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Delegations will find attached the partially declassified version of the above-mentioned document.
NOTE

from: Europol

to: Multidisciplinary Group on Organised Crime

Subject: Russian organised crime threat assessment report (ROCTA)

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1. INTRODUCTION

In April 2008 the EU Council tasked Europol to draft the ROCTA. This assessment was to be methodologically in line with the Europol Organised Crime Threat Assessment (OCTA) and was to concentrate on evaluating the impact of ROC on the EU.

In line with the European Criminal Intelligence Model (ECIM) Europol should draft specific Threat Assessments on various issues identified in the OCTA and ranging from regional perspectives to particular OC groups and group types as well as criminal markets. ROC is one of the main intelligence gaps identified during the OCTA process. Therefore it is a natural starting point for the Europol specific Threat Assessments, even though not a priority or threat above others. In order to start assessing the level of a threat, information needs to be gathered and evaluated. This is the main objective of the ROCTA process: a feasibility study on ROC in order to define its impact on the EU.

In this study ROC is defined as OC groups operating in the EU or having an impact on the EU and having members of Russian nationality or ethnicity, or who originate from the Russian Federation. Consequently, OC groups originating from the other parts of the Former Soviet Union (FSU) have been excluded except when the groups have members of Russian ethnicity or nationality. This has been done in order to concentrate on ROC and to separate between it and the groups originating from the other parts of the FSU. In many cases this has been a challenging exercise mainly due to two factors: organised crime in general and ROC in specific is increasingly heterogeneous of set-up and the groups have members from various backgrounds and ethnicities. Secondly, the Russian language and related languages provide a link between the groups originating in the FSU. In many cases they co-operate, mix and co-ordinate their criminal activities and hence become in some cases almost impossible to distinguish.

Despite these challenges a relatively clear picture of ROC can be formed in the confines of the ROCTA definition. The Russian “Mafia” type structures, elaborate trafficking networks, and loose networks of expert fraudsters involved in high-technology fraud are the main types of criminal organisations identified. The type of organisation, however, does not yet indicate much of the way the criminal organisation functions, which is the OCTA approach. Therefore the typology of ROC groups evaluates the groups through the concept of strategic centre of gravity which looks at how the groups work and where their strategic interests are located. This helps assessing the impact of ROC on the EU.

The report is structured so that it evaluates first the key indicator areas which are then used to build up the types of ROC groups. The facilitating factors and, subsequently, the main criminal markets relevant to ROC are then analysed. The chapter on the impact of ROC assesses various ROC-related factors and discusses both the direct and indirect impact of these on the EU. It also describes certain ROC-related trends and developments that need to be considered.
Various sources have been used for drafting the ROCTA. EU Member States (MS) have contributed data specifically for the ROCTA but also those 2008 OCTA MS contributions that relate to OC groups with members of Russian ethnicity or nationality have been included. Contributions have also been received from certain third countries such as the Russian Federation and Switzerland as well as other co-operation partners such as Frontex, Eurojust, OLAF and Interpol. In addition to this, and in order to fill in certain intelligence gaps, open sources have been used to broaden the perspective on ROC. Also due to this the endnotes are extensive and detailed and contain a wealth of additional and supporting information.

The ROCTA assesses organised crime and does not cover activities related to terrorism or extremism.

2. EXECUTIVE SUMMARY

This study focuses on ROC operating in or having an impact on the EU. ROC in the Russian Federation without any link to the EU has not been included in this study. For the purpose of this study, ROC is defined as:

- OC groups operating in the EU or having an impact on the EU and having any members of Russian nationality or ethnicity, or who originate from the Russian Federation.

- OC groups operating in the EU and co-operating with leaders or networks located in the Russian Federation.

- Groups operating in the EU with a clear link to the geographical area of the Russian Federation (originating from the Russian Federation, bank accounts in the Russian Federation, legal business structures abused in the Russian Federation, etc.).

- Groups operating in the Russian Federation while abusing legal business structures or bank accounts in the EU.

OC groups originating from the other parts of the FSU such as Moldova, the Ukraine, Georgia, Uzbekistan, Kyrgyzstan and Kazakhstan have been excluded except when the groups have members of Russian ethnicity or nationality. All groups that have members of any federal state of the Russian Federation have been included in the scope of this study.

ROC is assessed from a group perspective (through the indicators and the typology based on these), from the point of view of the most important criminal markets (through the facilitating factors), and finally by evaluating its impact on the EU (direct and indirect forms as well as through certain future developments).
ROC groups

The typology of ROC groups is a categorisation starting in the Russian Federation and extending abroad, especially to the EU. It can be used to depict and describe these groups and the location of their strategic centre of gravity. The key indicator areas used to build up this concept are international dimension (including location of assets, property and leaders as well as international co-operation versus international operations); the use of corruption and influence; and the use of legal business structures. The other indicator areas have also been taken into consideration to support the typology.

The typology has three large categories, or stages of development, based on the strategic centre of gravity of the groups. These are Russia-based ROC groups, intermediary situations, and EU-based ROC groups.

The typology is based on three main assumptions:

- The leaders, assets and property of the groups are located in their strategic centre of gravity, i.e. in the Russian Federation, the EU or both.

- This is also where they mainly use influence and corruption as well as exploit legal business structures.

- In addition to this it is also assumed that Russia-based ROC groups are more involved in international co-operation (providing goods to other groups), whilst intermediary and EU-based ROC groups are more active in international operations (involved in the criminal market from the start to the finish).

Firstly, Russia-based ROC groups mainly procure commodities for the EU markets; launder in the EU criminal proceeds originating from crime perpetrated in the Russian Federation; and commit high-technology fraud against victims around the globe. These groups are able to use their international dimension to shield from law enforcement action in the EU: they have the majority of their assets and leaders in the Russian Federation. Russia-based ROC groups use corruption and influence as well as exploit legal business structures mostly in the Russian Federation. The Russia-based ROC groups procuring commodities to the EU markets are often internationally co-operating groups: they provide the goods to other OC groups who handle the final distribution in the EU.

Secondly, ROC groups in intermediary situations are no longer only providers or money launderers in the EU. They are for example involved in all phases of trafficking in human beings for sexual exploitation and certain cases of drug/precursor trafficking. The proceeds originating from these crimes are not always returned to the Russian Federation instantly after the laundering. The EU is considered more stable for investments, and the power balance in the Russian criminal underworld is still very delicate. Due to this, and especially if the group is present in the EU, investments may stay in the EU indefinitely or be moved to off-shore accounts.
ROC groups in intermediary situations are becoming increasingly integrated into the EU via naturalisation processes, second generation developments, marriages, residence permits and so on. Their need, ability and opportunities to influence their immediate environment in the EU will increase and will also raise the impact on the EU.

An important part of the intermediary situations is the presence in the EU of key leaders of influential ROC groups or criminal organisations. These persons may be so-called retired leaders who do not seem to be anymore directly linked to a criminal organisation but in fact still exercise control and influence over its activities both in the EU and in the Russian Federation. They can also be current leaders who have an established and central role in a specific criminal group. This indicates that the criminal players are keeping one foot in the EU and the other in the Russian Federation. The development will increase their ability to choose and change between the different criminal markets and exploit both the EU and the Russian Federation for their needs. Possible difficulties in the law enforcement co-operation between the Russian Federation and the EU MS/Western European countries enhance this development.

Finally, EU-based ROC groups have their centre of gravity in the EU where they may attempt to use corruption and influence and exploit legal business structures to facilitate their activities. Unlike ROC groups in intermediary situations, EU-based ROC groups can not effectively shield from EU law enforcement. They are also not able to disperse the risk involved in criminal activities by being present in both the EU and the Russian Federation.

Certain new ROC groups have no predefined links with the established ROC structures due to migratory flows in and to the EU. The existing structures may attempt to incorporate these new groups, also by violent measures. In case these attempts are countered, the new ROC groups may become truly EU-based ROC groups.

ROC groups involved in property crime are another specific type of EU-based ROC groups. Due to the exploitative nature of their criminal market they do not normally need to influence their environment in the EU. They are facilitated by the lack of internal borders in the EU and their use of (extreme) violence which provides them with a threatening reputation they can use.

Criminal markets

ROC continues its involvement in heroin trade but its role in cocaine and synthetic drugs trafficking is the most interesting development. ROC including Chechen groups is establishing links with Mexican and other relevant drug cartels. ROC groups may be consequently intensifying their involvement in the whole trafficking trajectory procuring cocaine directly from Latin America, or in some cases concentrating on handling the final distribution in the EU.
ROC involvement in the trafficking of synthetic drugs will either continue or even in some cases increase. The new drug markets in the Russian Federation ("westernisation" of the drug use culture) and the co-operation with other strong distribution groups such as Baltic OC groups (guaranteeing also the kind of supply chain which can be used from the EU to the Russian Federation and vice versa) will strengthen the position of ROC in the synthetic drugs markets of both the EU and the Russian Federation.

The Chechen OC groups facilitating the increasingly difficult illegal immigration to the EU, and ROC groups involved in trafficking in women for sexual exploitation, have a significant social impact on the EU. In the first case, often deprived ethnic communities of reference in the EU are created and strengthened. These can easily become exploited by OC groups often of the same ethnicity. In the second case, the negative impact of trafficking in human beings is clear: spreading human suffering, creating lucrative income for OC, and establishing in many EU MS an altogether illegal sector facilitated by the exploitation of legal businesses.

ROC is involved in systematically recruiting high-technology professionals who can assist in developing new methods and modus operandi as an answer to the increasing levels of IT security. Due to the development of novel security measures the variety of high-technology fraud perpetrated by ROC groups will very probably increase. The most threatening feature of high-technology fraud is the high proceeds involved: these will support other criminal activities but also increase the lucrativeness of high-technology fraud. Additionally, the high dependency of the EU MS and Western European countries on the Internet and high-technology will continue making them vulnerable to ROC and other OC groups. These will try to exploit the (data) security problems for criminal purposes.
Trade-related fraud is facilitated by the exploitation of transport and logistics companies, use of other legal business structures as well as globalisation and borders. ROC in addition to any other criminal players can exploit the vulnerabilities of the application of the current VAT system in the EU; disparities in the various national legislations and tax regimes in the EU; differences in trade-related jurisdictions; and the possibility to use the administrative challenges in the trade between the EU and the Russian Federation (the point in the overall foreign trade process when the goods have already been exported from the EU but have not yet been imported in the Russian Federation can be abused for example for double-invoicing schemes). The most threatening aspect of trade-related fraud is that ROC can exploit legal trade processes and structures to infiltrate and possibly even to destabilise important business sectors.

Other criminal activities with a strong ROC involvement are property crime and protection racketeering and extortion. The use of extreme forms of violence in armed robberies, and well-developed racketeering schemes generating significant illegal profits for ROC are the most problematic developments in this respect.

Impact of ROC on the EU

The impact of ROC on the EU can take both indirect and direct forms. Direct impact includes international operations by ROC groups in the EU: presence in the countries of destination, the origin and possible transit would increase the threat posed by these groups due to their financial and organisational strength and invulnerability. The indirect form involves ROC groups not necessarily physically located in the EU but impacting on the criminal environment in the EU MS. This can be done by providing commodities to the EU markets (no involvement in the final distribution) or by committing crimes not perpetrated in but touching upon the EU. Furthermore, money laundering, investments and the use of economic and political power by ROC groups can be regarded as having an important indirect impact on the EU.

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ROC has a medium level direct impact on the EU. This is mainly felt through certain criminal markets such as trafficking in women for sexual exploitation and drugs, especially when ROC groups control all phases of trafficking (supporting their relative invulnerability). The direct impact is greatest on those EU MS where ROC groups control or directly influence these commodity markets such as Spain, Greece and Latvia. Additionally, ROC groups involved in violent crime and especially armed robberies have a negative impact on the EU.

ROC has a high level indirect impact on the EU. This is experienced through money laundering and investments. These activities distort and may even destroy legal competition; raise prices and inflation in the property and other similar markets; increase corruption of business practices and culture; create concrete losses to legal business and national economies in the EU; increase the lucrativeness and social acceptance of criminal activities; facilitate OC-penetration and integration into legal structures; legalise the proceeds of crime, the criminals and their activities and in turn also seriously damage many legal elements of the EU societies.

Additionally, economic and political power exercised by ROC members has a strong indirect impact on the EU. When it takes place in the Russian Federation, ROC ownership and links with important sectors such as gas and energy are specifically threatening. These links together with active use of corruption to obtain even more favourable business positions can give ROC a strategically significant role in the Russian Federation and, often via joint ventures, also in certain EU markets. These links may prove almost impossible to establish and counter since the connections with important legal business structures are established in the Russian Federation and often shrouded by the efficient use of corruption. Coherently, the links may have guaranteed the companies such a strong economic standing that competition in the free EU market may become all but obsolete. In addition to links with key economic sectors, ROC associations with important state organs can increase the invulnerability and immunity of ROC active in the EU.

When ROC uses economic and political power in the EU, it can increase the proximities between ROC and politicians, economic power-holders, local government, the judiciary, law enforcement, and so on. These can in turn be exploited for different types of corruptive influence, for example for obtaining building, residence and business permits.

Furthermore, ROC groups can efficiently exploit and undermine one of the basic freedoms of the EU: free movement of capital. Once the monies deriving also from criminal activities cross the external EU border, they can relatively freely be moved between countries, companies, accounts, properties, luxury goods, and portfolios.

Many property markets in the EU have felt a positive boom partly due to criminal money but the benefits are short-lived: the system becomes corrupted, competition distorted, and the public trust in the inviolability of the rules and regulations of the EU societies undermined.
A major challenge that needs to be tackled in order to effectively fight against ROC in the future is the problems in cross-border co-operation. This is especially the case in co-operation between the EU and the Russian Federation but also in other respects (off-shore centres and the private sector are other key areas). The administrative borders can be exploited directly for various crimes (trade-related fraud and money laundering) but also to efficiently separate the predicate offence from the legalisation of its proceeds and the criminals and their victims from the crime.

3. METHODOLOGY

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(page 81)