

Threat of Harm: A US-Based Assessment of Transnational Organized Crime
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ABSTRACT

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In April 2008 the United States Department of Justice (DOJ) developed a strategy to combat international organized crime. Within its strategies, the DOJ identified eight criminal activities, including but not limited to the trafficking of humans, contraband, and illicit narcotics, to be among the greatest threats emanating from transnational organized criminals. Besides identifying these threats, the DOJ sought an assessment of the criminal organizations engaged in these activities for resource allocation. To date, only a traditional organized crime threat assessment has been conducted by federal law enforcement agencies. This threat assessment focused exclusively on evaluating known criminal organizations believed to pose the greatest threat defined by their characteristics. Few, if any, assessments have considered the actual or estimated harm caused by criminal organizations, yet an untested hypothesis in the organized crime literature suggests the degree of a criminal organization's structure, sophistication, self-identification, stability, size, and reputation impacts the organization's capacity for harm the so-called "harm capacity thesis." This exploratory study was the first known assessment of the harm capacity thesis. To assess the hypothesis, the content of 14 closed criminal cases, consisting of thousands of pages of interviews, surveillance logs, administrative updates and other investigative documents, derived from FBI criminal investigations of transnational crimes were analyzed. Through the content analysis, the harm capacity and harm variables were assigned values ranging from one (minimum) to

three (maximum). These were used to calculate harm capacity and harm indices. A cross-comparison of these indices suggests criminal organizations commit a level of harm commensurate with their harm capacity. Nine of the fourteen criminal organizations were found to have committed a level of harm commensurate with its harm capacity. However, the research was limited on identifying which particular harm capacity characteristics contributed to an organizations overall level of harm. The findings from this study have implications for future research to include comparative studies of criminal organizations operating in the same criminal market to more accurately assess which characteristics are contributing to an organizations level of harm and longitudinal studies to evaluate the factors most important in the structural development of criminal organizations.

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The views and opinions expressed herein are those of the author and do not necessarily reflect the views of the Federal Bureau of Investigation or the United States government.

Table of Contents

Abstract	í í	.ii
Acknowledgment	í í	.iv
Figures and Tables	í í	..vii
Chapter 1: Introduction	í í	...í 1
Chapter 2: Literature Review	í í í í í í í ...í .í í í í í í í í í í í í í í í í í í í í	.16
Chapter 3: Methodology and Research Design	í í	.45
Chapter 4: Drug Trafficking	í í	...74
Chapter 5: Contraband Trafficking	í í	..90
Chapter 6: Human Trafficking	í í	.113
Chapter 7: Money Laundering	í í	.í í í í 141
Chapter 8: Sophisticated Fraud	í í	...165
Chapter 9: Cyber Crime	í í	...182
Chapter 10: Use of Violence	í í	..203
Chapter 11: Discussion	í í	..221
Chapter 12: Conclusion	í í	.236
Appendix A: Addendum	í í	...243
Appendix B: Questionnaire	í í	..í í í í í í í í í í í í í .248
Bibliography	í í	..í í í í í í .253

List of Figures and Tables

Haganø Organized Crime Continuumí	í í í í í í í í í í í í í í í í í í	...20
Sleipnir ó Threat Measurement Techniqueí	í í í í í í í í í í í í í í í í í í	36
Conceptual Frameworks for Assessing Organized Crimeí	í í í í í í í í í í í í	.43
Harm Capacity Modelí	í í	61
General Coding Schematic for Harm Capacity and Harmsí	í í í í í í í í í í í	...62
Organizational Structure of the FARCø First Frontí	í í í í í í í í í í í í í	..76
Controlled Narcotic Purchases, 24 April ó 17 September 2009í	í í í í í í í í í í	89
Financial Transactions between Mantilla and Cabrera, April to June 2008í	í í í í	..98
Number of Cartons Containing Counterfeit Cigarettes		
Imported to the United States from China, 2001 ó 2004í	í í í í í í í í í í í	.108
Giant Labor Solutionsø(GLSø) Organizational Structureí	í í í í í í í í í í í	114
Number of Individuals Self-Identified with Organizations		
Involved with Labor Traffickingí	í í	.118
Estimated Transportation Costs/Profits per Victimí	í í í í í í í í í í í í	.í 126
Organizational Structure of the Roman Criminal Organizationí	í í í í í í í í í	..144
Number of Stolen Vehicles Exported to China by the		
Ma Organization, 1994-1996í	í í	...211
Number of TCOs Exhibiting Various Levels of the		
Harm Capacity Characteristicsí	í í	221
Frequency of Criminal Organizations Causing the Various		
Levels of Harm for Each Dimension of Harmí	í í í í í í í í í í í í í í í í	.225
Relationship between Harm Capacity and Harm Indicesí	í í í í í í í í í í í	228
Harm Capacity Measures for TCOs Ranked by Harm Indexí	í í í í í í í í í í	..231

Chapter 1: Introduction

Background

Since the end of the cold war and fuelled in large part by globalization, transnational organized crime groups have become a formidable threat to the United States— bilking hundreds of millions, if not billions, of dollars per year.¹ Some of these groups have rapidly expanded their criminal markets either through migration to the United States and/or collaboration with other criminal groups.² And because the United States is the world's richest country, as Finckenauer observes, "it represents the most opportune target for transnational organized crime" (2000, p.3). As a result of the potential (and real) threat posed by these criminal organizations, in April 2008, the United States Department of Justice (DOJ) issued strategies to combat international organized crime.

Within its strategies, the Justice Department highlighted eight primary threats posed by international organized crime groups to the United States. These threats include the penetration of the energy and other strategic sectors of the economy (threat 1), support of terrorists, foreign intelligence services and governments (threat 2), smuggling and trafficking of people and contraband into the United States (threat 3), exploitation of the U.S. and international financial systems to move illicit funds (threat 4), use of cyberspace to target U.S. victims and infrastructure (threat 5), manipulation of the securities exchanges and perpetration of sophisticated fraud (threat 6), corruption of public officials in the U.S. and abroad (threat 7), and the use of or the threat of violence as a basis for power (threat 8).

¹Estimates of the cost of transnational organized crime vary significantly across time and location, but the descriptive estimates derived from criminal cases in the United States provided by Donald Liddick (2004) suggest hundreds of millions if not billions of dollars.

²According Colleen Cook (2007), Mexican drug trafficking organizations have developed a presence in major US cities and have developed stronger relationships with prison and street gangs in order to facilitate drug trafficking within the United States.

The Justice Department also identified nine goals the department should accomplish in its efforts to combat international organized crime. Of the nine strategic goals, its first and primary goal is to prioritize and target international organized crime figures and organizations for concerted, high-impact law enforcement actions. In order to prioritize its limited resources, the U.S. federal government must identify the criminal organizations that pose the greatest threat to the country. To this end, this research is aimed at providing a scientific approach to assessing the type of criminal organizations that pose the greatest threat to the United States based on the organizations' capacity for harm. In keeping with the Justice Department's understanding of international organized crime, which includes the participation of domestic criminal organizations, this research will include, when appropriate, US-based criminal organizations.

While the organized crime threat environment is said to have evolved into a transnational crime problem, many criminal organizations that were organized in the United States participate in and contribute to transnational crime despite law enforcement efforts to prevent such activities. In fact, many domestic criminal organizations, like their international counterparts, are involved in the criminal activities highlighted in the DOJ's law enforcement strategies to combat international organized crime. The line between US-based criminal groups and international criminal groups has been blurred as trends associated with globalization have contributed to an increase in criminal activity across national borders. As Naim (2003) has observed, whereas governments are cumbersome bureaucracies that generally cooperate with difficulty, drug traffickers, arms dealers, alien smugglers, counterfeiters, and money launderers have refined networking to a science, with complex and sometimes improbable strategic alliances that span cultures and continents.

Threat of Organized Crime Evolves

The organized crime threat environment has shifted dramatically since organized crime was first identified as a problem in the United States. While organized crime has had a long history in the United States, dating to at least the early 1800s, it was not until the late 1950s the U.S. federal government began to consider organized crime a significant threat.³ As a result, criminal organizations did not receive the attention they deserved nor did law enforcement agencies receive the necessary resources to effectively address the issue. It would take another thirty years before the U.S. federal government would expend substantial resources towards purging the country of its organized crime problem.

Despite the slow response by the U.S. federal government in combating organized crime, the United States began to define the organized crime threat within the parameters of its understanding of the Italian-American Mafia—also known simply as the American Mafia—by the 1950s. This understanding of the organized crime phenomenon was largely the result of Senator Estes Kefauver (1951) and, subsequently, Donald Cressey's (1969) analysis of organized crime in America. They argued in part that the mafia was transplanted from Sicily during the late 1800s to early 1900s when droves of Italians immigrated to the United States. Once here, the organization established itself throughout the United States and were bound only to each other through rituals and secrecy. The most lasting effect of their work was defining organized crime as a hierarchical criminal organization. Moreover, Robert Kennedy (1960), in the course of a U.S. Senate investigation into the labor unions, found that the American Mafia had infiltrated

³ The U.S. federal government's response to organized crime has been relatively inconsistent throughout the years. While the late 1950s led to a dramatic shift in focus on organized crime in the United States, it is important to note that the U.S. government did address the topic of organized crime—or gangsterism—in its review of crime, law enforcement, and Prohibition under the Wickersham Commission of 1929. The government's interest in organized crime, however, would wane with the onset of the Great Depression, World War II and the Cold War. For a more detailed account of the U.S. government's response to organized crime, see Nancy E. Marion's (2008) *Government versus organized crime*.

many of the country's most powerful labor unions, thus having a foothold on a very vital aspect of American society. As a result, organized crime came to be viewed as being synonymous with the conspiratorial, hierarchical organization of the American mafia.

The American mafia, for instance, was found to have a presence in every major city in the United States, such as New York, Chicago, Kansas City, Tampa, Cleveland, Providence and Boston. In each city, the American Mafia controlled illicit goods and services, corrupted local government, and infiltrated legitimate businesses. The threat posed by the American Mafia was national in scope. This view was given further credence when Joseph Bonanno, the head of one of the five New York City crime families bearing his name, published his memoir. In the memoir, Bonanno (1983) discusses the creation of a national-level commission, which was comprised of the bosses of the 25 mafia families throughout the United States. The commission, according to Bonanno (1983), was created in part to settle disputes among the crime families. Some (Jacobs, Panarella, & Worthington, 1994), however, have questioned the veracity of Bonanno's statements, pointing to the fact that the ill-defined commission forced the prosecutors in the so-called "Commission Case" to limit the case to the bosses of the five New York crime families. Nonetheless, given that the mafia appeared to be a national organization that successfully penetrated vital aspects of American society, the organization was aptly viewed as a national security threat.

While the United States would wage war against the mafia during the 1980s, by the mid-1990s, the threat posed by the American Mafia began to be questioned. Reuter (1995), specifically, has argued that the influence of the American Mafia has declined. He observes that the altered structure of urban politics and policing, better federal enforcement, and incompetence on the part of the organization have contributed to this decline. The American Mafia, according

to Reuter (1995), is not as successful in corrupting urban politicians and police, in part, because the demographics of the urban setting have changed. The concerted federal law enforcement campaign against the mafia throughout the 1980s has caused the crime families to be largely leaderless, as many of the leaders have been sentenced to lengthy prison terms. And lastly, the crime families have continued to rely on recruiting undereducated felons, which, according to Reuter (1995, p.96), "is not a very effective method to finding the best and the brightest of criminal talent." For these reasons, Reuter (1995) argues that the threat of the American Mafia has indeed waned.

By the time Reuter (1995) argued that the threat from the American mafia was declining, the topic of globalization was dominating public policy discussions. Since the fall of the Berlin wall in 1989, the dynamics of politics and business were said to have been dramatically altered by global developments, such as the integration of world financial systems, information technology, global markets, global transportation, and mass migration. These developments, while not necessarily new, have been accelerated within the past decade. Since the early 1990s, scholars and others have been attempting to understand the broader impact of globalization on international relations (Stiglitz, 2002) and on the United States (Friedman, 2007). It was within this context that some (Nicaso & Lamothe, 1995) began to warn of an emerging "global mafia."

According to Nicaso and Lamothe (1995), traditional organized crime groups from Italy, Eastern Europe, and the former Soviet Union were quickly adapting to this new globalized world; a world characterized by improved global communication and transportation systems and greater integration of national economies. To fully exploit the new opportunities afforded by globalization, criminal organizations were said to be merging and cooperating with each other on a scale never seen before. While Nicaso and Lamothe (1995) made some interesting observations

early in the discussion about the interaction between the global developments and organized crime, their assessments are often colored by sensationalism.

While Sterling (1994), Nicaso and Lamothe (1995), and Robinson (2000) have warned of an emerging *pax mafiosa*, Kleinknecht (1996) warned of the emergence of new ethnic mobs within the United States. These new ethnic mobs included the Russians, Chinese, Koreans, Vietnamese, Hispanics, and Jamaicans. Kleinknecht (1996) maintains that these new groups are a result of the increasing number of immigrants from various parts of the world entering the United States. Subscribing to the ethnic succession theory of organized crime, Kleinknecht (1996) argues that since the American mafia is in a decline, these new ethnic mobs will eventually supplant the Italian-American mafia. These new ethnic mobs, according to Kleinknecht, appear to maintain greater ties to their countries of origin than the Italian-American mafia, making them a transnational crime problem.

Organized Crime: A Transnational Problem?

Some scholars (Woodiwiss, 2005 and Woodiwiss & Bewley-Taylor, 2005) have questioned the motives for defining organized crime as a transnational problem. In particular, Woodiwiss and Bewley-Taylor (2005) argue that the United States pioneered the conspiratorial construction of transnational organized crime to steer attention away from corporate criminal activities and to provide U.S. security agencies with a new enemy to combat at the end of the Cold War. For Woodiwiss and Bewley-Taylor (2005), the most striking aspect of the US-led effort to construct a global enforcement regime is its focus on coercive law enforcement efforts rather than root causes. The United States is criticized for exporting its organized crime control approach of arresting and prosecuting harmful people rather than taking a more strategic approach of reducing the opportunities for criminal activities.

While Woodiwiss & Bewley-Taylor (2005) have argued that the re-conceptualization of organized crime as a transnational problem is an effort by the United States to create a 'global enforcement regime,' others (Shelley, 1995 & Peters, 2009) have highlighted the consequences of transnational organized crime to nation-states and to regional and global stability. Shelley (1995), in particular, conducted case analyses of three transnational organized crime groups from Italy, Colombia, and the former Soviet Union to demonstrate the variety of political and economic conditions under which organized crime groups can operate. These case studies illustrate that organized crime groups are pernicious to various forms of government to include democratic societies. They undermine the rule of law through corruption of politicians and law enforcement officials. They undermine the financial security of the world markets through large-scale money laundering schemes and the use of the stock and commodities markets. And they diminish the quality of life through the use of violence, drug trafficking, and prostitution.

Peters (2009), on the other hand, provides an in-depth analysis 'albeit anecdotal' of the nexus between the heroin market and the rise of the Taliban in Afghanistan. In particular, she (2009) documents how the Taliban initially began as an organization formed to protect the farmer-peasants from a corrupt government. Yet in time, the Taliban began to levy a 'tax' on the farmers, who would become indebted to the Taliban, increasing production demands. For the Afghans, the cheapest agricultural product to maintain, yielding significant profits, is opium. Therefore, Afghan farmers and the Taliban slowly were drawn into the heroin trade. The proceeds from the illicit trade provided the Taliban with the financial resources to purchase Soviet-era weapons, which has fuelled armed conflicts within the region. It is also suspected that

the drug proceeds are used to fund al-Qaïda and the Pakistani Taliban⁴ both organizations were responsible for terrorist attacks on the United States.⁴

These small-scale wars initiated by non-state actors, who are armed by arms dealers and enriched by crime (often from the illicit drug market), have had a direct impact on the United States. In particular, violence on the U.S.-Mexican border has intensified in recent years as Mexican Drug Trafficking Organizations (MDTOs) fight each other to control the trafficking routes to the United States (Biettel, 2009). Human traffickers from China, Mexico, and elsewhere are responsible for trafficking upwards of 17,500 people into the United States, annually (U.S. State Department, 2006). Besides drug and human trafficking, transnational criminals are involved in a number of other organized criminal activities to include trafficking in contraband and exotic animals, money laundering, financial fraud, cyber-crime, and theft of intellectual property, to name but a few. All of which have an adverse effect⁴ either directly or indirectly⁴ on the United States.

While the discussion about the threat environment has been dominated by anecdotal and descriptive analysis, many of the activities committed by criminal organizations have been observed to be transnational in scope. Therefore, organized crime is no longer just a threat to U.S. national security but is a threat to global stability and democracy around the world. Nowhere is this trend more evident than in the steady supply of Soviet weapons trafficked into the Middle East, South America, and other regions of the world since the collapse of the Soviet Union. Stockpiles of Soviet weapons have helped fuel small, regionally-based armed-conflicts throughout the world. These conflicts are often ignited by non-state actors, such as the Revolutionary Armed Forces of Colombia (FARC) or al-Qaiïda (AQ) and its affiliates. The

⁴ Al-Qaïda was responsible for the 11 September 2001 attacks on the World Trade Center in New York City and the Pentagon. The Pakistani Taliban, also known as Tehrik-i-Taliban Pakistan (TTP), claimed responsibility for the attempted car bombing at Times Square, New York City carried out by Faisal Shahzad on 1 May 2010.

consequence of these conflicts is to further reduce the host nation's ability to develop the infrastructure needed to allocate resources and promote the general welfare of its citizens. Many of the nations afflicted by armed conflicts are nations already in desperate need of financial assistance and effective state institutions.

The emergence of transnational organized crime is largely due to the forces of globalization—what Williams (2007, p.195) calls the “force multipliers.” Globalization has provided more opportunities for and greater ease of criminal networking. Global financial markets, for instance, have provided criminals with an avenue to obfuscate criminal proceeds in various countries, making it much more difficult for law enforcement to trace these funds. Global trade, with its mass transportation of goods and services, has enabled criminals to transport large quantities of drugs, arms, stolen cars, and even more exotic cargo such as people, human body parts, cultural artifacts, and so forth, across national borders without fear of detection.

Besides global financial markets and trade, the internet has provided an easy and anonymous method to conduct crime. Child sex predators, for instance, have used the internet to book “sex tours” in foreign countries, where children are easily acquired for sex. They have also been able to create and share files of child porn without worrying about the direct interaction that a traditional exchange of materials would have required decades ago. The internet has also been used to facilitate various types of frauds, including bogus solicitations that entice unsuspecting victims to advance a fee to the “FBI” or other phony organizations in order to receive funds from an investigation or an inheritance.

The Problem

Despite the growing concern about transnational organized crime, few, if any, empirical evaluations have been conducted to assess the impact of organized crime on the United States.

The evaluative research that has been done on organized crime is either focused on assessing criminal organizations or on evaluating organized crime control policies. According to Gabor (2003), the evaluative research on organized crime control policies is akin to the broader organized crime research, which, according to Martens and cited by Gabor (2003, p.3), suffers from "intellectual atrophy." That is, little, if any, evaluative research "deserves our attention" given issues related to conceptualization and measurement. In addition, the majority of assessments on organized crime have been concerned with identifying the organizations that pose the greatest threat to the United States.

Group-based assessments, as Albanese (2008) notes, are conducted primarily by law enforcement agencies. These assessments generally are aimed at identifying which organized crime group(s) or individual members pose the greatest threat to the United States. The recommended solution to group-based assessments is eradication or disruption of the organization through arrests and prosecutions of its identified leaders. The underlying assumption is that the "headhunting" strategy will have a measurable impact on the organizations' criminal activities. This assumption, however, has gone untested. In fact, anecdotal evidence would suggest that prosecutions do not necessarily have an impact on criminal activities since well-established criminal organizations are generally able to fill the leadership void created by prosecutions with other members. And in other cases, if the organization is severely disrupted, other organizations competing to control the same criminal market often will supplant the organization.

In recent years, scholars (Wagley, 2006; Albanese, 2008; Dubourg & Prichard, 2007; and Maltz, 1990) and a UK-based governmental organization (Tusikov, 2009) have developed alternative methods for assessing organized crime. These scholars have suggested that organized

crime be assessed based on threat (Wagley, 2006), risk (Albanese, 2008 & Vander Beken, 2004), cost (Dubourg & Prichard, 2007) and harm (Maltz, 1990). There is, however, a movement towards the latter. A recent expert working group on international organized crime in the United States (Picarelli, 2010) identified harm-based assessments of organized crime as an area of research that could help improve U.S. policy. Other government organizations have already begun to analyze the harm associated with organized crime despite the conceptual overlap of several of the harms analyzed and some of the threats assessed within the bifurcated threat/harm model.

The relative absence of evaluative research in the field of organized crime can be attributed in part to issues of measurement. The traditional measures of crime, such as the Uniformed Crime Report (UCR), the National Crime Victim Survey (NCVS), and the National Incident Based Reporting System (NIBRS), do not associate crimes with criminal groups. This makes it difficult for analysts or researchers to identify, for instance, the number of homicides related to a criminal organization. Besides the fact that the traditional measures of crime are unavailable to the researcher, there is a general inability to measure a criminal organization's criminal activity. The inability to measure the criminal activity is due in part to the secretive nature of the activity. In the parlance of criminologists, the "dark figure of crime" poses one of the greatest challenges to measuring organized crime.

Another shortcoming of the research on organized crime is that no unifying criminological theory exists to explain the phenomenon. While several criminological theories have been posited to explain organized crime, no single theoretical framework has been able to explain the phenomenon in any great detail. In fact, Kenney and Finckenauer (1995) have argued that organized crime is sufficiently varied and complex that one theory cannot cover all the

bases. This situation further hinders the ability of researchers to empirically assess organized crime. As von Lampe (2004) argues, since organized crime suffers from a lack of a theoretical framework, any attempt to operationalize variables for quantitative analysis is bound to be futile. For this reason, von Lampe (2004) argues that "for the time being, case studies might be a valuable alternative to statistical approaches."

Overview of Study

This study has examined what has been referred to as the "harm capacity" thesis of organized crime (Marvelli & Finckenauer, 2011). This hypothesis suggests that the degree of the organization's characteristics (e.g. sophistication, structure, self-identification, reputation, stability, and size), or harm capacity (a measurement of the characteristics), will influence the organization's level of harm (e.g. physical, psychological, economic, and societal). By assessing the "harm capacity" thesis, it was intended the research findings would provide a baseline assessment for decision-makers within the law enforcement community to more effectively direct its limited resources towards combating criminal organizations that are most likely to have the greatest capacity for harm.

To evaluate the harm capacity thesis, the study utilized transnational organized crime data collected by the Federal Bureau of Investigation (FBI). This secondary data provided unique data for the assessment of the harms committed by various transnational criminal organizations operating in different criminal markets. The FBI case information is unique in that it does provide greater insight into the crimes committed by particular criminal organizations that is not easily obtained from the traditional measures of crime. A limitation to the use of case information, however, is that it is cross-sectional; it only captures a snapshot of the criminal activities over the course of the criminal investigation. That is to say, criminal investigations are

truncated by time and evidence. Once an investigation is opened against one or more persons involved in the suspected criminal activity, the investigation continues until enough evidence is acquired for prosecution. Thus, a criminal investigation may not capture all of the crimes the criminal organization may have committed.

A sample of 14 closed criminal cases were selected for content analysis from an initial review of the FBI's "daily case round-ups," which is an internal web-based platform used to keep all FBI employees informed of its criminal cases that have entered the criminal justice system. The "daily case round-ups," therefore, provided the initial documents (most often press releases) necessary to identify the criminal cases for analysis. The cases were selected based on several criteria, including the nature of the criminal activity. That is, the case reflected one of the eight threats identified by the Department of Justice in its law enforcement strategies to combat international organized crime. This purposive sampling strategy focused on the identification and collection of cases viewed by the DOJ to be representative of transnational criminal organizations. However, a limitation of this strategy is that the cases will not be a random sampling of the population of criminal organizations. Therefore, generalizing the findings from this study to other criminal organizations and activities would be questionable.

Besides the 14 closed criminal cases, approximately 20 personal interviews of FBI special agents involved in the 14 criminal investigations were attempted by sending open-ended questionnaires to these agents and analysts via email. The case agents to be questioned and the types of questions asked were developed after the initial analyses of the criminal case files. These questionnaires were to provide additional information about the criminal organizations and the organizations' activities with an emphasis on the harms committed by those directly involved in the criminal investigation. The agents directly involved in the criminal investigations

were assumed to have the greatest insight into the organizations and their activities than would a sample of agents/analysts from the various organized crime units. In addition, they were assumed to possess additional insight that may not have been captured in the FBI case files.

As an employee of the FBI, I had direct access to the documents and employees necessary for conducting this exploratory study. While the intent was to evaluate a particular hypothesis, the content of the data collected further defined the concepts under examination. This is due to the fact that, as will be explained in Chapter 2, organized crime research lacks empirically-based theories from which concepts can be drawn. This practice is also suggested by Charmaz (2006) for developing a grounded theory with the data naturally facilitating the process. Therefore, for this particular study, I started with a hypothesis to be tested but allowed the data to naturally guide the concepts to be assessed. This approach was taken to shed light on a topic that has not garnered much attention in the academic literature while providing the Department of Justice with an assessment that fulfills its goal of identifying the types of transnational criminal organizations that have the greatest capacity for harm.

At this point, it is worth noting that one of the major limitations to this study is the over reliance on law enforcement data. Ideally, multiple sets of data would be used to assess the impact of organized crime on individuals and society. The multiple sets would be used to triangulate the data to draw more robust conclusions about the impact of the organized criminal activity without the limitations normally associated with law enforcement data (i.e. missing data since not all crimes are brought to the attention of law enforcement agencies). However, multiple sets on organized crime are not readily available. There are data sets that could be used as proxy measures. The data collected by the Office of National Drug Control Policy (ONDCP), which collects data on drug use in America, could be used as a proxy for the impact of drug trafficking

as indicated by Reuter and Petrie (1999). Yet while such data sets can be useful for understanding the illicit drug market (at least from the demand-side), one could not draw conclusions about the harm drug trafficking has caused from any particular criminal group.

Road Map

The remaining chapters will cover an in-depth review of the relevant organized crime literature (Chapter 2), outline the qualitative research methodology adopted for this study (Chapter 3), provide case studies for the fourteen criminal organizations under review (Chapters 4 to 10), present the analysis of the distribution and cross-case comparisons (Chapter 11) and conclude with research and policy implications (Chapter 12). Given this road map for the remaining aspects of this dissertation, I now turn to a review of the literature which will explore the definition of organized crime, the evolution of organized crime in the United States, and the various models designed for assessing organized crime. In particular, threat, risk, and harm assessment models will be discussed for their potential application to this research project aimed at assessing the harm capacity thesis.

Chapter 2: Literature Review

Understanding Organized Crime

The topic of organized crime has captured the imagination of millions of Americans through popular movies, television series, and, to a lesser extent, books and government reports. The early fascination with organized crime has been traced, partially, to the highly publicized Kefauver and McClellan Committees during the 1950s and 1960s (Smith, 1975; De Stefano, 2006). The latter was a response to the detection of the 1957 Apalachin meeting in upstate New York where mafiosi from several major U.S. cities planned to meet. These televised committee hearings, however, had the effect of defining organized crime in the U.S. as a nation-wide criminal conspiracy. Joseph Valachi's testimony in 1963, and the subsequent book *The Valachi Papers* (Maas, 2003), helped memorialize the image of a nation-wide criminal conspiracy into the conscious of the American public. That criminal conspiracy has long been defined and reinforced as La Cosa Nostra or the Italian Mafia. This popular image of organized crime as the mafia has been conveyed through several highly popular films, including the Godfather, Goodfellas, Casino, Donnie Brasco and a recent hit television series the Sopranos.

Given that most people have acquired their knowledge about organized crime from these mediums, it is no wonder that the popular image of organized crime continues to flourish. As Finckenauer acknowledges, "the predominant view among Americans fits the stereotype that organized crime is synonymous with what they conceive of as the Italian 'mafia'" (2007, p.3). But besides impacting how society comes to define organized crime, this "predominant view" of associating "mafia" with organized crime has had an effect on law enforcement practices. Whenever a "new" criminal enterprise was identified, for instance, the media and law enforcement agencies were quick to label the group a mafia, as exemplified by references to the

“Black Mafia” and the “Russian Mafia.” Within this conceptualization, law enforcement officials would seek to fit the “new mafia” within the framework of the Italian mafia, which was and remains a patriarchal hierarchy with a well-defined division of labor. If the “new” criminal group did not fit this model, federal law enforcement agencies would be slow to dedicate resources to combating the organized crime group. As Kaplan and Dubro (2003) found when researching the Yakuza crime groups, one of Hawaii’s federal prosecutors had a difficult time receiving the support and resources needed to combat elements of the Yakuza because the group was viewed as a gang and not an organized crime group.

This “mafia mystique,” as it has been coined by Smith (1975), has contributed to the confusion of the social phenomenon that is organized crime. Finckenauer (2007) has argued that while the mafia is a form of organized crime, it is not the only form. The sole distinction between other criminal organizations and the mafia, according to Finckenauer (2007), is that mafias have played a uniquely quasi-governmental role. That is, mafias have formed where and when a power vacuum exists as a result of a weak or ineffective government. Mafias develop a monopoly over the protection business rather than seeking a monopoly over some illegal commodity, such as drugs or prostitution.

Even though U.S. federal law enforcement agencies have broadened their definition of organized crime to include loosely structured, decentralized criminal groups, the Federal Bureau of Investigation—the lead federal agency in combating organized crime in the United States—and other federal law enforcement agencies treat drug trafficking organizations and street gangs as separate crime problems (Finklea, 2010). In addition, the FBI treats human trafficking as a violation of human rights. Therefore, human trafficking cases are handled by its civil and human rights units rather than its organized crime units. The compartmentalization of *organized*

criminal activities, such as drug and human trafficking, and *criminal organizations*, such as Italian, Asian, and Eurasian organized crime groups, results in competition for federal resources.

Problems with Definition

The concept of organized crime, like many social concepts, has suffered from collective ambiguity.⁵ That is to say, there has been no consensus on what is meant by organized crime. Even the United States General Accounting Office (1977, i) in their evaluation of Federal Strike Forces that were established to combat organized crime found that there was no agreement on what organized crime is and, consequently, on precisely whom or what the Government is fighting. Just as there is a lack of agreement among practitioners and scholars, U.S. legislators have not been able to provide a clear definition of organized crime. The current statutory definition of organized crime in the United States stems from the Omnibus Crime Control and Safe Street Act (OCCSS) of 1968, which defines organized crime as:

The unlawful activities of the members of a highly organized, disciplined association engaged in supplying illegal goods and services, including but not limited to gambling, prostitution, loan sharking, narcotics, labor racketeering, and other unlawful activities of members of such organizations.

The OCCSS, however, describes organized crime in terms of illegal activities rather than in terms of what constitutes organized crime.

A subsequent U.S. statute, the Organized Crime Control Act (OCC) of 1970, specifically designed to provide the legal tools necessary to combat organized crime did not provide a definition of organized crime. Yet this statute would be amended to include a definition of organized crime under Title IX of the OCC, better known as the Racketeer Influenced and Corrupt Organization Act (RICO). RICO would define organized crime in terms of an

⁵ Sartori (1984) argues that *collective ambiguity* results from homonymy and synonymy. That is, one word is assigned more than one meaning. In the case of the research on organized crime, as discussed by Morselli (2005), the terms mafia, illegal enterprise, syndicate crime, and organized crime have all been used to explain the same social phenomenon.

“enterprise” and a “pattern of racketeering activity.”⁶ The OCCA, however, does not describe the attributes that distinguish criminal enterprises from legal enterprises.

As Finckenauer (2005 & 2007) observed, the term “organized” in organized crime is what needs explaining. Generally, when citizens in the United States use the term organized crime, images of Italian gangsters or the mafia come to mind, the so-called mafia mystique (Smith, 1975). But are organizations what we mean by organized? Or does the “crime” in organized crime have to be organized? Particular criminal activity, such as trafficking in antiquities or humans, requires organization on the part of the criminals but is not necessarily dominated by traditional criminal organizations. Chin (1998), for instance, found that while Chinese human smuggling required a great deal of organization, the crime was not linked to any traditional organized crime groups, such as the Chinese Triads. Nonetheless, according to Finckenauer, “This phenomenon known as organized crime cannot be defined by crimes alone. Any definition must address and account for the elusive modifying term *organized*” (2005, p.64).

Coping with Definitional Complexity

Given the conundrum of defining organized crime, scholars have begun to develop a definition of organized crime based on characteristics of criminal organizations. Hagan (1983) was one of the first to address the problem by identifying the most commonly used attributes of organized crime through a content analysis of the scholarly literature on organized crime. Hagan (1983) would identify eleven characteristics of criminal organizations. They are non-ideological,

⁶ As defined in 18 U.S.C. § 1961, an “‘enterprise’ includes any individual, partnership, corporation, association, or other legal entity, and any union or group of individuals associated...although not [necessarily] a legal entity,” and a “‘pattern of racketeering activity’ requires at least two acts of racketeering activity” to occur within 10 years of one another for a criminal organization to be prosecuted for racketeering. Racketeering is defined as any number of violations, including an act or threat involving murder, kidnapping, gambling, arson, robbery, bribery, extortion, or dealing in a controlled substance. See 18 U.S.C. § 1961 for a comprehensive list of predicate offenses for racketeering.

organized hierarchy, violence, restricted membership, rational profit through illegal activities, public demand, corruption, monopoly, specialization, code of secrecy, and extensive planning.

Unique to Hagan's (1983) definition, however, was his "organized crime continuum" (see Figure 1). Hagan (1983) argued that criminal organizations can be placed along a continuum according to its structure. On one extreme end of the continuum was a group of offenders that lacked any organizational structure (non-organized crime) and on the other end of the continuum was an organization with a strict hierarchy (organized crime). Therefore, according to this model, criminal organizations did not require a rigid hierarchy to be considered an organized crime group. This model had challenged the existing organized crime paradigm, which defined organized crime as criminal organizations exhibiting a rigid hierarchy and having a clear division of labor.

Figure 1. Hagan's (1983) Organized Crime Continuum

<u>Dimensions</u>	<u>Non-Organized Crime</u>	<u>Organized Crime</u>
1. Highly Organized	No _____	Yes _____
A. Hierarchy	Not Relevant _____	Relevant _____
B. Restricted Membership	Absent _____	Present _____
C. Secrecy (Codes)	Absent _____	Present _____
2. Violence or Threats of Violence	No _____	Yes _____
3. Provision of Illicit Goods in Public Demand	No _____	Yes _____
A. Profit Oriented	No _____	Yes _____
4. Immunity through:		
A. Corruption	Unconnected _____	Connected _____
B. Enforcement	No _____	Yes _____

Hagan (2006) would later modify his "organized crime continuum" based on a reassessment of the organized crime literature. In his revised model, Hagan (2006) acknowledges the existence of two meanings of organized crime: "Organized Crime" defined as criminal groups and "organized crime" defined as criminal activities that are organized. Hagan therefore expounded on the characteristics of "Organized Crime" in his revised organized crime continuum, dividing the attributes into two tiers: *primary characteristics*, such as non-ideological, violence/threats of violence, illicit services, and corruption and *secondary characteristics*, such as structure hierarchy, codes of secrecy, and exclusive membership. Based on these tiered characteristics, Hagan suggests that organized crime groups can be placed along the continuum, specifically proposing three levels of organized crime:

- Level 1 full-fledged groups, such as Cosa Nostra, Triads, and Yakuza.
- Level 2 semi-Organized Crime groups that lack full development of some characteristics, such as Mara Salvatrucha (MS13), Hell's Angels, and the Medellin Cartel
- Level 3 street gangs and others that are lower level in exhibiting full development, such as the Crips and Bloods

Hagan was cautious to suggest the three levels were provided for illustrative purposes and suggested other levels could conceivably be added. Nonetheless, the three levels provide a foundation for assessing various organizational structures of criminal organizations.

Hagan's modified organized crime continuum was premised on the understanding that organized crime had distinct definitions, which was previously highlighted by Finckenauer (2005). Finckenauer (2005), in particular, described the need to better define the term "organized" in organized crime since some crimes required some level of organization to be carried out but were not necessarily committed by traditional organized crime groups. To

develop a better understanding of "organized crime," Finckenauer (2005 & 2007) suggests defining organized crime by six "essential" characteristics (i.e. sophistication, structure, stability, self-identification, authority of reputation, and size) of criminal organization. These characteristics are defined as follows:

- *Sophistication* involves the degree of preparation and planning for the crime and how much skill and knowledge are needed in order to commit the crime.
- *Structure* entails a division of labor with clearly defined lines of authority.
- *Stability* pertains to the organization's ability to maintain itself over time and crimes.
- *Self-identification*, as the term implies, involves the participants identifying themselves as members of a defined organization.
- *Authority of reputation* is the extent to which the group is able to force others "criminals and non-criminals" to do what it wants without resorting to actual physical violence.
- *Size* pertains to the number of participants in the criminal group.

These characteristics, according to Finckenauer (2005), are unequivocally essential to defining criminal organizations. In fact, Finckenauer (2005, p.76) has argued that "criminal networks that are totally or even substantially lacking in [these characteristics], should not be considered true criminal organizations."

Although Finckenauer defines the characteristics as essential in defining organized crime, Finckenauer (2007) suggests variance in the characteristics across different criminal organizations. In particular, Finckenauer (2007) argues not all criminal organizations will exhibit all characteristics; and of those that exhibit all or some of these characteristics, the level or degree of these characteristics will vary. Zhang and Chin (2002), for instance, suggested the organizational structure of Chinese human smuggling organizations would place these

organizations in the middle of Hagan's (1983) organized crime continuum because the organizations did not exhibit a rigid hierarchy with established leadership roles but did exhibit a clear division of labor among its members. Yet Finckenauer (2007) posits that the variance in the six characteristics of criminal organization will have an impact on the criminal organization's capacity for harm.

For the purpose of this study, "transnational criminal organization" is considered to be an association of three or more people engaged in criminal activity. This broad definition of criminal organization is adopted from the Department of Justice's strategies to combat international organized crime because, as the DOJ (2008) acknowledges in its strategies, "There is no single structure under which [transnational] organized criminals operate." As Dickie (1992) indicates, criminal organization can be made-up of family groups, enterprises, and networks to name but a few forms of organization. The DOJ definition also avoids subtler distinctions between the various concepts, such as enterprise and fraternity (described in greater detail by Haller, 1990 and Paoli, 1998), especially since these concepts are not mutually exclusive. For example, the Cosa Nostra displays both fraternal "rituals are performed for membership" and corporate characteristics "hierarchy with formal positions. Therefore, the DOJ definition provides a sufficiently broad enough definition to capture the variance needed across the "harm capacity" thesis.

Theoretical Explanations

No single theory of organized crime has been developed that explains the social phenomenon in any great detail. In fact, Kenney and Finckenauer (1995) have argued that organized crime is sufficiently varied and complex that one theory cannot cover all the bases. Nonetheless, several criminological theories, as well as theories of organized crime, have been

posited to explain the social phenomenon. These theories include, but are not limited to, alien conspiracy, ethnic succession, enterprise, and situational crime prevention.

Alien conspiracy

An early explanation of organized crime in the United States was rooted in the alien conspiracy theory. This theory suggested that organized crime was imported to the United States from foreign nations. At its core, the theory suggested organized crime groups migrated with the droves of immigrants coming to the United States during the late 1800s. While certainly among the immigrants were some with the proclivity for crime, the theory was an over exaggeration of the problem, tending towards the sensational. This gross exaggeration was captured by the newsprint media of the time, which would frame its headlines with inflammatory and discriminatory language. It was common, for instance, for the newsprint media to run articles which suggested the Irish, Italians, or Chinese immigrants were "invading" the country. Nonetheless, the theory fostered the belief that organized crime was a problem brought to the United States by foreigners.

This theory, which seeks to place blame on an entire immigrant population, also fosters an "us" versus "them" mentality. This mentality perpetuates prejudice and hatred towards people not like "us." A negative consequence of this mentality is that it may actually cause the number of street gangs to proliferate. In New York City, for instance, where an influx of Irish immigrants were arriving daily during the 1800s, natural born Americans developed their own street gangs to defend themselves from the Irish, who also formed gangs for self-preservation against the natural born Americans. One of the natural born American street gangs adopted a very patriotic moniker "the True Blue Americans" presumably to convey not only their national pride but their disdain for immigrants (Asbury, 1998). Others (Burton, 2006) have documented a

similar trend with more modern street gangs. Burton (2006), for instance, found that the Mara Salvatrucha (MS-13) street gang was originally formed by members of the Salvadoran immigrant population in Los Angeles to protect themselves from the more established Mexican and African-American gangs.

Recent histories describing the origin of the Italian-American mafia (Reppetto, 2004) have underscored the fact that the American mafia is a uniquely American phenomenon, not foreign borne. In particular, the passage of the Volstead Act of 1919, which prohibited the sale and production of alcoholic beverages in the United States, was the catalyst for the Italian-American mafia to develop into a well-structured, financially stable criminal organization. While the Italian-American mafia thrived during the Prohibition era, their Jewish counterparts, in particular, played a vital role in the American mafia's development. Arnold Rothstein, the so-called financier of organized crime in America, provided the Italian-American gangs with the capital to invest in the illegal alcohol trade and other illegal activities (Pietrusza, 2004). Meyer Lansky is believed to have influenced his close friend Charles "Lucky" Luciano to consolidate power among the various Italian-American criminal groups.⁷

Ethnic succession

Ethnic succession theories argue crime is a step—albeit a "crooked step"—up the social ladder for many immigrants within the United States. Crime provides many within the lower socio-economic classes an opportunity to make money and move up the social ladder. This theory was popularized by Bell (1953), who argued that social mobility was depended on several avenues, or steps, for success. These steps include but are not limited to education, politics,

⁷ Charles "Lucky" Luciano advocated for the development of a national commission to settle disputes among the various crime families during a conference held in Chicago in 1931. The idea of a national commission is believed to have stemmed from a previous conference held in Atlantic City in 1929 where the Italian and Jewish gangsters established what the media dubbed a "National Crime Syndicate."

legitimate business, and religion. But given that people from the lower socio-economic status are cut off from or denied legitimate means of social mobility, these individuals attempt to rise in social status via a "queer ladder." Unique to this theory, as compared to the alien conspiracy theory, is the argument that organized crime is not the domain of any particular ethnic group, rather social circumstances influence organized criminality.

As a proponent of the ethnic succession theory of organized crime, Ianni (1974) posited that as one group of immigrants moves up the queer ladder and into positions of respectability, another group will replace them in crime. He argues that the Irish were the first group to move up the queer ladder. Once the Irish began to take hold of civil servant jobs and other jobs of respectability, the Jews and then the Italians replaced each other in succession. At the time of his writing, Ianni (1974) argued that the growing number of black gangsters (which he referred to as the Black Mafia) would eventually replace the Italians. This was a departure from Bellø (1953) prediction that "big city" organized criminality, which was "based on certain characteristics of the American economy, American ethnic groups, and American politics," was as "we have known it, at an end."

The ethnic succession theory, however, has been used in more recent works to explain the relationship between immigration trends of the past few decades and the involvement of those new immigrants in "organized crime." With the recent influx of Russians, Chinese, Koreans, Vietnamese, Hispanics, and Jamaicans into the United States, the face of organized crime is changing. These "new ethnic mobs," according to Kleinknecht (1996), are quickly supplanting the American Mafia. Kleinknecht (1996) suggests, in part, that Italians which have dominated organized crime in the United States are now being replaced by various ethnic criminal groups.

This replacement is due in part to the legitimate opportunities that have been extended to Italian Americans in the past few decades.

The ethnic succession theory presents a cogent argument for the development of organized crime in the United States but for the fact that the theory argues organized crime groups exist in succession. That is to say, only one organized crime group exists at any given time until it is replaced by another. The history of organized crime is rife with examples of multiple organized crime groups co-existing. McIllwain (1997), for instance, documents the earliest known *õwarsö* among Chinese organized crime groups, the Hip Sing Tong and the On Leong Tong, in New York's Chinatown between 1899 and 1907. This period coincides with the growth of the Irish mobs which began to develop in the 1850s, (English, 2005), and the early emergence of Italian gangsters (Raab, 2006). Even today, organized crime groups continue to co-exist in the United States.

Enterprise theory

A very popular theory of organized crime among academics and practitioners involved in studying and combating the phenomenon is the enterprise theory. Simply stated, the theory posits that organized crime is conceptually similar to a legitimate business or enterprise—albeit an illicit one. This theory was formulated as a critique to Cressey's (1969) early assessment of the American Mafia, which suggested the Mafia operated under a tightly composed command and control structure similar to a corporation with its pyramid-type leadership and operational structure. This command and control structure, according to Cressey (1969), made the criminal organization efficient in the criminal market.

While Cressey (1969) set the foundation for viewing organized crime as a hierarchical business model, Smith (1975) articulated why organized crime was best viewed within a

spectrum of enterprise model, which transcends the illicit and licit markets. In particular, a criminal organization's structure, according to Smith (1975) is the by-product of the primary activities the organization is engaged in. This argument directly opposed Cressey's (1969) assumption that activity follows from the organization's structure. Smith (1980: 375) explains, "Regardless of the organizational style of organized crime, the dynamics of the market operating past the point of legitimacy establish the primary context for the illicit entrepreneur." Yet the point at which legitimacy and illegitimacy meet along the *spectrum of enterprise* is not always precise, as Smith (1980) acknowledges.

While Smith (1975) articulates the role of the market in the formation of organizational structure, which for Smith (1975) will have outcomes varying across all kinds of structural dimensions, Kelly (1999) contributes to Smith's (1975) enterprise theory by distinguishing between associational structure and the structure of enterprises operated by individual members of the criminal organization. That is, individual members operating a particular enterprise within an association form structures that are uniquely distinct from the larger association, which in accordance with Smith (1975) will be based on the specific needs and contingencies of the criminal activity. Therefore, most of the strategic decision-making is made by the various criminal entrepreneurs rather than the upper-echelon of the larger criminal associations. This finding is supported by both the academic literature and first-hand accounts from law enforcement practitioners. For instance, former FBI agent Joseph Pistone (2005), who infiltrated the Bonanno crime family in New York, made the observation that the associates and members of the American Cosa Nostra family were required to make money through their own criminal ventures.

Moreover, Morselli's (2005) social network analysis of Salvatore "Sammy the Bull" Gravano, the former underboss of the Gambino crime family in New York City, partially supports Kelly's argument. Within his analysis, Morselli (2005) found that Gravano had to develop his own criminal career within the framework of the criminal organization by finding, creating, and exploiting criminal opportunities to make money. Initially Gravano had to rely on better positioned members of Cosa Nostra to gain access to resources until he became a legitimate member of the organization. Once a member, he was in a position to build his own social capital, which provided him with opportunities to open his own quasi-legitimate businesses. The organization itself did not provide criminal opportunities, as much as provide Gravano the ability to leverage its reputation to develop his own criminal opportunities.

This theory has gained in popularity with law enforcement agencies, spawning what is commonly referred to as the enterprise theory of investigation (ETI) which is legislatively embodied in the Racketeer Influenced Corrupt Organizations Act (RICO). The ETI strategy shifts the focus from the individual criminal actors to the "enterprise." That is to say, criminal investigations are aimed at all members that are involved in the criminal activity rather than those whom actually committed the illegal act. In response to this shift to the ETI strategy, traditional conspiracy legislation was broadened to permit law enforcement officials to investigate and prosecute the leadership as well as the day-to-day operators of a criminal organization (Gerber, 1987-88).

ETI also permits law enforcement to pursue criminal organizations that have infiltrated legitimate businesses, and, like wise, legitimate businesses that commit illegal acts. Under ETI, for instance, criminal organizations are not viewed as simply criminal groups that attempt to dominate the markets of illegal goods and services, but are organizations willing to infiltrate and

manipulate existing, legitimate businesses to launder money, siphon profits, and provide no-show jobs for its members. Therefore, it is not limited to established criminal organizations. ETI permits law enforcement to pursue legitimate businessmen that conspire to use their otherwise legal business to provide the market with an illegal good, as has been the case with cigarette smuggling to avoid state taxes.

Situational crime prevention

Situational crime prevention is another criminological theory that has more recently gained in popularity since its core tenets—derived primarily from rational choice and routine activities theories—have been expounded and tested for its utility in crime reduction, accumulating evidence of its impact on various forms of criminal activity, such as robberies, car thefts, and fraud. It has more recently been suggested for terrorism (Clarke and Newman, 2006) and organized crime (Felson, 2006). In sum, the theory suggests crime is more likely to occur when a motivated offender and victim/target meet in time and place, forming what is generally referred to as the “crime triangle.” Yet for the crime to occur there has to be an absent or weak guardian to prevent the crime or a permissive environment for the criminal act to occur. Therefore, to prevent crime, situational crime prevention places greater emphasis on reducing crime opportunities. To reduce opportunities, the theory considers the immediate environment in which the crime takes place with a view to increasing the efforts and risks and reducing the rewards from the crime (Clarke, 1993, p.3).

Felson (2006) proposes combating organized crime by focusing on particular crimes dominated by or commonly committed by criminal organizations and making it harder for the organization to commit these acts. He proposes focusing on the situational factors, or what he refers to as the “ecosystem,” that give rise to the opportunities to commit these crimes. As

Felson admits, in practice, this would re-shift the focus on those whom actually commit the crime (i.e. the drug dealers on the street) rather than attempting to arrest and prosecute the leaders of the enterprise (i.e. the drug lords). However, as Felson notes, by making the crime more difficult to commit, law enforcement would be able to reduce organized crime by affecting the supply and demand for the illicit goods and services provided by criminal organizations. Thus, the benefits of crime prevention would inevitably impact the leaders of the criminal organization, who rely on the profits made by the individual criminal or associate on the street.

Others have begun to provide examples that demonstrate the application of situational approaches in potentially reducing various forms of organized crimes. These include trafficking of contraband cigarettes (Von Lampe, 2010), sex trafficking (Finckenauer and Chin, 2010), organized timber theft (Graycar and Felson, 2010), and infiltration of the public construction industry (Savona, 2010) to name but a few. While these discussions provide a heuristic understanding of the potential application of situational crime prevention to organized crimes, to date, there have been few, if any, systematic evaluations of the effectiveness of this approach to reducing organized crime. This is partly due to the fact that situational approaches have not been applied to preventing organized crime in any systematic way. Nonetheless, the discussion provides a platform for understanding the applicability of situational approaches towards reducing opportunities for organized crime.

On the other hand, Von Lampe (2011) questions the application of the situational crime prevention model to organized crime in general, suggesting that in many respects the theory's conceptual framework would need to be modified to an extent that its universal applicability is called into question. Core propositions of the situational crime prevention model, such as the model's prerequisite for the convergence of all factors in space and time that directly define a

crime opportunity, resourcefulness of the offenders, and the agency to choose and shape crime settings, require modification in order to accommodate the perceived differences between organized crime and non-organized crime.

Measuring and Assessing Organized Crime

The ability to measure organized crime has remained elusive for both practitioners and scholars. This inability is due in part to the lack of a systemic method to quantify the crimes associated with criminal organizations. While “traditional” street crimes and a growing number of white collar crimes are captured within the official measures of crime, such as the UCR, NCVS, and NIBRS, no comparable data set exists for organized crime. Given the lack of official (police) data, researchers must resort to other data sources, such as indictments, interviews, and surveys.

Moreover, the ability to measure organized criminal activity is hindered by the clandestine nature of the criminal activity. In the parlance of criminologists, the “dark figure” of crime poses the greatest challenge to measuring organized crime. The true amount of narcotics or people trafficked into the United States, for instance, is largely unknown. At best, we have conservative estimates. With human trafficking, the State Department estimates that up to 17,500 foreign nationals are trafficked into the United States annually. As an indicator of the quantity of narcotics entering the United States annually, the U.S. Drug Enforcement Administration (DEA) provides details on drug seizures each year and on the current prices of narcotics. But in both cases, the “real” number of people or drugs trafficked remains only a rough estimate.

This inability to measure organized crime in general has been frustrating, for example, to the General Accounting Office (GAO). During the early efforts against organized crime through the use of Federal Task Forces, the GAO (1977 & 1989) produced a series of evaluations to

assess the impact of this practice in combating organized crime. Each of the reports made reference to the lack of measures sufficient to actually determine whether the task forces were effective in reducing organized crime. The GAO recommended that the U.S. Federal Government needed to do a better job at developing measures of organized crime. Unfortunately, that mandate remains unfilled. This is in large part a result of differing opinions on what is the best and most practical measure of organized crime (market-based measures or criminal case loads).

While disagreement exists over the best and most practical way to measure organized crime, several assessment models (threat, risk, cost, and harm) have been developed and utilized by practitioners, researchers, and analysts to assist in assessing organized criminal groups and activities. Each assessment model is designed to provide policy-makers with strategic analysis so policy-makers can prioritize and address the threat, risk, cost, or harm of organized crime. The following sections will discuss, explain, and explore the various assessment models.

Threat Assessments

Threat assessments of organized crime can be dichotomized into group and activity-based assessments. Traditional “threat” assessments of organized crime identified criminal organizations that posed the greatest threat to society (group-based), whereas recent assessments have focused on identifying the most “threatening” organized criminal activity (activity-based). Each threat assessment is explained in turn.

Group-Based Threat Assessments

Group-based threat assessments represent the traditional law enforcement approach to assessing organized crime with the primary goal of identifying the most threatening criminal organization and/or individual. In fact, most, if not all, assessments either risk or threat-oriented

of organized crime have been conducted by law enforcement agencies (Albanese, 2008). These assessments generally focus on identifying the “most serious,” or threatening, groups or individual members. Disruption and prosecution of these criminal groups or individuals are usually the identified solutions to such group-based assessments. Yet as Gabor (2003) found in his assessment of the literature on the effectiveness of organized crime control policies, there has been no empirical support for the assumption that prosecutions will lead to a demonstrable reduction of organized criminal activity.

Group-based threat assessments, nonetheless, are in accordance with law enforcement's traditional function of investigating and developing criminal cases for prosecution. To this end, federal law enforcement agencies recently conducted an assessment of the international criminal organizations and individuals that pose the greatest threat to the United States.⁸ This assessment was to address DOJ's (2008) strategic goal of “prioritiz[ing] and target[ing] international organized crime figures and organizations” under its *Strategies to Combat International Organized Crime*. In general, the approach taken to assess the “threat” was to review intelligence from known criminal organizations and rank-order them based on their activities related to the eight threats identified by the Department of Justice. The consequence of conducting an assessment by focusing on known criminal organizations “as compartmentalized by the federal agencies” is to limit the potential for assessing other criminal organizations that may be involved in similar criminal activity.

Project Sleipnir (2000) was the Criminal Intelligence Service Canada's (CISCs) efforts to provide a threat measurement technique for strategic intelligence analysis. In particular, a threat matrix was developed with 19 attributes of criminal organizations that are believed to be relevant

⁸ The interagency International Organized Crime (IOC) threat assessment is a law enforcement sensitive document this author has had the privilege of reviewing. Given the sensitivity of the assessment, its findings cannot be disclosed.

to evaluating the relative threat of organized crime. The attributes are rank-ordered based on the responses from a Delphi survey which had respondents (law enforcement officials) rank-order the attributes of criminal groups. A value is assigned to each attribute in order to assess each group's capabilities/capacity. Each attribute is further assigned a color-coded value which has corresponding numeric scores: high (red), medium (orange), low (yellow), nil (green) and unknown (blue), see Figure 2. The values are then weighed based on the rank-ordered attributes. That is to say, a "high" value for corruption weighs more than a "high" score for violence, and so forth. The sum of all attributes results in an aggregate score for each criminal organization.

The Sleipnir model, nonetheless, suffers from several limitations. Of greatest concern, the model weighs the characteristics against each other, suggesting one characteristic is more serious or dangerous than the others. This implicit assessment of "seriousness" derived from the Delphi survey injects a normative concept without an independent evaluation of the actual impact of the attributes. Another limitation inherent in the model is the conceptual overlap of several attributes. Expertise and sophistication, for example, are treated as two separate concepts but may in fact be interrelated. That is, for the criminal organization to exhibit sophistication, it is probably extremely important for its members to exhibit criminal expertise in order to launder money or traffic people. Lastly, the model does not require analysts to assess the harm likely caused by each of the attributes. Instead, the threat from the criminal organization is assessed based on the mere exhibition of the characteristics.

Figure 2. Sleipnir – Threat Measurement Technique

		<u>Organized Crime Networks</u>					
		A	B	C	D	E	F
<u>Attributes</u>							
1.	Corruption	Red	Orange	Orange	Orange	Yellow	Yellow
2.	Violence	Red	Red	Orange	Orange	Yellow	Green
3.	Infiltration	Red	Orange	Orange	Orange	Green	Green
4.	Expertise	Red	Red	Orange	Yellow	Orange	Orange
5.	Sophistication	Orange	Red	Yellow	Orange	Orange	Orange
6.	Subversion	Orange	Orange	Red	Yellow	Green	Blue
7.	Strategy	Orange	Orange	Yellow	Red	Orange	Green
8.	Discipline	Red	Yellow	Red	Orange	Orange	Yellow
9.	Insulation	Red	Red	Orange	Yellow	Green	Yellow
10.	Intelligence Use	Blue	Orange	Yellow	Red	Yellow	Green
11.	Multiple Enterprises	Orange	Red	Orange	Yellow	Orange	Green
12.	Mobility	Red	Orange	Yellow	Orange	Yellow	Yellow
13.	Stability	Red	Red	Red	Orange	Green	Green
14.	Scope	Orange	Orange	Red	Orange	Yellow	Blue
15.	Monopoly	Red	Orange	Red	Red	Yellow	Yellow
16.	Group Cohesiveness	Yellow	Red	Orange	Orange	Orange	Blue
17.	Continuity	Yellow	Red	Orange	Yellow	Green	Orange
18.	Links to Other Organized Crime	Orange	Orange	Red	Red	Yellow	Yellow
19.	Links to Criminal Extremism	Green	Green	Green	Blue	Green	Green

Activity-Based Threat Assessment

Despite the continued use of threat assessments to identify the most threatening criminal organizations, there has been a recent interest in conducting threat assessments based on organized criminal activities. This evolution is rooted in the premise that the “threat” from transnational organized criminals is best viewed within the prism of criminal activity rather than criminal organizations. This is a significant departure, as the definition of “threat” shifted from criminal organization to criminal activity.

This crime-specific approach has recently been adopted by Wagley (2006) to identify the primary threats of transnational organized crime to the United States. Specifically, Wagley

(2006) has identified five principal threats in his report to the United States Congress. The primary threats were rank-ordered based on their *potential* dangerousness to U.S. persons and interests. The threats included 1) smuggling of nuclear material and technology, 2) drug trafficking, 3) trafficking in persons, 4) intellectual property crimes, and 5) money laundering. According to Wagley's (2006) model, the greatest threat to the United States is the smuggling of nuclear materials and technology, especially given the concern that criminal organizations may trade or sell these materials to terrorist organizations. The *likely* impact from the use of nuclear material and technology outweighs the impact from money laundering, according to this calculation.

The Department of Justice (2008) has likewise adopted a crime-specific approach within its recent *Strategies to Combat International Organized Crime*. The Department of Justice identified eight central threats to the United States. These threats include 1) penetration of the energy and other strategic sectors of the economy, 2) provide logistical and other support to terrorists, foreign intelligence services and governments, 3) smuggle/traffic people and contraband goods into the United States, 4) exploit the U.S. and international financial system to move illicit funds, 5) use cyberspace to target U.S. victims and infrastructure, 6) manipulate securities exchanges and penetrate sophisticated frauds, 7) corrupt or seek to corrupt public officials in the United States and abroad, and 8) use violence and the threat of violence as a basis for power.

As mentioned above, federal law enforcement agencies would use this framework to assess known international criminal organizations, which are grouped by the FBI as Italian organized crime and African, Asian, Balkan, Eurasian, and Middle Eastern criminal enterprises (see www.fbi.gov/about-us/investigate/organizedcrime for more details about the division of

criminal organizations by geographical locations). However, rather than assess the actual harm caused by the criminal acts highlighted in the DOJ strategies, the approach utilized was to assess the predominant activity committed by the known criminal organization and rank-order the threat (i.e. criminal organization) based on the perceived seriousness of the activity the organization was most engaged in.

Besides Wagley (2006) and the DOJ (2008), the most recent transnational organized crime threat assessment conducted by the United Nations Office on Drugs and Crime (UNODC) (2010) has likewise taken the crime-specific approach. The UNODC (2010) however does not emphasize rank-ordering the threats but provides a comprehensive analysis of several cross-border crimes: human trafficking/smuggling, drug trafficking, arms trafficking, theft and smuggling of natural resources, counterfeiting, maritime piracy, and cyber-crime. The analyses and assessments provided in the report are premised on quantitative data of transnational organized criminal activity despite the many limitations of data associated with organized crime, which the report acknowledges. Nonetheless, the ostensible objective of the report was to provide a quantitative assessment of the current state of transnational organized criminal activity around the globe, not to assess which criminal activity posed the greatest threat.

Risk Assessments

As an off-shoot of the activity-based threat assessment, risk assessment models have been developed by criminologists (Albanese, 2008 and Vander Beken, 2004) in order to compare the relative risk inherent in criminal markets (i.e. criminal activities). These assessments differ from the activity-based threat assessments discussed above in that some risk assessments (Queensland Crime Commission, 1999) have considered the threat as an element of risk. That is, according to the Queensland Crime Commission (QCC) (1999), risk is determined by the intensity of the

threat, how likely it is to occur, and the seriousness of the consequences (Queensland Crime Commission, 1999). Therefore, risk is measured by calculating the threat posed by the criminal groups and the resultant harm from their criminal activity.

According to Tusikov (2009), the National Policing Improvement Agency (NPIA) in the United Kingdom, which is responsible for developing the methodology underlying their National Strategic Assessment (NSA) and the Organized Crime Group Mapping (OCGM) process, uses a similar procedure⁹ described by the QCC. For the OCGM process, NPIA uses Sleipnir⁶ described above to assess the criminal groups criminal capacity/capability and analyzes the harm according to six categories: injury, community, reputation/political, criminal capacity/capability, cross-border/geography, and economic. For the NPIA's assessment, the criminal capacity of a criminal group is but one element of harm.

The QCC (1999) and NPIA, according to Tusikov (2009), are assessments designed to measure organized crime on a national scale. Albanese (2008), however, argues that determining the risk of organized crime requires specific local assessments, as illicit markets are likely to differ from state to state. In order to assess organized crime, Albanese (2008) suggests dividing organized crime into three categories: provision of illicit services, provision of illicit goods, and infiltration of legitimate businesses. These three categories can be further subdivided into specific offenses, such as human trafficking, drug trafficking, and money laundering. For each specific offense, according to Albanese (2008), supply, demand, regulators, and competition are the essential variables to measure markets at risk. Since organized crime groups operate enterprises with the goals of survival and making a profit, they must control the pressure from suppliers (sources), customers (demand), regulators (law, police), and competitors (other legal

⁹ NPIA's methods discussed in Tusikov's paper were derived from a draft document that was restricted to law enforcement and used with the permission of NPIA. Therefore, the discussion about the methods used is limited to Tusikov's assessment of the methods.

and illegal businesses). The interaction of these risk factors can assist in assessing the comparative risk of organized crime involvement for different types of products and illicit markets.

Vander Beken (2004) argues that the risk-based methodologies are most appropriately utilized within the framework of Smith's (1980) spectrum-based theory of enterprise. As such, Vander Beken (2004) suggests that the risk of organized crime is dependent on the market forces of both the illicit and licit markets. But unlike Albanese's (2008) emphasis on assessing only the components of the market forces, Vander Beken's (2004) risk assessment consists of conducting an environmental scan, assessing known organized crime groups involvement, and analyzing illicit and licit markets. According to Vander Beken (2004), his three part framework for conducting a risk assessment is in keeping with the broader risk methodologies used by the insurance, finance, nuclear, chemical, engineering, and health sectors.

Harm/Cost Assessments

To assess the threat posed by criminal activity, Maltz (1990) has proposed assessing the harms associated with organized criminal activity since each type of criminal activity will result in a different type of harm. The dimensions of harm are physical, psychological, economic, and societal. Each, or a combination of each, dimension of harm, however, may also result from the activity. For example, homicide, the ultimate physical harm, may also result in economic and psychological harm for the victim's family. Moreover, as Maltz (1990) states, not every activity will result in an intrinsic harm, as is the case with gambling. Gambling is an activity that is legal in some jurisdictions but not in others. Therefore, assessing harm caused by activity which is legal in some instances but not in others would be a difficult, if not an impractical, task.

In an effort to evaluate economic and social costs, i.e. harm, associated with organized crime, Dubourg and Prichard (2007) relied exclusively on a quantitative analysis of the costs associated with organized criminal activities. According Dubourg and Prichard (2007), the economic and social costs of organized crime include the costs incurred in anticipation of crime, consequence of crime, and response to crime. Yet as Zoutendijk (2010) points out, the costs associated with anticipating and responding to crime does little to explain the harm of organized crime. Instead these costs are likely a reflection of costs incurred as a result of fear of organized crime (anticipatory costs) or policy preference for organized crime control (responsive costs). In addition, while Dubourg and Prichard (2007) analysis addresses the economic costs of the organized criminal activities under examination, the other dimensions of harm (physical, societal, and psychological) are not addressed.

Despite the recent interest in developing various forms of threat assessments, Zoutendijk (2010) suggests that each of these models suffers from reliability and validity issues. In particular, Zoutendijk (2010), having reviewed several government assessments and the academic literature, concludes that each assessment model relies on normative definitions of 'threat', 'harm', 'seriousness', and so forth, resulting in models that suffer from a lack of operational definitions. Therefore, not only is the concept of organized crime suffering from validity issues, according to Zoutendijk (2010), but each concept drawn upon for threat assessments are suffering as well.

Von Lampe (2004) provides a similar critique of organized crime research in his assessment of organized crime measurements. According to von Lampe (2004), attempts to quantitatively measure organized crime are bound to be futile, given that organized crime research suffers from issues related to construct validity. Since there is no agreed upon definition

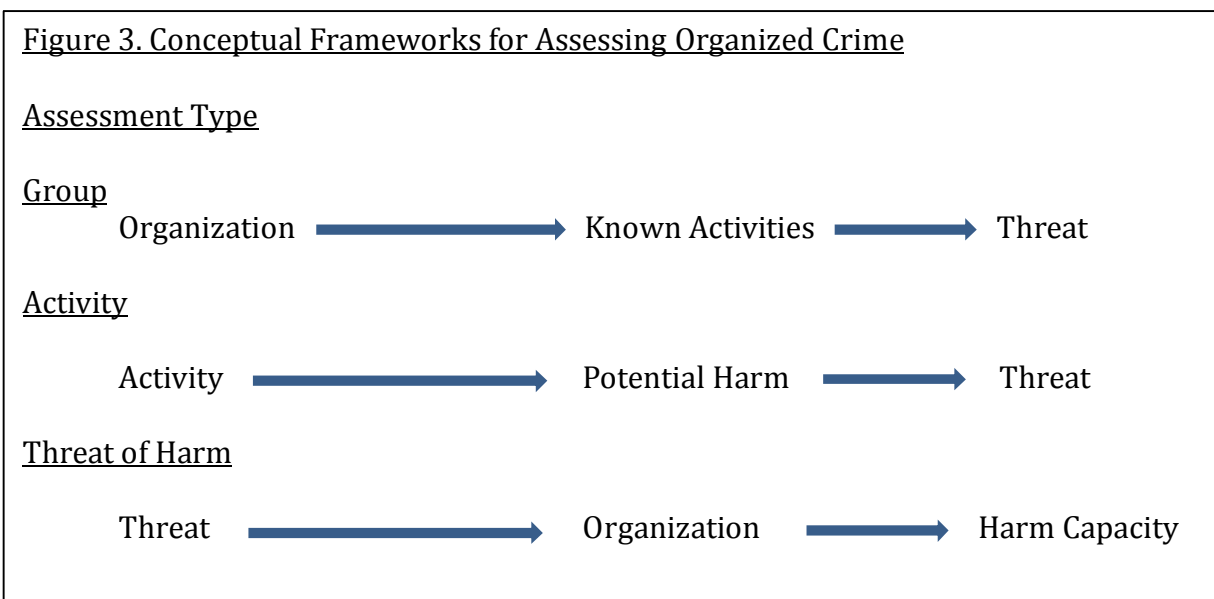
of organized crime, it makes it difficult to know if the operationalization of the concept has captured the original concept. For von Lampe (2004), the issues related to construct validity is due to the lack of a theoretical explanation of organized crime. In order to operationalize organized crime, according to von Lampe, an empirically grounded theory for each link connecting elements in the underlying threat/risk models is needed.

Threat of Harm: A Modified Assessment Tool

Finckenauer (2007) hypothesized that the characteristics of criminal organizations affect the organizations capacity to commit harm. As with the Sleipnir model, Finckenauer (2007) harm capacity thesis relies on the assessment of attributes of criminal organization. Unlike the Sleipnir model, however, which assesses the relative "threat" defined as the 19 attributes, rank ordered of organized crime groups, the threat of harm model proposed by Marvelli and Finckenauer (2011) emphasizes the actual and/or estimated harm caused by the criminal organizations in its calculus of threat. That is, the attributes of criminal organization should have a measurable impact on the actual and/or estimated harm caused by the criminal organization. Therefore, a bifurcated assessment is required, which evaluates and measures the attributes of criminal organization and the actual and/or estimated harm caused by the criminal organization.

Figure 3, below, provides a simplified conceptual model of the "threat of harm" assessment tool, as it compares with the more traditional methods of conducting group and activity-based threat assessments. The greatest distinction between the three models is the outcome of the assessment. With group and activity-based assessments, the outcome is to draw conclusions about the "threat" of either the group or activity from the known activities or potential harm, respectively. On the other hand, the threat of harm model begins with the

threats— i.e. the criminal activities— and assesses organizations committing the act to determine which type of criminal organization has the greatest capacity for harm.



Marvelli and Finckenauer (2011) provided a cursory assessment of the “harm capacity” thesis, finding that criminal organizations entrenched in the United States appear to have the greatest capacity for harm. To assess the harm capacity thesis, Marvelli and Finckenauer (2011) focused on the threats identified by the Department of Justice in its strategies to combat international organized crime. Within the confines of Wagley and the DOJ’s threats, they assessed the harms caused by transnational organized criminals, which were derived from criminal cases investigated by the FBI and prosecuted by the Department of Justice.

This study, therefore, develops on the previous research conducted by Marvelli and Finckenauer (2011) in order to provide a more empirical approach to assessing the “harm capacity” thesis. By identifying which type of criminal organization has the greatest capacity for harm, law enforcement agencies can allocate its limited resources towards combating criminal organizations that exhibit the characteristics most associated with the organization’s capacity for

harm. To further elaborate on the approach to be taken to assess the harms capacity thesis, the next chapter will provide an in-depth discussion about the study's methodology and research design.

Chapter 3: Methodology and Research Design

Overview of the Research

The "harm capacity" thesis postulates that the degree of presence of the primary characteristics of a criminal organization (structure, sophistication, stability, self-identification, authority of reputation, and size) will have an impact on the organization's capacity for harm (physical, economic, societal, or psychological). Recent suggestive research has supported the notion that certain characteristics are linked to an organization's potential harm capacity. In particular, Marvelli and Finckenauer (2011) found that the potential magnitude of harm appeared to rest with a criminal organization's ability to sustain their activities over time and crimes.

This study builds on Marvelli and Finckenauer's (2011) research to more accurately evaluate the harm capacity thesis through an exploratory analysis of secondary data sources. The secondary data are derived from the Federal Bureau of Investigation (FBI) case files, which include but are not limited to interviews with suspects, victims, and witnesses, case summaries, and open source documents. Open source documents are reports that are publicly available at the time of the investigation, such as newspaper articles or press releases.

In an effort to supplement the secondary sources, questionnaires were sent to FBI agents directly involved in the criminal investigations used for the study. However, the response rate was extremely low. In fact, only one questionnaire was completed from the nineteen questionnaires sent. Despite the extremely low response rate, the responses received from most of the agents when asked if they would participate in the research study underscores some potential problems with their participation. In a few instances, the agent after looking over the questionnaire indicated they were not in a position to answer the questions because they were not involved in the investigation long enough. This is fairly common for long-term criminal

investigations. Agents tend to be either rotated out of the investigation based on the needs of the organization or voluntarily take temporary duties to other divisions or squads/units to provide assistance. Others responded by indicating they were unlikely to be able to provide sensitive case information to the author despite the fact the case was prosecuted, the offenders were incarcerated, the questions were general in nature, and the author obtained permission to use the FBI criminal case material for this study from senior executives of the FBI.

In addition, a couple of agents despite not filling out the questionnaire exchanged emails with this author about their investigations. These discussions, however, only solidified the analysis originally conducted from the case material, thus providing very limited insight into the case that was not captured in the case files. This was counter-intuitive to the assumption that the case agents would be able to provide additional information not recorded in the case materials. This assumption had underscored the primary reason for conducting a questionnaire with case agents directly involved in the criminal investigation given I had direct access to the FBI case files.

Research Question and Hypotheses

The primary research question addressed by this study is: *Does the degree of presence of the primary characteristics of a criminal organization impact the organization's capacity for harm?* The answer to this question is important because many threat assessments conducted by various federal or national law enforcement agencies rely on the assumption that most if not all of these characteristics contribute to the degree of threat posed by any particular criminal organization. If true, this threat framework could provide a valuable tool for law enforcement agencies in their resource allocation decisions.

Yet while addressing this broader question, which emphasizes the collective impact of organizational characteristics on an organization's capacity for harm, several additional hypotheses were examined, which were derived from the broader "harm capacity" thesis. The sub-hypotheses evaluated in this study are:

H1: Criminal organizations that exhibit a maximum level of sophistication have a greater capacity for harm.

H2: Hierarchical criminal organizations have a greater capacity for harm.

H3: Criminal organizations with self-identification have a greater capacity for harm.

H4: Criminal organizations that exhibit a maximum level of reputation have a greater capacity for harm.

H5: Criminal organizations that exhibit a maximum level of stability have a greater capacity for harm.

H6: Large criminal organizations have a greater capacity for harm.

Sampling

A total of 14 criminal case files⁶ representing 14 different criminal organizations⁷ were sampled from an initial analysis of the FBI's "daily case roundups," which is made available to all FBI employees via an internal web-based platform. The case roundups reflect national press releases and other news items about the various cases being handled by the FBI, including from arrest to sentencing. The case selections consisted of two most recently prosecuted criminal organizations (or individuals from a criminal organization), which met certain criteria for case inclusion, for each of the seven DOJ threats. The first criterion was the crime⁸ or threat identified by the DOJ⁹ had to have been committed by three or more people. This was to ensure a "criminal organization," broadly defined, was captured in the case selection. In addition, the

criminal case had to be transnational in scope and have come to fruition. That is, the accused were prosecuted and found guilty either through a jury trial or a plea agreement. This is to ensure that the material used does not affect an ongoing investigation nor cast doubt on anyone as being a criminal without having undergone due process.

This purposive sampling strategy is consistent with other qualitative research studies aimed at studying a select group of people who are not likely to be captured in a random sampling. While much criticism exists about the use of purposive sampling techniques, or non-probability sampling, as Dane (1990) points out, the advantage of purposive sampling is that it allows the researcher to hone in on people or events that will be critical for a particular research project, giving the researcher the ability to concentrate on instances which display wide variety to illuminate the research question at hand. In a study of criminal organizations, this qualitative sampling technique becomes essential for illustrating people and events which are highly unlikely to be captured by other sampling means. Yet limitations of this sampling strategy include the extent to which the case selections influence the research findings, representing researcher bias, and the inability to generalize the findings to a larger population of "criminal organizations." To minimize researcher bias, however, I established set criteria for selection of criminal cases, mentioned above. These criteria not only protect unprosecuted persons and current investigations but also provided a broad enough criteria to include criminal investigations which may not have been handled by the FBI's organized crime units, thus, minimizing "to some extent" the influence of the FBI's decision making process on labeling criminal cases a particular way.

Unit of Analysis

The unit of analysis for this study is criminal organizations. While the term generally conjures up images of the mafia and/or mafia-type organizations with a strict division of labor and "top-down" management, I have opted to adopt the Department of Justice's (2008) broad definition of "criminal organization." That is, a criminal organization for this study is defined as three or more individuals engaged in criminal activity for the shared purpose of power, influence, and monetary and/or commercial gain. This broad definition is designed to include the various structures (enterprises, associations, and networks) which transnational organized criminals operate. A more stringent definition of criminal organization would likely limit the types of organizations under examination. This would likely limit the sample of organizations to only organizations that are similar in nature (hierarchical organizations, etc.), rendering any comparison across organizations meaningless.

While a broad definition of criminal organization was adopted to capture the variance needed to assess the harm capacity thesis, the criminal organizations under review will inevitably be further defined by the decision-making processes of the FBI. That is to say, the initial phases of the criminal investigation— who, why, when, how to investigate (essentially the scope of the investigation)— will potentially impact the definition of "criminal organization." However, it is possible to identify distinct organizational entities among the suspects under investigation.

Data Sources

The primary source of data was derived from a sample of 14 criminal cases that have been investigated by the FBI and prosecuted by the United States Department of Justice. The use of previously prosecuted criminal cases ensures that the case material used for the study does not jeopardize ongoing criminal cases or cast doubt on anyone as being a criminal without having

undergone due process. Further, pseudonyms will be used for victims and other individuals who may have provided testimony during the course of the criminal investigation but not in open court. This is to protect the identity of these individuals.

FBI Criminal Case Files

FBI criminal case files include a number of documents that were utilized for this study. These documents include interviews with suspects, victims, and eye witnesses. They also include case summaries and other administrative documents to include transcripts of wiretaps and electronic surveillance recordings. Collectively, these documents provided a significant amount of information about the criminal organization and their impact on individuals, businesses, and society.

I. Interviews – All interviews with suspects, victims, and eye witnesses conducted during a criminal investigation by FBI special agents are required to be documented and stored within the FBI's automated case system (ACS). These particular documents provide unique data points for conducting research on organized criminal behavior and victimization. In particular, the interviews provide insight into the harm caused by organized criminal activity; data often not found in traditional measures of crime.

II. Case Summaries – Case summaries are utilized as administrative updates, demonstrating progression of a criminal investigation. Generally, several case summaries are written during the course of a criminal investigation, but the number of summaries is dependent on the length and complexity of the criminal investigation. They can be extremely useful given that they assemble the disparate pieces of information obtained throughout the criminal investigation. For instance, during the course of a criminal investigation, single pieces of intelligence, if reviewed separately, may indicate multiple people involved in an act but as the

case progresses the "multiple" people may be in fact a single person utilizing various aliases. Therefore, case summaries present one coherent story of the actors and events involved.

They also include valuable historical information about the criminal organization under investigation. In order to document the rationale for opening the case under an organized crime unit, these case summaries will provide a brief history of the criminal organization, along with the estimated number of members, the territory(ies) where the criminal organization operates, codes or symbols used by the organization, and other pertinent information. Nonetheless, the greatest limitation is that they are in fact summaries. They are not particularly detail-oriented. Many specifics of a case are presented in a very general, descriptive manner. Therefore, the case summaries are primarily used to ensure consistency and accuracy in the retelling of the case, as case studies will be used to discuss and highlight the characteristics and harms in a narrative format (see section on research design and analytic strategy for more information pertaining to the use of case studies).

III. Administrative Documents - Administrative documents consist of various reports to include legal documents justifying the opening and closing of a criminal investigation, shared intelligence and case updates among various law enforcement agencies, and transcripts of wiretaps and electronic surveillance. The latter reports in particular are used to gain insight into the planned and committed criminal activity by the criminal organization and to corroborate (or challenge) testimonies provided by offenders and/or victims. Often without wiretaps and electronic surveillance law enforcement agencies are in the "dark" about the criminal activities that are being planned by the various criminal organizations. Therefore, these documents provide unique insight about the criminal organization and how they function. Many other scholars

(Jacobs, Panarella, and Worthington, 1994) have highlighted the importance and potential research value of these documents to the study of organized crime.

Open Source Documents

The open source documents that were used are indictments and press releases. Collectively, these documents add to the body of data included in FBI case files, especially where, as often is the case with transnational organized crime cases, other government organizations are involved in the criminal investigation. While the various law enforcement agencies involved in the investigation cooperate with each other, not all shared documents derived from these other agencies are stored within the FBI's automated case system. This is in part because of technical compatibility issues with ACS and also because some investigative reporting is deemed proprietary to that particular organization. Therefore, these open source documents can fill in the information gaps that may exist between FBI case information and information that has been made public via open sources.

I. Indictments - Indictments provide a rich source of data about the nature of crimes committed on the behest of the criminal organization. These are documents that have been compiled by the US attorney's office for the purpose of publicly declaring the criminal charges being sought against the accused. Although indictments are incident-specific, they also provide details about the organizations. Through the narratives of the crimes committed or attempted, many of the structural characteristics are highlighted, as well as some of the harms committed.

Given the general limitations of organized crime data, indictments and other case material have become primary sources for conducting research on organized crime. Indictments, in particular, have become a standard means for conducting assessments about organized criminal activity and assessing its harm. Bales and Lize (2005), for instance, used a sample of

indictments to assess the origin and number of human trafficking victims in the United States. Others (Jacobs, Panarella, & Worthington, 1994 & Jacobs, 2006) have relied on the use of indictments and other case material to present a history of law enforcement's efforts to combat organized crime and to assess criminal organization's involvement in the labor movement.

However, one limitation to the use of indictments is that indictments are a reflection of prosecutorial discretion. That is, others identified as being involved in a criminal scheme may not be indicted for prosecution for a variety of reasons, including insufficient evidence to meet the legal threshold "guilt beyond a reasonable doubt" for criminal prosecution. In addition, the charges sought reflect a prosecutor's decision on which penal code he or she has enough evidence to pursue against the offender. For these reasons, indictments were used exclusively as supplemental data to evaluate against the FBI case material.

II. Press Releases - The United States Department of Justice press releases compliment the indictments. These are open source documents that provide a brief statement regarding the indictment, arrest, prosecution, or sentencing of members of a criminal organization. In particular, they highlight the criminal activity that individuals are being arrested, prosecuted, or sentenced for. Therefore, they provide insight "albeit less detail than indictments" into the harm committed. For this study, the press releases were used exclusively as a tool to draw the sample of criminal cases for the study (see section on sampling for further information about the use of press releases).

Questionnaires

To supplement the FBI case files, I attempted to acquire responses to questionnaires from 20 special agents (SAs), who were directly involved in the criminal investigations. These agents were identified through the FBI case files. The sample of FBI personnel was not a random

sample of personnel working organized crime cases but rather a select sample based on involvement in the criminal investigation under review. In order to increase the number of responses, the questionnaires were tailored to particular characteristics or harms thought not to have been sufficiently captured in the case files. This approach limited the number of questions to no more than 10 to 15 questions— all drawn directly from Maltzø (1990) questionnaire (see Appendix B for types of questions asked). In fact this followed Maltzø (1990) suggestion for developing surveys tailored to the criminal activity under review.

However, as mentioned above, the response rate was extremely low. Only one questionnaire was completed from 20 potential respondents. While the aim was to acquire responses from at least 14 individuals, representing one person for each of the 14 criminal investigations, some respondents recommended I contact other agents who worked the investigation. Nonetheless, I limited the initial canvas for participation to the case agents, who appeared to be the primary case agent based on the number of reports filed by the agent. Therefore, it was assumed that with any secondary contact there was going to be a diminishing return. In fact, all of the secondary contacts never responded to the initial inquiry for participation.

Research Design and Analytic Strategy

Threat of Harm

The design of the research will follow Marvelli and Finckenauerø (2011) threat of harm approach. The threat of harm approach focuses on sampling criminal organizations based on their involvement in the “threats” (i.e. criminal activities) identified by Wagley (2006) and the Department of Justice (2008) and cataloguing the criminal organizationø capacity for harm and

their consequent harms. Therefore, the threat of harm approach consists of four components: threats, criminal organization, capacity for harm, and harm.

Threats

Threats are the criminal activities (i.e. human trafficking, sophisticated fraud, etc.) assessed by the Department of Justice to be the greatest concern to the United States from a transnational (international) organized crime perspective. As such, these previously identified transnational organized crime threats will be utilized as the starting point for the analysis of the "harm capacity" thesis. In particular, the threats to be examined will include drug trafficking, trafficking contraband, human trafficking, perpetration of sophisticated frauds, money laundering, cyber-crime and use of violence. This differs from other recommendations (Tusikov, 2009) to assess "threat" from criminal organizations based on a set of organizational characteristics. Beginning with these threats, however, is designed to provide a foundation for evaluating the types of criminal organizations that are likely to have the greatest capacity for harm within the criminal activities of greatest concern to the Department of Justice. Therefore, it is designed to fulfill the DOJ's objective of prioritizing transnational criminal organizations for law enforcement action (2008, p.11).

Criminal Organization

For each of the transnational organized crime threats, two criminal organizations involved in the criminal activity were examined. For the purpose of this study, transnational criminal organizations consisted of three or more individuals engaged in criminal activity that transcend national boundaries. This broad definition of criminal organization is adopted to take into consideration the various types of enterprises, associations, and/or networks that develop for the purpose of committing a crime. This is in accordance with the Department of Justice's broad

definition of international organized crime despite the DOJ's caveat that its strategies is not meant to include "international drug trafficking organizations and international street gangs" (2008, p.3). Moreover, the broad definition permits for a sampling of criminal organizations that exhibit various degrees of the harm capacity characteristics.

Harm Capacity

Once the criminal organizations involved in the criminal activities (i.e. the threats) were identified, the organization's harm capacity was evaluated. An organization's *harm capacity* is believed to be the degree of presence of six primary characteristics: structure, sophistication, stability, self-identification, authority of reputation and size. Each of these characteristics were assigned a value— see the section on variables below— in order to measure the organization's harm capacity, which was calculated as the average score of the six characteristics. Therefore, the *capacity* for harm was measured by the degree of presence of the six primary characteristics.

Harm

Harm consists of four dimensions highlighted by Maltz (1990): physical, psychological, economic, and societal. While precise measures of harm are often difficult to produce, as Albanese (2010) indicates, some harm was measured through estimates derived from offender and victim interviews as well as financial records. In general, *physical harm* was measured by the number of individuals known to have been assaulted, robbed, and/or murdered.

Psychological harm was measured by the number of individuals expressing fear of retaliation from the criminal organization or some level of emotional distress from their victimization.

Economic harm was measured by the sum of the criminal proceeds (actual and/or estimated) acquired by the criminal organization, and *societal harm* was measured by the degree of the

organization's ability to corrupt public officials, ranging from low to senior level government officials to the direct participation in the political process.

An effort was made to distinguish between primary and secondary harms when apparent. Primary harm is a direct harm to the victim, as in an assault and battery (i.e. physical harm). Secondary harm is an indirect harm related to the primary harm, as when a family member expresses grief (i.e. a psychological harm) as a result of a homicide (i.e. physical harm). Secondary harms are the externalities of crime. Given that externalities of crime can be extrapolated to a plethora of things (e.g. law enforcement efforts, lost wages of the victim, and so forth), an effort was made to assess only the primary harms (e.g. a direct threat to the victim and his or her family, the estimated value of money laundered out of the United States, and so forth) as a result of the criminal activity.

Content Analysis

The analytic strategy for assessing the harm capacity thesis within the threat of harm framework relied heavily on a content analysis of the FBI case files and open source documents. As the research is exploratory in nature, it was expected that the content of the criminal files and interview responses would drive the process of refining the categories and measurements of the variables under analysis. This is in accord with Albanese's (2010) suggestion to adjust the categories of harm based on a review of known criminal cases. The categories expressed in the section on variables below are a reflection of the case materials used by Marvelli and Finckenauer (2011) and further defined by the cases used in this research study.

This content analysis approach is, as Hsieh and Shannon (2005, p.1278) suggests, "a research method for the subjective interpretation of the content of the text data through the systematic classification process of coding and identifying themes or patterns." This approach

advocated by other qualitative methodologists (Silverman, 2006 and Charmaz, 2006) was used within the narrow lenses of coding the factors of harm capacity and harm. That is to say, during the review of all of the case reports found in the FBI case files, segments of the reports were coded with themes reflective of the factors under examination. If a victim, for instance, stated, "I constantly have bill collectors calling my house or bill collectors harassing me because I have not been able to pay my bills" since their victimization in a fraudulent scheme, I coded these statements as "psychological harm" since the victim was expressing their frustration over their financial situation resulting from the criminal act. Therefore, the themes for coding the reports were the variables under examination.

Once all of the reports from each case were coded by these themes, frequency charts, tabulations, timelines, and association matrices were created to analyze the data for each of the various factors under examination. Given each harm capacity and harm factor required a different type of evaluation, different analytic techniques were used to assess the multiple variables under examination. For instance, the coding of psychological harms, as discussed above, led to frequency charts to best determine the number of victims expressing various types of emotional distress. This helped to distinguish between expressions of emotional distress resulting from the victimization and the intervention of law enforcement. Yet timelines were used to best determine the stability of the criminal organizations (see below on stability for a more in-depth discussion) whereas association matrices combined with simple tabulations were used to determine the number of criminal participants and victims. The association matrices,¹⁰ in particular, were useful for determining the links or associations between criminal participants.

¹⁰ This is a structured analytic technique taught to intelligence professionals for evaluating the strength of relationships or links between criminal participants.

After these analytic techniques were used, the results from these analyses were incorporated into the threat of harm framework, assigning a numerical value to each variable on a scale from 0 to 3 (described in greater detail in the coding section below). This numerical value for each variable permitted for the creation of a harm capacity and harm indices for cross-case comparisons and for the exploratory evaluation of the harm capacity thesis. Therefore, the structured analytic techniques played a vital role in setting the parameters for the scales used and determining the numerical value assigned to the variables. While some question the use of the harm capacity variables, suggesting these factors are not grounded in an empirically-based theory of organized crime (von Lampe, 2004), this research was designed, in part, to evaluate whether these characteristics may in fact have an influence on the amount of harm caused by a criminal organization.

Since the textual data to be coded was primarily from victim and offender testimonies provided to law enforcement officials, there is the concern about the reliability and validity of the interviews. That is, to what extent did the victims and offenders provide misleading or incomplete information to the law enforcement officials? While I cannot say with complete confidence that the information included in this study is not derived from misleading or incomplete information, I tried to minimize the number of misleading statements through the comparison of testimonies and other collected sources to best assess the veracity of the statements provided to the investigators. The use of a variety of analytic techniques, discussed above, such as the creation of event timelines, assisted in determining where inconsistencies existed in the various testimonies provided by the offenders or victims.

Case Studies & Cross-case Synthesis

The content of the data is presented as in-depth case studies of the various criminal organizations and their activities. An effort was made to include extreme cases of criminal organizations that exhibit various degrees of harm capacity but this was limited by the criteria established for sample selection (see above). Since many of the documents within the FBI criminal case files are fragmentary, the data from the 14 criminal case files sampled were constructed into a text that is easily analyzed via the content analysis approach discussed above. This focus on detailed accounts of recently prosecuted cases of transnational organized crimes follows von Lampe's (2004) suggestion of analyzing case studies.

As mentioned in the section on sampling, two most recent criminal cases were examined for each of the seven transnational organized crime threats: drug trafficking, trafficking contraband, human trafficking, perpetration of sophisticated frauds, money laundering, cyber-crime, and use of violence, partially identified by the Wagley (2006) and the U.S. Department of Justice (2008). These 14 cases provide a robust sample for case study analyses. Since multiple cases were examined in great detail, the cross-case synthesis technique, as discussed by Yin (2003), will be utilized. According to Yin (2003), the cross-case synthesis treats each case as an independent case study, but draws analysis across the various cases. In this particular study, each case study: focusing on different transnational criminal actors: will be analyzed independently for the groups' capacity for harm. Once each case study is analyzed, the groups will be cross-examined to assess which criminal organization had the greatest capacity for harm.

One method for analysis suggested by Yin (2003) is the creation of word tables that display the data from the individual cases "according to some uniform framework." The uniform framework used is a modified version of the Sleipnir threat assessment model: a nationally

accepted tool in Canada and utilized by the Canadian criminal intelligence community (CISC, 2007). This provided some level of assurance in the utility of the model. However, the number of characteristics will be modified to account for the ‘harm capacity’ thesis. Figure 4 presents the modified Sleipnir model utilized to assess a criminal organizations *harm capacity*. This model was used to catalogue the values attributed to the criminal organizations harm capacity characteristics (see section on coding harm capacity and harm for information of the values to be assigned).

Figure 4. Harm Capacity

		<u>Organized Crime Networks</u>						
<u>Attributes</u>		A	B	C	D	E	F	n
1.	Sophistication	Red	Orange	Orange	Orange	Yellow	Yellow	Yellow
2.	Structure	Red	Red	Orange	Orange	Yellow	Green	Green
3.	Self-Identification	Red	Orange	Orange	Orange	Green	Green	Green
4.	Reputation	Red	Red	Orange	Yellow	Orange	Orange	Orange
5.	Stability	Orange	Orange	Red	Yellow	Green	Red	Yellow
6.	Size	Red	Orange	Yellow	Red	Yellow	Green	Green

Coding Harm Capacity and Harm

It is inappropriate, as Maltz (1990) has argued, to quantitatively compare the harms resulting from various criminal activities. For example, comparing the impact of sexual assault to the impact of millions of dollars in fraudulent currency entering circulation would be highly questionable. However, a cross comparison within each type of harm will be conducted. That is to say, the sum of the criminal proceeds stemming from human trafficking was compared to the criminal proceeds from drug trafficking.

In order to assess the harm capacity characteristics, the modified version of the Sleipnir threat measurement technique, as mentioned above, was used. The Sleipnir technique, as

discussed in Chapter 2, is a tool to assess the relative threat posed by criminal organizations. In particular, it requires criminal intelligence analysts to assign a value to a rank-ordered set of criminal attributes—nineteen in total. The attributes are a set of criteria assessed by the Canadian criminal intelligence community to be key criminal capability indicators. The aggregate score of the criminal attributes is used to assess the relative threat from each criminal organization under analysis. A similar technique was employed with only the number of attributes under examination modified to address the primary characteristics posited by Finckenauer (2005; 2007) to affect criminal organizations' capacity for harm.

Harm was assessed using a technique used by the National Policing Improvement Agency (NPIA) in the United Kingdom. The technique used by NPIA for assessing harm mirrors the Sleipnir tool for threat assessments. That is, a numerical value is assigned to six categories of harms identified by NPIA, which are injury, community, reputation/political, criminal capacity/capability, cross-border/geography, and economic. The scoring of each category results in a numeric score that is aggregated into a total impact score. One major distinction between NPIA's model and the model used for this research was the number of harms assessed. This research focused on the four categories of harm (physical, psychological, economic, and societal) assessed by Maltz (1990) to result from organized crime. Figure 5, below, presents the general coding system that was utilized for both the harm capacity characteristics and harms.

Figure 5. General Coding Schematic for Harm Capacity and Harms

0 = Characteristic or Harm Absent

1 = Minimal/Limited Capacity

2 = Moderate Capacity

3 = Major/Maximum Capacity

While the Sleipnir and the NPIA frameworks rely on the aggregation of its numerical values to assess the relative threat and harm from criminal networks, indices were calculated for both the harm capacity characteristics and harms by averaging the scores for each of the six harm capacity characteristics and the four harms. The harm capacity and harm indices, therefore, range from 0 to 3, reflecting the coding system highlighted above. This analytical strategy is similar to that of the Transparency International's Corruption Perception Index (CPI) to the extent that the index is a mean score.

Once the indices for harm capacity characteristics and harms were calculated, the indices were tabulated to determine whether the collective impact of the harm capacity characteristics seem to correlate with the criminal organization's overall harm. To test each of the sub-hypotheses, the raw score for each of the harm capacity characteristics across all of the criminal organizations under examination were also tabulated to determine if they appeared to be correlated with the harm indices. This permitted for an exploratory evaluation of the overall impact each characteristic had on the organization's harm capacity.

Variables

The variables under examination are derived from Finckenauer's (2005) definition of organized crime and Maltz's (1990) harm-based approach to evaluating the effectiveness of law enforcement efforts to combat organized crime. Finckenauer's (2005) six characteristics of criminal organization assessed to impact a criminal organization's capacity for harm are the independent variables under examination. The various forms of harms essential to Maltz's (1990) harm-based assessment are the dependent variables. The current demarcations for each of the independent and dependent variables are based on a previous assessment of six transnational organized crime cases used by Marvelli and Finckenauer (2011). This was to ensure the

categories reflect the true differences found in practice and to account for the various criminal activities under examination.

Independent Variables

Structure

Structure was analyzed based on the criminal organization's division of labor among its members and/or associates. Does the organization have official titles or positions? Or does, despite the absence of titles or positions, certain individuals fulfill certain responsibilities, such as a "smuggler," for the organization? Organizational structure was primarily captured in offender interviews and physical and electronic surveillance. It was through these collection efforts that assisted in determining whether a clear division-of-labor or chain-of-command existed within the criminal organization. While numerous other forms of organizational structure have been identified by others (UNODC, 2002), underscoring greater complexity in the variable than captured in this model, this model, which is derived in part by Hagan (1983), was adopted to ensure greater consistency in evaluating the criminal organizations.

Structure

- 1** ó A criminal group with no defined division of labor or self-imposed positions
- 2** ó A criminal organization with a clear division of labor but no self-imposed positions, or self-imposed positions but no clear division of labor
- 3** ó A criminal organization with a clear division of labor and self-imposed positions

Sophistication

The level of sophistication was determined by the criminal organizations ability to leverage other criminal organizations, legitimate businesses, and/or actor(s) to facilitate their crime. The ability to outsource essential components of its activities to other organizations's illegitimate or legitimate's and the use of professionals or use of specialized computer techniques

to obfuscate their criminal activities was assessed to be an exhibition of maximum sophistication. Whereas a moderate level of sophistication was assessed when the criminal organization established legitimate businesses or used information technology to facilitate their crimes. A minimal sophistication is assessed when the organization makes little, if any, attempt to obfuscate their criminal activities by establishing or leveraging other organizations or using information technology. While not a perfect measure of a multifaceted concept, it does provide some level of insight into the organization's skills and know-how.

Sophistication

- 1** ó The organization makes little, if any, attempt to obfuscate their criminal activities by establishing or leveraging legitimate businesses and/or using information technology
- 2** ó The organization establishes legitimate businesses to hide the true nature of the criminal scheme and/or use information technology to facilitate their crimes but is more directly tied to the criminal operation.
- 3** ó The organization is able to outsource essential components of its criminal scheme to other criminal organizations or legitimate businesses and/or use specialized computer techniques with the use of information technology to further obfuscate their involvement.

Authority of Reputation

Reputation was assessed to exist if, during the FBI interviews, offenders, victims, or others discussed disputes that occurred between members of criminal organizations. These interviews not only shed light on the existence of other criminal organizations—often committing similar crimes—but highlighted the power structure between the criminal organizations. The interviews in particular highlighted the actions taken by the criminal organizations: did the disputes result in the threat or use of violence to force others to comply with demands, and, if so, how did the other criminal organization respond to the violence or threats. However, in several cases, it was found that the criminal organization under examination would use threats that were economic in nature rather than the threat or use of violence. These

threats broadly included threats to withhold or not pay money allegedly owed to the other organization or threats to cease their mutually beneficial criminal alliances. Therefore, a criminal organizations authority of reputation was more broadly evaluated based on whether demands were made with or without the need to threaten or act in any manner necessary to force compliance with the demand.

Reputation

- 1 ó Other criminal groups rarely, if ever, comply with demands
- 2 ó Other criminal groups occasionally comply with demands usually with the threat or use violence or the threat or use of economic sanctions
- 3 ó Other criminal groups comply with demands with little or no need for threats of either violent or economic sanctions

Self-Identification

Self-identification was primarily assessed to exist if, during an interview or through electronic surveillance, the suspect acknowledges or identifies him or herself as a member of a criminal organization or if a victim identifies the suspect as a member of a particular group. Self-identification was also assessed to exist if the investigative agent noted within a case file report that a suspect had tattoos, wore particular clothing, and so forth that would have identified the suspect as a member of a particular criminal organization. However, it must be noted that very few reports within the thousands of documents reviewed fit this latter category. Therefore, judgments made about a person's membership with a criminal organization were almost exclusively done through offender/victim interviews and electronic surveillance. Moreover, identification with an organization can't and was for the purpose of this study include individuals identifying with companies or otherwise "legitimate" organizations created for the sole purpose of facilitating their criminal activity.

Self-Identification

- 1** ó One or two members of the criminal group identify with a criminal organization, but not necessarily the criminal group under investigation
- 2** ó Three or more members identify with a criminal organization, but not necessarily the group under investigation
- 3** ó Most, if not all, group members identify with the criminal organization under investigation

Stability

Stability was assessed by determining when the criminal organization under examination was known to have formed. This was most often determined through offender interviews since FBI subjects would often provide testimonies of when they met their co-conspirators. Through a timeline of events, using dates provided by the offenders, it was possible to determine an approximate date for which the criminal organization was formed. However, offender interviews were not the only source used to determine this date. Victim data was essential in determining an approximate timeframe for when the criminal organization was most active, which in many cases corroborated the timeframe deduced from the offender interviews. And in some other cases where a òlegitimateö company was necessary for the criminal organization to facilitate their crimes, business records for incorporation dates were essential for determining the start date for the criminal organization.

In most cases, stability was truncated by the arrest dates of the criminal offenders. This date was assumed to reflect the end date for many of the criminal organizations. While some criminal participants were not arrested in mostö if not allö of the cases, it was further assumedö unless there was an ongoing criminal investigationö these people ceased their criminal activity. In other cases, where the criminal organization continued to conduct its activities or the FBI had ongoing investigations stemming from the criminal cases under review, stability was truncated by 30 July 2012. This date reflects the date in which data collection was

completed for this study. Nonetheless, it must be noted that an ongoing investigation did not necessarily mean the criminal organization was still active and profiting from their criminal activities. In some cases, the ongoing investigations indicated the criminal participant from one network either started working with others or was operating independently. Under these scenarios, the criminal organization as it was structured at the time of the criminal investigation was assessed not to have continued over crimes.

Stability

- 1** ó Criminal group has been around for 3 or less years
- 2** ó Criminal group has been around for 4 to 9 years
- 3** ó Criminal group has been around for 10 years or longer

Size

Size of the criminal organization was measured by the number of participants involved in the criminal activity. This number reflects the number of participants that came to the attention of the FBI and not necessarily a composite number of all members of the criminal organization. This rather broad measure of criminal participants is meant to include criminal networks and associations that form without formal membership, which is common among traditional organized crime groups. Moreover, the number of criminal participants included individuals suspected of criminal involvement but who were not necessarily indicted or prosecuted by the United States. These individuals, as mentioned elsewhere, were not mentioned by their real name but were given pseudonyms when it was necessary to mention the individual for ease of understanding the narrative. The pseudonyms are distinguished in the narratives by the use of parentheses around the person's name.

Size

- 1 6 3 to 9 members under investigation
- 2 6 10 to 25 members under investigation
- 3 6 25+ members under investigation

Dependent Variables

The dependent variables are the various forms of harm (economic, psychological, physical, and societal) Maltz (1990) identified as resulting from organized criminal activity. All of the harms assessed will be a reflection of the harms committed during the course of the criminal investigation. Since some criminal organizations are likely to continue their criminal activities beyond the prosecution of the individuals in the case studies, the reader should be reminded that the harms are a reflection of a snapshot of criminal activities and do not necessarily reflect the total harm associated with the organizations' criminal activities. Nonetheless, the harms and their accompanying coding systems are as follows:

Economic

Economic harm was assessed based on the actual and/or estimated profits made from the criminal activity. The estimates reflected the amount of money assessed to have been stolen, laundered, and/or made during the course of the investigation. These actual and/or estimated sums were derived from the FBI case files where financial profits/costs are documented for later prosecution by the Department of Justice. Most of the cases involved estimated income and expenses derived from offender and victim testimonies and corroborated through financial records. Given the variance in estimates between offenders of the same criminal organization, many if not most of the cases I estimated ranges of economic harm for the organization. Some of the ranges spanned two categorical measures; therefore, the ranges were averaged, using the lowest and highest values from the range. When enough data was available to corroborate a particular estimate, the corroborated estimate was used. On the other hand, in the

couple of cases where the FBI case file did not have enough economic data to derive estimates, I deferred to the estimated economic harm expressed in the indictment of the criminal organization.

Economic (i.e. actual and/or estimated)

- 1 \$1 million or less from criminal proceeds
- 2 \$1,000,001 to \$24,999,999 from criminal proceeds
- 3 \$25 million or more from criminal proceeds

Psychological

Psychological harm was assessed based on the victim testimony during the time of the interviews. In particular, the number of individuals expressing fear of retaliation or violence was used to assess psychological harm. In addition, the number of victims expressing a form of emotional distress resulting from the victimization attributed to the criminal organization was also included given many of the crimes did not involve physical interaction between the offenders and victims. For victims who refused to be interviewed by the FBI, these individuals were excluded from the calculation of psychological harm though it is possible these individuals also suffered emotional distress or feared physical violence. Unfortunately, in most of these cases, it was not clear from the case report why the victim refused to be interviewed.

Psychological

- 1 Fewer than 20 people expressed fear of retaliation or violence
- 2 20 to 49 people expressed fear of retaliation or violence
- 3 50 or more people expressed fear of retaliation or violence

Physical

Physical harm was assessed based on the testimony of the victim, eye witnesses, or the responding law enforcement official. In particular, the number of people assaulted and/or murdered was calculated to assess physical harm. This method of assessing physical harm,

however, excluded repeat victimizations, which is likely to occur in human trafficking cases.

Focusing on the number of people assaulted rather than the number of assaults was to standardize the measurement of physical harm across the disparate criminal activities.

Physical (i.e. assault and/or murder)

- 1** Fewer than 3 people were physically harmed
- 2** 3 to 5 people were physically harmed
- 3** More than 5 people were physically harmed

Societal

The measurement of societal harm was the most challenging of the harms to assess with the available case information. As Maltz (1990, p.45) indicates, "Quantification is a stumbling block in assessing this harm." The challenges are multiple. One challenge is that criminal activity is likely to have a different effect on different communities (local variation). Second, various criminal activities are likely to have a different societal impact (crime variation). Yet Finckenauer (2007) suggests societal harm is reflected by the ability of criminal organization to undermine legal and political processes, as well as the rule of law. This is accomplished through the criminal organization's corruption of public officials. As Finckenauer (2007, pp.26-7) indicates:

Society is harmed by the undermining of its legal and political systems. The political process may be compromised because organized crime pays bribes for public contracts, finances candidates for public office, or even (as in Russia) puts up candidates. This, most corrosive, harm results from the corruption of the legal process and the other institutions of society, and from the undermining of the rule of law.

Given Finckenauer's (2007) definition of societal harm, FBI case files were reviewed for evidence that the criminal organization was able to corrupt individuals at various levels of government. However, it was found that eleven of the fourteen criminal organizations did not reportedly corrupt or attempt to corrupt public officials. Moreover, there was no evidence in the

case files of members of the public, who were aware of the criminal activities, expressing a distrust of law enforcement or the political process. In addition, FBI case agents, who I either received a questionnaire from or spoke with, further indicated that public confidence in law enforcement or the political process did not deteriorate due to the presence or activities of the criminal organization. As a result of the negative responses across so many of the case studies, societal harm was excluded from the harm index calculation.

This does not, however, suggest the criminal organizations' via their criminal activities' did not cause societal harm in its other potential manifestations, such as the burden on U.S. healthcare systems due to drug addiction or inflation due to the circulation of fraudulent money. These are all real societal harms. However, the quantification of these manifestations is very difficult, and their use would be highly suspect in a cross-case analysis of the variable. For instance, is the financial burden on the healthcare system more of a societal harm than the inflation caused by fraudulent currency? As a result of these concerns, societal harm was ultimately excluded from this study.

Limitations

Law Enforcement Data

While the use of law enforcement data has much strength, including acquiring information on specific criminal organizations and enough data to corroborate or dismiss information obtained during the course of an investigation, the sole reliance on law enforcement data also presents a limitation to this study. Ideally to study the harms resulting from organized crime, multiple independent data sets would be utilized. Multiple data sets would permit for triangulation of the harms. While proxy measures (Dubourg & Prichard, 2007) have been used to assess the impact of a particular organized crime activity, these proxy measures' like the official

police data often do not attribute the harm or consequences of the activity to any particular organization. Therefore, while the data are the best available to provide insight into the consequent harm of particular organizations, the data is limited to the activities and organizations that have come to the attention of law enforcement. It is possible that many criminal groups and activities never come to the attention of law enforcement.

Furthermore, since FBI cases files are being used, the activities and harms associated with the criminal organization will be determined by the scope of the criminal investigation. Where the criminal investigation is opened for a short period of time, it possible pertinent data will be missing given the investigation into the criminal organization has come to a halt. And even when the case is opened for a relatively long period of time, there is no guarantee all of the victims and/or criminal participants will be identified or interviewed. In either case, there is a possibility the data collected is incomplete, impacting the measurement of the independent and dependent variables.

Generalization

Since the purposive sample was drawn from criminal cases that have been prosecuted, the study will suffer from external validity. That is, the findings will not be representative of all transnational criminal activity or the types of harms committed by all criminal organizations. The cases will reflect only those that have been chosen for criminal prosecution. The sample will not reflect ongoing investigations or criminal activity not known to the FBI. Given the secretive nature of organized criminal activity and the needed protection for sensitive criminal investigations, prosecuted cases provided the best attempt to catalogue the types of criminal groups involved in transnational organized crime without jeopardizing ongoing criminal cases.

Chapter 4: Drug Trafficking

Drug-trafficking organizations often fulfill different roles within the process of manufacturing and distributing illicit drugs. While some criminal organizations control or at a minimum have oversight over the manufacturing and production of illicit drugs, the illicit narcotics are most often distributed by separate criminal organizations operating in the United States. These US-based distribution networks will generally acquire their illicit product either directly from the source criminal organization or from third party suppliers. Therefore, the case studies presented in this chapter reflect drug trafficking organizations at both sides of the spectrum. The first case study focuses on the Revolutionary Armed Forces of Colombia (FARC), a U.S. State Department designated narco-terrorist organization responsible for the oversight of the production and transportation of cocaine and other illicit narcotics to the United States. The second case study highlights a small US-based criminal organization responsible for distributing illicit narcotics obtained from a Mexican drug trafficking organization.

Case #1: Revolutionary Armed Forces of Colombia (FARC)

On 13 February 2003, an airplane carrying four Americans—Marc Gonsalves, Thomas R. Howes, Keith Stansell, and Tom Janis—employed with California Microwave Systems, a division of the Northrop Grumman Electronic Systems, an American company doing business in the Republic of Colombia, crashed in territory controlled by the Revolutionary Armed Forces of Colombia (FARC). After executing one of the four Americans, the FARC held the remaining three Americans hostage, spawning a massive manhunt involving several U.S. federal law enforcement and intelligence agencies, as well as Colombia's National Police and military services. The investigation into the kidnapping would culminate into the federal indictment of

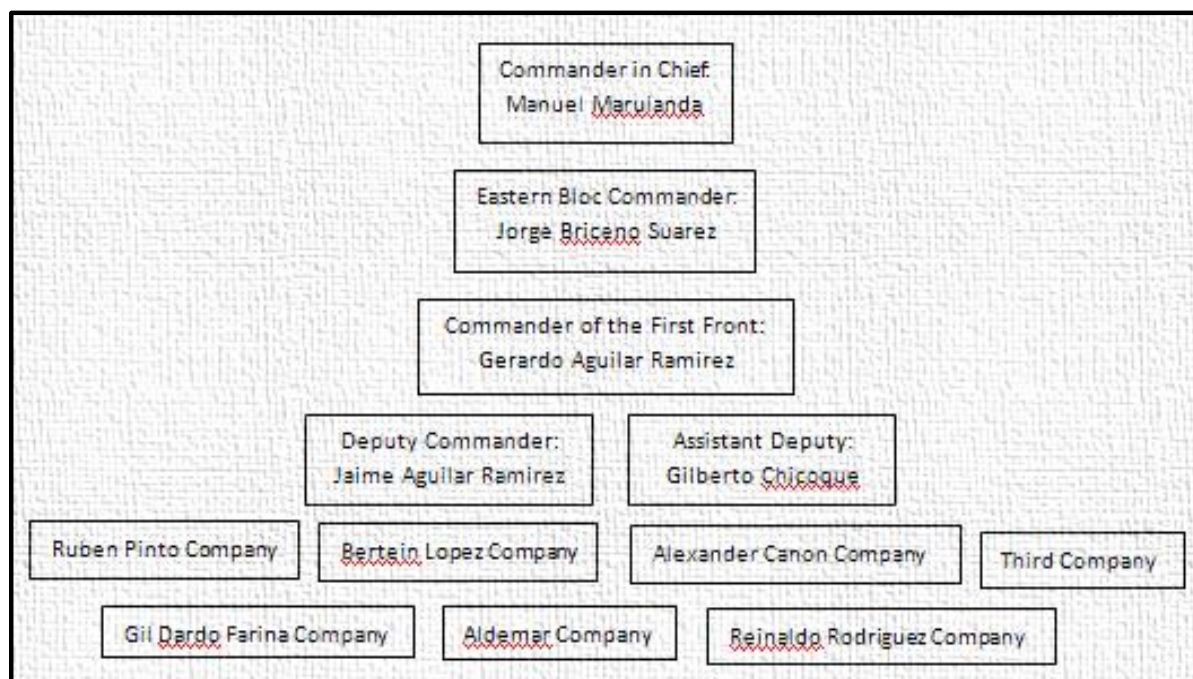
eleven members of the FARC, including the head of the FARC's First Front, Gerardo Aguilar Ramirez, in 2008.

During the initial investigation which was focused on identifying and prosecuting the FARC members responsible for kidnapping the Americans, the investigation uncovered a conspiracy to traffic cocaine into the United States. Therefore, the case material related to the FARC's First Front's drug activities is truncated between early 2003 when the investigation began to early-July 2008 when the Gerardo Aguilar Ramirez was arrested. Ramirez would eventually be sentenced to U.S. federal prison for his criminal activities in July 2010 after a December 2009 guilty plea proceeding. During the proceeding, Ramirez acknowledged he directed other members of the FARC's First Front to manufacture and distribute cocaine, knowing and intending the cocaine would be imported into the United States.

Structure

The Revolutionary Armed Forces of Colombia was at the time of the activities divided into seven geographical blocs in a well-defined paramilitary hierarchy. The largest and wealthiest of the blocs was the Eastern Bloc, consisting of approximately 21 Fronts with a total estimate of 6,695 combatants. Gerardo Aguilar Ramirez was the commander of the First Front of the Eastern Bloc, which included approximately 600 combatants. These approximate 600 members are with the First Front's seven companies (see Figure 6 below), which are under the control of their own commanders and deputy commanders. The First Front's primary base of operation was in the Guaviare region or department of Colombia. Within the Guaviare Department, the First Front operated in Mitu, Vaupes, Calamar, Barranquillita, Lagos del Dorado, Tomachipan, and Miraflores.

Figure 6. Organizational Structure of the FARC's First Front



At the time of the investigation, the First Front's narcotic trafficking activities were managed by the Front's assistant deputy commander or third in command, Gilberto Chicoque, who would report directly to Gerardo Aguilar Ramirez. While Chicoque was responsible for the organization's drug operations, smaller networks from the organization were responsible for the day-to-day operations of the drug activities: enforcing the *õtaxõ* system on the farmers within its territory, managing the manufacturing labs, and arranging the transportation and distribution of the narcotics. These smaller networks ultimately would have to report to their company commanders, who in-turn had to report to Assistant Deputy Gilberto Chicoque. Given the FARC operates in a militaristic manner with a very clear chain-of-command, it is assessed the FARC exhibits a maximum level of organizational structure.

Sophistication

Though the FARC has leveraged farmers to grow the coca plants for its cocaine business, the FARC as it operates in Colombia makes very little, if any, effort to distance itself from

their criminal activities. At the time of the investigation, the FARC was well entrenched in the social and political fabric of Colombia with members of the FARC openly running for political office inside the territory they controlled.¹¹ However, the criminal, or narco-terrorist, organization did and continues to find innovative methods for concealing the transportation of its illicit goods to the United States and other nations. This at times requires the FARC to outsource the transportation of its illicit narcotics to other criminal networks or smugglers operating in other nations or bribing officials in third party countries to change the manifest of a cargo ship to reflect the shipment of legitimate goods. The FBI case reports, in particular, indicated the FARC would fly the cocaine from its airstrips in Colombia to a third party shipper located in another identified nation before it was transported to the FARC's US-based associates. Therefore, given that the FARC at times relied on third party shippers despite the overt involvement in the cocaine business, the organization is assessed to exhibit a moderate level of sophistication.

Authority of Reputation

The First Front of the FARC had retained control over several areas of the Guaviare Department of Colombia through a combination of the use and threat of violence. In the territory where the First Front had maintained its center of production and distribution of cocaine, the First Front commander Gerardo Aguilar Ramirez placed "El Negro" a leader of one of the First Front's militia groups in charge of forcing citizens to maintain roads for cocaine transport and

¹¹ Within the Guaviare region of Colombia, the FARC's First Front had been successful in maintaining control over the region not only through the use and threat of violence but through corruption of political officials. In late November 2002, the Colombian government conducted a separate investigation which resulted in the arrest of 22 local public officials, including former and current (at the time of the operation) mayors. All of the local officials were members of the Guaviare Department of the Clandestine Communist Party of Colombia (PCC-C) and some were active members of FARC's First Front. In fact, during the PCC-C's first conference held in early November 2002, First Front commander Gerardo Aguilar Ramirez discussed plans for an independent "Nueva Colombia" or New Colombia which would include Eastern and Southern Colombia.

for harvesting cocaine crops. With the latter, residents physically incapable of assisting in crop cultivation and/or harvesting were levied a fine. The criminal organization was known to instill fear in the local population through threats of physical violence for non-compliance.

Despite the group's reputation for the use or threat of violence in areas they retain, the FARC has had to compete with other criminal organizations in Colombia for control over the drug trade. Since at least late 2003, the largest of these groups is the Self Defense Forces of Colombia (AUC). The AUC does not take orders from the FARC without the need for violence. As a result of a territorial dispute in mid-July 2003, members of the FARC planned a harassment attack on a hotel reportedly operated by the AUC. In late October 2004, members of FARC and AUC in Guaviare fought over a territorial dispute, resulting in six killed, eight wounded, and between 3 and 6 members kidnapped from AUC. Since the FARC must resort to violence over territorial disputes with the AUC, the criminal organization is assessed to exhibit a moderate level of authority of reputation.

Self-Identification

Gerardo Aguilar Ramirez and the other 27 individuals involved in the conspiracy to traffic cocaine into the United States all self-identify with the Revolutionary Armed Forces of Colombia. While the majority of the 28 members identified in this criminal activity were not directly interviewed by the FBI, these individuals were all identified as FARC members from the six FARC defectors, who also self-identified with the criminal (narco-terrorist) organization. They were also all found to be associated with each other, increasing the confidence they were in fact FARC members and/or associates. None of these individuals were identified with other known criminal organizations operating in Colombia. However, the two US-based Colombians involved in distributing cocaine in the United States sold the narcotics to separate criminal

organizations. Yet self-identification for the two US-based Colombians was unclear from the case file. Nonetheless, since all 28 members and/or associates involved in the conspiracy to traffic cocaine to the United States were identified as members of the criminal organization, the criminal organization is assessed to have exhibited a maximum level of self-identification.

Stability

While the origins of the FARC have been traced back to the political violence of the 1950s that gripped rural sections of Colombia (Vargas, 1999), FBI records show that Gerardo Aguilar Ramirez's conspiracy to distribute cocaine in the United States began sometime in 1998 and lasted until 2008 with his arrest. Therefore, Ramirez's known conspiracy to traffic cocaine into the United States lasted ten years. Yet despite Ramirez's arrest in 2008, the FARC continues to traffic cocaine around the world despite recent estimates showing a decline in Colombian coca cultivation (Department of State, 2012). In addition, the other 27 members and associates involved in assisting Ramirez were not arrested and most likely have continued to facilitate the transportation of cocaine to the United States and elsewhere. As a result of these factors, the criminal organization is assessed to have exhibited a maximum level of stability.

Size

The First Front of the FARC, which was controlled by Gerardo Aguilar Ramirez and was responsible for arranging drug shipments to the United States, was comprised of an estimated 600 members, at the time of the investigation. This estimate was derived from human sources who had direct access to the criminal organization at the time. However, it must be noted that this number may also reflect a number of Colombians who resided in the First Front's territory but were not necessarily FARC members. There are plenty of Colombians in FARC territory

who support the organization and would prefer to see the communist organization control the entire nation. Given the fact that the FARC does generate support from non-members, it is possible the estimated number includes FARC supporters as well as FARC members.

Unfortunately, this estimated number could not be further corroborated the fragmentary nature of the information.

Nonetheless, from the estimated 600 members involved in the First Front, an estimated 28 members were found through the criminal investigation reports to have been directly linked into the conspiracy to traffic cocaine into the United States. These individuals included senior levels members of the FARC, such as Ramirez and his deputies, and low level members who were responsible for overseeing the production of the coca plants and arranging air transportation. Besides these estimated 28 Colombia-based members of the FARC, two US-based associates of FARC members were identified; these associates located in New Jersey and Florida were responsible for arranging sales of cocaine between the FARC and separate cocaine distribution rings. Even with only using those reportedly involved in the conspiracy to traffic cocaine into the United States and the two identified US-based Colombians, the criminal organization is assessed to have exhibited a maximum level of size.

Physical

On February 2003, four Americans Thomas Howes, Marc Gonsalves, Keith Stansell, and Tom Jarvis were kidnapped by the FARC after their airplane crashed in FARC-controlled territory in the Colombian jungle. At the time the incident, members of the FARC executed Tom Jarvis but continued to hold Thomas Howes, Marc Gonsalves, and Keith Stansell hostage. These three individuals would be moved to a camp operated by the FARC's First Front under the command of Gerardo Aguilar Ramirez sometime in early October 2004.

During the same month in which the Americans were kidnapped, the FARC including members from the First Front was responsible for a car bombing at a nightclub in Bogota, Colombia. The bombing killed more than 30 people and wounded more than 160. This indiscriminate attack was reportedly conducted to murder members of a rival organization involved in the drug trade.

Throughout the period of the criminal investigation, multiple incidents of violence occurred inside Colombia, at times harming American citizens. In November 2003, for instance, the FARC was responsible for a grenade attack in a Bogota restaurant with the intent to murder members of a rival organization but wounding three American tourists. In addition, between 25 June and 2 July 2003, several FARC Fronts from the Southern and Eastern Blocs, including members from the First Front, were engaged in 14 skirmishes with the Colombian military. The majority of which were instigated by the FARC Fronts, which were conducting so-called harassment attacks. These attacks resulted in 15 soldiers killed and 5 recorded wounded. Many of the incidents, however, resulted in an unknown number of individuals physically harmed. Besides the murder of Colombian military personnel, a skirmish, on 26 June, between FARC members and the military resulted in the kidnapping of an officer of the Colombian Ministry of the Environment. Given the FARC was known to have physically harmed seven Americans and at least 210 Colombian civilians and military members, during the course of the criminal investigation, the FARC was assessed to have caused a maximum level of physical harm.

Psychological

At least six individuals, during the course of the investigation, defected from the FARC's First Front and were interviewed by the FBI. All of these individuals expressed concern for their personal safety due to the defection and cooperation with the governments of Colombia and the

United States. In addition, an approximate 16 citizens of Colombia were interviewed; most of whom expressed distress over their circumstances or direct encounters with the FARC. During one interview, it was explained that sometime in either late 2002 or early 2003 a Colombian citizen residing in an area controlled by the FARC's First Front borrowed approximately 20 million pesos or approximately \$7,200¹² from Gerardo Aguilar Ramirez and his deputy commander, Jaime Aguilar Ramirez, so he could establish a legitimate business in the area. After Ramirez and the deputy commander lent the money to the citizen, the deputy commander began to seek immediate repayment, which the citizen could not afford. As a result, the deputy commander threatened to assassinate him if he did not repay the money within two days of time. Fearing death, the citizen fled the area. Since a total of 22 people expressed fear for their personal safety or expressed concern about their situation in Colombia, such as paying taxes they cannot afford, the criminal organization was assessed to have caused a moderate level of psychological harm.

Economic

The amount of money the FARC generates from its illicit drug trade is at best rough estimates based on various sources. Based on the criminal case material reviewed, it was found that the FARC's First Front generates illicit drug proceeds at both the cultivation and wholesale distribution stages, yet its revenue is offset by the cost of production.

During the cultivation process, the First Front "taxes" its local farmers for the production of coca plants. Farmers are taxed the value of one gram of cocaine for each kilogram¹³ the farmer produces. This is the tax assessed against those farmers who are producing 10 or more kilograms per week. For farmers producing 9 kilograms or less per week are taxed the value of

¹² At the time of the transaction in 2002/3, the exchange rate was approximately \$1 for 2,800 Colombian pesos.

¹³ The First Front charged an estimated 2,300,000 Colombian pesos or \$821 per kilogram of cocaine in 2003.

half a gram of cocaine for every kilogram produced. While an exact dollar amount generated from this tax system is unknown, one report from 2003 suggests that an average of 6,000 kilograms of cocaine is produced per week within the First Front territory. This would produce between \$4,926 per week at the cost of \$.821 per gram (1/1000 of \$821) and \$2,463 at a cost of \$.4105 for half a gram for 6,000 kilograms. Therefore, it is estimated that the FARC's First Front generates between \$128,076 and \$256,152 per year from its taxation system.

The revenue the FARC's First Front generates from its taxation system is offset by the cost of processing the coca leaves into cocaine base. As with the amount generated from the FARC's taxation system, estimates for the production costs incurred by the FARC's First Front can be calculated from the limited data collected. The available data suggests that the FARC's First Front spends approximately 1,900,000 to 2,000,000 Colombian pesos to process a kilogram of cocaine base at its local base laboratories. At the 2003 exchange rate of \$1 to 2,800 Colombian pesos, the First Front spends approximately \$679-714 per kilogram of cocaine base. For 6,000 kilograms it produces per week, the First Front would be expected to spend between \$4,074,000 and \$4,284,000 per week, or approximately \$211,848,000 to \$222,768,000 per year.

While the data collected suggests the FARC's First Front spends a significant amount of money on processing cocaine base, the FARC's First Front would sell the cocaine to distributors for approximately 2,800,000 Colombian pesos or \$1000 per kilogram. This would be a profit of between \$286 (\$1000 - \$714) and \$321 (\$1000 - \$679) per kilogram. At the estimated 6,000 kilograms per week, the First Front would yield a total profit of between \$1,716,000 and \$1,926,000 per week. If these profits were sustained over a one year period, the profits generated from the illicit drug trade would yield an estimated \$89 to \$100 million per year.

Nonetheless, during the time period under review (2003-2008), the Colombian government maintained a strong counter-narcotics campaign against the FARC, using a combination of military operations and dust croppers to eradicate coca plants. These campaigns combined with the FARC's competition from AUC and others engaged in the drug trade certainly had an impact on the actual amount of cocaine the First Front was able to produce and sell. In early June 2005, a former FARC member indicated he was unable to sell cocaine for more than three months because of the counter-narcotics campaign launched by the Colombian government. Additional reporting supports the fact that other members of the FARC's First Front were having periodic trouble selling the cocaine they had in their possession. Yet despite the fact the FARC was having periodic difficulties in selling their cocaine, I have used the average estimated annual income, which yields an estimated \$94.5 million, to assess the FARC's economic harm. Given the average annual income at the time was \$94.5 million, the criminal organization was assessed to have caused a maximum amount of economic harm.

Case #2: Erik Alonzo-Martinez Drug Trafficking Organization

In April 2009, the FBI initiated an investigation into Erik Alonzo-Martinez and his associates given they were identified as one of several distribution networks associated with the New Mexico-based drug supplier "Pedro." "Pedro" is known to acquire a variety of drugs, including cocaine, marijuana, and methamphetamine, from Mexico via his contacts with a Mexican-based drug cartel. "Pedro" is believed to supply illicit drugs to small networks of distributors located in New Mexico, Colorado, Wyoming, and Nevada. The Martinez criminal organization is one of the few New Mexico-based distribution rings.

Structure

While the Martinez organization acquired its drugs from Pedro, the Martinez organization was found to be an autonomous drug distribution network. The organization had no clear division of labor among its few members and no positions or titles were assigned to its members to distinguish roles and responsibilities. When questioned about leadership, Martinez indicated he was the leader since he owned the vehicle used to pick-up the narcotics. This self-designation was indicative of the organization's lack of a leadership structure.

Moreover, the physical surveillance reports and offender interviews from the FBI case files suggest the roles and responsibilities among the members were interchangeable. Often Martinez and his associates would arrange narcotic sales and transport narcotics to their clients. There was no clear point of contact for the illicit narcotics; a client could contact Erik Alonzo-Martinez, Jorge Lozoya, or Alejandro Alvarado-Aleman even though Aleman was a relatively new member to the organization when the FBI investigated their activities (*see section on stability*). Nonetheless, the majority of the controlled illicit narcotic purchases made by undercover agents were arranged through either Martinez or Lozoya. Given the organization lacked division of labor and self-imposed positions or titles, the Martinez organization was assessed to have exhibited a minimal level of organizational structure.

Sophistication

During the course of the investigation, the Martinez organization was not observed nor found to have attempted to establish a legitimate business to launder its drug proceeds or to diversify and enter other criminal enterprises. The organization was a street-level distribution ring that operated out of Martinez's residence. The members of the organization would arrange

for interested buyers to either purchase the illicit drugs outside of Martinez's residence or to meet at parking lots of convenient stores in the community. Since Martinez and his associates were directly tied to the criminal activities with little to no effort at obfuscating their involvement, the criminal organization was assessed to have exhibited a minimal level of sophistication.

Authority of Reputation

Besides the Martinez distribution network in New Mexico, the FBI identified a second small New Mexico-based drug distribution network comprised of four members, operating in the same community. Despite the fact a second distribution organization was known to be operating and providing similar narcotics to users in the same community, there were no reports of conflict, resulting in the use or threat of violence, among each other. Each group appeared to have their own separate clientele and did not want to interfere with each other's business. However, it is possible the Martinez organization and the second identified organization did not interfere with each other because they both relied on obtaining their narcotics from the same supplier—Pedro—who was known to be associated with a Mexican drug trafficking organization. As a result, the criminal organization was assessed not to have exhibited an authority of reputation.

Self-Identification

The Martinez criminal organization did not develop a group name nor did they adopt any sort of emblem, insignia, or color to designate themselves as a cohesive group. The members were bound to each other through their friendship and a shared nationality as the members were all from Durango, Mexico. It is also not clear based on the FBI case files whether Pedro, who was associated members of a Mexican drug trafficking organization, was himself a member of

the Mexican drug trafficking organization. Neither the FBI interviews nor surveillance indicate members of the Martinez organization boasting or leveraging their "association" with a named Mexican drug trafficking organization. Since the Martinez organization did not form its own group name or attempt to leverage "Pedro's" association with an established MDTO, the criminal organization was assessed not to have exhibited self-identification.

Stability

According to the offender testimonies, Erik Alonzo-Martinez and Jorge Lozoya began to distribute cocaine together sometime in 2008, approximately a year before they were arrested in September 2009. They both admitted to being friends for years prior to getting involved in the drug trade, claiming to have known each other from Durango, Mexico. Alejandro Alvarado-Aleman also from Durango, Mexico reportedly got involved in distributing cocaine with Erik Alonzo-Martinez and Jorge Lozoya approximately two to four months prior to his arrest in September 2009.

While Erik and Jorge began selling together sometime in 2008, it is not clear based on the available data when Erik, who would acquire the drugs, developed a criminal relationship with "Pedro." Nonetheless, the criminal network appears to have been developed in the United States rather than Mexico given all members despite their shared Mexican nationality reportedly got involved in the drug trade after arriving in the United States. Since the Martinez organization was known to be active from 2008 to September 2009, the criminal organization was assessed to have exhibited a minimal level of stability.

Size

Based on available case information at the time of the criminal investigation, three individuals were identified as being involved with the Martinez distribution network in New

Mexico. These three individuals— Erik Alonzo-Martinez, Jorge Lozoya, and Alejandro Alvarado-Aleman— were all arrested and convicted for distributing narcotics in New Mexico. Given the small number of criminal offenders and the tangential connection to a Mexican drug trafficking organization, one of the lead FBI investigators for the case stated, when asked if he would be willing to answer a questionnaire related to the case, “this was not the most exciting case.” Given the Martinez organization consisted of only three individuals, the criminal organization was assessed to have exhibited a minimal level of size.

Physical

During the course of the criminal investigation, there were no known homicides, physical assaults, or other forms of bodily harm witnessed and/or reported to law enforcement officials. This includes physical violence towards each other, clients, or potential competitors. The criminal network, operating from Erik Alonzo Martinez’s residence, would deliver its illicit product to clients, usually in parking lots of bodegas, gas stations, or other public areas. These transactions— at least during the course of the investigation— never resulted in a physical confrontation. As a result, the criminal organization was assessed not to have caused any physical harm.

Psychological

During the course of the investigation, there were no reports of anyone either indicating or expressing the fear of retaliation or violence from the Martinez distribution network. However, no clients were interviewed by the FBI; therefore, there is a possibility some pertinent information about psychological harm may not have been captured during the criminal investigation. Despite this limitation, the criminal organization was assessed not to have caused psychological harm. However, it must be noted that their activities may have caused clients to

become dependent of an addictive substance. Substance dependency, however, is a form of psychological harm not captured in law enforcement data. In addition, the case files did not indicate how many people were potentially clients to assess or evaluate whether this organization serviced a large or small clientele.

Economic

Based on the offender interviews, members of the cocaine distribution ring estimated they sold approximately \$2,000 to \$6,000 worth of cocaine per week. Given the variance in controlled narcotics purchases (Table 1 below) made between the initiation of the investigation in April 2009 until the arrest of the members of the network— Erik Alonzo-Martinez, Jorge Lozoya, and Alejandro Alvarado-Aleman— in September of the same year, there is reason to believe the estimates are fairly accurate. However, it is not clear if the offenders' estimates are based in part on their sales to the FBI undercover since the controlled purchases were arranged on a weekly basis. But assuming the offenders' estimates were sustained beyond the known controlled purchases, the distribution network would have made approximately \$104,000 to \$312,000 per year, which would be offset by the amount paid to "Pedro" for acquiring the narcotics from his Mexican-based contact. Unfortunately, the case data did not provide information on the cost of cocaine. Therefore, even with this data missing, based only on the estimated income, the Martinez criminal organization was assessed to have caused a minimal level of economic harm.

Table 1: Controlled Narcotic Purchases, 24 April to 17 September 2009

Date of Transaction	Narcotic	Quantity	Price
9 June 2009	Cocaine	Less than 1 ounce	\$500
18 June 2009	Cocaine	1 ounce	\$800
29 June 2009	Cocaine	1 ounce	\$800
8 July 2009	Cocaine	4 ounces	\$3,200
30 July 2009	Cocaine	2 ounces	\$1,600
6 August 2009	Cocaine	4 ounces	\$3,200
13 August 2009	Cocaine	4 ounces	\$3,200
21 August 2009	Cocaine/Crack Cocaine	2 ounces/2 ounces	\$4,000
3 September 2009	Cocaine/Crack Cocaine	2 ounces/2 ounces	\$4,000

Chapter 5: Contraband Trafficking

Contraband trafficking can run the gamut of the illegal movement of exotic animals to stolen vehicles, to weapons and counterfeit items. The criminal organizations involved in these activities can likewise vary from mom-and-pop networks to state-sponsored criminal networks. The case studies in this chapter demonstrate the variance in the types of criminal organizations involved in these activities. The first case study presents a small network formed through business relationships to facilitate the manufacture and trafficking of counterfeit used gaming equipment. The second case study presents a criminal organization with a nexus to legitimate businesses and government officials to acquire counterfeit cigarettes and military grade weapons for consumers in the United States.

Case #1: International Gaming Technology (IGT)

Between November 2007 and April 2009, the FBI investigated a criminal organization involved in the manufacturing and distribution of counterfeit International Gaming Technology (IGT) software. The criminal organization included a Cuban national, Rudolfo Cabrera, who was responsible for reverse engineering IGT technology from his research and development warehouse in Riga, Latvia, and Cabrera's Florida-based partner Henry Mantilla, who used the illicit software to refurbish used gaming machines for resale.

Structure

The Cabrera-Mantilla organization was loosely structured with a clear division of labor among the primary participants: Rudolfo Cabrera, Henry Mantilla, Khelbey "Bey" Arnold, and Nevin Moorman. Cabrera was the primary engineer responsible for manufacturing fraudulent IGT software from his business FE Electronics, which was described by an FBI interviewee as a "warehouse" where Cabrera was able to conduct "research and development." Another FBI

interviewee indicated Cabrera was a college professor who at times used his "students" to assist in reverse engineering gaming software.

Henry Mantilla was Cabrera's US-based partner and link into the United States used gaming market. Mantilla would negotiate all purchases from Cabrera of IGT software or refurbished gaming systems with US-based distributors. Yet both Cabrera and Mantilla were known to manufacture refurbished systems with and without fraudulent software. "Bey" Arnold and Nevin Moorman, on the other hand, were the organization's primary distributors in the United States, Latin America and Canada. Bey and Moorman would acquire gaming systems from Mantilla with the knowledge of its fraudulent contents for further distribution.

While the criminal organization "a loose network of criminal entrepreneurs" did not have self-imposed titles designating rank or position within the group, each member was an owner and operator of a small business. Most of these businesses consisted of no more than one to three individuals. Only Cabrera reportedly used students to assist him, according to one FBI interviewee. It was estimated by the same interviewee that Cabrera had approximately 15 people at any given point in his employ. However, this information was not corroborated by other independent reports. Nonetheless, each criminal offender was found to be actively involved in the day-to-day operations of their small businesses from building used gaming systems to handling the finances, to negotiating sales. Given the criminal organization was loosely organized with a clear division of labor, the Cabrera-Mantilla organization was assessed to have exhibited a moderate level of structure.

Sophistication

The Cabrera-Mantilla organization leveraged their small businesses in the used gaming industry to manufacture and distribute illegal proprietary software. Cabrera, whose small

business was responsible for reverse engineering the software, reportedly had used his "students" to assist him in creating fraudulent items for Mantilla. Besides operating a small business, Cabrera was reportedly a college professor in Latvia. While reverse engineering software requires a great deal of technical skills, there were reports from offenders and gaming security professionals indicating Cabrera's illicit software was at times found to be incompatible with the gaming system or console, causing the software to malfunction after a short period of time, and many of IGT's security features were not successfully counterfeited. This made the identification of fraudulent software and products easy for law enforcement officials. In addition, the criminal network was known for aggressively advertising its ability to sell low cost (counterfeit) IGT technology. Therefore, despite the great deal of technical skills needed to create the gaming systems, the criminal organization was assessed to have exhibited a moderate level of sophistication since the organization exposed itself through the aggressive marketing of their fraudulent products.

Authority of Reputation

The Cabrera-Mantilla criminal organization developed the reputation for providing counterfeit products among used gaming companies. This was in part because Mantilla was aggressive in advertising his ability to acquire IGT proprietary products at a relatively inexpensive price. One interviewee stated "Mantilla offered products not offered anywhere else and at a discount." As a result, the same interviewee indicated that "everyone in the business refers to Mantilla for copied game theme software."

Despite this reputation, the organization did not have any known competition selling inexpensive counterfeit products, which would cause the organization to use or threaten the use of violence. In fact, one interviewee indicated his interest in circumventing Mantilla by trying to

negotiate deals directly with Cabrera in order to develop his own distribution network. However, when the individual broached the topic to Cabrera, Cabrera chastised the individual, suggesting all deals had to be negotiated through Mantilla. The close relationship between Cabrera and Mantilla permitted the Cabrera-Mantilla organization to be the primary suppliers of IGT counterfeit gaming software and systems.

Since the Cabrera-Mantilla partnership controlled the supply of counterfeit IGT technology, Mantilla's clients, who were interested in purchasing the counterfeit software, were at risk of acquiring inoperable software or receiving the products later than negotiated with no legal recourse. For example, one interviewee who sold used slot machines to various vendors claimed to have advanced a \$150,000 to Mantilla to acquire machines Mantilla advertised as "ready to ship." However, the interviewee did not receive the games until almost four months later. Given the lack of competition, who could sell counterfeit IGT software, and the use of normal business practices to advertise their goods to other small used gaming businesses, the criminal organization was assessed to have exhibited a minimal level of reputation.

Self-Identification

No one involved in the criminal activities self-identified with a criminal organization, nor did they band together to create their own officially titled criminal organization. Each participant was involved in the used gaming business, selling refurbished slot machines and other components. Based on available data, many of the business transactions were in fact legitimate. However, in order to meet demands of the market and limit competition, Cabrera and Mantilla began to counterfeit proprietary equipment. These criminal participants each identified with their own small businesses. Cabrera, for instance, identified with FE Electronics and Mantilla

identified with his company, Southeast Gaming. In addition, Cabrera-Mantilla associate, Nevin Moorman, identified with East Coast Slots. Since the offenders self-identified with multiple, otherwise, legitimate small businesses, the Cabrera-Mantilla criminal organization was assessed to have exhibited a moderate level of self-identification.

Stability

Based on a several interview accounts, the illicit partnership between Cabrera and Mantilla was forged while Mantilla was employed at Aqua Gaming in January 2007. In early January 2007, Mantilla traveled to England for a gaming convention with the owner of Aqua Gaming where they were introduced to Cabrera. While at the gaming convention, Cabrera invited Mantilla and his employer to visit Cabrera's company FE Electronics in Riga, Latvia in late January 2007. During their Latvia visit, the owner of Aqua Gaming became interested in utilizing FE Electronics as a supplier, but since Cabrera was a Spanish-speaker and Mantilla was the only Spanish-speaking employee at Aqua, Mantilla was placed in charge of negotiating the contracts between Aqua and FE Electronics.

By September 2007, Mantilla started his own company— Southeast Gaming— since he was laid off from Aqua for "suspicious activities" with Cabrera between February and August 2007. Mantilla's company would become the exclusive FE Electronics US-based partner, acquiring software and other gaming components for further distribution. However, despite the suspicion of Mantilla's relationship with Cabrera, during Mantilla's time with Aqua, it is not clear— due to a lack of information— whether Cabrera was providing counterfeit software to Mantilla or Aqua.

It is possible the initial relationship between Cabrera and Mantilla was regarding legitimate purchases of used gaming equipment from the former Soviet Union. One interviewee,

who was directly involved in the used gaming industry, stated that after the collapse of the Soviet Union in the 1990s, the former Soviet states, including Latvia, became interested in high tech video gaming machines, which was primarily supplied by US companies. However, between 2005 and 2006, the Russian government banned the gaming industry, forcing those in the industry to divest their businesses by selling their gaming machines and components. This opened an international market for used gaming machines and components from Russia. Many in the used gaming industry looked to the Russian market for cheap equipment that could be re-used in refurbished slot machines.

Nonetheless, the data collected—offender interviews and evidence of counterfeit products entering the gaming market—suggests the criminal organization became committed to manufacturing and distributing counterfeit gaming technology by September 2007. Yet the criminal organization, which came to include a third major participant, Nevin Moorman, was disrupted with the coordinated arrests of Cabrera, Mantilla, and Moorman in April 2009. This particular criminal organization, therefore, had a life-span of approximately 19 months. Since the organization was known to have been active for less than two years, the Cabrera-Mantilla criminal organization was assessed to have exhibited a minimal level of stability.

Size

The Cabrera-Mantilla organization consisted of four primary offenders: Rudolfo Cabrera, Henry Mantilla, Khelbey òBeyö Arnold, and Nevin Moorman. Cabrera manufactured the counterfeit products for Mantilla, who was the primary supplier of counterfeit products in the United States. Nevin Moorman used Mantilla to purchase counterfeit IGT products for machines he shipped to South America. Arnold too acquired illicit IGT products, specifically central processing units (or 044 boards), from Mantilla.

In addition to Cabrera, Mantilla, Arnold, and Moorman, there were an additional ten individuals identified through the offender interviews implicated in the selling and movement of illegal gaming equipment on the behest of the criminal organization. These individuals included the IGT insider, who provided Arnold and Mantilla with proprietary information, a shipper, who packed illicit cargo destined for South America on behalf of Moorman, and a few thieves who were implicated in the theft of gaming equipment from casino storage facilities. These individuals would sell and purchase illicit products to and from the Cabrera-Mantilla criminal organization. Since approximately 14 individuals were identified as involved in the theft, movement, and production of IGT software and used gaming equipment, the Cabrera-Mantilla criminal organization was assessed to be moderate in size.

Physical

No physical harm was reported during the course of the investigation. After Mantilla started his company with Cabrera as his exclusive partner, Mantilla's prior employer brought a lawsuit against Mantilla. During this incident, Mantilla did not resort to the threat or use of violence in retaliation. Moreover, the offender interviews suggest Mantilla would stop conducting business with others as a form of punishment if he felt slighted in anyway. In one example, an individual involved with Mantilla tried to start his own business with Cabrera. As a result, Mantilla refused to do business with the individual. Mantilla's monopoly control over access to Cabrera's counterfeit products placed Mantilla in an advantageous position when negotiating with other distributors, who wanted cheap IGT equipment. In negotiations, Mantilla almost always required his clients to advance the costs for the equipment. Therefore, physical violence was not a necessary tactic for forcing people to comply with demands or to pay. Given

these reasons, the Cabrera-Mantilla criminal organization was assessed not to have caused physical harm.

Psychological

Over the course of the investigation, only one individual expressed concern about cooperating with law enforcement officials. The individual had been contacted by Mantilla to negotiate a business deal trading 044 boards. Given the individual's involvement with law enforcement, the individual expressed concern that if he did not agree to the deal, Mantilla may become suspicious and view him as a threat. However, it is not clear if the individual believed Mantilla's perception of him would lead to physical violence or a bad reputation. Nonetheless, since one individual did express concern about his participation, the Cabrera-Mantilla criminal organization was assessed to have caused a minimal level of psychological harm.

Economic

The Cabrera-Mantilla criminal organization reportedly made approximately \$5 million dollars during the course of their known activities (August 2007 to April 2009) working with each other. This estimate is primarily drawn from financial records indicating the exchange of money between the companies owned by the primary offenders Rodolfo Cabrera and Henry Mantilla, Nevin Moorman and Arnold Bey. In particular, Cabrera and Mantilla known to have made significant profits from their businesses, which, according to multiple interviews, was primarily driven by their ability and reputation to provide clients with low cost systems and technology relatively new to the market, albeit counterfeit products. During an interview with the FBI on 12 November 2008, Henry Mantilla admitted to making over \$1.5 million in the previous year and over \$600,000 in just three months. This amount is just a reflection of Mantilla's income. Mantilla, who was the primary broker of deals for Cabrera, appears to have made but

a small percentage of the profits derived from most negotiations. For instance, over a two month period, financial records from one of Mantilla's business accounts indicate significant deposits made to Mantilla, who in turn sent the majority of the funds to Cabrera. Table 2 below highlights these transactions:

Table 2: Financial Transactions between Mantilla and Cabrera, April to June 2008*

<u>Date of Transaction</u>	<u>Deposit</u>	<u>Transfer</u>	<u>Recipient of Transfer</u>	<u>Mantilla's Profit (% of total deposit)</u>
4 April 2008	\$81,700			
7 April 2008		\$61,170	FE Electronics	\$20,530 (75%)
21 April 2008	\$159,990			
22 April 2008	\$6,078			
23 April 2008		\$161,260	FE Electronics	\$4,808 (3%)
1 May 2008	\$75,000			
21 May 2008	\$72,150			
22 May 2008		\$133,650	FE Electronics	\$13,500 (9%)
2 June 2008	\$22,000			
2 June 2008	\$70,850			
3 June 2008	_____	\$64,350	<u>FE Electronics</u>	<u>\$28,500 (31%)</u>
<i>Total</i>	<i>\$487,768</i>	<i>\$420,430</i>		<i>\$67,338 (14%)</i>

*These transactions are from one of three separate bank accounts maintained by Mantilla. The other accounts had similar transactions between Mantilla, Cabrera, and their other criminal associates.

The financial transactions between Cabrera and Mantilla are assumed to have involved almost exclusively the selling of fraudulent products given all 100 machines seized at Cabrera's warehouse in Riga, Latvia were found to be counterfeit and all controlled purchases between an FBI source and Mantilla involved fraudulent products being shipped from Latvia. However, this is not the case for the other criminal participants. For instance, from an approximate 500 gaming machines seized at East Coast Slots owned by Nevin Moorman 477

machines were returned to the ECS warehouse because they were deemed to be legitimate machines. Therefore, approximately 5 percent of East Coast Slots inventory was found to be counterfeit. However, 70 machines out of the 72 being shipped to Peru by East Coast Slots were found to be counterfeit. This provides support for the multiple claims by several interviewees from the used gaming industry that Moorman was monopolizing the South American market in used gaming equipment because he was providing counterfeit products.

It is possible, however, that some of the products from the Cabrera/Mantilla organization were legitimate. Besides the gaming machines, IGT flashcards and processor boards, Cabrera and Mantilla were known to have sold other products such as Electrically Erasable Programmable Read-Only Memory (EEPROM) chips and Single In-Line Memory Module (SIMM) burners. EEPROMs and SIMMs are known to be dual-use, meaning there are legitimate and illegitimate uses for these items. For instance, one individual who provided used gaming machines to clients in Atlantic City, New Jersey stated, "All of the Atlantic City casinos own SIMM burners too. The reason was if a SIMM card goes bad, they can repair it with the burner making the gaming machine complete and ready to ship." While it is unknown how many EEPROMs and SIMMs were sold by the Cabrera/Mantilla organization, it is believed very few were sold by the organization given a lack of reporting by interviewees and the cost of these items. Only one FBI interviewee indicated that he had purchased a SIMM from Mantilla for approximately \$10,000. Nonetheless, given the Cabrera-Mantilla criminal organization was reported to have made approximately \$5million collectively, the criminal organization was assessed to have caused a moderate level of economic harm.

Case #2: Charles and May Liu Criminal Organization

The Charles and May Liu criminal organization was the primary network being investigated under Operations Royal Charm and Smoking Dragon. However, this dual investigation unearthed multiple criminal networks which were primarily involved in the distribution of the illicit products the Liu organization brokered. These networks included known associates of traditional organized crime groups, such as Cosa Nostra or the Italian-American mafia and an Eurasian organized crime group in addition to other ethnic-based criminal networks, such as Native American, African-American, and Muslim-American.

Structure

The organization led by Charles and May Liu with their co-conspirators overseas were able to negotiate multiple illicit deals with US-based Asian gangs and other criminal organizations. This web of criminal contacts was loosely structured with no self-imposed titles or line-of-authority, but it did exhibit a very clear division of labor among its participants. Charles and May Liu with their co-conspirators overseas collectively referred to as the "Liu criminal organization" were essential in negotiating illicit deals between a variety of US-based criminal organizations, including but not limited to elements of the American mafia, a Russian organized crime group, and Native Americans and China and North Korea-based individuals, who had access to the manufacturing plants. These individuals would travel extensively to meet with interested buyers throughout the United States and other nations. They would, however, rely on others to traffic, store and transport the illicit contraband and collect and launder the illicit proceeds.

The Liu criminal organization utilizing its associates with the Taiwanese United Bamboo Gang (UBG) was able to leverage its historical ties to multiple US-based Asian gangs, such as

the Newark-based Green Dragons and Taiwanese Brotherhood gangs, Los Angeles-based Black Dragons gang, and New York-based Red Door gang. These gangs were primarily responsible for storing and transporting the illicit contraband and collecting and laundering the illicit proceeds. However, on occasion, the Liu organization would utilize their non-Asian buyers to carry-out some of these activities, especially in geographical locations where the Liu criminal organization did not have access to Asian gangs. For instance, the Liu criminal organization had come to trust the undercover agents, who were posing as American mafia associates, to store and transport illicit cargo at their behest.

The Liu criminal organization used its contacts in China and North Korea to acquire, manufacture, and smuggle the illicit contraband. These contacts included owners and operators of legitimate state-owned factories and manufacturing companies in China. These facilities were leveraged to acquire counterfeit cigarettes, computer software, and other illicit contraband. They also included government officials with direct access to state-owned weapons factories in North Korea. Given a clear division of labor was found among a loose network of criminal participants and networks, the Liu criminal organization was assessed to have exhibited a moderate level of organizational structure.

Sophistication

The Liu criminal organization outsourced significant components of its criminal activities to several other criminal organizations. In particular, the organization leveraged its contacts within the US-based Asian gangs to store and transport illicit contraband. These gang members played a significant role in the movement of the illicit products, which put these low level gang members at greater risk of law enforcement exposure.

In addition, the Liu criminal organization was able to forge relationships with other criminal organizations, such as the Illinois-based Harold Psalm organization which they tasked with conduct other aspects of their criminal operation. In particular, Charles and May Lui used the Harold Psalm organization to launder significant amount of money to multiple bank accounts overseas. However, these responsibilities were often provisions of their negotiations with the other criminal organizations. That is to say, the Liu criminal organization would cut the price on the illicit product the Psalm organization or others were interested in purchasing in exchange for completing tasks. Yet it put the members of these other criminal organizations at greater risk of detection since they were responsible for transferring money to overseas accounts. Since the Liu criminal organization leveraged multiple criminal networks to conduct significant components of its activities, the criminal organization was assessed to have exhibited a maximum level of sophistication.

Authority of Reputation

Given the historical ties between members of the Liu criminal organization and senior members of the various Asian gangs, the Liu organization was able to leverage those contacts to have the gangs fulfill an essential component of the criminal activities, namely the intake, storage, and transportation of the illicit goods. However, these gangs were not viewed as competitors by the Liu criminal organization but were essentially ancillary criminal organizations with their own identity and organizational structure. These gang members were willing to work with the Liu organization since the criminal organization provided the gangs with illicit goods and money. Through these personal relationships and the steady supply of illicit goods, the Liu criminal organization was able to have US-based Asian gangs comply with their business demands; i.e. intake, storage, and transportation of illicit goods.

Moreover, an analysis of the FBI case files shows a working relationship between the Liu criminal organization and other criminal organizations interested in acquiring a variety of illicit goods for further distribution. The distributors ranged from members of the American mafia to independent criminal entrepreneurs. As with the Asian gangs, the Liu criminal organization was able to negotiate deals with these other criminal organizations sometimes with the expectation that members of these organizations would carry-out other components of the Liu organization's criminal activities. For instance, members of an Illinois-based criminal organization were used by the Liu organization to launder money to mainland China, Taiwan, Macau, and other locations.

The Liu criminal organization exhibited a maximum level of reputation given the organization was able to have other criminal organizations comply with demands without the use or threat of violence. Most often the demands were met through seemingly mutually benefitting business deals, such as price cuts on illicit products in exchange for a service. Yet since the Liu criminal organization served, in many cases, as the other criminal organization's primary access to foreign-based illicit products, this placed the Liu criminal organization in an advantageous position in its illicit negotiations, often putting the other criminal organizations at greater risk of detection by law enforcement.

Self-Identification

One member from the Liu criminal organization was identified as being an associate of the Taiwan-based United Bamboo Gang. This member helped the Liu organization to form an alliance with members of US-based Asian gangs, which acted as a force multiplier for the organization. Approximately 90 from the identified 99 Asian members involved in the criminal activities self-identified or were identified by others with one of several US-based Asian

gangs. These individuals were identified or reported to be members or associates of the Newark-based Green Dragons and Taiwanese Brotherhood, Los Angeles-based Black Dragons, and New York-based Red Door. While the criminal organization had contacts in other states, such as Pennsylvania, Illinois, Texas, and Nevada, it was found the criminal organization's center of gravities were in New York, New Jersey, and California, where a spin-off criminal investigation code named Operation Smoking Dragon was conducted. Since the majority of the criminals involved were from separate criminal organizations, the Liu criminal organization was assessed to have exhibited a moderate level of self-identification.

Stability

Criminal activities associated with many of the older offenders can be traced back to at least the 1980s when the Los Angeles-based Black Dragons were responsible for trafficking narcotics and counterfeit products into California. In fact, the earliest known arrest among the criminal participants occurred in 1989 when one of the offenders attempted to traffic heroin into the United States from Mexico. However, this is based on limited criminal history data for most of the identified individuals. Offender interviews suggest the relationship between several key members of the Liu organization developed 12 to 15 years prior to the FBI interviews in 2005, dating the criminal alliance between the members of the Liu organization to at least the early 1990s. On the other hand, most of the younger gang members, who were found to have an average age of 23, would not have been old enough to be involved in the organization's criminal activities until at least the mid-1990s.

And while many of the key members of the criminal organization were arrested in August 2005, the 59 individuals arrested and detained from the 87 indicted constitute approximately 40 percent of the identified individuals involved in these criminal activities. In fact, the FBI has

been able to open several new investigations premised on its dual operations in New Jersey (Royal Charm) and California (Smoking Dragon). Since members of the criminal organization are known to have continued their criminal activities and to have been involved in criminal activities for 12 to 15 years, the Liu criminal organization was assessed to have exhibited a maximum level of stability.

Size

A review of the FBI case files related to the Liu criminal investigation suggests at least 146 individuals were involved in the illicit activities. This includes the 131 individuals operating primarily in California, New York, New Jersey, Pennsylvania, Illinois, Texas, and Nevada and 15 individuals identified in China, Canada and Mexico. However, these sums account for the approximate 12 identified distribution networks, which acquire its illicit goods from Liu and his overseas contacts. Several of the distribution networks were found to be parts of other autonomous criminal organizations, such as the American mafia, a Eurasian organized crime group, and a number of US-based Asian street gangs associated with Chinese Triads. Other distribution networks were found to be small independent distributors with no other known criminal associations beyond their association with the Liu organization.

While 146 individuals were identified as being involved in the criminal activities, the Liu criminal organization consisted of eight primary or core individuals five of whom were US-based responsible for manufacturing counterfeit products and arranging deals with the US-based distribution networks. These individuals, however, were able to use the US-based Asian street gangs given the gangsties to Chinese Triads. In fact, several of the eight key members were reported members of Chinese Triads, yet others appeared to be legitimate business owners willing to manufacture illicit products for the criminal organization. Besides the eight core

members, approximately 90 individuals associated with the US-based Asian street gangs were essential in the storage and transportation of the illicit products. Given the US-based Asian gang members were essential in the movement of the illicit cargo, these individuals were assessed to be part of the Liu criminal organization, which exhibited maximum size.

Physical

During the course of the investigation, there were no reports^o either through interviews or wiretap intercepts^o of individuals being physically assaulted and/or murdered. The illicit business transactions between the primary suppliers of illicit goods to the multiple distribution cells in the United States appeared to have transpired with no need for the use of violence or desire to resort to the use of violence. If the primary US-based facilitators of the illicit deals felt slighted by a client, they would just desist from doing business with that client. They did not leverage any of the gangs, for instance, to extort payment when full payment was not made for their services. In addition, no inter-gang violence was observed related to these criminal activities and relationships. This is particularly interesting given that a few of the Asian gangs used to store and transport the illicit contraband operated in close proximity, yet no violence emanated from territorial disputes or a desire to monopolize this component of the illicit business. As a result, the Liu criminal organization was assessed to have caused no physical harm.

Psychological

From the hundreds of interviews with criminal offenders, legitimate business owners and others in the community, who knew the offenders, only one individual expressed concern for his personal safety^o as well as the safety of his family^o given his cooperation with law enforcement officials. During his interview with FBI agents, this individual, who was discussing his and his

co-conspirators role in distributing counterfeit cigarettes in Illinois, began to cry and expressed fear of reprisal from the criminal organization.

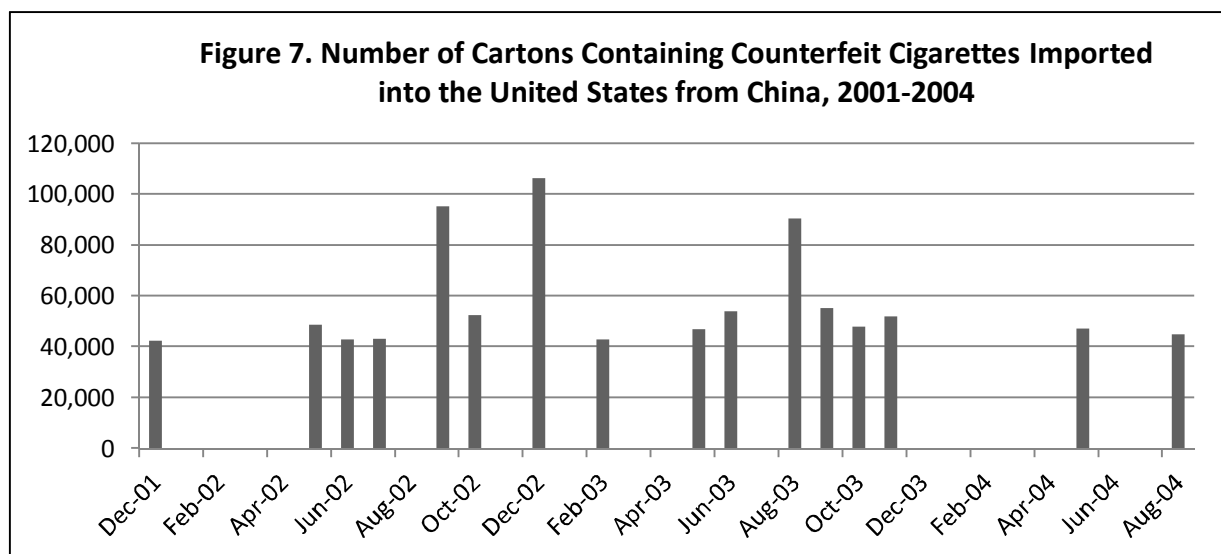
Given the criminal organization did not appear to resort to the use or threat of violence, it is not surprising to find only one individual expressing fear of reprisal. It was more common even though seemingly rare for the facilitators of the illicit deals to cut their ties with clients. In one reported instance, a person acquiring counterfeit cigarettes from Charles Liu one of the primary facilitators of illicit deals between suppliers and distributors had a falling out with Liu over money; as a result, Liu ceased doing business with the person with no reported threats or use of violence. This person admitted to being able to eventually develop a separate relationship with another facilitator with access to counterfeit cigarettes. Nonetheless, given one person expressed fear of reprisal, the criminal organization was assessed to have caused a minimal level of psychological harm.

Economic

The criminal organization imported a variety of illicit goods to include counterfeit cigarettes, pharmaceutical products, clothing, and U.S. money, and computer software. They also trafficked in illicit narcotics and military-grade weapons, including surface-to-air missiles (SAMs) and rocket-propelled grenades (RPGs) among other items. Despite the variety of illicit goods the criminal organization was reportedly able to acquire and traffic, the investigation found the criminal organization was primarily involved in trafficking counterfeit cigarettes, fraudulent U.S. money, illicit narcotics, and military-grade weapons. Therefore, an economic analysis for each activity is provided below:

Counterfeit Cigarettes

During the course of the investigation, the criminal organization arranged for 19 containers of counterfeit cigarettes to be smuggled into the United States between 2001 and 2004. Only in three instances did the criminal organization arrange to have two containers of counterfeit cigarettes shipped on the same date (see Figure 7). Each container can hold approximately 846 master cases⁶ or approximately 42,300 cartons⁷ of counterfeit cigarettes. It is estimated that each container of these counterfeit cigarettes has a street value of approximately \$1.5 million. With 19 identified containers shipped to the United States, it is estimated the criminal organization was able to smuggle an estimated \$28.5 million worth of counterfeit cigarettes, or an average of \$7,125,000 per year.



According to Charles Liu, Chinese government officials charged approximately \$20,000 to permit a container of counterfeit cigarettes to depart Chinese ports. This expense reportedly did not vary based on container size: 20 foot versus 40 foot containers. As a result, Liu indicated they preferred to ship the counterfeit cigarettes via a 40 foot container. In addition to this expense, each 40 foot container shipped to the United States from China cost approximately

\$250,000. This offsets the profits from the counterfeit cigarettes by approximately \$270,000 per container. With 19 identified containers shipped, it is estimated to have cost the criminal organization a total of \$5,130,000, or \$1,282,500 per year.

The profits generated from the illicit business were also distributed to the US-based members of the organization willing to store and transport the illicit goods. On average, approximately \$20,000 to \$55,000 was paid to individuals for storage and delivery of the illicit goods. This amount varied more generally for transportation since the criminal organization paid the courier based on the number of cigarette cases being transported. But generally, the criminal organization transported a significant amount of cigarettes per delivery often leveraging associates who were employed at legitimate trucking companies or who were willing to rent a truck for such deliveries. Moreover, those responsible for delivery of illicit goods were also often the individuals storing the goods at various storage facilities. While 19 containers were smuggled into the United States by this criminal organization, the criminal organization required storage and transportation for 16 shipments (as on three occasions two containers were shipped). Therefore, an estimated \$330,000 to \$880,000 was spent over the four years on storage and transportation or approximately \$80,000 to \$220,000 per year. The total annual net profit for the criminal organization from the trafficking of illicit cigarettes is estimated at \$5,622, 500 to \$5,762,500.

Counterfeit U.S. Currency

Beginning in July 2004, the criminal organization began to negotiate the sale of high quality counterfeit United States currency or supernotes with undercover FBI agents, who were operating under the cover of being members of the American mafia. The price for \$330,000 worth of supernotes as negotiated by Jyimin Jimmy Horng was to cost \$100,000, nearly a

third of the total value of the counterfeit currency. On 5 October 2004, the first container with supernotes associated with this criminal organization arrived in the United States with a total of \$339,100 worth of supernotes. These supernotes were obfuscated in a container filled with toys. As a result of this shipment, a second deal was negotiated between 15 and 18 October 2004 to ship approximately \$1 million worth of supernotes. This shipment of supernotes arrived in the United States on 17 December 2004 with an additional \$2,015,000 to ensure future illicit deals between the suppliers and the "American mafia." This would be the last known shipment of supernotes to the United States. Therefore, a total of \$3,354,100 worth of supernotes was shipped to the United States at an estimated cost of \$430,000 within less than a year.

Despite this estimate, it is not clear from the FBI case files what organizational expenses the criminal organization incurs from this illicit activity. As a result, a more accurate profit margin for the criminal organization cannot be estimated. However, based on offender interviews and wiretap intercepts, members of the criminal organization appeared to be a bit more reluctant to negotiate and risk trafficking fraudulent U.S. currency. This could be an indicator that trafficking in fraudulent U.S. currency is less profitable than counterfeit cigarettes.

Illicit Narcotics

Between 15 and 18 October 2004, Jyimin "Jimmy" Horng who was identified as a "major drug distributor" negotiated the possible sale of 1 kilogram of crystal methamphetamine, also known as "ice," at a cost of \$10,000 per kilogram. However, Horng shipped approximately 390 grams. The 390 grams were shipped as a "sample" at no cost with the hope of future transactions, yet Horng explained any future sale would have to involve no less than 50 kilograms to be worth the shipment. This was the only known shipment of crystal

methamphetamine though another deal was in the process of being brokered before the criminal organization was disrupted in mid-2005.

Besides the sale of crystal methamphetamine, the criminal organization⁶ utilizing its Canadian-based contacts⁶ were able to traffic 36,000 ecstasy pills into the United States during the course of the investigation. At a cost of \$9 per pill, the criminal organization would realize an estimated total of \$324,000. However, 18,000 pills were provided as partial payments for transporting counterfeit cigarettes within the United States. All 36,000 pills were trafficked at various times over a two-year timeframe; all things being equal, it is estimated that the criminal organization could average at least \$162,000 per year from trafficking ecstasy. By late 2004, the ecstasy supplier began to complain about the diminishing demand for ecstasy in the United States.

Military Weapons

The criminal organization, leveraging its political and military contacts in China and North Korea, indicated their ability to traffic military-grade weapons, specifically surface-to-air missiles (SAMs), rocket-propelled grenades (RPGs), and a variety of other weapons. The topic of weapons trafficking was first broached in late 1999 between Charles Liu and the undercover FBI agents. Liu claimed to be able to acquire weapons from a personal friend, who is an Army General in China and oversees a State owned and operated weapons factory. However, the deal never came to fruition; therefore, Liu placed the undercover agents in contact with another member of the criminal organization, who had a contact in North Korea, who would be able to facilitate the weapons deal.

It was not until November 2004 that a weapons catalog with approximately 140 pages was sent to the undercover agents. For a variety of reasons, the weapons deal was not finalized

until July 2005 with an estimated \$1 million worth of weapons being ordered. These weapons included rocket launchers, sub-machine guns, and automatic rifles; all were "destined" for guerillas in South America, according to the undercover agents. This would be the only known incident of the criminal organization successfully trafficking weapons into the United States with knowledge the buyers intended to re-sell the weapons to "guerillas." Trafficking military weapons was not the criminal organizations preferred criminal endeavor, and, given the length of time to finalize the deal, it would not be a very stable moneymaker (as compared to trafficking counterfeit cigarettes) despite their demonstrated ability to acquire and traffic them. Nonetheless, with a total annual income estimate of \$7,214, 500 to \$7, 354,500, the average annual income was approximately \$7, 284,500 for the year. Given this yearly average, the Liu criminal organization was assessed to have caused a moderate level of economic harm.

Chapter 6: Human Trafficking:

The United States State Department (2006) estimates at most approximately 17,500 people are trafficked into the United States annually. These individuals are believed to be forced into prostitution or to be unpaid (or underpaid) manual laborers. While little evidence exists to suggest traditional organized crime groups are involved in human trafficking, others have found human trafficking organizations can span the spectrum of organized crime to include small mom-and-pop organizations. The two cases presented in this chapter highlight the two prominent forms of human trafficking: labor trafficking from Uzbekistan, Philippines, Dominican Republic, and elsewhere and sex trafficking of women from Guatemala.

Case #1: Abror's Criminal Organization

The Abror criminal organization—so called by this author due to the ostensible leadership role Abrorkhodja Askarkhodjaev, aka Abror played within the organization—consisted of a web of familial, friendship, and business relationships to recruit, transport, and employ foreigners in the United States from various countries to include Uzbekistan, the Philippines, Jamaica, and Dominican Republic. Abror was the owner and operator of a Kansas-based labor leasing company Giant Labor Solutions (GLS), which maintained several accounts with various companies—usually hotel/resort, casino, and construction industries. GLS utilized the internet to advertise and recruit immigrant workers from the United States (individuals already holding a work visa) or from foreign nations.

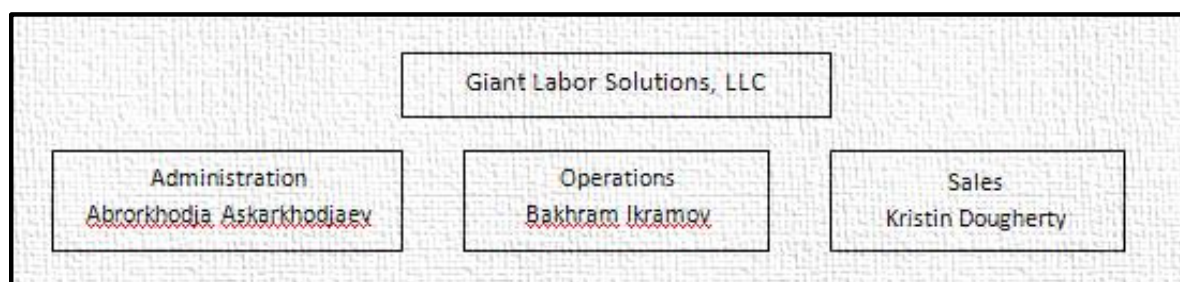
In order to recruit foreign workers, the Abror criminal organization relied on a combination of peer-to-peer recruitment and internet advertisement. Websites were designed to advertise GLS services as a labor leasing company for individuals with U.S. tourist or work visas. Yet if a worker did not have a current work visa, the criminal organization was willing to

assist the worker in obtaining one, either legally or illegally. For the few U.S. citizens, seeking assistance in finding work via GLS, they were informed that employment would not be available for at least six months. This had the effect of discouraging the few Americans from utilizing the services of GLS and ensured the criminal organization was able to continue to operate without the risk of law enforcement detection.

Structure

The Abror criminal organization operated under a hierarchal business model with Abror at the head of the company Giant Labor Solutions. At the time GLS was incorporated in 2001, an agreement was made between Abror, Bakhram Ikramov and Kristin Dougherty that the organization should have three “departments” administration, operations, and sales headed by each, respectively. The administration department would handle the paperwork for the workers visas and payroll. Operations would handle the recruitment of workers, and sales would handle acquiring client accounts. The head of administration i.e. Abror would be the president of the company. While the organization developed official titles for its members, such as president, vice presidents, and managers, in practice as highlighted in multiple offender interviews some of the criminal offenders would fulfill multiple roles within the organization.

Figure 8. Giant Labor Solutions (GLS) Organizational Structure



Moreover, the small number of employees would likewise fulfill multiple roles within the organization and for other similar companies, often acting as “freelancers.” For instance,

Nodirbek ōBekō Abdoollayev, who was employed by GLS was offered employment with another company that would often seek GLS assistance with fulfilling work contracts. Bek, however, in an interview, revealed he was hired to create and maintain a new website for a new company created by one of Abrorōs business partners Kristin Dougherty, but in the spring of 2006 was tasked with ōmanagingō workers in New Jersey on behalf of Dougherty and his labor leasing company, Anchor. The management role consisted of finding hotels and apartments for the workers, arranging for their transportation, and fielding the workers complaints.

Despite the occasional cross-over in job rolesō which would temporarily augment one department of GLSō the Abror criminal organization operated under clear lines-of-authority. A review of the offender and victim interviews and surveillance and business records indicate Abror gave direct orders to members of the criminal organization, which would follow the chain-of-command. For instance, in several reported incidents, workers began to complain about living conditions, low pay, or not enough work hours per week. In these incidents, Abror ordered his ōvice presidentsō to solve the ōproblemō often by threatening the workers with deportation. Given the available case data suggests the Abror criminal organization largely functioned with a clear division of labor with corporate titles self-imposed, the Abror criminal organization was assessed to have exhibited a maximum level of organizational structure.

Sophistication

The Abror criminal organization leveraged multiple companies to traffic immigrant laborers to the United States. These companies provided a façade of legitimacy since the companies were otherwise legitimate companiesō like headhunting companiesō designed to assist immigrants find work in the United States. Yet the criminal organization was able to leverage these ōlegitimateō companies to mask their illicit activities. Nonetheless, several of

these companies were operated by associates, who provided services on the behest of the criminal organization. These services— including recruitment and housing of immigrants— overlapped with the general services the Abror criminal organization provided. In fact, the Abror criminal organization at times provided these services to their associates at the other companies.

The criminal organization did however use the services of a lawyer to assist in obtaining work visas for the immigrants and to provide any necessary legal advice the criminal organization needed to facilitate their criminal activities. On the other hand, not all of the work visas were obtained through the lawyer. It was reported that the Abror criminal organization had a relative in Uzbekistan who worked for the government and was willing to obtain legitimate as well as fraudulent passports and visas for the immigrants on the behalf of the criminal organization. This was an essential component of the criminal activity which was outsourced to a corrupt lawyer and public official in Uzbekistan. Given the organization leveraged “legitimate” businesses and used the services of professionals with the knowledge and understanding of immigration policies, the criminal organization is assessed to have exhibited a maximum level of sophistication.

Authority of Reputation

The Abror criminal organization was found to have exercised a moderate level of authority of reputation given the criminal organization generally had to resort to threatening other criminal organizations with legal or economic sanctions if they did not comply with their demands. In particular, offender interviews indicated the Abror criminal organization was involved in four separate disputes with other criminal organizations engaged in the same activity, most often over money. In each incident, the other criminal organizations— most of them identified as “partners” in the criminal activity— appeared to comply with Abror’s demands by

eventually paying the money they allegedly owed to the Abror organization. None of these incidents resorted to the use or threat of violence. The relatively smaller businesses involved in the disputes seemed to be much more willing to comply with Abror's demands⁶ after being threatened⁶ than potentially lose future financial rewards from their working relationship with the Abror organization.

Self-Identification

The fourteen members of the Abror criminal organization self-identified with Giant Labor Solutions⁶ a small company created for assisting immigrants find work in the United States. However, the Abror criminal organization's members, associates, and unwitting participants self-identified with eleven separate companies. Table 3 below provides a list of all the company names with the number of individuals self-identified with those organizations. These associates assisted the Abror criminal organization by exchanging information, personnel and providing other logistical support as needed for the Abror criminal organization. In fact, during the criminal investigation, a few of the associates were found to have been in the employ of Abror but eventually separated from Abror and created their own small businesses though providing services to Abror. These small businesses were among the eleven companies that some of the criminal participants self-identified with. However, it must be noted that some of these small businesses were in fact found to be businesses in name only, as the "businesses" shared the same address as the owners' residences and only consisted of the "owner." Since eleven associates and unwitting participants self-identified with ten separate legitimate organizations, the Abror criminal organization was assessed to have exhibited a moderate level of self-identification.

Table 3. Number of Individuals Self-Identified with Organizations Involved with Labor Trafficking

<u>Organization</u>	<u>Number of Associates</u>
Giant Labor Solutions	14
Anchor Building Services	1
GB Capital	1
Laborfix	1
Midwest Management	1
Suncoast Hospitality	1
ABB Maintenance	1
KC Janitorial	1
People, Inc	2
United Management	1
Advantage	1
Crystal Management	1

Stability

The Abror criminal organization came into existence sometime in 2001 when Abror and several of his associates created Giant Labor Solutions (GLS) for the purpose of leasing immigrant labor to American businesses. It must be noted there was no available information in the FBI case files to suggest Abror or any of his members or associates were involved in illegal activity prior to 2001 though this does not preclude the possibility they were previously involved in similar activity. Giant Labor Solutions, along with several other labor leasing businesses, arranged employment for immigrants to the United States until 9 June 2009 when the DOJ and the FBI indicted and arrested 11 members of the Abror criminal organization, including its leader Abror.

While the majority of the members of the Abror criminal organization were arrested and sentenced to prison, it must be noted this accounted for approximately half of the individuals known to have been involved in the criminal activity through a review of the FBI case files. A total of twenty-one individuals were identified as having knowingly participated in illegally obtaining visas and securing employment for immigrants in the United States. For the remaining ten co-conspirators, it is not clear at the time of this writing whether they have continued to traffic people to the United States. If they have continued to traffic people, it is believed these co-conspirators many of whom are no longer in the United States would be acting as a separate network of criminals detached from their associations with Abror or his incarcerated associates. Nonetheless, given the organization was known to be operating from 2001 to 2009, or approximately eight years, the Abror criminal organization was assessed to have exhibited a moderate level of stability.

Size

The Abror criminal organization consisted of approximately 21 individuals engaged in recruiting immigrants, negotiating their employment, and/or knowingly hiring out immigrants under false pretenses. Of the 21 identified individuals, 14 were identified by the lead case agent as members of the criminal organization, whereas 7 were identified as associates. In addition to these 21 individuals, another five individuals were found to be unwitting participants in the illegal scheme. These individuals helped the Abror criminal organization facilitate their criminal activity under their employment with otherwise legitimate companies. Given 21 individuals were identified members or associates, the Abror criminal organization was assessed to be a moderate size organization.

Scope of Victimization

The Abror criminal organization is estimated to have trafficked approximately 650 people into the United States to work as manual laborers. This estimate is based on the number of individuals (n = 174) discussed in the hundreds of interviews with 60 identified victims and a number of criminal participants conducted by the FBI. Some of whom were interviewed multiple times. Besides the number of individuals highlighted in the interviews, approximately 650 unique visas and passports were seized from the companies during the execution of the search warrants. The 174 victims identified through the interviews were corroborated with the 650 visas and passports. These visas and passports were originally confiscated by the criminal organization and stored at the companies. This provided additional insight into the number of people trafficked into the United States.

Physical

None of the 60 victims interviewed by the FBI indicated they were physically abused by the Abror criminal organization or witnessed others being physically abused. Only one individual was known to have been physically harmed by the Abror criminal organization. This individual was a former partner of Abror, who Abror thought had cheated him out of money. It was reported that Abror physically assaulted the former partner as a result of this dispute. While this one incident over a financial dispute resulted in physical violence, the FBI case files indicate at least four separate incidents where disputes arose between the Abror criminal organization and other criminal organizations over their human trafficking activities, yet these disputes were resolved through threats of legal and economic sanctions, not physical violence. Given there was only one known violent incident, the Abror criminal organization is assessed to have caused a minimal level of physical harm.

Psychological

From the 60 victims interviewed by the FBI, all or a maximum level expressed some form of emotional distress resulting from their victimization. Several victims claimed they cried for days because of the experiences they endured. Many were promised employment and housing once they entered the United States, but once they arrived, they were expected to remain in an apartment until their interviews for employment were completed. One victim claimed he went two weeks upon his arrival to the U.S. without a job, surviving on a small amount of money he brought with him. Most of the victims interviewed claimed they were promised \$8 per hour for 40 hour weeks. While promised a salary, the victims were expected to recompense the Abror criminal organization for the back rent on the apartment they were staying at. The range of time for unemployment varied from victim to victim, spanning weeks to months. Another victim claimed his first pay check was for \$80 after two months of receiving blank paystubs, resulting from members of the Abror criminal organization deducting pay for rent and fees associated with visa extensions.

Besides experiencing unemployment for a period of time, most of the victims indicated they were expected to live in a small apartment with several people, whom were strangers. Based on the reports, the number of people living in one apartment ranged between 5 and 7 people. Several of the victims stated they had to sleep on mattresses placed on the floor. Others claimed they had to share bedrooms. In one instance where the victim claimed seven people were living in the apartment, he claimed four of the seven shared the two bedrooms (two people per bed) and the remaining three rotated each night sleeping on a floor mattress (two people per night on the mattress). The odd person for each night would sleep on the couch. By all accounts, the apartments were described by the victims as being overcrowded.

Many of the victims recounted how they paid the organization to arrange for their travel from their home country to the United States. The organization in particular would procure the work visas for the victim, but most victims interviewed stated the visas they received were near expiration date. For instance, one victim stated his father was concerned something was wrong because the victim's visa was to expire in early May 2009, but the victim's travel to the U.S. was scheduled for late February, giving the victim less than three months to renew his visa. Another victim arrived in the U.S. on 8 May 2009 with a visa set to expire on 9 May. This scheme permitted the organization to use the expiration as a means to profit from visa extensions, as well as a means to threaten the victims with deportation for visa overstays.

Moreover, according to several victims, the criminal organization kept keys to the apartments they were living in, permitting them to enter the apartments whenever they pleased. Several victims expressed the concern that members of the criminal organization were able to search their apartments. In addition to members holding keys to the apartments, members of the criminal organization held keys to the mailboxes. In each case, the victims claimed they were not allowed to have a copy of the key. This allowed the criminal organization to exercise control over the victims. One victim claimed he applied for credit cards on several occasions, but he never received the credit cards despite the credit card companies' insistence they mailed them to him.

Besides the emotional distress emanating from the living conditions, several victims claimed to have feared retaliation from members of the criminal organization. The expression of fear for retaliation, however, was less frequent than the expression of emotional distress. Nonetheless, in several instances, victims claimed they threatened to quit GLS over the pay (or lack of pay) and the living conditions. As a result of their threats, the criminal organization

threatened the victims with arrest for visa overstays, claiming if the victims quit they would be considered illegal and the criminal organization was required to report them to the authorities.

A less frequent threat used by the criminal organization— at least based on those interviewed by the FBI— was the threat of physical harm to noncompliant workers' families. For example, with some of the victims who came from Uzbekistan (the same country as the criminals), members of the criminal organization would claim to know where the victims' families lived. These victims expressed concern that Abror, in particular, was able to follow through on the threats given his personal wealth. Abror's personal wealth was perceived by the victims as an asset for corrupting the authorities and getting someone to physically harm their families in Uzbekistan.

Economic

The exact amount of money the Abror criminal organization generated from its illicit human trafficking trade is difficult to calculate given the quality of data, which is often fragmented and incomplete with regards to profits and expenses. Much of the reporting derived from interviews did not elicit the same information across interviews, and most of the victims were never completely identified for interview purposes. Nonetheless, estimates are generated based on the limited number of victim and offender testimonies that provided such information about the illicit business. In particular, these documents indicate the criminal organization was able to profit from the victim at three different points throughout the process of recruiting and employing a foreign worker, namely visa acquisition and transportation, shelter, and the worker's income.

Transportation

Based on the offender interviews, several of the criminal participants stated to the FBI investigators the total cost of transportation for an illegal immigrant was approximately \$10,000

for an illegal Uzbek and approximately \$3,000 for all others. These estimates were corroborated by several of the victims, who claimed they were held responsible for the cost of the transportation (visa acquisition and airfare). Even with the estimates provided by the offenders and victims, it was difficult to determine the exact number of people from different parts of the world in order to fit them into the Uzbek and non-Uzbek typology created by the offenders. Therefore, the estimated profits are a reflection of the potential range of profits if we were to assume all the victims were either Uzbek or non-Uzbek. This provides a profit range for which a total can be calculated.

Assuming all of the victims ($n = 650$) were from Uzbekistan, the criminal organization would have acquired approximately \$6,500,000 ($650 \times \$10,000$) for the transportation of the victims. These estimates, however, are offset by the actual cost to the criminal organization. Based on available flight data, the cost of airfare from Tashkent, Uzbekistan—one of the major international airports in Uzbekistan and the city from which many of the criminals were from—to Kansas City's International airport ranges from approximately \$1,700 to \$5,900 per person. The cost of filing a work visa (most often an H2B visa, which is used for temporary or seasonal work in the United States) ranges from \$130 to \$475 per person. Thus, the total cost of transportation (airfare and visa) to the criminal organization would be approximately between \$1,830 and \$6,375 per person. The profit margin, therefore, varies between \$3,625 ($\$10,000 - \$6,375$) and \$8,170 ($\$10,000 - \$1,830$) per person. For the estimated number of victims, the total profit for the organization would vary between \$2,356,250 ($650 \times \$3,625$) and \$5,310,500 ($650 \times \$8,170$).

Assuming all of the victims were not from Uzbekistan, the criminal organization would have acquired approximately \$1,950,000 ($650 \times \$3,000$) for the transportation of the victims.

This would have been offset by the actual cost of transportation to the criminal organization. The cost (\$130 - \$475) of obtaining a work visa for the victim would be the same as with the Uzbekistanis since the country of origin does not influence the cost of filing a work visa application. However, the airfare would vary based on the country of origin. The non-Uzbekistani victims were identified by the offenders as being from the Philippines, Dominican Republic, and Jamaica. For the cost of airfare from Cebu, Philippines to where those identified victims claimed to have traveled from to Kansas City, the airfare ranges between \$2,600 and \$4,600. From Santo Domingo, Dominican Republic to where the most commonly used international airport resides to the flights to Kansas City ranges from approximately \$470 to \$2,700, and for Kingston, Jamaica, the cost ranges from approximately \$400 to \$2,200 per person. Given the variance in total possible costs and the estimated amount the criminal offenders claimed to have paid for non-Uzbekistanis (\$3,000), it is possible the criminal organization's total *profit* from all potential victims, see Table 4 below, was between approximately - \$1,348,750 (650 x - \$2,075) and \$1,605,500 (650 x \$2,470).

Based on these estimates for all Uzbekistan and for non-Uzbekistan victims, it becomes apparent the profit margin for trafficking Uzbekistanis would be greater than non-Uzbekistanis. However, as Table 4 below shows, the potential profit derived from the facilitation of foreign workers from the Philippines and the Dominican Republic to the United States could have been a net loss for the criminal organization, assuming these estimates were static. If this were the case, the expectation would be that the criminal organization would attempt to avoid trafficking non-Uzbeks in general and Philipinos specifically, but based on the interviews, which indicated at least 20 people from the 174 were from the Philippines. This was one of the largest ethnic groups identified from the interviews. Moreover, with regards to flights, the approach taken by the

criminal organization varied; in some cases, the victim was responsible for the airfare in advance. In others, the criminal organization would pay the airfare and reduce the fee from the victim's pay. The approach pursued by the criminal organization seemed to depend on the financial capability of the victim. In all cases reported, the victim was encouraged to either obtain or renew a work visa through the criminal organization.

Table 4: Estimated Transportation Costs/Profits per Victim

<u>Country of Origin</u>	<u>Airfare*</u>	<u>Visa Application</u>	<u>Total</u>	<u>Profit Potential</u>
Tashkent, Uzbekistan	\$1,700 - \$5,900	\$130 - \$475	\$1,830 - \$6,375	\$3,625 - \$8,170
Cebu, Philippines	\$2,600 - \$4,600	\$130 - \$475	\$2,730 - \$5,075	-\$2,075 - \$270
Kingston, Jamaica	\$400 - \$2,200	\$130 - \$475	\$530 - \$2,675	\$325 - \$2,470
Santo Domingo, DR	\$470 - \$2,700	\$130 - \$475	\$600 - \$3,175	-\$175 - \$2,400

*Airfare estimates are based on available data from Expedia.com as of 3 September 2011. The airfares are not a reflection of the cost at the time of the criminal activity nor are all possible factors influencing the cost considered, such as time of year and time the flight was scheduled before departure.

Shelter

While the criminal organization made the arrangements to procure the apartments, most of the victims interviewed claimed to have been charged \$300 per month for rent regardless of the number of people living in the apartment. On average between 5 and 7 people were said to have resided in an apartment at the same time. Therefore, collectively the criminal organization deducted between \$1,500 and \$2,100 per month from the workers for an apartment. Given an estimated 650 individuals were employed by the criminal organization, an approximate \$195,000 per month was generated from the victims.

The amount of money generated by the rent is of course offset by the actual cost of the apartment to the criminal organization. Assuming the apartments cost the same, which is highly unlikely given the various geographical locations GLS sent employees, the reported cost to the

organization was approximately \$580 per month for an apartment. This estimate was derived from offender reporting on the cost of apartments primarily in Kansas, where the bulk of the illicit activity took place. Given that between 5 and 7 people shared an apartment and there was an estimated 650 individuals "employed" by the criminal organization, it is estimated the criminal organization had to have maintained between approximately 93 ($650/7$) and 130 ($650/5$) apartments. At an estimated cost of \$580 per month, the apartments would have cost the criminal organization approximately \$53,940 to \$75,400 per month.

Using these estimates of apartment costs, rentals or shelter for the criminal organization's "employees" provided the criminal organization with an opportunity to make a significant profit from their illicit activities. Taking these estimates at face value, the criminal organization would profit between approximately \$119,600 (\$195,000 minus \$75,400) and \$141,060 (\$195,000 minus \$53,940) per month. This would net a yearly income of approximately \$1,435,200 and \$1,692,720 for the criminal organization.

Workers' Income

The criminal organization also profited from the victims' wages. As with legitimate headhunters, the criminal organization "operating as Giant Labor Solutions" contracted with various legitimate businesses to hire immigrants with worker visas at an estimated \$10.50 to \$12 per hour for 40 hour weeks. In turn, GLS would pay the victims approximately \$7.50 to \$8 an hour, thus making a \$3 to \$4 an hour profit from each "employee." This would net the criminal organization approximately \$120 to \$160 per week per person, generating approximately \$78,000 to \$104,000 per week from the 650 victims. That is an annual income of approximately \$4,056,000 to \$5,408,000.

The criminal organization, however, would often withhold wages from the foreign workers. Their wages would be withheld as remittance for the expenses of their visas, housing, transportation, and other related costs. In one interview, the criminal offender named Bek claimed that while he was managing workers in New Jersey he was only keeping the workers sane by promising them big paychecks. Despite his promises, Bek claims that the first batch of paychecks was sent with no pay for the workers. He stated one of Dougherty's associates explained to him that there was no pay for the workers because of the paycheck schedule, the workers were getting paid for one week of work and owed for three weeks of rent.

In total, the Abror criminal organization annual income could range from \$4,142,450 to \$12,411,220. This reflects the addition of the lowest of the annual profits derived from transportation (- \$1,348,750), worker's income (\$4,056,000) and shelter (\$1,435,200) and the largest annual profits in transportation (\$5,310,500), worker's income (\$5,408,000) and shelter (\$1,692,720). However, this does not consider other operational expenses that the criminal organization may have incurred, such as rent or mortgage, electric and heating bills, lawyer fees, or the division of profits among the criminal associates. Given the average annual income was approximately \$8,276,835, the Abror criminal organization was assessed to have caused a moderate level of economic harm from their criminal activities.

Case #2: Gladys Vasquez Criminal Organization

The Gladys Vasquez criminal organization was responsible for trafficking women from Guatemala to the United States for the purpose of sex. To recruit and transport these women, the Vasquez criminal organization relied on several relatives in Guatemala to convince the women, at times under false pretenses, to travel to the United States. Once in the United States, these women often endured a physically abusive environment under the control of Gladys, her sisters,

and a niece with ties to a Los Angeles-based street gang, which forced the Vasquez criminal organization to pay taxes to it for allowing the women to prostitute in their territory.

Structure

The Gladys Vasquez criminal organization did not have self-imposed positions or titles but there was a clear division of labor; therefore, the organization was assessed to have exhibited a moderate level of organizational structure. The leadership of the criminal organization, in particular, was dispersed among four primary relatives: Gladys Vasquez, Jeanette Vasquez, Maria De Los Vicente, and Maribel Rodriguez. These were the women responsible for arranging for the women transportation to the United States from Guatemala, providing shelter, and forcing the women to work as prostitutes to pay-off their smuggling debts.

Another Vasquez sister Albertina, also known as Christina, was responsible for watching over the women to ensure the women did not escape captivity. In multiple instances where women attempted to escape, Christina would physically assault the women to enforce the organization's rules. Christina, however, was not the only woman responsible for watching over the victims. Some of the women, residing with the Vasquez relatives, came to be used as watchers and housemaids though interviews suggest most of these women were smuggled into the United States with the intent to force them into prostitution. They were often saved from the abuse because they started to date male relatives of the Vasquez family. Others were spared from the outset since the leadership wanted housemaids.

The Vasquez organization also utilized four separate males to transport the women. Some were used to pick-up the women from the US-based safe house once they were smuggled over the US-Mexico border and others were used primarily to transport the women between the resident apartments to the street corners and apartments they used to have sex with clients. Most

of these male drivers were either blood relatives or males dating female relatives. Nearly all of these drivers were reported to be taxi drivers, who moonlighted for the Vasquez organization since they were paid well by Gladys and the others. At least one driver was reportedly a "pirate taxi driver" – a taxi driver without the proper licensure to operate a taxi.

In order to convince Guatemalan women to travel to the United States under the false pretense of a better paying job, the Vasquez criminal organization utilized their Guatemala-based family members to recruit women and to provide an initial safe house for their onward travel through Mexico. In particular, the organization leveraged their relatives Nancy and "Chepe" to convince the women to travel to the United States to work in a "restaurant," or as "factory workers and nannies." Another sister was used specifically for her home, which was in a Guatemala-Mexico border town. This residence was identified by several victims as an initial safe house until a coyote – or Mexican smuggler – arrived to transport them to the US-Mexico border.

Sophistication

The Vasquez criminal organization operated from multiple apartments rented under their names. Based on the available case data, it does not appear as though the criminal organization ever owned a legitimate business in the United States in order to facilitate their criminal activities. There were reports, however, that the Vasquez family owned a bar in Guatemala from which they operated a prostitution ring, but this practice was not replicated in the United States. Instead, they would have the women solicit sex on the streets and perform their sexual acts in an apartment. In addition, there was no indication from the case files that the Vasquez criminal organization outsourced any component of their illicit activities to other criminal organizations. They did hire a number of family and friends to assist in their activities, such as hiring family

members as "taxi pirates" to transport the women from their residence to the street where they worked, but the Vasquez women would accompany the victims to the street to ensure the women were soliciting sex and to ensure the victims did not cheat them out of money. Given the Vasquez criminal organization made very little effort to obfuscate their criminal activities, the organization is assessed to have exhibited a minimal level of sophistication.

Authority of Reputation

The FBI case data did not indicate the Gladys Vasquez criminal organization was able to force any other criminal organization to comply with any type of demand despite offender and victim interviews suggesting other criminal networks were selling sex at the same location. Offender and victim interviews indicate the Vasquez criminal organization "like the other prostitution rings in operation" were required to pay "tax" to the Crazy Riders, a Los Angeles-based street gang. The Vasquez criminal organization was required to pay a tax of \$100 a week per girl to use the street under Crazy Riders' control. Francisco Reyes, whose street name was Quince, admitted to collecting money from Gladys Vasquez, Maria De Los Vicente, and Jeanette Vasquez on behalf of the street gang. Gladys and the other members of the organization were reportedly afraid of Quince and the other gang members, ensuring they paid the Crazy Riders on time. As a result, the Vasquez criminal organization was assessed not to have exhibited a authority of reputation.

Self-Identification

Based on available FBI case data, no member of the Gladys Vasquez criminal organization indicated they adopted a moniker or organizational name for themselves. Nor did members self-identify with another known criminal organization operating in Los Angeles, California. Victim interviews suggest the Gladys organization leveraged the reputation of the

Crazy Riders and their known association with the street gang to threaten the women under their control. Most victims reported Gladys and the other offenders would threaten the “Cholos” or gangsters would track them down and beat them if they attempted to escape. Therefore, the Vasquez criminal organization was assessed not to have exhibited self-identification among its members and associates.

Stability

Gladys and Maria “Sonia” Vasquez were known to have been prostitutes in the United States since 2000 and 2001, respectively though one offender indicated they began prostituting sometime during the 1980s-1990s in order to pay for their mother’s medical treatment. Yet despite Gladys and Maria’s history as prostitutes, the data collected suggests Gladys and her family did not begin to traffic women into the United States until 2005. This is based on victim interviews which suggest some of the women trafficked to United States first arrived between April and October 2005. This timeframe also coincides with separate reporting indicating Gladys ceased her own prostitution activities in 2005.

The human trafficking ring was discovered after law enforcement officials received an anonymous tip about a possible prostitution operation involving adult and minor females in October 2006. By 20 December 2006, the FBI and other law enforcement agencies arrested and detained most of the perpetrators involved in this criminal activity. Unfortunately, some, who were implicated in the criminal activity, were deported back to South America given their illegal immigration status or never faced criminal charges in the United States. In one instance, one of the perpetrators attempted to re-enter the United States illegally after her deportation, but she was detained and re-deported.

While several members involved in the smuggling activities remain free in Guatemala and Mexico, the arrests and incarceration of the primary perpetrators in the United States most likely substantially impacts the criminal organizations ability to continue to operate. This is likely the case given the organization's a family business's has lost its primary contacts in the United States. Therefore, the criminal organization is assessed to have exhibited minimal stability, operating within the United States from approximately April 2005 to December 2006.

Size

The Gladys Vasquez criminal organization is estimated to have had approximately 20 members involved in trafficking women from Guatemala to the United States with an additional two individuals possibly providing safe houses in Mexico and the United States. However, with the latter two individuals, the data suggests the individuals were willing to provide services for human smugglers in general. They were not direct members of the Gladys criminal organization. Several victims indicated they stayed in houses in both Mexico and the United States with multiple people, but in all cases, they indicated only one or two women were ever destined for Gladys and her family.

Of the 20 members, four members's Gladys Vasquez, Jeanette Vasquez, Maria De Los Vicente, and Maribel Rodriguez's were the primary perpetrators, housing, transporting, and selling the women in the United States. Eight were responsible for watching over the women to ensure they did not escape. Some of the eight were also responsible for providing daycare and household chores for the primary perpetrators. Four were drivers for the organization; they were primarily responsible for transporting the women between apartments and/or street corners so the women could meet clients. Three relatives were identified as Guatemala-based recruiters and one Guatemala-based relative provided a safe house during the initial leg of the journey to America.

Since 20 identified individuals were involved in the criminal activities, the Vasquez criminal organization was assessed to have been a moderate size organization.

Scope of Harm

During the course of the investigation, a cooperating witness suggested Gladys Vasquez, Jeanette Vasquez, Maria De Los Vicente, and Maribel Rodriguez the leaders of the human trafficking organization controlled between 13 and 16 women. It was explained that Gladys Vasquez had approximately 3 to 5 women working for her; Jeanette Vasquez had two women; Maria De Los Vicente had approximately 5 to 6 women, and Maribel Rodriguez had three women. Investigators, however, were able to identify at least 19 women outside of the Vasquez family trafficked into the United States from Guatemala. Of these 19 women, approximately, five women indicated they worked for the Vasquez family but never as prostitutes though most were initially smuggled for that purpose. Therefore, a total of 14 women were found to have been smuggled into the United States for sex work and were in fact used as prostitutes.

It is worth noting that from the 14 women smuggled and used for sex work, six women or approximately 43 percent indicated they were aware they were traveling to the United States to work as prostitutes. One of the six women indicated she was informed while in Guatemala of the type of work she was expected to perform, but was hopeful, once in the United States, she would be able to find alternative work. The other five women indicated they knew they were going to work as prostitutes, but did not anticipate the conditions they were going to endure, such as not getting paid or being subjected to physical and/or emotional abuse. Two of the six women were identified as having been prostitutes in Guatemala for Albertina Vasquez, aka Christina, who reportedly owned a bar in Guatemala where prostitution occurred.

Physical

From the sample of 14 women smuggled for sex work, eight or approximately 57 percent indicated they were physically assaulted. Since eight women reported being physically assaulted, the Vasquez criminal organization was assessed to have caused a maximum level of physical harm. One girl, during her first attempt to escape from Gladys, was found and returned to Gladys where she was subsequently assaulted by Gladys, Christina, and Maribel, simultaneously, while on the ground. Another girl reported she was physically assaulted by Miriam's boyfriend, who was attempting to rape her, but Miriam caught the boyfriend attempting to undress her. Instead, of punishing the boyfriend, Miriam beat her for allegedly enticing the boyfriend.

Others reported being physically assaulted by the members of the Vasquez organization when they attempted to refuse to have sex with men. In one instance, a girl reported she informed Gladys she did not want to work as a prostitute after learning she was expected to work as a prostitute to pay-off her smuggling debt. Gladys responded with "I am not going to support you bitches" and proceeded to assault the girl. Others indicated they attempted to refuse to have unprotected sex with some of their older clients, who did not want to wear protection. When the women refused, they were physically assaulted and forced to have unprotected sex. One of the women, who was forced to have unprotected sex, wound up pregnant. She indicated she was brought to an abortion clinic, but escaped before she was forced to have the abortion.

Psychological

From the sample of 14 women smuggled for sex work, nine or approximately 64 percent indicated they were emotionally abused and were fearful of being physically harmed. They also expressed concern for the physical safety of their Guatemala-based family. These

women indicated that they were often told if they attempted to escape, they would be beaten, mutilated and/or killed. One girl reported Jeanette Vasquez threatened that if she attempted to escape Jeanette was going to have her family in Guatemala killed and would dismember her by cutting off her legs. Another girl indicated she was threatened that if she attempted to escape, the Vasquez criminal organization was going to cut her up and cook her. To reinforce the threat of violence and instill fear among the women, a few women were forced to watch the beatings meted out to the women who attempted to escape.

Besides the women under the control of the Vasquez criminal organization, the Vasquez criminal organization threatened six others who were either directly associated with the organization (3), family to the victims (2), or a property manager (1) for one of the apartments they rented; all of whom expressed fear of harm to either their person or property. The associates explained they were concerned they were going to be physically harmed by the Vasquez organization for cooperating with law enforcement officials. Two Guatemala-based family members of the victims received multiple threatening phone calls, and as a result, they expressed fear that the Vasquez organization was going to make good on their threats of physical violence. Lastly, the property manager, who rented an apartment to the Vasquez organization, expressed concern that associates of the Vasquez organization were going to return to the property post the arrests and vandalize it. Since a total of 15 victims expressed fear or emotional distress, the Vasquez criminal organization was assessed to have caused a minimal amount of psychological harm.

Economic

The amount the Vasquez criminal organization charged their clients for sex varied, and the number of men paying for sexual services equally varied, making difficult to assess the true

amount the criminal organization acquired from its illicit business. Nonetheless, the FBI case files revealed estimated ranges for both the amount charged and the number of clients the women were forced to have sex with on a daily basis. The estimated revenue for the Vasquez criminal organization, therefore, is derived from these estimates.

Based on offender and victim interviews, the cost of sex with the victims ranged from \$30 to \$80 per client for 15-30 minutes, \$120 to \$200 for 60 minutes or in-call services, and \$500 for overnight stays, which was explained to mean 11pm to 6am. It was estimated by the victims that they had sex with between 2 and 15 men per day, Monday through Friday, and between 20 and 50 men per day, Saturday and Sunday. The younger women, working for the Vasquez organization, reported higher estimates than the older women. This is consistent with other FBI reporting suggesting Gladys Vasquez verbally abused one of the older victims for not attracting as many men as one of her younger and more attractive women.

While in-call services and overnight stays were an option provided by the Vasquez criminal organization, clients rarely seemed to request these services based on reports from the victims. A total of two overnight stays were reported (\$1,000) and four in-call visits (\$480 to \$800). The women were most often brought to the streets to pick up clients; this is confirmed through offender and victim testimonies and FBI surveillance. Therefore, an estimate for the total revenue made by the criminal organization will be based on the estimated daily costs of sexual services on weekdays and weekends with a flat estimate for the in-call and overnight stays, as reported by the women.

Also, from the 14 women sex trafficked, the FBI interviews shed light on estimated arrival dates and dates of escape and/or detention for twelve of these women. For the 12 victims, the average length of time they were forced to work for the Vasquez criminal organization was

six months. Using this estimate with the estimates of the number of clients during the week and prices charged per client for sex, the following are estimates of the illicit revenues generated by the Vasquez criminal organization:

A single victim from Monday to Friday averaged 10 to 75 clients per week (5 x 2 to 15 clients per day). At a cost of \$30 to \$80 per client, the victim would make an average of \$300 to \$6,000 per week. Likewise, a single victim on the weekend (Saturdays and Sundays) averaged 40 to 100 clients (2 x 20 to 50 clients per day). At a cost of \$30 to \$80 per client, the victim would make an average \$1,200 to \$8,000 over the weekend. Therefore, over the course of an entire week, a victim could generate between \$1,500 and \$14,000 for the criminal organization. Despite the wide disparity in income generated by the victims, the offender interviews suggest the women made approximately \$1,500 per week. Therefore, the more conservative estimate of \$1,500 per week was used to calculate the total estimated income generated for the criminal organization.

Utilizing the conservative estimate of \$1,500 per week, it is estimated a girl could generate between \$36,000 over the course of six months. With an average income of \$36,000 per girl for six months, the Vasquez criminal organization would have generated \$504,000 within the six month average for the 14 women they forced to work.

Yet from the revenue generated, the Vasquez criminal organization had several identified expenses associated with their criminal activities. The criminal organization paid smuggling fees, rent for six apartments, taxes to the Crazy Riders street gang, taxi fees, and maid services. The Vasquez criminal organization reportedly paid between \$5,000 and \$6,000 to have each girl smuggled into the United States though they claimed the women owed \$10,000 to \$20,000 in smuggling fees to include interest. At \$5,000 to \$6,000 per girl, the Vasquez organization

would have spent approximately \$95,000 to \$114,000 for the 19 women, including the 5 women who were not forced to work as prostitutes, to come to America.

They also maintained six rental properties. Four of the rental properties were residences where the offenders and victims lived together. Two were used specifically in furtherance of their prostitution business. However, rental data was available for only four of the apartments. This data suggests, for three of the four residences, the Vasquez criminal organization paid \$1025 for one apartment and \$1300 for two apartments per month in rent. They also paid \$860 per month for one of the two prostitution apartments. For these four apartments, the Vasquez criminal organization would have paid \$26,910 over a six month period. Given the absence of data for the other two apartments, if we assume the rent fell within the price range of the other four (\$860 to \$1300), the criminal organization would have paid another \$10,320 ($\860×2 apartments for 6 months) to \$15,600 ($\$1,300 \times 2$ apartments for 6 months) during this timeframe. This would bring the total rent paid by the Vasquez criminal organization to \$37,230 and \$42,510 over six months.

Moreover, offender and victim interviews suggest the Vasquez criminal organization had to pay a *õtaxõ* to the Crazy Rider street gang. One offender, who was responsible for collecting the tax on behalf of the Crazy Riders, indicated the Vasquez criminal organization had to pay a onetime fee of \$300 per girl to operate and additional \$100 per week for each girl thereafter. Yet one member of the Vasquez criminal organization, who would often pay the *õtaxõ* on behalf of the criminal organization, indicated the organization paid \$135 per week. Given these estimates, the Vasquez criminal organization would have paid \$4,200 for the onetime operating fee for the 14 women responsible for selling themselves for sex and between \$1,400 and \$1,890 per week thereafter. The latter would amount to \$33,600 to \$45,360 for the average six months the women

were found to work for the criminal organization. Therefore, a total estimate of \$37,800 to \$49,560 was paid to the Crazy Riders over six months.

For the five identified women, who were trafficked but were ultimately not forced into the sex trade, the Vasquez criminal organization paid them for maintaining the households, including daily chores and babysitting, and guarding the other women to prevent them from escaping. These women were reportedly paid between \$200 and \$420 per week. On average, these women were found to have been with the criminal organization for a longer period of time than the women used for prostitution. The average time these women were with the criminal organization was 13 months. Despite this average, for a six month period, the Vasquez criminal organization would have paid these women \$26,000 to \$54,600 for these services.

With an estimated income of \$504,000 over a six month period, it is estimated, after deducting the known expenses the Vasquez criminal organization had, the total profit from the illicit activities ranged from \$213,330 to \$307,970. This, however, does not take into consideration other expenses the criminal organization may have had, such as food and clothing for all household members. It also does not take into consideration the amount of money Gladys Vasquez, in particular, may have spent on alcohol and cocaine. Multiple people reported that Gladys Vasquez was a heavy substance abuser, which likely contributed to her violent outbursts. Even without all possible expenses being accounted for, the Gladys Vasquez criminal organization was assessed to have caused minimal economic harm since the organization had an average annual income of approximately \$260,650.

Chapter 7: Money Laundering

Money laundering is the process by which money acquired from illicit services or products are made to appear from legitimate sources. The processes can range from the movement of diamonds and other precious gems to sophisticated accounting practices to hide the real source of the income. It is estimated approximately \$300 billion are being laundered every year through the United States with a disproportionate amount of the funds derived from the illicit drug business. Nonetheless, since criminal organizations committing the crime of money laundering are also involved in other criminal activities, there is inevitably some overlap between the crimes the two criminal organizations highlighted in this chapter were engaged in and other criminal organizations from other chapters. The first case study, in particular, highlights a criminal organization engaged in fraudulent online activities with its criminal proceeds being electronically transferred to banks overseas. In the second case, the criminal organization used the cover of a legitimate massage parlor to operate a house of prostitution, wire transferring a portion of its illicit proceeds to China.

Case #1: Teodor Roman Criminal Organization

In December 2006, the criminal investigation into possible money laundering and wire fraud conducted through a fraudulent eBay Secure Traders (EST) site by criminals located in Romania and Bulgaria was initiated. This investigation uncovered a criminal network headed by Romanian national Teodor Roman, whose network had established fraudulent bank accounts in multiple countries to include Bulgaria, Hungary, Slovakia, Poland, Greece, Czech Republic, and Germany. In particular, the criminal scheme involved the Roman criminal organization auctioning expensive luxury items, such as cars and boats, they never possessed on eBay. Unsuspecting buyers would make offers on the items and if they won the online bid, they

would be directed to the fraudulent EST to make payment on the item. While appearing to be a legitimate eBay-sponsored method for making secure money transfers, the fraudulent site was linked directly to the Roman criminal organization's fraudulent bank accounts.

Structure

The Teodor Roman criminal organization, which consisted primarily of friends and associates with a few family members, all of whom were of Romanian and Bulgarian nationality was hierarchically structured. The leader of the organization, Teodor Roman, claiming to have been in financial trouble, made arrangements sometime in 2005 with Georgi Pletnyov to begin collecting money transfers derived from fraudulent online auctions. Prior to Roman's arrangement with Pletnyov, Roman was said to have been involved with the "Davidson" brothers, who were Romanian-based criminals involved in similar criminal activity. However, based on the FBI case file, it is not clear when Roman got involved with "Davidsons" but this relationship between Roman and the "Davidsons" appeared to provide Roman with some level of credibility with the Bulgarians, as the Bulgarians often indicated to their associates that Roman was a member of the "Romanian mafia."

Nonetheless, data collected by the FBI indicates that shortly after Roman forged his relationship with Georgi Pletnyov and later his brother Ivaylo Roman separated from the "Davidsons" over a dispute about money. At this point, Roman's network grew in size since the Pletnyov brothers, who were initially setting up fraudulent bank accounts and withdrawing money on Roman's behest, began to recruit many of their friends and their friends' associates to be "runners" for the organization. The "runners" a term used to distinguish members of the criminal organization who were responsible for establishing fraudulent bank accounts and withdrawing the illicit money from the accounts were the low-level members of the criminal

organization. Several runners were found not to have long criminal careers. FBI reports indicated several individuals made one or two withdrawals before they desisted from the criminal activity.

A runner, however, could become a recruiter for the criminal organization, which was perceived to be the next tier-up within the criminal organization. These individuals would, as the term implies, recruit new runners, who they would oversee. The FBI case files indicated most recruiters would travel with their runners to the banks and wait outside while the runner opened the fraudulent account. The recruiter would then act as the point-of-contact between the Pletnyov brothers and the runners. In particular, the recruiter would obtain the new bank account information from the runner and forward that information to the Pletnyov brothers, who in turn would direct the recruiter to have the runner withdraw a certain amount of money from the account, which reflected the amount illegally wire transferred into the account.

Only a very few trusted recruiters would become part of the core membership of the Roman criminal organization. The Pletnyov brothers, in particular, would become the most trusted aides to Teodor Roman and arguably his deputies though they did not refer to themselves as such nor did others within the criminal organization. The Pletnyov brothers were, however, among the very few members who had direct interaction with Teodor Roman. They would essentially become the primary collectors of the illicit funds for Teodor Roman. Others, such as Georgi Georgeiv, Nickolay Minchev, Antoaneta Getora, and Marivana Lozanova, would also achieve more respect and responsibilities within the criminal organization.

Teodor Roman, who received the largest share of the illicit funds, was *de facto* leader of the criminal organization. Yet Despite his active involvement in the criminal scheme when he first recruited the Pletnyov brothers, he eventually became the head of the criminal organization with the Pletnyov brothers developing a wider network of runners and recruiters for the criminal

organization. This provided a sufficient cover for Roman, whose role was eventually limited to collecting money acquired from his low-level criminals. Given the division of labor, lines of authority, and self-imposed titles, the Roman criminal organization is assessed to have exhibited a maximum level of organizational structure.

Figure 9. Organizational Structure of the Roman Criminal Organization



Sophistication

The Roman criminal organization leveraged information technology to defraud its victims through fraudulent eBay auctions. These auctions offered expensive vehicles and boats the criminal organization never possessed. For those interested buyers, the criminal organization had them use a fraudulent eBay secure traders system to wire funds directly to various bank accounts controlled by the organization. Despite having the technical skills to develop a fraudulent eBay secure traders system, the criminal organization did not appear to use specialized computer software or techniques to better obfuscate their online criminal activity, such as anonymizers or other hacker tools used to mislead law enforcement.

The members of the organization, who were responsible for setting up the fraudulent bank accounts, would use aliases and other simple means to hide their identity but were personally involved in (and directly tied to) setting up the accounts and withdrawing the money. This personal exposure increased their risk of being caught by bank tellers and law enforcement agencies. In fact, at least one member of the criminal organization, Marivana Lozanova, was

previously arrested because she attempted to establish a bank account with fraudulent documentation. Law enforcement, in this instance, was notified by the bank. Therefore, it is assessed that the criminal organization exhibited a moderate level of sophistication.

Authority of Reputation

Based on the available case data, the Roman criminal organization did not appear to exercise any authority of reputation. While other potential networks working for the "Davidsons" were viewed by members of the Roman criminal organization as competition despite some indications of cooperation between the networks, the Roman criminal organization was not found attempting to exercise any level of control over the other organizations. In one reported incident⁶ stemming from cooperation between organizations⁷ two members from another criminal organization had a dispute with Roman over an alleged payment. This dispute, however, was resolved by ceasing cooperation with each other rather than forcing payment through the use or threat of violence. Yet it must be noted that all of the other criminal participants identified in the FBI case files were found to be linked to the "Davidsons," thus, possibly contributing to the non-violence. Since no incidents were reported which would suggest the Roman criminal organization used its reputation to force another organization to comply with its demands, the Roman criminal organization was assessed not to have exhibited an authority of reputation.

Self-Identification

The criminal organization, which I have labeled the Roman criminal organization for simplicity, did not adopt a name, emblem, logo, and so forth to identify itself as a criminal organization. However, the perception perpetuated by members of the criminal organization was that Teodor Roman was a member of the "Romanian mafia." Despite these claims, there is no indication that Roman was in fact a member of an established criminal organization outside of

his involvement with the Bulgarians Georgi and Ivaylo Pletnyov and the Romanian "Davidson" brothers, who were not involved in a self-identified criminal organization. This perception or labeling of Roman as a "mafia" member perpetuated largely by the Pletnyov brothers to their associates was probably meant to add to the mystique of being involved with a criminal with "connections" and to ensure loyalty among the brothers' associates.

Besides the claims of Roman being a Romanian "mafia" member, Bulgarian national Nikolay Minchev was (or is) associated with members of the Vasil Iliev Security (VIS) criminal organization, also known as the Bulgarian Mafia¹⁴, located in Sophia, Bulgaria. The VIS criminal organization allegedly controls much of the criminal activity in Sophia through its "protection" business. Minchev was found to have leveraged his VIS associations in order to obtain fraudulent credit card numbers and counterfeit money. Minchev reportedly used his VIS associate's services from late 2003 to early 2005 before he agreed to work with Georgi Petnyov in facilitating Teodor Roman's fraudulent online auction business. Since only one member of Nikolay Minchev was reportedly associated with an established criminal organization, the Roman criminal organization is assessed to have exhibited a minimal level of self-identification.

Stability

The Roman criminal organization developed sometime in 2005 when Teodor Roman and Georgi Pletnyov agreed to work with each other on a scheme to collect money transfers using bank accounts opened under false names and using false passports. While the formal agreement was made sometime in 2005, Roman and Georgi Pletnyov had previously worked with each other sometime in either late 2000 or early 2001 to purchase and transport electronic video and arcade equipment from Bulgaria to Romania. It was through this previous working relationship

¹⁴ The term Bulgarian Mafia is used to describe multiple criminal organizations operating in Bulgaria. Vasil Iliev Security (VIS) is but one of the criminal organizations.

that seemed to have provided the necessary trust between the two criminal entrepreneurs to form the criminal alliance.

Sometime in late October 2005, Mariyana Lozanova began to collect money transfers from false bank accounts on behalf of the criminal organization. Her introduction into the group was initiated by her boyfriend's friend Nikolay Minchev, who introduced her to Georgi Pletnyov. Because Lozanova was fluent in German and English, Georgi Pletnyov became interested in utilizing her for her language skills. Given the prospect of making more money than she was making at her Bulgaria-based resort job and her interest in working in Europe, she agreed to work for Georgi Pletnyov. Therefore, by late 2005, several key players to the criminal organization had agreed to work together.

At first, the Roman criminal organization utilized Lozanova for receiving wire transfers made to Western Unions and other similar businesses where the cash withdrawals were relatively small. The pick-ups, according to Lozanova, ranged from \$500 to \$7,000, which the latter was the cash limit established by Western Union. It was not until January 2006 the Roman criminal organization began to use Lozanova for establishing fraudulent bank accounts, which would permit the criminal organization to receive larger deposits and make larger withdrawals. It was at this point that the criminal organization's ability to defraud Americans⁶ and probably other English speakers⁷ via a fraudulent online auction site was made possible.

Despite Lozanova's criminal initiation in late 2005/early 2006, Lozanova would be arrested in April 2006 by the Hungarian authorities for possession of a forged passport and attempting to open a fraudulent bank account. As a result, she would be detained from April 2006 until February 2007. Upon her release and reengagement with the criminal organization, she would be rearrested in March 2007 by the Hungarian authorities. When juxtaposing

Lozanova's arrest data with known victim data, it becomes apparent Lozanova was most likely a key player for the criminal organization in their efforts to defraud Americans and possibly other English speakers.

Lozanova's active time defrauding individuals (January 2006 to April 2006) aligns with the known U.S. victimizations. During the course of the FBI's criminal investigation, 34 US-based victims were identified. Of those 34 victims, 18 of the identified victimizations occurred in 2006. Three individuals were victimized sometime in 2005. Unfortunately, thirteen victimizations had no date or timeframe associated with it. Nonetheless, from the 18 victimizations in 2006, 14 or 78 percent occurred in February and March 2006 while Lozanova was still active in the criminal organization. Only three identified US-based victimizations occurred during the time Lozanova was detained with one occurring between her release in February and her re-arrest in March 2007.

Between 2005 and early 2007, the Roman criminal organization formed and was disrupted by law enforcement. During this relatively short period of time, the criminal organization was able to establish a criminal network capable of creating fraudulent online auction sites, fraudulent bank accounts, and fraudulent identifications. While 34 American victims were identified, it is possible many more non-Americans were victimized by this criminal organization's fraudulent scheme, especially given the financial estimates provided on money collections (see the economic harm section for more details) during the offender interviews. Given the organization was known to be in existence for approximately two years, it was assessed to have exhibited a minimal level of stability.

Size

Twenty-eight criminals were identified in the FBI case files. However, of the 28 criminals, twenty-one were assessed to be members or associates of the Roman criminal organization. The seven individuals not assessed to be members or associates of the Roman criminal organization included the "Davidson" brothers and five associates of the "Davidson" brothers; two of whom were identified as members of a separate criminal network, which worked with the Roman criminal organization; however a financial dispute with the Roman criminal organization caused the Roman organization to cease their criminal alliance with the other organization. Besides the one reported incident where the criminal organizations worked with each other, the criminal organizations did not directly participate in the scheme with the Roman criminal organization. Therefore, these five individuals and the two Davidson brothers were excluded from the calculation of the size of the Roman criminal organization.

Despite the Roman criminal organizations size, it is worth noting Mariyana Lozanova was a tremendous asset for the Roman criminal organization with regards to victimizing Americans since she was able to speak several languages, including English. While a low-level figure within the organization, Lozanova appeared to become the point of contact for the transactions involving most, if not all, of the American victims and possibly other English speakers. When telephonic communication occurred between the "seller" and the buyer, the victim recalled speaking to a female. Most of the time buyers communicated with the "seller" via phony email accounts created by the criminal organization. Given Lozanova was possibly the only member to be proficient in English; it is very likely she was the writer of most of the emails despite many of the phony email accounts having ostensibly male names. Nonetheless, since the

Roman criminal organization had approximately 21 members and associates involved in the criminal activities, the organization was assessed to be a criminal organization of moderate size.

Scope of Harm

During the course of the investigation, the FBI, with the assistance of its foreign law enforcement partners, identified at least 34 US-based victims of the EST fraud. Of the 34 identified victims, one victim held dual citizenship with Canada. This, however, does not reflect the wider scope of the victimization of non-Americans. Since eBay is an online auction with global reach, the criminal organization was able to victimize many more non-Americans. However, the FBI case documents had shed more light on the US-based victims than they did the non-Americans; identified foreign-based victims were handled by FBI's international partners and, as a result, very limited information existed on the known foreign victims.

Physical

There was no physical harm reportedly committed by the Roman criminal organization. If a payment was not made or was cancelled before the criminal organization was able to withdraw it from a fraudulent account, the criminal organization just viewed it as a loss. In addition, if a member of the organization viewed it as unsafe to withdraw the money from a bank account, the criminal organization did not punish the member. According to one associate, the bank refused to permit him to withdraw the money because the attempted withdrawal was too soon after the deposit was made. As a result, the member became suspect about withdrawing the money from the bank and never returned to collect the deposit. Despite this situation, the criminal organization never meted out punishment.

Even if a dispute occurred internally among members over payments (i.e. members becoming suspect about another member slighting them), no one seemed to rely on physical

harm as a form of punishment for the (perceived) betrayal. Such situations often just resulted in the members no longer working together a form of excommunication. Based on offender interviews, Teodor Roman had a dispute with associates of the "Davidson" brothers over an allegation that Roman did not pay the brothers their share of a money transfer. This allegedly resulted in Roman and the brothers refusing to work with each other, but there was no indication the brothers attempted to coerce the money from Roman with either threats or the use of violence. Since no reports of violence existed in the FBI case files, the Roman criminal organization was assessed not have caused physical harm.

Psychological

All 34 victims interviewed by the FBI expressed emotional distress from being defrauded by an online auction. These individuals had lost significant amount of money to the Roman criminal organization (see section below). The most common concern expressed by the victims was the concern their money would not be returned. Most of the victims owned small used car businesses and, as a result of the fraud, expressed concern they invested a significant amount of their financial resources slated for acquiring additional vehicles for their car lot to purchasing items they will never receive. These same individuals indicated they did not currently have the financial resources to purchase replacements, thus harming their small businesses. Given this experience, most of the victims also expressed distrust for online auction sites, such as eBay, with some indicating distrust for online shopping in general. Since all 34 victims indicated some form of emotional distress resulting from their victimization, the Roman criminal organization is assessed to have caused a maximum level of psychological harm.

Economic

The total economic harm derived from the fraudulent online auction sites were calculated based on the average range of payment collections provided during the offender interviews. In order to assess the total economic harm, I have used March 2005 to March 2007 as cut-off dates. This was done because the Roman criminal organization was developed sometime in 2005 when Teodor Roman and Georgi Pletnyov agreed to work together. But it was not until spring of 2005 when Georgi Pletnyov made arrangements to work with Nikolay Minchev, who eventually connects the network with Mariyana Lozanova. And by March 2007, most of the key players were arrested and detained. With regards to US-based economic harm, the harm will be calculated based on the amount of money the 34 American victims transferred for luxury items they never received.

Total Economic Harm

During offender interviews, it was very common for the associates responsible for withdrawing the money from fraudulent bank accounts to indicate the same day transfer (via person-to-person) of the money to either Georgi or Ivaylo Pletnyov. Georgi or Ivaylo, however, would allegedly wait for multiple collections before giving Teodor Roman his share of the criminal proceeds. This was apparently an effort to eliminate too many trips to Teodor Roman, who often stayed in Romania while the Pletnyovs and their associates traveled to various countries to open fraudulent bank accounts. Nonetheless, according to the offender interviews, Teodor Roman would typically receive a range of \$60,000 to \$100,000 with each delivery, which would occur every two to four weeks.

Given the estimates of amount and frequency (and assuming a steady supply of internet access and no problems with opening bank accounts and withdrawing cash), an estimated

\$120,000 to \$400,000 per month was acquired by the criminal organization. Therefore, an estimated \$1.4 to \$4.8 million per year or a total estimate of \$2.8 to \$9.6 million for the two years (March 2005 to March 2007) the Roman criminal organization was in business.

US-Based Economic Harm

Based on victimization data collected during the FBI's criminal investigation, 34 identified U.S. victims were scammed out of approximately \$1.2 million (an average of \$35,294 per person) over the course of 11 months. Twelve of the Americans were known to have been victimized in March 2006. These individuals were defrauded out of \$496,000. This is approximately 41 percent of the total financial loss (\$496,000 of \$1.2 million) to the American victims. If the total yearly estimates are accurate, the United States citizens contributed between 25 to 86 percent of the total criminal proceeds during the year the criminal organization seemed to be able to victimize Americans. Nonetheless, the Roman criminal organization's average annual income was approximately \$3.1 million; therefore, the criminal organization was assessed to have caused a moderate level of economic harm.

Case 2: Ling Xu Criminal Organization

The FBI and other U.S. federal agencies investigated multiple massage parlors in Overland Park, Kansas after receiving anonymous tips of masseuses soliciting sex during massage sessions. These anonymous tipsters were corroborated by reports from a boyfriend of one of the masseuses who traveled from California to Kansas to work. The boyfriend was concerned the girlfriend was conducting more than massages at the parlors given the amount of money she was making, so he hired a private investigator, who confirmed his girlfriend was offering hand jobs to clients. As a result of the federal investigation, the owners and operators of the massage parlors referred to here as the Ling Xu criminal organization were arrested and

prosecuted, in part, for operating houses of prostitution but also for laundering some of its proceeds to China.

Structure

The Ling Xu criminal organization operated China Rose and China Villa massage parlors in Overland Park, Kansas to facilitate prostitution. Despite (or since) the Xu criminal organization operating two small businesses, the organizational structure of the criminal group was flat and decentralized. The organization consisted mainly of family, friends, and/or intimate partners with each fulfilling roles as needed. While each member was known to have fulfilled multiple roles at various points, the responsibilities for the criminal operation were generally defined by the gender of the criminal participant. The female criminal participants, for instance, most often stayed at the massage parlors with the prostitutes. Thus, they were responsible for the day-to-day operations of the massage parlor, including keeping a tally of the number of clients each masseuse had for the day.

On the other hand, the males often came after hours to collect the day's profits, run daily errands, and transport the women from the airport to the massage parlor. For instance, Xu's associate Zhong Yan Liu was observed on multiple occasions collecting the proceeds from the illicit business after the massage parlors—China Rose and China Villa—closed. Zhong Yan Liu and another associate Cheng Tang were also observed on several occasions transporting Asian women between the Kansas City International airport and the Xu owned and operated massage parlors. Despite the observation that organizational roles seemed to be characterized by the gender of the criminal participant, the criminal organization did not appear to have a very clear division-of-labor based on formal positions or authority. Given organizational roles were by-and-large defined by gender and familial status (Xu's son participated in the criminal activities,

obliging his mother), the Xu criminal organization is assessed to have exhibited a moderate level of organizational structure.

Sophistication

The Ling Xu criminal organization had leveraged its massage parlors— China Rose and China Villa— to facilitate their criminal activities. However, the criminal organization was not found to have outsourced any component of its illicit activities to other organizations or professionals. In addition, the book-keeping for the massage parlors was rather rudimentary with handwritten notes of the number of clients each masseuse serviced for the day. Daily paper receipts from the registers were observed by FBI surveillance teams to have been disposed of every morning by one of the women at the massage parlor. It was routine for the women— either one of the masseuses or the owner— to take the trash out every morning to dispose of records of sale as well as other incriminating evidence, such as money wire receipts and used condoms. Since the Xu criminal organization established massage parlors to facilitate its illicit activities, the criminal organization was assessed to have exhibited a moderate level of criminal sophistication.

Authority of Reputation

During the course of the investigation of China Rose, the FBI discovered a second criminal organization— the Madole organization— operating multiple massage parlors that were also providing sex services. The Madole organization was Xu's primary competitor in the Asian massage-sex parlor business. Despite the competition, the Xu organization was not witnessed or reported to have made demands of its competitor. There were, however, reports indicating the Xu criminal organization attempted to undermine their competitor by attempting to encourage their "masseuses" to work for them. This was usually done by having one of their associates

enter a competitor's massage parlor as a customer; once alone with a masseuse, the associate would offer employment at one of their establishments. As a result of being caught soliciting employment inside a competitor's establishment, members of the Xu organization were threatened, resulting in the discontinuation of the practice.

Besides the one reported incident of being threatened, the Xu criminal organization seemed to follow normal business practices to compete, such as providing cheaper massages, offering services others did not, and advertising discounts in local newspapers. For instance, the Xu organization's parlors offered "table shower" massages, which their competitor did not. This seemed to attract some clients based on the few client interviews available. One client, in particular, explained he preferred China Rose over other establishments because he can get a "table shower" massage. A table shower massage was explained as consisting of a shower before a massage commences on a table. Most of the massage parlors investigated were not equipped with showers; therefore they were unable to offer this service.

Since the Xu criminal organization seemed to use ordinary business strategies to compete with others in the same market, the Xu criminal organization was assessed not to have exhibited an authority of reputation. This was based on the available FBI reports' testimonies from offenders, victims, and undercover agents and reports of physical and electronic surveillance which indicated the Xu criminal organization attempted to undermine their competitor by convincing their masseuses to work for them. This activity occurred shortly after the company was started and seemed to have stopped after the Xu associate was caught. After this incident, the Xu criminal organization was known to have advertised in Chinese newspapers.

Self-Identification

The Xu criminal organization did not appear to adopt a moniker for itself nor were any identified members known members of established, traditional organized crime groups. Not a single offender interviewed self-identified or reported membership with a criminal group. In addition, not a single victim interviewed identified an offender as belonging to a named criminal organization. The Xu criminal organization—so-called by this author—was a loose network of criminal offenders facilitating prostitution through multiple “illegitimate” massage parlors. The primary members of the criminal organization did, however, identify with their massage businesses. Other participants were family members willing to complete tasks for their parents or loved ones. These individuals did not self-identify with a business, as they did not “own” nor were they “employed” by the companies. Nonetheless, given multiple offenders and associates identified with more than one business, the Xu criminal organization was assessed to have exhibited a moderate level of self-identification.

Stability

Ling Xu’s first known massage parlor—China Rose—was opened in June/July 2005. This was shortly after Ling Xu developed a relationship with Zhong Yan Liu, reportedly while Xu was working at a Chinese restaurant. Based on offender interviews, Ling Xu was co-owner and masseuse at China Rose when it first opened. Xu’s primary competitor, Hongmei Madole indicated she was initially hired by China Rose as a receptionist, but was later recruited by Xu to perform sex acts in order to make more money. Xu allegedly boasted to Madole that she was making \$20,000 a month providing hand jobs to her clients.

China Rose was in operation for less than six months when law enforcement officials started to receive anonymous tips and reports of prostitution at the business. One tipster

indicated he went to China Rose for a massage and the masseuse offered to give him a hand job for additional money. Another tipster indicated his girlfriend from California had traveled to Kansas to work as a masseuse for three months at China Rose but was suspicious that she was providing more than massages. As a result, he hired a private investigator, who informed him that during the private investigator's massage the client's girlfriend gave him a hand job. These reports, along with the suspicion that the women were being held against their will, caused a federal investigation to be opened in late 2005.

By May 2007, the FBI arrested the Ling Xu, Zhong Yan Liu, and Xu's son Cheng Tang. These individuals were essential to the criminal operation. However, they were not the only three individuals identified in the criminal venture. Some of the others identified were arrested earlier by local law enforcement officials in April 2006 while a few remain free as the evidence against them was not sufficient enough for prosecution. In addition, the FBI arrested Hongmei Madole, Xu's primary competitor in the massage-sex business. Yet members involved in Madole's businesses also remain free. It is unknown if these associates of either Xu or Madole have continued the criminal activities in Kansas. But even if they have, it is unlikely to profit Xu, Liu, or Madole. The businesses ran by these three individuals had subsequently closed. Therefore, using the two years the criminal organization was known to have been operation, the Xu criminal organization was assessed to have exhibited a minimal level of stability.

Size

A review of the FBI case files indicates eight individuals were associated with the Ling Xu criminal organization. This number excludes the masseuses and the members of the Madole criminal organization. Ling Xu, Zhong Yan Liu and Cheng Tang were essential in the operations of the criminal organization since they were the owners and operators of the massage parlors.

These three were arrested in February 2007 and two others were arrested by local law enforcement in April 2006. Three remain free from criminal charges as a result of insufficient evidence to prosecute. In addition, this excludes the masseuses whose participation in the sex business appears to have been voluntary beyond their socio-economic status. Therefore, since eight individuals were identified as being involved in facilitating prostitution from the Xu owned massage parlors, the criminal organization was assessed to be minimal in size.

Physical

From the twenty-nine "masseuses" interviewed by the FBI, not one girl indicated they were physically assaulted by the owners of the various massage parlors. Of the 29 women, thirteen women were found to be associated with China Rose and China Villa, the massage parlors owned by Ling Xu and Zhong Yan Liu. However, some of the women indicated they worked for different parlors at different times. One girl, in particular, indicated she worked for China Rose initially, then China Villa, and lastly she went to work for Xu's competitor in Kansas. Given most women indicated they generally worked a three month "contract," it was very common for the women to explain that they had worked at multiple massage parlors; not only did the women indicate they worked at multiple parlors within Kansas but in a variety of other states to include California, Nevada, New York, and Arizona.

Besides a lack of reports of physical violence towards the women, there were no reports of physical violence against members of rival criminal organizations occupying the same criminal market. There was one reported incident where a Ling Xu associate attempted to recruit a competitor's masseuse with the promise of more money. This incident resulted in the competitor threatening Ling Xu but no violence resulted from the dispute. The confrontation appeared to be sufficient enough to cause the Xu organization to end the practice of covertly

enticing other masseuses to work for them. However, after the confrontation, which occurred shortly after China Rose opened, the Xu organization appeared to have a sufficient number of women working at China Rose. Therefore, it is equally likely the Xu organization ceased the practice because their demands for masseuses were being met rather than as a result of being threatened by their competitor. Given no acts of physical violence were reported, the Xu criminal organization was assessed to have caused no physical harm.

Psychological

A review of the case files suggests most of the women knowingly engaged in prostitution at the various massage parlors. However, several women did deny engaging in sexual acts to the interviewing agents, suggesting they often deflected sexual advances made by the clients. Yet some of these women were identified by undercover agents as being the masseuses, who during their massages, made hand gestures indicating a willingness to provide oral sex, hand jobs, or have sexual intercourse. In one of the undercover operations recordings, after the masseuse made hand gestures, the agent is heard asking the masseuse for the price of sexual intercourse. This girl was reported to have traced the number 100 on the agent's hand, indicating \$100 to which the undercover promptly refused. While the majority of the women appeared to have knowingly engaged in prostitution, approximately half of the women expressed a variety of concerns, indicating some level of psychological impact derived from their participation in the illegal activity, but not necessarily a fear of the criminal organization.

The most commonly expressed concerns were found to be their immigration status/law enforcement detection or the monitoring of their activities by the owners of the massage parlors through closed circuit television (CCTV) surveillance. Yet with the latter, it was not clear if their concern was derived from a fear of physical harm if they did not perform sexual acts, as much as

a concern that the owners were recording them in compromising positions. In fact, one girl indicated she was concerned about the cameras because she would remove her top when performing a massage. Others indicated they could not leave the massage parlor because they were monitored, but, when asked what would happen if they did leave, they said they did not know. One girl did claim to sneak out after hours with no reprisal. The fear of leaving the massage parlor was often tied to the risk of being caught by law enforcement or being out alone in a *ōbadō* neighborhood. One girl indicated she was once stopped by a local police officer, which scared her due to her immigration status. As a result, she said she refused to leave the massage parlor ever again.

Nonetheless, two women— one masseuse and one competitor in the massage-sex business— claimed to have feared Zhong Yan Liu, co-owner of China Rose and China Villa. One girl, who worked at China Rose, indicated she was confronted by Zhong Yan Liu for not satisfying a customer, implying pressure to perform sexual acts though acknowledging she had performed sexual acts on other clients under no pressure to do so. The competitor claimed Zhong Yan Liu was a known criminal in China, who ran *ōwhoreō* houses in California, and expressed a general fear for their personal safety to the interviewing agent. However, it is possible the expression of fear was meant to influence law enforcement efforts rather than a genuine concern for personal safety given Zhong Yan Liu was a competitor in the business. Besides these two individuals, a girl, using the pseudonym *ōErika,ō* emailed local police with a subject line *ōPROTECT US!ō* to report a *ōdangerous neighbor,ō* Zhong Yan Liu, who ran houses of prostitution in California and was reportedly involved in criminal activity in China before he fled to the United States. Due to the similarity of reports between the competitor and *ōErika,ō* it is not clear— nor was it ever determined— whether they were one and the same person.

Given most of the women's concerns about leaving the parlors seemed to be related to their personal safety from the neighborhood or law enforcement, these were excluded from the assessment of psychological harm caused by the criminal organization. There was very limited information derived from the interviews to suggest the women suffered psychological harm from the Xu criminal organization. Therefore, the Xu criminal organization was assessed to have caused a minimal level of psychological harm based on the three women who reportedly feared Zhong Yan Liu even if two of the three reports may have been from the same person, whose motivation is questionable.

Economic

The Ling Xu criminal organization is estimated to have an annual income of approximately \$764,400 to \$1,341,600. This average was estimated based on the average amount charged at China Rose and China Villa—the establishments owned and operated by the Xu organization—for an hour long massage (\$45 to \$60) and a one-half hour to forty-five minutes massage (\$35 to \$50) without sexual services. Therefore, the average range for a massage was \$35 to \$60 per person. Moreover, the offenders estimated that China Rose would service approximately 220-230 customers per week, whereas China Villa would service an average of 200 clients per week. At an individual level, this would account for an average of 8 to 10 clients per day for each masseuse.¹⁵ However, the actual number of customers daily fluctuated based on day of the week and time of day. For instance, physical surveillance reports written by FBI agents and other task force members suggest a higher volume of clients in the mid- to late afternoon with fewer clients during morning hours.

The masseuses, however, were expected to pay for room and board at the massage parlor. From the women interviewed, most women employed at either China Rose or China Villa

¹⁵ China Rose was known to have between 3 to 4 masseuses working daily, and China Villa had 3 masseuses.

indicated they were asked to pay \$10 to \$15 per day to live at the massage parlor. With a total of 6 to 7 masseuses, this would amount to an additional \$60 to \$105 per day or \$21,900 to \$38,325 per year, yet this income was offset by the salaries reportedly paid to the women. The masseuses from China Rose and China Villa indicated they were paid \$5 per one-half hour massage and \$10 per hour massage. Therefore, each girl would make approximately \$40 to \$100 per day given a daily average of 8 to 10 clients. This accounts for annual salaries of \$14,600 to \$36,500 per masseuse or a total of \$87,600 to \$255,500 for the 6 to 7 women employed at the parlors.

Unfortunately, the FBI case files did not include data on the cost of either rent or mortgage payments being made by the criminal organization for the apartments and stores they owned or leased. With an annual income of \$786,300 to \$1,379,925 and, at least, \$87,600 to \$255,500 in expenses, the criminal organization would profit between \$698,700 and \$1,124,425 per year. Excluding the amount the prostitutes made (see below), the Xu criminal organization was found to have made an average of \$911,562 per year. Between 2005 and 2006, the criminal organization was known to have laundered at least \$452,500 of its proceeds to several locations in China. If the annual average profit estimates are accurate, the organization would have laundered approximately 50 percent of its illicit proceeds between 2005 and 2006. Nonetheless, given the estimated average annual income, the Xu criminal organization was assessed to have caused a minimal level of economic harm.

While it was excluded from the assessment of economic harm, it is worth noting the reported income the prostitutes made while working at the massage parlors. In particular, during the course of several interviews, the masseuses were reportedly able to keep all of their "tips." This accounted for the money they were paid for sexual services. The women, who were interviewed, suggested they were able to make between \$2,000 and \$5,000 per month. The

California-based boyfriend, who hired a private detective to find out if his girlfriend was providing more than massages at China Rose, indicated that his girlfriend made \$1,300 during her first week. At a pace of \$1,300 a week, his girlfriend would have made over \$5,000 for the month. Yet besides the minimal rent they paid to the criminal organization, the women were expected to pay for their own airfare to Kansas from a variety of other cities to include but not limited to Los Angeles and New York.

Another expense for some of the women was the debt they accrued from being illegally smuggled into the United States. At least six women reported being illegally smuggled for \$40,000, but these women all suggested the fees paid to the traffickers were paid by either family members in China or brokers i.e. loan sharks who expected to be repaid. Many of these women indicated they had turned to providing sex because it was the quickest way to make money to pay-off their debt. These women often stated they initially worked at a factory or Chinese restaurant in the United States, but the jobs were not paying enough to pay the loan shark and other household bills necessary for sustenance. Many of the masseuses were single moms, who were responsible for childcare and college tuitions. Nonetheless, the snakeheads or Chinese human smugglers the women used to get into the United States were not found to work for or with the Ling Xu criminal organization. In fact, most of these women started at massage parlors in different cities throughout the United States. It was through networking with other women in the business and/or through advertisements in Chinese newspapers that the women had come to work for the Ling Xu criminal organization.

Chapter 8: Sophisticated Fraud

In its strategies to combat international organized crime, the U.S. Department of Justice highlighted the threat of sophisticated fraud to U.S. investors, consumers, and government agencies. These transnational fraudulent schemes involve the use of a variety of techniques from the use of the internet to the use of the U.S. postal service to facilitate the criminal activity. With the former, Chapter 9 detailing cyber-criminal networks will highlight cases involving fraudulent financial schemes facilitated over the internet. In this chapter, two types of criminal organizations involved in different forms of telemarketing schemes are explored. In the first case study an Israel-based criminal organization responsible for conducting a "lottery" scheme to defraud its victims is examined, whereas in the second case study a Canadian-based group responsible for "selling" their victims healthcare cards for discounts on medical supplies is examined. The two case studies underscore the scope and nature of international telemarketing schemes and those responsible for victimizing U.S. citizens.

Case #1: Matthew Getto Criminal Organization

In 2009, Avi Ayache, Michelle Yuval, Yaron Bar, Gillian Rosenberg, Toshin Samuels, Oshrat Portolyanim Naor Green, Yulia Rayz, Limor Cohen, Ian Kaye, Avi Perov, and Matthew Getto were indicted for operating a fraudulent lottery telemarketing scheme from Israel. To perpetuate the fraudulent lottery telemarketing scheme, the criminal organization relied on obtaining "leads" telephone numbers for potential victims. They received their leads from other legitimate organizations in the business of providing companies with phone registries for telemarketing purposes. Once they received these leads, the organization would contact the potential victims, claiming the victims had won a lottery. Yet in order to obtain their winnings, the victims were told they had to pay the "tax" on the prize in advance.

Structure

Participants of the fraudulent telemarketing scheme had clearly defined roles within the organization with self-imposed titles. For instance, Avi Ayache, the owner of one of the shell businesses, or boiler room, had multiple "qualifiers" and "shooters," who handled the day-to-day operations. The "qualifiers" were the individuals responsible for making the initial contact with the potential victim. To identify a potential victim, the qualifier would ask the victim a series of questions; if the qualifier assessed the individual had the necessary resources, the qualifier would have a "shooter" or salesperson re-contact the person with the bogus claim that the individual "won" a lottery. If successful in having an individual advance a fee representing the "taxes" on the lottery, the organization had "pick-ups," individuals responsible for retrieving the money sent via Western Union or MoneyGram. However, a "pick-up" was not always necessary since the criminal organization would utilize various fraudulent bank accounts in various countries, which they could withdraw from. In other cases, the group would have the victim send hard currency hidden in the pages of magazines via FedEx.

Avi Ayache, as one of the managers of a boiler room, worked with and for Matthew Getto. Based on offender interviews, Avi Ayache had direct communication with Matthew Getto, who directed the actions of Ayache and the other managers of the boiler rooms. Given the small number of associates working in the boiler rooms, it was also common for Getto to socialize with the qualifiers and shooters but it was the managers that Getto mostly interacted with in a business manner. Ayache and the other managers were responsible, in part, for providing Matthew Getto with proceeds from the criminal operations with the profits trickling upwards from the qualifiers and shooters. Since the Getto criminal organization was

hierarchically structured via the division of labor and titles or positions within the organization, the organization was assessed to have exhibited a maximum level of organizational structure.

Sophistication

The Getto criminal organization exhibited a moderate level of sophistication given the criminal organization did leverage multiple front companies or boiler rooms in Israel to facilitate their criminal activities. This front company was essential in the criminal organizations ability to acquire leads or telephone numbers on potential victims. They achieved this by defrauding legitimate companies in the business of selling telephone registries. The Getto criminal organization did not outsource any component of its criminal scheme to other legitimate or criminal organizations. They relied on the low-level employees of the criminal organization to make direct contact with the potential victims pretending to be representatives of a lottery business, law firm, and a variety of U.S.-based government agencies. Moreover, they required the victims to wire transfer money to a variety of addresses where members of the criminal organization would retrieve the money. In other cases, the criminal organization required the victims to make a wire transfer directly into a bank account owned by members of the criminal organization. The FBI case files did not indicate whether the criminal organization was able to corrupt or used corrupted professionals lawyers, bankers, or accountants to assist in their criminal activities. Nonetheless, it cannot be discounted that at least one or more members of the criminal organization were lawyers by education given the level of legal knowledge expressed to victims of their lottery scheme.

Authority of Reputation

While during the course of the criminal investigation, at least four criminal organizations were identified operating fraudulent telemarketing schemes. Despite the existence of a number of

criminal organizations operating similar scams in Israel, there seems to have been little need for one criminal organization to attempt to monopolize the others via violence or threat of violence. A member of the Getto criminal organization, during an interview, indicated that another criminal organization was "piggy backing" a term used for explaining the attempt by one criminal organization to take a victim away from another. In his case, the offender suggested a member of another criminal organization was attempting to collect the money from a victim the Getto organization had acquired. As a result, the offender called the victim and suggested the victim re-route the payment to a different address. This form of duplicity by one organization to another while appearing to be rare based on available case information suggests that the Getto criminal organization had little need to make demands on their rivals. In fact, this was the only documented incident where another criminal organization attempted to "steal" a victim. Therefore, the Getto criminal organization was assessed not to have exhibited an authority of reputation.

Self-Identification

The Getto criminal organization used multiple business identifiers to appear legitimate to their victims, such as "Clearinghouse Sweepstakes" and "Consumer's Clearinghouse." A commonly used business name by the criminal organization based on victim interviews was "Bloomberg and Associates," an alleged law firm in Albany, New York. This "law firm" was presented to the victims as the firm in charge of handling all legal matters related to the transfer of the lottery winnings to the victim. The criminal organization also provided their victims with the telephone numbers for "U.S. Customs," "the FBI," and the "Internal Revenue Service." These telephone numbers, however, were re-routed to members of the criminal organization, who would claim to be employees of the aforementioned organizations. Yet despite the use of

multiple "illegitimate" names of private and public organizations to facilitate their crimes, the criminal organization never adopted a unique name, moniker, or logo for itself. This included the lack of a standing "illegitimate" company name for the criminal participants to identify with.

While the "Bloomberg and Associates" was one of the more commonly used names by the criminal participants in facilitating their crimes, it did not appear to be a name used for collective identity purposes. In fact, during interviews with the criminal participants, no offender indicated he was the owner or operator of an otherwise legitimate business. As a result, the Getto criminal organization was assessed not to have exhibited a level of self-identification.

Stability

The FBI case files indicate the Getto criminal organization likely formed sometime in late 2005 based on early records of possible victimizations, as well as the result of other arrests and criminal prosecutions. Some of the members of the Getto criminal organization had associated with other criminal networks, which were disrupted by law enforcement in 2005. These disruptions coupled with the possible victimizations suggest the Getto criminal organization, which included Avi Ayache, Michelle Yuval, Yaron Bar, Gillian Rosenberg, Toshin Samuels, Oshrat Portolyanim Naor Green, Yulia Rayz, Limor Cohen, Ian Kaye, Avi Perov, and Matthew Getto, developed during this time period.

While the FBI documents suggest some Americans may have been victimized in late 2005, the majority of the known criminal activity discovered by the FBI and its international law enforcement partners occurred between December 2006 and December 2007. A significant gap existed between when the criminal organization was believed to have formed (late 2005) and the identified bulk of the criminal activity (late December 2006). Based on the available data, it is difficult to accurately determine the cause of the one year gap. It is not clear whether arrests if

any occurred in other nations may have temporarily disrupted the network or whether the network remained active and the FBI and its international partners were just unable to discover victimizations for that time period.

Despite the ambiguity of the organization's activities from late 2005 through late 2006, the Getto criminal organization was active through late 2007 and possibly until the arrests of most of the criminal participants in mid-to-late 2008. However, many members of the criminal organization, including Avi Ayache, Yaron Bar and Ian Kaye, remained fugitives until they were arrested by the Israeli national police in 2009. Another criminal offender, Shai Kadosh, who was a named defendant in *U.S. versus Guy Mayo, et al*—a September 2008 indictment—remained a fugitive until 2011. Their criminal activities, if any, after late 2007, however, remain unknown. Despite much of the ambiguity of members' criminal activities, the Getto criminal organization is assessed to have exhibited a minimal level of stability since the organization likely developed in 2005 and was severely disrupted in 2008.

Size

From the case reports, an estimated 24 individuals were identified as being involved with the Getto criminal organization. These individuals included the 11 indicted under *U.S. versus Avi Ayache, et al.*, the 10 indicted under *U.S. versus Guy Mayo, et al.* and Matthew Getto, who was indicted under a separate indictment. Only one identified individual associated with the Getto criminal organization was found not to have been indicted and/or arrested. This individual was believed to be a low-level player in the criminal organization with the full extent of his criminal involvement not completely verified with sufficient evidence. Since the organization was found to be comprised of an estimated 24 individuals, the Getto criminal organization was assessed to be moderate in size.

Physical

No physical violence was reported by either criminal offenders or victims. Given the physical distance between victims and offenders, physical violence would not have been a feasible tactic to force victims to pay or to meet any other demands. The Getto criminal organization did, however, suggest there were legal consequences for not complying with their demands (see below for discussion on this type of threat). In addition, members of the criminal organization did not appear to resort to violence for internal transgressions. Punishment among the offenders appeared to be economic in nature. This was in the form of either excluding members from the criminal scheme or, as reported in one instance, having victims re-route money to a different bank account, ensuring payment to the appropriate offender. Since no physical violence was reported by either victims or offenders, the Getto criminal organization was assessed not to have caused physical harm.

Psychological

From the approximate 116 FBI interviews and victim-initiated complaints, the majority of the victims—approximately 88 percent—expressed some form of emotional distress due to their victimization, especially as it pertained to the subsequent consequences of their financial losses. Victims, in particular, indicated they were on the verge of losing their homes and/or debt collectors were constantly calling because of overdue bills. The Getto criminal organization was found to have encouraged its victims to take out home equity loans and mortgages on their homes and to borrow money from family and friends after the victims' cash reserves were exhausted. Other victims sold their stock holdings and cashed in annuities. The remaining 12 percent of the victims either refused to cooperate with the investigators or were able to recognize they were being scammed early enough in the process, minimizing their losses.

This latter group was the group of victims to initiate complaints with the FBI about a possible scam rather than the FBI identifying the victims during the course of the investigation.

Furthermore, most of these victims also indicated an initial fear of legal consequences for either not paying the requested fees to acquire the "winnings" or discussing their activities with others. In some cases, the Getto criminal organization had directed the victims to continue making payments to obtain the "prize" they were "legally bound" to accept, indicating legal ramifications for not complying. In all cases, the criminal organization—under the guise of being a law firm—explained to the victim they were under a legal obligation not to discuss the proceedings with anyone else, including law enforcement. It was explained by the perpetrators that the consequence for violating the non-disclosure provision was loss of the prize and any fees already paid to acquire the prize.

At least two victims were so convinced by what they were told by the criminal organization that they refused to believe the scheme was a fraud even after law enforcement authorities informed them. One of the victims, for instance, had been visited by a bank investigator and a US Postal Inspector who informed the victim they were defrauded. After the investigators left the residence, the victim went to the bank and wired an additional \$48,500 to Israel. The other victim, who was notified by the FBI, refused to submit to an interview because members of the criminal organization told the victim the agent was a fraud. Since nearly all of the known victims expressed some form of emotional distress resulting from their victimization, the Getto criminal organization was assessed to have caused a maximum level of psychological harm.

Economic

It is estimated the Getto criminal organization netted approximately \$25 million dollars over the course of one year (December 2006 to December 2007). This estimate is derived from court documents about the amount the criminal organization made during the one year period. However, this estimate was partially corroborated by the financial transactions disclosed to FBI investigators by victims of the fraudulent lottery scam and by financial records found in the FBI case files. Unfortunately, the Getto criminal organization encouraged its victims to use a variety of techniques to send money to the criminal organization, including cash payments, cashier checks, MoneyGrams, and Western Union. Victims often did not maintain financial records for these types of transactions. Using the estimate documented in the criminal indictment, the Getto criminal organization was assessed to have caused a maximum level of economic harm.

Yet it was found from the review of the FBI case file that in New York alone, seventeen people were found to have sent approximately \$1.8 million to the criminal organization's account at the Union Bank of Israel between December 2006 and December 2007. The amount sent by each victim varied based on the financial means of the victim. For instance, one victim was found to have sent at least \$700,000 with another sending \$23,960. In fact, the criminal organization was known for eliciting personal and financial information from the victim over the telephone. Among the questions asked were "Do you own your home or do you rent?" and "Do you have more than \$10,000 in the bank?" These questions, among others, were designed to gauge the victim's financial situation. In some cases, victims were found to have taken loans out against their homes or cash advances from their credit card companies to pay the "taxes" requested by the criminal organization. Others cashed out their stocks.

Case #2: Joel Borden

In 2007, as a result of a significant number of checks written out to National Fulfillment Center—a company owned by Canadian citizen Joel Borden—were being returned for insufficient funds, HSBC bank security officials notified the FBI about a potential criminal scheme. The FBI investigation determined that Joel Borden, using multiple companies from 2005 to 2007, defrauded or attempted to defraud thousands of elderly and infirm Americans by selling non-existent discounted health care cards to registered members of National Fulfillment and his other fraudulent companies. The health care cards that individuals were supposedly going to receive as a result of membership were to provide discounts on prescription drugs, chiropractic visits, and physician visits.

Structure

The Joel Borden organization was decentralized despite the self-imposed positions given to members of the organization. There was no clear division of labor among the members. Despite being the Chief Executive Officer (CEO) of Med Tech, Premium Benefits, and National Fulfillment Center, Joel Borden reportedly made “welcome” calls to his clients as did his two employees. Based on several interviews with individuals from other legitimate businesses, Joel Borden had traveled to New York from Canada to open a business bank account at HSBC for his National Fulfillment Center scheme despite claiming one of the female employees he hired was responsible for the finances of the company; he also traveled to South Carolina to hire a company to conduct “voice bursts” for his illegitimate companies. He never appeared to delegate any responsibilities to the other employees.

In addition, like many legitimate companies, Joel Borden outsourced components of his fraudulent businesses to other legitimate companies. This allowed Joel Borden to leverage the

resources of other companies without the costs of expanding his criminal organization.

Outsourcing essential components of his businesses, such as having a separate company make the sales pitch over the telephone to prospective clients and another company to verify orders and collect personal banking information, permitted Borden to maintain a very flat, decentralized criminal organization with only four Canadian-based individuals involved, including Joel Borden. While the criminal organization had self-imposed positions, such as Chief Executive Officer and secretary, the organization lacked a clear division of labor among its few members. Given this situation, the Borden organization was assessed to have exhibited a moderate level of organizational structure.

Sophistication

Besides establishing a legitimate company to facilitate their crime, Joel Borden and his few co-conspirators were able to outsource significant components of their business to other legitimate companies which were unaware of Borden's criminal intentions. Borden, for instance, hired a company to make sales pitches over the telephone to prospective clients and another company to verify orders and collect personal banking information. In particular, a South Carolina-based company would conduct "voice bursts" pre-recorded telephone messaging and an India-based firm would receive orders and conduct verifications for the Borden companies. Borden's role in the criminal scheme was limited to facilitating the activities via the hiring of other legitimate businesses and collecting the illicit profits. He along with his few employees did, however, make direct phone calls to the victims to "welcome" them to the fraudulent company. Since the Borden criminal organization established its own business to facilitate its criminal activities and outsourced significant components of its activities to other

legitimate businesses, the Borden criminal organization was assessed to have exhibited a maximum level of criminal sophistication.

Authority of Reputation

Based on the available case files from the FBI, Joel Borden and his companies did not exhibit an authority of reputation since there appeared to be no need to coerce competition through the use of violence or threat of violence in the telemarketing business. In fact, there were no reports of other criminal organizations known to Borden and his organization to be operating in the same criminal market. Yet victim family members reported their elderly relatives had previously been victimized by other similar schemes unrelated to the Borden activities, indicating the existence of other possible criminal organizations occupying the same criminal market. Therefore it is possible the fraudulent telemarketing industry may be sufficiently diffused to allow various criminal entrepreneurs to enter the market and provide fraudulent or non-existent services and goods to its victims.

Self-Identification

Utilizing company names, such as Med Tech, Premium Benefits, and National Fulfillment Center, Joel Borden used the façade of legitimacy to defraud thousands of elderly and/or infirm Americans. Through this façade, Borden was able to establish a network of unwitting co-conspirators who would provide legitimate services to Borden and his fraudulent companies. For instance, a South Carolina-based company would conduct "voice bursts" pre-recorded telephone messaging and an India-based firm would receive orders and conduct verifications for the Borden companies. But besides leveraging these legitimate companies to assist in his criminal activities, Borden hired three employees, who made "welcome" calls on behalf of the National Fulfillment Center.

It is, however, unknown if Borden hired others while he operated Med Tech and Premium Benefits given the limited amount of information on these companies in the FBI case files or if these same employees continued to work for Borden across criminal schemes. While limited information exists on the employees, the case data that is available suggests the employees may not have realized they were working for a fraudulent company. On the other hand, it is possible one of the female employees had an awareness of the criminal activities given that she was willing to lie to one of the legitimate businesses Borden used to facilitate his crimes. This employee after Borden's arrest, contacted the company approximately two weeks later to inform them that Borden had a death in the family and had to leave the country on short notice. Despite these limitations, a total of four people including Joel Borden appeared to self-identify with National Fulfillment Center, an organization established to defraud others. Since all four known participants identified with the National Fulfillment Center, the Borden criminal organization was assessed to have exhibited a maximum level of self-identification.

Stability

Joel Borden established his first merchant processing accounts in the names of Med Tech and Premium Benefits in March 2005. Using these accounts until February 2006, Joel Borden and those possibly working with or for him defrauded thousands of individuals in the United States. Around January 2007, Borden opened new banking accounts at an HSBC branch in Plattsburgh, New York, which he used to have deposits made into the account on behalf of National Fulfillment Center another fraudulent telemarketing company he created. By September 2007, HSBC froze his accounts and contacted the FBI for suspicious transactions. Those transactions included a large volume of returned items, resulting from insufficient funds and accounts closed. On 3 October 2007, the FBI arrested Joel Borden, putting an end to

Borden's fraudulent scheme. Since at least Joe Borden was known to have been victimizing individuals since 2005 until his arrest in 2007, the Borden criminal organization was assessed to have exhibited a minimal level of stability.

Size

A total of four people were identified from the FBI case files as having been "employed" at National Fulfillment Center. This included Joel Borden and three employees he hired to make "welcome" phone calls to victims of his criminal scheme, yet, as indicated above, there is a lack of information on whether Borden hired others while operating Med tech or Premium Benefits. Borden did, however, outsource components of his fraudulent business to other small businesses. This provided Borden with additional resources to facilitate his criminal activities. While these companies did provide services to Borden, which helped facilitate his crimes, the employees from these small businesses are separate and distinct from those in the direct employ of Borden's fraudulent company. Therefore, they are excluded from an assessment of the size of the Borden criminal organization. Since four individuals were identified from the FBI case files related to National Fulfillment Center, the Borden criminal organization was assessed to have been an organization of minimal size.

Physical

There was no evidence from the random sample of victims¹⁶ interviewed by the FBI of physical harm resulting from Joel Borden's criminal activities. In fact, the fraudulent telemarketing scheme did not require personal interactions between the criminal and the victims. Joel Borden, who resided in Canada, was capable of defrauding thousands of elderly and/or

¹⁶ The FBI attempted to conduct telephonic interviews of a random sample of 56 victims from a list of thousands of individuals. However, the FBI was unable to interview several individuals from the random sample because the FBI could not locate the victim or the victim had passed away. As a result, a total of 51 victims were contacted, but 50 interviewed as a result of one victim refusing to answer questions, indicating disbelief that the interviewing agent was in fact an employee of the FBI.

infirm Americans through a network of businesses, which included a company located in South Carolina and another in India, over the telephone.

Borden's fraudulent scheme also required little to no personal interaction between Borden and the owners of the American and India-based companies. Borden hired the South Carolina-based company to conduct voiceburst telephone calls, which are prerecorded sales messages made to automated calls to numbers contained on a sales list. The sales list is purchased by the Carolina-based company but to the specifications of the client and geared towards the product being sold. Borden did travel to South Carolina to hire the company in person, but it was a one-time encounter. He also hired an India-based firm to take orders and to verify orders according to a preset script. Borden's interaction with this company was nearly exclusively conducted over the internet.

Psychological

From the 50 victims interviewed by the FBI, a total of 16 or approximately 32 percent indicated a concern that they would be re-victimized by similar fraudulent schemes through their compromised bank accounts. As a result, these individuals indicated they changed bank accounts in order to ensure they were not defrauded again. However, all indicated they opened new accounts at the same banking institution, which suggests a level of confidence in the bank. Only one victim indicated he would no longer take telephone calls from solicitors and telemarketers, suggesting a great distrust in these practices. Since these 16 individuals represented the total number of individuals expressing some form of emotional distress i.e. a distrust of their compromised bank accounts and telemarketing practices resulting from their victimization, the Borden criminal organization was assessed to have caused a minimal level of psychological harm.

The remaining 34 victims did not indicate an interest in closing their current accounts despite evidence of attempts by unauthorized persons to withdraw money from these accounts. In most cases, these attempts were declined due to insufficient funds (as was the case with the 16 victims who opened new accounts); however, in a few instances, money was withdrawn from the compromised accounts, but, once reported, the banks refunded the victims. These factors could have contributed the victims' unwillingness to open new accounts since they did not suffer personal economic harm.

It is also worth noting that two individuals recalled receiving threatening phone calls. In one instance, the victim indicated she was threatened when she refused to provide her current bank information over the telephone; it was reported that the male caller claimed "he was going to come see her." As a result, the victim's family member changed the victim's home telephone number to avoid harassing calls. The other victim recounted receiving several threatening phone calls requesting payment for goods and services she never requested. Despite these claims, it is not clear if these incidents were in any way related to the fraudulent companies under investigation. Most victims had no recollection of any of the fraudulent companies or individuals involved in the criminal scheme under investigation with only a few remembering the incident after the interviewing agent showed the victim evidence of the crime.

The fact the victims were incapable of recalling the incident was likely the result of the age of the victim, the temporal space between crime and interview, and the inundation of phone calls from solicitors and telemarketers. Excluding nine from the 50 individuals interviewed, the average age of the victims was 76 with only two victims below the age of 55. Dates of birth were not obtained from the nine interviewees excluded from the analysis. All 50 interviews were conducted between mid-January and early April 2008 with most of the known criminal activity

occurring in early to mid-September 2007. Therefore, the interviews were all conducted approximately 4 to 7 months after the victimization. In addition, fourteen of the 50 victims approximately 28 percent reported to be unable to recall particulars due to the fact that they receive numerous calls from solicitors and telemarketers trying to sell them items.

Economic

Between March 2005 and February 2006, Joel Borden and his fraudulent companies Med Tech and Premium Benefits processed 16,255 fraudulent transactions. These transactions generally were in the amount of \$399 per deposit. However, from the 16,255 illegal wire transfers from victims compromised bank accounts to Borden's accounts, 12,674 or approximately 78 percent of the transactions were returned for insufficient funds and accounts closed. Of the remaining 3,581 transactions that cleared, Borden realized approximately \$642,000 in illicit gains.

In January 2007, Borden established a separate account at HSBC in order to facilitate another fraudulent telemarketing scheme involving his company National Fulfillment Center. However, between January and September 2007, very little activity occurred. It was not until September 2007 that an influx of activity began with approximately 200 deposits amounting to approximately \$75,000; all of which were returned for insufficient funds and accounts closed. This prompted HSBC to contact federal law enforcement, which resulted in the arrest of Joel Borden in early October 2007. Nonetheless, there was little evidence of Borden and National Fulfillment successfully receiving illicit income during this time. As a result, the Borden criminal organization was assessed to have caused a minimal amount of economic harm.

Chapter 9: Cyber Crime

In 2008, the U.S. Department of Justice placed cyber-crimes among the eight primary threats to the United States from international organized criminal groups due in part to the growing number of international cyber-criminal networks. Since the commercialization of the internet in the 1990s, the DOJ has expressed concern about the number of criminals committing otherwise traditional crimes with the aid of the computer, which provides these criminals a degree of anonymity and the ability to more easily commit crimes across national borders. The types of cyber-crimes committed by these networks run the gamut of state and corporate espionage to sharing child pornography, to a variety of fraudulent financial schemes. Besides committing a variety of criminal activities over the internet, cyber-criminals use a variety of techniques to commit their internet crime. The case studies presented below demonstrate the variety of technical skills and techniques used to commit fraud over the internet.

Case #1: Operation Phish Phry

Operation Phish Phry was a two year federal criminal investigation into a transnational criminal operation, involving 100 members operating in the United States and Egypt. The Egyptian-based offenders would send spam emails, encouraging unsuspecting victims to "review" their bank accounts. To review their bank accounts, victims were provided with a link to a bogus bank website, which appeared to be legitimate. The website, however, would capture the victims' personal login information, including passwords and social security numbers. This data provided the criminal network with the ability to access victim bank accounts. On the other hand, the US-based component of the illicit operation consisted of members opening fraudulent bank accounts at various bank branches to have money transferred from the compromised bank

accounts to the newly opened accounts. It was from the newly created accounts that the US-based organization would withdraw the illicit money.

Structure

General Organizational Structure

The “Lucas” criminal enterprise, which was the US-based network, was hierarchically structured. Three distinct positions within the organization were defined by organizational members: leaders, recruits, and runners. At the top of the organization were Kenneth Lucas and Jonathan Clark, who facilitated the acquisition of victim bank account information from the Egyptian network. The recruiters, as the name implies, were responsible for recruiting others referred to as runners into the organization to open fraudulent bank accounts in order to transfer money from victims’ accounts. In addition, recruiters would have oversight of the runners’ activities by transporting the runners to the banks and emailing Lucas or Clark with the new fraudulent bank information. Lucas and Clark were actively involved in the illicit transfer of funds from the victims’ accounts to the new fraudulent accounts for the runner to withdraw the funds.

The Egyptian component to the criminal organization was primarily involved in the production of fraudulent emails and bank websites that would encourage unsuspecting victims to enter their bank account information and other personal identification data, such as social security numbers. The group would subsequently take the stolen information and make fraudulent bank transfers or sell the information to the US-based network. This network, based on more limited reports within the FBI case files, was reportedly structured in a similar manner. While the “leaders” of the group appear to have been the technical criminals who shared experiences and technological know-how with each other in a more collegial manner, they also

recruited friends, associates and others to open and withdraw money from fraudulent bank accounts. Therefore, the core members had recruiters and runners operating inside Egypt.

While each criminal network operated under its own hierarchical structure, the entire criminal organization lacked a central authority with internal discipline. This criminal organization fits the *devolved hierarchy* organizational structure, which is defined as regional structures, each with its own hierarchy and degree of autonomy by the United Nations Office on Drugs and Crime (2002). However, since the criminal organization lacked a central authority with internal discipline across networks, this criminal organization is assessed to have exhibited a moderate level of organizational structure.

Membership Bonds

The US-based criminal organization was formed based on familial relations, friendships, and romances. Recruiters were often individuals who maintained a close working relationship with either Kenneth Lucas or Jonathan Clark. These individuals would likewise recruit their friends and relatives to participate in the criminal scheme. They would also encourage their friends and relatives to recruit. Therefore, runners were often either a direct friend or family member of a recruiter or a second-tier contact of a recruiter's family member's friend. These individuals generally did not participate in the scheme for an extended period of time. Most often, a runner would open one or two bank accounts on behalf of the network and desist from the activities.

Based on offender interviews, the relationship between the US-based organization and the Egyptians was forged over the internet. The Egyptians, who were interested in expanding their clientele for stolen bank accounts, marketed themselves to Lucas over the internet. Given the importance of the Egyptian contact as the Egyptian contact was the source of victim bank

account information. Lucas maintained a close-hold on the Egyptian contact's information. Only Lucas or Clark was permitted to contact the Egyptians unless either Lucas or Clark directed a trusted associate to contact the Egyptian on their behalf. In one instance, Lucas's trust in an associate was misplaced as the associate used the contact information to self-initiate his own criminal relationship with the Egyptians, which the Egyptians refused. When this was found out, the member was excommunicated from the criminal organization.

Sophistication

The criminal organization, consisting of the American and Egyptian networks, exhibited a moderate level of sophistication though the level of sophistication varied by criminal network. The Egyptian network in particular was more sophisticated than the American network in that the Egyptians were responsible for establishing phony websites with the necessary software to trap victim bank account and personal information. However, the Egyptian network was not observed using proxy servers, computer servers compromised and controlled by another user, or anonymizers, software which assists in obfuscating the Internet Protocol (IP) address of the computer being used. Thus, while leveraging technical expertise to create phony websites, the Egyptian network is assessed to have exhibited a moderate level of sophistication given the network did not use the most sophisticated cyber techniques to attempt to hide their cyber footprint.

On the other hand, the US-based criminals were responsible for purchasing and using the stolen bank account and personal information obtained from the Egyptians. They did not attempt to establish or leverage legitimate businesses or information technology to obfuscate their criminal activities. The organizational structure of the US-based network cushioned the leaders of the organization from law enforcement scrutiny by placing the "runners" at the greatest risk of

being caught by law enforcement. Nonetheless, this particular network is assessed to have exhibited a minimal level of sophistication. However, since the networks worked in concert with each other and were dependent on each other's activities, the Lucas criminal organization is assessed to have exhibited a moderate level of sophistication premised on the methods and techniques developed by the Egyptians to defraud its victims.

Authority of Reputation

The US and Egyptian-based criminal networks did not exhibit an authority of reputation based on the available FBI case files. These networks were not known or reported to have been in confrontation with other criminal organizations involved in similar criminal activities. The only reported incident of a confrontation with another criminal organization was over a car accident. A "runner" for the US-based criminal organization accidentally hit a gang member with his car. As a result of the incident, which left the "runner" in fear of his life, Lucas used his relative, who was a known gang member and associate of the Lucas criminal network, to dissuade the rival gang from exacting revenge on the "runner." The runner would never be harmed as a result of this meeting. Unfortunately, the exact details of the negotiation between gang members are unknown. Did the Lucas relative offer money to dissuade the violence against the "runner"? Did he threaten additional violence? It is unknown. Yet despite the lack of details, the fact that Lucas called upon his relative, who had known associations with a gang, indicates the Lucas organization did not have the requisite credibility or reputation to prevent the violence themselves. They had to leverage the credibility and reputation of one of its members who was involved in a gang which had the necessary requisites. As a result, the Lucas criminal organization is assessed to have exhibited no authority of reputation.

Self-Identification

At least two members of the Lucas criminal organization identified with separate street gangs based on available data, but no logos, monikers, or symbols were adopted by the Lucas organization. These gang-affiliated members provided protection for the Lucas organization and were a source of fear for wayward members of the organization. That is to say, the Lucas organization—given Lucas's familial relations with the gang-affiliated members—could marshal the gang members to act as the enforcement arm of the organization. In one reported incident, a runner of the Lucas organization accidentally hit the relative of another street gang's member with their car. To prevent the gang member from seeking revenge on the runner, Lucas leveraged his gang-affiliated member to talk to the other gang member to settle the dispute. In addition, the Egyptian-based criminals did not appear to have developed their own collective identity nor did they adopt a common identity with the American-based criminals. Therefore, the criminal organization is assessed to have exhibited a minimal level of self-identification given at least two members self-identified with American-based street gangs.

Stability

While an exact date for the inception of the criminal organization is difficult to assess based on the available data, the offender interviews suggest the primary US-based individuals involved in the criminal scheme—Lucas, Clark, and Merzi—came together as early as 2007. Based on the dates provided by the other recruiters and runners about their own involvement in the scheme, the majority, if not all, of the criminal activity appears to have occurred in 2008. This is corroborated by the victim reports of fraudulent withdrawals from their bank accounts. Almost all of the identified US-based victims recalled unauthorized withdrawals in 2008 with one victim reporting that the unauthorized withdrawal occurred “sometime before 2008.”

The majority of the members from the US-based criminal organization were arrested in early October 2009 with subsequent arrests occurring in late 2009, early 2010. The Egyptian component of the criminal organization was likewise disrupted in early October 2009 as the arrests were simultaneously coordinated with the Egyptian authorities. Using the 2007 date as the inception of the criminal organization and 2009 as its disruption, the Lucas criminal organization was assessed to have exhibited a minimal level of stability.

Size

During the course of the criminal investigation, a total of approximately 100 individuals were discovered to be involved in the criminal scheme to use stolen bank account and personal information to steal money from its victims. Fifty-three individuals were found to be operating in the United States, particularly in California, Nevada, and North Carolina. Forty-seven individuals were found to be operating in Egypt. Given the total number of individuals involved in the criminal scheme, the Lucas criminal organization was assessed to have been an organization of maximum size.

Scope of Victimization

Based on bank data, it is suspected that over 3,000 people had been financially victimized by the criminal organization. Of the 3,000 plus suspected victims, however, only 45 confirmed US-based victims had been interviewed. While this represents only 1.5 percent of the total potential victims, the data collected from the interviews provides some insight—albeit limited—into the harm caused by the criminal organization.

Physical

During the course of the investigation, there was one incident of reported physical violence. In May 2008, members of the Lucas organization had kidnapped and physically

assaulted an individual. According to a member of the organization, who witnessed the incident, an individual was transported in the trunk of a car to Lucas's home where others proceeded to physically assault the person. The reason for the use of violence, however, is unknown, as the member of the organization, who reported the incident to the FBI, feigned ignorance of the details. Given only one known individual was reportedly physically assaulted, the Lucas criminal organization is assessed to have caused a minimal level of physical harm.

Psychological

A total of five individuals—all former members of the Lucas organization—indicated they were either threatened with physical violence or feared becoming the victim of violence by other members of the criminal organization. Of the five individuals, three of them were directly threatened or expressed fear of retaliation for cooperating with law enforcement. One began to receive suspicious telephone calls and witnessed vehicles parked outside their residence; another received threatening voice messages, and the third expressed fear for personal safety, as well as the safety of their family.

The other two former members highlighted previous incidents where they were threatened by a member of the criminal organization with physical violence. Both of the incidents occurred over the illicit business. In both incidents, a recruiter and a runner were accused of stealing money from Lucas. According to these former members, Lucas threatened them, claiming they did not pay the full share owed to him. In one case, the runner was told to ignore the "guy," citing his geographical distance, and, in the other, the alleged dispute was resolved by having the recruiter work directly for Lucas rather than one of Lucas's close associates.

Besides these five individuals, thirty-seven of the 45 identified US-based victims indicated some form of emotional distress resulting from their victimization. The most often cited stressor was related to the amount of time the victim had to spend trying to resolve the issue with their banks in order to be refunded the lost income. Others cited missed payments or overdrafts on payments due to the unauthorized withdrawals, and yet a few victims cited being embarrassed because they found out their bank account was compromised while shopping for household items. These few victims indicated that when they attempted to use their bank cards at the store, the card was declined because the unauthorized withdrawals either left them with a zero balance or insufficient funds for their purchase. The remaining eight individuals indicated the bank alerted them of the unauthorized withdrawal, blocking the criminal organizations ability to withdraw the money. Since a total of 42 individuals expressed fear for personal safety or emotional distress from the victimization, the Lucas criminal organization was assessed to have exhibited a moderate level of psychological harm.

Economic

Between 2007 and 2009, the criminal organization based on estimates provided by members of the Lucas criminal organization withdrew approximately \$123,635 to \$135,235 from fraudulent bank accounts. This amounts to approximately \$61,817 to \$67,617 per year. According to the offender interviews, a range of \$100 to \$2,400 would be withdrawn from fraudulent bank accounts by members of the Lucas criminal organization. These estimates (\$100 to \$2,400) are corroborated by victim testimony. In particular, of the 45 confirmed victims of the fraudulent bank scheme, 12 or approximately 27 percent could recall the amount stolen. Of the 12 victims, 10 provided investigators with an unauthorized transfer amount of less than \$2,400, whereas the remaining two victims recalled unauthorized transfers of approximately

\$10,000 and \$15,000. However, given the body of available data, it is assessed the value provided by the victims most likely reflected an aggregate value stolen given many individuals appeared to have been victimized more than once. In one extreme case, a victim appeared to have been victimized 17 times.

However, the estimates provided by the offenders and cited above are limited in that the offender interviews highlighted many more successful withdrawals without the offender's knowledge or recollection of the amount withdrawn. Therefore, the sum calculated above excluded many more cited incidents of successful withdrawals. These reported successful withdrawals were generally associated with another offender rather than the interviewee. It was common, for instance, for the offender to highlight his/her knowledge of a person's participation but unclear as to the amount withdrawn by the person though many offenders also would not be able to recollect the sums they withdrew from all of their withdrawals.

Moreover, besides the fraudulent bank scheme, Lucas reportedly operated a marijuana grow in California, which, according to offender debriefs, netted Lucas approximately \$50,000 to \$60,000 every four months. This amounts to approximately \$150,000 to \$180,000 per year. Lucas allegedly sold his marijuana to California-based clinics despite the fact that Lucas was an unlicensed marijuana grower. In addition, his network⁶ which also consisted of some gang members⁷ sold marijuana to street gangs for further distribution. However, these activities were separate from the cyber-crime the Lucas criminal organization was investigated, charged, convicted, and sentenced for. Therefore, beyond offender interviews, which suggested Lucas was involved in these activities, there was very limited data on Lucas's drug business.

Given the limited economic data found in the FBI case files for the US-based criminal network and the very little economic data for the Egyptian criminals, the estimated \$1.5 million

expressed in the criminal indictment and press releases was used for the total estimated economic harm derived from the criminal scheme. This total is presented as the total economic gain from the criminal scheme by the entire criminal enterprise⁶ defined by the indictment⁶ as both criminal networks over the course of two years. This would account for approximately \$750,000 per year. Given this annual estimate, the Lucas criminal organization was assessed to have caused minimal amount of economic harm.

Case #2: Vladuz Criminal Organization

The Vladuz criminal organization came to the attention of the FBI when a number of banks in the United States reported their institutions were hacked by cyber criminals. In the early stages of the investigation, it appeared as though the unauthorized intrusions were being conducted from within the United States. However, as the investigation progressed, it was found that a number of US-based computers were compromised and were being controlled by Romania-based actors. These actors⁶ led by Vlad Duiculescu, also known by his online moniker "Vladuz"⁶ were responsible for hacking into the banks operating systems, compromising personal computers, and making unauthorized withdrawals from victim bank accounts.

Structure

The Vladuz criminal organization consisted of a very loose network of cyber criminals mostly from Romania, who were responsible for phishing personal and bank account information from online bankers and hacking into the computer systems of multiple banking institutions. Though loosely structured, there was a clear division of labor among the criminal organization with no self-imposed titles or lines-of-authority. In particular, members of the criminal organization consisted primarily of hackers and collectors. The hackers were responsible for the research and development of techniques, tools, and, programs necessary to facilitate the crime.

Collectors were responsible for gathering stolen credit card and bank account information. These individuals with their co-conspirators would use the stolen account information to make unauthorized withdrawals from compromised bank accounts.

The members of the criminal organization were often friends from school or online. Most members of the Vladuz criminal organization were childhood friends who forged additional relationships with members of various hacker websites, where aspiring cyber criminals could learn new techniques for penetrating computer systems. These restricted websites were essential in transmitting knowledge between key members of the Vladuz criminal organization. In fact, Vlad Duiculescu, also known by his online moniker "Vladuz," sponsored one such website entitled "Professional Scams." This website provided details about various phishing scams conducted on various banks, such as Charter One, Washington Mutual, and Regions Bank.

While such websites had the effect of dispersing knowledge of cybercrime techniques to its restricted members, a group of cyber criminals—the Vladuz criminal organization—developed around key developers, who the others had come to rely on for their expertise. The most revered developer or hacker was Vladuz. One co-conspirator explained, "Vladuz was very smart and could find bugs in any computer program." Vladuz developed a scam he used against eBay that no one else was able to duplicate." However, Vladuz did not direct or order others to commit crimes with his programs rather he encouraged them to experiment and develop techniques to further their own criminal activities through the sponsorship of his hacker website.

The largest pool of members in the Vladuz criminal organization was collectors. These individuals were responsible for conducting the phishing schemes, which permitted them to collect personal and bank account information from victims. And like Vladuz, the collectors shared their lessons learned on the hacker websites, often indicating which scams were most

successful. These individuals would specifically engage the hackers to acquire new techniques or programs and to provide feedback on the scams to the hackers. The collectors or spammers as the offenders called them would in turn use the stolen account information to make unauthorized withdrawals from compromised accounts or sell the stolen account information to others. Given the loose networking of the cyber criminals on an online forum with each participant bringing a different skill set to the group to further its criminal endeavors, the Vladuz criminal organization was assessed to have exhibited a moderate level of organizational structure.

Sophistication

The Vladuz criminal organization displayed a maximum level of sophistication with regards to research, development, and execution of their criminal schemes. The Vladuz criminal organization used a variety of computer techniques to obfuscate their criminal activities and to mask individual responsibility. The criminal organization created phony bank websites which permitted the organization to record personal and bank account information. These phony websites were linked to bogus emails sent to potential victims indicating a need for the person to change or update their account information. In order to email customers, they often obtained customer email accounts from hacking into the institutions databases. The following was a typical email sent to potential victims:

Hello Customer, Are your contact details correct? These are the latest details we hold for you. It is very important that you check these are correct and update any missing information as requested. If we spot unusual activity on your account we will call you to confirm it's genuine. If we are unable to contact you we may need to stop transactions that you have requested.

To facilitate these intrusions and massive emails, the criminal organization compromised other computers in order to use the compromised computer's server and internet protocol (IP)

address. This technique is often used to mask the computer involved in the criminal scheme, as well as to make it more difficult for law enforcement agencies to more accurately locate the offender. These techniques— especially the development of intrusions— would be improved upon by the organization when attempting to compromise the security of different operating systems. For instance, with regards to the organization's ebay scam, one member indicated "whenever ebay would patch the holes, Vladuz would immediately find new ways to hack in." Given the combination of developing fraudulent websites with online security practices to evade detection, the Vladuz criminal organization was assessed to have exhibited a maximum level of sophistication.

Authority of Reputation

A review of the FBI case files indicated the Vladuz criminal organization did not exhibit an authority of reputation. While there was an absence of data indicating the criminal organization made demands of others, there was data to suggest the criminal organization fostered a more collegial environment with others interested in hacking and committing crimes over the internet. In particular, the organization's key member Vlad "Vladuz" Duiculescu— due to his ability to develop computer scripts essential for spamming— hosted a restricted hacker website for individuals wanting to enhance their capabilities. This permitted others— like an identified US-based network— to develop online relationships with the Vladuz criminal organization. This permitted these groups an opportunity to purchase stolen identification and account information from the Vladuz criminal organization.

Self-Identification

The Vladuz criminal organization did not develop a group identity for itself, rather the group developed around the reputations of its members and personal relationships. In particular,

the criminal organization developed around the hacker Vlad "Vladuz" Duiculescu since he had the technical expertise needed to develop programs for various phishing scams. While Vladuz was not the only identified hacker or developer, Vladuz was revered by the other members, who often referred to him as the "biggest hacker." One member, in particular, indicated he had been following Vladuz's activities over the internet for some time. Yet others within the organization also developed their own reputations for being a great spammer or cashier; for instance, Ovidiu-Ionut Nicola-Roman developed a reputation for being able to code information on the magnetic strips of "point cards" which they would use to attempt withdrawals from ATMs. These reputations, along with their personal relationships, assisted in group formation. Therefore, the criminal organization was assessed to have exhibited no self-identification.

Stability

While the FBI-led investigation into the Vladuz criminal organization began on 21 June 2005, it was discovered that elements of the Vladuz criminal organization had been committing similar crimes since at least 2002. In particular, a news article reported that Romanian authorities identified twelve members of an organized group responsible for hacking into banks' computers to steal customer information and using the stolen information to purchase goods over the internet. Yet four of the twelve members, who evaded arrest, were found to be involved in hacking into American banking institutions in 2005. The 2002 news report was the earliest known incident involving several members of the Vladuz criminal organization. Other case documents, including offender interviews and reports from the exploitation of digital media, did not provide further insight into these earlier criminal activities.

The earliest reported criminal activity attributed to the Vladuz criminal organization collected from the FBI case files was in late 2004 when the criminal organization was found to

have compromised approximately 50 computer servers to implement phishing attacks on Capital One. This time frame was consistent with reports of victimization. Many victims recalled having unauthorized withdrawals or charges during the same late 2004 time period. Moreover, several key relationships among members of the Vladuz criminal organization appeared to have been forged in early to mid-2005 based on offender interviews. The relationships were forged as explained by the offenders shortly before their scheme to hack People's Bank.

While many of the identified perpetrators were arrested overseas and extradited to the United States beginning in mid-2007, others involved in the criminal activities remain at large at the time of this writing in 2012. Many individuals involved were never fully identified given the use of multiple aliases or nicknames and multiple IP addresses at the time of the initial criminal investigation. However, the FBI has subsequently opened new investigations on those that have been subsequently identified. Given the known activities of several members of the Vladuz criminal organization in 2002 and the continued activities of others up to 2012, the Vladuz criminal organization is believed to have exhibited a maximum level of stability.

Size

Based on a review of FBI case files, the Vladuz criminal organization consisted of approximately 43 individuals. From the 43 individuals suspected of being involved in the criminal activities, approximately 11 individuals had been identified as being essential to the organization's operations. These people include the hackers, spammers, and others capable of coding magnetic strips to create fraudulent debit cards. The remaining 32 individuals were associates or family of these core members. In particular, the 32 individuals were defined by offenders as or fit the description of "cashiers" individuals who made the unauthorized withdrawals or "runners" individuals willing to retrieve wire transfers from Western Union

or other money exchanges. The average age of the offenders was approximately 22 years of age based on available dates of birth for 20 of the 43 individuals, or approximately 47 percent of the members of the criminal organization.

In addition to these 43 individuals, another 16 individuals were identified in the United States conducting unauthorized withdrawals using stolen personal and bank information sold by the Vladuz criminal organization. These 16 individuals formed a separate network of criminals located primarily in California; fourteen of whom were of Vietnamese descent. From the 16 individuals, approximately three individuals had extensive communication with the Romania-based criminal organization over the internet. The other 13 individuals appeared to be merely friends or family of the three individuals in direct contact with the Romania-based organization. Since the criminal organization was found to have at least 43 individuals involved in the criminal activities overseas, the criminal organization was assessed to be a criminal organization of maximum size.

Physical

No reports of physical harm attributed to members of the Vladuz criminal organization existed in the FBI case files. In general, the Vladuz criminal organization did not appear to resort to violence to settle disputes. The few disputes identified in the case files were among participants, not between offenders and victims, and they usually involved threats to cease cooperation, not threats of violence. During one dispute, one offender threatened another after the latter posted an item on the former's website and the former deleted it. The latter writes, "i will wipe your whole damn sitesí all of them if u delete one more time what i place on it! Got that?" But these threats never escalated to the point where the person making the threat had to

take action of any kind. As a result of the lack of reports indicating physical violence, the Vladuz criminal organization was assessed not to have caused any physical harm.

Psychological

No offender or victim interviewed by law enforcement expressed a fear of retribution or reprisal from other members of the criminal organization. However, from the 56 victims interviewed by the FBI, all expressed emotional distress as a result of their victimization. The victims often expressed dismay at the òtime, heartache, and worryö that the incident had caused. One victim explained that she went to make a payment on her car insurance and the money she had reserved for the bill was gone, forcing her to make a late payment to her insurance company. This was common among many of the victims, who indicated they first found out about their victimization when they attempted to use their bankcard and the card was declined. Others were notified by their bank's fraud department since the bank detected unusual activity associated with the victims' accounts, but were not automatically credited with the lost money.

The victims also expressed frustration with the amount of time they had to spend communicating with their banks, credit card companies, and other institutions about the victimization in order to have the issue resolved. One report explained:

To deal with the fraudulent activities against her credit card and checking account, she spent between a half-hour and one hour a day, three to four days per month for two solid years calling or visiting her bank, calling credit card companies, contacting the credit bureaus, and filing police reports as instructed to do by her bank or credit card companies.

From the 57 victims interviewed by the FBI, the average estimated time spent to rectify the fraudulent activities associated with their bank accounts was 15 hours. This was based on the estimates derived from 50 victims since seven victims did not provide or were not asked to provide the number of hours spent on resolving the fraudulent activity. However, one victim,

despite not providing an estimated time, wanted to make sure the interviewing agent reported the more personal nature of the harm resulting from the fraudulent activities. In particular, the victim indicated the incident strained his marriage due to the excessive calls from creditors, who called his home and work badgering [his] wife and, at [his] job, [his] boss became concerned.ö As a result, the victim believed the incident ruined [his] reputation.ö Since 57 individuals were found to have expressed some form of emotional distress resulting from their victimization, the Vladuz criminal organization was assessed to have caused a maximum level of psychological harm.

Economic

The Vladuz criminal organization was found to have stolen approximately 107,635¹⁷ bank and credit card numbers from citizens of multiple countries to include the United States, Canada, Portugal, and Romania. While a significant number of card numbers were stolen, it was found to be relatively common for most stolen bank and credit card numbers not to yield any criminal proceeds for the organization. For instance, in a batch of 251 stolen credit cards, unauthorized withdrawals/charges or attempts were found on 35 cards, or approximately 14 percent. Of the 35 cards, 23 were found not to yield any criminal proceeds either due to the card being denied for insufficient funds or because the purchase or withdrawal was blocked by the bank or credit card company. Thus, only 12 stolen cards were found to have been used successfully to withdraw money or charge items. This accounted for approximately 5 percent of the total number of stolen cards. This was consistent with reports from several offenders, who were interviewed. One offender, in particular, explained, öOut of a hundred debit cards, approximately five could be used to successfully obtain money from ATMs.ö

¹⁷ The number of bank and credit card numbers stolen were derived from forensic analysis of offender computers and reports from several banks' security divisions. It is possible, however, there were additional stolen card numbers not reported to the FBI.

While a small percentage of stolen cards yielded criminal proceeds, the amount yielded from these could be relatively high since the criminal offenders would often use a card multiple times. For instance, People's Bank indicated a total loss of \$125,905 from 103 compromised credit and debit card numbers over a ten month period. This averaged approximately \$1,222 per card. On the other hand, the criminal proceeds could be relatively low. With the batch of 251 stolen cards mentioned above, the total loss from the 12 cards was \$4,236.42, averaging \$353 per card. The latter estimate is consistent with data derived from offender interviews. Members of the criminal organization indicated they would withdraw or charge no more than a couple of hundred dollars per card, but certainly the amounts withdrawn or charged varied greatly. Additional victim data indicates a range of approximately \$15 to \$6,400 with a total loss of \$172,299.04 from 81 victims. This averages to approximately \$2,127 per victim.

Unfortunately, there was no data to indicate the amount of money the criminal organization expended on the necessary technology to further its criminal activities. In addition, there was a lack of information permitting ratios to be calculated between the actual amounts stolen by cashier networks and the amounts wired to the Vladuz criminal organization. For instance, the available data suggests the US-based network of cashiers wire transferred \$154,600 to the Romania-based Vladuz criminal organization from December 2005 to October 2006, but it is not clear exactly how much the US-based network was responsible for stealing and/or what percentage of criminal proceeds were expected to be paid to the Vladuz criminal organization.

Given the data on financial losses were found to be incomplete, the total annual economic losses resulting from this criminal organization is calculated based on the 5 percent success rate and the average range of loss per card/victim. From the total 107,635 stolen cards, the criminal

offenders would have been able to make unauthorized withdrawals or charges on an estimated 5,382 cards. At an estimated range of \$353 to \$2,127 per card, the criminal participants would have generated between approximately \$1,899,846 and \$11,447,514 in less than one year since all of the data collected by the FBI represented victimizations over a ten month period. With an average annual income of \$6,673, 680, the Vladuz criminal organization was assessed to have caused a moderate level of economic harm.

Chapter 10: Use of Violence

The use of violence was identified as a separate and distinct threat⁸ threat number eight⁹ to the United States within the DOJ strategies to combat international organized crime given the United States' concern for the personal safety of its citizens. As the DOJ (2008, pp.8-9) strategies suggests, "International organized criminals who use violence are a threat to the physical security of the U.S. public." While treated separately in the DOJ strategies and here for the purpose of analyzing transnational criminal cases prosecuted primarily for the use of violence, it must be noted that the use of violence is a tactic used by criminal organizations for a number of objectives to include¹⁰ but not limited to¹¹ instilling fear, expanding its territory, taking control of an illicit market, or establishing itself in a new environment. These objectives, however, are not mutually exclusive. The case studies presented in this chapter highlight the use of violence for various purposes. In the first case study, the use of violence is used primarily for self-preservation against rival gangs and as a means to commit their crimes. In the second case study, violence is a tactic used to enter the illicit drug trade in a new operating environment, which appears to be blocked to the group.

Case #1 Frank Ma Criminal Organization

The Frank Ma criminal organization was a violent Asian gang comprised mostly of individuals of Chinese and Vietnamese ethnic background. This group, operating primarily in New York and California, were known to have connections to the Wo Lee Kwan Triad and the Big Circle Brothers Chinese organized crime group. They were primarily responsible for trafficking narcotics¹² Asian heroin¹³ into the United States and stolen vehicles to China. However, members of the Ma criminal organization were also engaged in a variety of other

criminal activities to include home invasions, illegal gambling and the planning of armed robberies of computer chip companies in the Silicon Valley of California.

Structure

The Frank Ma criminal organization was divided into two main branches: those responsible for criminal activity and those responsible for enforcement. The two branches were found to be divided primarily by ethnicity. The enforcement arm of the Ma criminal organization was comprised mostly of Vietnamese criminals while the facilitators of the criminal activity were primarily Chinese. Each branch had a very clear line-of-authority with each branch leader responsible for executing the demands of Frank Ma. For instance, Frank Ma ordered multiple homicides, delegating the responsibility to his enforcement branch. The leader of the enforcement branch would commit members of his team to its execution. Likewise, those Chinese criminals responsible for committing a variety of offenses to make money would turn-over profits to their branch leader, who in turn paid Frank Ma. Frank Ma was the single boss who was able to maintain internal control over his criminal co-conspirators. Therefore, the Ma criminal organization was assessed to have exhibited a maximum level of organizational structure.

Sophistication

The Ma criminal organization was not known to have either outsourced significant components of its criminal activities or establish businesses to facilitate its criminal activities. The Ma organization was known, however, to leverage legitimate businesses to ship its illicit cargo to China. While the Frank Ma organization used legitimate cargo shippers to ship its stolen vehicles, it did not extort or otherwise take over the businesses. In fact, the Frank Ma criminal organization was found to have used multiple cargo shippers.

Moreover, the FBI cases files did not indicate whether the criminal organization had professionals—such as lawyers or accountants—on retainer to assist them in their criminal endeavors. The Frank Ma criminal organization appeared to be a well-organized drug trafficking organization with connections to established Chinese organized crime groups. Its hierarchical organization provided some level of cushion for Frank Ma by putting the low-level members at greater risk of or exposure to law enforcement scrutiny. Given these factors, the Frank Ma criminal organization is assessed to have exhibited a moderate level of sophistication.

Authority of Reputation

The Frank Ma criminal organization is assessed to have exhibited a moderate level of reputation since the Ma organization often had to use violence in order to get other criminal organizations to comply with their demands. The FBI case material—while limited on the number of interactions with other criminal organizations—suggested the Ma organization did on occasion have disputes with rival gangs over drug proceeds. These disputes often resulted in the use of violence. For instance, a 1991 homicide in Boston and a 1992 homicide in California were the result of disputes between the Ma criminal organization and rival gangs over drug proceeds. The 1991 homicide was ordered by Frank Ma because a rival gang member threatened to physically harm Ma over money; the Ma organization allegedly owed money to the rival gang. The 1992 homicide was ordered by Frank Ma as a revenge killing for Ma's older brother, who was murdered by two rival gang members over a dispute about drug proceeds. These incidents are indicative of the group's inability to settle disputes with other criminal organizations or have others comply with their demands without the use of violence.

Self-Identification

Three members of the Ma organization self-identified with the Wo Lee Kwan Triad, a Chinese organized crime group. Each of these members, nonetheless, were loyal to Frank Ma, who they referred to as *ōdai loö* or *ōGor Maöö* meaning *ōBig Brotherö Maö* an honorary title of respect. In addition, to these members, Frank Ma's primary Hong Kong-based supplier of Asian heroin was identified as a member of the Big Circle Boysö another Chinese organized crime group. On the other hand, it is not clearö from the case filesö if Frank Ma identifies with a particular Chinese organized crime group. Based on offender interviews, those individuals self-identified as members of an established organized crime group appear to have been able to leverage their membership within these groups to acquire öleadershipö positions within the Frank Ma organization. Despite the fact three members of the Ma organization identified with the Wo Lee Kwan Triad and referred to Frank Ma with the honorary title *ōGor Ma,ö* it is not clear from the available data whether the entire Frank Ma organization self-identifies with a single traditional Asian organized crime group. As a result, the Frank Ma criminal organization was assessed to have exhibited a moderate level of self-identification.

Stability

The criminal investigation into the Frank Ma organization unearthed the earliest reported criminal activity in the United Statesö attributed to Ma and his associatesö occurred in 1991. This incident involved the murder of a rival gang member, who had threatened Frank Ma over a dispute about drug proceeds. Unfortunately, offender interviews and other case documents do not shed light on when Frank Ma and his associates first met each other or how their criminal relationships developed. Despite this limitation, the Ma organization is assumed to have formed sometime in the early 1990s since, during this time period, Frank Ma was known to have arrived

in the United States, was involved in the illicit drug business, and was located in Boston, where he had family willing to let him stay until he could be self-sufficient.

While the early 1990s appears to be when the Frank Ma organization began its criminal activities in the United States, the criminal organization was believed to be significantly disrupted with the arrest of Frank Ma and five of his co-conspirators, including the leaders of his two branches, in 2003. However, the arrests accounted for 20 percent (6 of the 29 individuals complicit in the criminal activity) of the members and associates of the criminal organization. Even if the remaining individuals have not continued to be involved in criminal activity, for the purpose of this research, the Ma criminal organization is still assessed to have exhibited a maximum level of stability since the organization was involved in criminal activity from at least 1991 to 2003.

Size

The Ma criminal organization consisted of approximately 29 identified members; each directly involved in the organizations daily criminal activities. These 29 members were comprised mainly of friends and family; nearly all members of the organization were either Chinese or Vietnamese. Three individuals were identified as Ma's contacts in China. These were individuals that either supplied the Ma organization with Asian heroin or were the recipients of stolen vehicles. An additional five individuals were identified as associates who assisted—usually on a one time basis—or were complicit in the criminal activities. Three individuals were reportedly involved in the organizations car trafficking activities through their willingness to lease cars and subsequently report them stolen. For their part, these individuals were reportedly paid \$1,500 per leased car. The remaining two individuals are the individuals who owned and operated legitimate cargo shipping businesses but were reluctant (or unwilling) to report

suspicious requests from members of the criminal organization to ship cars in containers loaded with motor oil or other items—essentially obfuscating the cars—to law enforcement. Based on offender interviews, the requests to package the containers this way served two purposes: to hide the illicit goods and to avoid paying a higher tax. Since 29 people were found to be involved in the criminal activities, the Frank Ma organization was assessed to have been a criminal organization of maximum size.

Physical

Based on the FBI case files, a total of 17 individuals were found to have been physically harmed by the Ma criminal organization between 1991 and 1996. All of these incidents of violence were in furtherance of their criminal activities. Given that a total of 17 people were found to have been physically harmed, the Frank Ma criminal organization was assessed to have caused a maximum level of physical harm.

In 1991, Frank Ma ordered several members from his organization to murder a rival gang member who had previously threatened him. At the time of the murder, the rival gang member was located at a gambling den in Boston, Massachusetts. Besides murdering the intended victim, Ma's associates indiscriminately killed five other patrons of the gambling den.

In 1992, Ma ordered the execution of two California-based rival gang members for their involvement in the murder of one of his criminal associates, Hung Pho, in 1991. According to an admitted participant of the execution, Hung Pho was Ma's *ōdai loö* or big brother. The two rival gang members were brought to Hung Pho's grave site for a symbolic execution. During the same year, Ma organized a home invasion of a known alien smuggler in California presumably for a debt the smuggler owed to the Ma organization.

In 1993, Ma ordered the murder of a heroin supplier over a debt dispute. Ma's associate, Wei Qing He, aka Winnie Pang, was allegedly being pressured by the supplier to pay an unspecified amount of money to him. To avoid payment, the Ma organization eliminated the debt collector.

In 1994, Ma's Hong Kong-based Asian heroin supplier, Liu Chi Keung, aka Golo Keung or "Michael," sought assistance from the Ma organization in murdering his Canada-based drug trafficking partner. As a result, Ma organized a hit team to carry out the murder in order to maintain his lucrative ties to the supplier. Two members of the hit team shot their way through a business where the intended victim was supposed to be. But instead of murdering the intended victim, they murdered two office workers, Kwan Kin Ming and Yip Pak Yin. Neither Ming nor Yin was involved in narcotics trafficking.

In 1996, the Ma organization sent a few members of the organization to kidnap a woman in Australia as a means of extorting payment for a drug debt. But instead of kidnapping the woman, they took the woman's adult son and held him for ransom. The ransom was never paid so they executed the son.

In addition, at least one member of the Ma criminal organization was known to be physically abusive towards his wife. Based on reporting, the wife was informed to never ask her husband about his criminal activities. Despite this warning, the wife was beaten on several occasions for asking questions, and on one occasion, the wife was beaten by the husband's brother, who was also involved in the organization.

Besides these acts of violence, the Ma criminal organization was involved in several carjackings in furtherance of their car trafficking activities. While it is unknown exactly how many of the stolen cars shipped to China were the result of a carjacking, given the criminal

organization used multiple methods, three separate incidents were described by offenders involved. In all three cases, the participants were able to physically remove the driver of the vehicle; however, in one of the incidents, the Ma associate after removing the driver realized there was a baby in the backseat of the vehicle. The associate, as a result, abandoned the vehicle and the child.

Psychological

During the course of the investigation, three individuals expressed fear of retaliation or violence from members of the Ma criminal organization. One individual confided their fear to the FBI, whereas the other two expressed their concern to others being threatened over the telephone. While FBI reporting captured only three individuals expressing fear of retaliation or violence, psychological harm most likely resulted from the organization's car thefts, in general, and carjackings, in particular. Being physically removed from one's vehicle at gun point and having a child kidnapped and abandoned on the side of a street, I would suspect resulted in significant emotional distress. Unfortunately, the data about the carjackings in particular were highlighted in offender interviews with very limited identifying information of the victims beyond make and model of the vehicle. This certainly hindered the FBI's ability to interview the victims, which in turn impacts the calculation of psychological harm caused by the criminal organization. With the available case information, it was assessed the Frank Ma criminal organization caused a minimal level of psychological harm.

Economic

The Ma criminal organization was involved in a variety of criminal activities, but the two primary activities for which the Ma organization made significant profits were car and illicit narcotics trafficking. Besides these activities, the Ma organization was involved in home

invasions, illegal gambling and the planning of armed robberies of computer chip companies. However, it must be noted that economic-related data was significantly lacking for the latter criminal activities within the FBI case files. Therefore, the discussion of economic harm is limited to the criminal organizations two primary sources of illicit income.

Car Trafficking

Based on shipping records and offender interviews, the Ma criminal organization was found to have exported 36 stolen vehicles to China from late 1994 to early 1996. The vehicles most often stolen were luxury cars to include Lincoln, Mercedes, Lexus, and BMW. However, as demonstrated in Figure 10, the criminal activity was sporadic with the largest number of vehicles stolen in October 1994 and April 1995. It is also worth noting that this criminal activity appeared to be exclusively conducted in the San Gabriel area of California.



Since the cars were stolen through car jackings or fraudulent claims of stolen car rentals the profit margin for the criminal organization was high. Financial records dated between June 1994 and August 1995 for the two primary Ma associates responsible for exporting

the stolen vehicles, during this time period, shows a total of \$969,960 wired from China in furtherance of this criminal activity. While this represents a significant proportion of the criminal proceeds, it is not complete. Several additional vehicles were found to have been exported after August 1995 (as demonstrated in Figure 10). Nonetheless, the \$969,960 does account for the majority of the sales of stolen vehicles shipped to China. Given these profits reflect illicit profits made within a 12 month timeframe, this total is used to best reflect the amount of illicit profits the criminal organization made from their car trafficking activities within a year.

Narcotics Trafficking

While the Ma organization's car trafficking activities appeared to occur exclusively in California, the organization's narcotics trafficking activities appear to be based on available case data to have occurred primarily in New York. In particular, associates of the Ma criminal organization were responsible for trafficking approximately 100 kilograms of Asian heroin between 1993 and 1995 into the New York metropolitan area for further distribution. While the street value of narcotics fluctuates based on several factors, the National Drug Intelligence Center (<http://www.justice.gov/ndic/pubs2/2580/heroin.htm>) estimates the cost of Asian heroin in the New York metropolitan area during the late 1990s at \$65,000 to \$140,000 per kilogram. At an estimated 100 kilograms, the Ma criminal organization would have made between \$6,500,000 and \$14,000,000 over two years. This would account for approximately \$3,250,000 to \$7,000,000 per year.

The yearly profits the Frank Ma criminal organization could have made within a one year timeframe varies from an estimated \$4,219,960 to \$7,969,960. Given the average estimated annual income was \$6,094,960, the Frank Ma criminal organization was assessed to have caused a moderate level of economic harm.

Case #2 Krasniqi Criminal Organization

The Krasniqi brothers Saimir and Bruno had come to the attention of the FBI during its investigation of the Detroit-based Albanian criminal organization led by Oliger Merko. However, by 2005, Oliger Merko was arrested and detained and the Krasniqi brothers had a falling out with others within the Merko criminal organization. As a result, the Krasniqi brothers, who had relations with New York-based Albanian criminals, split from the Merko criminal organization with a few other associates from Detroit and attempted to enter the protection and illicit drug markets in New York. Yet given the Krasniqi organizations violent attempts to control the drug trade and extort local businesses already paying protection to other Albanian criminal organizations, the Krasniqi criminal organization was not successful in becoming a stable criminal organization in New York.

Structure

While the "Krasniqi organization" was led by brothers Saimir and Bruno Krasniqi, through their ability to order and organize associates to commit or threaten violence, there appeared to be no real division of labor or self-imposed positions or titles. The organization was very fluid and loose with each member actively participating in the criminal activities. This was true for the Krasniqi brothers as well. They were both organizers and active participants in the organizations criminal activities. Moreover, criminal proceeds appeared to be divided equally among its criminal participants. There was no indication from the available case information that the money obtained from its criminal activities was divided based on position within the criminal organization. If a member or associate did not participate in the criminal activity, he did not receive a share of its profits. Since the criminal organization did not have a clear division of

labor or self-imposed titles or positions, the Krasniqi criminal organization was assessed to have exhibited a minimal level of organizational structure.

Sophistication

The Krasniqi criminal organization was assessed to have exhibited a minimal level of criminal sophistication. In particular, it was never able to leverage or establish a legitimate business in New York despite the organizations early attempts to extort local Albanian businesses, namely cafés. These cafés were known to operate gambling machines and illegal card games which the Krasniqi organization attempted to take control over, but these local businesses were already paying protection fees to other Albanian criminal organizations. In one reported incident, for instance, members of the Krasniqi criminal organization demanded payment from a local business owner under the threat of violence. When the Krasniqi members returned to collect its payment, members of a rival Albanian criminal group were present to protect the café. The incident resulted in a stand-off between the members; however, no known acts of violence were reported as a result of the incident. The Krasniqi criminal organization seemed to have used or attempted to use brute force to enter the criminal market in New York never establishing itself in the community, nor maintaining lasting criminal alliances with the other Albanian criminal organizations.

Authority of Reputation

Members of the Krasniqi criminal organization developed a reputation for violence, but rarely, if ever, did the organization's primary rival—the Parid Gjoka organization—comply with demands. There was no evidence in the FBI case file to suggest that the Gjoka organization ever complied with the Krasniqi organization even after the use or threat of violence. For instance, in 2005, the Krasniqi organization, after robbing a shipment of hydroponic marijuana from the

Gjoka organization, demanded the Gjoka organization obtain more narcotics for them. Instead of complying with the demands, the incident sparked a feud between the Gjoka and Krasniqi organizations. This feud lasted a few years until most of the members were murdered, arrested, or fled from the United States (see section on stability). Given the absence of evidence to suggest the Krasniqi criminal organization was able to have other criminal organizations and even legitimate business owners comply with its demands, the Krasniqi criminal organization was assessed to have exhibited a minimal level of authority of reputation.

Self-Identification

Based on the FBI case files, there were no indications the Krasniqi organization adopted a formal name or developed specific insignia to self-identify its members. In fact, some of the members of the Krasniqi organization worked with members of the Gjoka organization prior to the Krasniqi brothers' arrival in New York. These personal connections between Krasniqi and Gjoka associates was likely the catalyst for the 2005 drug deal between the Krasniqi brothers and Parid Gjoka, which resulted in the Krasniqi brothers' betrayal. In addition, one source indicated he heard Krasniqi member Almir Rrapo self-identifying himself with another Krasniqi associate, Gentian Kasa. Kasa also developed a reputation for being extremely violent. Since the Krasniqi organization did not appear to be centered on any particular person or group, the organization was assessed not to have exhibited self-identification.

Stability

The Krasniqi criminal organization is a splinter group from the Detroit-based Merko criminal organization, which formed in 2005 as a result of two primary factors: arrests and detainment of several members of the Merko organization and the arrival of another Merko associate between 2003 and 2004 with whom the Krasniqi brothers had a dispute. It is alleged by

one offender that the dispute between the associate and the Krasniqi brothers caused the Krasniqi brothers to move to New York. It is not until 2005, however, that the evidence of the Krasniqi brothers' through the use or threat of violence' attempted to move into the illicit drug business in New York.

In approximately January 2005, Saimir Krasniqi approached Indri Mezini to introduce Krasniqi to a well-known drug trafficker responsible for trafficking narcotics from Canada. However, the drug trafficker did not trust the brothers because of their previous relationship with Olgier Merko' the head of the Detroit-based Merko organization. Merko reportedly extorted the drug trafficker for ten thousand dollars. The drug trafficker, therefore, refused to conduct business with the Krasniqi organization given their previous association with Merko.

After the failed attempt to establish a reliable supplier of illicit narcotics, the Krasniqi organization resorted to robbing narcotic shipments from other Albanian organized crime groups. This resulted in a feud between the Krasniqi and Gjoka criminal organizations. The feud, which appeared to have started in June 2005, lasted until many members from both groups were either detained in the United States or fled to Albania. Between 2005 and 2007, most members were either detained in or fled the United States. Many remained fugitives for a number of years afterwards, including Krasniqi associate Almir Rrapo who was eventually arrested in Albania on 2 July 2010. Nonetheless, since the group was known to have been active in New York between 2005 and 2007, the Krasniqi criminal organization was assessed to have exhibited a minimal level of stability.

Size

At the time the Krasniqi brothers formed their own organization in 2005, the organization consisted of no more than eight members. However, throughout the feud between the Krasniqi

and Gjoka organizations, the number of associates varied over time, as members were arrested, deported, killed, or fled the United States. For instance, Almir Rrapo would flee the United States on several occasions to avoid retaliatory violence. Rrapo would eventually make his last departure from the United States in 2007, where he remained a fugitive until his 2010 arrest in Albania. Another Krasniqi member Gentian Kasa, who was involved in a number of criminal activities at the behest of the Krasniqi organization, was murdered in 2007 by a member of the Gjoka organization. Despite the fluctuation in its members, resulting from the feud between the Krasniqi brothers and Parid Gjoka, the Krasniqi organization was assessed to have been a criminal organization of minimal size given no more than eight individuals were identified at any given point while it was criminally active.

Physical

While members of the Krasniqi organization had committed violent acts⁶ dating back to the mid-1990s⁶ at the behest of the Merko organization, these members were responsible for at least an armed robbery, a kidnapping, and two homicides in an effort to control the supply of illicit narcotics in New York. Given four reported incidents involving physical violence, the Krasniqi criminal organization was assessed to have caused a moderate level of physical harm.

In 2005, the Krasniqi brothers were directly involved in robbing 20 pounds of marijuana from a drug trafficker, who was responsible for supplying narcotics to the Gjoka organization in New York. As a result of this *örripö* from a Gjoka narcotics trafficker, a feud between the Krasniqi and Gjoka organizations began. This feud between the two groups led to members of the Krasniqi organization kidnapping a Gjoka member Neritan Kocareli several months after the initial *örripö*. During his abduction, members of the Krasniqi organization forced Kocareli to disclose the location of another Gjoka member Erion Shehu. With this information, the Krasniqi

brothers assembled a hit team, who murdered Erion Shehu approximately two weeks later on 19 July 2005.

Around November 2005, a shipment of marijuana from Canada destined for Detroit was stolen. As a result of the theft, a member from both the Detroit and Canada-based Albanian organized crime groups kidnapped Gjoka member Erenick Grezda, who was to provide the marijuana to the Detroit group. After being beaten, Grezda confessed to the kidnappers that Bruno Krasniqi was responsible for stealing the narcotics. The kidnappers forced Grezda to lure Krasniqi to his residence, where they subsequently kidnapped Bruno Krasniqi. Since Grezda was responsible for Bruno Krasniqi's kidnapping, Krasniqi ordered the murder of Grezda, which occurred on 13 January 2006.

Psychological

During the relatively short period of time the Krasniqi organization operated in the New York metropolitan area, the organization developed a reputation—especially among other Albanian criminal organizations—for being violent. Through the offender and victim interviews, seven individuals were identified as either expressing or displaying fear of violence or retaliation specifically from the Krasniqi organization. For instance, after members of the Krasniqi organization extracted the location of Erion Shehu from Neritan Kocareli, Kocareli, fearing for his own personal safety, immediately went into hiding upon his release.

After a violent confrontation between the Krasniqi brothers and Parid Gjoka and Erion Shehu over a drug dispute, Gjoka and Shehu went into hiding fearing their personal safety. The Krasniqi organization did, however, eventually find Shehu—via the kidnapping of another Gjoka member—and murdered him. It was also reported that Erenick Grezda feared for weeks he

would be murdered after he assisted under coercion with the kidnapping of Bruno Krasniqi. He too would eventually be caught and murdered by the Krasniqi organization.

Shortly after the murder of Erion Shehu, it was reported that two members of the Krasniqi organization threatened Shehu's father, who was pursuing a resolution to the murder of his child. In particular, the two members approached Shehu's father and informed him that Saimir and Bruno Krasniqi were responsible for the death of his son, indicating the brothers were very dangerous and if he attempts to resolve his son's homicide case he could be killed as well. In addition, the Krasniqi organization, in an effort to control the illegal gambling business, threatened Gjoka member Tony Vuksanaj to remove all of his gambling machines from various Albanian operated cafes. The Gjoka organization like the Merko organization in Detroit had gambling machines installed in various cafes in order to generate proceeds from illegal gambling. Despite these threats, however, it is not clear from the case files whether the Krasniqi organization succeeded in convincing Vuksanaj in removing gambling machines or in gaining control of any aspect of the illegal gambling business.

Besides these incidents, Bruno Krasniqi, after being arrested by federal authorities, had an intermediary intimidate the parents of a cooperating witness. The parents were told to convince their child under the implicit threat of harm to recant any negative remarks or information provided to federal authorities. Since a total of seven people were identified as expressing concern about their personal safety, the Krasniqi criminal organization was assessed to have caused a minimal level of psychological harm.

Economic

Given the Krasniqi organization failed to establish a reliable relationship with a narcotics supplier as previous suppliers refused to work with the Krasniqi brothers upon its entrance

into the illicit market in 2005, the organization relied on violent means of acquiring its hydroponic marijuana. This method of acquiring illicit drugs not only engendered additional violence, but it also created a haphazard environment for obtaining narcotics. Nonetheless, the Krasniqi organization⁶ based on available reporting⁶ was able to acquire approximately 140 to 210 pounds of marijuana between 2005 and 2007.

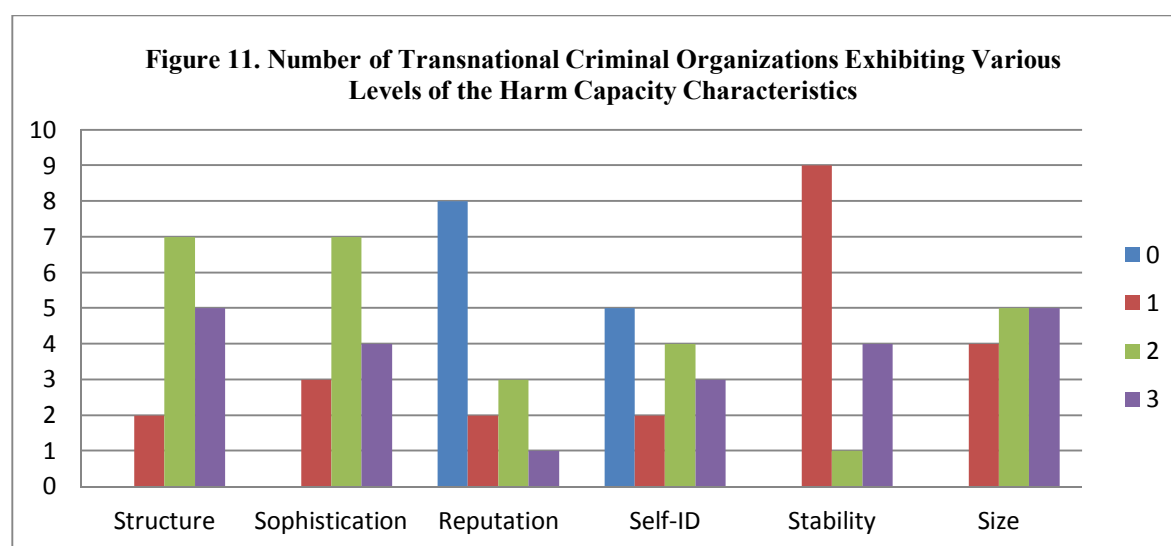
The profits generated from the hydroponic marijuana were reported to be approximately \$200 per pound, according to multiple participants in the illegal activities. At a profit of \$200 per pound, the Krasniqi organization over the span of nearly two years would have profited approximately \$28,000 to \$42,000. This would have generated an average income of approximately \$14,000 to \$21,000 per year. Given an average annual income of \$17,500, the Krasniqi criminal organization was assessed to have caused minimal economic harm. On the other hand, the profits generated from the drug deals appeared⁶ based on limited reporting on narcotics transactions⁶ to be split among the participants. For instance, two Krasniqi members, including a Krasniqi brother, were responsible for acquiring 30 pounds of marijuana in late 2006 or early 2007. They in turn sold the 30 pounds to distributors for \$6,000, which was split equally among the two members.

While the Krasniqi brothers and other members of the Krasniqi organization were active in other criminal activities⁶ including drug trafficking, extortion, and human trafficking⁶ during their time with the Merko organization, there was no reporting to suggest the Krasniqi organization was active in any other activity than the illicit drug trade once they split from the Merko organization in 2005. As mentioned above, the Krasniqi organization attempted to force their way into the illegal gambling business, but they did not appear to succeed. The criminal markets appeared to be closed-off to the relatively new criminal organization.

Chapter 11: Discussion

Distribution of Harm Capacity Characteristics

The case studies highlighted in the previous chapters provide a sample of fourteen transnational criminal organizations (TCOs) with varying degrees of harm capacity. Figure 11, below, illustrates the distribution of the fourteen TCOs based on each harm capacity factor. In particular, seven criminal organizations assessed to have exhibited a maximum level of organizational structure, five with a moderate level and two with a minimal level. Four criminal organizations exhibited a maximum level of sophistication, seven a moderate level, and three a minimal level. Eight of the criminal organizations did not exhibit an authority of reputation, but the remaining six criminal organizations exhibited maximum (1), moderate (3), and minimal (2). Three criminal organizations exhibited a maximum level of self-identification, four a moderate level, and two a minimal level. Five criminal organizations did not exhibit self-identification. Four criminal organizations exhibited a maximum level of stability, one a moderate level, and nine a minimal level. Five criminal organizations exhibited a maximum size, five a moderate level, and four a minimal level.



From the six harm capacity factors, authority of reputation and self-identification were the only factors not exhibited by a number of the sampled TOCs. The absence of the authority of reputation factor for more than half of the sample— 8 of the 14 cases— seem to be related to the type of criminal activity the TOC was involved in. These criminal organizations were primarily involved in telemarketing schemes, cyber-crimes, and the illicit sex business. The only exception was the Martinez criminal organization involved in the distribution of narcotics from Mexico. This criminal organization was a very small, localized street-level distribution network, which— based on the FBI case files— had minimal interaction with other criminal organizations. Their interaction was limited to another organization that obtained its narcotics from the same supplier of illicit narcotics from Mexico.

On the other hand, the criminal organizations that did not exhibit self-identification— 5 of the 14 cases— participated in a variety of criminal markets with no discernible pattern. However, it must be noted that many of the transnational criminal organizations sampled self-identified with companies— owned and operated by a member of the criminal organization for the purpose of defrauding others or facilitating their criminal activities. This reality was incorporated into the ordinal measures of self-identification, acknowledging self-identification was not limited to gang or traditional organized crime affiliations. The impact of this was to have some level of self-identification for organizations like the Ling Xu criminal organization, which identified with the massage parlors they owned and operated, but were not identified as members of a Chinese triad or tong. This also explains the distinction between organizations operating in similar markets. Unlike the Ling Xu organization, the Gladys criminal organization was found not to have exhibited self-identification, using their apartments rather than store fronts to sell sex.

Moreover, a minimal level of stability was found in a significant number of cases— 9 of 14 cases— sampled. While determining an exact date of a criminal organization's creation can be difficult, especially when some members' criminal activities predate certain relationships, the dates given during offender interviews compared with dates of known victimizations provides insight into the organizations' development, at least within the confines of the criminal investigation. The fact that most of the criminal organizations were disrupted in a relatively short period of time suggests, in part, the FBI and other law enforcement agencies can within a relatively short period of time investigate and disrupt a criminal network once a crime is reported.

But it is no surprise that nearly half of these criminal organizations— 4 of 9— were found to be small criminal organizations. This makes it easier to disrupt and dismantle the entire criminal organization. For the other criminal organizations that ranged from medium (4) to large (1), these are organizations that seem to have coalesced around particular criminal actors with particular skill sets or access to the resources needed to facilitate their crime. Therefore, while some low-level criminal participants from these larger organizations were not arrested and detained, it is unclear whether these individuals have continued their criminal activities, and if so, it is not clear if their activities would be at the behest of the "organization" that was investigated and prosecuted. In fact, nearly half of the criminal organizations were found not to have exhibited self-identification, suggesting they may lack the necessary collective identity needed for the continuation of the criminal enterprise; of those criminal organizations with some level of self-identification, these criminal organizations were found to self-identify with an otherwise legitimate business they used to facilitate their criminal activities. With the arrest and

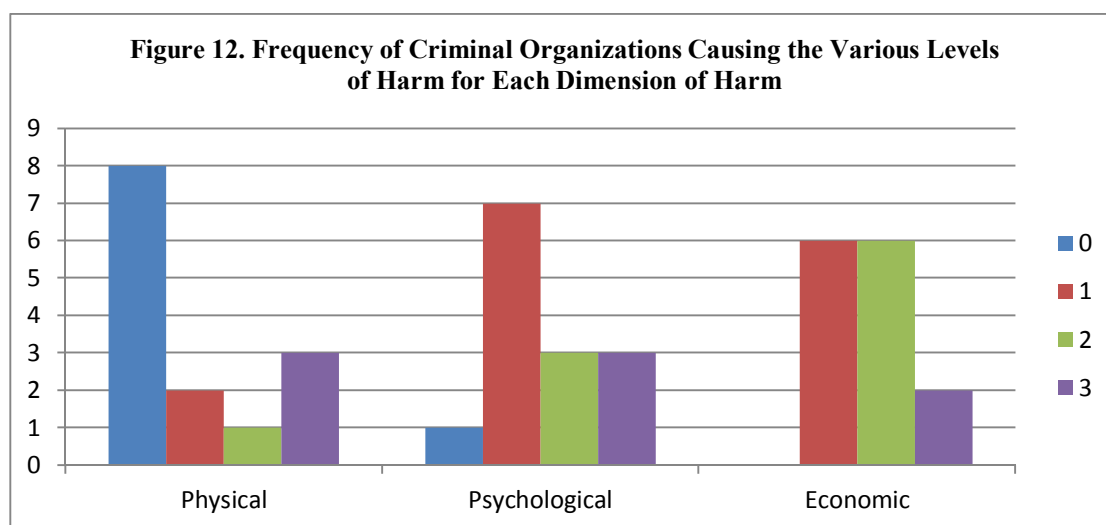
detention of the owners of these small businesses, these small businesses were likewise closed for business.

Distribution of Harm

Figure 12 below demonstrates the number of transnational criminal organizations for each dimension of harm based on the level of harm for the dimension. In particular, more than half of the sample of criminal organizations (8/14) did not or was not reported to have committed physical harm. For those six transnational criminal organizations known to have committed an act of violence, five criminal organizations committed either a maximum level of violence (3) or a minimal level (2). Only one criminal organization was found to have committed a moderate level of violence. With regards to psychological harm, half of the sample (7/14) was found to have committed a minimal level of harm with moderate and maximum level of harm being committed by three organizations each. The sample did include one criminal organization that was found not to have committed psychological harm. With regards to economic harm, the sample included six criminal organizations that were assessed to have caused a minimal level of economic harm with six causing a moderate level and two causing a maximum level of economic harm. Given the primary purpose of a criminal organizations existence is to make money, it was not surprising the sample did not include a criminal organization that did not cause economic harm.

Of the eight criminal organizations found not to have caused physical harm, these organizations were overwhelmingly involved in fraudulent activity through the sale, manufacturing, or trafficking of counterfeit products to the creation of phony internet sites and companies to sell non-existent items to unsuspecting victims. These included the Borden, Cabrera and Mantilla, Roman, Getto, Vladuz, and the Liu criminal organizations. Despite the

fact the Liu criminal organization brokered sales in narcotics, weapons, fraudulent US currency and other items, the criminal organizations primary product was counterfeit cigarettes from China. The remaining two criminal organizations— Ling Xu and Martinez— were the exception with Ling Xu facilitating prostitution through multiple massage parlors and Martinez distributing narcotics from Mexico out of his residence and at public spaces, such as convenient store parking lots.



The majority of the criminal organizations that caused physical harm were found to be involved in human and drug trafficking with the degree of physical violence varying across the organizations operating within the same criminal market. For instance, the Gladys criminal organization was found to have caused more physical harm than the Abror criminal organization despite both organizations being involved in human trafficking though Gladys was involved in sex trafficking and Abror was involved in labor trafficking. Whereas the only known act of violence committed by the Abror criminal organization was against a former partner in the illegal business, not against the migrant laborers, Gladys often abused the women she had smuggled into the United States. On the other hand, half of these criminal organizations (3 of 6 organizations) were involved in the illicit drug trade. The fact that half of the criminal

organizations committing violent acts were found to be involved in the illicit drug trade is consistent with Mandelø (2011) finding that criminal organizations engaged in the drug trade more often than other criminal organizations employ violence as a criminal tactic to its operations.

With regards to the number of criminal organizations causing psychological harm, there was no discernible pattern with regards to the type of criminal organization⁶ via their criminal activity⁶ that caused a maximum, moderate, or minimal level of psychological harm. It was assumed criminal organizations causing a greater level of physical harm would also likely cause a greater level of psychological harm. However, when criminal organizations were evaluated based on the relationship between the two factors, no discernible pattern was found to suggest criminal organizations that caused a greater level of physical harm were more likely to cause a greater level of psychological harm. This is likely due in part to the fact that many of the transnational criminal organizations were involved in fraudulent activity from selling counterfeit products (Cabrera and Mantilla) to selling non-existent products over the telephone (Borden) or internet (Vladuz). These criminal organizations can cause a significant amount of emotional distress to victims, whose loss of wages or savings places a great financial burden on the victim. Yet these organizations are unlikely to cause a great deal of physical harm if any at all.

Some of the disparity is also possibly due in part to the nature of the criminal investigations. Each of the criminal investigations resulted in varying numbers of people interviewed, which depended on the number of suspected victims discovered and number of turn-coats to name but a few. These factors could have had a tremendous impact on the criminal organizations assessed level of psychological harm. For instance, the FARC was assessed to have caused a moderate level of psychological harm because approximately 30 individuals were

interviewed and expressed fear or emotional distress; however, thirty people from the organization and Colombia is a very small fraction of the populations. Therefore, this may be an underestimation of the amount of psychological harm caused by the Revolutionary Armed Forces of Colombia.

Economic harm, which was assessed based on an estimated annual income/profit from the illicit activity, caused by the transnational criminal organizations ranged from approximately \$14,000 to \$100 million. Given the wide range in economic harm, an assessment of "minimal" was truncated at \$1 million or less. Therefore, it must be emphasized that an assessment of "minimal" can still be relatively high in comparison to the median U.S. annual income of \$55,000. With that being said, six of the criminal organizations were found to have caused a minimal level of economic harm. These organizations were the Borden, Ling Xu, Gladys, Krasniqi, Martinez, and the Lucas criminal organizations. Yet a criminal organizations ability to maximize their illicit profits seemed to lie with their size and stability in the criminal market. All of the criminal organizations causing a minimal level of economic harm were found to have exhibited a minimal level of stability. In addition, four of the six— Borden, Ling Xu, Krasniqi, and Martinez— were found to have been small criminal organizations.

Organizations' Capacity for Harm

While certain harm capacity variables can possibly explain the variance in the physical, psychological, and economic harm caused by the transnational criminal organizations under examination, I sought to test the "harm capacity" thesis, which suggests the totality of the characteristics are likely to influence the total amount of harm caused by the organization. To test this hypothesis, the values assigned to each harm capacity factor and dimension of harm were calculated into indices by averaging the values across all factors and dimensions. Table 5

below shows each criminal organization's harm capacity and harm indices. Within the table, the criminal organizations are rank-ordered by their harm capacity indices. This tabulation permits for a cursory analysis across criminal organizations to determine whether a pattern exists which would suggest the harm capacity thesis may be accurate.

Table 5. Relationship between Harm Capacity and Harm Indices

<u>Criminal Organization</u>	<u>Harm Capacity Index</u>	<u>Harm Index</u>
FARC	2.7	2.7
Liu	2.7	1.0
Frank Ma	2.5	2.0
Abror	2.3	2.0
Vladuz	1.8	1.7
Cabrera-Mantilla	1.7	1.0
Borden	1.7	0.7
Lucas	1.5	1.3
Ling Xu	1.5	0.7
Getto	1.3	2.0
Roman	1.3	1.3
Gladys	1.0	1.7
Krasniqi	0.8	1.3
Martinez	0.7	0.3

First, it must be noted that the relationship between the harm capacity and harm indices are largely mixed with some criminal organizations exhibiting a low level of harm capacity but committing more harm than other criminal organizations exhibiting a higher level of harm capacity. The Liu criminal organization, for instance, exhibited a relatively high harm capacity (2.7) but caused minimal amount of harm (1). Yet the Krasniqi criminal organization exhibited below minimal harm capacity (.8) but caused a slightly higher level of harm (1.3) than the Liu

criminal organization. This is partly explained by the fact that the Krasniqi criminal organization was extremely violent as it attempted to break into the illegal drug trade in New York, yet the Liu criminal organization was found not to resort to violence. The Krasniqi's overreliance on the use of violence to enter the illicit drug trade certainly contributed to the organizations relatively high harm index despite its low capacity for harm.

However, nine of the criminal organizations sampled were found to have caused harm commensurate with its harm capacity. That is to say, criminal organizations exhibiting a moderate level of harm capacity caused a moderate level of harm; organizations exhibiting a minimal level of harm capacity caused a minimal level of harm. These criminal organizations include the FARC, Frank Ma, Abror, Vladuz, Cabrera/Mantilla, Lucas, Roman, Gladys, and Martinez. For example, the FARC had a harm capacity of 2.7 and a harm index of 2.7; others were within a tenth(s) of a point from having a direct match between their indices. The Vladuz criminal organization, for instance, had a harm capacity of 1.8 with a harm index of 1.7. These minor distinctions in the values, however, are meaningless from both a quantitative and qualitative perspective. Therefore, they are viewed to be commensurate with each other.

Moreover, it must be noted that while the societal harm variable was excluded from the analysis⁶ since only three of the fourteen criminal organizations reportedly corrupted public officials⁷ the three criminal organizations which were reportedly able to corrupt public officials were among the four criminal organizations exhibiting a moderate level of harm capacity. The FARC, in particular, had exhibited a maximum level of corruption under the scale developed since the FARC was known not only to pay-off public officials but had members of the FARC run for public office in the regions of Colombia under their control. Members of the Liu criminal organization were able to leverage corrupt senior-level state actors to acquire weapons and

super-notes for their American customers. In addition, it was reported that the Liu organization had leveraged their contacts within the American mafia to bribe two U.S. customs officials to ensure shipping containers entered the United States. Lastly, the Abror criminal organization utilized a family member, who was a low level employee for the Uzbekistan government, to obtain fraudulent travel documents to assist in their human trafficking activities.

While the results from the cross-case analysis reveals general support for the *harm capacity* thesis with nine or approximately 64 percent of the criminal organizations committing harm commensurate with their harm capacity, there is less support for the sub-hypotheses, highlighted in chapter 3, with the exception of the relationship between organizational structure and an organization's harm index (more on this below). The values assigned to sophistication, authority of reputation, self-identification, stability, and size varied too greatly across the criminal organizations with no discernible pattern to suggest a relationship exists between these variables and the organization's harm indices though certain harm capacity factors independently or in combination likely explain differences observed between some criminal organizations. Some of those explanations were provided above in the discussions of the distribution of cases for each dimension of harm.

Table 6 below shows the values assigned to each harm capacity factor for each criminal organization with the organization's calculated harm index. An understanding of which factors have the greatest influence on a particular criminal organization requires placing the criminal organization in its social context, something the case study approach in chapters 4 to 10 highlighted though were not systematically evaluated. Therefore, a study of the interaction of these variables with the criminal organizations social environment and law enforcement actions

seem to be necessary to understanding the impact of the factors on a criminal organization's harm capacity. This idea will be further explored in the next chapter.

Table 6. Harm Capacity Measures for TCOs Ranked by Harm Index

TCO	Structure	Sophistication	Reputation	Self-ID	Stability	Size	Harm Index
FARC	3	2	2	3	3	3	2.7
Frank Ma	3	2	2	2	3	3	2.0
Abror	3	3	2	2	2	2	2.0
Getto	3	2	0	0	1	2	2.0
Vladuz	2	3	0	0	3	3	1.7
Gladys	2	1	0	0	1	2	1.7
Roman	3	2	0	1	1	2	1.3
Lucas	2	2	0	1	1	3	1.3
Krasniqi	1	1	1	0	1	1	1.3
Liu	2	3	3	2	3	3	1.0
Cabrera/Mantilla	2	2	1	2	1	2	1.0
Borden	2	3	0	3	1	1	0.7
Ling Xu	2	2	0	3	1	1	0.7
Martinez	1	1	0	0	1	1	0.3

While the interaction between the harm capacity factors and the social context should be examined, the limitations in measuring the dimensions of harm is also worth highlighting since these limitations may have had an impact on evaluating the relationship between the harm capacity factors and the dimensions of harm. For instance, the harm indices⁶ which are the average score for each of the values assigned to the dimensions of harm⁶ included the estimated *annual* income or profit made by the criminal organizations. This was to ensure some level of consistency across all cases, especially since the only data on criminal proceeds for some criminal organizations was derived from FBI interviewees (offenders or former co-conspirators) rather than actual financial records from banks and other institutions. The trade-off to having assessed economic harm this way was to possibly minimize the role of organizational stability, for instance, in the criminal organizations' harm indices. That is to say, the criminal

organizations with higher levels of stability most likely caused even more economic harm than those organizations disrupted by the FBI and other law enforcement agencies within a relatively short period of time.

Despite the lack of a discernible pattern across the majority of the harm capacity factors, a pattern did emerge from the analysis of the relationship between the organizational structure and the harm index. This pattern seems to suggest more hierarchal criminal organizations may indeed have a greater capacity for harm than other forms of organizational structure. Five of the 14 criminal organizations or approximately 36 percent sampled were assessed to have exhibited a maximum level of organizational structure. From this group, which consisted of the FARC, Abror, Frank Ma, Getto, and Roman, all except the Roman criminal organization caused a moderate level of harm. This differs from the criminal organizations which exhibited a moderate to minimal level of organizational structure. These criminal organizations on average were assessed to have committed a minimal amount of harm (average harm index for these organizations was approximately 1.02).

Given the many similarities between the Roman and Getto criminal organizations with regards to organizational structure, criminal activities, and assessed harm capacities (both with a harm capacity of 1.3), when juxtaposed, it appears as though the amount of harm caused by the Roman criminal organization was limited by its own criminal scheme since the Roman organization victimized fewer individuals, who had significant disposable income to pay for luxury items over the internet. Whereas, the Getto criminal organization conducted pre-assessments of their victims' financial status before requesting cash payments to be sent to them for "taxes" on a fraudulent lottery. The amount requested would vary based on the victim's assessment, thus, generating more victims. More victims for the FBI to interview translated into

greater number of people expressing emotional distress over their finances as a result of the crime. Therefore, psychological harm for the Getto criminal organization (3) was higher than for the Roman organization (2). While on average hierarchical criminal organizations from this sample seemed to have caused more harm than the other criminal organizations, other factors, such as the criminal scheme pursued, likely contributes to the overall harm caused by hierarchical organizations.

Nonetheless, the relational pattern observed between organizational structure and harm is an important one given the shift in public discourse about the type of criminal organizations that pose the greatest threat. During much of the 1970s to 1980s, at the height of the *ōwarō* on the Italian-American mafia, it was common for public officials to suggest hierarchical criminal organizations posed the greatest threat, albeit a shared understanding of the mafia's organizational structure supported by research on organized crime conducted by sociologist Donald Cressey. Yet since the 1990s, public officials have warned of the dangers posed by decentralized criminal organizations, indicating that these more fluid criminal organizations are much more difficult to detect and combat. While this study does not settle this debate, its finding that criminal organizations with a hierarchical organization may cause more harm than other forms of organizational structures does shed some light on the topic.

Furthermore, since the mafia historian Mike Dash (2010) suggests the American mafia developed into a hierarchical criminal organization because it was large in size, I analyzed the relationship between these two factors and found mixed results. In particular, from the five hierarchal organizations, three of them were assessed to be medium in size. These groups included the Abror human trafficking organization and the Roman and Getto criminal organizations, which were involved in similar fraudulent activities. On the other hand, the two

larger hierarchical criminal organizations the FARC and Frank Ma were involved in the drug trade. The fact that two of the four criminal organizations that were involved in the drug trade were large hierarchical criminal organizations may provide some support for Leeson and Roger's (2009) hypothesis that the variance in organizational structure is the result of the competition across criminal markets rather than the size of the organization. Whereas, the other two criminal organizations involved in the drug trade Krasniqi and Martinez were found to be small scale operations, exhibiting minimal organizational structure with minimal stability in the market. Therefore, it is equally plausible organizational structure is influenced by both the competition across criminal markets and the size of the organizations, especially if the criminal organization is to survive in the market.

Conclusion

The findings derived from this exploratory study are largely mixed with some general support for the overall 'harm capacity' thesis, given that approximately 64 percent of the criminal organizations examined committed harm commensurate with their harm capacity, five criminal organizations committed harm greater ($n = 2$) or less ($n = 3$) than their assessed harm capacity. No particular harm capacity factor with the possible exception of organizational structure seems to best explain the level of harm caused by the criminal organizations. Yet there are many potential explanations for this finding, especially on a case-by-case basis, to include factor combinations and structural characteristics of the criminal market and operating environment.

Though this study did not control for the structural characteristics of the environment, the case study approach for elucidating each criminal organization under examination did provide some insight albeit anecdotal into some factors that may contribute to an organizations ability

to commit harm. For instance, the case study on the Krasniqi criminal organization underscored the limitations of the organization's ability to break into the drug trade in New York because the market was already occupied by other hostile organizations. In addition, the criminal organization used violence as a primary tactic to enter the criminal market rather than developing and sustaining criminal partnerships. This isolated the criminal organization from others including the narcotics supplier and resulted in greater law enforcement scrutiny.

Chapter 12: Conclusion

This was the first known exploratory study to assess the characteristics of organized crime, such as organizational structure, sophistication, reputation, self-identification, stability, and size, against the estimated harm caused by a variety of transnational criminal organizations across seven international organized crime threats identified by the U.S. Department of Justice (2008). While nine of the fourteen criminal organizations¹⁸ or approximately 64 percent¹⁸ committed harm commensurate with their harm capacity, the findings and the ability to generalize these findings are limited since a small sample of criminal organizations were used. Despite these concerns, an effort was made to sample transnational criminal organizations from the most recently prosecuted and adjudicated cases which exhibited variance across all factors of harm capacity to more accurately assess the harm capacity thesis. This selective sampling process conforms to common practices in qualitative research for using small samples (Cormack, 1991).

Moreover, five of the criminal organizations¹⁸ or approximately 36 percent¹⁸ were found to have committed levels of harm greater or less than their assessed harm capacity. There are, however, a multitude of possible reasons for this, including the possibility that some criminal organizations may not have achieved their maximum capacity to commit harm because of early law enforcement intervention.¹⁸ On the other hand, other explanations exist for why criminal organizations committed more harm than their assessed capacity. In the case of the Krasniqi and Lucas criminal organizations, the amount of physical violence attributed to the organization had an impact on its harm index. The Getto criminal organization was able to maximize its illicit

¹⁸Two of the three criminal organizations which had committed a level of harm lower than their assessed capacity were found to have exhibited a minimal level of stability.

profits through selective targeting of victims for a period of time greater than the Krasniqi, Lucas, and Getto criminal organizations.

Yet no particular harm capacity factor can be said to have caused an organization to commit as much or as less harm as was assessed. As research methodologists have suggested, one of the primary limitations of qualitative research compared to quantitative studies is the ability to control for extraneous variables (Duffy, 1985). This study is no exception. The design of this study did not permit for the controlling of the multiple variables. In addition, no patterns emerged to suggest any particular harm capacity factor may account for the amount of harm estimated across the criminal organizations. However, based on the individual case studies and the cross-case tabulations conducted, the results seem to suggest various combinations of harm capacity factors interacted with structural characteristics of the criminal markets and law enforcement actions. This was found to be true across the fourteen criminal organizations. Therefore, an examination of these interactions will assist in understanding under what conditions a criminal organization may achieve its greatest capacity for harm.

Nonetheless, this study found that hierarchical criminal organizations were more often involved in the drug trade which may provide some support for the theory that criminal markets influence organizational structure (Leeson & Rogers, 2009). On the other hand, these organizations were more often larger criminal organizations; thus providing potential support for Dashø (2010) argument that organizational size influences organizational structure. Therefore, additional research should be conducted on this topic to further explore and test which factors have an impact on organizational development and structure. Longitudinal studies of this type could provide a foundation for an organized crime theory. In particular, Campana and Varese (2012) have highlighted the potential utility of longitudinal stochastic actor-oriented models

within social network analysis to assess the networks (i.e. criminal organizations) evolution over time. This model could provide valuable insight into this topic.

Another interesting finding was that the more decentralized criminal organizations those assessed to have exhibited a moderate level of organizational structure on average had a lower level of stability than the more hierarchical criminal organizations. While several reasons probably exist to explain this relationship, it is important to highlight the role law enforcement played, especially given public statements often made by politicians and others about the threat posed by decentralized criminal organizations. It has often been argued that decentralized criminal organizations pose a greater threat to national security than hierarchical organizations due in part because it is harder for law enforcement agencies to detect and target these organizations. However, the majority of these criminal organizations were disrupted by federal law enforcement agencies within three years and on average caused less harm than the hierarchical criminal organizations. Therefore, it seems as though law enforcement agencies are able to detect and disrupt these criminal organizations before they can possibly mature and cause more harm. Yet it remains possible that some of the criminal participants from these organizations, who were not arrested and detained, could regroup and form a separate criminal organization to commit additional crimes. However, in some of these cases, the possibility seems rather low since key members, who possessed a particular skill set or access necessary to commit the crimes, were arrested and detained.

One of the primary criticisms of conducting national threat assessments is that these assessments often rely on characteristics of criminal organizations which have not been empirically tested for their influence on the alleged outcome of threat. In particular, Von Lampe (2005) has suggested that an assessment of organized crime should be linked to empirical

referents, which cannot be met in part because of the lack of an organized crime theory. To improve assessments of organized crime, researchers should conduct empirical studies which will support theory-building in the field of organized crime. This exploratory study has shed some light on the characteristics which might be important to understanding criminal organizations. Future research, however, should focus on particular characteristics to further explore the relationship between these characteristics and the criminal organizations estimated harm. This approach would flesh out those characteristics of organized crime which can contribute to building an organized crime theory. One such example, to date, has been Leeson and Rogers (2009) study on the role of competition in criminal markets on organizational structure. This study focused on explaining how the differences in the criminal markets Cosa Nostra and sea-faring pirates operated influenced their organizational structures.

Another primary criticism has been on the quality of the data collected on organized crime, making evaluations and assessments of the impact and crime control of organized crime difficult to measure. To assess and evaluate the impact of organized crime or organized crime control strategies, better measures of harm caused by the various criminal organizations are needed. The NIJ-led expert working group on international organized crime suggested the first step to acquire better measures of harm is to utilize closed FBI criminal cases (2010, p.23). This study used the available data in closed FBI cases to measure four dimensions of harm—physical, psychological, economic, and societal—caused by the sampled criminal organizations. However, very little information was available to assess societal harm—defined as the deterioration of the public's confidence in law enforcement and/or a breakdown in the rule-of-law, resulting from public corruption (Finckenauer, 2007). Only in three of the fourteen criminal cases did the criminal organization reportedly use corruption to facilitate their crimes. Since approximately 80

percent of the sample did not reportedly corrupt public officials, this harm was excluded from the final analyses.

It was also recommended by the expert working group that the review of the case files should be supplemented by interviews with those involved in the criminal investigation. For this study, questionnaires were sent to the FBI case agents involved in the criminal investigations. However, less than one percent of those contacted participated in the study. The majority of the agents never responded to the inquiry and subsequent emails. A couple of the agents did exchange emails with this author about the criminal investigation but never filled out the questionnaire. The email exchanges, however, did not add any additional insight into the criminal investigation that was not recorded in one of the many standard case file documents. On the other hand, a couple of the agents, who responded via email, conditionally agreed to participate but wanted to see the questionnaire first, indicating it was doubtful they would be able to provide "sensitive information." This was the case despite the fact the criminal cases were prosecuted and closed and reassurances that I had approval from FBI senior management. These particular case agents would never return the questionnaires even after two additional attempts were made to elicit participation. This experience further highlights the expert working groups concern about the flow of information between stakeholders and researchers.

Despite the hundreds and, in most cases, thousands of documents filed for each of the fourteen criminal cases reviewed, including victim and offender interviews, physical surveillance logs, local police reports, and other investigative records, many limitations still exist with the data collected. Some of these limitations are just inherent with the differences between data collected for research and criminal investigations. The criminal cases sampled for this study, for instance, had varying investigative techniques—such as the use of electronic surveillance,

undercover agents, physical surveillance, or a combination of these techniques⁶ used by the criminal investigators. In addition, certain assumptions were made at the inception of the criminal investigations about the nature of the criminal activities which led the investigators to pursue certain leads and to set the parameters of the criminal investigation. These assumptions were evaluated against the data collected over the course of the criminal investigation.

The evaluation of assumptions became particularly important when reviewing the sex trafficking cases. For instance, in the Ling Xu case, early observations of a masseuse with a bruise on her arm and of the women never leaving the parlor unaccompanied led to the assumption the women were being forced into the sex business. This assumption clearly guided the criminal investigation to its conclusion with the arrest and detention of the owners of the massage parlors and the provision of social services to the masseuses. But the testimonies of the women, who consistently protested the notion they were physically assaulted or somehow coerced into prostitution, did not support this assumption, nor did the women's pleas to leave the women's shelter. In addition, the women's testimonies⁷ with corroboration from other sources⁸ suggested they paid for their own transportation to Kansas and at times were known to have negotiated the services permitted at the parlors. Moreover, the women often expressed concern about leaving the parlor alone because of their immigration status or personal safety. The women, therefore, seemed to be willing participants in the illicit sex business though they often cited socio-economic conditions for their entering the business.

While this exploratory study relied on secondary data collected by the Federal Bureau of Investigation which has its limitations, the data does provide insight into transnational criminal organizations that is not often captured in other data sets. However, as the NIJ-led expert working group suggests, additional sources of data should be used for broader analyses of the

influence of the harm capacity factors on the various dimensions of harm. Data sources from the health or insurance industries, for instance, could provide a more robust data set for which to evaluate the impact or harm of organized crime. Therefore, future research on this topic⁶ as proposed in this chapter⁷ should seek to include law enforcement data, as well as data from other sources. This would permit for a triangulation of multiple data sources, allowing for researchers to draw more reliable inferential conclusions from the research.

While the results from this research provided some general support for the overall harm capacity thesis, the implications for law enforcement policies are limited. They are limited since approximately 36 percent of the sampled cases committed a level of harm exceeding or falling below their estimated harm capacity. This was likely due to a combination of structural characteristics not captured in the threat of harm assessment model. In addition, the findings cannot be generalized to all types of criminal organizations law enforcement agencies are likely to confront. Additional research is needed to explore which organizational and environmental characteristics may have the greatest impact on an organization's capacity for harm. Research that will provide greater insight into the evolution of criminal organizations should also be pursued. This field of inquiry would provide the law enforcement community with a better understanding of the conditions under which criminal organizations emerge, develop, and change.

Appendix A: Addendum

Unit of Analysis: This exploratory study of the harm capacity thesis used a broad definition of criminal organization derived from the definitions created by the U.S. Department of Justice and the United Nations. These government organizations adopted a broad definition to capture the varied manifestations of organizations (i.e. networks, associations, enterprises) engaged in criminal activities. However, the adoption of a broad-based definition of "criminal organization" includes several trade-offs with its conceptualization and its use as the unit of analysis. In particular, the broad definition used can be very inclusive with regards to "members" and "associates" who make-up an "organization." This can lead to potential issues with regards to generalizing the activities and attributes of particular individuals to a larger criminal organization, yet organizations are the sum of individuals' actions when the actions are in pursuit of a shared objective. Therefore, it becomes essential to determine whether the actions of the individual are in pursuit of a collective objective or are individual pursuits. This is further complicated with regards to the various activities of cross-border activities, as it relates, for instance, to distinctions between distribution networks and manufacturers of an illicit product, which are located in different states. While many of the activities are attributed to separate independent organizations, some organizations are known to have members/associates located in multiple countries, which assist in facilitating the groups' activities. Thus, for the purpose of this study, the inclusion of individuals into an "organization" was premised on whether the individuals' actions were vital to the objectives and goals of the group and whether the actions were the result of the individuals' own volition. The latter criterion was important in making distinctions between "members" and "associates" and "non-members/associates" in multiple cases included in this study. For instance, the *cocaleros* or coca farmers in FARC-controlled

regions, at the time of the investigation,¹⁹ had very few options but to grow coca for the FARC in general, but especially the FARC's First Front in this particular case. Therefore, the actual farmers were excluded from membership/association analysis of the "organization."

On a similar vein, another concern about the unit of analysis relates to the extent to which individual membership in a particular group can be attributed to the "organization" that the person is participating even if it is not the same criminal organization to which they hold "membership." For the purpose of this study, individual memberships of a criminal organization were treated as a characteristic of the organization under investigation in order to account for the fact that a member's participation with others with whom no known membership exists can add to the "organization's" reputation via association and more importantly can often provide the "organization" with a link to additional resources or level of protection. This was apparent in multiple cases where at least one criminal self-identified with an established criminal organization though not the "organization" under investigation. For instance, in the Lucas case (Chapter 9), Lucas's brother, who was an identified street gang member and engaged in criminal activity with his brother separate from his gang affiliation, used his gang associates to resolve a conflict that arisen between the Lucas criminal organization and another known street gang. Therefore, Lucas's brother's gang affiliation became an extension of the Lucas criminal organization albeit on an ad hoc basis ensuring Lucas's activities were not disrupted.

Lastly, the context (i.e. social, economic, and political) in which the organizations operate is certainly going to vary across the criminal organizations under review, which potentially impacts the analyses of the organizational characteristics. A limitation to this study is that the organizations were analyzed within a snapshot of time across different socio-economic

¹⁹ See Vanda Felbab-Brown's text *Shooting Up: Counterinsurgency and the War on Drugs* for a more detailed analysis of the evolution of the FARC's "positive involvement" in the narcotics trade.

and political contexts, which impacts the cross-case comparisons given the likely impact this variance may have on the organizations' characteristics. For instance, the Colombia-based FARC organization is likely have different reasons for organizing the way they have than a US-based street level drug distribution network. However, this is also impacted by the changes in the socio-economic and political factors in which the organization operates. The FARC, which is generally viewed largely as a paramilitary group with a political agenda, during the timeframe under analysis, was in fact largely involved in the preservation of its illicit involvement in the narcotics trade. In fact, others (Felbab-Brown, 2010 & Cornell, 2007) have demonstrated that the positive involvement of counterinsurgency groups such as the FARC in the narcotics trade has affected the organizations motivational structure over time. That is to say, the motivations of counterinsurgency groups have dramatically changed after their involvement in the illicit narcotics trade from organizations dedicated to political change to organizations primarily interested in profits and self-preservation from and within the illicit trade. Given motivational changes can occur over time and with involvement in the illicit drug trade, it is important to study various organizations operating within the same illicit trade and when possible within the same environment to better control for the variance in contexts. Nonetheless, for the purpose of studying the level of harm associated with various organizations engaged in criminal activities, these cases provided the level of variance needed within the characteristics under examination albeit the need for further research in this area, especially as it relates to other factors possibility contributing to the levels of harm exhibited.

Measurement of Psychological Harm: The measurement of a criminal organization's activities and the impact of these activities continue to challenge analysts and academics alike. The level of psychological harm caused by particular criminal organizations is especially difficult to

measure. For this exploratory study, a simple calculation of the number of individuals expressing some form of emotional distress or fear of reprisal⁶ a rather broad and less tangible harm⁶ was used to attempt to capture the scope of psychological harm caused by the criminal organization. However, this simple calculation to evaluate the level of harm caused by a criminal organization is complicated by the variations in the allocation of law enforcement resources. In some criminal investigations, more resources were expended on identifying and interviewing victims, impacting the number of individuals included in the calculation. This could have skewed the scope of psychological harm in favor of criminal organizations where the FBI expended more resources to investigate the organization. In addition, the scope of harm could have been skewed by not considering the number of people not expressing emotional distress or fear of reprisal. That is to say, a criminal organization that caused 18 of 19 identified victims to express emotional distress or fear of reprisal could arguably be said to have caused more harm than an organization that caused psychological harm to 20 of 140 identified victims. Under the calculation used for this study, however, the latter was assessed to have caused more psychological harm since 20 versus 18 individuals expressed some form of emotional distress or fear of reprisal. Therefore, future research may consider using ratios to evaluate the level of psychological harm;⁶ however, the greatest challenge to calculating ratios using law enforcement data is many identified or suspected victims are never interviewed, limiting our insight into those individuals' mental states. For instance, in the Abror case, approximately 650 individuals were suspected of being trafficked into the United States based on the number of passports seized by the FBI, but the FBI was only able to locate and interview approximately 60 individuals, which would greatly limit any effort to calculate accurate ratios.

Case Descriptions: Another intellectual and professional challenge to conducting this study with law enforcement case data was balancing the need for details in a case study approach with the FBI and other law enforcement and intelligence agencies need to withhold information which remains sensitive and/or classified. In a few cases, other government agencies information was present in the case files, but remained classified. Therefore, this information had to be excluded from any description of the organization under analysis. In addition, many of these cases spurred separate federal criminal investigations; data specific to these ongoing criminal investigations had to be excluded to avoid jeopardizing an ongoing investigation. These limitations certainly had an impact on the level of details provided in the case studies. Further, the nature and scope of the criminal investigation likewise had an impact on the level of details provided. Criminal investigations are designed to capture enough evidence to prosecute criminal participants; this is often at odds with the rigorous academic demands for consistency in interview questions and information gathering across criminal participants and organizations. As a result, the level of details provided in each case was dependent on the amount of data available for public consumption and the nature and scope of the criminal investigation.

Appendix B: Questionnaire

INFORMATION CONCERNING ORGANIZED CRIME GROUPS

Please provide the following information for each crime group in your jurisdiction.

Identity of Group

1. Does this group have a "formal" name by which it is known? e.g., Hell's Angels, La Nuestra Familia?

Yes Name _____

No_____Then by what name do you identify it?

2. Does this group operate in other jurisdictions as well as yours?

Yes _____ Locations _____

No

Don't know_____

The following questions refer to the group's activity in your jurisdiction.

3. Is there a formal membership status; that is, does a person know whether he is in or out of the organized crime group?

Yes____Approximate number of members____
 associates____
 others (?)____

No_____Approximate number in group_____

Don't Know

3a. Are there formal titles (e.g., secretary, treasurer, lieutenant colonel)? If so what are they?

Title	Approximate number
_____	_____
_____	_____
_____	_____

4. Are certain professionals (e.g. lawyers, accountants, bondsmen) associated with this group in its business activities?

Yes____ Profession Nature of professional relationship

No____

Don't Know____

Group Cohesiveness

5. Do members have certain traits in common (e.g., blood ties, ethnicity, prison sentence, race, religion)?

Yes____ Traits_____

No____ Then what holds them together?_____

5a. Do most associates have certain traits in common (e.g., blood ties, ethnicity, prison sentence, race, religion)?

Yes____ Traits_____

No____ Then what holds them together?_____

6. Are ceremonies or rituals involved in the organization, e.g., when inducting a new member?

Yes____ Nature_____

No____

7. Aside from 6., are there any other activities or requirements that promote group cohesiveness?

Yes____ Nature_____

No____

Group Evolution and Activity

8. Approximately when did this group come into existence? 19____

9. When did it first come to the attention of enforcement officials as a distinct organized crime group? 19____

10. In which activities was it originally involved?

Activity	Year activity ceased (or ðongoingö)
_____	_____
_____	_____
_____	_____

11. In which activities is it currently involved, and to what extent?

Activity	Regular (how frequently)	Sporadic	Approximate annual net revenue
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Group Leadership

12. About how many members appear to be involved in decision-making?

13. Have there been any changes in leadership during the evaluation period?

No_____

Yes_____ Describe the cause of changes (e.g., death, prison, dissension); include whether the changes were peaceful or violent. _____

Harm from Drug Trafficking

Societal Harm

1. Have ðlegitimateö businesses been opened by the organized crime group in order to launder the proceeds of its illegal business?

No_____ Yes_____ Explain_____

2. Has corruption of public officials occurred or been suspected as a result as a result of the drug trafficking operation?

No_____ Yes_____ Explain_____

3. Has public confidence in law enforcement been affected by drug trafficking operations in this jurisdiction?

No_____ Yes____ Explain_____

Physical Harm

4. Has any physical harm been associated with this operation during the criminal investigation?

No_____ Go to question 10

Yes_____

5. What precipitated the incident(s) e.g., nonpayment of debts by customers, territorial dispute or other dispute between competitors, attempts to force syndication on independents?

6. For each individual harmed, what was the extent of physical harm i.e., whether (a) killed, (b) permanently injured (describe), or injury was temporary (describe and give days needed for recovery)?

Economic Harm

7. Have customers been subjected to economic harm?

No_____ Yes____ Explain_____

8. Estimate annual gross revenue of this operation. Give low, high, and most likely gross revenue.

Low_____ High_____ Most Likely_____

9. Basis for this estimate e.g., informant or customer information, estimate of total weekly payments 52 weeks. _____

10. Estimate the annual net revenue of this operation. Give low, high and most likely net revenue.

Low____ High____ Most Likely____

11. Basis for this estimate e.g., interest fees, etc.

12. Are there any other direct or indirect economic harm associated with this drug trafficking operation (e.g., money laundered out of the country)?

No____ Yes____ Describe_____

Psychological Harm

13. During the course of the criminal investigation, how many customers or competitors have been threatened with death or bodily injury as a result of the drug trafficking operation?

14. During the course of the criminal investigation, how many other members of customers or competitors families have been threatened with death or bodily injury?

15. Is there any other psychological harm associated with this drug trafficking operation?

No____ Yes____ Describe_____

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