



## **.SIAK-Journal – Zeitschrift für Polizeiwissenschaft und polizeiliche Praxis**



Pullat, Risto (2009):

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SIAK-Journal – Zeitschrift für  
Polizeiwissenschaft und polizeiliche Praxis  
(2), 24-30.

doi: 10.7396/2009\_2\_C

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Pullat, Risto (2009). Criminal hierachal structures. Models of organized crime in the Baltic Sea Region SIAK-Journal – Zeitschrift für Polizeiwissenschaft und polizeiliche Praxis (2), 24-30, Online: [http://dx.doi.org/10.7396/2009\\_2\\_C](http://dx.doi.org/10.7396/2009_2_C).

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Hinweis: Die gedruckte Ausgabe des Artikels ist in der Print-Version des SIAK-Journals im Verlag NWV (<http://nvv.at>) erschienen.

Online publiziert: 3/2013

## *Criminal hierachal structures*

# Models of organized crime in the Baltic Sea Region



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### VOCABULARY

*law-abiding*  
*gesetzestreue*

*key players*  
*Hauptakteure*

Stable criminal hierachal structures have given up their place for flexible and changing organizations and networks in the Baltic Sea Region, that can be created for performing certain single “projects”. Criminal structures can fulfill economic, social and quasi-state tasks. The different social embeddedness determines the structure of organized crime. The author distinguishes between four main criminal networks. First are the criminal networks that have no social support structure in their countries of operation. Second are the criminal networks based on a sub-culture. Third are the criminal networks that exist in the society in a hidden form that includes seemingly law-abiding individuals who have no obstacles for using the legitimate social infrastructure. Fourth, the networks intertwined with the elite in power, the participants of which have a direct access to the decision processes of politics, business and media.

### INTRODUCTION

The discourse of criminal networks is based on the point of view that organized crime manifests itself in the cooperation of criminals and criminal groups in different combinations. Hence, criminal networks are groups of people connected with criminal networks.<sup>1</sup> Fresh research confirms the earlier assessments that in Europe, including in the Baltic Sea Region, the ruling form of criminal cooperation is the network of personal relationships that the criminals successfully take advantage of. Criminal networks have the following features: the nucleus that coordinates the activity of the network; key players making up the nucleus of the network; subgroups carrying out different tasks; members on the intermediate level carrying out the daily work to communicate with the members of the lower level and protect the key players; the network is provided with information and resources by members separate from the network; a large number of members.<sup>2</sup> Timo Kyntäjä is of the opinion that the stable criminal

hierachal structures have given up their place for flexible and changing organizations and networks that can be created for performing certain single “projects”.<sup>3</sup> Criminal cooperation is carried out either in a relationship of a supplier-consumer or in a relationship of a temporary employer-employee, in a partnership of two persons in pairs or in small groups of a small horizontal or vertical integration. This is partially also confirmed by official sources. It doesn't of course mean that the criminal organizations would have terminated their activity; they have just transferred it to the countries where it is possible to operate undisturbed. In an environment with an efficient system of internal security, emergence of criminal organizations is exceptional, except in the cases when they are based on some legal structure.<sup>4</sup>

Europol considers the so-called oriented clusters, bunches of criminal groups with a central management, to be major threat. Clusters are united by the strong sides of hierarchical structures and criminal networks, as a result of which a big criminal

capability is achieved. In the opinion of Europol, the threat of formation of the clusters is caused by the partial lack of control over domestic economy and social dynamics. As the second dangerous phenomenon, the cell type criminal organizations which operate in the EU countries but which are lead from outside of its border are to be mentioned.

***Due to a deep conspiracy, it is extremely difficult to combat the activity of cell type criminal groups.***

Europol distinguishes also their in-between model where the mainly ethnic criminal groups are trying to leave the framework of their community. Apart from the above mentioned structures, there are also criminal networks which lack the influence of oriented clusters, but which are sustainable due to regenerating membership and absence of not easily determined central leadership.<sup>5</sup>

### **UNDERWORLD HAS ITS OWN BOSSES**

Criminal structures can fulfill economic, social and quasi-state tasks.<sup>6</sup> The economic criminal structures are oriented towards profit and they should be distinguished from the criminal structures filling the social functions, like the Finnish and Swedish biker gangs or the “legal thieves”<sup>7</sup>. The so-called Mutual Fund controlling a big part of Estonian organized crime can also be counted in this group.

One form of organizing the criminals at large is a “Mutual Fund” (MF), the central point of Estonian organized crime.<sup>8</sup> In Estonia, a unique situation in the Baltic Sea region has formed where the nucleus of the underworld is one person surrounded by a dozen persons belonging to his immediate circle. This man has managed the organi-

zation called “Mutual Fund” all by himself for almost twenty years. The below mentioned quote should complement the picture of the leader of the Estonian underworld.

“He lives alone with his books as women are not to be trusted. He reads a lot, engages in sports on a daily basis, is in super physical and mental shape for his age. He has two driver-body guards. K.<sup>9</sup> (corr.) solves mutual disputes, usually making sure that both parties are happy and that MF is also happy. He is a rough-handed diplomat, polite, modest. A group of businessmen turns over the money. The money can be in a safe-box, in Russia or on the accounts of seven people. Each 24 members of the MF have probably got their own smaller ‘Mutual Fund’. With the money from this fund, current expenses and lawyers’ fees are paid and those in prison are helped. Money is made above all with the means of MF. (...) K. (corr.) makes the most important decisions. The elder is responsible for a common member. Friendship and money are kept apart. Everybody is included in communication (...)”<sup>10</sup>.

“He keeps a low profile and this has earned him respect. People also appreciate that he ‘takes less than he could’. Historically he has grown to be a leader. K. (corr.) has essentially the functions of a ‘legal thief’”<sup>11</sup>.

The “criminal high league” is made up of 24 persons, knowingly to whom more serious crimes are committed in Estonia. For instance, the G. and B. groups controlling the market of amphetamine, MDMA (ecstasy) and hashish in Narva and in its close neighborhood were not subordinate to anybody; they had however to pay the compulsory fee to the “Mutual Fund”.<sup>12</sup> The hierarchic structure of organized crime has apparently been possible only due to the small size of the Estonian illegal market

### **VOCABULARY**

**sustainable**  
nachhaltig

**rough-handed**  
hier: mit rauen  
Umgangsformen

**to turn over**  
übergeben

**VOCABULARY**

<i>deviant</i>	abweichend
<i>to embezzle</i>	veruntreuen, auf die Seite schaffen

and to the leadership quality of the person managing it. Organized crime in Estonia must be regarded separately from the Russian organized crime and there can be no talk of any subordination. Estonian Russian speaking organized crime operates still in the realm of the so-called subculture of thieves. The Estonian speaking organized crime operates in the space of "Western" crime; some of their concepts, however, originate from the subculture of "thieves". The carriers of the criminal subculture are undoubtedly penitentiary institutions;<sup>13</sup> first and foremost the camp type (i.e. Gulag type) prisons (e.g. Murru prison in Estonia). The "Mutual Fund" has its own contact persons in the prisons and the prison administration keeps an eye on them.

***Estonian organized crime can be differentiated by fields of activity and not by territory.***

Specialization is a phase of development of crime that is characterized by growth of professionalism of the criminals, and the strict internal distribution of labor in a criminal organization. The forms of expression of a cross-border crime is above all drug trafficking and crime against property.

These structures indirectly support their members in their illicit activity by serving as intermediary for contacts, ensuring the status, emphasizing *deviant* values and providing a forum for exchanging information. Hence, a former Estonian criminal police officer is of the opinion that "the underworld boss does not have to do the killing and extortion by himself; it is enough if he solves the disputes between groups with his opinion. This is where his influence has its roots."<sup>14</sup> The quasi-state criminal structures support the illicit economic activity by creating and establishing

rules of conduct and solve the points of dispute in some area or market.<sup>15</sup> In the following extract from an interview we shall see that also in Estonia, the "Mutual Fund" gets involved in solving of all kinds of conflict situation.

"At the same time, in the year 2006 the unwritten rules of the underworld are still in force in Estonia. Let me bring an example. This year, an X said about a Y, that the latter 'is providing roof' to an object. Because of that, Y who was an influential person in the underworld, had X beaten up and fined, as he had dared to mention the name of Y. Or another, recent example. A car was embezzled by a person, after which this person claimed that the car had been bought for the resources of the Mutual Fund. For those words, the man lost his car and in addition to that was also fined. At the same time one can firmly state that the older criminal bosses avoid violence as it attracts the unnecessary attention of the police. The killing of K. K. (corr.) was disapproved of by many."<sup>16</sup>

The author is however of the opinion that in the very near future the Mutual Fund will fall apart, as in the circumstances of the deepening internalization of criminal activity, a longevity of such a form of organization is in the long run not very likely. Based on the threat assessments of the year 2008, the Estonian Central Criminal Police is of the same opinion.<sup>17</sup>

Beside legal norms, there are also unofficial social norms competing with the legal norms in society. Differently from the legal norms, the state does not perform surveillance over fulfilling of social norms. Certain social norms may be valid also in various subcultures (e.g. the "Mutual Fund") and the criminals can consider them legitimate and obligatory similarly to the legal norms. It is the duty of the state to apply countermeasures concerning those social norms.<sup>18</sup>

Organized criminal groups may have a monopoly in the illegal market on the local level; often they have concluded a mutual agreement of exclusive right to operate in a given territory or in a given field of activity.<sup>19</sup> In the Baltic Sea Region, monopoly of the market of illegal products is a rare phenomenon; an exception is for instance the Estonian organized crime dominating the Finnish drug market (a major part of the synthetic drugs smuggled into Finland comes from Estonia<sup>20</sup>). The Lithuanian criminal networks dealing with drug trafficking have directed their activity towards Sweden (towards Western Europe, in case of illicit trafficking of cigarettes) and the Estonian networks have focused mainly on Finland. One could add that the main source of income of the Italian Mafia is extortion and not illicit business.

For instance, the Palermo Mafia controls the fish market located at fixed premises, but the mobile taxi business remains outside of its grip.<sup>21</sup> The data confirmed that Latvian organized crime connected to Russian organized crime appears in the form of a criminal network.<sup>22</sup>

## **MODELS OF CRIMINAL COOPERATION**

The different social embeddedness determines the structure of organized crime. The author distinguishes between four main criminal networks on the basis of the classification provided by Klaus von Lampe. It is based on two assumptions: a) criminal networks are relatively homogenous, and b) the social position and the criminal possibilities of the criminals are in correlation.<sup>23</sup>

First are the criminal networks that have no social support structure in their countries of operation. Such are for instance the Estonian gangs of burglars that organize burglarizing trips from Estonia to Western Europe. The members are recruit-

ted from prisons and rural areas, formation of the groups and training of the group's members take place usually outside of the control of the system of internal security. Such conditions facilitate formation of complicated organizational structures and internal distribution of work as well as distribution of work among the groups.

### ***Second are the criminal networks based on a sub-culture.***

In such cases, the criminals can rely on the social support structures separate from the society and its institutions; and those support structures are broader than their immediate criminal environment. The examples of such groups, for instance, are the networks of drug trafficking that rely on the Finnish,<sup>24</sup> Swedish and Norwegian<sup>25</sup> alien communities. On the one hand, the criminals take advantage of the relative isolation of an ethnic minority for hiding their criminal activity, and on the other hand they know the local infrastructure (e.g. transport system, banking).

Third are the criminal networks that exist in society in a hidden form that includes seemingly law-abiding individuals who have no obstacles for using the legitimate social infrastructure. Such networks are above all connected to organized economic crime, for instance, the "invoice factories" discovered recently in Estonia. According to the scheme, the managers of the so-called invoice factory allocated money to the people communicating with the missing traders for which frontmen were hired. The notary registered the bogus or missing trader company in the name of the frontman who received approximately 500 kroons<sup>26</sup> for the deal. Next the documents of the company moved on to the managers of the invoice factory who began communicating with

## **VOCABULARY**

**extortion**  
Erpressung

**VOCABULARY**

**bogus company**  
Scheinfirma

**to intertwine**  
verflochten sein

**to harass**  
belästigen

**to cut a deal**  
ein Geschäft machen

companies needing “service”. After that the necessary invoices were compiled showing the sale of services or goods to a **bogus company**. Via the managers of the invoice factory, the bogus invoices reached the person who had ordered the “service”. That legal company now transferred money to the account of the bogus company, withdrew it from a cash machine and forwarded it to the managers of the invoice factory. Eventually the client received a certain amount of cash from which a service fee of five percent of the amount of the deal had been deducted. The business held a strict conspiracy; for instance, the frontman knew only the person who went to the notary to sign the documents. At the beginning of 2007, the Tax and Customs Board estimated the total amount of annual VAT fraud in Estonia to be close to 450 million kroons.

Fourth, the networks **intertwined** with the elite in power, the participants of which have a direct access to the decision processes of politics, business and media. Such a model is well characterized by the cocaine transit targeted to the market of the United States, where Puerto Rico was the intermediate station between South America and North America. After the US administration began to **harass** the drug traffickers of Puerto Rico as of an associated country, they moved on to Port-au-Prince in Haiti. Soon the drug dealers **cut a deal** with the military belonging to the elite of Haiti. This fact confirms that the criminal syndicates have a skill to identify the “weak” countries, to immerse in them and corrupt the legitimate social institutions and networks.<sup>27</sup>

### COMPLICATED SOCIAL PHENOMEN

As to the countries of the Baltic Sea Region, some countries have problems with corruption. Joseph Albini warns that if

corruption neutralizes legislation and the system of internal security, then its efficiency regarding criminals has also been neutralized.<sup>28</sup>

Louise Shelley writes that the collapse of the communist system led to the situation where in some transitional societies organized crime assumed the control function of the Communist Party.<sup>29</sup> According to the hypothesis of the state failure theory, when a state fails to provide the main political products – e.g. security, judicial area and stability –, criminal groups will start to fulfill the functions of the state. According to the hypothesis of economic failure, poor economic results, like a high level of unemployment and a low living standard, and a black economy facilitate criminal syndicates as the providers of the necessary goods, services and jobs.<sup>30</sup> The criminal networks that are able to influence international decisions and take advantage of the favorable opportunities opening up in what should be legitimate business areas, should be given more attention by the institutions of internal security.

***Organized crime is a complicated social phenomenon which has a significant impact on economics and politics.***

The development of the organizational structure of crime is a global and a natural process which corresponds with the development of legal social systems and subsystems, including politics and the structure of enterprises. Research confirms that the factors influencing the level of development and the nature of crime are the same across the world.<sup>31</sup>

<sup>1</sup> Bruinsma, G., Bernasco, W. (2004). *Criminal groups and transnational illegal markets. A more detailed examination on the basis of Social Network Theory*, *Crime, Law & Social Change* (41), 79.

<sup>2</sup> Canter, D. (2004). *A Partial Order Sca-logram Analysis of Criminal Network Structures*, *Behaviormetrika*, vol 31, no 2, 131–152.

[http://www.jstage.jst.go.jp/article/bhmk/31/2/31\\_131/\\_article](http://www.jstage.jst.go.jp/article/bhmk/31/2/31_131/_article) (30.06.2007).

<sup>3</sup> Kyntäjä, T. (2004). *Rikollisuus ja rikoskontrolli. Sosiologisia kartalehtiä*. Toimitaneet Ismo Kantola, Keijo Koskinen ja Pekka Räsänen. Tampere: Vastapaino, 284.

<sup>4</sup> Lampe, K. von (2005). *Organized Crime in Europe. Handbook of Transnational Crime and Justice*. Ed. Philip Reichel, Thousand Oaks, 406–407.

<sup>5</sup> European Organised Crime Threat Assessment (OCTA) 2007.  
[http://www.europol.europa.eu/publications/European\\_Organised\\_Crime\\_Threat-Assessment\\_\(OCTA\)/OCTA2007.pdf](http://www.europol.europa.eu/publications/European_Organised_Crime_Threat-Assessment_(OCTA)/OCTA2007.pdf) (30.11.2007).

<sup>6</sup> Lampe, K. von (2005). 407.

<sup>7</sup> The criminal subculture called “the tradition of thieves” was formed in the Soviet penitentiary institutions in the 1920’s–1930’s and reached its peak during the following decade. The central term of the subculture is the “thief”, which denotes a professional criminal belonging to the underworld and who follows the norms and customs of the so-called thieves world. The representatives of the criminal subculture were called thieves mainly because initially most of them used to be pickpockets. Valery Chalidze

has described the world of “thieves” of the Soviet Union (воровской мир) as a social institution with internal unity and a code of ethics. The most influential representative of the criminal world is the so-called legal thief (боп в законе). Chalidze, V. (1977). *Criminal Russia. Essays on Crime in the Soviet Union*, New York, 34; 45. The “legal thief” is a professional criminal and an active promoter of the criminal way of life who has an experience of confronting the institutions of internal security. Nowadays, many “thieves” have no prison experience and young criminals purchase the membership card of the “brotherhood”. The power of the “thieves” depends on whether they have a possibility to demonstrate power if needed or not. Therefore, many “thieves” have joined territorial criminal groups. Varese, F.

- (2005). *The Russian Mafia. Private Protection in a New Market Economy*, Oxford, 64–65.
- <sup>8</sup> See also: Pullat, R. (2003). *Järjestäytynyt rikollisuus nyky-Virossa ja naapurimaissa*. Poliisiammattikorkeakoulun tiedotteita, 23. Helsinki: Oyj Edita; Pullat, R. (2008). *Organiseeritud kuritegevusega seotud uimastiäri Läänemere maades. Politseiline vaade*. Tallinn: Politseihamet.
- <sup>9</sup> In the following names are expressed by abbreviations.
- <sup>10</sup> Interview conducted by the author in the Estonian Central Criminal Police, Tallinn, 02.08.2006.
- <sup>11</sup> Interview conducted by the author in the Estonian Central Criminal Police, Tallinn, 04.08.2006.
- <sup>12</sup> Ranne, R. Filippov, J. (2007). *Hullud päevad Virumaal*. Eesti Ekspress, 12.04.2007 <http://www.ekspress.ee/viewdoc/8BA4209CBD5A7425C22572BA004028E4#close> (10.07.2007).
- <sup>13</sup> See also: Hietaniemi, T./Korpisaari, H. Rikosten ehkäisy järjestätyneen rikollisuuden torjunnassa. *Rikostutkimus 2003–2004*. Keskusrikospoliisi (KRP). Helsinki. [http://www.poliisi.fi/poliisi/krp/home.nsf/files/Rikostutkimus\\_2003-2004/\\$file/Rikostutkimus\\_2003-2004.pdf](http://www.poliisi.fi/poliisi/krp/home.nsf/files/Rikostutkimus_2003-2004/$file/Rikostutkimus_2003-2004.pdf) (14.11.2007).
- <sup>14</sup> Kressa, K. (2007). *Koit Pikaro – pealilma autoriteet*. Eesti Päevaleht, 06.01.2007.
- <sup>15</sup> Lampe, K. von (2005). 407.
- <sup>16</sup> Interview conducted by the author in the Central Criminal Police, Tallinn, 17.07.2006.
- <sup>17</sup> See also: Kagge, R. (2007). *Vaher: kuritegevus on saanud uut hoogu*. Postimees, 17.12.2007. [http://www.postimees.ee/171207/esileht/siseuudised/301873\\_2.php](http://www.postimees.ee/171207/esileht/siseuudised/301873_2.php) (17.12.2007).
- <sup>18</sup> Kyntäjä, T. (2004). 269–270.
- <sup>19</sup> Lampe, K. von (2005). 407–408.
- <sup>20</sup> Siseministeeriumi valitsemisala arengukava 2008–2011. <http://www.siseministeerium.ee/17410> (03.12.2007).
- <sup>21</sup> Duyne, P. C. van (2006). *Introduction: Counting clouds and measuring organised crime. The Organisation of Crime for Profit. Conduct, Law and Measurement*. Petrus C. van Duyne, Almir Maljevic, Maarten van Dijck, Klaus von Lampe and James L. Newell (Eds.). Nijmegen, 010–011.
- <sup>22</sup> *Outcome of the proceedings from the meeting of the Operative Committee on 29th-30th March, 2007 in Tallinn, Estonia. The Baltic Sea Task Force on Organized Crime*, Tallinn, 21.05.2007, 25.
- <sup>23</sup> Lampe, K. von (2005). 415–416.
- <sup>24</sup> See also: Hietaniemi, T./Korpisaari, H. Rikosten ehkäisy järjestätyneen rikollisuuden torjunnassa. *Rikostutkimus 2003–2004*. Keskusrikospoliisi (KRP). Helsinki. [http://www.poliisi.fi/poliisi/krp/home.nsf/files/Rikostutkimus\\_2003-2004/\\$file/Rikostutkimus\\_2003-2004.pdf](http://www.poliisi.fi/poliisi/krp/home.nsf/files/Rikostutkimus_2003-2004/$file/Rikostutkimus_2003-2004.pdf) (14.11.2007).
- <sup>25</sup> *Outcome of the proceedings from the meeting of the Operative Committee on 30–31, January, 2007 in Tallinn, Estonia. The Baltic Sea Task Force on Organized Crime*. Tallinn, 14.03.2007, 7–8.
- <sup>26</sup> 500 Kroons about € 31.
- <sup>27</sup> Gros, J. G. (2003). *Trouble in Paradise: Crime and Collapsed States in the Age of Globalization*, The British Journal of Criminology, vol 43, no 1, Winter, 66.
- <sup>28</sup> *Organized Crime: Uncertainties and Dilemmas. Appendix I – The Most Critical Unresolved Issue Associated with Contemporary Organized Crime*. Edited by Stanley Einstein and Menachem Amir. Chicago: Office of International Criminal Justice, 1999, 465–466.
- <sup>29</sup> Shelley, L. I. (1999). *Post-Soviet Organized Crime. Implications for Economic, Social and Political Development. Transnational Crime*, Aldershot, 177–178.
- <sup>30</sup> Sung, H.-E. (2004). *State Failure, Economic Failure, and Predatory Organized Crime: A Comparative Analysis*, Journal of Research in Crime and Delinquency, vol 41, no 2, May, 111.
- <sup>31</sup> Gilinskiy, Y. (2006). *Crime in Contemporary Russia*, European Journal of Criminology, vol 3 (3), 279.