mexico border. These aerial vehicles fly low to the ground and avoid detection. It was a relatively successful method, although it has been less popular since the Ultralight Smuggling Prevention Act in 2010 that raised the penalty for smuggling via ultralight aircraft means.

In 2011 alone, “there were 101 confirmed ultralight events, with 28 narcotics seizures, 16 arrests and three ultralight aircraft seized, whereas from October 1, 2011, through June 1, 2012, there were 55 confirmed ultralight events resulting in 17 narcotics seizures, 11 arrests and two ultralight aircraft seized,” reports the US Customs and Border Protection Office of Intelligence and Investigative Liaison Assistant Commissioner Donna Bucella (2012).

The Californian unit of the USCBP has come across several incidents of smuggling by ultralight aircraft. In December 2008, the pilot of an ultralight aircraft carrying 159 kg of marijuana collided with power lines and crashed southwest of Tucson. Another instance of ultralight airplanes as drug trafficking means was the 2009 Yuma Station case, in which USCBP agents intercepted an aerial aircraft smuggling a total of 125 kg drugs (USCBP 2009e).

### *Cash Smuggling and Money Laundering*

Regardless of a range of anti-money laundering (AML) strategies enacted since 2001, Mexican DTOs have managed to move criminal proceeds across the US-Mexico border via bulk cash smuggling (BCS) either managed internally by the members of a DTO or by hiring independent contractors.

Bulk cash smuggling refers to illicit flows of cash moved from one jurisdiction to another, where it is deposited in an authorized financial institution (USDOJ 2005: 33). As an extension of the USA Patriot Act, the Congress defined bulk cash smuggling as an act of “knowingly conceal[ing] more than USD 10,000 in currency or other monetary instruments on the person of such individual or in any conveyance, article of luggage, merchandise, or other container, and transport[ing] or transfer[ing] or attempt[ing] to transport or transfer such currency or monetary instruments from a place within the United States to a place outside of the United States, or from a place outside the United States to a place within the United States” (USA Patriot Act 2001: Title III, Sec. 371, Par. 332). According to the US Money Laundering Report 2005, the BCS has been recognized as increasing partially due to the rise of rather effective AML policies and procedures at financial institutions in the United States. The National Drug Intelligence Center’s report as of 2009 showed that at least USD 17.2 bln in US banknotes was transported to Mexico through illicit non-bank channels<sup>37</sup> over a 2-year period (NDIC 2009a: 49). The USGAO calculations of bulk cash smuggling suggest that 97% of illicit

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<sup>37</sup> Currency moved through *illicit non-bank channels* refers “specifically to cash proceeds of criminal activity that are physically transported to Mexico (without the services of traditional financial institutions) by criminal organizations for the purpose of laundering the funds. In order to estimate the amount of repatriated US currency laundered in Mexico, currency transported to Mexico through illicit non-bank channels must be separated from legally earned currency transported through licit non-bank channels, such as currency carried into Mexico by tourists and migrant workers.” See: NDIC (2009a).

non-bank cash flows took place at the US-Mexico border from March 2009 through February 2011.

Bulk cash smuggling is often managed by independent contractors or money brokers. This is the so-called *ruta hormiga*<sup>38</sup> smuggling. This method relies on using daily border crossers (“ants”) to carry small amounts of money from the US into Mexico. According to a USDHS report, each “ant” receives about USD 500 for each trip (USDHS 2010b: 4-3).

The USCBP Texas office reported on Laredo POE seizure of USD 1 mln in undeclared currency from a driver Jose Luis Martinez Gonzalez—a 26-year-old Mexican citizen from Nuevo Laredo, Tamaulipas, Mexico—traveling at World Trade Bridge (USCBP (2009a). Another USCBP press release shed light on confiscated at the Otay Mesa POE USD 500,000 of undeclared money stuffed in a duffel bag belonging to a 30-year-old Mexican citizen traveling out of the United States to Mexico (USCBP 2009b), and a USD 148,000 seizure of cash strapped to the body of a female pedestrian at Hidalgo, Texas (USCBP 2009c).

“They can use an army of people like smurfs to go through USD 1 mln before lunchtime,” says Jerry Robinette working for the US ICE along the US-Mexico border along Texas (Smith 2010). Similarly to *ruta hormiga*, smurfs act as informal small money exchangers (SMEs) involved in money laundering. SMEs exchange money from US dollars to Mexican peso at *casas de cambio* (CDC)—primarily private businesses that are generally unregistered and non-compliant with reporting requirements. These financial enterprises are small and flexible. They often operate from various locations

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<sup>38</sup> “Ant route” (Spanish) is also known as “*tráfico hormiga*” or “trail of ants.”

including trailers and telephone booths (USDOJ 2005: 15). Upon conversion at CDCs, cash may stay in Mexico or continue on to foreign locations, or, alternatively, make a “U-turn” back to the United States (ibid: 33).

The US Treasury has continuously been warning US banks about the involvement of Mexican CDCs in money laundering. By 2004, many US banks had closed their accounts with CDCs. Yet, there have been some exceptions. One of them has become a world famous controversy. In 2004, The Wachovia Corp. and Bank of America Corp., one of the biggest in the United States, had a contract with Casa de Cambio Puebla SA, a Puebla Pedro Alatorre, running a Puebla branch of CDC in Mexico City. The criminal investigation was launched in 2006, when 5.7 t of cocaine valued at USD 100 mln were revealed on board of a Washington D.C.-registered jet landed at the international airport in Mexico City. The investigation revealed that the busted aircraft has been bought with laundered proceeds of crime, transferred through Wachovia Banks. According to the documents, Wachovia allowed Pedro Allatorre wire transfer funds through his Wachovia accounts to recipients abroad (Smith 2010).

The Western Union Company has also been in trouble for their involvement in money laundering that made the board of stake holders announce the company to pay USD 94 mln to resolve a series of lawsuits over money laundering by Mexican drug cartels and human smugglers (HSU 2010). By providing person-to-person money transfers, Western Union failed to identify falsified documents or stolen identity documents that led to a colossal rise of illicit transactions.

In spring 2006, US undercover investigators studied a two-month sample of Western Union transfers from the United State to Sonora in Mexico. They counted USD

28 mln from the same 28 states that had previously wired money to coyotes in Arizona (Holstege 2008). In February 2010, the Attorney Generals of Arizona, California, New Mexico and Texas announced a USD 94 mln settlement agreement with Western Union. The company had been accused of allowing people who were working on behalf of Mexican criminal actors to wire funds from the United States to Mexico (ibid).

### **Conclusion**

The USDHS has indeed played a major role in institutionalizing the post 9/11 border security. The consolidation and reorganization of multiple government agencies under the USDHS led to more funding and resources being allocated to border agencies. While the creation of the USDHS has not put an end to illicit transnational activities, the broad context of security was redirected towards the pursuit of security based on higher interagency cooperation, the uniformity of security goals, and merging of security and risk management. President Bush and President Obama demonstrated a rigorous commitment to upgrading border security by dumping generous funding into more manpower, more technology and more surveillance technology for the US-Mexico border.

The long-standing issues of illegal cross-border activities across the US-Mexico border became linked to the counter-terrorism initiative that considerably propelled the toughening of security agenda. While the US-Mexico border has become more difficult and costly to maintain, it is still uncertain whether the United States has become more resilient in terms of protecting the borders from illicit activities. Despite billions spent on anti-drug enforcement and heightened border security measures, the analysis of the dynamics of illegal cross-border exchanges conducted in this chapter did not generate any

strong evidence in favor of diminishing illicit northbound flows of drugs from Mexico into the United States.

Quite on the contrary, the tough border agenda seems to have produced unexpected results. As tighter border security controls made it more difficult to traffic illicit goods into the United States, the crime dislocation strategy adopted by Mexican DTOs made them less visible to law enforcement. The fortification of border security has been a godsend in the sense that transnational criminal organizations speculating on moving illegal goods across the border could employ alternative and more sophisticated strategies of doing illicit businesses.

Cases of perpetrators engaging in corruption, dislocating their businesses and technologically upgrading their activities, unfortunately, only provide evidence that tough security measures are not expected to produce a long-term containment of transnational criminal activities. Rather, they are more likely to contribute to methodological and geographical displacement of these activities. Presence of marijuana plantations in the United States, sophisticated smuggling techniques including the use of tunnels and maritime vessels provide valuable insights about the unintended gaps produced by high-intensity border surveillance.

Investing in learning and sophistication, Mexican DTOs have been managing the risks of the law enforcement. The current situation should warn the United States that the enacted border policies of “more” and “tougher” security can lead to superior sophistication of law evasion techniques and a geographical dislocation of illicit flows. Even if the law enforcement measures succeed in detention, these strategies are costly and fail to address the criminal opportunities for illicit cross-border transfers that are

beyond the reach of conventional national security agendas. Thus, they are not and cannot be as effective in curtailing TOC as it is desired by security policymakers.



## THE ASYMMETRY TRAP AT THE US-MEXICO BORDER

This chapter analyzes the cross-border dynamics of drug trafficking and trafficking in firearms across the US-Mexico border. The analysis suggests that the US-Mexico border exhibits some important disparities and inequalities that may be conducive to the expansion and proliferation of TOC. In this sense, the border region between the United States and Mexico presents an “asymmetry trap” characterized by inequality of all sorts. Such systemic inequality not only exacerbates the socio-political and security environment in Mexico by setting it in a disadvantageous position in comparison to the United States, but also upsets stability and order in the United States.

Whereas the spillover of benefits such as labor migration and economic aid from the United States to Mexico has become much more unlikely due to terrorism-related security anxiety and budget cuts following the economic and financial crises of 2008, spillovers of crime and violence have been on the rise, given the harsh tactics of the Calderón government against Mexican cartels. At the behest of the United States, Calderón’s use of the Mexican military against the drug lords has merely led to the slaughter of Mexican civilians without putting much of a dent in the long-term flow of drugs into the United States.

## **The Illicit Drug Market in the United States**

The North America is by far “the largest market for illegal drugs in the world,” says the latest report from the International Narcotics Control Board (INCB 2011). The region continues to be characterized by high levels of illicit drug production, manufacture, trade and consumption. The United States is the biggest destination of illicit drugs from Mexico. With the demand for illegal drugs remaining high, the United States attracts the most ruthless, sophisticated and aggressive drug traffickers. Drug lords thwarting law enforcement operations indeed have little reason to forego the profits generated by the wholesale US market in illegal drugs. “In the 40 years since US President Richard Nixon declared a ‘war on drugs,’ the supply and use of drugs has not changed in any fundamental way. The only difference: a taxpayer bill of more than \$1 trillion,” writes the Wall Street Journal (Luhnnow 2009).

In many ways, illicit drug markets resemble other markets. They are characterized by buyers in search of high quality, low practices and convenient availability of the goods and services they are interested in. Drug markets, however, are slightly different from legal markets due to the absolute illegality of goods demanded in the black market and the peculiarities of the law enforcement aimed to curtail illicit transactions. Prohibited transactions take place at higher prices than would be true if the transactions were permitted, thus reducing the consumers’ surplus as evaluated by the consumers’ tastes and opinions at the moment of the transaction.

The consumption of illegal drugs and the design of efforts to control drug use pose some of the most difficult and divisive problems. Cocaine, heroin and marijuana are agricultural products that require minimal inexpensive chemical processing. If not their

illegal status in most jurisdictions, they could be easily sold for prices comparable to paracetamol or aspirin. “No agriculture based commodities industry in the world operates on the same price differentials as cocaine and heroin, while requiring relatively little in the way of expertise” (Zill & Bergman 2008). The war on supply aims to disrupt the market in products that are cheap and relatively easy to produce and to transport, and for which there is a high demand. In doing so it creates a black market, which radically inflates profits for producers and traffickers. A pure gram of cocaine that costs about USD 15 and may generate up to USD 150 on the retail black market.

Indeed, within a securitized regime that took place in the twentieth century focused on neutralizing and eradicating the “threat” of drug trafficking has been the paramount political priority for the United States. The very existence of prohibition implies that, in the absence of the legal ways of obtaining the forbidden item, there is a black market. Consumers’ readiness and willingness to pay for particular goods/services they cannot get legally provides lucrative incentives for the expansion and the empowerment of illicit exchanges. Prohibition does not eliminate the demand for illicit goods and services. Rather, similar to taxation practices, it adds a “wedge” between the price the consumer pays and the price (net of enforcement risk) the producer/distributor receives. Bluntly put, “because governments make drugs illegal, the risk associated with transporting them translates into high rewards for those willing to take that risk” (Luhnow 2009).

Some of the most extensive analyses since the 1980s have argued that the US-led efforts against drug-trafficking have been an actual fiasco. Back in 1988, the US Defense Department provided a study conducted by the RAND, according to which the US armed

forces interdicting the narcotics inflowing into the United States had “little” or “no effect” on cocaine traffic (Reuter et al 1988). There is even a chance, they argued, that the counter-drug measures raised the profits of cocaine cartels by downsizing the availability of drugs in the black market. If so, traffickers may even accept higher rates of drug losses. The logic behind this argument is that the seizures may lead to higher prices. This line of thinking roughly explains why attacks on drug supply have failed to have any lasting effect. According to Stutman, a former USDEA agent, even if an average drug trafficking organization loses 90% of its drug trafficking profits, it will still be highly profitable (Zill & Bergman 2008). As some observers ironically stated,

So the “stick” of law enforcement intended to discourage black marketeers simultaneously creates a “carrot” (enormous profits), which encourages them. This profit paradox is a fatal flaw in the war against supply: As suppliers pursue these high profits, they keep the supply of drugs up, and that keeps prices from rising too high—undermining the aim of policy (Bertram & Sharpe 1997).

The 2011 report by the Global Commission on Drug Policy (2012) argues that the decades-old worldwide “war on drugs has failed, with devastating consequences for individuals and societies around the world.” The report prepared by former national leaders and a former US secretary-general also suggested that governments “should explore legalizing marijuana and other controlled substances” (NBC News 2011).

Although the drug trade is highly complex and cannot be studied fully and in a compelling nature in this chapter, this section is going to provide some insights into the US market in illegal drugs that is insatiable, to a greater extent due, to asymmetries of

resources, price differentials and gaps in legislations between Mexico and the United States. It is not the goal of this chapter to present any judgments in support or against the legalization of narcotic substances. The primary focus is placed on the analysis of criminal opportunities available for the development and continuity of the US illegal drugs market. Without any claims to be an exhaustive study of the black market in illicit drugs, the analysis below offers an observation of the driving forces behind the continuity of drug trafficking organizations and some of the problem areas for counter-trafficking law enforcement.

#### *Mexican DTOs as Price Setters*

In the late 1980s, Mexican drug cartels became the dominant distribution actors for the illegal drug trade in the United States. Once used to transship drugs from South America, Mexico has become a major producer and distributor of illegal drugs in North America and beyond. The USDEA report estimates that 23 t of cocaine is smuggled into the United States annually with two-thirds entering across the US-Mexican border. The US DEA also suggests that 80% of methamphetamine in the US is either manufactured in Mexico or produced by Mexican cartels in the United States (Beittel 2009: 1).

The leadership of Mexican drug cartels in the black market for narcotics became possible following the distortions of the Plan Colombia's relative success in destabilizing Cali and Medellin cartels. Having split the monopoly of these powerful drug producing and drug trafficking organizations, the Plan Colombia undermined the dominant position of Colombian cartels. In light of the clean-up, Colombian cartels permitted Mexico-based traffickers to take over a greater role in the cocaine trade (Rios 2008).

Initially, Colombian cartels passed on refined cocaine to Mexican middlemen, who transported it across the US-Mexico border, leaving stashes in locations where Colombian groups operating within the United States would later retrieve them. By the mid-1990s and even more so after 2001, as the southwest border security was hardened, Mexican DTOs became annoyed with the little share they were paid by their Colombian partners. As one expert explained, the US anti-drug policy inadvertently helped Mexican drug trafficking cartels gain colossal powers in the black market. “In 1991, 50% of the US-bound cocaine came through Mexico. By 2004, 90% did. Mexico became the FedEx of the cocaine business” (Luhnnow 2009). According to the USDEA that did not seem to be recognizing certain gaps in the US-waged “war on drugs” in Columbia, Mexican cartels were able to monopolize the illegal drug market in the United States due to vast networks of Mexican immigrants, both legal and undocumented, residing in major metropolitan areas (Elliott 2009).

Today, no other country in the world has a greater impact on the drug trade in the United States than does Mexico. This is the result of multiple factors such as the presence of a shared border, Mexico’s strategic location between drug-producing and drug-consuming countries, a long history of cross-border smuggling and the existence of diversified, poly-drug profit-minded DTOs (Feinstein & Grassley 2011: 15). The NDIC 2011 report has repeatedly stressed that the US black market in illegal drugs is predominantly controlled by Mexico-based drug trafficking organizations, dominating the supply, transportation and wholesale distributions of most illicit drugs in the United States (NDIC 2011: 2). Regardless of the presence of other ethnic DTOs, “none impacts

the US drug trade as significantly as Mexican-based traffickers,” concludes the NDIC report (ibid).

Analysis of law enforcement information by the NDIC in 2011 reveals variations in the primary type of illicit drugs trafficked by each of the seven main Mexican-based DTOs and the regions of the United States where their operations are concentrated. Mexican-based DTOs control access to the US–Mexico border, the primary gateway for moving the bulk of illicit drugs into the United States. The Mexican cartels control and simultaneously use (or also competing for control over smuggling “plazas” with other DTOs). The NDIC suggests that Mexican-based DTOs control distribution of most of the heroin, marijuana and methamphetamine available in the United States (ibid: 8). Moreover, the production of these drugs in Mexico appears to be increasing. The Sinaloa Cartel has been one of the most dominant DTOs involved in drug trafficking operations in the United States. According to the NDIC, it still manages to control the production of large quantities of heroin, marijuana and methamphetamine. It has also sophisticated, well-developed transportation and distribution networks as well as possesses an extensive network of dealers to facilitate its US-based drug sales.

Regardless of the dependency on the producers of narcotics (excluding synthetic drugs), Mexican DTOs have managed to generate colossal profits based on the price asymmetry between the price they pay to producers in South America and the profits they make from retail drug sales to final consumers in the United States. According to a handwritten ledger describing one of the cartel’s cocaine businesses found during a 2006 raid in Mexico City, it was discovered that the price the cartel would pay to Colombian suppliers was only USD 3,500 per kilo. When delivered to Mexico, the price escalates to

USD 8,200 per kilo. When in the United States, the wholesale price ranges from USD 15,000 to USD 25,000 depending on how close you are to the US-Mexican border (Luhnow 2009). According to the Wall Street Journal, the price may run close to USD 80,000 in New York.

Insistent price discrimination instigated by Mexican DTOs has been tracked since the post-9/11 border control hardening at the US-Mexico border (NDIC 2011). The more difficult and risky it became to smuggle drugs into the United States, the more the prices escalated. Mexican DTOs kept the prices up in order to remain profitable after the losses they suffered in recent years from the apprehension at the southwest border.

Addiction that serious drugs cause, unfortunately, favors drug traffickers' businesses, who even by setting skyrocketing prices make incredible profits. At all costs, a drug-addict will pay for a dose taking him away from withdrawal pains. This said, drug-addicts are likely to buy drugs with little regard to price, frequently resorting to violent crime to collect the sufficient sum of money.

Having measured the impact of the law enforcement at the US-Mexico border from 2006 through 2010, the Drug Threat Assessment report suggests that the positive effect on drug seizures placed pressure on traffickers who were forced to raise prices for consumers. According to the report, the retail price of cocaine has radically increased since 2006, accompanied by a decrease in cocaine purity as the United States and Mexico made major strides in crimping the flow of drugs over the southwest border (McKinley 2007). As the data below illustrate, from January 2007 through September 2009, the US

price of a gram of cocaine increased by 75.4%<sup>39</sup> from USD 99.24 to USD 174.03, whereas the purity decreased by 31.5% (NDIC 2010a: 28) [Table 7].

<b>Time Period</b>	<b>PPG (in USD)</b>	<b>PP</b>
Jan-Mar 06	94.65	68.6
Apr-Jun 06	94.96	68.9
Jul-Sep 06	94.73	68.1
Oct-Dec 06	90.18	69.8
Jan-Mar 07	99.24	67.4
Apr Jun 07	119.08	59.3
Jul-Sep 07	130.34	57.1
Oct-Dec 07	115.26	61.2
Jan-Mar 08	122.81	57.6
Apr-Jun 08	126.06	57.4
Jul-Sep 08	183.63	46.4
Oct-Dec 08	198.47	44.8
Jan-Mar 09	174.38	48.1
Apr-Jun 09	173.19	48.6
Jun-Sep 09	174.03	46.2

**Table 5. Cocaine Price and Purity Data, 2007-2009.**  
(PPG-price per pure gram, in USD; PP-purity in %); Source: NDIC (2010b: 28).

In order to diversify the dependence on cocaine producers in Latin America, Mexican cartels have looked to other potentially profitable markets (UNODC 2011). Although the European Union has not been conventionally considered as a destination for narcotics trafficked by Mexican DTOs, they have nevertheless been present in the region. As the supply of cocaine from Mexico has increased in Europe, cocaine use has surged, particularly in the United Kingdom and Spain that has become one of the main entry

<sup>39</sup> Annual inflation of over this period was 2.07%. Check for details: United States Inflation Rate (2011).

points of cocaine into Europe (ibid). The US authorities, for instance, have reported on Mexico's Sinaloa cartel's drug distribution networks in England, France and the Netherlands. "The reach of drug trafficking cartels, in particular the Sinaloa cartel, is one that is frankly global," acknowledged the US Deputy Assistant Secretary of State for International Narcotics and Law Enforcement Affairs, Brian Nichols (Nielsen 2012). He also specified, Mexican cartels are also likely to seek presence in southern Europe and Western Balkans in order to obtain an unimpeded access to an entry point to the EU domestic market in narcotics (ibid).

In a recent case of disruption of drug traffickers in Madrid in 2012, the National Police of Spain announced its growing problem with Mexican cartels. Following the seizure of 373 kilograms of cocaine, worth nearly GBP 15.7 mln at street level, the four arrested were identified as the members of the Sinaloa cartel (The Telegraph 2012). This said, the Mexican drug cartels battling viciously to expand and survive have a powerful financial incentive to smuggle narcotics across any border—either to its northern neighbor or across the Atlantic Ocean—where there are new lucrative opportunities for illegal trade in narcotics.

### *The Illicit Trade in Methamphetamine*

Unlike Colombian drug gangs in the 1980s, who relied almost entirely on cocaine, Mexican drug gangs have made a step further by engaging in today's "big-time" illicit drugs such as methamphetamine (meth) known among drug-addicts as "glass" or "ice" due to its crystal shape and transparency. Mexico has turned into the biggest major supplier of methamphetamine to the United States (NDIC 2011). The key transit point for US-bound meth is the US-Mexico border. This diversification strategy has helped

Mexican DTOs survive the shocks caused by hardened border security and law enforcement as well as Mexico's domestic drug war against cartels.

The burgeoning methamphetamine industry has been a major concern for the US law enforcement agencies as it may provide Mexican cartels with a highly profitable criminal opportunity to produce narcotics with legal ingredients and expand illegal businesses to the black market segments and geographical areas that had not been previously affected by them.

Having spent several decades on battling to upset the cocaine market, a sudden meth threat is more complex and unknown to the US DEA. To cite a US DEA special agent (California Newspapers 2000):

From a business standpoint, they came up with a brilliant idea...

Methamphetamine allowed them to cut out the South American percentage. They put meth in with their cocaine shipments, and people developed a taste for it because it lasts longer. They can make it themselves in the United States, and they do not have to pay millions of dollars in overhead for planes and pilots and boats and smuggling bribes.

All they need is USD 10,000 in chemicals, and they can make USD 100,000 worth of meth.

Methamphetamine used to be a recreational drug in the United States in the early 1980s. It rose to prominence in nightclubs and rave dance parties. In 1984, the drug was first classified for control by the US DEA. The substance was legal and unregulated in the United States until 1985. Back then, it used to be produced by biker gangs and other small scale underground groups who cooked it in trailers and household bathtubs (Grillo

2012). Following the US restrictions on meth-making chemicals, many of meth businesses were relocated to Mexico.

Following the US Combat Methamphetamine Epidemic Act of 2005, ephedrine (used for asthma medications) and its analog pseudoephedrine commonly associated with relieving colds and allergies have been placed out of direct customer access in the United States. As the United States slowed the production of meth by criminalizing its key ingredients, it became a boon to cartels' involvement in meth production in Mexico.

In 2012, Mexican law enforcement seized the largest haul of meth in history on a ranch outside of Guadalajara in Mexico. The total haul was 15 t of pure methamphetamine worth USD 4 bln along with a laboratory capable of producing twice of the methamphetamine narcotics seized (BBC 2012; Cave 2012). This seizure was “more than double of all meth seizures at the Mexican border in 2011” (Cave 2012). Knowing no expense, Mexican DTOs were producing methamphetamine in Mexico and smuggling it across the US-Mexico border using the same drug routes they have been using for trafficking cocaine since the 1980s (Hawley 2007). This trend became visible as methamphetamine seizures increased at POEs along the main smuggling routes in California, Arizona, New Mexico and western Texas (ibid).

As the availability of precursor chemicals for meth production became restricted. Mexican cartels started importing them from Asia. According to a NDIC report, chemical diversion and tracking was a big challenge. Wholesale shipments of ephedrine and pseudoephedrine from Hong Kong were often repackaged with disguised or vague labeling (NDIC 2007: 9). China has also been involved in providing precursors for meth labs. In 2009, a Chinese-Mexican businessman Ye Gon was arrested after the police

found USD 205 mln of cash in his mansion in Mexico City. He confessed that he had made the fortune with shipping methamphetamine precursors from China to Mexico (CBS 2009).

The Sinaloa cartel has expanded the methamphetamine production on a truly industrial scale, having filled the gap left by the breakdown of a rival gang that was once the top trafficker of the synthetic drug—La Familia. According to the US drug intelligence (Stevenson 2011),

The apparent increase in the Sinaloa group's involvement comes as the Mexican government says it has dismantled the La Familia gang with key arrests and killings of its leadership, and as Mexico is once again the primary source of methamphetamine to the United States.

What is particularly threatening is that the Sinaloa's involvement in meth trafficking is predicted to expand not just to satisfy the demand in the United States, but, analogously to Mexican cartel's ambitions with cocaine sales, also to cover the meth market in Europe.

### **Cross-Border Trafficking in Firearms**

For decades, people crossing into the United States from Mexico have been subjected to rigorous checks and searches, but Mexico's law enforcement used to only occasionally conduct close checks of people coming back from the United States. The possibility of US-produced firearms being smuggled southward has shifted many accents in bilateral cooperation. The fact that the United States might have been involved in shipping arms to Mexico has caused a wide public controversy on both domestic and international levels. Whereas it is very unlikely that arms trafficking from the United States into Mexico has

been done on behalf of the US government, illicit individual transaction in light weapons and small arms into Mexico have been taking place on a large scale (USGAO 2009).

The total of US firearms trafficked into Mexico is considerable not only for Mexico's domestic security challenges, but also from the perspective of regional security. The private arms race among drug gangs operating in Mexico created a strong demand for weaponry. Different approaches to legislation of arms possession and arms transfers has also had an irreversible impact on arms trafficking across the US-Mexico border with Mexico being the destination state. The analysis of inflows of US-produced firearms into Mexico from the perspective of asymmetry of legislations and resources follows in the sections below.

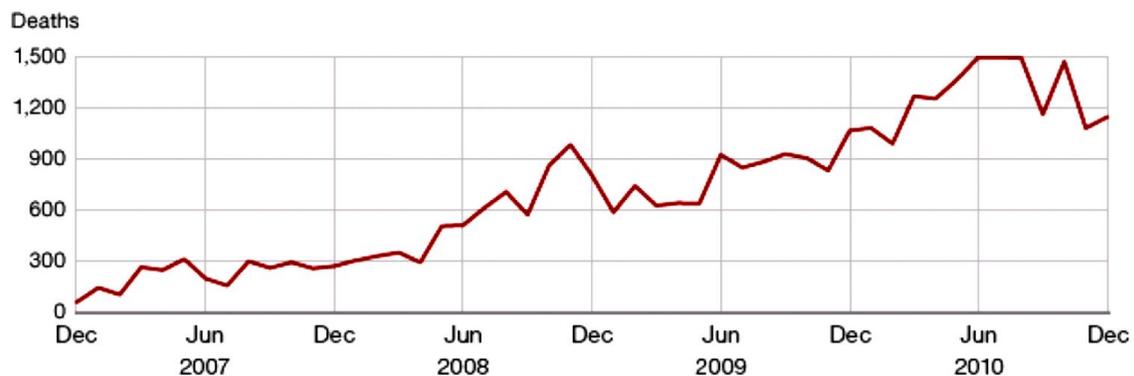
#### *Drug Violence in Mexico and the Demand for Firearms*

Trafficking in arms occurs in many parts of the globe. It is, however, mostly concentrated in areas afflicted by armed conflicts, violence and organized crime. Mexico is one of the states, where there is a high demand for firearms caused by the Mexican "drug violence"—an ongoing armed conflict taking place among rival drug cartels who fight each other for regional control and the Mexican government forces who seek to combat drug trafficking.

By launching a militarized war within Mexico, the Mexican government prompted drug gangs "to stockpile and employ higher grade weaponry against competing gangs, to battle corrupt police loyal to opposing gangs, and, if necessary, to battle government troops" (Murphy Erfani 2011). Confronted with militarized law enforcement on behalf of the Mexican government, drug gangs found themselves in a violent fight against the police and the military for maintaining control over drug trafficking routes

and marijuana plantations. In search of weapons to fight this “war”, Mexican cartels have aggressively turned to the United States as a source of firearms. The easily available firearms just across the border transformed into a lucrative opportunity for arms trafficking.

Officials on both sides of the US-Mexico border have mutually acknowledged that trafficking in firearms from the United States into Mexico has indeed fueled high levels of drug-related violence—and not just in border regions (Bull 2012; Hennessey & Bennett 2012). The level of violence in certain parts of Mexico is massive and uncontrollable. According to Mexico’s official database on the victims of drug-war, 34,612 people had been killed since December 2006, including suspected drug cartel members, security officers and civilian bystanders (BBC 2011) [Figure 7].



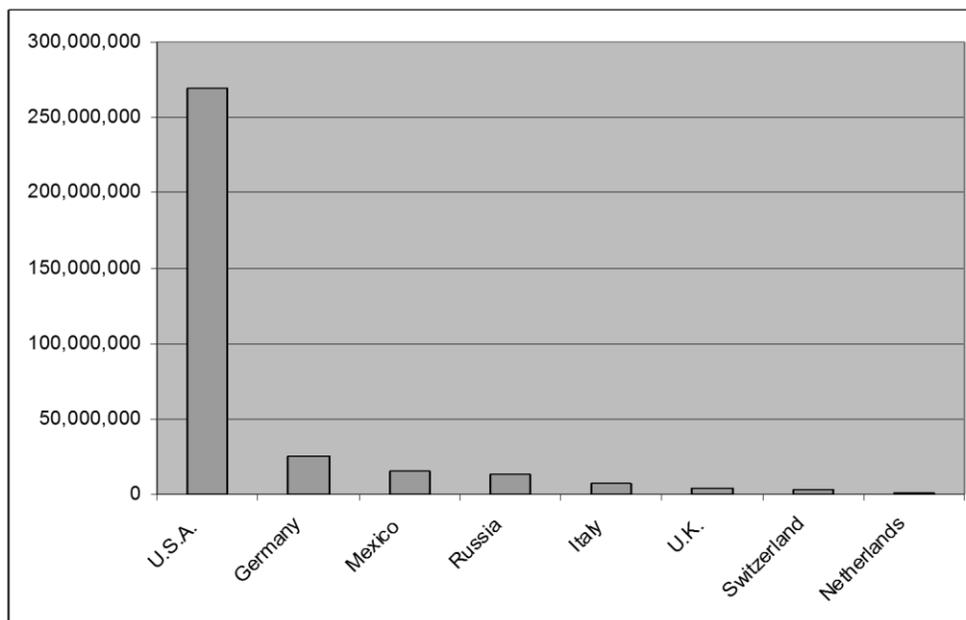
**Figure 8. Mexico’s Drug-War Related Deaths.**  
Source: BBC (2011).

In a March 2009 visit to Mexico, Secretary of State Hillary R. Clinton announced that the incapacity of US forces to “prevent weapons from being illegally smuggled across the border to arm these criminals causes the deaths of police, of soldiers and civilians” (Landler 2009).

### *Discrepancies of Gun Laws*

Proximity, liberal firearms sales laws and inadequate law enforcement have made the United States Mexico's leading source of black market arms. The United States have long been characterized by a comparatively long-held affection for firearms (Hofstadter 1970) [Figure 8]. Although the firearms politics in the United States is still the one of ongoing political and social debates, the United States has always favored more freedoms of owning guns.

This being said, the United States has been a rather low-cost supplier of guns both because of lax regulations (with variance from state to state) and of the great number of guns already circulating in private hands. The number of privately owned firearms in the United States (270 mln privately owned firearms) by far exceeds firearms in private ownership in other states. "Of the five or six million firearms purchased annually in the US by private buyers, a certain percentage is acquired by middlemen working on behalf of arms traffickers who smuggle them across the US-Mexican border in violation of both countries' laws and regulations" (Lumpe 1997).



**Figure 9. Number of Privately Owned Firearms.**  
Source: GunPolicy.org (2011).

On the other side of the border, citizens in Mexico do not have ready access to firearms from local dealers or other domestic sources. Gun politics in Mexico represents one of the strictest gun laws in the world. It is in many ways similar to the UK, except with much more severe prison terms. The Mexican law bars civilian ownership of any gun larger than .22-caliber, requires a permit before the purchase, mandates the registration of firearms with the Ministry of Defense and bans carrying weapons in public.<sup>40</sup> There is only legally authorized by the government and run by the army retail outlet for firearms in Mexico,<sup>41</sup> This makes any legal purchase from a gun shop extremely difficult. Bribing the soldiers who work in has been a recurrent option for criminal organizations as a strategy of obtaining firearms. Apparently, the abundance of quality firearms sold at moderate prices in the United States could be another highly lucrative possibility for those willing to obtain them.

### *“Gunwalking”*

According to the Small Arms Survey, some of the most widely spread forms of trafficking in arms has been the “ant” smuggling or *ruta hormiga* already mentioned in the preceding chapter. The ways trafficking of arms is organized across the US-Mexico

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<sup>40</sup> Mexican constitutional rights have long included the right to carry arms. The 1857 Constitution included the right to carry arms: *Article 10: Every man has the right to have and to carry arms for his security and legitimate defense. The law will indicate which arms are prohibited and the penalty for those that will carry prohibited arms.* These rights have subsequently been reduced somewhat through the gradual changing of constitutions and laws. The Constitutions 1917, the current constitution in force and heavily-amended, grants Mexican citizens the right to possess firearms. However, this right does not include military firearms. *Article 10: The inhabitants of the United Mexican States have a right to arms in their homes, for security and legitimate defense, with the exception of arms prohibited by federal law and those reserved for the exclusive use of the Army, Navy, Air Force and National Guard. Federal law will determine the cases, conditions, requirements, and places in which the carrying of arms will be authorized to the inhabitants.*

<sup>41</sup> *Unidad de Comercialización de Armamento y Municiones (UCAM).*

border are based on numerous shipments of small numbers of weapons that, over time, unfortunately result in the accumulation of large numbers of illicit weapons by drug cartels.

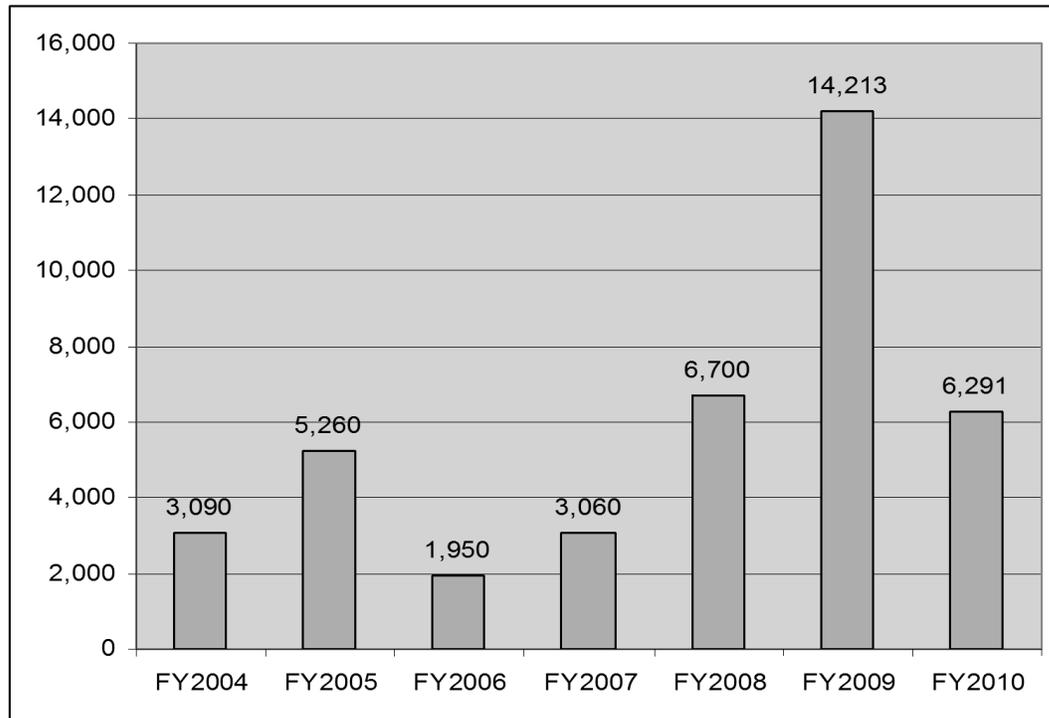
Gun retailers been an important source of arms illicitly trafficked into Mexico and other Latin American states for several decades. Mexican authorities have stated that 80-90% of seized weapons having been produced there or imported by US into Mexico (McKinley 2009). Although several intelligence centers such as the STATFOR (Stewart & Burton 2009) find the evidence for the 90% figure unsubstantiated,<sup>42</sup> the US governmental sources seem to have recognized certain failures in policies related to illicit flows of firearms into Mexico that the United States failed to monitor. According to the USATF's *eTrace*,<sup>43</sup> over 20,000 (87 %) of firearms seized by Mexican authorities from 2004 to 2008 could be traced back to the United States (USGAO 2009). According to a USGAO 2009 report, around 68% of firearms manufactured in the United States were seized in Mexico, and around 19% had been manufactured in third countries and imported into the United States before they were smuggled into Mexico (ibid: 3). The most recent report released by the US Senate in 2011 demonstrates that US-produced firearms have indeed been trafficked into Mexico. The Senate's report reveals the data that US-produced firearms recovered in Mexico primarily came from the US southwest states. Texas (39 %), Arizona (10 %) and California (20 %) are the three most prolific source states with regards to this matter (US Senate Caucus on International Narcotics

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<sup>42</sup> The argument behind this claim is that the 90%-figure submitted for tracing by Mexican authorities is only a fraction of firearms used in crimes and gun battles that have been recovered. This makes the sample of traced firearms not completely representative of weapons in use in the Mexican market. Another popular argument is driven by high gun prUS ICEs in the United States. Mexican DTOs could have benefited from alternative gun smuggling routes from South American countries like *Colombia*, *Venezuela*, *Bolivia*, *Ecuador*.

<sup>43</sup> *eTrace* is ATF's internet-based firearm trace system.

Control 2011). In 2007 alone, approximately one thousand guns that originated in Texas, Arizona and California were smuggled southward across the US-Mexico border (Hoover 2008) [Figure 9].



**Figure 10. Firearms Originated in the US Seized in Mexico, 2004-2010.**  
Source: US Senate Caucus on International Narcotics Control (2011).

Although there are some data on arms trafficking into Mexico, it is still unclear how many US-produced weapons come into the possession of DTOs. It is also difficult to establish whether firearms have been smuggled by DTOs or they have been resold by corrupt Mexican officials to them.

### *The “Fast and Furious” Controversy*

The USATF’s Operation “Fast and Furious” has been one of the biggest controversies throughout the first Obama administration. Run between 2009 and 2010 as part of The Gunrunner Initiative, the “Fast and Furious” was a series of investigations into illegal gun trafficking. Within the purpose of the project, the responsible agents working the program

were ordered not to arrest illegal gun buyers and not to interdict thousands of guns to be smuggled into criminal hands in Mexico (Serrano 2011). The project failed as it allowed some 2,500 illegal gun sales in Arizona and failed to track the weapons to Mexican drug cartels (US Congress 2011: 12; Memmott 2011).

According to Mexican authorities, firearms trafficked by smugglers under the “Fast and Furious” have been found at crime scenes in Mexico such as the one involving deaths and wounding of at least 150 Mexican civilians in 2012 (Murphy & Ellingwood 2011). The controversy became a stumbling-block in US-Mexico diplomatic relations after the death of US BP agent Brian Terry. The project caused a major public scandal and an interagency investigation jointly with the Senate Judiciary Committee and the House Oversight and Government Reform Committee. Five months into the outrageous surveillance, there were still no indictments announced and few charges made.

#### *Straw Purchasers and Gun Shows*

Price differentials make smuggling small arms alluring. For example, a comparative analysis of retail prices for an illicit AK-47 in the United States and in Mexico reveals important asymmetry. A rifle of this caliber that is commonly used by police departments and militaries around the world because their ammunition can penetrate concrete and lightly armored vehicles is sold legally in gun stores in the US border state of Arizona for USD 500 to USD 550 (Anglen 2011). Records show that a Mexican drug cartel would be willing to pay up to four to USD 500 above the retail price of an AK-47 (Burnett 2005; Logan 2007).

The USATF found that firearms traffickers used a variety of channels to divert firearms from the licit to the illicit market in firearms. Recurrent have been cases when

federally licensed firearms dealers transferred out-of-state firearm to prohibited purchasers and corrupt dealers (USATF 2000). Individuals with clean records—“straw purchasers”—who can be expected to pass the required background check and who are paid by drug cartel representatives or middlemen to purchase certain guns from gun shops have been employed for smuggling firearms across the border. Because straw purchasers are legitimately qualified to purchase firearms, it is difficult for gun shop clerks to identify obvious clues that signify the connection to DTOs. Straw purchasers serve, thus, serve as an inseparable link between otherwise legal and licensed gun US dealers and the black market in firearms. Given that private gun dealers in the United States and US weapons manufacturers profit from what ultimately results in weapons transferred to DTOs in Mexico, they tend to demonstrate little interest in curtailing questionable firearms sales.

Illicit weapons are often purchased from licensed dealers in small numbers and then smuggled over the US-Mexico border. While individual transactions occur on a small scale, the total amount of the weapons trafficked into Mexico is colossal. Although some of illicit firearms might have been smuggled by individuals for their personal security or subsequent resale not associated with DTOs, the concentration of sources makes it appear that the traffic is mostly organized by gangs for the explicit purpose of providing them with arms (Cook et al 2009: 276).

In one recent case, a dealer was charged with having sold hundreds of US-produced weapons to Mexican drug cartels. The firearms illicitly sold by George Iknadosia to the Sinaloa helped fuel the gang warfare in which more than 6,000 Mexicans died (McKinley 2009). This case reported by The New York Times illustrates one of the

most prominent prosecutions of a US gun dealer. It also offer some important insights into how weapons delivered to US gun dealer are being moved into Mexico and wielded in violence.

Arms traffickers routinely enroll US citizens with clean records to purchase firearms often from different shops to be later transported across the border in cars and trucks, camouflaging them in door panels or under the hood. A steady stream of women—single mothers and expectant women—recruited to keep weapons flowing from the United States into Mexico. For example, Ann Zarate, a 24-year-old Texas citizen, one of the many involved in arms trafficking for a small remuneration, was sentenced to 10 months in federal prison as a buyer in a gun-trafficking ring (Johnson 2009).

Some of the smuggled weapons are also bought from private individuals at gun shows, and the law requires no notification of the authorities in those cases. Illegal gun trafficking investigations indicate that gun shows is another popular way of smuggling firearms into Mexico. Gun shows provide a venue for the sale and exchange of firearms. In these situations, the sellers are not required to have a federal firearms license. Although federal firearms laws “apply to both federal firearms licensees and private sellers at gun shows, private sellers, unlike Federal Firearms licensees, are under no legal obligation to ask purchasers whether they are legally eligible to buy guns or to verify purchasers legal status through background checks” (US Senate Caucus on International Narcotics Control 2011).

## **Conclusion**

This findings of this chapter suggest that by hardening the border, the United States only temporarily managed to curtail the problem of drug trafficking. In the long-run, however,

Mexican DTOs managed to diversify and adjust to the changes in the market in illegal drugs. Apparently, the law enforcement on the US side of the border does not jeopardize drug trafficking. On the contrary, drug traffickers almost certainly look forward to it to speculate prices for illegal drugs and to weed out competitors. The effect of the asymmetry of drug prices and drug resources between the United States and Mexico helps understand why the US counter-narcotics agenda has been stigmatized. The drug trade remains a profitable opportunity for drug trafficking organizations to generate colossal revenues.

The issue at hand is that the US liberal arms legislation that tolerates arms possession and arms purchases and the restrictive gun laws in Mexico have created a lucrative opportunity for smuggling US arms into Mexico. With the rise of Mexico's internal violence caused by the "drug war," there has been a growing demand for cheap firearms that has been readily satisfied by an army of loot-seeking straw purchasers and private arms merchants.

There is no easy answer to the problem, especially since the need for guns expressed by Mexican cartels is ultimately derived from the US demand for drugs trafficked from Mexico. Mexico's situation in this respect is a particularly tricky one given the fact that firearms often end up in the hands of drug cartels and guerrilla groups, thereby empowering them to continue blood-shedding, violence and serious crime. These activities may engender violence and associated criminal activity spilling over into the United States as well as other regions.



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## CONCLUSION

The dissertation studied the nexus between state features and transnational organized crime. In doing so, it provided a qualitative analysis of the formation of opportunities for TOC within different types of states. The ways the United States and the Russian Federation contribute to the formation of criminal opportunities differ. The differences can be grouped into three categories.

### ***Criminal Opportunities A-Type***

An in-depth analysis of criminal activities and organized crime groups in the context of the Russian Federation along its frontiers in the North Caucasus indicates that states with unstable political apparatuses and unfulfilled state responsibilities are the most likely points of entry for TOC. Criminal opportunities of a-type are characteristic of poorly functioning states and presuppose a vicious downward spiral, in which deteriorating political, economic, security and law enforcement institutions, a popular acceptance of alternative authority, presence of illicit armed groups and lawless zones generate unprecedented criminogenic circumstances. These destabilizing phenomena and

processes predictably translate into exploitable criminal opportunities that offenders readily exploit to get richer.

Lacking governance, low transparency and accountability of state institutions combined with high levels of corruption and fraud as well as economic stagnation and societal shocks transform weak states into easy targets for exploitation by motivated perpetrators. In the environment of chaos, distress and instability criminal organizations face limited opposition, and sometimes even support, when launching illicit businesses and operations.

As soon as state institutions and state functions are controlled by criminal groups they reap off substantial private gains that further exacerbate state weakness and hemorrhage. Ones embedded in the political system and the economy, by whatever means possible, institutionally-embedded criminal groups are impossible to extract. Institutionally hollowed out and incapacitated, weak states get trapped in a vicious circle that starts from the formation of criminal opportunities exploited by criminal actors, continues to the formation of mutually beneficial crime-state alliances and culminates in state collapse.

Devastation, poverty and chaos that followed the wars in Chechnya, transformed the North Caucasus into an area with highly lucrative criminal opportunities utilized by criminal groups and the general populace in a condition of poverty and post-conflict antagonism. The presence of a symbiotic relationship between political institutions and TOC as well as the symbiosis between insurgents and criminal groups analyzed in the context of Chechnya and Dagestan can be as considered important facilitators of state vulnerabilities to TOC.

### **Criminal Opportunities *B-Type***

What also follows from the preceding analyses is that the sources of TOC are far more complex than state failure. The findings of analyses of cross-border crime at the US-Mexico border condemn the blunt equation of weak states and crime. Thus, the thesis disagrees with the conventional argument that the formation of criminal opportunities can be exclusively associated with states that are already weak and have difficulty in performing their tasks and duties.

While some important progress in securing the US-Mexico border has been present, cross-border criminal activities coupled with pre-existing gaps in the criminal justice regulation and the complex dynamics of the post-9/11 border security environment have continuously challenged the capacity of the United States in securing its border with Mexico. Not addressed at the border-wide scale, law enforcement success stories at a series of specific locations do not constitute the overall victory of the United States over TOC.

Given the sophistication of institutional and technological developments along the lines of the post-9/11 security reorganization, the collision of the “war on terror” and the “war on drugs” at the US-Mexico border has led to several unexpected consequences related to the growth and displacement of transnational criminal activities. The global anti-narcotics strategy of the United States founded on tough policies and rhetoric has won few battles and is losing the “war.” By utilizing alternative smuggling methods and techniques, criminal networks have managed to adjust to most sophisticated bureaucratic, technological and security enforcement strategies. Transnational criminal networks possess a unique capacity to affect economic security and exercise a negative impact on

the integrity of institutions in developed states by the means of criminal force-multipliers—corruption, various types of fraud, money laundering and other criminal undertakings.

Mechanisms of national security that rely on traditional means of creating a “fortress state” polarize socio-political, economic and security space that positively impact TOC. Supplementary security expenditures do not directly lead to effective management of the criminal justice apparatus. A state that relies on high levels of punitiveness and law enforcement zeal—policies tough on crime—might paradoxically have an impact on producing incentives for criminal activities or cause crime displacement. Although legitimate, certain prohibitions are imprudent because in practice they cause more harm than good. With instruments of power and punishment, TOC is not dismantled but, on the contrary, empowered.

### ***Criminal Opportunities C-Type***

Not only state qualities define the dynamics of TOC, criminal opportunities are produced by systemic factors embedded in the international system. The analysis of criminogenic asymmetries helps understand the formation of criminal opportunities from a perspective that goes beyond state-centrism. The disparity of resources or differences in terms of distribution of resources between states, discrepancies between states in the distribution of economic assets and income, discrepancies between legal systems are fundamental determinants of TOC.

Operating within an international system, TOC triumphs in the circumstances of criminogenic asymmetries—systemic gaps between those states that are affluent and secure and those which are poor and unstable. These gaps produced unwittingly aid the

global spread of unruly forces, highlighting western democracies' considerable vulnerability to disruption. Discrepancies between properly functioning states and zones of instability and chaos generate highly lucrative opportunities for the black market, where illicit goods and services are sold and purchased. From this perspective, state borders and institutions are not obstacles but opportunities for TOC.

In the case of the Russian Federation, the dynamics of drug trafficking cases demonstrates that price differentials facilitated the continuity and profitability of illicit cross-border transfers of drugs from Afghanistan via the North Caucasus into Russia. The in-depth analysis of black caviar contraband provides an example of how the principle of asymmetry of resources serves a lucrative incentive for smuggling contraband black caviar both within the Russian Federation and on to more affluent markets such as the ones in Western Europe and North America. The case of the Russian Federation is unique also because the asymmetry of prices and resources could be found in abundance domestically as well. The intra-state asymmetries between poor and conflict-torn republics of the North Caucasus and capital Russia present prices and resources within the Russian Federation.

The analysis of the US-Mexico border presents insights into the price asymmetry and the asymmetry of resources in the countries on both sides of the border. Drug trafficking across the US-Mexico border provides evidence that price differentials between the costs of drugs in Mexico and in the United States can serve as powerful drivers of TOC. It appears that developmental and wealth discrepancies are too great, the profits are too large, the addiction to strong drugs is too high and the black market offers

too irresistible to refuse. The expansion of TOC, thus, cannot be easily tamed or dissipated simply by keeping it outside of national borders.

### **Policy Recommendations**

Policy recommendations below provide several sets of guidelines for policymaking with respect to how one may alleviate the formation of criminal opportunities. Rather than conceptualizing the failures of weak states as a security problem, it is recommended that these states are viewed through the prism of development and human security. Policy response to states with a-type criminal opportunities should be oriented towards governance solidification and institution building, administrative integrity, provision of adequate public services, protecting human rights, ensuring the rule of law, fighting corruption, reducing poverty and growing the economy.

One place to start with is to develop durable political institutions, particularly in secession and contested areas with limited state control. This can help ensure the ability of the state to maintain legitimate authority and monopoly of force. Modernizing governmental structures of the Russian Federation at the federal level and administrative organs in the republics of the North Caucasus, strengthening the republics' economies and federal-level support for cultural and religious freedoms are necessary steps to be made in the context of the problems the Kremlin has encountered in the North Caucasus.

The more poorly functioning states fail to produce public goods (public health services, education, social welfare services) the greater the probability that some assistance will be provided by criminal organizations that are often sympathetic to extremist ideologies. Therefore, programs that help governments build capacity to provide these public goods would eventually reduce the scope of criminal expansion and

terrorism. Improving the provision and re-distribution of public goods and social services might help tying citizens to the state and winning their allegiance and respect.

Ramzan Kadyrov has established himself as an unchallenged leader. Although his strong leadership has generated a fragile stability in the region, his nepotistic channels may eventually create discontent shared by those left outside the ruling clan, the system and even the Kremlin. Governance in the North Caucasus should be improved and made more transparency. First steps are recommended to be taken in the security and justice sectors.

Putin's policies in the North Caucasus have responded to regional challenges through a combination of security and development policies. They have, however, been significantly challenged by corruption and nepotistic management structures. The Kremlin's efforts to develop tourist resorts in the North Caucasus as a way to counter terrorist activities are poorly controlled by the local population even less so by the federal government. Yet, they may constitute vital steps to securing peace and order in the region and its integration not only with the rest of the Russian Federation but also with the wider international community.

Moreover, development assistance should be invested to enlarge the legitimate economy and expand employment opportunities. Well-administered trade is likely to positively impact the legitimate economy and job opportunities, thus shrinking the gray and black markets, and, with them, the sources of criminal opportunities. Policies supporting a healthy, growing legitimate economy with expanding job opportunities for a cohort of unemployed young men might also help mitigate demographic and social criminogenic factors.

Finally, what is needed a comprehensive package of political, economic, social and security measures to stabilize Chechnya and the wider region of the North Caucasus over the next few years. The West could in fact provide assistance in brokering of peace, and rebuilding Chechnya and the neighboring republics. This effort would involve international campaigns to increase the funding allocated by individual governments and international organizations for the region for the purposes of developing education and health services.

Particular attention should be devoted to human rights, the free media as well as efforts to reach and respond to the needs of local populations. Western governments and international organizations should also increase support for local non-governmental organizations in the North Caucasus with a particular focus on capacity building among the next generation of activists. Success in such an effort would not only help Moscow's mission in the North Caucasus, but it would also enhance cooperation between Russia and the West.

In the context of the United States, it should be acknowledged that current approaches to TOC dominated by the "control" paradigm based on the premise that insecurity can be controlled through military force and containment contribute to increasing insecurity rather than reducing it. The new class of complex and multi-faceted challenges outstrips the capacity of states to win the war against violent non-state actors. If bureaucracies of high-capacity states go along the procrustean path in responding to TOC by chopping them to fit old concepts of national security, good fences are more likely to make bad neighbors. Tough security policies fail to address the root causes of TOC. National security agendas adopted by developed states require more sustainable

solutions. What is needed is a form of management that could be called protean that is able to change its shape rapidly to match evolving challenges and unintended consequences of policies. If those are not found timely, there is a danger of being swamped by risks that may lead to succumbing to the system's malfunction.

The problem is perhaps more complex in the US, where there remains a strong tendency, particularly within the Republican Party, to place the onus for assuring border security on Mexico, in terms of preventing criminals reaching the border. However, as the Obama administration has admitted, the US plays a major role, both as a destination market for drugs and migrants, and as the source of much of the weaponry flowing south across the border towards the illegal criminal organizations. As such, the US looks set to maintain its focus on co-operation with Mexico, with the cancellation of the border fence project perhaps marking an acknowledgement that security cannot be achieved simply by blocking off its southern neighbor.

US policy makers should focus on the "war on drugs" from the perspective of bilateral cooperation and cross-border development rather than on military and police countermeasures. Reducing the supply of illicit drugs is an obvious way of curtailing use. It is crucial to focus on fighting the demand side of drug trafficking. It is recommended not to rely on punitiveness, but to invest in transforming the culture against drug use. Changing social attitudes toward drugs is a difficult undertaking, but not an impossible task.

The United States should take serious policy measures to curtail the trafficking of small arms and ammunition into Mexico. Widespread violence in Mexico escalated also because there is an easy access to arms makes the Mexican state fall prey to drug

syndicates. The weaker the state, the greater difficulty the United States will experience in controlling the nearly two-thousand-mile border. Spillover violence might be transferred to American soil. Weak Mexican government is also likely to increase the flow of immigrants and contraband into the United States.

Softening the risks of globalization and reliving economic crises is a precondition for any policy response in the fight against TOC. Throughout most of its history, traditional criminology has assumed the Hobbesian conception of a policy—a sovereign state securing the conditions of domestic peace within its borders by monopolizing the means of internal violence. Issues of law, justice, community and safety have been implicitly built on the notion of a bounded territory and state sovereignty.

Addressing TOC requires a change of foci. States must be ready to waive some of the formal orders of sovereignty, customs and traditions in order to overcome global disconnectedness and inequality towards more solidarity and harmonization to be introduced in the international system. The larger security challenge is to expand improve coherence, consistency, fairness and harmonization of the international system, which is the way to recover state vulnerability to respond TOC.

It is recommended that national governments pay close attention to better coordinating and managing policies aimed at curtailing TOC not only domestically but also internationally. The success of state policies against TOC also depends on the levels of homogenization of state visions of law enforcement and the means of security and control, economic development, foreign aid and investment as well as immigration and employment. Thus, policy efforts should be directed towards harmonizing criminal justice systems, economic development and the management of resources across states.

## **Limitations of the Study and Suggestions for Future Research**

Given the interdisciplinary scope of the research topic, there was little, if any, prior research available. This made it difficult to lay cross-disciplinary foundations for understanding the research problem under scrutiny. This limitation, however, served as an important opportunity to do research on this particular topic and through the interdisciplinary lens.

Although the research has largely reached its goals, there are some unavoidable limitations which should be discussed in some detail. The first set of limitations relates to generalizability and transplantation of findings. Because of the time limit, there were only two country cases selected for the analysis. It may be possible that the findings produced could be applied to other national settings. Yet, there is no clear-cut guiding mechanism that I can recommend at the moment regarding the transplantation of findings beyond the United States and the Russian Federation.

Subjective interpretation and presence of biased information represent the second group of limitations. It should be reminded that official sources (governmental press releases, official reports, etc.) may provide the data that are only applicable to a particular administration and in a particular period of time. Reports released by authoritarian regimes may be particular biased and tendentious. The use of mass media materials could have also lead to distortions of interpretations. It is often the case when it comes down to sensationalist and commercial media outlets. Moreover, the reliance on subjective opinions of a non-representative sample of interviewees is a significant drawback to the methodology about which the author is well aware. One of the problems encountered was the so-called social desirability bias that relates to most people's desire to present

themselves in the best possible light. As such, there is a possibility that interviewees have provided socially desirable (or those preferred by a regime/administration) rather than prejudiced answers to questions. In addition, since the assessment of the selected data was conducted by the author herself, it is unavoidable that in this study, certain degree of subjectivity can be found. This set of methodological limitations was partially solved by reviewing other sources such as the mass media and secondary literature.

The presence of these limitations invites future research to applying the theoretical framework offered to other national contexts. New dimensions with regards to the nexus between state features and TOC may be discovered, for instance, in the context of the European Union and China. It is also recommended for future research to expand the sample of criminal cases and to make an attempt to processes the expanded dataset in a quantitative manner. A quantitative approach is expected to increase the validity and the applicability of the theoretical framework developed in this thesis. Finally, those interested in policy recommendations may want to continue working on developing a set of decision-making tools and pointers for policymakers that would help to alleviate the negative effects of unintended consequences of state policies and construct more effective policies against TOC.

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