Modus Operandi of Organised Crime

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THREE DIFFERENT CRIME MARKETS

- Contrabande cigarette smuggling
- Trafficking in Women
- `Vertical` Fraud

Core thesis:
The modus operandi are determined by the characteristics of the commodity
SIGARETTE SMUGGLING

According to Statistics Netherlands more than 30% of the Dutch population (16.3 mln) consumes tobacco products on a regularly basis.

Between 35 and 40% of these people smokes more than 1 package of cigarettes a day.

For a standard carton of 20 legal cigs the Dutch smoker pays 4 euro 60.

The combined taxes, encompassing excise and VAT, amount to 3 euro and 35 cents, a rough 73%!
SIGARETTE SMUGGLING

Commodity:
- Contrabande cigarettes, Counterfeit cigarettes, Tobacco

Characteristics:
- Light-weight
- Voluminous
- Strong smell
- Artificial product (manufactured)
- By itself not illegal (only when untaxed or counterfeit)
- Mass consumer product
- Consumed and sold in all countries of the world

Q: How would these characteristics affect the way this commodity is handled?
What is the crime committed?

Excise evasion
VAT evasion
Breach of intellectual property rights / counterfeiting

1. Production of counterfeit cigarettes (breach of int. property)
2. Forgery of tax stamps (document forgery)
3. Theft of legally produced cigarettes
4. Cross-border smuggling of untaxed cigarettes / tobacco
5. Bootlegging
6. Vending of untaxed cigarettes, either genuine or counterfeit
7. Deceit of (retail) buyer who is offered cf cigs as brand cigs
SIGARETTE SMUGGLING

Smuggling methods - Coverload:

- Virtually always: paper coverload
  - Purely paper coverload (product description does not match)
  - Fake print on boxes, no additional cover cargo
  - Physical cover load: e.g. two front rows of pallets
  - Physical cover load: `center` boxes on a pallet
  - Physical cover load, use of open spaces in products
  - Regular load, cigarettes hidden somewhere in trailer

Sometimes coverload is dispensible, sometimes it represents genuine trade value
SIGARETTE SMUGGLING

Smuggling methods – legal persons:

Shipments can contain up to 10 million of cigarettes
Shipments are part of the regular transport chains

Use of (front) companies
- Real companies, engaged in additional economic activity
- Unwittingly
- Front companies set up for purpose of smuggling
- Bogey companies (e.g. as receiving address)

If a (proper) administration is maintained: money laundering
## SIGARETTE SMUGGLING

Types of firms involved:

- Transport firm
- Import Export firm
- Expedition firms
- No firm: private trade

Set up for illegal purposes

Slided down to illegality
- Thrives entirely on illegal trade
- Thrives partially on illegal trade
- Abuse of employing company by one or more employers
- Condoning of illegal side trade by employees

(difficult to find out the truth)
SIGARETTE SMUGGLING

Case description: Little Chicken Run
- started off as a regular transport firm
- Ron Flowers and his wife ran the firm
- 1 extra driver in service and several freelance drivers
- Depended on one customer, supplier of little chicken to Poland
- Return trips were used to smuggle small amounts of cigarettes
- Up to 400 sleeves hidden in filter system
- Decoy method: decontamination procedure (timing is everything)
- Although many flows were claimed to be separated …
- Legit cargo payment was used to buy the cigarettes …
- And cigarette money was used to pay the principal in the Netherlands
- Cigarettes were sold to in the Netherlands
SIGARETTE SMUGGLING

Case description: Container-a-gogo

- Theft of two containers
- By employees of a expedition firm
- Labour division
- Well prepared, good thinking
- Except for ... the payroll administration
- + `hearing psychology`
TRAFFICKING IN WOMEN

Commodity:
- Human beings / (sexual) services

Characteristics:
- Persons (in stead of goods)
- `Commodity` has a will of its own
- `Commodity` is able to communicate (e.g. with customs)
- `Commodity` might want to escape
- `Commodity` not illegal, the treatment of … makes it illegal
- Illegal nature of the service not outwardly visible

Q: How would these characteristics affect the way this commodity is handled?
TRAFFICKING IN WOMEN

Modus operandi / three phases:

Recruitment
- `Classy lady`, career services, artist agencies, marriage agencies

Transport
green, black, grey and white border-crossing

Exploitation
initiation phase, training, capativity, forced labour
TRAFFICKING IN WOMEN

*Case description: The ‘Billionaire’ gang*

Extensive network
Several ‘bases’: Budapest, Cyprus, Amsterdam, Antwerp
Several `clubs` unclear legal and economic ownership
Training centre (Cyprus)
(re-)allocation of women
Legal entertainment business is cover
Intimidation in various ways
(most of all by a reputation of being ‘untouchable’)
‘legal aid’
INVESTMENT FRAUD

Commodity:
- Stock, obligations, other investment goods

Characteristics:
- (claims) do not really exist
- Immaterial `goods` and services
- `remote distant`-trade, no physical contact
- `psychological game` of gaining trust
- Well trained personnel
- Depends on greed/profit demand of the `client`
- Often operated from outside the target country

Q: How would these characteristics affect the way this commodity is handled?
INVESTMENT FRAUD

Modus operandi:

- Ponzi schemes / HYIP
- Pyramid schemes
- Boiler room
INVESTMENT FRAUD

*Case description: boiler room*

- Remote advertisement
- Air of professionalism and trustworthiness
- Agressive sales methods / well trained personnel
- Production of `proof`
- Preying on clients
- Limited time span
- Quick setup, easy come, easy go
- Tactics of disbanding and regrouping
INVESTMENT FRAUD

*Case description: MMM (a ponzi scheme)*

Issuing of `fake` shares / bonds
Making (use) of a chaotic situation and a `public` ignorance
Artificial price(=demand) rate, huge dividend rates
Air of professionalism and trustworthiness
Aggressive sales methods: TV ads + bonus stunts
Production of `proof` by way of publishing `reports`
Preying on `share-holders`
Allegedly between 2 and 5 million `investers` (50 suicides)
Shut down for tax evasion
CONCLUSIVE REMARKS

Common characteristics:
- Crime for profit,
- Surviving strategy of mimicry

Differences
- Modus operandi
- Market structure
- Cooperation forms
- Relationship with social environment (hostile vs. friendly)
- Mimicry applied in different situations (how to avoid attracting attention?)
- Different law enforcement efforts to cope with
- Different ways of information management and risk reduction

Q: are all these differences related to the nature of the commodity?
WORKSHOP 1: BECOMING CRIMINAL

1A - Set up your own crime enterprise
choose from:

- Sigarette smuggling
- Heroin trafficking
- Cocaine trafficking
- Cannabis trafficking
- Investment fraud
- Protection racket
- Trafficking in women
- Trafficking in children
- Trafficking in human tissue
- Human smuggling

Heed the checklist!

1B – Formulate an answer to this question
How can you grow into a large scale enterprise? And what will be the social impact in terms of threat to the state and society?
WORKSHOP 1: BECOMING CRIMINAL

CHECKLIST:

What location do you choose and why (not necessarily Europe)
Describe the market you will operate in
What part of the `trade chain` will you organise
What will be your modus operandi (detailed description!)
How will you divide your labour?
Will you recruit additional staff? How?
How do you manage your information?
What law enforcement efforts do you expect to encounter?
Why so? How will you cope with that?
What do you expect from competitors?
How do you make your activities profitable?
WORKSHOP 2A: DEFINE ORGANISED CRIME

Come up with a proper and useful definition of `organised crime`. Argue why you have chosen for this definitions and included the chosen elements.

You must be able to answer the following questions:
What is the purpose of this definition?
What will be the context of its use (e.g. political discourse, research)?
Explain why the definition will be a useful one.
WORKSHOP 2B: DEFINE WHITE COLLAR CRIME

Come up with a proper and useful definition of `white collar crime`. Argue why you have chosen for this definitions and included the chosen elements.

You must be able to answer the following questions:
What is the purpose of this definition?
What will be the context of its use (e.g. political discourse, research)?
Explain why the definition will be a useful one.