

Expert report Prof. Dr. Petrus C. van Duyne

In-country crime analysis workshop September-October

Croatia

Agencies and institutions present:

- Tax administration
- Customs
- Special police unit for organised and economic crime
- Financial Intelligence Unit
- State audit office

Description of the event

The objective of the event is to contribute to the development of a strategic crime-analysis system and discipline. Strategic crime-analysis means the processing and transforming of elementary or raw information concerning criminal phenomena into a picture which provides an overview of the criminal landscape (how it is), potential causal relationships (why it is) and which trends can be discerned (how it may become).

The crime-analysis concerns organised crime and economic crime. As far as organised crime is concerned the legal definition of the United Nations Convention is taken as the point of departure. However, it remains to be seen whether that definition is precise and analytically unambiguous enough to withstand a critical dissection.

The discussion among the participants centered on:

- the kind of crime phenomena they considered relevant for their country;
- the organised aspects thereof;
- the possibilities of organised crime strategic analysis.

Main problems

a. Organised/economic crime phenomena

As far as the criminal markets are concerned, Croatia appears hardly threatened by the criminal underground market of prohibited substances or the illegal human migration and labour market. However, given its geographical position, stretching

from coast to Hungary all over the Balkan, it is inevitably a transit country for any criminal cross-border traffic towards northern crime-markets using the well-known Balkan Route. This does not imply that there are no criminal groups or crime-organisations dealing with drugs within Croatia. Though the numbers mentioned vary, there are about five crime-organisations involved in the drug market.

The crime market which affects Croatia most concerns licit goods cheapened by means of fraudulent (tax) manipulations and the misconduct concerning the privatisation of previous state property.

A very profitable branch of tax fraud concerns the high taxed goods like tobacco and mineral oil, and VAT fraud (or the Croatian equivalent). These fraud schemes can involve tens of (front) firms, causing a fiscal damage of millions of euros each. Whether these forms of organised business crime should be qualified as “organised crime” as formulated by the definition, remains debated.

In the “counterfeit” industry, or rather “craft”, criminal groups are also active, usually consisting of small cooperatives of experts, comprising not more than ten participants.

Though the answers to the previous questionnaires should be considered provisional, the general picture of the “organised crime landscape” is that it consists mainly of flat or horizontal organizations with a network-like structure. Only six of the 40 discernable crime-groups have more than ten members. As far as the “trans-national” character of these groups is concerned, this feature is inherent to the cross-border trading activities, presupposing foreign buyers or sellers.

The picture of the organised criminal landscape in Croatia is still far from clear. The difference, or rather, the dividing line between what is indicated by “criminal group” and “criminal organisation” is far from clarified. The same applies to the various forms of economic crime.

b. *Methodological uncertainty*

During the discussion it emerged that the participants found it difficult to make a precise differentiation between the various concepts while trying to design a situational picture. Working in the field, or closely with field officers, it remains difficult to apply the definition unambiguously. In addition, there is the uncertainty concerning the phase at which they have enough information to subsume a (number of) observation(s) or report(s) under the denominator of “organised crime” If requested to report “how many cases” of organised crime they have, it was also uncertain whether and at what stage they could with certainty tell whether they have an organised crime case at all.

Relevant for the organised crime debate, but difficult for practical interpretation or bringing it under the “organised crime” umbrella, is the privatisation mis-

conduct. This uncertainty is heightened because the legislation has been worded in such a way that this conduct is just projected at the safe side of the blue line, actually by those who benefit from such a benevolent interpretation.

Montenegro

Agencies and institutions present:

- Economic crime department
- Customs
- Department of the prevention of organised crime and corruption

Main problems

a. Organised/economic crime phenomena

Montenegro is a small country with only a limited potential for an indigenous organised crime market. Drugs are not unknown, but for criminal commercial purposes it has not the economy of scale comparable to the countries in North-west Europe. Given the geographical position of Montenegro, facing Italy and Albania and Kosovo as its hinterland, the country is in the first place a transit country.

Concerning economic crime, the country has to deal with smuggling and irregularities concerning high-taxed goods like tobacco and mineral oil. It is unclear to what extent this can be qualified as an organised crime involvement. As far as it does not concern smuggling in the sense of stealthily crossing the borders, fictitious or front firms are involved, which require some organisation and division of labour. Such complex cases of tax and customs fraud are difficult to investigate, while there is insufficient trained staff to deal with such cases.

b. Institutional framework

Montenegro does not have a crime analysis unit. This makes it difficult to draw up a criminal “landscape picture”.

Due to the absence of a central crime analysis unit the departments of penal law enforcement appear to deal with separate flows of information. The organised crime unit operating within the Ministry of Interior appears to operate at some distance of the police officers handling the daily criminal intelligence.

c. *Small country effect*

Reporting on economic and organised crime in Montenegro is difficult because of the risk of recognizeability: if major (economic) crime is reported in which (higher) officials are involved, it is difficult not to recognize some of the major players. Due to this circumstance officers will feel themselves restrained to report.

Strategic crime analysis: problems and solutions

Strategic crime analysis in Croatia as well as Montenegro is either in its infant stage or virtually non-existent. Croatia has two bodies that carry out crime analysis, however a basic conception of data gathering, processing and analysis are lacking. This is only partly due to lack of automated data gathering and processing. More important is the inexperience with strategy-oriented analysis, the lack of precise notions concerning organised crime and the ensuing uncertainty as what to collect as raw material. Montenegro has no crime analysis unit at all, though data are gathered, certainly in the field of economic crime, but the collected data do not allow cross-comparisons for proper analysis (or such operation must be carried out manually, which is a time-consuming undertaking).

Solution

In the addendum “Reporting the organised crime landscape” a solution to this problem has been elaborated. In its essence it comes down to the following points of actions and basic principles:

- Let all national agencies (and within the region) agree on a common data input format: all distinctive features (“variables”) must be identical;
- Determine minimal observational thresholds;
- Determine the way of observation;
- Design a proper raw data management;
- The strategic analytic unit must cover the primary data input and follow it till final handling of a case: the *bill of lading principle*;
- No a priori categorization as “organized crime”, “economic crime” etc. The conclusion must follow the input, not the other way round;
- Provide an adequate analytic statistical tool like SPSS.

GRID 1: Main problems with organized and economic crime; Obstacles in the way; Offered solutions

Main Problems (i.e., dominant crime markets that pose the most harm and are most difficult to deal with)	Obstacles to effective combating of organized and economic crime	Offered Solutions
Economic crime, ranging from high-level embezzlement to import- and export smuggling of high-taxed goods. No insight into the “criminal finances”.	Lack of transparency, too many agencies operating independently (or only partially active), insufficient financial investigation.	More coordinated policy making, sharing of information, common action, more in-depth financial investigation and analysis.

GRID 2: Crime analysis

Main obstacles to effective crime analysis (i.e., strategic crime analysis based on accurate threat assessment)	Legal and institutional framework for crime analysis (what is there)	Identified needs (what is missing in order to have an effective crime analysis, strategic and otherwise)
Lack of proper data base and raw data management. Lack of trained staff on basic as well as higher trained level.	There is no centre or properly trained unit for data collection and analysis. The flow of information from the bottom to a potential analytical processing unit is not clear.	A thoroughly worked out data processing plan; Training of staff and the establishment of a recognized unit; Proper training of the higher echelons for integrating the products of such unit in policy making; Training the operational officers to act according to the analytical products.