ORGANISED CRIME AND THE FINANCIAL CRISIS

THE INTERESTING CASE OF THE ITALIAN MAFIAS

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OUTLINE

• Organised Crime Groups (OCGs) in EU between globalisation and economic recession
• Italian mafias: an overview
• Influence of the financial crisis on organized crime of mafia-type
• Conclusions
• Towards a common EU policy?
EU CRIMINAL HUBS

North West (The Netherlands and Belgium)

North East (Lithuania, Estonia, Latvia and the Russian Federation)

South West (Spain and Portugal)

South East (Bulgaria, Romania and Greece)

Southern (Southern Italy)

(OCTA 2011)
EFFECTS OF GLOBALISATION ON OCGs

- Cross-border reach, increasingly diverse criminal networks, and multi-ethnic composition
- No crime area or criminal group insulated from changes
- International trade, mobile communication, internet, global transport infrastructure have all engendered a more international and networked form of SOC.
- International trade routes and freedom of movement enable OCGs to avoid law enforcement and circumvent competing OCGs.

(SOCTA 2013)
CRIMINAL ACTIVITIES

- International drug trafficking the most poly-criminal market - 30% of all OCGs
- Currency counterfeiting and property crime
- Economic crimes and fraud
- Internet technology. **Cybercrime** and **profit-driven cybercrime**
- Transnational OC generated a US$870 billion profit in 2009, 1.5% of global GDP (UNODC). Amounts of money laundered globally each year at 2%–5% of GDP (IMF)
- Globalisation has facilitated the emergence of significant new variations in criminal activity
2007-2008 GLOBAL ECONOMIC CRISIS

- Increase in all the major crimes and particularly crimes against property
- OCGs are flexible and able to identify new business opportunities (e.g. counterfeiting of daily consumer goods)
- Market for facilitation of illegal immigration and trafficking in human beings (THB).
- Corruption in key sections of the public sector
- Money Laundering (e.g. global banks scandals) – Loan-shark business
- Austerity measures in the public sector, including spending on law enforcement
- Global economic crisis has brought EU citizens into closer proximity with OCGs.

UN Office against Drugs and Criminality, UNODC 2011  Monitoring the Impact of Economic Crisis on Crime, and the "Economic downturns and crime" by the US Congressional Research Service,
Italian Mafias

- The term ‘mafia’: from a local to a global dimension
- Sicilian Mafia
- Calabrian ‘Ndrangheta,
- Neapolitan Camorra
- Apulian Organized Crime
THE ITALIAN MAFIAS

2013 Europol Threat Assessment on Organised Crime in Italy:

‘Threat that mafia-type Italian organised crime poses to the European Union is unparalleled by any other European Organised Crime Group’

Common general traits:

- Historical background
- Control and exploitation of the territory and of the community.
- Contextualised concepts of family, power, respect and territory
- Shared system of cultural values and codes with external society
- Specific individual characteristics
THE ITALIAN MAFIAS: UNIQUE CRIMINAL ORGANISATIONS

• Shadow State

• Illegal business

• Secret society

• The Sicilian mafia remains a ‘powerful, ruthless and cynically efficient criminal organisation that controls large areas of Sicily’, heavily affecting its political, social and economic life (Europol 2013).

• Transnational criminal operations and money laundering schemes.
HISTORY OF THE SICILIAN MAFIA

• Mafia as a modern phenomenon closely tied to the emergence of Italy as a unified State.

• Inability of the State to implement effective system of justice and law enforcement

• Ability to use or threaten violence as the main instrument used to provide protection and achieve social control.

• The mafia as a ‘business of private protection’

• Important effects on external perception and self-representation of mafiosi
The funeral of Calogero Vizzini 1954,
EVOLUTION

- ‘Brotherhoods’ and ‘sects’ in 19th century Sicily

- Citrus fruit business: mafia as the product of economic wealth rather than backwardness

- Prefect Filippo Gualtiero’s report in 1865: the term ‘mafia’ officially entered the political and public debate

- Reaction of intellectual and political class in Sicily (Sicilianisti): mafia attitude of Sicilian subculture, with no corporative dimension

- Turning point in early 1980s: Maxi-trial against the mafia 1986: *pentiti* (mafia defectors) and the breach of omertà
‘Mafia’ is a literary creation. Mafiosi refer to themselves as *uomini d’onore* [men of honour] (Buscetta 1984)

Each Mafioso belongs to a *borgata* [neighbourhood] and is member of a *Famiglia* [Family, faction]. The *capo* [head] of each Family is elected by the other men of honour.

The boss of each Family is called *rappresentante*. Above the Families there is a coordinating body called *Commissione* [Commission]

In its totality, this organisation is known as Cosa Nostra, like in the US.
The Initiation Ritual

Combinazione

Total transformation

Sacred images and language

On becoming Cosa Nostra (Our Thing)
Carissimo, con l'augro, che la presente vi trovi a tutti in ottima salute. Come grazia a Dio, al momento posso dire di me. Senti il nipote, di cui mi aveti detto, che mi serveva. Vi ho informato, che mi è ragiunto a mi ha scritto, incaricando un suo nipote che abita a Termini meresi, che vi ho pure detto, siccome è ha cautato, con uno dei miei, mi ha scritto e mi scrivi, parlandomi pure di voi, ed io ciò detto se tu ci vuoi scrivere io ce lo posso fare arrivare. Ora mi ha scritto mandandomi un per voi, che mi procurando per farvelo avere la prosima che risponderò a voi quindi assieme al vostro presente riceveretì questo biglietto mandatomi dai nipote di R.B.S., in attesa di vostri nuovi e buoni riscontri smarrito augurandovi per tutti un mondo di bene inviandovi i più cari Aff. saluti per tutti. Vi Benedica il Signore e vi Protegga.
INTERNATIONAL DIMENSION

No expansion strategy aiming to establish working structures abroad

Transnational activities are managed by emissaries, who usually deal with:

- public tenders
- drugs brokering
- money laundering activities (*e.g.* arrest of R. Palazzolo)

Trademark criminal offences (racketeering, arson, extortion, intimidation, usury) or any other violent crime is usually not perpetrated outside the territory.

• Recent increasing involvement in cocaine trafficking, often cooperating with other Mafias.
THE ‘NDRANGHETA

According to Italian DIA (Direzione Investigativa Antimafia) and Guardia di Finanza (Italian Customs Police) the ‘Ndrangheta is one of the most powerful criminal elements.


• Richest and most powerful organised crime groups at a global level (Germany, Spain, the Netherlands, France, Belgium, Switzerland, Canada, US, Colombia and Australia)

• Dominant position on the European cocaine market due to excellent relations with the producers.
STRUCTURE

- Hierarchical yet more impenetrable than Cosa Nostra:
- ‘Ndrine: basic cells, family blood ties (patriarch and his kin), harder to break
- More ‘Ndrine make a Local (divided into the *societa’ minore* (junior members) and *societa’ maggiore*) to compartmentalise information.
- *Mandamenti* (precincts) above the *Locali*
- *Gran Crimine* (La Provincia presided by the Capo-Crimine)
- The power not vertically distributed, thus difficult to describe
- Offices are temporary/ ranks are permanent (flowers/ *picciotto*/ *camorrista di sgarro*)
EVOLUTION

• Rural origins. Factors contributing to the rapid (and for a long time undisturbed) expansion of the ‘Ndrangheta:

• Attack of Cosa Nostra on the Italian state in the 1980s and 1990s

• ‘The evolution of the drug markets overturned long standing balances: from heroin to cocaine

• Increasing local or regional autonomy in crucial sectors such as the exploitation of health system and public tenders to channel public funds

• Historical and impenetrable secrecy of the ‘Ndrangheta.
ECONOMIC POWER AND ACTIVITIES

• ‘Colonisation’: reproduces the ‘‘Ndrine (or Clans) and the Locali, which still fall under the supreme authority of the Calabrian Crimine.

• The ‘‘Ndrangheta started building its economic power in the 1970s and 1980s (ransom money)

• Extorted money invested in drug trafficking, a trans-national business where over the years it reached a leading position.

• Environmental crime: 296 clans involved in illegal waste dumping. 346,000 tonnes of waste was seized heading for 10 European, 8 African and 5 Asian countries in 2011. (Of the other clans involved: 86 Camorra, 78 Mafia and 23 Apulian).
• Economic activities of 'Ndrangheta include international cocaine and weapons smuggling, with Italian investigators estimating that 80% of Europe's cocaine passes through the Calabrian port of Gioia Tauro and is controlled by the 'Ndrangheta. (Europol 2010).

• The UNODC estimated that in 2007 almost 4 MT of cocaine was intercepted in Italy. (UNODC 2009).

• 'Ndrangheta invests illegal profits in legal real estate and financial activities.

• The business volume of the 'Ndrangheta is estimated at almost 44 billion euro in 2007, approximately 2.9% of Italy's GDP, according to Eurispes (European Institute of Political, Economic and Social Studies) in Italy.
FOUNDATION MYTHS

• ‘Ndrangheta: Osso, Mastrosso, Carcagnosso (bone, master bone and heel bone): fled from Spain, created the rules of the Honoured Society and formed the 3 mafias:

• Cosa Nostra:

The Beati Paoli

The Carboneria
THE CAMORRA

‘The Neapolitan Camorra today is a flexible criminal business which resides in the shadow of society’ (Allum 2006).

Definition of ‘bacterium’: adaptability, invisibility, insidiousness.

• Highly complex, pervasive, social, economic and political phenomenon, dating back at least to the 18th or early 19th century.

• The origins of the Camorra are not entirely clear nor is its etymology (gamurra=long red gown; camorra=gang; morra=a game)

• Scholars (Marmo 1992) argued that the first Camorra developed during the late Bourbon period (1820-30) as a form of control that imposed a racket (tangente) on markets (legal and illegal).
DIFFERENCES CAMORRA AND COSA NOSTRA

• Cosa Nostra was born in wealthy coastal, peripheral areas, while the Camorra’s origins lay in the city of Naples, its prison community and poor population.

• Cosa Nostra is strongly hierarchical, the Camorra is fragmented into clans that fight to control the territory

• Cosa Nostra creates a shadow state, a state within the state; the Camorra lives on social disorder and encourages it.

• Unlike their Sicilian and Calabrian counterparts, Camorra bosses tend to have a very high profile.
EVOLUTION

1950s: loose network of isolated criminal agents, *guappi*

After the 1950s: from socio-criminal practices to political-economic practice, to an economic-criminal practice again in 1995. Transformation reflected in main gangs:

- **Nuova Camorra Organizzata** (NCO) led by Raffaele Cutolo - "mass camorra"

- **La Nuova Famiglia** (NF) led by the Nuvoletta - "business camorra“.

- Carmine Alfieri’s Confederation dominated **Campania** - "political camorra”

- 1990s-2000s: **Secondigliano Alliance** dominated the city of Naples
‘Casalesi Clan’ involved in extortion, cocaine trafficking, money laundering and, through the use of legitimate business structures in the construction industry, infiltration of public institutions to access public tenders, and funds

- Main activities: drug trafficking, cigarette smuggling, illicit waste dumping and particularly in the sale of counterfeit products, either procured via Chinese OCGs or directly manufactured by the Clans; counterfeit Euros

- The Camorra is present in Spain, France, the Netherlands, Germany, Switzerland, Eastern Europe, the USA and Latin America.
APULIAN ORGANISED CRIME

• Apulian Organised Crime is frequently and wrongly identified with the Sacra Corona Unita (SCU), which is one of its components but by no means the only one.

• Traditionally engaged in smuggling, Apulian organised criminals evolved from trafficking cigarettes to human beings, drugs, weapons and illegal waste disposal.

• Outside of Italy, Apulian Organised Crime is present mainly in the Netherlands, Germany, Switzerland and Albania.
MAFIA GROUPS SHARPLY HIT BY STATE REPRESSION SINCE 1992

• All leading Cosa Nostra characters and many ’Ndrangheta bosses were captured
  • Totò Riina in January 1993
  • Bernardo Provenzano in April 2006

• Rank-and-file mafiosi were also decimated
  • Members of Sicilian and Calabrian mafia were target of 1,627 and 2,317 DIA-arrest warrants in 1992-June 2006
  • Over 1,200 fugitives were arrested in 1992-June 2007

• Given previous membership estimates (3,500/5,000), probability of being arrested has become very high
MAFIOSI ARE IMPRISONED AND IMPOVERISHED

• Many *mafiosi* were convicted to heavy sentences
  • 5,559 Italians served sentences for crime of mafia association (Art. 416bis) as of Dec. 2005
  • 672 *mafiosi* were held under special incarceration regime (Art. 41bis of the penitentiary law) as of Dec. 2002
    • 2013 €146 million and 19 arrested in the Camorra

• Financial drain was also heavy
  • Assets worth €700 million were seized in Reggio Calabria province in 1990-2000
  • Over €1 billion was seized by DIA from Sicilian mafia in 1992-2005
<table>
<thead>
<tr>
<th>Income</th>
<th>In billion €</th>
<th>Expenditure</th>
<th>In billion €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trafficking drugs</td>
<td>60.00</td>
<td>bosses/management</td>
<td>0.60</td>
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<tr>
<td>Trafficking in human beings</td>
<td>0.87</td>
<td>affiliated members</td>
<td>0.45</td>
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<tr>
<td>Arms trafficking</td>
<td>5.80</td>
<td>arrested persons</td>
<td>0.09</td>
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<tr>
<td>Smuggling</td>
<td>1.20</td>
<td>fugitives</td>
<td>0.03</td>
</tr>
<tr>
<td>Subtotal trafficking</td>
<td>67.87</td>
<td>Subtotal ‘salaries’</td>
<td>1.17</td>
</tr>
<tr>
<td>Protection racket</td>
<td>9.00</td>
<td>hiding places</td>
<td>0.10</td>
</tr>
<tr>
<td>Loan sharking (usury)</td>
<td>15.00</td>
<td>networks</td>
<td>0.10</td>
</tr>
<tr>
<td>Subtotal ‘predatory activities’</td>
<td>24.00</td>
<td>weapons</td>
<td>0.25</td>
</tr>
<tr>
<td>Theft and robbery</td>
<td>1.00</td>
<td>Subtotal ‘logistics’</td>
<td>0.45</td>
</tr>
<tr>
<td>Procurement</td>
<td>6.50</td>
<td>corruption</td>
<td>0.95</td>
</tr>
<tr>
<td>Agro-crime</td>
<td>7.50</td>
<td>consultants and specialists</td>
<td>0.05</td>
</tr>
<tr>
<td>Games and gambling</td>
<td>2.50</td>
<td>supporters</td>
<td>1.75</td>
</tr>
<tr>
<td>Counterfeiting</td>
<td>6.50</td>
<td>Subtotal ‘corruption’</td>
<td>2.75</td>
</tr>
<tr>
<td>Illegal construction</td>
<td>2.00</td>
<td>legal fees</td>
<td>0.80</td>
</tr>
<tr>
<td>Subtotal - illegal economic activities</td>
<td>25.00</td>
<td>investment</td>
<td>26.00</td>
</tr>
<tr>
<td>Ecomafia / agromafia</td>
<td>16.00</td>
<td>money-laundering</td>
<td>19.50</td>
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<tr>
<td>Prostitution</td>
<td>0.60</td>
<td>provisions (reserve)</td>
<td>6.50</td>
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<tr>
<td>Financial gains</td>
<td>0.75</td>
<td></td>
<td>0.75</td>
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<tr>
<td><strong>Total income in bn €</strong></td>
<td><strong>135.22</strong></td>
<td><strong>Total expenditure in bn €</strong></td>
<td><strong>57.17</strong></td>
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<tr>
<td><strong>Profits in bn €</strong></td>
<td><strong>78.05</strong></td>
<td></td>
<td><strong>78.05</strong></td>
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<tr>
<td><strong>Total income in bn US$</strong></td>
<td><strong>188.58</strong></td>
<td><strong>Profits in bn US$</strong></td>
<td><strong>108.85</strong></td>
</tr>
<tr>
<td><strong>Total income in bn US$</strong></td>
<td><strong>8.9%</strong></td>
<td><strong>Profits in % of GDP</strong></td>
<td><strong>3.8%</strong></td>
</tr>
</tbody>
</table>

Table 16: Estimates of criminal proceeds, excluding trafficking, in Italy, billion € (2006-2009)

<table>
<thead>
<tr>
<th></th>
<th>Organized crime</th>
<th>Total crime</th>
<th>Proportion of organized crime in total crime</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan sharking</td>
<td>30.0</td>
<td>12.6</td>
<td>15.0</td>
</tr>
<tr>
<td>Protection racketeering</td>
<td>10.0</td>
<td>9.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Theft and robbery</td>
<td>7.0</td>
<td>1.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Fraud</td>
<td>4.6</td>
<td>4.6</td>
<td>4.6</td>
</tr>
<tr>
<td>Smuggling</td>
<td>2.0</td>
<td>1.5</td>
<td>1.2</td>
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<tr>
<td>Counterfeiting</td>
<td>7.4</td>
<td>6.3</td>
<td>6.5</td>
</tr>
<tr>
<td>Illegal construction</td>
<td>13.0</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Eco- / agro-mafia</td>
<td>7.5</td>
<td>7.5</td>
<td>7.5</td>
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<tr>
<td>Public procurement</td>
<td>6.5</td>
<td>1.2</td>
<td>1.2</td>
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<tr>
<td>Private contracts and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>supplies (buildings)</td>
<td>5.3</td>
<td></td>
<td>5.3</td>
</tr>
<tr>
<td>Games and gambling</td>
<td>2.5</td>
<td>2.4</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>90.5</strong></td>
<td><strong>53.4</strong></td>
<td><strong>56.1</strong></td>
</tr>
<tr>
<td>Assumed reference year</td>
<td>2006</td>
<td>2007</td>
<td>2009</td>
</tr>
<tr>
<td><strong>As a percentage of GDP</strong></td>
<td><strong>6.1%</strong></td>
<td><strong>3.5%</strong></td>
<td><strong>3.7%</strong></td>
</tr>
</tbody>
</table>

EFFECTS OF GLOBAL ECONOMIC CRISIS ON ITALIAN OCGs

• **USURY**: Difficulty to access bank credit provides a strategic opportunity for the mafias to invest part of their resources in a very profitable business.

1. Allows money laundering from drug trafficking, extortion, gambling,
2. Allows infiltrating the legal economy
3. The risks are very low for the criminal organizations due to the limited charges by the authorities.
4. High level of physical and psychological violence put on the victims.
5. Usury eventually allows the clans to assert their sovereignty over the territory they control

2011 Confesercenti report on usury
2008-2011: 190,000 small and medium companies closed down.  
2008-2010: police operations against usury rose by 52%  
Interest rates well above 10%.

Effects on competition and free economy

E.g. Camorra: Extortion, usury and the presence of Camorra-led firms strangle the possibility of a free market and free competition.

Through extortion the Camorra achieves three goals:
1. It makes considerable profits whilst offering ‘protection’.  
2. Incomes coming from extortion increase their liquid assets, which can be used to practice usury.  
3. Through usury the clan can absorb the company, enter the legal economy and practice money-laundering;
TRADITIONAL PROFIT OPPORTUNITIES: FRUIT AND VEGETABLES MARKET

- **Fruit and Vegetable Business**, one of the most profitable markets in southern Italy.
- Mafia presence in every stage of the agricultural market – from production to transport.
- According to SOS Impresa, it involves approximately 150 different crimes every day.
- Consequence: environmental damages.
- Dynamics (mediators- offers to farmers- exploitation of workers- intimidation of competitors).
- Example of Carmelo Barbieri of the Madonia family from Gela in Sicily in 2010: May 2010, 68 arrests were made and EUR90 million (USD110.8 million) of assets were seized between Campania and Sicily.
• Increase in stealing, tracking and butchering of livestock. EUR3,000 profit pa.
• In early 2010, several processing plants were shut down by the authorities
• Effects on the ‘Made in Italy’
• More than 10 million counterfeit food items seized by the authorities in 2010 alone, 40% more than in 2009.
• 22 tonnes of cherry tomatoes of Tunisian origin sold as Sicilian cherry tomatoes and seized in 2009.
• Markets in some towns are the base for racketeering activities, loan sharking, drug and arms trading. (market in Vittoria, Sicily).
• ‘Ndrangheta and Camorra. In Vittoria alone, in 2010 the DIA described 79 transport companies and 291 fruit and vegetable production firms as being controlled by the Casalesi.
GAMBLING

• Criminal groups involved in legal and illegal gambling - slot machines
• Legal turnover of more than EUR76 billion a year the Italian gambling market has become the most important in EU measured by volume of business.
• According to Libera, every Italian – children included – spends an average of EUR1,260 (USD1,551) on gambling each year.
• According to the DIA’s 2011 annual report, all the major Italian mafias are involved in gambling activities. (e.g. Valle- Lampada clan)
• Mafias can earn up to EUR10 billion (USD12.3 billion) a year from the business.
NEW PROFIT OPPORTUNITIES: ECO-MAFIAS

Environmental crime includes:

- 296 clans active in the area of **clean energy sector** (Legambiente, *eco-mafias* report)
- **construction industry**, a business worth approximately EUR1.8 billion each year.

- **Illegal waste dumping**. In 2010, 14.5 million tonnes of waste “disappeared”, while in 2011 at least 346,000 tonnes of illegally dumped waste was seized by the police.

Renewable energies, such as **Wind Power** (Consiglio Nazionale Economia Lavoro: CNEL), *Why wind power?*

1. it can provide access to generous state and EU subsidies
2. easy to access as wind farms are largely located in the south of Italy, where mafia power is more deeply rooted.

Europol inquiry in 2009-2010: through speculation and money laundering, Italian mafia groups have found a secure and long-term investment in the **renewable energies market**.
• Italian mafias involved in large scale illegal waste management

• Lower level groups involved in illicit harvesting of hazardous waste – cell and car batteries

• From the Southern Hub toxic waste is trafficked to South East Europe and the Western Balkans.

• Italy as a transit point for e-waste en route to Africa and Asia.

• Corruption in relation to laboratoires certificates
GOLD

- Gold as a safe investment and an asset refuge during the economic and financial crisis.

- In the last five years, the price of gold has increased by 160%. The economic downturn and the rise in the price of gold mean that many households are selling what jewellery they have.

- High gold prices have seen ‘cash-for-gold’ shops proliferate: the turnover of these shops is estimated at total of around EUR1 billion (USD1.23 billion) per year across the whole country. (Associazione per la Difesa e l’Orientamento dei Consumerati: ADOC)

- Organised crime can easily use cash-for gold shops for money laundering.

- Difficulties tracing the passage of property from one owner to another;
CONCLUSION

• Italian mafias proven ability to combine continuity with innovation, to be local and global.

• Rooted in local and regional dimension, yet transnational profiting of changes brought about by globalisation

• Capacity to adapt to new business opportunities modifying their modus operandi accordingly whilst maintaining consistent ‘moral’ codes and practices

• As a result of the financial crisis, the mafias have extended their reach into new profitable markets

• They have also returned to involvement in once traditional activities
TOWARDS A COMMON EU ANTI-MAFIA POLICY?

• Even though an EU wide definition of organised crime exists, many differences still exist between national definition and approaches to this type of crime.

• 2010, the EU multi-annual policy cycle established to ensure effective cooperation between Member States’ law enforcement agencies, EU Institutions, EU Agencies and relevant third parties in the fight against serious international and organised crime

• EP Organised Crime Committee Discusses Action against Mafia

• On 15 October 2012, the EP special Committee on Organised Crime, Corruption, and Money Laundering discussed a report on possible ways to tackle mafia-related crime.

• “The Italian mafia-style groups are among the most threatening in Europe and in order to fight them, a pan-European approach is needed. Those of us in the law enforcement community need to step up our cooperation in tackling the most dangerous criminal groups,” Rob Wainwright, (2013)