

The Impact of Drugs Trafficking, Corruption and Organized Crime

How to Strengthen Regional Cooperation around the Baltic Sea

Robert Nilsson
Walter Kegö

POLICY PAPER
June 2009



Institute for Security &
Development Policy

The Impact of Drugs Trafficking, Corruption and Organized Crime

How to Strengthen Regional Cooperation around the Baltic Sea

Robert Nilsson

Walter Kegö

"The Impact of Drugs Trafficking, Corruption and Organized Crime: How to Strengthen Regional

Cooperation around the Baltic Sea" is a *Policy Paper* published by the Institute for Security and Development Policy. The *Policy Papers Series* provides concise and accessible analysis of contemporary issues and events. The Institute is based in Stockholm, Sweden, and cooperates closely with research centers worldwide. Through its Silk Road Studies Program, the Institute runs a joint Transatlantic Research and Policy Center with the Central Asia-Caucasus Institute of Johns Hopkins University's School of Advanced International Studies. The Institute is firmly established as a leading research and policy center, serving a large and diverse community of analysts, scholars, policy-watchers, business leaders, and journalists. It is at the forefront of research on issues of conflict, security, and development. Through its applied research, publications, research cooperation, public lectures, and seminars, it functions as a focal point for academic, policy, and public discussion.

This publication is kindly made possible by support from the Swedish Ministry for Foreign Affairs. The opinions and conclusions expressed are those of the author/s and do not necessarily reflect the views of the Institute for Security and Development Policy or its sponsors.

© Institute for Security and Development Policy, 2009

ISBN: 978-91-85937-61-5

Printed in Singapore

Distributed in Europe by:

Institute for Security and Development Policy
Västra Finnbodavägen 2, 131 30 Stockholm-Nacka, Sweden
Tel. +46-841056953; Fax. +46-86403370
Email: info@isd.eu

Distributed in North America by:

The Central Asia-Caucasus Institute
Paul H. Nitze School of Advanced International Studies
1619 Massachusetts Ave. NW, Washington, D.C. 20036
Tel. +1-202-663-7723; Fax. +1-202-663-7785
E-mail: caci2@jhuaig.admin.jhu.edu

Distributed in Europe by:

Editorial correspondence should be addressed to Dr. Bert Edström at: bedstrom@isd.eu

Table of Contents

Introduction	5
Background and structure of the seminars	6
First Riga seminar, May 22-23 2008. Law Enforcement Officers	9
The Current Situation – Russia	10
The Current Situation – Estonia.....	11
The Current Situation – Lithuania.....	12
The Current Situation – Latvia.....	13
The Current Situation – Sweden	13
General Comments from the Discussions	14
Discussion on Cooperation	15
Second Riga Seminar, September 4-5 2008. Researchers	18
Introductory Remarks	18
Comments from Two Invited Latvian Guests.....	19
Research on Organized Crime; Some Examples from the Region	21
Concluding Statements	23
Organized Crime in the Baltic Sea region	25
<i>By Aurelijus Gutauskas</i>	
Phishing in Polish style	29
<i>By Jerzy Kosiński</i>	
Final Conference in S:t Petersburg, November 6-7 2009	36
Policy Recommendations	42
From a law enforcement perspective	42
From a research perspective	42

Introduction

Since 2005, the Institute for Security and Development Policy (ISDP) has conducted a research project on the subject of countering narcotics and organized crime in the Baltic Sea region. This project has been funded by European Cities against Drugs (ECAD) and the Swedish National Drug Policy Coordinator. The objective has been to analyze trends in narcotics trafficking and organized crime as well as to find ways to improve regional law enforcement cooperation to meet these threats. For this purpose, ISDP has developed an extensive network of researchers and law enforcement officers from around the Baltic Sea region. Funding has been used to arrange a series of seminars and workshops where these professionals have been offered the unique opportunity to meet and discuss specific issues and trends in relation to narcotics and organized crime from different perspectives, a chance which is rarely afforded due to scarce budgets and the limited staff resources within national law enforcement offices and academic institutions.

In 2008 ECAD allocated funding for the completion of two seminars and a larger concluding conference to be held in Riga and St. Petersburg, respectively, and arranged by ISDP. Furthermore, the ECAD offices of Stockholm, Riga, and St. Petersburg provided extensive logistical support and translation services to the organizers. This report is the final result from the three aforementioned meetings. After a brief background to describe the structure of the seminars, a compilation of the discussions held on each occasion will follow. Two individual discussion papers presented at the second meeting in Riga are also incorporated as separate chapters. Finally, a number of recommendations extracted from the overall outcome of the seminars will be presented. They are to be regarded as the collective views of many experienced law enforcement officers and academic researchers in their joint efforts fighting one of the greatest threats to the development of open and democratic societies – transnational organized crime.

Background and Structure of the Seminars

The need for expanded and improved regional cooperation among the states around the Baltic Sea in countering the illicit drugs trade and organized crime is something which has been emphasized by papers previously published by ISDP within this research project. However, this is the first major attempt to put the acute need for regional cooperation among the wider spectrum of law enforcement offices and research communities at the very forefront of the policy debate. The reasons are manifold and ever more pressing in the rapidly changing context of closer European integration both within the Union itself and with the countries just east of the common border.

The by far most profitable and, at the same time, most serious business for organized criminal networks operating in the Baltic Sea region is that of narcotics, through the entire chain from production to distribution. Even though the drug problem has been described by UNODC as *contained* in the sense that the demand has been stabilized, recent figures show that this containment is under threat.¹ On the supply side the situation looks very different with increases both in production and trafficking. Similar to any legal market, the balance between supply and demand is the main determinant for pricing as well as the development of new business strategies for the drug lords within organized criminal networks.

Together with these basic underlying factors of the narcotics trade, there are a number of recently emerged and decisive variables which have to be accounted for in the analysis of the future impact on cooperation among the states in the Baltic Sea region and its immediate neighbors. One such important factor is last year's decision to enlarge the Schengen area, raising a number of pertinent questions and challenges of how to adapt to the radically changing environment where the borders of the EU have now been brought "closer to regions and territories which are unstable, uncontrolled and hence should be a source of concern due to the crime trends visible in geographical

¹ UNODC: 2008 *World Drug Report*, preface

areas such as the Northern Caucasus and Central Asia.”² Another such factor of which we still know very little about is the impact of the financial crisis. Most likely, this crisis will have effects on the narcotics trade as on any other legal or illegal trade. These effects are difficult to predict at the moment, but just as a strong and well-monitored banking system carries the necessary pre-conditions for controlling and securing financial transfers, the weakened state of the banks in the region could provide increased opportunities for organized criminal networks in their continuous search for expanded business opportunities.

But apart from these two politico-economic changes of great import, what are the more imminent challenges to be met in the common fight against the proliferation of narcotics and growth of organized crime in the Baltic Sea region? During previous workshops, participants have pointed to *corruption* as one of the factors currently hindering effective regional law enforcement cooperation. Aside from the apparent negative consequences of corruption on crime fighting operations, corruption also undermines the trust needed for establishing long-term operational cooperation. A second and equally important factor is *the lack of a common regional strategy*; something which would greatly improve the opportunities for countering narcotics and organized crime through the development of common procedures for intelligence, strategic analysis, and profiling. There must also be a much stronger focus on information exchange between the region’s national law enforcement agencies. As of today, there are several examples of good bilateral cooperation such as between Poland and Sweden, and Finland and Estonia. However, these modes of cooperation have to be modernized and expanded to include further partner states.

Planning for this year’s workshop seminars, the phenomenon of corruption and the lack of a common regional strategy regarding the fight against narcotics and organized crime were determined to be the two main topics for discussion.

Whereas previous workshops have included both law enforcement officers as well as academic researchers, it was decided to try a different approach. The

² Jonsson, Kärstrand & Goos, *The Baltic States Joining Schengen: Opportunities and Challenges*, conference report, Stockholm November 2007

initial meetings were divided into two smaller venues, held on separate occasions in Riga, Latvia. The reason was that the organizers expected the discussions on the topic of corruption to be too sensitive if participants came from too diverse professional backgrounds.

Finally, the participants were invited to a concluding conference for the establishment of a number of jointly formulated policy recommendations. This was the first time such a meeting was held by the organizers for the purpose of discussing the current situation in The Baltic Sea region related to narcotics, organized crime, and corruption in St Petersburg. The response from invited Russian participants and the invited audience was very positive, and it seems there are both a great interest in and also a strong need for such an exchange of experiences and ideas for the benefit of improved future cooperation.

First Riga Seminar, May 22-23 2008. Law Enforcement Officers

ISDP representative Mr. Walter Kegö welcomed the participants and presented a short background and the ideas to why this meeting was initiated.

The first seminar included law enforcement officers from Sweden, Estonia, Lithuania, Latvia, and the Russian Federation.

The concept of bringing together law enforcement officers, academics, and policy researchers from the countries of the Baltic Sea region for the purpose of exchanging information and analysis has been much appreciated by the participants and highly successful, providing useful material for policymakers in their work against criminal developments in the region. During the last meeting held in Stockholm, November 14, 2007, the opportunities and challenges of the enlargement of the Schengen area were discussed and detailed in a subsequent report.³ Furthermore, the idea was raised to extend the already existing Baltic Sea network to include law enforcement officers and researchers from the Black Sea region, in order to let them draw upon the experiences and lessons learned from the past decade of cooperation among their northern neighbors. The overarching goal would then be to strengthen and further cooperation between both these regions. As a result, questions such as the harmonization of laws, tools to meet the new challenges resulting from the Schengen enlargement, and transnational cooperation within the area of narcotics and organized crime could be discussed and analyzed even more fruitfully. Accordingly, Mr. Kegö informed the participants of his fact-finding trips to Ukraine, Moldova, Belarus, and Georgia made in the spring of 2008. Compared to the ever closer cooperation among the states around the Baltic Sea, it was striking to note the lack of mutual exchange of information and the low levels of cooperation among the abovementioned countries.

³ Jonsson, Kärstrand & Goos, "The Baltic States Joining Schengen: Opportunities and Challenges", conference report, Stockholm November 2007

A third and equally problematic issue hindering effective crime reduction is corruption in all its existing variances. This is yet again an important reason to why law enforcement officers need to meet, build trust, and cooperate on a personal level across national borders within the framework of their operational duties.

ECAD representative Dr. Andrejs Vilks also presented his thoughts on the subject. There are clearly several new challenges to be met after the Schengen enlargement. From the perspectives of Latvia, Lithuania, and Estonia, the rising inflation and decrease in production paves the way for criminal activity. In Latvia it is obvious that certain illegal economic structures have now taken the opportunity to increase their influence, in legal as well as illegal markets. These developments are very important to follow in order to make credible analyses of the overall situation. All of these activities are currently ongoing. Related are the increased occurrences of different types of serious offences such as homicide, grand thefts of gold and other gems etc., which are perpetrated more or less openly in the street.⁴ What is needed is a discussion about the political will within Latvia as well as in organizations such as the UN and EU to effectively combat such issues. Another subject of importance is the increase in opium cultivation where little is done to counter this phenomenon which is mainly related to Afghanistan. What is missing is a thorough, mega-political strategy along with a public debate in the media. This is what is urgently needed in the area of opium cultivation; meanwhile, all that is done is to merely counter the consequences and not the root of the problem – which needless to say is too little too late.

The Current Situation – Russia

Due to the sheer size of the Russian Federation it is impossible to make any general statements with reference to the situation regarding narcotics and organized crime. To make an illustration, an MDMA tablet costs approximately €4 in St. Petersburg. The same tablet in Siberia can cost up to ten times as much which makes it possible for drug traffickers to earn enormous sums on the domestic trade. It is difficult to describe trends valid for the entire country, especially as they shift rapidly. Nevertheless, it seems there is less heroine being sold on the market, while there are increasing amounts of syn-

⁴ See ECAD newsletter at www.ecad.net

thetic drugs in circulation. In the case of western Russia, heroin is now being overtaken on the market by GHB. As heroin addicts are diminishing in number, new generations of drug users are shifting to synthetic drugs. There is also a great demand in Russia for hashish, which is being smuggled via Spain or Portugal, then Finland and further into Russia. Another route for hashish is from Iran via Azerbaijan. Methamphetamine is smuggled into Russia from Lithuania, possibly decreasing the amounts coming from Estonia. Indeed, domestic production has been reduced in Estonia due to the fact that it can be produced at a much lower cost in Lithuania. Referring back to the increase in synthetic drugs, large amounts of ecstasy in Russia come from Holland. In October 2008 this year, some 95,000 tablets were seized and in the preceding month some 40,000 tablets were taken. GHB is also another drug increasing in popularity, especially with the younger population and even to the extent that they would choose this drug as a replacement to drinking vodka. It is contained and sold in bottle caps, causing many deaths every year. As there is an industrial use of the substance, GHB is still not on the Russian list of prohibited drugs. The trend for cocaine is also increasing. In the case of St. Petersburg, the cocaine sold is produced in South American countries such as Ecuador, and is smuggled either through Hamburg or from the south via Greece, Cyprus, or Turkey. When possible, organized groups in control of this traffic also prefer northern Russian ports such as Novorask. There are also airborne routes for cocaine trafficking.

As long as there is a demand for drugs it will be impossible for the police to stop the use and trafficking of drugs. However, the police are the only body who are able to limit the use and selling of illegal drugs. The fight against organized crime is crucial in this context, which is why Russian police launched an anti drug campaign in 2001. This resulted in a rapid development of their modes of operation. This trend is proven by reports that these groups are becoming more and more efficient with an increased degree of organization.

The Current Situation – Estonia

The general situation in Estonia is very similar to that of western Russia. Last year, major seizures in Estonia consisted of amphetamine, hashish, and GHB. Cocaine is rapidly becoming a very popular drug, too. As in the case of

Russia, heroin is being replaced by the “White Chinese” – trimethylphen-
tanyl. This drug has increased in popularity probably in part due to the dis-
turbances in Afghan heroin production and also because of the superior effect
it gives when taken compared to heroin. Furthermore, as doses are much
smaller than in the case of heroin, this makes smuggling easier. The other
side of the coin is that it causes more deaths due to overdose. When Estonian
police managed to crush the organization responsible for nearly all sales of
trimethylphen-
tanyl in the country, prices skyrocketed from €100 to €250 per
gram. For cocaine, the Estonian situation is very similar to that of other Eu-
ropean countries.

Estonian organized criminal groups are creating a stronghold in the country.
This can be noticed in several ways. For example, an increasing number of
Estonians without previous connection to drugs are paid to traffic drugs
across the border. Obviously this means that there is enough space for any-
one who wants to have their share in this business. Recently, Estonian police
discovered three new laboratories for the production of GHB. Another ex-
ample is the recent seizure of 2 tones of saffron, an MDMA precursor.

The Current Situation – Lithuania

Over the past year marijuana, synthetic drugs, and heroin have become in-
creasingly popular. Amphetamine prices have increased, from €2.5 Euro to €8.
Interesting for Lithuania’s near neighbors is that current seizures are now in
the range of up to 20 kg from previous level of only a few grams. This raises
the question of which market this amphetamine was aimed for, clearly indi-
cating that these amounts were meant for transit somewhere else. Much of
the heroin smuggled into Lithuania is received in Kaunas from Ukraine. It
seems that this heroin originates from Russia where it has been exchanged
for amphetamine, as heroin is now decreasing in popularity in Russia. At the
same time, it seems as if the domestic production of methamphetamine is in-
creasing due to the fact that it is stronger and easier to produce than amphe-
tamine.

Furthermore, an interesting case from last year is the seizure of 40 kg of khat. It seems
that African smugglers have initiated cooperation with Lithuanian organizations so as
to traffic of synthetic drugs, khat, and cocaine to other European markets.

The Current Situation – Latvia

The Latvian situation is no different from the other countries. A large laboratory for the production of trimethylphenyl was found and subsequently shut down in 2005. This laboratory was located close to the Russian border, most certainly aimed at the markets in Ukraine and Belarus. Latvian police have also encountered several cases where heroin has been topped with trimethylphenyl in order to produce a stronger dosage. Drug abuse is today a huge problem in Latvia, causing thousands of deaths as a result of overdosing according to official statistics. Narcotics related crime has increased substantially, and especially so in the greater Riga region. Latvia now has a national action plan in place to fight both drugs and organized crime.

The Internet is now used to a much larger extent than previously as a source for distribution, both in terms of knowledge of how to produce drugs and the sale of drugs. Smaller laboratories making precursors for GHB have been discovered this year as well as private marijuana cultivations. With all the information readily available on the web, it is extremely easy for anyone to access components and knowledge of how to start your own home laboratory.

Latvian criminal groups are extremely well organized and stable with a strong focus on Russian as well as other East European markets. Moreover, their international contacts now include African and South American counterparts.

The Current Situation – Sweden

There has been a sharp, recent increase in both the amount of amphetamine and methamphetamine smuggled into Sweden. The routes used are either by land through Germany and Denmark, or by sea routes into harbors directly from Poland and Lithuania where these drugs are produced. All of this traffic is controlled by Polish and Lithuanian criminal groups. However, the previous production and trafficking of amphetamine in Estonia seems to have disappeared entirely. Also, there is information indicating that BMK from Russia continues to be smuggled to end destinations in the EU, such as the Netherlands and Belgium where this precursor is used for the production of synthetic drugs. It seems none of this is transited via Sweden. The situation

regarding cocaine is similar to that of the other member states of the EU. The heroin found on the Swedish market is mostly of the brown type produced in Afghanistan. Trafficking of heroin has changed and today it seems as though criminals from East Africa run this business. Cannabis is still the most common drug in Sweden; nearly all of it is produced in Morocco and trafficked in large quantities between the two continents.

Different types of international organized criminal activity other than drugs trafficking in Sweden are visible mainly in the form of burglaries and human trafficking mainly for sexual purposes. Previous complaints from neighboring countries around the Baltic Sea that Swedish laws hamper effective operational cooperation have led to changes in Swedish criminal law. Swedish police have now also been granted the right to surveillance and eavesdropping. However, it is still not possible for Swedish police to make controlled purchases of drugs, an issue which may come to change in the future.

General Comments from the Discussions

It seems as though the production of synthetic drugs to some extent no longer can be said to be “owned” by a certain country in the region. Precursors, equipment, and harmonized means of production together with widely spread knowledge has all contributed to the simplicity in the setting-up of laboratories just about anywhere in the region. For example, in Russia it is extremely easy to order chemical substances for the production of synthetic drugs which then can be spread accordingly to different production sites. It is also the case that ethnicity has come to play a minor role within organized criminal groups. Now that mobility within the Schengen area has opened opportunities for the establishment of local branches of criminal groups in other countries, faster cross-border intercommunication has brought smooth and profitable business. From a law enforcement perspective, there are ways to counter this ever greater internationalization of organized crime. One example is the joint chemical analysis of seized synthetic drugs. From such analyses it is possible to track the origin of different shipments in order to receive important information about production sites and connections between groups. As has been stressed before, those efforts at cooperation which have taken place between law enforcement agencies in the region have all been

quite successful, something which should definitely be supported in the future.

Discussion on Cooperation

Cooperation in the area of countering narcotics and organized crime is still a topic which leaves a lot of room for continued improvement. In some instances, cooperation and exchange of information is solely done on the strategic level, whereas in other cases most cooperation is carried out at the operational level with direct contacts between law enforcement officers across national borders. Most participants agreed that informal, direct exchanges of information based on a personal knowledge of the officer on the other side of the border are by far the fastest and most reliable forms of cooperation. When it comes to official communication at the strategic levels, cooperation is slowed by red tape and complicated chains of communication. Corruption is a problem; it is not always easy to know whether your counterpart is reliable without first getting to know him or her better, a process which naturally takes time. Furthermore, there is a need to have access to existing joint databases. This is another option to shorten the time for passing information about criminal groups and their activities. Yet another very valuable source for the fast retrieval of reliable information is the stationing of liaison officers in the units of other countries, something which many countries deem too costly but which makes communication easier at all levels. Liaison officers should be regarded as ambassadors for their native countries, useful for the promotion of contacts between states not only in fighting crime. They should also be regarded as invaluable for the creation of trust and long-term establishment of good, neighborly relations in many other areas of civil life. Communication channels like these must be made stable, continuous, and trustworthy, whereas many of the professional contacts today are ad hoc and all too brief.

Whereas there have been many examples of close and improving cooperation on the operational level. Further, there are today good tools available for law enforcement officers such as databases, controlled deliveries, and electronic communication. There remains, however, much more to be done on the strategic level. For example, harmonization of laws is an area where the process should be improved and with greater speed.

The problematic issue of corruption was also brought up for discussion. The final years of the Soviet Union's existence were a dark period where many individuals were able to build their personal fortunes through illegal means amid the weakening of control and the crumbling of the state structure. In the case of Russia today, however, there is now a stronger focus on the fight against corruption. Today's forms of corruption look a bit different from those of yesteryear as they are hidden within legal framework structures, which make them harder to discover and counter. Especially important are new measures to stop young officers from getting involved with criminal elements, either through means of bribery or blackmailing. This is certainly a problem, especially in the area of narcotics where the money flows are so large. Criminal elements are good at finding who is in a personal problematic situation where they can be lured into illegal activities. Openness and awareness of this problem from police management are weapons in this fight. In Lithuania there are examples where high police chiefs have been discovered to be involved with organized criminal groups. The situation in Latvia looks a bit different, however, where the media publicize any allegations of corruption regarding politicians as well as police commissioners. Investigations continue sometimes for years, seldom leading to any convictions. Officers at the lower levels who run the greatest risk of becoming corrupt are the ones working close to the borders with Russia, and are most often involved in the trafficking of cigarettes, alcohol, and petrol products.

For the purposes of future discussion among law enforcement officers it would be fruitful to invite colleagues from other parts of the region, such as for example from Kaliningrad. It would also be very meaningful to share information on new psychotropic substances and drugs coming onto the market. In several countries in the region, legislation to place new substances on national lists of prohibited drugs is slow and hampered by bureaucratic procedures. "Best practices" in the area of law enforcement is another area which could be useful to bring up for discussion. However, the most important discussion must always be how to decrease the demand for drugs on the market as larger seizures alone will never suffice in the fight against narcotics and, in the long run, organized crime. Ideas to practice the implementation of for example controlled deliveries between different countries were brought forward. In line with these ideas, the instigation of an exchange program where

colleagues can be invited to gain a wider knowledge of operational law enforcement was also discussed.

Second Riga Seminar, September 4-5 2008. Researchers

Introductory Remarks

ISDP representative Mr. Walter Kegö welcomed the participants to Riga and started the meeting with a brief recount of the general outcome from the first seminar held in May.

Two main topics were brought forward for discussion by the seminar participants: first, the trends and development regarding organized transnational crime; and secondly, cooperation among the law enforcement agencies in the region and the future prospects of how the enhancement of such cooperation can hinder the growth of criminal networks operates in the Baltic Sea region. Within this second topic, the effect of corruption as an obstacle to cooperation was included.

ISDP has worked to promote the fostering of ties between law enforcement officers and researchers in the area for nearly three years, bringing them together in seminars and conferences in various locations of the region. From the start, participants came from the Nordic and Baltic states. The seminar in May included participants from Russia for the first time.⁵

Mr. Kegö then introduced the plan to further extend the network to incorporate the countries south of our region – namely Belarus, Ukraine, Moldova, and Georgia. The aim is to initiate cooperation, the mutual exchange of information, and to discuss lessons learned with researchers and law enforcement officers from these countries. In line with this work, Mr. Kegö traveled last spring to the above countries to meet representatives from police, customs, and prosecutors' offices as well as ministries in order to find out to what extent there is an interest in future cooperation. The results were very positive, confirming the need for more knowledge and cooperation in matters of organized crime and the trafficking of drugs. The situation in the countries around the Black Sea is in many aspects very similar to that of our re-

⁵ Goznarkontrol, S:t Petersburg

gion. Only in Belarus are there notable differences as there is a low demand for drugs, with alcohol considered to be the larger problem although there are signs of a rise in demand for synthetic drugs. These drugs are mainly trafficked through Poland and Lithuania and distributed within the country among private networks of friends and families. There is little evidence that organized crime is active on any significant scale in Belarus. However, Belarus is used as a country of transit for narcotics trafficking to the Russian market. There is also some evidence of the use of Belorussian territory for the intermediate storage of narcotics – something which does indicate the operations of organized networks inside the country. On November 26-27 2009 a seminar will be held in Kiev, Ukraine to launch the first practical steps of the extended network along the Baltic Sea – Black Sea axis. The seminar is sponsored by the Swedish National Drug Coordinator.

Comments from Two Invited Latvian Guests

During the first session, Mr. Aleksejs Loskutovs, the former Director of The Corruption Prevention and Combating Bureau (KNAB) in Riga, paid the seminar a short visit.⁶ After a brief introduction of KNAB and its mission and structure, Mr. Loskutovs made some brief comments regarding KNAB's role in Latvia. During his time as Director there had been few investigations related to corruption and narcotics trafficking, but he was of the belief that the number of cases will increase substantially in the future. Furthermore, as Latvia is such a small country, corruption related to conflicts of interest with public servants constitutes the most difficult challenge for the work of the bureau. It is also his view that different economic structures have a large influence on political decision-making, which was clear to see in the negative attitudes displayed towards KNAB in its investigations of the financing of political parties in Latvia, one of the bureau's most important duties. Still, KNAB enjoys a high standing in Latvian society and much of the work done is highly appreciated by the citizenry in general. Mr. Loskutovs mentioned a specific example where KNAB had assisted in an investigation which led to the prosecution of 42 border police and customs officers. Successful cases like these are important to show the EU that Latvia as a new member is seriously committed to maintaining law and order and striving to reduce corruption

⁶ <http://www.knab.gov.lv/en/knab/>

among state officials. This example also showed the lack of trust between law enforcement authorities in Latvia and the need for greater and better inter-institutional cooperation. In spite of the attention in the Latvian media of corruption in the last few years, Mr. Loskutovs indicated that results against corruption are meager and that there are actually few cases which are reported to KNAB and which lead to prosecution in court.

In the case of narcotics trafficking, Mr. Loskutovs is of the view that problem awareness within the Latvian courts has to be increased. This is also perhaps the greatest reason as to why so few cases concerning drug crime are brought to court. There are many good reasons to develop and protect the work of the courts, especially with regard to their role both in Latvia and in cooperation with the European court system. Although KNAB has put a lot of effort into informing the Latvian public about corruption, there still seems to be a low degree of awareness of the harm done to society, and perhaps especially so by corruption related to the narcotics trade.

At this point, Mr. Aldis Lieljuksis, head of the Latvian National Police, joined the discussions. For him, a great problem is the lack of well educated and experienced police officers in the Latvian police force. As for international cooperation, it has been improved greatly over the past few years. Communication between drug enforcement agencies is much better and faster today, especially among the three Baltic States. Especially operational cooperation has improved, one example being the controlled deliveries between destinations in different countries.

Overall, the situation in Latvia regarding narcotics is deteriorating rapidly, however. One example is the enormous increase in cocaine trafficked in Latvia which has risen ten times in a very short period of time. Accordingly, Mr. Lieljuksis has initiated a focus on prevention since he took office, starting with field work in an attempt to investigate the narcotics situation on the street level. The results were appalling, leaving no doubt of the serious problem Latvia is facing. Since then, public campaigns and pointed police efforts to hinder the trading in narcotics in clubs and larger parties have been tools to ameliorate the situation. A vital part of the campaign has also been to inform young students about the disastrous effects of narcotics usage, including documentary films and other instructive material.

Towards the end of the discussion, Mr. Lieljuksis answered questions regarding the structure of the Latvian police force and his views on strategies for preventive work in fighting the growth of narcotics and crime related to drug abuse, especially committed by under-age criminals. In his view, Mr. Lieljuksis referred to the rapidly declining economy as a major factor for the unwanted growth of organized crime and narcotics. Here, international cooperation is vital to meet the problems as Latvia in no way can handle them alone. Finally, public trust in the police force has to be raised in Latvia. There are far too many citizens who regard the police as impolite, uninterested in performing their duties, and corrupt. This goes hand in hand with a low awareness of a sense of justice among the Latvian public; it is far often easier to blame someone else than to see your own responsibility as a member of society.

Research on Organized Crime – Some Examples from the Region

Mr. Jerzy Kosinski from the Institute of Criminal Sciences in Poland held a presentation on his research in the field of cyber crime. This included a thorough description of new types of crime such as *botnets*, *phishing*, and *pharming*. In this virtual arena for organized crime, Mr. Kosinski sees mainly two types of criminals. The first category of criminals works in the areas of spam mailing, malware, and *phishing*, whereas the other category of criminals makes use of the information retrieved from *phishing* for the purpose of money laundering operations. Mr. Kosinski gave a very telling example of the seriousness of this problem, namely that, only in the first two months of this year, more than €150,000 were disclaimed from Poland's largest bank.

Ms. Anna Markina from the School of Law, University of Tartu in Estonia, held her presentation on the subject of her research on the narcotics situation in Estonia. Among others, quantitative research methods have been used to establish an overview of how the narcotics situation is looking within the Estonian school system. Ms. Markina has also interviewed intravenous drug users in the eastern provinces of Estonia with regard to HIV and syringe exchange programs. One of her findings is that the drug users of today are much more aware of the related dangers connected to their use of narcotics compared to older findings from the 1990s. The largest numbers of interviewees were in their early twenties, many of whom had a reasonably well func-

tioning social and working life in spite of their drug abuse. The most common drug was the White Chinese, with poppy straw being less popular.

The study from which she presented the above results is performed every second year, giving the opportunity for comparison over time. Ms. Markina is currently working on two major research projects. The first is trafficking in human beings, and the second concerns the effects of cigarette smuggling.

Mr. Aurelijus Gutauskas from the Law University of Lithuania held his presentation on today's situation with regard to organized crime and narcotics in Lithuania. Lithuanian organized criminal groups and networks are not only growing in size, they are also attaining ever higher levels of organization. They have excellent contacts across the European continent, the latest technological equipment, and good financial statuses – all the factors necessary to further build and develop their criminal activities.

According to Lithuanian police, there are two major networks controlling about twenty smaller groupings operating in the country. While they try to avoid any intrusion from the state, they also compete for markets, attempting to gain the upper hand in divided zones of influence. At the same time, many strive to earn shares and build their businesses abroad. Although Lithuanian organized crime is known for its multi-task qualities, they often thrive in areas of specialization. These areas range from the printing of false currency, car theft, smuggling, and illegal migration. An example of the latter is the increasing evidence of Lithuania becoming a haven for transit of illegal migrants from Asian into other parts of the EU. Furthermore, where there used to be hardly any Asians residents in the country, a growing number stay illegally to work on the black market. Corruption within the state and its civil servants certainly is a factor in making this line of business successful. Finally, money laundering is becoming more and more popular. This follows known patterns from neighboring states where large sums of money are run through international business investment projects such as purchasing real estate and state obligations. All profit is reinvested into new enterprises and used for the payment of bribes to civil servants.

Reforms within the Lithuanian police have been initiated in order to diminish corruption and improve its work against organized crime. New programs were launched in 2007, including guidelines of how reforms should be

implemented for the purpose of reducing bureaucracy and making police work more efficient. Still, the drug trade grows and violent crime increases. Notable is the growth and occurrence of synthetic drugs being smuggled to the Scandinavian markets.

The concluding presentation was held by Mr. Andrejs Vilks from Stradina University in Riga. According to Mr. Vilks, organized crime and trafficking must be studied from both a scientific and a more basic every-day perspective. The broad picture is that narcotics are flooding the markets of our countries more so than ever before. Production of preparates for narcotics use is becoming easier, allowing almost anyone with only a very basic knowledge in chemistry to fabricate narcotics based on substances available at the nearest pharmacy.

For the organized criminal networks the gigantic sums of money to be made provide every opportunity to finance and coordinate the distribution and sales of narcotics away from the surveillance of the police. Even submarines and aero planes are now included in the armada of available means of transport in this trade. The first six months of this year show terrifying statistics of how almost 40 per cent of all crime in Latvia is now related to the narcotic business.

The attitudes among the young generation and the club culture which they are a part of are another problematic issue. At the base of these attitudes lies the devastating narcoliberal ideology. To counter this situation, the law enforcement agencies of Latvia have insufficient resources.

Concluding Statements

In order to achieve efficiency in the work against drugs and organized crime, much needs to be done. First, an evaluation of the real situation regarding narcotics has to be made. We have to learn the facts of the volumes of drug consumption and the true numbers of addicted users, only then will it be possible to make an assessment of the scale of the problem.

Furthermore, the work has to be coordinated in order to meet these challenges including defining areas of responsibilities, lessons learned from previous programs, best practices, how the criminal structures act and how they are organized. The possession of this knowledge is absolutely necessary if the

fight against organized crime and the drugs trade is to be stopped. There is also a strong need for new methods of cooperation in and among countries if joint efforts are to be successful.

Organized Crime in the Baltic Sea Region

By Dr. Aurelijus Gutauskas

Organized criminal activities today are much more professional than before. Nowadays unlawful activities are based on good mutual relations on both national and international levels and rely on highly organized financial and informational supplies. The criminal organizations are well equipped with good materials and use IT for their communication networks in the country and abroad. Across the Baltic Sea region the criminal networks are well organized, have clear aims, and are always searching for new ways to expand their activities. They have specific ideologies and philosophies and try to neutralize the states' control and law enforcement activities by using counter-surveillance operations. Globalization has had, furthermore, a huge impact on the criminological situation in all countries. For instance, Lithuanian organized crime groups have good cooperation and relations with criminals in the UK, Germany, and Spain. They are planning and carrying out criminal activities together, especially when it comes to transnational criminal activities. Since the drug dealing business is lucrative, organized crime groups are especially engaged in that field, and even from prison they try to control the drug business.

According to Lithuanian intelligence, there are two criminal associations operating in the country controlling about 20 criminal groups. Financially weaker members of a criminal group attempt to join an economically stronger criminal group. The criminals from small cities in Lithuania are also trying to join criminal groups operating in Vilnius. Moreover, members of the criminal world are increasingly trying to get involved in criminal activities in countries in the European Union, and many members of criminal groups are leaving the country to continue their criminal activities abroad. According to available intelligence and data, there are currently no organizations in Lithuania that control and coordinate *all* organized criminal groups, or operations throughout the entire territory.

In Lithuania organized crime can be divided into three levels. The first and lowest level is composed by local criminals in every Lithuanian city who control certain businesses in accordance with their influence. The second level of criminal organizations disposes of large sums of money, some part of which is invested in legal businesses such as real estate. These criminals have wide corruptive connections in society and are established in the five biggest Lithuanian cities, dividing territory into zones of influence. The third level is composed of a small group. Comprising only 10-15 people they control some part of the economy such as oil, ports, and raw materials. All three levels are related to each other. The highest level gives corruptive support and has connections abroad. On the other hand, the higher level get influence and control from the lower groups in certain territories and support is also provided when it is necessary to carry out criminal actions. The criminals are very often working under the cover of legal business. It could be companies that have been established by using capital from criminal activities. Or they may be engaged in legal business but are using unfair competition. It could also be that other criminal business companies are only used for money laundering. Very often the criminals use or create their own companies to carry out illegal activities or sometimes they use well-known companies for their criminal operations. These companies are of course not aware that they are being used for illegal business.

Organized crime has shown to be very profitable in Lithuania and the Baltic Sea region and that has encouraged more criminal activity. Organized crime groups use the proceeds from their crimes to finance new criminal operations and the most profitable enterprise is the smuggling of drugs. Across the Baltic Sea region organized crime groups involved in drugs smuggling and trafficking in human beings usually have good relations with customs officers and police officers. The criminal groups engaged in the smuggling business very often have shelter from law enforcement officials. They use some of the proceeds from the criminal activities to bribe these public servants.

Globalization has contributed to the expansion of organized crime. The free movement of people and labor across borders has increased the scale of organized legal and illegal migration. The groups involved in this criminal activity have a highly sophisticated organization where each participant plays a specific role, and they have very good relations with criminal groups in the

neighboring countries. Many illegal immigrants enter Lithuania from Belarus and then travel to the Scandinavian countries either through Poland and Germany or by boarding ships in Klaipeda, Lithuania. Lithuania is often used not only as a country of transit but also as a place of shipment.

The smuggling of cigarettes to the EU states is organized by international criminal groups, in which Lithuanian criminals play an important role. The characteristic feature of these groups is that they are often controlled by businessmen unknown to the law enforcement bodies.

Organized criminal groups are believed to be involved in money laundering operations. The current economic situation seems to provide favorable conditions for the influence of organized crime in several sectors of the economy, such as the illegal trading in highly taxed commodities. In the placement stage, money laundering operations often involve moving large amounts of cash across the borders of Lithuania. In the layering stage, cash is deposited into bank accounts owned usually by local straw men on behalf of front companies and they often use offshore structures. In the integration phase, the major part of criminal proceeds is reinvested in the criminal business or legalized through international or local commercial projects, such as restaurants or cafés. Organized crime groups are increasingly becoming active in a range of financial and economic spheres. This is especially evident in areas which involve inflows and outflows of large amounts of money. Such areas can be state and European Union financed programs, privatization and investment, financial operations, foreign trade, and the processing of raw materials. Evidence of criminal fiscal activities can also be extended to entertainment and sport businesses and the activities of various charities and other non-governmental funds.

In Lithuania an increasing number of illegal laboratories are producing drugs, especially amphetamine and methamphetamine, which are smuggled to the Scandinavian countries. Some of the locally produced synthetic drugs are also distributed within Lithuania. Cocaine from South America and Caribbean is transited through Lithuania to Russia and other countries. Heroin is transported to Lithuania by the Silk Road and then distributed to other countries in the EU. From this trafficking the criminals reap huge profit and large amounts of money leave Lithuania and can sometimes be found abroad.

The transformation of organized crime currently underway poses new challenges and requires innovation in the Lithuanian criminal justice system regarding the methods and strategies for prevention, detection, and prosecution. Our task is to make sure that international relations and interaction between our law enforcement institutions are stronger than those of the criminal networks. We need to consolidate our efforts and make efficient use of all the opportunities of international assistance and cooperation.

Phishing in Polish Style

By Podinsp. dr inż. Jerzy Kosiński, Higher Police School in Szczytno, Poland

The term “phishing” entered the Polish language a few years ago. Phishing (password harvesting fishing) indicates a criminal activity involving fraudulent collection of personal information such as logins, passwords, and details of a bank or credit card account, through impersonating a trustworthy person or institution that urgently needs the information to operate normally and effectively. Although phishing requires the application of computer technologies, it constitutes a kind of attack which is mainly based on social engineering. People who use phishing deceive their victims into sharing critical data in a way that makes them unaware of the danger. There is also a more advanced form of phishing called pharming, which means that even experienced and watchful victims can make a mistake and make their data available to others. In both cases, criminals effectively use botnets to send spams.

Classical phishing (Fig. 1) involves making copies of a website, information from which is needed, then, adapting the website for the seizure of data, placing the website on the server, and finally, sending the information referring users to the website in question (e.g. by spam, SMS, communicators, websites). A typical outline of an operation can be presented in the five following points:

1. E-mail sent by a financial institution reaches an addressee. The e-mail includes a request for verification or provision of one’s data (account and card numbers, logins, password, etc.).
2. Unaware client clicks on the link included in the e-mail and connects with a false financial institution service.
3. Client logs in a false service and transfers their data.
4. The client’s data is sent to a phisher’s data collecting computer.
5. The phisher logs in the real financial institution service and obtains financial resources under false pretences, unauthorized transaction, purchase, etc.

A sent via e-mail spam, encouraging or redirecting to enter a false banking page, should be reliable as regards its content and form (Fig. 2). It should be free of spelling and stylistic errors. Characteristic for the Polish language are the letters *ą,ę,ć,ł,ń,ó,ś,ź,ż*. Criminals often forget to encode them properly, which does not threaten potential victims. Used for phishing, malicious software (malware) can be passive (keyloggers – sample operation Fig. 3) or active (popups, inserted dialogue filling forms). These are characteristic features of malware applied in phishing:

- Self-defense – malware deactivates anti-viruses (mainly updates function), changes firewall principles, becomes invisible due to root kits;
- Remote management – installs backdoors, installs http, and socks proxy;
- Theft of identification – capturing passwords included in the protected area, identifiers, e-mail addresses, certificates (SSL), use of Browser Help Object to seize http transaction, installment of man-in-the-middle functionality.

A false banking page used for phishing contains all graphic elements characteristic for the original page (Fig. 4). What is more, in order to make the page credible, there appear contextual suggestions and explanations of more difficult terms (for example, what it is, where it can (CVV₂) be found on a credit card).

The obtained information is immediately used, within two or three days of it having been revealed. A typical use of information is the transfer of money from a victim's to a money mule's own account, whose role is to transfer the money, reduced by their commission, to the Western Union in Ukraine. In the Ukrainian Western Union institutions the money is collected by people using false Russian or Ukrainian passports.

Much evidence indicates that Polish phishers operate in two groups. Group 1 members are involved in spam, malware, and phishing (Fig. 5), and group 2 members in money laundering (Fig. 6). Each group is assigned its own tasks and their members may have no knowledge about the other group's existence and activities, which guarantees greater safety for phishers. Such a division

of roles may also result from different punishment imposed in various countries.

Phishing poses a serious problem in Poland. The number of such crimes is going up together with the amount of money deposited in our nationals' bank accounts. A growing interest in phishing results from the two following elements:

a) Easy and huge profits

- Low cost of generating a huge number of phishing mails (spam)
- Attack with the use of socio-techniques is easy to carry out and does not require any advanced technical knowledge
- Easy registration and development of a phishing website
- Even low effectiveness (3%) generates high profits

b) Low risk

- Phishing mails are usually sent via disgraced "zombie" stations or "open relay" servers – it is difficult to identify the real physical sender
- Phishing websites are often switched into other IP physical addresses – they are all difficult to be blocked
- It is difficult to arrest a person taking money (from an account) – thousands of Ukrainian Western Union institutions.

Moreover, criminals take advantage of the weak and slow exchange of information among various foreign police forces, as well as between police and financial institutions.

Figure 1
Classical phishing

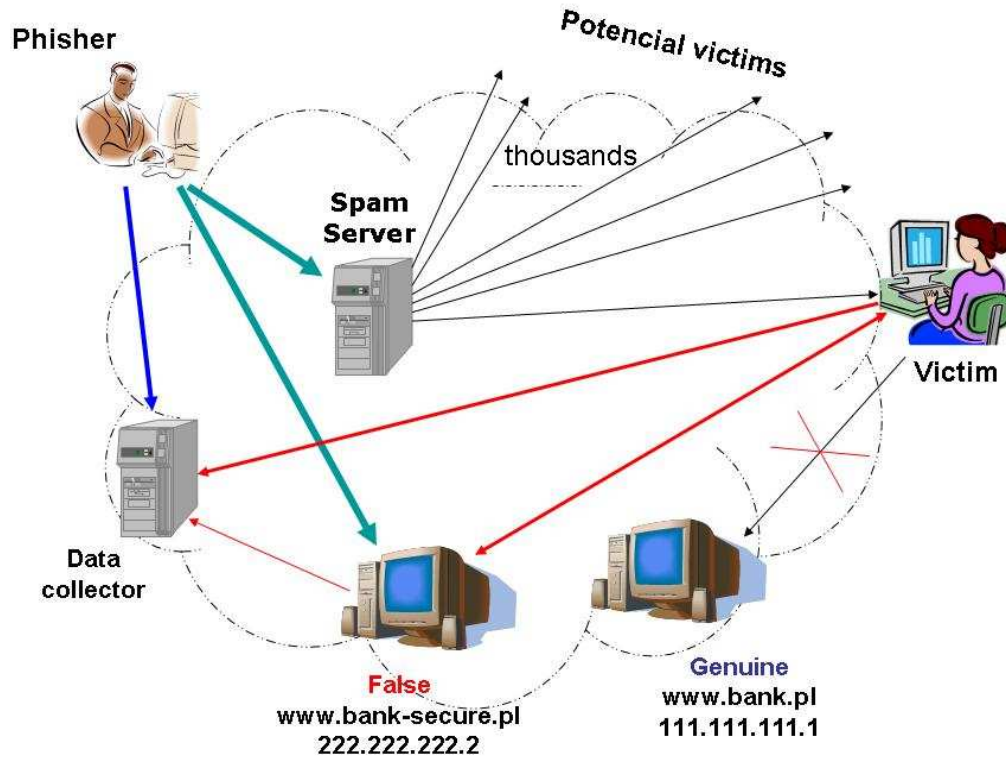


Figure 2
A sample phishing spam



Wprowadzenie nowych zabezpieczeń tożsamości.

Informujemy, że Twoje konto w mBanku będzie poddane nowej procedurze weryfikacji. W tym celu prosimy o jak najszybsze zalogowanie klikając w link poniżej. Aby nowe zabezpieczenia zaczęły funkcjonować, należy potwierdzić swoją tożsamość. Do tego czasu wszystkie opcje w twoim koncie będą zablokowane. (Cała procedura trwa kilka minut)

https://www.mbank.com.pl/?verification_code=6ywkcj0766153y2s42hjuu77hjbxrq4492mnpnt593e9d8ntzh&request_ss=yes&secure=yes&op_code=012

Pozdrawiamy,
mBank

Figure 3
Keylogger effects

```
IP 83.30.96.167 [dnv] https://www.pkointeligo.pl/ikd
post
sd(ffield_hidden):
1e1GVEJ53esBjNi9xR:PUnhcxDXU3yZTCtFfUGSFCz74QOL:feP3J76qiTeZHjGu5:o
VVVbxBeOxp5BgC2ID54ttFuTasQWqt7sC59nxPxqn6yRkY1uXXHUoT4V38O5ur6j
ZA9YfcSS:aIBANOTQWvweYaxlmc5Tfnd28XcKeLJmdyNfxbFygQ==
client.id(ffield_hidden): 380xxxx6
password(ffield_hidden): a236yyyyy1
button(ffield_hidden): ok
menu(ffield_hidden):
btn.ok.x(ffield_hidden): 68
btn.ok.y(ffield_hidden): 19
nashehaslo1num(ffield_text): 1
nashehaslo1(ffield_password): 683011
nashehaslo2num(ffield_text): 2
nashehaslo2(ffield_password): 005231
nashehaslo4num(ffield_text): 3
nashehaslo4(ffield_password): 869989
nashehaslo5num(ffield_text): 4
nashehaslo5(ffield_password): 814198
nashehaslo3num(ffield_text): 5
nashehaslo3(ffield_password): 941347
button(ffield_hidden): ok
menu(ffield_hidden):
```

Figure 4
A sample phishing website

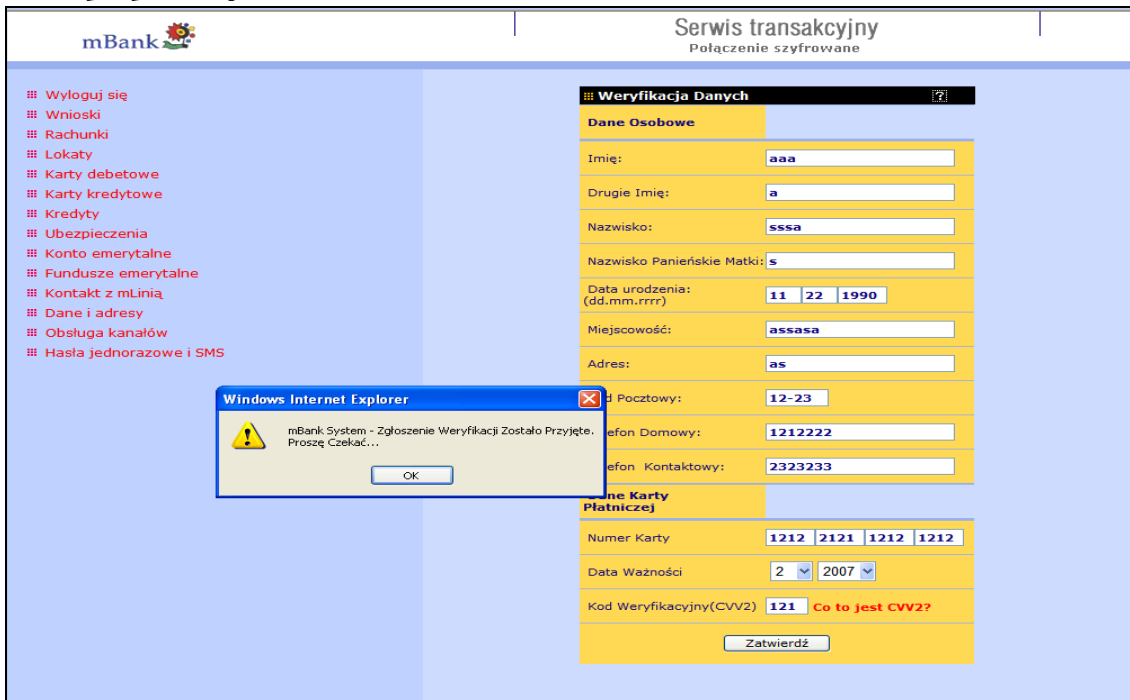


Figure 5
Phishing group activities – group 1

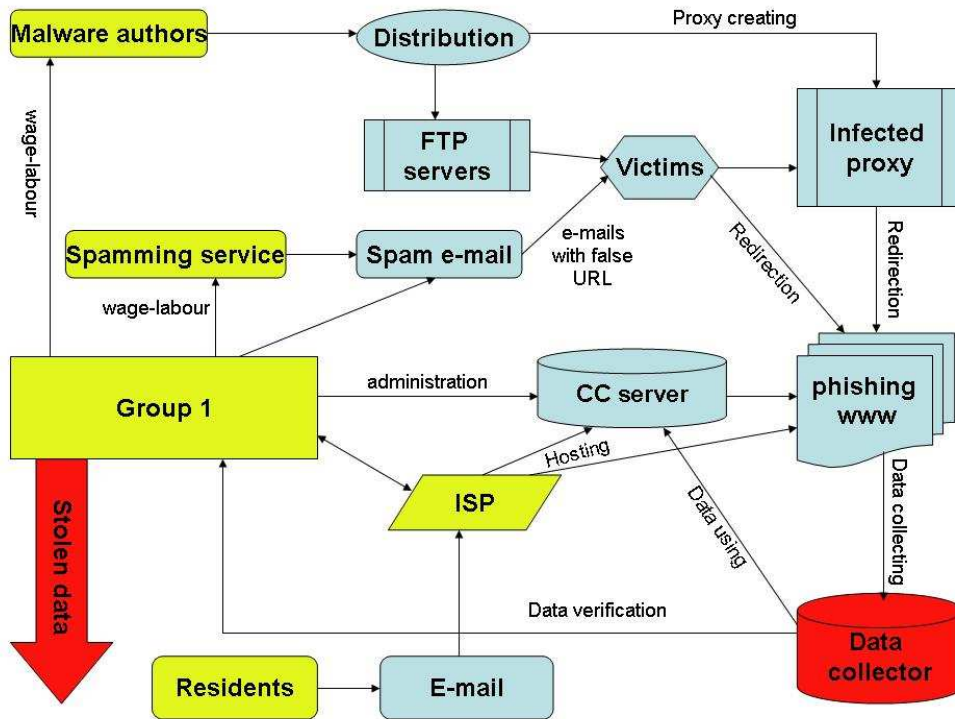
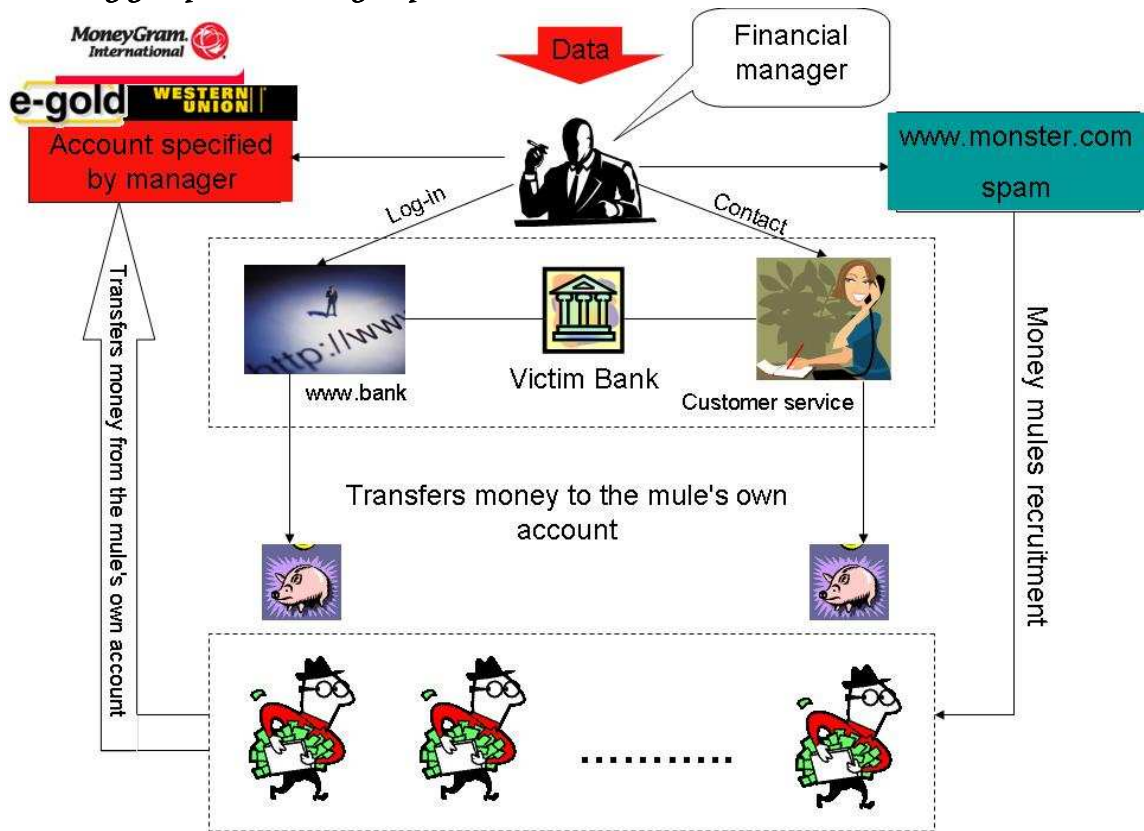


Figure 6
Phishing group activities – group 2



Translated by Anna Jurczenko

Final Conference in St. Petersburg, November 6-7 2008

The final and concluding conference held in St. Petersburg was attended by selected participants from the law enforcement, researcher, and policy making sectors including both previous seminar participants and new officers. This was the first occasion that a conference on the effects of corruption on regional cooperation against organized crime and narcotics proliferation was arranged in the Russian Federation, to which Russian public servants and politicians were invited to follow the discussions and hear a summary of the results from both seminars in Riga.

Following the previously set seminar structure, one representative from each country was allowed to reiterate the most recent findings and trends within their respective field of work in an initial open session. Participants were then divided into smaller discussion groups according to profession with the assignment to comment and analyze their joint findings, eventually to be presented by way of a brief summary. It is also these points which constitute the backbone of the policy recommendations of the final part of this paper.

In his opening welcome statement, Mr. Walter Kegö commented on what he saw as the grave threat we face from the accelerating activities of networks of organized criminal groups in our region. Today, these groups have previously unseen financial resources and excellent information needed for their activities. They have also built their own specific philosophy and strategies to even further maximize their levels of profit. At the same time, none of the law enforcement agencies of our countries have corresponding resources to match those of the criminal groups. The only conclusion to be drawn from this imbalance is that increased knowledge and closer regional cooperation is the only possible way to lessen the gap between organized crime and law enforcement.

During his presentation, Mr. Kegö gave some examples to illustrate his argumentation. The clearest example showed was the recently crushed criminal network in the U.S. by the DEA with branches into both Colombia and

Mexico. The magnitude of the organization of the network was for the first time not described as “cells” but due to their size as “offices.” This new level of size and organization demonstrates the possible future harmful impacts these networks will have on our societies should growth continue unchecked. Finally, Mr. Kegö pointed to the insufficient political understanding of the problem of organized crime in Europe. It is essential to understand and make known the fact that the days when a nation could meet this enormous problem singlehandedly are, and will be, gone forever. It must also be added that there are marked differences in how members within the EU perceive the threat of narcotics and organized crime, something which hinders the drafting of laws and the implementation of needed reforms within this area.

From the Russian side, a thoroughly negative description of the domestic narcotics situation was presented. Each year, a total of some 180,000 crimes related to narcotics are registered in the country. The approximate total of 20 tons of illegal drugs seized in Russia only constitutes an estimated 4-5 per cent of the total amount distributed annually. This has created widespread despair among many officers on the operational level who are fighting narcotics and crime related to the narcobusiness. There is a common feeling that they are on the losing side of this battle. One view expressed was that the general awareness of this grave and escalating problem is at a very low level in Russian society, and constitutes an issue which is often avoided by political officeholders in public debates. The only viable long term solution is to put focus on the demand side of the narcotics trade, i.e. to strengthen the social situation of young Russians in order to diminish the market for future drug abuse. As it is today, there are simply too many night clubs where large numbers of young people gather during weekends, making easy targets for the introduction and distribution of cheap, synthetic drugs. In spite of the recent establishment of narcotic control units with increased resources and greatly improved international cooperation with neighboring states like Finland and Latvia, there are very small, if any, future improvements to be expected as the impact and results of their work must be regarded as minuscule.

The Russian representatives also pointed to a few other areas where improvements are yet to be achieved. One such area mentioned is the development of training for officers within the drug control units. The average age of these officers is quite young, around 35, and their professional skills could be raised

significantly. In this respect, Poland was mentioned as a good example where a broad educational platform has been established, offering officers the skills they need to be able to improve their fieldwork. Another area where improvements are needed and Russian initiatives have been proposed is money laundering. So far, they claim that responses from international counterparts have been rather cool when it comes to this key element of organized criminal activity and international narcotics trafficking. The obvious reason for this lack of interest from a Russian perspective is diverging views on the need for taking steps towards a joint strategy of how to control money laundering.

Finally, it was pointed out that less restrictive views on narcotics among a number of different EU-based organizations are seen as very problematic in Russia. A number of pamphlets and brochures, translated and published in Russian, were put on display to show how these opinions are introduced and promoted in what was described as a highly questionable manner. For this reason it is important to unite and strengthen cooperation among those countries and organizations who share a different and opposing view on the use of drugs. In Russia, any call to prevent the distribution of the above information materials by the federal drug control agency will be under immediate attack in the media, using the argument that it is a violation of the freedom of expression. What is needed is a greater level of support from political actors. They must promote a general agenda to prevent the further spread of narcotics in Russian society.

The Estonian participants presented a view similar to their Russian colleagues regarding the negative effects on the younger generation. As Estonian criminal networks mainly aim their activities towards wealthier neighboring markets, the trend of involving young individuals with language skills to perform a range of different tasks is increasing rapidly. Many of these young Estonians end up in Finnish prisons after being caught swallowing small bags containing narcotics as a method of smuggling across the border. Estonia is characterized both as a country of production and transit due to its geographical location. Sharing the problem of their immediate neighbors, synthetic drugs have come to be the most severe problem in Estonia. After entry into the Schengen area, it is impossible to use traditional methods of border control and the need for information exchange between law enforcement agencies is obvious. Much of the narcotics is trafficked in small

amounts and in all directions across the Estonian border, including that with Russia. All venues of transport are used, from concealed compartments in vehicles to mail shipments. Examples of this include the “White Chinese” trafficked into the country from Russia and the GHB precursors sent by mail from Germany. Hashish is sent from Spain to Estonia and transited to Russia.

As for international cooperation on the operative level, the Estonians have increasingly good working relations with all their neighbors.

Also in Latvia, recently increasing levels of organized criminal activity were reported. After a couple of years of downturn, the past nine months again show a steady increase in levels of activity by some 3 per cent. At the same time, Latvian law enforcement has made efficient improvements in their work, leading to four times as many seizures of narcotics. However, cuts in the budget of the national police force of some 800.000 LAT have led to nearly 5% of the total number of staff. This will mean a tougher situation to withstand the increasing criminal activity among the organized criminal networks. The trend of both production and trafficking in smaller quantities but by an increasing number of perpetrators is seen in Latvia as elsewhere in the region. It is estimated that nearly half of the narcotics laboratories are of the smallest scale, often found in people’s apartments. Globalization, which in many respects has brought positive developments to Latvian industry and banking businesses, can similarly be said to have had negative effects on the production and distribution of drugs. It is possible that the recent financial crisis will only enhance the position of organized crime since it is the ordinary Latvian citizen who in the end will bear the immense costs of the downturn of the economy – not the criminals. As unemployment increases, the recruitment base for criminal networks will be enlarged as those citizens who come to find themselves in dire straits turn in desperation to offers to act as couriers in the narcotic business.

Latvian research show that as much as US\$ 40 million has left the Russian Federation in electronic wire transfers without a clear purpose, in itself a reason to question the legality of all of these transactions. With this comment, it should be clear that the need for a standardized European jurisdiction to regulate monetary transactions is badly needed.

Lithuanian figures speak for an increased criminal activity very similar to the Latvian case, especially with regard to crime related to narcotics. Although the total number of reported crimes there has decreased by some 10 per cent, drug related crime has increased by 3,6 per cent. As in the Estonian case, a large number of criminal perpetrators are young individuals. Amphetamine is smuggled from Lithuania to the Scandinavian markets and precursors are smuggled into the country from both Holland and Belgium. A recent trend is the increasing amount of heroin smuggled into Lithuania from the Central Asian states. This reduces the price to lower levels, preventing the White Chinese from gaining ground. Finally, the existence of small, resident laboratories is also on the increase supported by know-how and advanced technology mainly emanating from Dutch suppliers.

One very clear effect of Lithuania's EU membership and globalized banking, with developed systems for electronic money transfers across national borders, is that the Lithuanian criminal networks move out of the country to lead their activities from elsewhere in the union. The Mediterranean states have become very popular places where the managers of these networks move to run their businesses. This has also led to an expansion into other types of profitable business activities beyond the more traditional criminal activities, a fact which makes it more difficult to follow, analyze, and present statistics on organized crime. Although Lithuania today has good, reformed laws it is difficult to implement them due to the fact that it is difficult to find experienced officers with adequate training who are willing to work with these cases in an efficient manner. As of today, there is no higher training facility to prepare Lithuanian law enforcement officers for the rising challenge of organized crime.

The Polish participants presented yet another very important and perspective to the discussions on narcotics and organized crime. They pointed to the present opportune situation whereby seemingly all countries in the greater Baltic Sea region share a joint view on narcotics matched by a rising mutual interest to fight the production, distribution, and consumption of narcotics. In contrast to the most immediate neighbors, Poland has built good institutions and has the capability needed to train law enforcement officers in their work against narcotics and organized crime. Furthermore, the Central Bureau of Investigation as the national coordinator for these trainings now has

received EU funding to extend its training programs to include officers also from other countries within the union.

The trends with regard to the narcotics situation in Poland have remained quite stable during the past few years. Production of amphetamine does exist, although the Polish laboratories are not of the same magnitude as the Dutch amphetamine laboratories.

Policy Recommendations

In the final session of the conference, participants were divided into smaller groups for the specific purpose of formulating ideas of how to improve regional cooperation in order to achieve progress in the work against organized crime and the profitable narcotic business. The groups were given a small number of questions to initiate the discussions where the main issue was how to increase the level of knowledge in this highly problematic area. The collective ideas and suggestions are listed and described below.

From a Law Enforcement Perspective

- Efforts targeting the supplies of drugs are the primary key to decreasing criminality, and more attention must be focused on the subject of reduction of domestic demand. It is essential that all available resources continue to be used in the fight against the accessibility of narcotics in society as a whole.
- The use of joint investigation working groups in police and customs work is a step towards expanding and enhancing cooperation which has proved to be effective. This necessitates a higher degree of activity between anti-crime agencies than is presently the case. Within the Baltic Sea region there is a need for a common strategy, which would alter the conditions and the prospects for enhancing anti-crime collaboration. Above all, there is a need for shared common methods for intelligence gathering, conducting analysis, and profiling. In addition, it would improve information exchange among the anti-crime units from different nations.

From a Research Perspective

- It is important to expand our knowledge of criminal activities related to narcotics and its impact on societies and economies. Studies are needed that can identify the trends and behavior of criminal organizations and clarify whether they are involved solely in the trading of illicit drugs or whether they are involved in wider activities.
- The financial systems lack fundamental requisites to fight money laundering. Therefore, it is indispensable to institute sufficient countermeasures. It is of grave importance to create an improved consciousness regarding the economic power found inside this phenomenon.

-There is a need to increase knowledge of how seriously corruption within law enforcement agencies disrupts their fight against organized crime. Joint methods of how to gather and analyze information on the occurrences and levels of corruption within law enforcement agencies should therefore be developed. This material should then be used in proposing measures to diminish high level corruption such as the creation of new control mechanisms and training of law enforcement officers in fighting and preventing corruption. It could also be used to raise public awareness of the harm of corruption in the society.

