

The phantom and threat of organized crime

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Abstract. Organized crime is often perceived in terms of extended, hierarchical crime “families” that extend not only their activities but also their authority structures across national boundaries. However accurate such a view may or may not have been in the United States, where it originated, evidence from a Dutch survey of organized crime enterprises reveals a different picture. For organized crime in northwestern Europe, it is more helpful to think of crime markets of two kinds: those in which the goods and services are themselves forbidden, and those in which legal goods and services are handled in illegal ways. Case studies of the drug trade, and of organized crime in the business realm, offer a detailed look at these two kinds of markets. The evidence suggests that while organized crime enterprises conduct trade across national boundaries, they do not constitute an international authority structure. Crime entrepreneurs constitute a challenge, not to the basic structure of society itself, but rather a more subtle kind of challenge to basic values and morals, particularly when criminal enterprise is linked to power at higher levels of society.

Introduction

The last decade has witnessed a growing awareness of a new threat to the social, political and economical fabric of the European nations now that the “Red Danger” has vanished with the collapse of the Soviet Empire: Organized Crime. Does this merely mean the replacement of one “mental image” of a threat by another, satisfying a basic human need for a bogie, a “terrible snowman” or a werewolf? It is difficult to answer such a question affirmatively, though it must be admitted that the many conferences devoted on this topic, and the numerous films, books and articles published with blood-curdling titles have a strong emotional appeal, facilitating an easy flow of money in the direction of the authors and the law enforcement agencies alike. Still, the image of the threat of organized crime is not a pure creation of the mind. There are enough worrying facts indicating that there is something going on in the crime scene. The feeling of a threat was reinforced by the brutal killings of the two judges Falcone and Borsellino in the summer of 1992. Various authors pointed to the danger of the mafia for the united Europe: “The Mafia conquers a continent” was the subtitle of Calvi’s book *The Europe of the Godfathers* (Calvi 1993). Roth and Frey (1993) outlined by means of hair

raising quotes from German “expert” policemen the “*united Europe in the grip of the Mafia*”. These threats were topped by a new looming danger, coming again from the east: the “Russian mafia”, ruthless and violent like Attila the Hun, on its march to take over Western Europe. The worst threat is of course the combination of the two.

Organized crime became a major policy topic in the Netherlands as well. At an early stage in the last half of the 1980’s policy makers in the Netherlands took the threat of organized crime seriously. According to a well established tradition of the Dutch Ministry of Justice attempts were made to develop the anti-organized crime policy on an empirical basis. The police carried out three national surveys based on (soft) information gathered by the police. Though these surveys were based on a shaky methodology they can be considered a good start towards empirical policy making. In addition, two empirical research projects have been carried out successively in 1986 and 1991 in which organized crime was studied from the point of view of crime-*enterprises* engaged in some kind of illegal *trade* in the cross-border crime markets in Europe (Van Duyne 1990, 1995).

In Northwestern Europe organized crime as a criminal economy is essentially a *cross-border crime-trade*, certainly as far as The Netherlands is involved (Van Duyne 1993). Whatever criminal trade is being carried out one cannot avoid border crossing. An organized crime trade should be looked upon as situated in an international *market* of supply and demand in which the crime-entrepreneur operates as a criminal merchant. Though crime-entrepreneurs have to operate in an economic “underworld”, by which is meant all those forms of trade and industry which are systematically on the wrong side of the law, it is not an “other world” phenomenon. Some crime-entrepreneurs are continually in search of establishing bridgeheads with the respectable “upperworld” through corruption or through the social mechanism of courting friendship with the high and mighty. Others are operating directly within the “respectable” circles of the legitimate trade and industry. This many-sided relation between the upper- and underworld is an important though difficult and sensitive aspect of any research on organized crime.

Crime markets can roughly be divided into two main categories: (a) the markets of goods and services which are *forbidden* and (b) the markets of *permitted* goods and services which are offered or handled by means of law-breaking. As far as Europe is concerned the market of forbidden goods is dominated by the trade in illicit drugs. The second “market” is the entrepreneurial domain of organized business criminals engaged in systematic fraud, like organized EC-fraud, investment fraud, trade in counterfeits etc. Of course there is no real “fraud market”: there is a trade in normal goods and services which are offered in a fraudulent way.

The nature of organized crime

There is no agreed-upon definition of organized crime. All definitions mirror a certain way of looking at this phenomenon. Some definitions stress the violent character of this form of crime while others focus on secret societies like the Mafia or the Yakuza. Authors like Cressey (1969) stress the structural aspects of organized crime as line-organizations and the relations between criminals and corruption. Maltz (1990) proposes to define organized crime by means of a list of distinguishing features of which four were considered essential for all organized crime groups: violence, corruption, continuity and various forms of crime. However, this may lead to odd outcomes. For example, applying such definitions to important cases of Dutch hash-trafficking or serious fraud I found out that the smartest forms of criminal organizations would not be “organized crime”, but rather the criminals who traded only in one product and avoided violence as primitive and crude business instrument, while in their business operations they did not need to corrupt officials. Should such smart organizations not be considered “organized crime”? However, if such cases were analyzed from the angle of *organized crime trade* they ranked as sophisticated high level crime organizations. In view of such unsatisfying outcomes the definition, as designed by the Bundeskriminalamt (BKA, the German Federal Crime Intelligence Office), appears to be an analytically sufficient working definition, because it fits appropriately into the dynamics of *organizing crime trade* (as highlighted by Block and Chambliss 1981). The full translation of the definition (Küstler 1991) is:

Organized crime is the planned violation of the law for profit or to acquire power, which offences are each, or together, of a major significance, and are carried out by more than two participants who cooperate within a division of labour for a long or undetermined timespan using:

- a. commercial or commercial-like structures, or
- b. violence or other means of intimidation, or
- c. influence on politics, media, public administration, justice and legitimate economy.¹

This BKA-definition provides a baseline to determine whether a criminal group ranks as “organized crime”. Of course there are shortcomings. It does not say what is to be considered “major importance” and it does not differentiate between various categories of organized crime. It has the advantage of not only focusing on “heavy” crime (whatever that means apart from violence and drugs) while encompassing various forms of organized business crime like the organized animal trafficking in rare species.

The image of organized crime as it is supposed to exist in the US (hierarchical syndicates) is usually taken as a point of reference for making comparisons with the state of affairs in Europe (e.g. Mack and Kerner 1975, 1976; Fijnaut 1990). Such comparisons miss the point that the emphasis in the US on the Italian organized crime families (Cosa Nostra) was partly artificial and politically motivated (Jenkins and Potter 1987), while the supposed organizational strength proved to be a partial myth (Reuter 1983). Instead of such uncreative comparisons it may be better to look at organized crime in Europe from its own economic and social landscape in which organized crime *trade* takes place. Europe has little forbidden amusement, except drugs use, which illicit character is an unhappy heritage from US's moral crusading since the beginning of the century (Gerritsen 1994; Musto 1973).² In addition Europe has a large diversity of economies, extensive economic regulations, many lightly-controlled borders to cross, and relatively small jurisdictions. This means that the largest illegal profits for European crime-entrepreneurs are to be gained in the drug market and in the area of organized business crime.

Concerning the expected kind of criminal organization in Europe one should keep in mind that crime-entrepreneurs (a) are in essence free tradesmen and (b) do not start their business in a cultural vacuum. As free tradesmen they are not primarily organization-oriented but pragmatic "activists", whose trading organizations develop bit by bit by selecting (unconscious) models they find in their immediate environment. If the normal (licit) business nucleus in Southern Italy, Turkey or Pakistan is the (extended) family (Ianni and Reuss-Ianni 1972), in Northern Europe there are no such social-economic family units. Here legal and criminal business patterns develop pragmatically along trusted networks of friends and connections (Rebscher and Vahlenkamp 1988; Weschken and Heine-Heiß 1990). The exceptions are the crime-enterprises of minorities in Europe whose businesses are family matters, which should not be equated with impersonal "syndicates" (Ianni 1974). Given the multi-ethnic composition of present-day Europe it is clear that any static definition of organized crime will not conform to any monolithic presentation of organized crime. A West Indian crime family (matriarchate) differs widely from a Turkish family (patriarchate) in organizing their (crime) businesses. The former looks to the outsider a mere spectacle of organized chaos, while the latter seems to operate along strict hierarchical principles. Still both models of crime-organization fulfill their aims to the participants. Organized crime is very human indeed.

Some historical backgrounds of organized crime

Some insight into the historical backgrounds of organized crime is not a luxury, nor a “*petit histoire*” narrative. Many of the present-day problems have long historical roots and are monuments of the unique human capacity of repeating previous mistakes while changing only their outward appearances.

In the New World as well as in Europe the roots of organized crime stem from before the industrial revolution. In the 17th and 18th century Western Europe witnessed the activities of highly organized gangs which fulfill all the present day criteria of organized crime, with the exception of money-laundering. The usually rural gangs operating in the badly controlled border regions of the Low Countries and the Rhineland during the 17th and 18th century were highly mobile, hierarchically organized and characterized by a division of labour (Egmond 1986, 1994, Vanhemelryk 1984; Sieber and Bögel 1993). Urban crime was still at the level of “craft”, though network-organizations and specialization were developing (Egmond 1994; Mc Mullan 1982). An important “founding father” of urban organized crime in London was Jonathan Wild (1683–1725) whose “fencing enterprise” was the outlet of small criminals and the relief of the owners, buying back their stolen property (Howson 1987).

After the French revolution modern strong nation states developed in Western Europe where under the rule of law violence became a state monopoly. The rural banditism shifted to other badly controlled regions like Southern Italy and the Balkan area. In Italy where a traditionally corrupt state did little to unite its citizens under the rule of law, the southern regions despised their wealthy northern businesslike co-patriots and the government alike. The traditional crime networks, the Camorra and 'Ndrangheta, survived and adapted to the 20th century circumstances (Abadinsky 1991; Paoli 1994). The Mafia developed its own fateful momentum (Servadio 1977; Arlacchi 1986).

One may wonder whether the present abolition of the border controls between most of the Member States of the European Union, the uncertain situation at the EU-east border and the undeniable flow of homeless fortune hunters and desperate refugees does not contain similar constituent elements for gang building as a first stage of organized crime development as before and during the French revolution.

In the United States organized crime was a well established phenomenon long before the arrival of the Italian immigrants (Abadinsky 1991; Peterson 1983). Organized crime did not only have a firm foothold in the classical underworld but was also well entrenched in the upperworld of business, administration and politics. Important participants were Jews and Irishmen and after the turn of the 20th century also the Italians. Organized crime and politicians developed a well balanced symbiosis: the leading criminals in a

ward could deliver votes and the politicians protection, public contracts or at least a blind eye. The immigrant Sicilians in the US did not need to import mafia methods. They found them all worked out in the American society (Lupsha 1981). The ill conceived "Prohibition" of alcoholic drinks in the US provided the existing crime-organizations the ideal entrepreneurial landscape: a forbidden good for which there continued to be a popular demand. Before and after the Prohibition new legislation was enacted against various narcotic drugs thereby creating new crime-markets for "forbidden fruits" (Musto 1973; Himmelstein 1983). Politicians are slow learners indeed. The endeavours of these moral crusaders and their various successors have contributed to the present universal "crime commodities" and related crime-markets.

The present organized crime situation in Europe is marked by much short term public excitement. After the scare that the Sicilian mafia would be "on its march to take over the rest of Europe" it became silent again at the mafia-front, apart from a few skirmishes of the Italian Ministry of Justice against the anti-corruption judges and the mafia fighters. Some attribute this to Berlusconi whom they consider the updated successor of the mafia-aid Andriotti (Ilegem and Sauviller 1995). Given the way in which he ridiculed the number of mafiosi, his treatment of the judges and his attitude towards the pentiti, combined with the traditional mafia-votes he is said to have obtained in the elections, the allegation of some kind of "silent understanding" with the mafia should not beforehand be dismissed as mere slander. But public attention and fears were soon directed towards Eastern Europe. What is to be expected from these unruly countries? That depends on their economic and demographic development and state development (Joutsen 1993). Most of the "Russians" who established bridgeheads for their crime networks in Western Europe and America were Jewish immigrants who found another promised country than the Holy one (Van Duyne and Block 1995). More important than such popular scares is the ironic economic fact that the rich western countries show little interest in Eastern Europe's legitimate products while the production capacity for drugs in Eastern Europe's backgarden, Central Asia, exceeds all other existing cultivation areas (Wallon 1992; Raufer 1993).³ If we do not buy industrial products but are rich and willing enough to buy drugs, what would one expect economically?

Method of research

The Dutch research project is based on an analysis of Dutch police and court files concerning organized crime, complimented by the analysis of criminal files in Belgium, Germany and the UK as far as they were related to the Netherlands. If possible, relevant financial information from the Inland Revenue and

Fiscal Police were included in the analysis. In addition a (parsimonious) use has been made of “soft” information if such information was supported by other information sources.

The selection of cases was not a matter of drawing a “representative sample” from a pool of cases. For the time being such a clean methodology is not possible in organized crime research. One is dependent on all sorts of opportunities, most of all the police and the Public Prosecution Office. Most police and Public Prosecution Offices were quite open, allowing me to snoop around. My basic selection criterion was the previously mentioned BKA-definition and not what the police presented to me as “organized crime”. I dismissed sometimes “heavy” cases which were rather morbid examples of pathological violence than organized crime. As the attention of the police is heavily biased towards the drug trafficking I grew selective in accepting drug cases if the structure of the smuggling organization revealed similar patterns of what I had seen before: the “umpteenth” heroin or hash transport. Although of each case a scheme of “who is who and who did what” was made, much of the analysis was a matter of interpretation. I had extensive additional discussions and interviews with the investigating teams, sometimes providing me information not recorded in the files. This did not mean I shared all their views. Sometimes I deviated from their police point of view either because my behavioural interpretation was different or because additional information from foreign files or from the tax office resulted in another picture of the organization.

In total 44 cases were analysed: 22 concerned drug trafficking, 19 organized business fraud. Although all cases were reviewed for money-laundering and the relation between under- and upperworld, two additional cases concerned specifically the relation between organized crime and the upperworld and one case involved money-laundering only.

Results

Organized crime always has more aspects than can be highlighted in one research project. The main focus of attention was the phenomenon of cross-border crime-enterprises operating on the Western European market, as far as they were related to the Netherlands. Given the existence of such enterprises two other questions concerned the management of their finances and their relations to the legitimate industry and the administration. I will first describe the primary markets of drugs and organized business crime. Subsequently I will deal with aspects of the criminal money-management and the relation between organized crime and the “upperworld”.

The drug markets

Though politicians talk about drugs as a holistic phenomenon, economically the drug market harbours much variety. In the illicit drug market four main sub-markets have been investigated separately: the hash-market, the heroin-market, the cocaine-market and the market of synthetic drugs (amphetamine and XTC). As we shall see they differ widely in their nature and personnel composition.

The hash enterprises

On the hashmarket The Netherlands has a long tradition, not only because of the tolerant attitude towards cannabis use, but also because Dutch entrepreneurs developed the international networks for cross-border trade in this commodity. Viewed from the angle of market organization the Dutch hash-market can be considered very elaborate indeed. Most wholesale traders (smuggling cargoes of more than 1000 kilos) can be characterized as product-specialists, sticking to their hash trade, eschewing the tougher and in their opinion more criminal hard trade (Korf and Verbraeck 1993). The actors in this market who were involved in wholesale trade (import, transit and export trade) could roughly be divided into the following categories:

- the “self-carriers” who held the entire transport organization in their own hands;
- the traders who (in the development of their business) handed over the transportation to other entrepreneurs;
- the independent carrier organizations for the real smuggling transport for the hash traders; and
- the global distributive traders who sold the merchandise from the production countries directly to wholesale merchants in the consumer countries.

The wholesale *self-carriers* developed extensive organizations which were required to keep their boats or their trucks on the seas or roads. The number of criminal participants in such organizations could rise very quickly. This applied to the road as well as to the sea transport. Outwardly such crime-enterprises look like threatening well organized “crime-syndicates”. Indeed, to get so much transport under way, organizing payments for the boats, the crew, supervising the unloading and controlling the not too honest “staff” requires a lot of organization and one cannot deny the shrewdness and intelligence of the leading entrepreneurs. However, much of the efforts were wasted because of the human limitations and characteristics of the leading criminals. The histories of the crime-enterprises of *Boris Batterbrain* and *Samual Horseshoe* are quite revealing in this respect.⁴

Together with two colleagues Boris Batterbrain inherited the trade of the deceased smuggler Harry Bayer (described in Van Duyne 1990) to which he added great organizational talent and capacity to handle the complex information of parallel tradeflows on the seven seas. However, he combined his high level brain activities with an overcapacity for violence. If a shipment was thrown into the sea because police interception was expected, the unlucky captain was taken out for a not so reassuring "ride to make a chat" while looking into the barrel of Batterbrain's gun. Potential skippers and crew started to eschew the hardhanded entrepreneur who saw his trade hampered because he ran out of boats and crew. When an owner of a still unsuspected ship refused to sell his boat, Batterbrain exploded. In a blind fury, armed with pistols, a kalashnikov and sticks he and his accomplices stormed the house of the unwilling boat owner. The house was changed into a ruin and the victim beaten senseless (in front of visitors acting as eye-witnesses!). This resulted finally in complaints to the police and a higher prison sentence than Batterbrain would otherwise have obtained.

Samual Horseshoe was another talented organizer. He had a normal, legitimate export company but saw that some of his competitors became rich because of their side trade in hash. He accepted the challenge to do better in which he succeeded. He developed a thriving trade between the Middle East and the United Kingdom. The British (and Scottish) pounds flowed by the millions, delivered in sportbags and deposited in banks whose staff welcomed the flow of cash without asking too many questions. The organization expanded quickly and encompassed transport companies, money carriers and other executives. However, mentally the big boss did not keep pace with the growth of his trade. Just like Batterbrain he did not realize that also in crime "human engineering" is the key to enduring success. He cheated his Dutch-Moroccan buyers, had a transporter beaten up in "front of the troops" and was mean towards his aides. All to his very undoing. These feared crime-entrepreneurs sealed with their lust for violence their fate in the same way as the Kray brothers (Pearson 1973).

In contrast to these large organizations it was observed that the *global distributive hash traders* developed only small enterprises. They negotiated with the sellers in Pakistan, knew their wholesale importers in the US and could arrange the (independent) transporters who managed the transport side of the traffic. The most important enterprise was (and is) headed by a triumvirate of well-educated entrepreneurs. Though reasonable estimates of their yearly turnover are in the range of \$100 million, the triumvirate has succeeded in operating low profile. The most dominant of the three, *Gerard Chessplan*,

always stressed the Dutch virtue of parsimoniousness as the best way not to attract police attention. Ironically his very austere lifestyle did attract their attention! Most of their activities consist in arranging the international transports from Pakistan to wholesale buyers in the US. The most important asset of his small organization is the “portfolio” of connections: transport-organizers, money-carriers, friendly international banks, Eastern European investors as well as Canadian businessmen.

The triumvirate made good use of their underworld relations. They expanded their trade to crude oil from Eastern Europe which was a cover for drug trade. One of them made investments in the cigarette industry in Poland. The more musically talented third member bought a CD-record firm in Canada, which he used to immortalize the musical performances of his girlfriend. It even proved to be a commercial success in the top-40. One can expect that law enforcement and public will hear more from them.

The above described organization of the global hash market is of course in need of transporters. The hash transportation system has the appearance of a network of personal combinations which are available to these wholesale distributors. The independent transport organizers are generally not traders themselves nor should they be confused with the smugglers who do the actual sailing or driving of the boats or trucks. Some transport organizers owned an international transport firm for trafficking hash under the cover of legal merchandise. Others abused legitimate transport firms who were unaware of the contraband being transported within their cargo.

The development of some of the hash-transport organizations out of integrated hash-enterprises could be observed in the cases of the traders, who after some time withdrew from the “frontline”. They concentrated on managing the trade patterns while allowing the members of their enterprises, who were in charge of the transport, an increasing independence. Such organizational development is only feasible in a business environment in which the participants (almost) act as normal businessmen complying to the human rules of trust (Ruggiero 1994). Indeed, there was no indication of the threat of violence, nor complaining informants who had been cheated. As a matter of fact, these were dull files to read!

Though the Dutch hash-market can be considered crystallized and “ripe” this does not mean that changes are not to be expected. It has been observed that some hash-entrepreneurs supplying German and Belgium customers shifted a part of their production to Poland. They had acquired some acres of land to cultivate their own cannabis plants. Later the crop was re-imported to the Netherlands and Germany. Another expected change is the “emanci-

pation” of the cannabis producers who are no longer satisfied to leave the profitable transport and distribution to the Dutch transporters. Moroccans living in the Netherlands are now quite willing to compete with the Dutch transport organizers. The beginning of a “criminal decolonization”?

The heroin trafficking enterprises

The heroin-market is strongly in the hands of Turkish and Kurdish crime-entrepreneurs as far as the European continent is concerned. The Turkish traders buy their merchandise in Pakistan or Afghanistan. The Turkish crime-enterprises are in essence patriarchal family enterprises. The members of such family enterprises reside in other European countries as well as in Turkey, which accounts for the “integrated trading line” between the supply in Turkey to the distribution points in the consumer countries, while the transport is also being carried out by members of the family or well known friends from the region of origin, often mutually connected by family ties. Such family-enterprises, headed by the senior member(s) of the family, should not be confused with western hierarchical line-organizations.

According to the police analysis the Turkish family crime-enterprises are characterized by a “cell-structure”. The executive segments of these family-enterprises should be considered independent “cells”, having insight into only a part of the trade flow and organization. According to the police such a cell structure accounted for the strength of the Turkish organizations. However, notwithstanding such “cells”, which require a kind of delegation pattern, the important leaders showed little inclination to delegate the operation of even such segments to these alleged cells. Very often they interfered with the business on the executive level resulting in much confusion. One may wonder whether the so-called “cell structure” is no more than a (western) police projection on a culture where “men of respect” do not delegate to cells, but give orders while standing in the frontline, much to their own undoing.

This classical family pattern is open to changes and adaptation to the Western way of doing business, just as is the case with the development of the Turkish minority in Europe. Two heroin wholesalers’ enterprises were observed who had developed Western European business traits. They no longer only used their family members for the carrying out of the transport and made use of Dutch and German front companies.

The German and Dutch organizations, comprising several Turkish crime-families, cooperated in the import and transit of heroin. The German branch was quite remarkable. It was led by a woman: mother *Kaba Arslan* (the “hard handed lioness”) who developed good relations with her Dutch counterpart *Yilmaz Manav* (the “invincible greengrocer”), who had a vegetable shop. The turnover of the families was approximately 1000

kilos of which 600 were seized. The Arslan family was firmly ruled by the mother who shrewdly penetrated the market place of other rivaling families.

Though the kernel of this business was formed by the two families many tasks concerning the transport were carried out by non family-members: Turks, but also Dutchmen and Germans. Against them discipline was more restrained than could otherwise be observed in the Turkish heroin trade. These haulers were alert professionals who did not take chances. If they suspected police action they dropped the cargo or left the expensive truck along the road. Such objective failures were not punished. However, the failure to pay was heavily corrected: friends and relatives of debtors were taken hostage or beaten up. Mother Arslan was widely feared for her dept collection: "Kaba Arslan is looking for you" was a well known unpleasant warning. Still the German police described the little woman, who officially worked hard in her carpetshop, as a normal and integrated resident. The same applies to the much more peaceful Manav who bought his heroin from Arslan under his greengrocer's cover, where one could not even find a carrot. From the telephone taps one could learn that the families were looking for better legal covers. They were integrated indeed, acting like most of the Dutch or German crime-entrepreneurs.

Parallel to these wholesale heroin enterprises the "middle class" trade is carried out by various nationalities. In order to get insight into the lower levels of organized heroin trafficking I also studied these organized crime cases belonging to this middle category. Two characteristic examples were described in more detail. On this level of trade the ethnic composition of the participants is very mixed. Though most meet the definition of organized crime the organizational structure of this trade is shallow. Treason, rough dept collection, armed displays of strength, hostage taking and torture were not uncommon. These organizations displayed the right behaviour to hamper the development to the better forms of organized crime trade. Trade thrives on peace and silver, not on lead and dead.⁵

The cocaine trafficking enterprises

The European cocaine-market is dominated by Colombian traders who, until recently, were supposed to be members of the so-called Calicartel or cooperation.⁶ Contrary to the Turkish traffickers who followed their migrant compatriots, the Colombians explored and conquered the European market without the aid of an established minority as bridgehead (Freiberg and Tamm 1992). Sources in the Netherlands and other European countries support the theory that the Colombian wholesalers operate according to a "colonial trad-

ing post” model. First, members of the cartel explore the European market landscape and establish a “trading post”. Subsequently these trading posts are used as a point of import and supervision for further distribution, which is directly controlled from Colombia.

These are the outlines of the Colombian trading model. When one studies the crime-enterprises separately one finds again that there is no such thing as a non-family business though important executives may also come from outside the family. These family enterprises are not just smuggling businesses. The family enterprises were actually general trading companies, selling shoes, sewing machines, flowers, coffee, fruit juice etc. These were not merely cover goods, but they were really sold to European buyers. However, part of the profits of the company came from cocaine trafficking as a kind of cost-price reducing side trade but a very important side trade indeed.

One cannot say that The Netherlands was the favourite import country for Northwestern Europe though it cannot be denied that many wholesale cargos were intercepted in the Dutch ports. The general management of these enterprises resides invariably in Colombia. The supervision of the execution of the shipping, unloading and distribution is in the hands of relatives, some of whom reside for some time in the country of destination where they make their reconnaissances. In the next organizational level Dutchmen, Greeks, Englishmen and other Europeans were given the lower executive tasks. The Colombian supervisors had no easy task: on the one hand they had to prevent the bungling of the execution and the other hand they had to report frequently to their difficult bosses who held them responsible for anything that happened here. Amidst so much ethnic cooperation one sees a mixture of cunning and bungling: safehouses being suspiciously blinded which caused the landlord to warn the police; pocket computers which contained the names of the members of the organization; deliveries to the Dutch ports without a worked out plan for unloading. In one case the Dutch accomplices refused to cooperate any longer because the Colombians suggested only ridiculous plans to get the containers out of the customs storehouse. To enforce cooperation one of the Dutchmen was taken hostage: do not challenge Colombian authority! Cooperation with Colombians hardly ever remains voluntary.

The cocaine market is not the exclusive playground of the Colombian cartels. Where there is so much supply and demand and so little real market control there is space for a broad participation by smaller crime-enterprises. Important for the Netherlands is the steady supply by medium-sized trade carried out by family-enterprises of Surinam and Antillian origin. These con-

sist of extensive, but loosely structured networks of relatives. The Antillian and Surinam family culture deviates from the male dominated patriarchates. As the (biological) father frequently leaves the family the mother dominates as the one who takes care without being the hierarchical apex. As a matter of fact there is no strict hierarchy. It is therefore very often difficult to detect organizational patterns in these family-enterprises or lines of authority. The smuggling of small quantities is carried by brothers, nephews, half-brothers and sisters, vague relatives and the like with broad familial consent. Important for the West Indian smuggling trade is the existence of family-bridgeheads in the Netherlands: there is always a trusted one to handle the cargo. Another asset is the access to corrupt officials in the Antilles and Surinam. Some of the trafficking activities were carried out while "helpful relations" (a diplomatic euphemism to indicate high level corruption) could be arranged with the national Surinam Aviation Company and legitimate import and export companies: they provided preferential treatment to get the contraband out of the country. They are supported by the higher ranks of the Surinam army.

The synthetic drugs market

The structure of the market for synthetic drugs is still relatively open and undetermined. Until recently the supply of stimulants in Northwestern Europe, especially amphetamine, was largely in the hands of Dutchmen, residing in the southern provinces. After the political changes in Eastern Europe the market started to change and the Poles proved to be skilled competitors. Their share in the German and Scandinavian countries rose from less than 10% to 20–26%. Despite this competition the price differences are interesting enough for any trader: in 1992 1 kilo of amphetamines cost f 7,000 in the Netherlands, in the UK f 8,000, while in Germany the same product yields f 40,000 and in Norway f 64,000. As there is no agency for harmonizing prices one can expect a thriving business.

As is the case with the other drugs markets, the stimulant market is relatively open (Korf & Verbraeck 1993). For a synthetic drug entrepreneur it is important to have chemical expertise and precursors at his disposal. In addition, one has to know the sneaky lanes and techniques of the smuggling craft. Today the most popular stimulant is XTC, a derivative of amphetamine. Given the explosive demand for this product in the UK and Belgium some Dutch crime-entrepreneurs changed their well known hashmarket for the booming XTC-market.

The largest enterprise in this area, the *United Pill Peddlers*, shot up like a rocket. It developed in the early nineties from a loose cooperation into a tightly knit company of three soft drugs veterans: two Dutchmen and a Belgian ex-general physician, who had extensive experience with

amphetamines and XTC. Though there did not exist such a strict division of labour as the police suggested, some of the 40 odd members of the enterprise were assigned specialist tasks like money-carrying, laundering, laboratorium tasks etc.

Of special interest was the import of the precursors in which Belgium and Italy played a special role. The precursors were bought in Italy to be exported through Belgium to Africa (on paper) but the broker and a fraudulent Belgium company of *Comte de Saint Juste* diverted the delivery to the Netherlands, cashing the VAT because of the pretended export to a non EU-country. However, the payments were made from a company in Oxford (the front company) via a German account in Liechtenstein, from where they finally went to the legitimate firm in Italy. The money-trail through these "legitimate" companies was difficult to follow. It bogged down in the "investigative moorlandscape" of Italy. Also the Belgian Count and his company were not prosecuted: higher-up protection?

The booming business with a turnover of f 300 million created an extensive cashflow which had to be managed: transported, deposited, invested etc. This implied large scale money-laundering through Dutch and Belgian banks. Most of the money was of English and Scotch denomination. As a matter of fact more Scottish pounds passed through the hands of the United Pill Peddlers than can be found in England and Wales.

The British side of the trade network consisted of professionals of the London underworld who developed an elaborate system of delivery, countersurveillance and protection. All to no avail. The flow of trade had become too large and therefore vulnerable. Small is beautiful in legal business life as well as in crime.

An important aspect of this market is the increasing supply of precursors or final products from Middle and Eastern Europe. The pattern of this traffic has not yet crystallized. Joint ventures in Hungary, Letland and the Czech Republic were involved in the import of MDE and MDA into the EU.

The XTC market is still relatively young. Parallel to the wholesalers operate again a multitude of middle large and small scale amateur enterprises who are sometimes as dangerous to themselves as to their direct environment: exploding stills, leaked acid, ammoniac emission etc. resulted in small environmental tragedies and in the premature closure of little laboratories which looked more like primitive and unhealthy sculleries than a professional factory.

Organized business crime

Organized crime is not restricted to the traditional forms of crime like drug trafficking. Given the definition of organized crime systematically planned commercial or tax fraud are to be considered manifestations of organized crime as well. However, organized business crime is not easily recognized as such by the police or the public. It is considered “only white collar crime” as long as the participants do not come from the lower classes of society, have no drug backgrounds or do not use violence. But organized business crime is not the same as white collar crime, though the methods of fraud may be similar. An organized business criminal does not commit fraud to further the interests of his firm. He has no such loyalty to his firm, which is to him no more than a disposable front to be “burnt down” as soon as it has served its purposes. It is not a sophistry to differentiate between a *criminal* entrepreneur and a *crime*-entrepreneur (Van Duyne 1988). The former violates the law but his business is not designed as an instrument of law breaking; despite his (tax and commercial) crimes he aims at the survival of *his* firm and at a rightful place in the market. The crime-entrepreneur has no such aims: his market participation is not linked to his firm and his marketplace is unthinkable without the systematic instruments of fraud. I agree that there is a large grey transition zone between these two categories (Van Duyne 1991) which in real life makes it sometimes difficult to differentiate between the two. Moreover, between the “normal” criminal entrepreneurs and *crime*-entrepreneurs there can exist all kinds of interactions ranging from victimization, profiteering in buying the cheap products to changing the roles: the crime-entrepreneur becomes respectable and the other way round. Malz (1990) is correct in pointing out that organized crime (enterprises) can also develop out of the respectable upperworld: the top-down development.

The investigated organized business crime enterprises could be divided into two broad categories:

- organized fraud with cost-price changing regulations (the “*price-wedge*” market) and
- crime-enterprises specialized in investment fraud (the “*greed market*”).

The price wedge market

In the “price-wedge market” organized business crime, while abusing the regulation of taxes, excises and EU-subsidies, is invariably involved in cross-border crime patterns. This concerns the European regulations of VAT, EU import and export laws as well as the regulations concerning agricultural products (Koch 1988).

The old Benelux VAT-system, which model now applies roughly to the whole EU, was increasingly and systematically abused in the eighties. By

inserting numerous phony corporations and frontmen the professional crime-entrepreneurs succeeded in evading or cashing tens of millions of ECU's in VAT in the Netherlands as well as in Belgium. The Dutch-Belgium VAT-fraudsters operated in a very appealing landscape: they appeared to have continued their scams for years without too much hindrance from law enforcement. As these profitable VAT scams require a good cross-border cooperation between the various "colleague-entrepreneurs" close networks of fraudsters and their aids developed in the course of time. Finally one could speak of "Benelux trading-communities" of crime-entrepreneurs. The pivots consisted of a small number of large crime-entrepreneurs who were at first mainly trading in electronic household goods. Before being sold on the black market the goods made a "carousel", being imported-exported and/or re-exported-re-imported in order to collect the VAT on export or to make the paper trail of invoices more complicated and obscure. In this flow of invoices a facilitating firm in the Duchy of Luxembourg played a very important role, passing the invoices for 5–10% of their value.

In the *oil market* the sources of the illegal profits does not only consist of dodging the VAT but also (or primarily) the high excises. On this market one could observe the development of an extensive international crime-community of professional fraudsters around a Dutch and a Belgian crime-entrepreneur.

The continuous pivot in this mega-scam was the hard working and emotionally closed Dutchman *Mordor Blackoyster* and his Belgian companion, a former butcher who later acted more independently. He started his criminal career some ten years ago as the main suspect in the first large scale Dutch environmental scandal. As former general manager of a large waste disposal plant he knew the petro-chemical market good enough to continue his businesses in this area when he came out of prison. After a warmup period his trade had a clear take off after 1987. His most important assets were:

- His good relations with a Belgian and a Dutch oil baron, who skilfully bought Blackoyster's product while hiding behind his "fence" of front companies. They were of course the fences themselves!
- His extensive "personnel portfolio" of frontmen, transporters and other executives who came from the older VAT-fraud organizations. They were valuable veterans who knew each other well.

One can say that Blackoyster could only operate successfully because he could make use of the corrupt role of the underworld and of the cross-border criminal community of which he was (one of) the pivots. The crime-trade spread from the Benelux to Germany and later to Northern France.

This large scale oil scam obtained an extra dimension when the organizers were joined by an American organized crime figure with Cosa Nostra backgrounds: *Don Pancione* who was a real veteran in the area of oil fraud in the US and had cooperated with the Colombo family. Having established bridgeheads by means of relatives of his wife who resided in Brussels, he came to Belgium in 1990 to do really big business. He had a business meeting with the Belgian oil baron and from that time onwards the flow of “black” oil through the Netherlands, Belgium, Germany and Northern France was only limited by the capacity of storage and transport. The Dutch-Belgian leading fraudsters were soon reduced to executives of Don Pancione. The latter kept his word not to play for dimes: within a year he inflicted upon the Dutch and Belgian communities damage of more than f 180 million.⁷

As mentioned before, the legitimate “upperworld” played an important role to keep this profitable crime-trade in cheap “VAT-merchandise” going. In many cases “respectable” firms not only bought the goods for “interesting” prices, sometimes they also allowed themselves to become more involved by buying their own products back for a lower price after the goods had gone round in one or more “VAT-carousels”. In the oil scams the legitimate oil traders appeared to play a leading role: they had grown into organized criminals themselves. In addition, the crime-entrepreneurs had corrupt customs officers at their disposal who falsely handled the export documents.

The investigation of organized fraud against other EU-regulations concerned mainly the import and export of meat and other agricultural products. The organized meat frauds could be characterized as Europe-wide cooperative crime-enterprises.

In Poland the fraudsters bought cattle which would be exported on paper to North Africa from Spanish ports. In reality the export documents had been falsely stamped in Spain, while the cattle had been sold in Germany, the Netherlands, Belgium, France and Spain. The various links of the complicated trading line from Poland to Spain appeared to be perfectly interconnected as could be observed in the German and the Dutch branches of this scam.

The Polish cattle first had to be changed into EU-cattle so that import duties could be avoided. This meant new false health certificates, new earmarks and invoices to show that the animals had been bought on the European innermarket. Subsequently the cattle had to be brought to the places of destination which implies a meticulously detailed organization: the animals have to be fed, have to drink etc. Parallel to this the export documents have to be arranged: the 5th page of the transit document has

to be sent back from the customshouse where the goods leave the EU to the customshouse where they have entered the EU in this case from Spain to Germany or the Netherlands. The office in Spain where the documents received the false stamps was completely sealed off from the accomplices who brought the papers. It is worth noting that various meat smugglers made use of the same customs office. Were they acting independently but shared the same fraudulent facility? Or was there a highly organized integrated network as the German police surmised? Though a Mr. Big was never found, this organized crime trade could hardly be carried out without a coordination and monitoring at a higher level. Just imagine one cannot find a buyer and gets stranded with a truck full of thirsty and mooing cows on the M1. Well that never happened.

The way in which the meat or cattle reached the legitimate meat industry has not been fully revealed. One meat processing plant which was involved in this fraud has been researched. It appeared that the outwardly legitimate firm was actually nothing more than an integrated crime-enterprise.

The enterprise led by the ruthless *Brutus Steeljaw* defrauded virtually every article of the law: the labour law, social security law, insurance companies, deliveries of cheap “black meat” to catering firms (no complaints) etc. It is one of the few examples of a business crime-enterprise held together by force and violence. Labour inspectors were verbally abused and thrown off the premises and potential witnesses were threatened. His brother was involved in the Polish cattle scam. He tried to expand into the legitimate branch by buying bankrupt meat plants. But his brutal way of handling people proved fateful.

The higher the pricewedge the more attractive it is for crime-entrepreneurs to abuse the system. As governments let us pay heavily for our unhealthy pleasures and habits there is an enormous pricewedge on tobacco, highly interesting for governments and crime-entrepreneurs alike. (The same applied to alcoholic drinks.) It is an historical fact that cigarette smuggling was one of the favourite sources of income of the mafia and other Italian organized crime groups (Arlacchi 1986; Arlacchi 1993). The current smuggling of cigarettes in the EU may therefore be considered the continuation of an old craft. However, the smuggling has been adapted to the European administrative regulations. The old-time smugglers have been replaced by “respectable” businessmen who are involved in document forging, especially the transit and export documents. Just as in the meat industry, there is a many-sided interaction between the legitimate cigarette industry, a grey or parallel market and the crime market. The cigarette industry always has a surplus which

cannot be stored and has to be sold on the open parallel market where there is ample room for deceit.

In the cigarette smuggling schemes two trade lines could be observed: a Southern Europe and an Eastern Europe line. The Southern Europe line has been best investigated. It was “directed” from Switzerland by an Italian with supposed Camorra backgrounds (soft information). In the Netherlands a network of accomplices had been set up (exporting firms, carriers) to take care of the documents and further logistics. One (small) hauler proved to have drug trafficking backgrounds. According to the administrative construction the cigarettes would be exported as transit goods from Switzerland to Rotterdam and then sold to a third country in Africa. The port of export would be Cadiz or Barcelona (at any rate Spain again!). In reality the T-documents (“5th sheet”) came back from Spain provided with the false stamps. In Spain no one knows (of course) anything, but some Dutch and German customs officers expressed mildly that “something corrupt may be going on down there”. The goods themselves were sent to Italy to be sold on the black market. Most of the money (f 230 million) was cashed by the Italian in Switzerland who could only be accused of tax fraud for which the Swiss do not extradite or cooperate.

The structure of the Eastern Europe line has not yet been clarified at the time of writing. There were strong indications that the Dutch-Swiss cigarette-industry did willingly and knowingly profit from the fraud schemes. Technically the fraud operations were carried out in a rather clumsy way. The forged German stamps contained spelling errors which a German would never have made, whatever his schooling. Despite that the trail of the destination of the cigarettes got lost after the documents has been stamped by the German and Polish authorities.

In the east-west fraud operations the involvement of the Eastern Europe merchants appeared quite passive at first: all they did was sell goods which is quite legal. Meanwhile, some Baltic traders have learned that only selling to the EU is much less profitable than defrauding the EU-treasury. Of course, the most profitable is selling and defrauding. So some Baltic milkpowder merchants have taken the initiative and became the leading fraudsters in an extensive Dutch-Baltic fraud scheme in which the Dutch intermediaries again pretended to export the agricultural products while they never left the Netherlands. The Latvian traders were no easy people to trade with, adding the threat of violence and the waving of kalashnikovs to their *couleur locale*.

Organized *illegal labour* subcontracting between the Netherlands, Belgium and Germany is an ongoing phenomenon, though less extensive than ten years ago. Illegal labour subcontracting is facilitated because of the differences in control-intensity between Germany, Belgium and the Netherlands. The Belgian illegal labour subcontracting has many relations with the mafia which

has established enclaves in Wallonia. The investigated Dutch illegal subcontractor had no such contacts and worked on his own. His crime-enterprise revealed the pattern of the cross-border black-labour fraud: the Dutch control system was circumvented by working only with "white" labourers in the Netherlands while keeping the turnover in Germany out of the books. When he knew that his Dutch labourers working in Germany might be controlled by Dutch inspectors from the social security agencies he booked them officially as working in the Netherlands thereby balancing his books. But after the scheme was revealed he appeared to have had a hidden turnover of f 20,000,000 which implied a damage of at least f 10,000,000. This was not an individual fraudster or a contractor just bending the rules to reduce his costs but a well managed crime-enterprise with (crooked) administrators, work planners, highly skilled labour (receiving social benefits) etc. Reports of Dutch illegal labour subcontractors operating on the building market of Berlin indicate that the phenomenon is no longer limited to the German-Dutch border areas.

The greed market

The investment markets of every kind are traditionally the ideal hunting grounds for highly mobile crime-enterprises, speculating not on the stock exchange but on the greed of others. The researched crime-entrepreneurs in this field appear to be real veterans and so are their aides and executives who we always found back in different compositions. They are like groups of birds: they fly up during (or preferably before) the exposures by the police, some go to jail (for a short term) and somewhat later they regroup in changing combinations around their previous criminal employer(s). Such organizations of conmen reveal the paradoxical skill of disappearing as organization. So they are not so easily recognized by the police as organizations, let alone organized crime. Especially Canadian investment fraudsters appear to excel in this skill, operating globally in organized networks, simply re-emerging after being rounded up by the police.

After the scandal on the penny-stock market (Van Duyne 1990; Francis 1988) the boilerroom operations did not stop. The penny-stocks were succeeded by the boilerroom operations with aggressive telephonic sales of options in the option market and the telephonic sales of all sorts of precious stones like Colombian or Southeast Asian gems. Not all the crime-enterprises in this field can be characterized as highly professional. However, those operating on the gem-market by means of telephonic sales abroad proved to be highly professional.

The investment fraudsters selling gems were highly organized and mobile. They followed the strict rule of the professional boilerroom operators:

never make victims in the country where your office is residing. So they looked for buyers in Scandinavia, Ireland and the UK but not in the Netherlands. Most were of the above mentioned old Canadian network. The experienced entrepreneurs were very alert and sensed their time of leaving: Shylock, Silverling and Connyman did not take chances. After some "routine" visits from the inland revenue they closed their offices and disappeared. Only the Canadian fraudster *Ernest Eruptus* had the audacity to continue his "Gems Investment Office".

His staff consisted of some 20 highly experienced telephonic salesmen. The daily operations were headed by two veteran compatriots with international experience. One of them was extradited to Germany because of a previous conviction. The daily workers operated by means of an elaborate 30 page scenario containing all possible questions of reluctant buyers and the answers one had to give. E.g.: "I have to discuss that with my wife" to which one of the answers could be: "That is very commendable! I tells me that you respect your wife's good judgment. I can appreciate your concern for her opinion. . ." and so on.

Eruptus was not a short term thinker. In his management he estimated the lifespan of his crime-enterprise and half-way started to think of a successor. He knew that the gems-bubble would burst one day. So he started to make plans for speculative investment in 19th century art. He wrote a scenario, calculated the potential profits (for himself) and thought of organizing "auctions".

Parallel to these cross-border organized fraud schemes Dutch investment fraudsters appeared to have moved to German border towns because of the stricter licence regulations in the Netherlands. Though most of them acted on the level of the individual craftsman, some built real elaborate enterprises which *hardly* differed from a honestly operating firm. The real difference was the certainty of the outcome of one's investment: f 0,00. However, for the customer that was only knowledge by hindsight, which sometimes worked out badly on the peace of soul and mind.

One morning an enraged man in a small Dutch town stormed heavily armed a house and took its two residents hostage. What was the cause? The man had lost all his money in an option market speculation and held the two hostages responsible for his misfortune. The two hostages proved to be the members of staff of a Dutch investment firm operating just over the border in Germany. The poor Dutchman was not the first customer who had been brought into a similar though less overtly violent state of mind.

The enterprises responsible for all this tragedy was the *Rocksolid Ltd* and *Sunflash Corp.*, two firms run by the same management. The firms were so professional in their fraudulent actions that they really copied an honestly operating firm: they did invest, they recruited and trained their *non-criminal* executive staff. But to make a career one had to lose one's innocence (as in the legitimate life). The fraudster "cared" for their personnel knowing how important they can be for the police. All looked real, but the only reality which mattered was that *f* 4,000,000 was not accounted for in the books, 86% of the (recorded) client's money had disappeared in the administrative "churning", the fictitious costs for the investments, which after a hopeful beginning ("We may have hit a profitable target") invariably turned out to be a loss.

International deceit and fraud is not limited to the investment market. The international parallel market of cigarettes is a similar landscape in which greedy fortune hunters stand a fair chance of being victimized by the always-roaming but well-camouflaged predators. The fact that fortune hunters are "eaten" by the conmen does not make such enterprises less dangerous or a less serious threat to the rule of law. One such predator-conman operation outgrew the traditional craftsmanship and developed into an international organization.

The short, round, bold and blustery *Lucien el Negro* is a fascinating example of a tenacious and quick learning fraudster who excelled in one capacity: always copy the follies and vanity of the pompous braggarts of the upperworld. He pretended to be an ex-director general of the Dominican army. After some unhappy starts as a "wealthy" cigarette broker, he succeeded in being accepted by persons in the higher society: the little intriguer knew the names and backgrounds of a lot of other important persons and presented himself as the "friend of important friends". He also managed to group around himself some persons from the shipping and insurance branches which he needed to avoid technical blunders. Did the client insist on receiving an original bill of lading, the insurance polis of the cargo, contact persons in far away harbours? He produced the required "evidence". He even produced a registered ship, however the vessel was no more than a rusty hull rotting in a Brazilian harbour.

The organization developed worldwide and found its accomplices and victims in the Netherlands and England alike (apart from other countries). The ignorant English shipowner *Bill Target* was happy to cooperate but soon found out that he and his firm's name had been abused. He did some investigation, found the rusty hull in Brazil and might have discovered more interesting things if the bullets of two skilled hitmen in North England had not made a lethal end to this unwanted curiosity. The

Dutch police rounded up the Dutch branch and soon received threats from abroad. As the Dutch affair had got no further than an attempt the police found it safer to shelve the case under higher priorities.

One may be tempted to think that such crime-enterprises only prey on the greed of others, and that would be all. Apparently that did not make them less threatening to whatever jurisdiction where their greedy victims live. On the contrary, it shows the vulnerability of national jurisdictions to these cross-border operating professional and mobile crime-enterprises.

Money-management

In this section I will discuss the results concerning the profits of crime. I do not limit the focus to money-laundering itself. As a matter of fact that is just an interesting aspect of the broader financial management of a crime-enterprise. Whatever technique of laundering is being used, it is only a means to the end of using the money in a pretended legitimate way without being troubled by the authorities (Van Duyne 1994).

It is a socially accepted truth that the profits of crime are as threatening to the social fabric of our society as the underlying crimes themselves. Crime should not pay and criminals who have free disposal of their ill gotten profits will become a greater threat to the society. It is difficult to argue against such truisms though a little historical retrospective of some of the really vast crime-hoards of the American robber barons a century ago may add some relativism to these dogmas. Today no one has any problem with the charity foundations of Vanderbilt, Stanford or Rockefeller which were established thanks to the enormous crime-profits of these ruthless organized war profiteers, intimidating fraudsters and criminal monopolists who did well in a puritan society which just started its long moral crusades against drugs and alcohol (Abadinsky 1991). Though I agree with those who say that crime should not pay and that any crime profit should be confiscated, I would rather concentrate on what criminals do with their money than join the chorus of the alarmist complaints of "crime money flooding the healthy economy".

Just as is the case with ordinary citizens the money-spending of criminals is not an abstract economic behaviour. It has a meaning only in relation to its social environment and the expectations of one's future. Most crime-entrepreneurs know that their future is extremely uncertain and that anything they have amassed can be taken from them tomorrow. In general one will expect here more short term monetary behaviour. However, this may be different when crime-entrepreneurs operate as head of a crime-family. Spending and investing in a family context is much more social and future-oriented than working outside such a context.

The way in which people spend and the accompanying social display also reflect the psycho-social attitude towards money. Many crime-entrepreneurs with no more than elementary education have little feeling for the abstract products of money-laundering: computer prints, shares, complicated property rights etc. They prefer the rustle of the banknotes between their fingers to the abstract bank deposits.

Criminals like Batterbrain had an almost physical pleasure in handling cash money though they knew it had to be laundered in the end. When one day he had to pay one of his captains he asked his girl friend to give him the "the grey bag". She handed him the garbage bag, Batterbrain leaned back carelessly and dug out without looking some bundles. "Is that enough?" he asked. It was just the f 200,000 the captain had asked for. It was pure acting in which Batterbrain explicitly expressed his image of a successful crime-entrepreneur, who almost literally rolled in money.

Looking at the way in which the laundered money was being used I came to the following rough typology.

1. *Own court-yard investors*: crime-entrepreneurs who keep their financial management and investments under their own control. In the first place this will consist in extravagant spending in the own lifestyle. But in addition they may also strive for something more enduring like some restaurants, an artshop for the beloved daughter, a disco for the favourite son etc. But in essence the criminal still "sits" on his money and can admire his tangible assets.
2. *The financial stratosphere trotters*: the own social-economic court yard has become too narrow in relation to the volume of money. One has to transcend the own court yard, also in the sphere of money-management. The money flows have to be commingled with other moneys which must be executed by highly professional financial specialists who are either elements of the financial establishment or have access to it. One can say that the whole criminal money-system has entered the *haute finance*. Here we are far above the investment in pubs, pizzerias and the like. If there is real estate involved one will rather observe shifts in the possession of preferential shares in holding companies.

Both types are not mutually exclusive. Financial stratosphere trotters will also have their own court yard in which they invest just like anybody else. However, only a few of the successful crime-entrepreneurs who were "own courtyard investors" succeed in entering the abstract financial stratosphere.

Whether one invests in his own courtyard or enters the financial stratosphere there is the same basic need to obscure the criminal sources of the money. The basic money-laundering techniques are described in the numerous articles

and handbooks issued by scholars and law enforcement agencies.⁸ More interesting is the finesse with which the techniques are being used and the destination of the money-flow. Here a difference can be made between the minority crime-entrepreneur and the indigenous entrepreneur. The ethnic minority entrepreneur has much less money-management trouble. His biggest problem is not money-laundering but money-transporting. The money has to leave the European jurisdictions with their high control density. Once safe in Pakistan, Turkey, Morocco or Colombia the money is welcomed and potential questions are easily silenced with bribes or threat. Some banks even have a "dark counter" for deposits "no questions asked".

Problems arise for the crime-entrepreneurs who have their economic homes in Europe or North America. In a highly elaborate tax and banking control system one has to take special money-laundering precautions to survive the patient painstaking analysis of one's paper trail by the fiscal police. Still I was surprised to learn that most laundering techniques of indigenous crime-entrepreneurs consisted of loan-back constructions. If the loan-back system is sufficiently spread over many jurisdictions, preferably the Dutch Indies, Panama and the Middle East, the fiscal authorities will have a hard time following the paper trail. Surprisingly most of the crime-entrepreneurs, especially the drug traffickers, did not accomplish better than laundering the money via short loan-back loops over Luxemburg, sometimes the Channel Islands or Liechtenstein, and that was all. Only the *United Pill Peddlers* used for some operations more refined techniques. This concerned especially those investments which were most remote from their core business or their own court yard. But this enterprise belonged to the few who grew so large financially that they were bound to transcend their own courtyard. However, the *United Pill Peddlers* did not reach that stage, because their security system did not keep pace with their economies of scale: the leader was a man of order who wrote down all the in- and outgoing payments and kept his notes as "memory aids". They proved to be only aids to the police.

Two other interesting aspects of the money-management should be mentioned: the trivial nature of most of the destinations of the crime-money and the limited volume of it compared with the estimated turnovers and profits in the drugs markets.

The two most ruthless entrepreneurs, Horseshoe and Batterbrain, were also the most banal in their social-economic behaviour. The social and economic horizon of these big crime-entrepreneurs was not broader than the physical range of their stables and garages in which they invested their profits (apart from their lifestyle). If they would have invested their crime-money in ugly English teapots or Dutch wooden shoes they might have had a greater economic impact. Other entrepreneurs were a bit smarter and invested in real

estate, restaurants and pubs which were operated in a *legitimate* way. The paperwork of these restaurants was not used for further money-laundering. It must be mentioned that most of those who invested successfully in the upperworld were themselves coming from normal legitimate enterprises, before starting a temporal criminal career! In this respect they differentiated clearly from other crime-entrepreneurs in the drugsmarket who had no such business backgrounds or culture but did invest heavily in the catering business, buying restaurants or the property in which it was located. At first glance it looked all very solid and threatening: "Organized crime buying a chain of restaurants", warned the newspapers. But looking more closely at what was going on it was clear that they had invested beyond their mental capacity: despite all the complicated management schemes of their economic advisors they did not grasp the financial or social-economic significance of their behaviour. As one (ignorant) accountant remarked: "I have the impression that for the 'gentlemen' the f 10 million assets in the catering business is not more than a plaything." The threat did not consist of skillful, silent infiltration of the decent upperworld but of sheer mismanagement, victimizing many ignorant restaurant-leaseholders.

Another remarkable aspect was the wide gap between on the one hand the money or assets which were actually found in the drug enterprises (confiscated assets and evidence from the paperwork found) and the estimated net profits of tens of million guilders which were supposed to be made. Were the estimated profits too high? Was more money leaking away than water out of the pipes of the privatized British water-industry? Considering the *Turkish* cash-flow problems and their continuous violent debt-collection I did not get the impression that much profit was left for saving and investment.⁹ With the *Dutch* big entrepreneurs (of whom we are best informed) the calculations showed income/assets gaps of tens of millions of guilders. Perhaps the money-laundering was after all much more refined and sophisticated than we thought. This contrasted with the crude economic behaviour of most of these entrepreneurs, though it should not be excluded of course. One indication that more laundering might be going on was the slip of paper found in Batterbrain's possession which contained an offer to invest money into bonds and stocks in Luxemburg for a f 50 million yearly return. That would mean a basic capital of f 500 to f 600 million. Was there an upward flow of hashmoney into the financial stratosphere after all? This sum far exceeded Batterbrain's volume of trade and may have represented the "money pool" of more entrepreneurs in this network, which would imply a rare show of mutual trust.

The hash-entrepreneurs who acted with real cunning and foresight were the triumvirate of *Chessplan*. His two associates invested in the music and amusement market (ideal for further money-laundering: amusement is not

a tangible, countable turnover) and in cigarette factories in Eastern Europe. There are additional rumors of investments in Canada and the Netherlands. Here we do not meet simple loan-back methods and owners of some restaurants, but international investors.

The organized business crime-entrepreneurs had fewer problems in reinvestment and money-laundering. A successful fraudster is an artist in deceiving with paperwork nonsense which are the same skills needed in money-laundering. Investing in the upperworld is no problem either as their fraud enterprise is already implanted in the fabric of the legitimate industry. Most of them proved to be own-courtyard investors, thus avoiding the dangers of unknown economic areas: they simply expanded their ongoing business. Compared to the crude investors from the drugs markets they appeared to be dangerous ones, because they invested with the full knowledge of the functioning and the weak spots of the upperworld. They expanded their electronic businesses, their share in the international oil or the meat market for which they could use the "decent side" of their conglomerate of legitimate and crime-enterprises.

In the sections above I provided some insight into the management of the use of the crime-profits. It goes without saying that money-laundering itself is also money-management and a very global and complicated variety indeed (Vanempten and Verduyn 1993). Money-laundering is an egalitarian business, making no difference between the theft of a nation (Marcos), deceiving democratic institutions (the Contra Affair), the kleptocracy of Andriotti, Berlusconi and their like, or the "honest" tax money fleeing the penny pinching taxman (Naylor 1987). The money-launderer is a technician in the financial secrecy industry (Walter 1989) who is not interested in "from where" but only in "how and where". The "financial secrecy operator" can be found at any level of the financial system. The first stage of such a system can consist of the changing of money.

Exchange offices appear to play an important role in this stage of the financial management of the crime-entrepreneurs operating in the cash based underground economy of drugs. The cash street money in small denominations has to be changed into other currencies and easier money-carriers. The analysis of a small chain of four "bureaux de change" (of the ± 100) operated by an Israeli family in Amsterdam revealed a staggering turnover of hundreds of millions of guilders per year. However, no trace of later money-laundering constructions could be found. After the financial control system in the Netherlands tightened many of the deposits were shipped to Belgium, changed into guilders and brought back again. Just imagine the system of money flows: most of deposited money came from the British Isles in the first place, which was deposited in Amsterdam, then transported to Belgium, where another

changing office had to buy guilders which were obtained from the Antwerp diamond industry or the Dutch banks. These guilders were then brought back to Amsterdam where the depositors got their money back minus 10 to 15%. Meanwhile, the foreign currency had to be repatriated (certainly the Scottish pound notes). Strangely enough no one showed any interest in analysing this international pumping system of banknotes (Van Duyne 1994).¹⁰

As far as the crime-money is not being managed in the own "court yard" it will have to find its handling and destination somewhere else, which is hardly possible without using the international banking system. The way in which big crime-money and the corresponding abuse of the banks (some highly cooperative) may lead to widespread victimization is revealed in the case of the internationally operating Italian crime-entrepreneurs *Parretti* and *Fiorini* (D'Aubert 1993).

This Italian duo had already a remarkable history when they entered relations with the Dutch affiliate of the state-supported bank *Crédit Lyonnais*. In the early eighties Fiorini made a plan to save the bankrupt *Banco Ambrosiano*, which led to his dismissal as financial director of the state oil company *ENI* (Cornwell 1983). He emerged again as the driving force behind the Vatican controlled dormant Swiss company *SASEA*, which was mysteriously resurrected after an unexplained financial infusion of SF 667 million. Shortly after (1987) he controlled numerous stock market quoted holdings with hotel chains, cinemas and real estate. *SASEA* participated also in a Belgian and an Italian bank and had a majority participation in a brokers firm and a Surinam wood company. Meanwhile Fiorini had entered a close relationship with the (ex)conman *Parretti* who had a clear mafia smell in his tracks. The two entrepreneurs started to realize their dream: to become the largest film producer in which they (temporarily) succeeded. They bought the old and respectable *MGM* with mega loans from *Crédit Lyonnais Bank Netherland*: in the end f 4,5 billion.

The end of this bizarre enterprise in which each deficit was filled by creating a deficit elsewhere, was the collapse of all the companies in which this duo were majority shareholders. Numerous buyers of stocks and bonds of their companies saw all their money lost, while the French motherbank got into real trouble and decided to sell the Dutch affiliate.¹¹ By hindsight one would wish the two financial adventures would only have laundered some money and lived a lavish life, restricting the disaster to a small circle. Now they dragged down a (mismanaged) bank, two film companies, a large number of investors, broker firms etc. Their evil spirit had turned anything of value they touched into lead.

Should two individuals be attributed so much (destructive) power? Or should they be projected in the fascinating (but corrupt) world of the high and mighty whose support they needed for such great works? That brings us to the final section: the relation between “underworld” and upperworld.

The relations between upperworld and underworld

Regretfully we do not have a better word for “underworld” by which I mean all those activities which are systematically at the wrong side of the law, but which still has the connotation of the brutish ruffian, coming from a broken home with an alcoholic father and a prostituting mother. The reader has noticed already that I bring criminal politicians and captains of industry without any restraint within the scope of the concept “underworld”. Despite that handicap I shall keep up this dichotomy in words, but not in how I see things. The scope must be further narrowed down as “underworld” covers a larger area than organized crime as defined here.

When we look back at the results of this research, but also at the findings of other researchers like Passas and Nelken (1993), we find a large range of interactions between organized crime and legitimate industry. In the political arena one finds instead of these interactions two more popular images:

1. Organized crime infiltrates the “healthy, honest and hard working” upperworld of legitimate trade and industry from below by exploiting its weaknesses.
2. In the basket of the honest upperworld rotten apples develop because of the financial misfortune, which are subsequently abused by organized crime and may become the bridgeheads or stepping stones to higher echelons.

But what do we observe? When we first look at *organized business crime*, where the relations between crime-entrepreneurs and legitimate businesses are predictably closer, we see that all the *leading* crime-entrepreneurs came from the ranks of respectable entrepreneurs, with the exception of (1) the (camorra) organizer of the cigarette fraud scam between the Netherlands and Southern Europe and (2) the globally operating fraudster *Lucien el Negro*. In addition the organized business criminals did not start their career when they happened to be “needy” because of bad business results: organized crime is not a matter of the needy but of the greedy. The oil racketeers were already very wealthy “captains of industry”, lauded in the press. They found their willing “fences” within their own circles. The same applies to the electronic market and the meat market. The leading crime-entrepreneurs were all “market insiders”. They sometimes sought cooperation with “real” (= lower class) criminals for some executive tasks. Some of these executives started a fraud business of their own while remaining available to the real entrepreneurs. This resulted in

an “upperworld-landscape” which was characterized by self created “black holes” of underworld. As life is never only white and black, one could see many shades of grey at the edges: the Dutch/Swiss cigarette firms, well informed but not directly involved, were very pleased to see their turnover increase rapidly; television factories who saw their TV-sets sold cheaply thanks to VAT fraud, which meant a market increase without an expensive advertisement campaign. When informed by the fiscal police they said “oh” and put the evildoers on the blacklist, a measure circumvented by middlemen. In all these cases, to which I would like to add the findings of my previous research, there was no *outside* threat of organized crime, but only the smell of easy money and the lack of morals.

To carry out organized business crime-trade, right in the middle of the legitimate markets, one needs often more than venal and greedy associates who play a part of the game as long as they can remain in the shadow. One also needs corruptive bridgeheads in the administration. For successfully abusing the “price-wedge” in the import and export business (VAT, excises and EC-fraud) the crime-entrepreneurs were understandably most interested in having the support of corrupt officials, as was the case in Spain (very systematically), the Netherlands and Eastern Germany.

What about the wholesale drug traffickers, considered the evil incarnate? What about their dirty big money? Is that not a threat to the legitimate industry? As far as the crime-economy of the Netherlands is concerned we have seen that most of the wholesale entrepreneurs on this market did not get further than “own court yard” investments with only limited economic impact. Even if they bought ten pubs or restaurants, for them a pub was still a pub, and that is a place to drink and chat. However wealthy they became, their money did not make them a social equal to the legitimate entrepreneurs whose circles are feared to be penetrated. The exceptions were the United Pill Peddlers, who were about to transcend their own court yard, and Chessplan and Co. who actually succeeded in what other crime-entrepreneurs in this area failed to accomplish: to change their crime-money into *production relations*. But Chessplan and his associates enjoy a cultural advantage: they are not only very intelligent but also have a middle class background which helped them to open many doors to the high and mighty with whom they shared so many cultural backgrounds. In addition, they would never have come so far if their aides in the upperworld had not shared two other psychological traits: lack of morals and an insatiable greed. Organized crime never gets into the upperworld if the upperworld has not yet grown a little bit into an underworld. The way up is always longer than the way down.

Discussion

The results raise several questions concerning the nature of crime-enterprises and crime-entrepreneurs. Starting and operating a crime-enterprise may be characterized by a continuous danger-seeking behaviour.¹² It is enterprising in a hostile and uncertain world with which the entrepreneurs try to cope in several ways. However, the control mechanisms do not need to be violent ones. Crime-management can also be carried out along normal interpersonal lines. Even in the drug market one could observe many relatively “dull” and non-violent crime-enterprises operating like a “normal business” (except for systematic law breaking). The leaders of such crime-enterprises, of which some were very large indeed, treated their personnel well. The criminals saw themselves as managers, which as a matter of fact they were. Ironically most of them had a normal business history. Parallel to these “dull” enterprises there were numerous crime-enterprises in which the internal discipline or one’s place in the market is upheld by force and violence, usually to no avail. Ethnic minority enterprises are usually situated in a broader family as a safety cocoon, which is not always so safe as it looks. Failure to pay within the family or between the families is a matter of honour from which it is difficult to withdraw peacefully: you cannot walk away from your family.

Organized business criminals try to reduce the effects of a hostile economic landscape by sustaining good relations with “legitimate” businessmen (who are interested in the cheap goods). In addition, they must be very skilled in handling the complex maze of empty front companies. Their uncertainty lies in the time of exposure. Mentally a business criminal must be able to plan simultaneously in two timespans: the short timespan in which his frontcompanies are bound to be “burnt down” and the long timespan for the continuous trade of the underlying flow of goods and services. Only a few are so shrewd and self-restrained enough to be successful organized business criminals. The investment fraudster *Eruptus* revealed his capacity to think in two timespans, developing the next scam while the first was still running. However, he was not restrained enough and had too much confidence in his good luck. His compatriots saw the storm coming and left Amsterdam in time.

This research sheds some light on the question of international crime in Northwestern Europe. The crime-enterprises appear to have little *transnational* characteristics. What we observe are not transnational *authority* centres but just cross-border crime trade, which almost amounts to a tautology given the nature of the goods and services. With the exception of stimulants and Dutch cannabis (Nederwiet) the drug markets concern the extracts of derivatives of plants which do not grow in the climate of the consumer countries. It is like the old colonial trade, this time with forbidden substances! Drug trade is by

definition world trade. When we look at the organized business crime we can observe that really large profits are mainly to be made in the international trade: violation of the im- and export regulations while using the slow cooperation between the jurisdictions to get away with it.

But does not this cross-border crime trade imply a kind of supra-national crime organization or an authority after all? A kind of Crime International Ltd to keep the trade going? Let us look at the described crime-enterprises in the hashmarket. A Dutchman buys hash in Morocco or Pakistan and sells the cargo to England. In Morocco he acts as a buyer in the first place, not as the big boss wielding power for which he lacks any base or support. In England he is the seller, only too glad to get rid of the goods for a good price and as soon as possible. He is an international trader, but not a transnational boss and as such has to be kind and polite which may be already hard enough. What about the ethnic minorities? The leader of a crime-family does exert authority in his home country *and* in Europe where his relatives obey his orders. Does not that constitute a transnational authority? No, it is only the same authority over his own relatives in several countries, because the authority follows the family. The migration of the family to several countries means the spatial spreading of the authority. Only further integration in the receiving country can lead to mixing with indigenous crime groups and new (multi-ethnic) power-building.

When we look at the organized business crime we also find little evidence of the exercise of authority over the borders. When I qualify the cross-border VAT-networks as multinational crime communities I mean no more than just that. There were no persons of higher authority standing above the Belgians and Dutchmen, but only pivots which kept the wheels of the crime-trade going. Only in the case of the meat trade, and – stronger – in the case of the oil scam did I have some doubt. The American Don Pancione was a man of authority, but his power went no further than the Belgian oil baron allowed him to. The operation of the Europe-wide meat scam could best be interpreted by *supposing* a steering centre, for which there is no proof however.

Perhaps the Colombians come closest to building transnational power bases (trading posts) while exploring the possibilities for doing business. That makes them perhaps the most dangerous international traders. They extend their trade *and* authority. But when the trade comes to a halt the authority also vanishes. International crime authority does not follow other routes than the white colonial authority in the 17th or 18th century: power followed trade or demographic movements, not the other way round.

A last question which haunts many policy makers is: “How serious is the *challenge* of organized crime against our society?” The key word is “challenge”. Taken literally and looking at the behaviour of crime-entrepreneurs there is little challenge in Northwestern Europe. Crime-entrepreneurs devote

a considerable amount of their working time to measures to remain invisible. They do not want to challenge but to make a living (as they see it). As a rule, challenging criminals never had a long career. Even the leaders of the big Colombian cartels were either killed or jailed. The media-addicted Al Capone almost invited by his noisy popularity the full weight of the US law enforcement with the well known outcome (Schoenberg 1992). The vanity of challenge is the shortest road to jail.

What we know from crime-entrepreneurs is that most of them are subversive but *non*-revolutionary conservative citizens, who deviate in their norms and values much less than the bourgeois law abiding salary man may think. But the organized criminal has the audacity to display shamelessly the perverted enlarged material values which we all see daily displayed on the television quizzes, followed by a late night violent crime-movie for a shivering amusement.

If there is no straight challenge, there is certainly a hidden and creeping challenge in the erosion of simple rules and morals to which it is much more difficult to react. This challenge does not come from the easily recognizable form of "evil crime" like drug trafficking, but from the less visible forms of crime, a bit higher up the social ladder where corruption and power plays go hand in hand with carefully organized crime, usually in trade and industry. The difficulty of recognition may be strengthened by a lack of courage to tackle organized crime at higher social levels. The power of the high and mighty to prevent something like an investigation is often bigger than the will and power to shed light on a crooked situation with criminal links. This is not an academic lamentation, as the affairs of Fiorini and Parretti, the oil and cigarette fraudschemes and the organized defrauding of the EU meat regulations have demonstrated. The challenge of certain forms of organized crime is greatest where its possibilities to cloak its real nature are biggest.

Notes

1. Arbeitsgruppe Justiz/Polizei des Bundeskriminalamtes: "Organisierte Kriminalität ist die von Gewinn- oder Machtstreben bestimmte planmäßige Begehung von Straftaten, die einzeln oder in ihrer Gesamtheit von erheblicher Bedeutung sind, wenn mehr als zwei Beteiligte auf längere oder unbestimmte Dauer arbeitsteilig a. unter Verwendung gewerblicher oder geschäftsähnlicher Strukturen, b. unter Anwendung von Gewalt oder anderer zur Einschüchterung geeigneter Mittel, oder c. unter Einflußnahme auf Politik, Medien, öffentliche Verwaltung, Justiz und Wirtschaft zusammenwirken."
2. Moral "purity" and commercial and political interests have always been happily mixed in the US warlike approach to drugs. In order to fulfill its moral mission of decolonisation and to thwart the British influence in China in the last quarter of the 19th century the first initiatives were taken to "help" China to solve its opium problem. According to one of the participants it was a very cost-effective initiative indeed: "Our move to help China in her opium reform gave us more prestige than any of our recent friendly acts towards

- her. . . (and) may be used to smooth the troubled water of our aggressive commercial policy there" (Musto 1973). This was followed by an legislative imperialism resulting in the universal criminalisation of psychotropic substances with the exception of alcohol.
3. An internal market for drugs has developed in the CIS-countries as well. (See Lee 1992).
 4. The names of all the defendants which were mentioned in the police and court files in the Netherlands or abroad have been changed, irrespective whether the persons involved have been named in newspaper articles.
 5. Ruggiero (1994) points at the finding that drug trade is not the most suitable ladder for social upward mobility in the criminal community. Those who already lack the managerial skills outside the drug scene and are only providers of "criminal labour" find their careers blocked because their unintelligent behaviour attracts much police attention.
 6. See for a survey of the cocaine market in Europe in the eighties Lewis (1989).
 7. For a more extensive description see Van Duyne and Block (1995).
 8. See Chaikin (1991); Möbius (1993). See also Fisse c.s. for an overview of money-laundering and confiscation measures, Gold and Levi (1994) evaluating the British experience, and Savona and Defeo (1994) providing a world overview of money trails and the prevention policies.
 9. This was perhaps the most surprising outcome: supposedly wealthy wholesalers appeared to have no financial reserves to prevent such violence. If anything goes wrong they cannot pay their debts and have to run for their life or shoot back. The evidence coming from Turkey about reinvestment in the tourist industry shows that much drug money is spent on hotels etc. but compared with the turnover in the Netherlands it is much too little. Where does the money go?
 10. To several English officials I pointed out that England (and Scotland) had become a major exporter of bank notes to the Low Countries, which send them back again. It would be interesting to analyze this cash flow more closely as the FATF has suggested. As the answers never got beyond the level of "oh really", this question has never been pursued.
 11. Not only the Dutch affiliate but also the French motherbank proved to be a magnet for corrupt politicians and dubious debtors, as was highlighted by the fall of Tapie, the blustery socialist fraudster, conman, but otherwise Mitterand's and the public's charming apple of the eye.
 12. Lyng (1990) gives an excellent description of riskseeking behaviour which he called: edgework. He studied several dangerous sports to conclude that a danger-seeker is not a gambler but someone who is testing his control over his body in a challenging and dangerous environment. It would be worthwhile to study organized crime from this behavioral point of view.

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