

# Organized Crime and Narcotics in the Baltic Sea Region: Issues of National and Regional Security

Report from the  
Central Asia-Caucasus Institute &  
Silk Road Studies Program Conference,  
Stockholm, Sweden, 1-2 June 2005

Niklas L.P. Swanström  
Emin Poljarevic  
Elisabeth Peterson



*Central Asia- Caucasus Institute  
Silk Road Studies Program*



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Johns Hopkins University-SAIS, 1619 Massachusetts Ave. NW, Washington, D.C. 20036  
Uppsala University, Box 514, 75120 Uppsala, Sweden  
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## Executive Summary

Eastern Europe's transition from Soviet rule to democracy, free market economics, and the rule of law in 1990 was marked by tremendous feelings of happiness and elation across the globe. Criminal actors in the falling communist systems adjusted fast to the free market and organized criminal networks accelerated their activities, even infiltrating the political system itself. The EU was going to play a pivotal role in bringing about all of these changes. If everything had happened as we had hoped, there would be no need for this alarming report.

The report is divided in three main parts. The first part assesses the narcotics and organized crime situation in the Baltic States. The second part examines states' capacities to counter narcotics and organized crime in the Baltic Sea region. The third part proposes solutions to the main issues that were discussed in the first part.

Europe is one of the most profitable markets for narcotics in the world. Criminal networks are positioning themselves in Europe. They launder their money in Western banks by investing in European real estate and stocks. Law enforcement agencies across Europe and beyond have noticed this phenomenon, and the media have also addressed some of the problems caused by organized crime and the use of narcotics. However, this limited attention has not resulted in any coordination of policies between affected states to reduce the trade by any significant amount. The Baltic Sea Region has received some attention from authorities since narcotics transport routes crisscross all three of the Baltic States. Nevertheless, the cooperation between countries is crucial if we want to be successful in reducing the supply of narcotic drugs.

The current emphasis in Sweden on increasing the volume interaction between the political sphere and academia are starting to produce results, although the. It is difficult to find the best format for how to proceed because intentions do not always match up with actions. This report proposes several crucial points where international and national efforts are to be focused.

## Introduction by Dr. Niklas Swanström

This book is a summary and extension of the conference on Countering Narcotics and Organized Crime in the Baltic Region held in Stockholm on 1-2 June, 2005. Across Europe, the impact of trafficking and organized crime in the Baltic Sea Region has received very little attention from the political establishment. This inattention can be illustrated by the lack of political representation among the audience at this conference in Stockholm.

The glowing exceptions to this general trend were Dan Eliasson, State Secretary to the Minister of Justice; Gunilla Carlsson, MP and Deputy Chair of the Foreign Relations Committee and of the Moderate Party (Moderaterna); and Johan Pehrson, MP, Chairman of the Parliament's Judiciary Committee, and member of the Liberal Party (Folkpartiet Liberalerna) They each presented their respective views of the problems that the Baltic Sea region faces with respect to narcotics and organized crime. Moreover, the conference was made possible by generous support from the Swedish National Drug Policy Coordinator (Mobilisering Mot Narkotika).

The problems that drug abuse cause for states and individuals are age-old, but the trafficking of narcotics has never been as widespread or profitable for criminals as it is today. According to United Nations statistics from 2004, some 200 million people, or five percent of the world's population between the ages of fifteen and sixty-four, abuse narcotic substances. There are fifteen million more drug users today than just one year ago. Disease and human suffering are seen in the wake of drug abuse, and they have detrimental effects on entire societies. For instance, HIV and AIDS are spreading primarily through intravenous drug use in Europe, but the disease is becoming increasingly common among people who do not use drugs. This is especially common in Russia and Central Asia, where HIV and AIDS are spreading at the fastest rates in the world today.

Several states have been directly affected by the criminalization of the state and the corruption of state functions. States such as Afghanistan, Tajikistan, and now Kyrgyzstan have been co-opted by money derived from the narcotics trade. These states' political processes are, to great extent, controlled by the criminal networks. Further, it is increasingly apparent that the economies of several states in Central Asia are dominated by the production and trafficking

of narcotics. This, in turn, poses immense threats to political and social stability in the region. This also impedes upon the liberalization of these states' economies and threatens their democratization processes. These effects are increasingly apparent in Russia and, to certain degree, in some of the new European countries. The extent to which this kind of corruption is threatening the Baltic States is less obvious to people who do not deal with these issues on a daily basis.

The consequences of the proliferation of narcotics are affecting Europe to a greater extent than ever before. Europe is one of the most profitable markets for narcotics in the world. Criminal networks are positioning themselves in Europe. They launder their money in Western banks by investing in European real estate and stocks. Law enforcement agencies across Europe and beyond have noticed this phenomenon, and the media have also addressed some of the problems caused by organized crime and the use of narcotics. However, this limited attention has not resulted in any coordination of policies between affected states to reduce the trade by any significant amount. The Baltic Sea Region has received some attention from authorities since narcotics transport routes crisscross all three of the Baltic States.

The threats posed by narcotics have not been taken seriously enough to suppress the drug problem in Europe. Police, customs, and related organizations do not receive adequate resources, and international cooperation is often hindered by national political interests. Moreover, coordination on the practical level between the different states is lacking, even though many organizations are trying to combat organized crime and narcotics trafficking. What is really needed is an operational measure that will counter narcotics effectively. So far, the political establishment has failed to create measures to resolve this problem. Specifically, the operational units that fight organized crime and narcotics trade have their hands tied behind their backs.

The magnitude of the threat is exacerbated by the fact that globalization and cooperation reached the criminal world long before they reached the political level. This means that trans-border cooperation between criminal organizations is much more efficient than that between state actors. To effectively combat narcotics smuggling, states must work together to target the production, transit, and consumption of illicit drugs. This kind of approach has not been prominent at the political level, as the narcotics problem is often treated as a national problem. This attitude disregards the transnational nature of the problem.

In an effort to initiate transnational thinking, the Silk Road Studies Program and the Swedish National Drug Policy Coordinator organized a workshop in Riga, Latvia in April, 2005 to discuss issues related to organized crime and narcotics in the Baltic Sea Region. The purpose of the conference was to foster a dialogue between operative, academic, and political representatives from the three Baltic States and Sweden. Despite good regional coordination, the actions that have been undertaken in the region to combat the narcotics trade have not been executed effectively.

After the April workshop, individuals with extensive experience in the region were chosen to analyze the possibilities of improving the current situation. They were invited to discuss the problems during the conference in Stockholm. The purpose of the conference in Stockholm was to discuss counter-narcotics efforts and to examine the Baltic Sea Region's capacity to tackle the drug problem. The conference also considered the financial effects of the trade and the EU's ability to tackle narcotics and organized crime issues.

The outcome of the conference was somewhat alarming, as most speakers described the consequences of the narcotics trade in the Baltic region and northern Europe and pointed out the shortcomings of the current political solutions. Transnational cooperation was shown to be one of the narcotics trade's greatest strengths, and as an area of extreme weakness for state actors. Conference participants also identified the expansion of heroin production in Afghanistan and the facility with which drugs move through Russia to Europe as particularly troublesome problems. There was no doubt that the effects of the narcotics trade are disturbing and that organized crime operates relatively freely in the region, despite the good work of police, customs and other legal authorities. The proliferation of narcotics is partly due to the political establishment's lack of understanding and the lack of political courage across the region to stand up against organized crime.

When one considers the rapid increase in the accessibility of narcotics and the consequences the Baltic Sea Region will face, it is obvious that more effective action is needed to combat narcotics abuse and to curb the spread of organized criminal networks. Moreover, these issues are especially important since the Baltic Sea Region is one of the European frontiers in combating and preventing the inflow of drugs to the EU. This report is a continuation of the April and June conferences. It is also a reflection of our efforts to increase the understanding of the problem, and to point to operational measures that can be implemented.

The report is divided in three main parts. The first part assesses the narcotics and organized crime in the Baltic States. The second part examines states' capacities to counter narcotics and organized crime in the Baltic Sea region. The third part proposes solutions to the main issues that were discussed in the first part. This conference will be followed by several others that will aim to incorporate more actors and develop strategies to effectively combat narcotics and organized crime in the Baltic Sea region.

Niklas Swanström  
Project Leader  
Program Director, Central Asia-Caucasus  
Institute & Silk Road Studies Program

## Introduction by Björn Fries

As Sweden's National Drug Policy Coordinator, I recognize that fighting the drug problem is a difficult task that requires cooperation between countries. Having an opportunity like this to share experiences, to define problems for cooperation, and to discuss what we can do to improve our cooperation is vital for success.

The initiative for this regional conference on Countering Narcotics and Organized Crime in the Baltic Region was a result of the implementation of the Swedish National Action Plan on Drugs. Our Action Plan was adopted by the Swedish Parliament in April 2002, and runs to the end of 2005.

The background for the Action Plan was that in Sweden, as in most European countries, drug abuse among youth increased in the 1990s, albeit from a lower baseline than many other countries. In the late 1980s, school surveys indicated that three percent of the students in the 15-16 year-old age group had tried narcotic drugs. In the late 1990s, the same figure was up to ten percent.

This increase in drug use created a great deal of political worries in Sweden. Many people concluded that one reason for the increase in drug abuse among youth was that we had failed to understand that drug problem needs constant attention – and investment. Therefore, three years ago, the Swedish Parliament decided to invest both politically and economically in a balanced National Action Plan on Drugs.

The Swedish policy and the Action Plan focus on prevention, treatment, and control as three equally strong pillars – supporting, rather than contradicting, each other. This is a reflection of our conviction that the drug problem requires an integrated and balanced approach.

In the Action Plan, our aim is to reduce the number of young people testing drugs, to increase the number of people who are offered help, and to reduce the supply of drugs. My task is to coordinate all actions against drugs at national level and provide leadership for the implementation of the Action Plan. I have an office with fifteen experts to assist me in this task.

So, what are we doing?

We have initiated a number of activities to implement the Action Plan. In the area of prevention, for example, local strategies and local action plans are

now being developed, and local drug coordinators have been employed in virtually all municipalities across Sweden. Procedures have been created to foster cooperation between school, parents, social services, and police with regard to problem identification and early intervention.

As for treatment, my office has initiated activities to increase the number of people who are offered help. New counselling and treatment alternatives will be developed as well as new methods to reintegrate former drug addicts into society. One of our primary objectives is to increase the number of addicts who undergo treatment successfully.

We also seek to reduce the supply of drugs. This is why we want to target dealers at the local level in addition to those at the highest levels of organized criminal networks. We think that it is important to fight street-level drug crimes as well as large-scale organized drug trafficking.

Organized crime constellations are often one step ahead of law enforcement agencies. This is especially apparent when it comes to new technology. Take for example, the development of the Internet. During the 1990s, did we ever think that Internet would become such a well-used media for communication? In a few years, the Internet exploded and the criminals certainly saw their opportunity to exploit it. Therefore, as a part of our work, we have investigated how Internet is used for dealing with drugs. We are working to find new methods for combating drug crimes that are committed via the Internet.

Another example of initiatives to control the spread of narcotics is that we support cooperation between the private sector, customs, and the police. Our main intention is to increase companies' awareness of the possibility that they may be used for smuggling of drugs, and to teach them how to counteract such attempts.

We also focus on enabling the law enforcement agencies to combat organized crime and serious drug crime more effectively. In one of our projects, we have defined problems in cooperation between the law enforcement agencies.

As the National Drug Policy Coordinator, I have learned about the importance of structure and coordination in all fields. In Sweden, for example, there are a number of authorities in the control area: police, customs, the coast guard, prosecutors, tax authorities, and so on. There are good examples of close cooperation between the authorities, but this is not a part of their regular work. Therefore, I have proposed that the government charge law enforcement agencies with the task of creating a common strategy and a

common action plan to combat organized crime. I firmly believe that we have to *work* together, and not simply inform each other or exchange experiences.

As I said earlier, I also believe that the cooperation between countries is crucial if we want to be successful in reducing the supply of narcotic drugs. We have a lot to learn from each other and a lot to win by working together to reduce the production and smuggling of drugs.

In the implementation of the Swedish Action Plan we have put a lot of emphasis on strengthening the cooperation between law enforcement agencies in the Baltic region. The main reason for this priority is that we are all affected by increases in drug smuggling in our region. With more drugs available in the streets, there is a greater risk that young people come across drugs more easily and also use them, which is what we want to avoid.

One activity in the region which we have initiated is the “Subregional Project Against Synthetic Drugs and Precursors.” This Project has been put into place to develop a common regional strategy for the fight against serious organized crime, and to improve the sharing of experience and knowledge between the police, customs, and forensic experts in participating states. This cooperation has resulted in several joint operations in the region undertaken bilaterally between Estonia, Latvia, Lithuania, Poland and Sweden.

I want you to know that I have a strong appreciation for the work and role of law enforcement as a defender of the open democratic society. The fight against crime is crucial in this respect. The damage caused by illegal drug abuse to individuals, families, and society as whole should not be underestimated. That is why it is of greatest importance to fight the drug problem from every perspective involving all levels of society.

Of course, all of us want to see quick results – especially politicians. However, I am very much aware that working to solve the drug problem requires a great deal of patience and a lot of hard work.

I hope that this book which describes the conference will help to define and identify solutions for some of the problems that we see today so that we will be able to improve our cooperation in countering narcotics and organized crime in the Baltic Sea Region.

Björn Fries  
Swedish National Drug Policy Coordinator



## 1. Assessing Narcotics and Organized Crime in the Baltic States

One of the primary purposes of the conference on Countering Narcotics and Organized Crime in the Baltic Region was to raise awareness about what is occurring in Estonia, Latvia, and Lithuania and how it affects the area that surrounds the Baltic States. To that end, assessments of the current situation were offered by legal experts, drug enforcement officials, Members of Parliament, Customs officials, and a number of professors in various disciplines.

These speakers showed that narcotics and organized crime pose major threats to social, political, and economic development in the Baltic States, and they explained how these phenomena have detrimental consequences that reach far beyond the Baltic Sea Region.

### *History*

The three Baltic States were under Russian control from 1940 until 1991.<sup>1</sup> The Russians had a tremendous impact on social development in the Baltic Sea region, and even affected the characteristics of organized criminal activity.

One speaker described the type of organized crime that flourished under Russian rule as the Thieves in Law. Participants in the Thieves in Law shared the following characteristics:

- They were unemployed, uneducated, and did not serve in the army;

### Keywords

○ *Organized crime poses major threats to social, political, and economic development in the Baltic States*

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<sup>1</sup> Lithuania declared its independence from the USSR on 11 March 1990, but the USSR did not recognize Lithuania as an independent state until 6 September 1991. Estonia gained its independence from the USSR on 20 August 1991. Latvia became independent on 21 August 1991.

- They did not ask the state for support, they did not inform the police about others, they did not plead guilty to anything without approval from other Thieves;
- They adhered to the Thieves' rules, but they never spoke about these rules outside of the Thieves' society;
- They used all possible ways to force others to obey the Thieves;
- They put a certain portion of their criminal profits to a common fund.

These principles did not change for decades, and they governed the only kind of organized crime in the USSR for many years.

This criminal philosophy was spread mostly in the prisons. In the 1950's and 1960's, drastic measures to eliminate Thieves in Law were implemented. The Soviet government placed a particular emphasis on prison populations, which resulted in major prison revolts.

The Thieves in Law phenomenon does not fully explain how modern organized crime came to the Baltic Sea Region. During Soviet rule, people in the occupied states were subjected to socialist ideology and the planned national economy. During this time, the traditional spheres of contemporary mafias' activity – drugs, firearms, gambling, car theft, pornography – required high levels of risk and were not able to produce significant profits.

Operations involving foreign currency were the most profitable type of criminal activity during Soviet times. For instance, prostitutes frequently sold themselves for foreign currency during this period. There were also special stores that dealt exclusively in hard currency, and made good profits by buying and selling foreign currency.

*○ The type of organized crime that flourished under Russian rule was called Thieves in Law*

*○ Operations involving currency were the most profitable type of criminal activity during Soviet times*

Inflated currency exchange rates, a constant lack of goods, an artificial price system, and the total prohibition of private business created paradoxes that could only exist in a socialist system. It did not take long for people with “business sense” to exploit the sluggishness and backwardness of socialist industry. Criminal groups quickly dominated these new businesses. Many “trade mafias” flourished and made tremendous profits. See Figure 1.1.

○ “Trade mafias” flourished and made tremendous profits during Soviet times

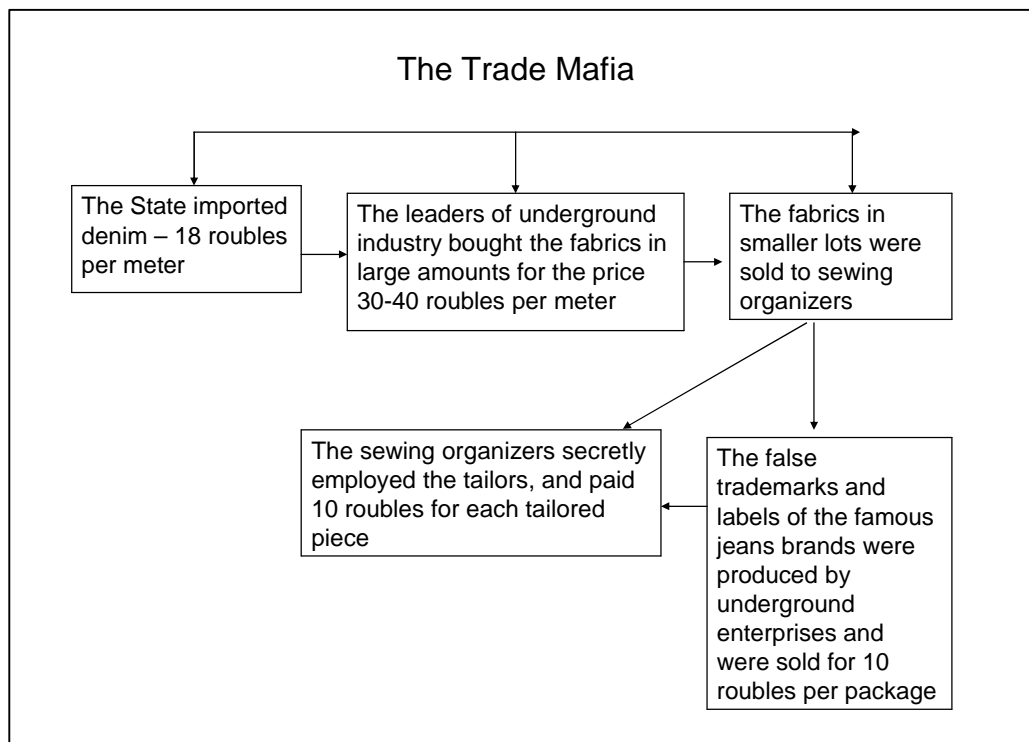


Figure 1.1. Provided by Algimantas Cepas

“Trade mafias” that were involved in the black market generally incorporated three major elements: party-state bureaucracy apparatus; the black market; and criminal structures. These “trade mafias” experienced a tremendous amount of growth during the period of Gorbachev’s *perestroika*.<sup>2</sup> These economic and political

○ “Soviet mafias” were heavily involved in the black market.

<sup>2</sup> *Perestroika* was “Mikhail Gorbachev's program of economic, political, and social restructuring, [and it] became the unintended catalyst for dismantling what had taken nearly three-quarters of a century to erect: the Marxist-Leninist-Stalinist totalitarian state... Gorbachev

reforms were somewhat superficial but nevertheless provided a possibility for individuals to acquire property easily. This “release of the bolts” gave rise to a marked growth of “traditional” crimes such as theft. This, in turn, stimulated the spread of “non-traditional” crime such as property extortion in the Baltic States.

Moreover, the collapse of the KGB and the withdrawal of Russian army troops from the Baltic States also gave rise to organized crime. For instance, there was a great deal of money laundering throughout the privatization process of the 1990’s.

The Baltic Sea region has undergone tremendous political, economic, and social transformations over the course of the last fifteen years. Since 1991, democratic governments have been established in each state, and state and local administrations have completely changed. There is now pluralism of political parties. New legal systems have been created in each state. New religious movements and sects have also developed across the region. Private property has been reintroduced, and the national economies have shifted from being planned to following the free market model. Also, each of the Baltic States joined NATO and the EU in the spring of 2004.<sup>3</sup>

*O The collapse of the KGB and the withdrawal of Russian troops contributed to the rise to organized crime in the Baltic States*

*O The Baltic Sea region has undergone tremendous political, economic, and social transformations over the course of the last fifteen years.*

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introduced policies designed to begin establishing a market economy by encouraging limited private ownership and profitability in Soviet industry and agriculture. But the Communist control system and over-centralization of power and privilege were maintained and new policies produced no economic miracles. Instead, lines got longer for scarce goods in the stores, civic unrest mounted, and bloody crackdowns claimed lives, particularly in the restive nationalist populations of the outlying Caucasus and Baltic states.” (“Revelations from the Russian Archives,” Library of Congress, 4 January 1996, <http://www.loc.gov/exhibits/archives/pere.html>).

<sup>3</sup> For more information on Estonia, Latvia, and Lithuania’s involvement in the EU and other international organizations, see Section 3 of this report.

### *Characteristics of Organized Criminal Groups*

Sufficient political and social organization is not a characteristic of transformation periods. Instead, the only thing that seems to be organized and which evolves during a transition period is organized crime. Across the Baltic Sea Region, organized crime groups are well-organized, have clear aims, and are always searching for new ways to expand their development. The organized criminal groups in the Baltic Sea region tend to fall into three categories: those with more than seventy-five members, those with twenty-five to seventy-five members, and those with five to twenty-five members.

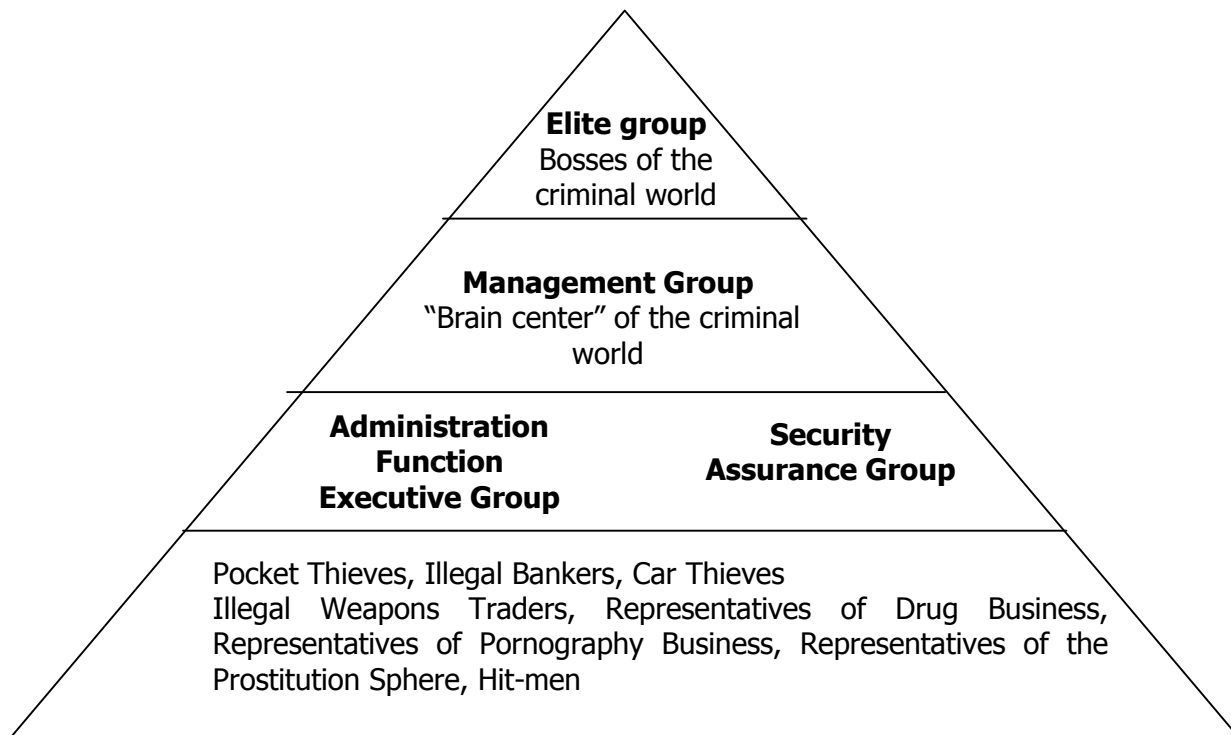
One speaker indicated that almost all organized crime groups, regardless of their size, have specific ideologies and philosophies. They attempt to neutralize states' social control and law enforcement activities by engaging in prospecting and counter-surveillance. They also have financial structures and attempt to maximize their unregulated profits.

Large organized crime groups generally share a number of common features. Most are extremely well-organized and employ rigid hierarchical structures. See Figure 2.1.

*○ The only thing that seems to be organized during a transition period is crime*

*○ Large Organized Crime groups share common features*

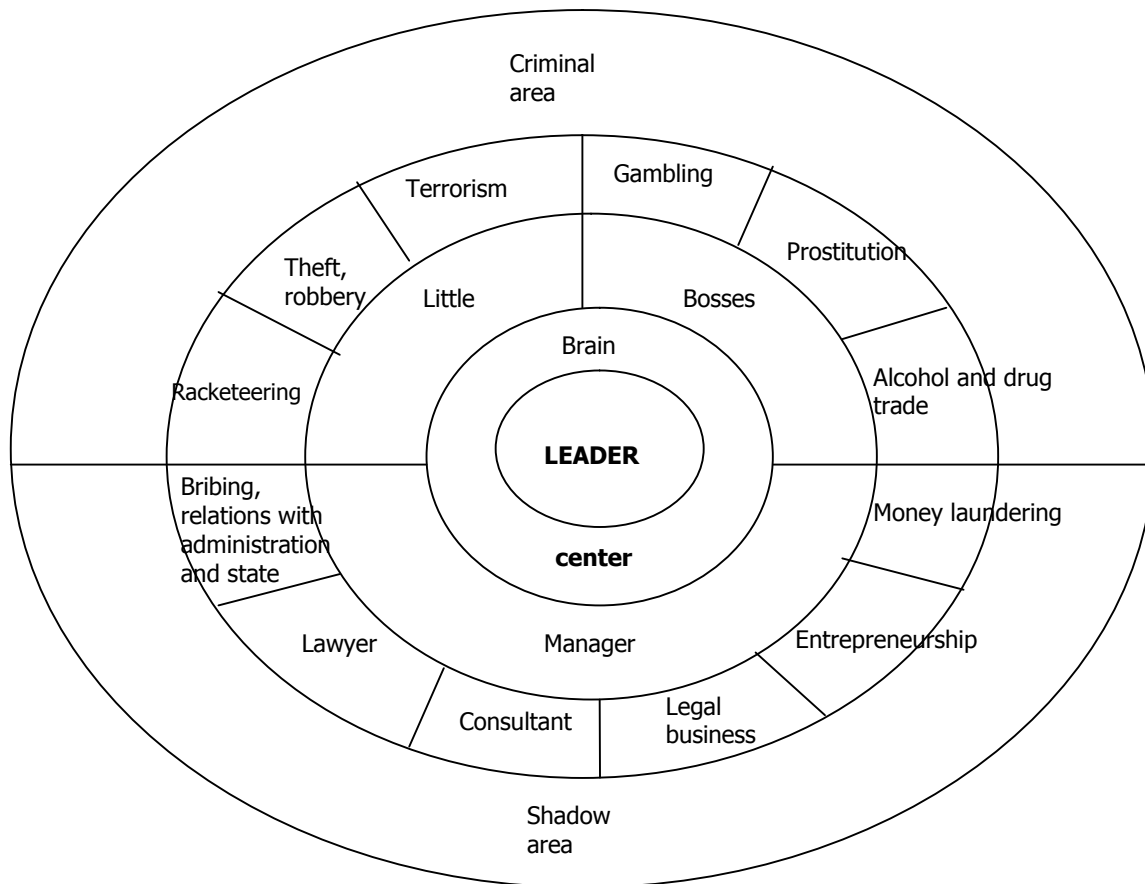
## 2. Structure of Organized Crime



*Figure 2.1 Provided by Andrejs Vilks*

Large groups use internal discipline, they exert influence on politics and criminal justice authorities through corruption, and they operate on an international level. They plan their activity, train their personnel for particular tasks, and have common financial structures. Responsibilities are divided among the membership. See Figure 2.2.

*The Functional Construction of Organized Criminal Structures*



*Figure 2.2 Provided by Andrejs Vilks*

Large organized crime groups tend to be involved in more than one criminal enterprise.<sup>4</sup> They employ huge, complex management systems in which each branch is highly organized. See Figure 2.3.

*O Large criminal groups diversifies its criminal activities*

<sup>4</sup> See section below for information about organized criminal groups' activities.

## Structure of one of organized crime group acting in Kaunas (Family of “doctors”)

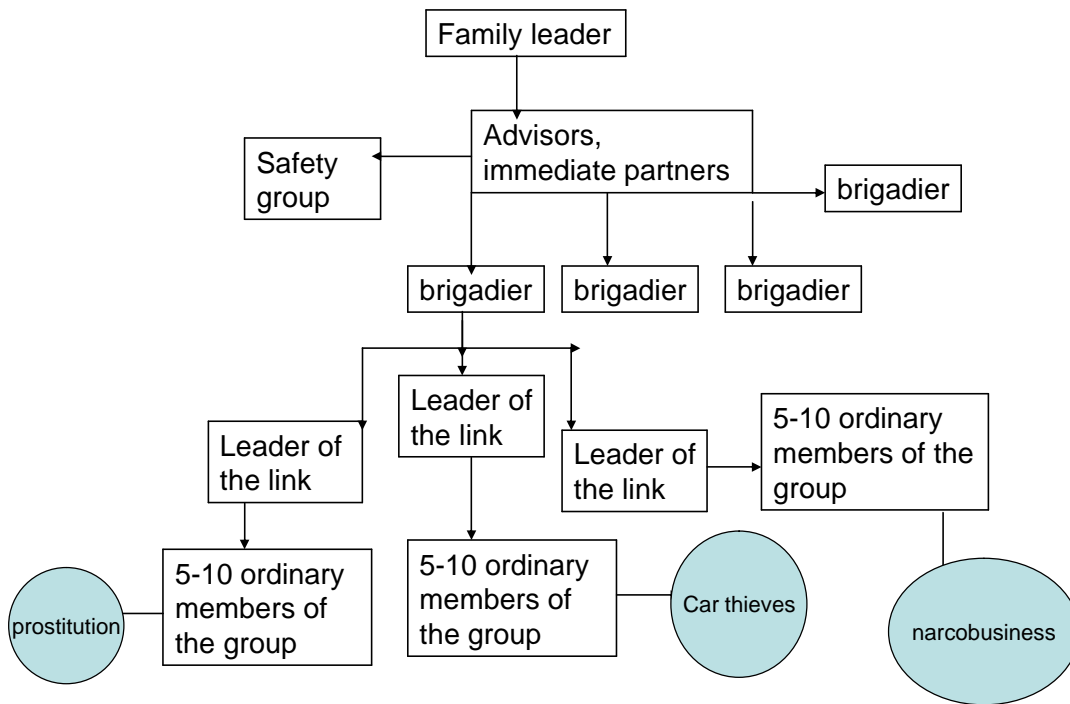


Figure 2.3 Provided by Dr. Algimantas Cepas

In Lithuania, these large groups are often involved in criminal activities in several cities or regions. They also tend to be international and multiethnic in character. Lithuanian police estimate that eleven criminal groups that are engaged in such crimes as smuggling, car thefts, prostitution, and the trafficking of illegal migrants maintain relations with organized crime groups in other countries. These other groups come from places such as Russia, Latvia, Poland, Ukraine, Germany, and the Netherlands. There are several highly organized groups situated in Vilnius, including Kaunas, that have “advisors” in other countries who help plan their international activities. Also, nearly 90% of the members of the larger organized crime groups in Vilnius are Russian nationals - unlike the other regions of Lithuania where the groups consist almost primarily of Lithuanians.

In Estonia, there are approximately sixty active criminal groups, although only two have more than

*O Organized Crime groups are increasingly multi national*



seventy-five members. These two groups are very well organized and are represented all over Estonia. Both groups are Russian-speaking, and their members often have criminal records. These groups engage in drug trafficking, prostitution, economic crimes, and cyber crime. The Russian groups have good connections with the Russian Mafia, although the Russian Mafia is not particularly interested in Estonia because it is too small. However, there have been some cases involving Russian hit-men. At the same time, there is some evidence that both large groups want to legalize themselves.

*O Russian speaking criminal groups are well connected*

Medium sized groups across the Baltic Sea Region tend to have strict, non-hierarchical structures. Each member has a specific role in the group, and these groups use forms of internal discipline to keep their members in line. These groups may be involved in more than one kind of criminal activity in one or more areas. They are sometimes multi-ethnic in character.

Most groups in the region, however, have between five and twenty-five members. They tend to be involved low-level criminal activity – thefts, burglaries, racketeering, etc. These groups generally consist of eight to ten members, with one or two leaders. Their structure is considered loose: all members of the group can decide whether they wish to participate or not in the commission of a particular crime. Unlike the groups with twenty-five or more members, these small groups are apt to dismantle if something happens to one of their leaders.

*O A non-hierarchical structure within organized crime groups makes them more diverse*

In Estonia, the smaller groups are usually specialized in one criminal activity and their members tend to be Estonian. These Estonian groups are spread out across the country, and they have expanded their activities since Estonia joined the EU in 2004. Spain, for instance, has become a destination for the Estonian groups. These groups are engaged in more than the transit of narcotics. Estonian groups are notorious for bank robbery and jewelry shop robbery.

In Lithuania, the small groups tend to restrict their activities to one city. These groups consist mostly of Lithuanians, who are under thirty years of age. The Lithuanian groups are often composed according to their members' domicile. Another method of group formation is the so-called "friendship principle," which means that people who were friends in childhood, attended the same schools, or were engaged in sport activity in the same club form criminal groups together as adults.

○ *"Friendship principle" is way of reducing risks of being infiltrated*

### 3. Activities of Organized Criminal Groups

Organized crime groups around the world earn over 9 billion USD annually through their involvement in illegal activities. Organized crime groups are often involved in the narcotics trade, human trafficking, illegal migration, the sex industry, and the trade of human body parts. They steal cars; smuggle and engage in the illegal circulation of arms, ammunition and explosives; produce and distribute counterfeit money; control of the gambling business; and launder money. Organized criminal groups are also involved in credit and insurance fraud; racketeering; the illegal circulation of nuclear and weapons of mass destruction; terrorism; the smuggling and theft of artwork; the illegal use, sale, and copying of copyright materials; and the gathering, storage, and destruction of radioactive and other hazardous waste.

In Latvia, the main criminal activities of organized crime groups include economic crimes, such as money laundering, smuggling, illegal privatization, and fraud. These groups also steal cars; traffic illegal immigrants; trade illegal firearms; and produce, distribute, and deliver narcotics. They are also active in racketeering and prostitution.

One speaker at the conference talked about specific incidents involving organized criminal activity in the Baltic Sea Region. He described how an illegal cigarette factory in Latvia was busted by law enforcement authorities in 2005. The machinery that produced the counterfeit cigarettes cost approximately 250,000 euros. The speaker projected that it typically only takes about four weeks to pay off this capital investment.

Two years before that, authorities discovered a Latvian printing company that exported paper for counterfeit

*Organized criminal groups are usually involved in several illegal activities simultaneously*

cigarettes to Belgium and Kaliningrad. This bust uncovered enough paper for 800 million cigarettes. In 2002, customs officials visited a scrap yard in Lithuania that exported metal. Each scrap held a container with 6000 cigarettes inside, and they found a total of 70 million cigarettes that day.

Just a few weeks before the conference, Swedish customs officials found a shipment of cardboard from Lithuania full of counterfeit cigarettes. The smugglers had forged all of their documents and used the name of a legal company unbeknownst to that company.

Organized crime has proven to be very profitable in the Baltic Sea region, and that has only served to encourage more criminal activity. Organized crime groups use the proceeds from their crimes to finance their operations. The most profitable enterprises include smuggling, the sale of narcotics, car thefts, and prostitution. Several highly organized groups even have their own “treasuries.” They use the funds to finance their operations.

The use of violence is very common within the criminal world. Violence is used to solve problems that arise between organized crime groups that seek control under particular territory or a particular kind of business.

Organized crime groups also make painstaking efforts to evade facing the legal consequences of their actions. Across the Baltic Sea region, organized crime groups involved in smuggling narcotics and trafficking of illegal migrants usually have relations with customs and other border police officers. Groups engaged in prostitution business often have police shelter as well. Many groups use some of their funds to bribe these public servants.

Organized crime groups engage in counter-intelligence activities, such as analyzing border crossings. They have a great deal of knowledge about how Swedish and Baltic customs operations work.

*○ Smuggling of different types of illegal goods is profitable in the Baltic Sea Region*

These groups often have legal “fronts.” For instance, they often use or create their own companies to carry out illegal activities, or sometimes these groups will use well-known companies to carry out their criminal operations. These companies typically are not aware that they are being used for illegal activities.

*○ “Legal fronts” are commonly used to protect the illegal activities*

Today, many organized crime groups in the Baltic Sea region are involved in transnational crimes. These crimes often involve the movement of illicit goods from Russia, Ukraine, Belarus, and the Baltic States, to EU countries. Baltic organized crime groups produce and distribute counterfeit money. For instance, authorities recently discovered a company that forges euros and US dollars in Lithuania and Latvia. Baltic criminal groups also commit a lot of thefts. These thefts tend to be very well-organized and are often committed by sophisticated fleecing networks. The smuggling and illegal production of cigarettes is also very common, as is the smuggling and production of illegal narcotics.

*○ Thefts are also very lucrative business for the criminal groups*

Globalization has contributed to the expansion of organized crime. For example, the free movement of the people and labor across borders has increased the scale of the organized legal and illegal migration, and has brought about the formation of legal and illegal structures to move people across borders.

Globalization has also led to the optimization and intensification of information systems and channels to transfer, create, and use information for criminal purposes. There have been revolutions in financial resources and securities markets. Further, there has been a transformation of world, regional and ethnic values with increasingly liberal attitudes toward drugs. Pressure and conflicts between various cultures and systems of values have escalated while, paradoxically, organized crime groups have become increasingly multi-ethnic. The system of the transnational organized crime and the integrated terrorist organizations has developed and gotten stronger.

One speaker explained that the hypertensive development of unregulated economic relation has enabled organized crime groups to master new spheres and fields of economic activity, cultivate new regions, and develop their criminal enterprises.

The free movement of persons also leads to the development of uncontrolled organized migration. This, in turn, causes social risk groups to leave the disadvantaged regions of state. When these people arrive in their new countries, they are sometimes recruited to work for transnational organized criminal groups. This phenomenon contributes to the multi-ethnic and international character of many organized crime groups.

The speaker explained how the creation and development of uncontrolled information and communication systems enables people to conduct their business anonymously. Organized crime groups development communication structures to help consolidate their ideology. They also use the tools of mass media to spread antisocial and criminal information. Their messages often incorporate explicit and insinuated propaganda of hate, violence, aggression, and greediness. This phenomenon, too, leads to the development and consolidation of criminal philosophy and culture.

The speaker also said that free market economic development intensifies the exchange process for commodities and services. As the market becomes more reliant on technology and virtual encounters, it is easier for individuals to maintain their anonymity.

Thus, the speaker concluded, social progress and globalization have not reduced the danger to individuals, society and state security. Rather, the extension of individuals' possibilities and potential of power over their environments have accelerated the growth of the threat to humanity. The increase of social stratification and the increasing complexity of

*O Organized crime groups are working out their ethnic differences*

*O Organized crime networks are mobile and adapt easy to the foreign legal systems*

state organization have led to drastic increases in potential danger from organized crime. The speaker said that today's forms of criminal danger are not independent, but change along with the development of social, political, and economic processes. State security systems are not suitable to counter these threats.

The proliferation of organized criminal activity poses great threats to global security. These threats include material, intellectual, and mental poverty; ethnic and religious conflicts; scarcity of vital resources; the failure to protect information technology and systems; environmental harm; the extension of weapons of mass destruction; and threats from international terrorist groups.

The threats posed by global transnational organized crime in the Baltic Sea region are determined by the region's geopolitical location, insufficient funding of natural energy resources, its situation in industry, ethnic structure, religious affiliations, social protection, employment patterns, and processes of crisis and destabilization.

## 4. Narcotics

A tremendous amount of organized criminal activity in the Baltic Sea region is centered on the production, trade, and distribution of narcotics.

In Estonia, organized criminals are primarily involved in the trafficking and sale of narcotics. The proliferation of illegal drugs threatens law and order in Estonia, although to a lesser extent than in neighboring countries.

Prior to 1997, local narcotics consumption in Estonia consisted mainly of homemade poppy products. Heroin first appeared on the Estonian market in 1998, and became the most commonly used illicit substance by 2001.<sup>5</sup> Drug use has since become much more prevalent across the Baltic Sea region. Perhaps the most troubling statistic is that today 24% of Estonian students have tried illegal drugs at least once – up from 15% in 1999.

Estonia's internal market for illegal drugs is actually rather small, so most criminal efforts in Estonia are related to transit. Narcotics traffickers tend to be very well-organized and they take advantage of Estonia's location between the East and West. Indeed, Estonia has been likened to an intermediate station in the drug business.

Latvia shifted from being a transit country to being a destination and user country over the course of the last fifteen years. During the economic boom of the late 1990's, LSD, amphetamines, and heroin became available on the black market. However, Latvia is still used for the transit of drugs from Central Asia to

*○ 24% of Estonian students have tried illegal drugs at least once*

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<sup>5</sup> Fact Sheet, Estonia.



Scandinavia via Russia, and for synthetic drugs from Europe to the CIS states.<sup>6</sup>

The Baltic drug trade is most lucrative in Lithuania, where authorities estimate that the domestic drug trade in 2004 was worth approximately 200 million USD. Also, Lithuanian poppy straw products are exported to Kaliningrad and Latvia, and constitute 56% of all seized drugs in Lithuania. Drug use is also quite common in Lithuania: authorities estimate that the number of people seeking treatment has increased eightfold since 1991.<sup>7</sup>

The narcotics that enter the Baltic Sea region come from a number of sources. Amphetamines and other synthetic drugs are probably the most widely spread drugs in Estonia. They are usually produced in Estonia, or they are imported from Russia and the other Baltic countries.

Heroin moves from Afghanistan, through the former Soviet states, and into Estonia. The Taliban regime had successfully banned drug production in Afghanistan. Immediately after the US intervention in Afghanistan, the availability of heroin in the area decreased significantly. Concentration levels also dropped – from 80% in 2001 to and 6 to 30% in 2002 and 2003. In the last two years, however, availability and concentration of heroin have significantly increased.<sup>8</sup> One speaker reported that the levels of production have gotten so high that children in southern Russia are given free Afghan heroin in order to develop their dependency in older age. Today, there are many transit corridors for heroin: the largest are through the Baltic States, the Balkans, and Ukraine.

*O Lithuania has most lucrative drug trade*

*O Afghani drugs are smuggled through the Russian territories*

*O Children are thought to use heroin in southern Russia*

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<sup>6</sup> Fact Sheet, Latvia.

CIS stands for the Commonwealth of Independent States. The CIS includes Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine. (“About the Commonwealth of Independent States,” <http://www.cisstat.com/eng/cis.htm>)

<sup>7</sup> Fact Sheet, Lithuania.

<sup>8</sup> Fact Sheet, Latvia.

Heroin is generally smuggled into Lithuania from Central Asia through Russia, Belarus, and the Balkans. It is frequently smuggled out of Lithuania to Scandinavia, Poland, or Kaliningrad by ferry or car.<sup>9</sup>

Hashish frequently comes to the Baltic States from Holland or Morocco, and is typically used by young people. Hashish is considered to be a “weak” and “easy” drug, but it is common knowledge that many hard addicts start with hashish before moving on to harder substances.

Cocaine comes to Estonia, Latvia, and Lithuania from Latin America. Typically, cocaine is moved through the Southern and Western Europe before it comes to the Baltic Sea region.

One speaker described the drug situation in Estonia as catastrophic. It is hard to guess how many regular drug users are in Estonia. Likewise, in Latvia, drug abuse has increased substantially over the last ten years. Today, amphetamines, cannabis, and heroin are the most widely used drugs in Latvia.

There is a great deal of criminality related to the drug trade in Estonia. In 2001, there were 5458 registered drug offenses in Estonia – up from 765 in 1999. These drug-related crimes made up 23.9% of all crimes in 2001, and the majority of these offenses were committed by drug abusers. Clearly, narcotics do not just impact drug users. Rather, they pose significant threats to state security in the Baltic Sea region.

The illegal production and smuggling of narcotics is quite common across the Baltic Sea region. Synthetic drugs are often produced in Poland, Lithuania, and Estonia – for the Nordic markets. Precursors such as PMK and BMK come from Russia, Belarus, China, Sweden, Latvia, and Lithuania.

Since 2002, seven illegal factories have been found in Lithuania, ten in Estonia, and one in Latvia. These

*O Lithuania is  
a major gate for  
drugs coming  
from  
Afghanistan*

*O Estonian  
drug situation  
is spiraling out  
of control*

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<sup>9</sup> Fact Sheet, Lithuania.

factories produced precursors. Also, seventeen labs were found in Poland last year.

Another speaker explained why the drug trade has expanded in the Baltic Sea Region. He attributed drug criminality to the amplification of the transparency of borders in the EU and within the Baltic region, coupled with insufficient border control and increases in the stream of international transit of cargo. He said that the expansion of transit networks and channels for legal drugs, the growth of organized crime groups, and the perfection of the mechanism of wholesale realization of drugs have also contributed. Further, on the state side, safety and the law enforcement structures have been ineffective, especially with respect to their operative divisions. Finally, increases in the number of “new consumers,” and the growth of a narcotic subculture with its corresponding social norms have also led to the increased presence of narcotics in the region.

This speaker explained why drug criminality has expanded in the Baltic Sea region. He said that there has been an increase in the volume of received and synthesized narcotic and psychoactive substances, as well as the development and expansion of network of laboratories that process precursors and synthesize these narcotic or psychoactive substances. Chemical pharmacists, experts in narcology, and scientists use modern technology to manufacture narcotic and psychoactive substances. Organized crime groups have strengthened the system of transit for narcotics, and have successfully adapted to constantly varying conditions.

*○ Insufficient border control contributes to expansion of drug business*

*○ Drugs are not only smuggled through the region, portion of it is consumed there*

## 5. The Impact of Organized Crime on Economic Development

Organized criminal activity threatens economic development across the Baltic Sea Region. The economic situation in the Baltic Sea Region appears to be quite good at the moment: each state's GDP is growing at an annual rate of 6%-8% per year.<sup>10</sup> Moreover, the currencies in the Baltic States are stable and inflation tends to be relatively low.<sup>11</sup> Also, all three Baltic States have nearly completed the privatization process and they are each members of the World Trade Organization.<sup>12</sup>

Other indicators point to economic development in the Baltic Sea Region. One speaker explained that improvement in the quality of life can be measured by increases in the numbers of mobile phones, internet connections, and automobile purchases, as well as increases in personal savings across the region. There have also been rapid increases in foreign investment, particularly in relation to construction, social

*O Economic development is highly sensitive to the organized crime activities*

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<sup>10</sup> Estonia's GDP in 2004 was 19.23 billion USD, with a growth rate of 6%, and per capita GDP was 14,300 USD. ("Estonia," CIA World Fact Book, 30 June 2005,

<http://www.cia.gov/cia/publications/factbook/geos/en.html>.)

Latvia's GDP in 2004 was 26.53 billion USD, with a growth rate of 7.6%, and per capita GDP was 11,500 USD. ("Latvia," CIA World Fact Book, 30 June 2005,

<http://www.cia.gov/cia/publications/factbook/geos/lg.html>).

Lithuania's GDP in 2004 was 45.23 billion USD, with a growth rate of 6.6%, and per capita GDP was 12,500 USD. ("Lithuania," CIA World Fact Book, 30 June 2005,

<http://www.cia.gov/cia/publications/factbook/geos/lh.html>).

<sup>11</sup> In 2004, the rate of inflation with respect to consumer prices was 3.0% in Estonia (ranked 99<sup>th</sup> out of 223), 6.0% in Latvia (ranked 162<sup>nd</sup> out of 223), and 1.1% in Lithuania (ranked 28<sup>th</sup> out of 223). (CIA World Fact Book).

<sup>12</sup> Estonia 13 November 1999, Latvia 10 February 1999, Lithuania 31 May 2001 ("Understanding the WTO: Members and Observers," World Trade Organization, 16 February 2005, [http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/org6\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm)).

infrastructure, and long-term projects in the service sector.

In spite of all of this economic growth, the Baltic economies remain vulnerable. Organized crime has brought about uncontrollability of the economic system and has led to the growth of the shadow economy. Illegally acquired capital can be distributed rapidly across the region. Furthermore, organized crime damages states' communication systems and is associated with the broader criminalization of social norms and values. There is a great deal of concern about the high level of criminal activity in the Baltic states. Two Latvian banks were recently closed down in the US, and the US Congress has sent a delegation to Riga. If investors perceive that the region's financial institutions are engaged in illegal activities, they are apt to invest elsewhere.

*O The growth of the shadow economy threatens the societal development of the region*

## 6. HIV/AIDS and Other Drug-Related Health Problems in Latvia

Latvia is a small country, with a population of just over two million. Of these, over 3,100 have been diagnosed with HIV or AIDS<sup>13</sup> and, in the last ten years, thousands have received medical treatment for drug-related problems.

The first HIV/AIDS patient in Latvia was registered in 1987. AZT monotherapy was introduced in Latvia in 1990, and HAART in 1996.<sup>14</sup> Since 1997, HIV/AIDS patients' healthcare has fallen within the framework of state's program. Today, Latvia has a number of laws, regulations, and administrative provisions which govern the healthcare of HIV/AIDS patients.<sup>15</sup>

*O Over 3100 people in Latvia have been diagnosed with HIV/AIDS*

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<sup>13</sup> UNAIDS estimates that approximately 7,600 people in Latvia live with HIV/AIDS (2004 Report on the Global AIDS Epidemic, United Nations Programme on HIV/AIDS, July 2004, [www.unaids.org/bangkok2004/report.html](http://www.unaids.org/bangkok2004/report.html)).

<sup>14</sup> AZT Monotherapy, also known as Zidovudine, "is a type of antiretroviral drug called a nucleoside reverse transcriptase inhibitor (NRTI). This class of medicines blocks reverse transcriptase, a protein that HIV needs to make more copies of itself. This medicine does not cure or prevent HIV infection or AIDS and does not reduce the risk of passing the virus to other people" ("Zidovudine," AIDSinfo, U.S. Department of Health and Human Services, 17 January 2005, [www.aidsinfo.nih.gov/drugs/](http://www.aidsinfo.nih.gov/drugs/)).

HAART stands for Highly Active Antiretroviral Therapy, and is "the name given to treatment regimens recommended by leading HIV experts to aggressively suppress viral replication and progress of HIV disease. The usual HAART regimen combines three or more different drugs... These treatment regimens have been shown to reduce the amount of the virus so that it becomes undetectable in a patient's blood" ("Definition - HAART," AIDSinfo, U.S. Department of Health and Human Services, [www.aidsinfo.nih.gov/drugs/](http://www.aidsinfo.nih.gov/drugs/)).

<sup>15</sup> Regulations for HIV/AIDS spreading restriction include:

- Regulations of the Cabinet of the Republic of Latvia, 23 September 1997, No. 328.
- HIV infection and AIDS epidemiological surveillance and healthcare order of infected persons and AIDS patients in

The number of HIV/AIDS cases in Latvia has skyrocketed since 1999. See Figure 6.1.

*Cumulative Number of HIV/AIDS Cases in Latvia, as of 31 March 2005*

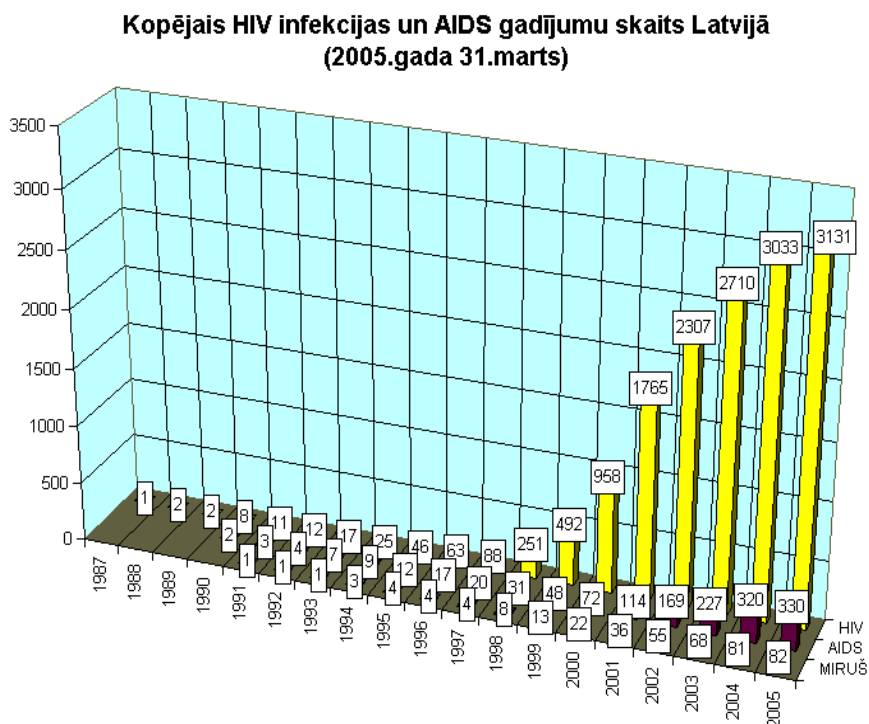


Figure 6.1 Provided by Professor Ludmila Viksna

The spread of HIV/AIDS has affected the entire Baltic Sea region. As of December 2004, there had been 980 HIV diagnoses in Lithuania, and 4224 in Estonia.<sup>16</sup> See Figure 6.2.

O At least 980 people in Lithuania and 4224 people in Estonia have been diagnosed with HIV/AIDS

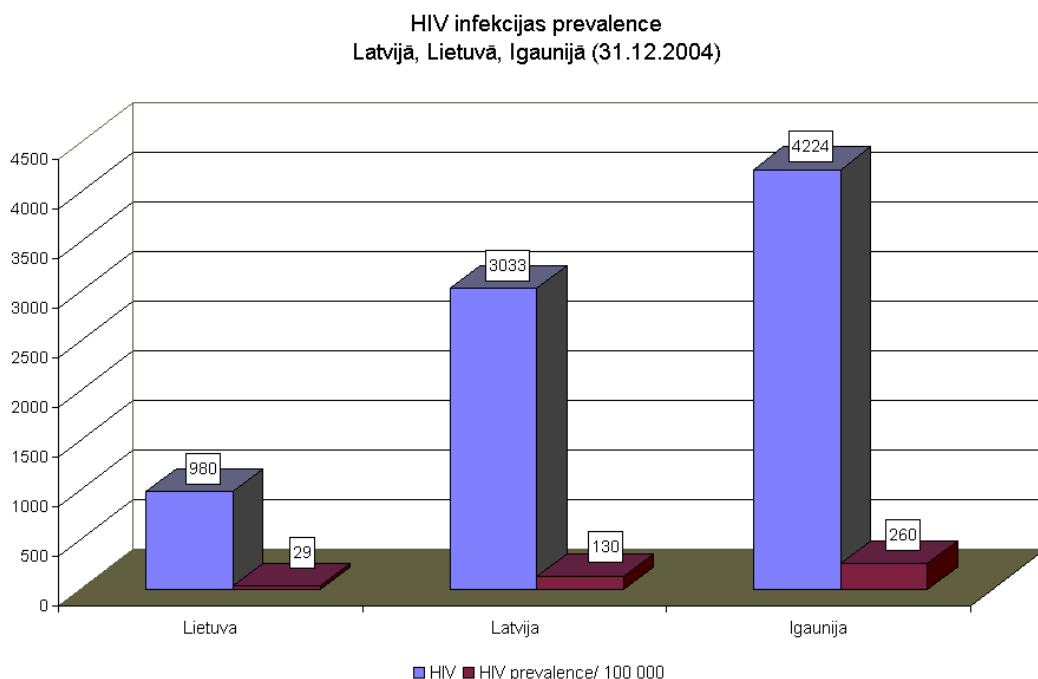
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Latvia – Order of the Welfare Ministry of the Republic of Latvia, 16 January 1997, No. 21.

- HIV/AIDS spreading restriction strategy in Latvia (1999-2003) - Order of the Welfare Ministry of the Republic of Latvia, 15 July 1999, No. 223.
- Program on the restriction of human immunodeficiency virus (HIV) and AIDS for 2003-2007.

<sup>16</sup> UNAIDS estimates that even more people suffer from HIV/AIDS in the Baltic Sea Region. Their 2004 report projected that approximately 1300 people in Lithuania and 7800 people in Estonia live with HIV/AIDS (2004 Report on the Global AIDS Epidemic, United Nations Programme on HIV/AIDS, July 2004, [www.unaids.org/bangkok2004/report.html](http://www.unaids.org/bangkok2004/report.html)).

*Prevalence of HIV Infection in Latvia, Lithuania, and Estonia, as of 31 December 2004*



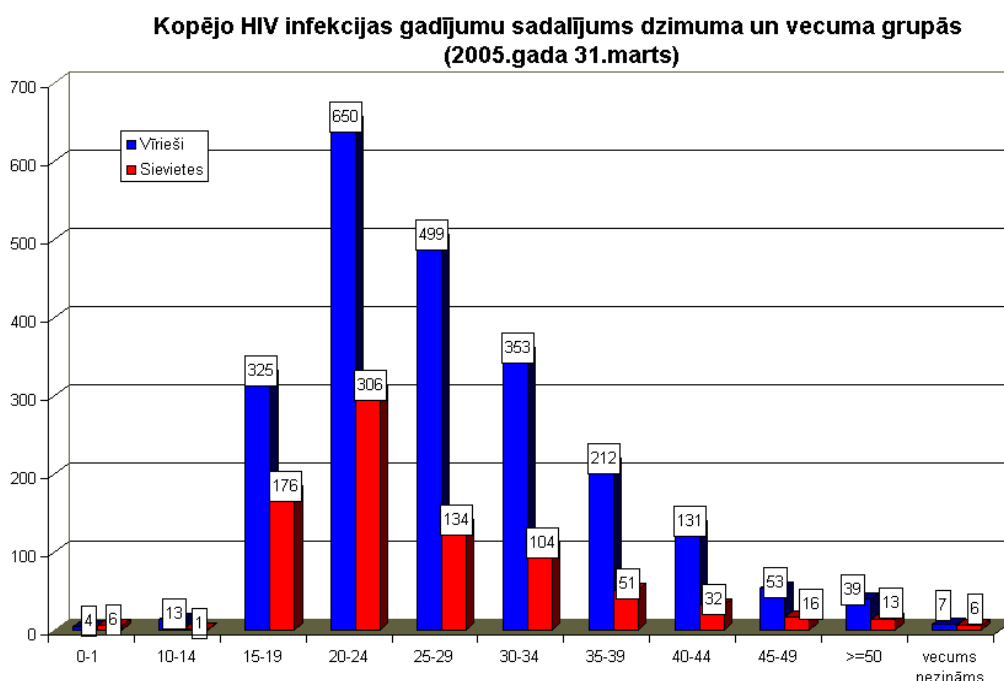
*Figure 6.2 Provided by Professor Ludmila Viksna.*

HIV/AIDS is spreading to new portions of the population. At first, only men contracted HIV/AIDS in Latvia. Today, women make up approximately one-third of Latvia's HIV patients. The largest group of HIV/AIDS patients consists of males between the ages of twenty and twenty-four. See Figure 6.3. Also, in the past, HIV was most frequently spread in prisons in Latvia. That trend is changing: there were 522 new cases of HIV in Latvian prisons in 2002, 468 new cases in 2003, and 454 new cases 2004.

*O HIV/AIDS is spreading to new portions of the population: women make up about one-third of Latvia's HIV/AIDS patients*



*Cumulative Number of HIV/AIDS Cases in Latvia, by Age and Sex, as of 31 March 2005*



*Figure 6.3 Provided by Professor Ludmila Viksna*

The overwhelming majority of new HIV cases in Latvia can be attributed to intravenous drug use (IDU). IDU was the cause of 82% of new HIV diagnoses in 2001, and 57% in 2003. It should be noted, however, that between 2001 and 2003, heterosexual transmissions of HIV increased by 9% (from 8% to 17% of cases) and unknown causes of HIV increased by 14% (from 9% to 23% of cases).

The Latvian government has made efforts to deal with the HIV/AIDS epidemic by creating a specialized healthcare system for people with HIV/AIDS in Latvia. The Latvian Ministry of Health finances the Infectology Center of Latvia (ICL), which is responsible for diagnosis, treatment, specific prophylaxis, and education. The ICL also operates an AIDS hotline, trains medical personnel, offers preventative treatment for HIV Positive pregnant women, and provides inpatient and outpatient care for HIV/AIDS patients.

○ *The overwhelming majority of new HIV cases in Latvia can be attributed to intravenous drug use*

○ *There is a specialized healthcare system for people with HIV/AIDS in Latvia*

There are a number of non-governmental organizations in Latvia that are attempting to deal with HIV/AIDS.<sup>17</sup> For example, DIA+LOGS is an organization that provides information and resources for HIV/AIDS patients, people who are at-risk, and people who wish to work in healthcare. Its strategic goals include operating a low-threshold drop-in center, conducting educational programs, counseling, and advocating on behalf of people with HIV/AIDS. Specifically, DIA+LOGS would like to provide sanctuary, meeting places, spaces for services related to HIV/AIDS. It would also like to provide HIV/AIDS patients with appropriate, convenient and comprehensible information and to improve their quality of life. It offers professional psychological consultations, support groups, and pre- and post-test counseling. Outside of the clinic, DIA+LOGS wishes to empower affected people to take a responsibility for their lives and to be advocates and lobby for people infected with HIV/AIDS.

HIV/AIDS imposes huge economic burdens on Latvia. It is very expensive to care for HIV/AIDS patients. The cost of out-patient treatment for someone receiving HAART therapy is approximately €728 per month, or €8746 per year. In-patient treatment for an AIDS patient with CMV encephalitis, lymphoma, or Kaposi's sarcoma costs about €2361 per month, or €28,192 per year. Treatments are even more expensive for pregnant women who are HIV positive. A ZDV six-month course, which takes place during weeks 13-40

*O HIV/AIDS related NGOs in Latvia engage in a number of different activities from education, to advocacy, to providing medical and social services*

*O HIV/AIDS imposes huge economic burden on Latvia*

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<sup>17</sup> These non-governmental groups include AGIHAS, a self-support group (<http://www.ltn.lv/~agihlas/>); DIA+LOGS, a resources and support center (<http://www.diacentrs.lv/>); Youth Against AIDS, a youth peer education program (<http://www.youthpeer.org/latvia.htm>); Latvian Red Cross Youth, responsible for the "AIDS. We" educational program ([www.redcross.lv/en/aids.htm](http://www.redcross.lv/en/aids.htm)); Papardes Zieds, sexual and reproductive rights and HIV/AIDS prevention (<http://www.papardeszieds.lv>); Latvian Association for Safe Sex, HIV/AIDS prevention (<http://www.aids.lv/lv>); and the Latvian Gender Problem Centre (Genders), deals with gender issues such as the trafficking of women and children and prostitution(<http://www.genders.lv>).

of the pregnancy, costs €1,340.86, and NFV+3TC/ZDV costs €5,277.25.<sup>18</sup> HIV extreme prophylaxis for medical staff costs € 365.62 for one month of 3TC/ZDV, or €464.25 for 3TC/ZDV+IDV.<sup>19</sup>

In addition to spreading HIV/AIDS, the proliferation of narcotics in Latvia has also brought an increase in drug-related medical problems. The number of patients who were treated as first-time drug addicts increased steadily from 161 in 1998 to 645 in 2001. The number of people who were diagnosed as drug-addicts for the first time dropped to 201 in 2004. See Figure 6.4.

○ The number of patients who were treated as first-time drug addicts increased steadily from 161 in 1998 to 645 in 2001

#### *Patients of Narcotic and Psychotropic Substances Dependence Diagnosed for the First Time*

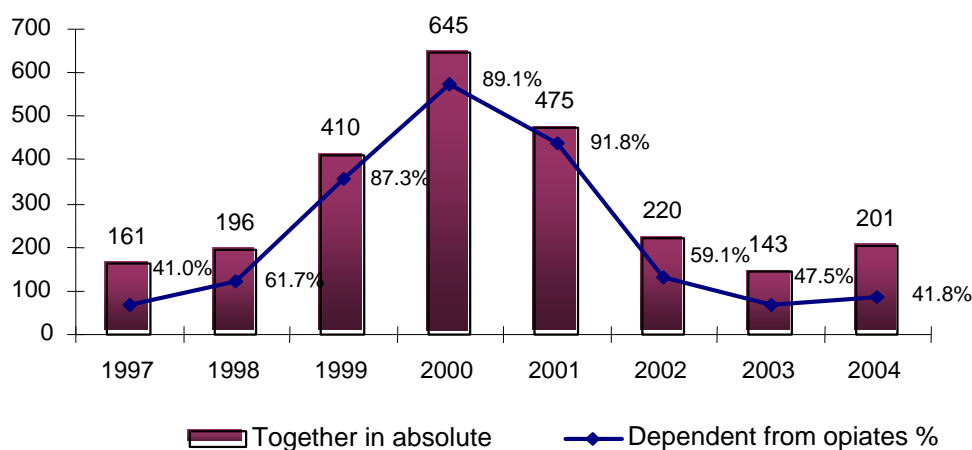


Figure 6.4 Provided by Professor Ludmila Viksna

<sup>18</sup> ZDV is the same thing as AZT, see Note 14 above.

NFV is also known as Nelfinavir mesylate. It “belongs to the class of antiretroviral drugs called protease inhibitors (PIs). PIs act by blocking protease, a protein that HIV needs to make more copies of itself... This medicine does not cure HIV infection or AIDS and does not reduce the risk of passing the virus to other people.” (“Nelfinavir,” AIDSinfo, U.S. Department of Health and Human Services, 26 April 2004, [www.aidsinfo.nih.gov/drugs/](http://www.aidsinfo.nih.gov/drugs/)).

3TC is also known as Lamivudine or Epivir and is a NRTI, which “blocks reverse transcriptase, a protein that HIV needs to make more copies of itself... [it] may be used to prevent health care workers and others from getting HIV infection after they accidentally come into contact with the virus on the job.” (“Lamivudine,” AIDSinfo, U.S. Department of Health and Human Services, 2 February 2005, [www.aidsinfo.nih.gov/drugs/](http://www.aidsinfo.nih.gov/drugs/))

<sup>19</sup> IVD stands for indinavir sulfate and is a PI. (“Indinavir,” AIDSinfo, U.S. Department of Health and Human Services, 3 January 2005, [www.aidsinfo.nih.gov/drugs/](http://www.aidsinfo.nih.gov/drugs/)).

Children and adolescents have joined the ranks of drug abusers and addicts in Latvia. Most children and adolescents who were registered at the State Narcology Service at the end of 2004 were there because of acute intoxication from alcohol (53.0%). However, an alarming 38.2% of them were there for intoxication from psychotropic and narcotic substances, and 7.4% were dependent on psychotropic and narcotic substances. To see the changes in the trends of drug use, see Figure 2.6-5.

○ Children and adolescents have joined the ranks of drug abusers and addicts in Latvia.

*Children and Adolescents Registered for the First Time at Narcology Service According to Substance Used*

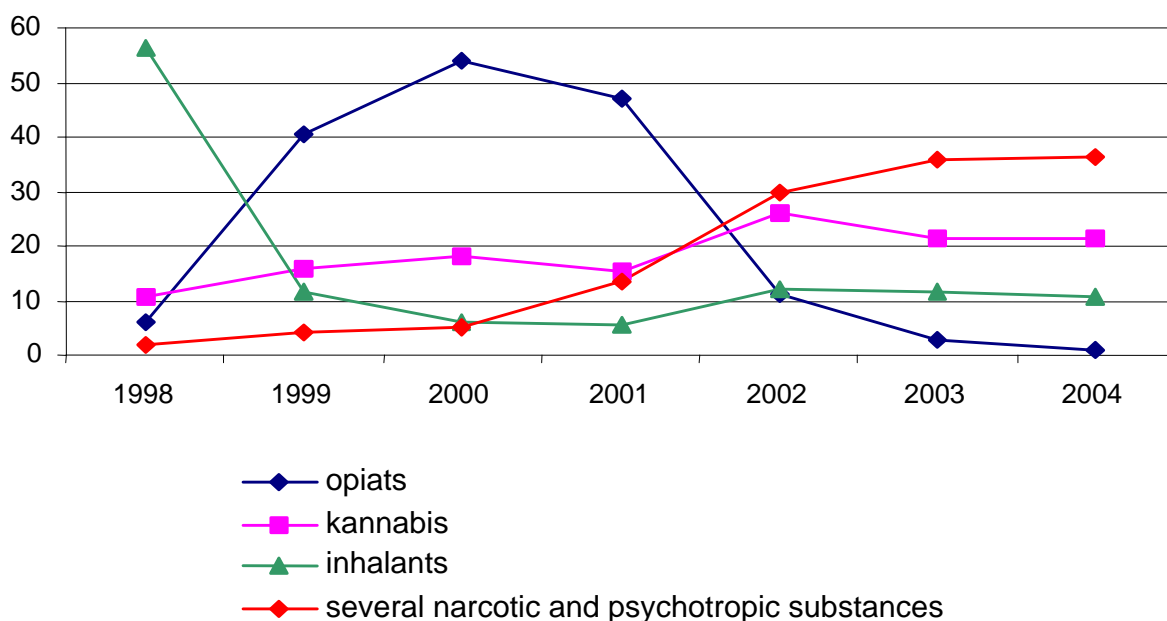


Figure 9.6 Provided by Ludmila Viksna

A number of government institutions deal with drug abuse and addiction in Latvia.<sup>20</sup> The work of these

<sup>20</sup> These institutions include the Infectology Center of Latvia (ICL) ([http://www.infectology.lv/htm\\_e/resed.htm](http://www.infectology.lv/htm_e/resed.htm)), the AIDS Prevention Center, Riga Stradinš University (<http://www.rsu.lv/en/index.html>), State Centre of Sexually Transmitted and Skin Diseases, State Agency of Tuberculosis and Lung Diseases of Latvia (<http://www.mdr-tb.lv>), Narcology Center (<http://www.narko.lv>), Riga Drug Abuse Prevention Center (<http://www.narkomania.lv>),

groups is very important, and must be given greater support.

There is a strong link between drug use and HIV/AIDS. If drug use cannot be controlled, then HIV/AIDS is bound to continue spreading in the Baltic States, which could have devastating effects on the entire region.

*O There is a strong link between drug use and HIV/AIDS*

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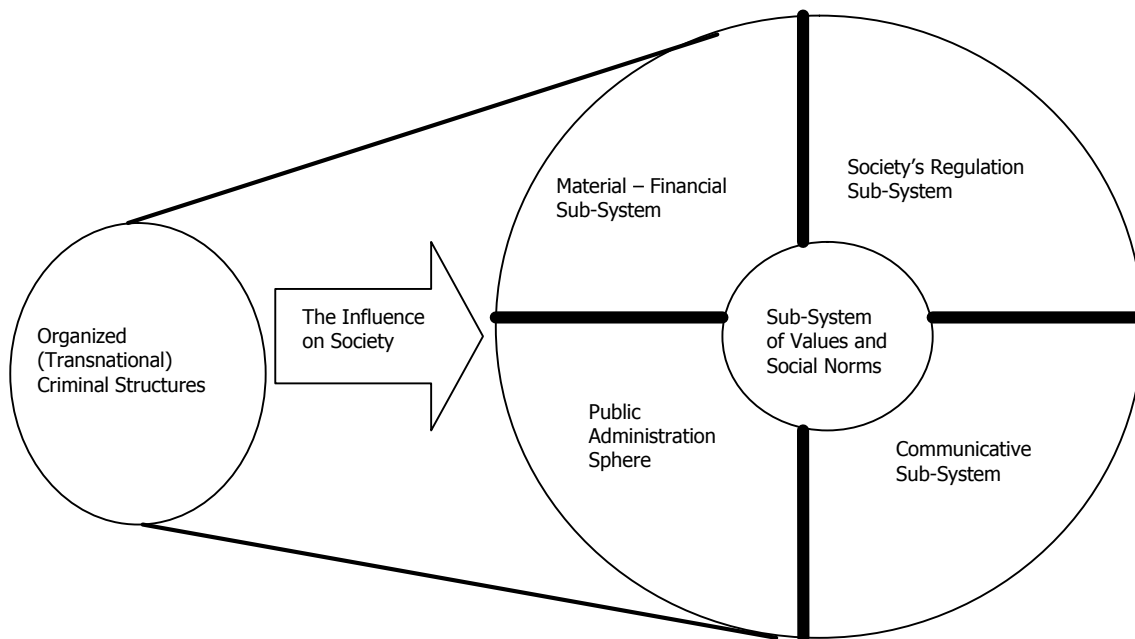
and the Health Promotion State Agency (<http://www.vvva.gov.lv>). Also, there are needle exchange and consultation points in twelve cities.

## 7. Corruption

Corruption is a natural consequence of organized crime. Organized crime groups influence the political process and social development in the countries where they operate. One speaker explained how organized groups corrupt public and political processes and affect the society's values and social norms. See Figure 10.1.

○ *Corruption  
a natural  
sequence of  
organized  
crime*

*Influence of Organized Criminal Structures on the Public  
and Political Processes*



*Figure 10.1 Provided by Mr. Andrejs Vilks*

Specifically, politicians become corrupt in places where there is a lot of organized criminal activity. In Russia, for instance, informal studies have shown that one can buy a seat in the Duma for 1.1 million USD. Such studies have not been conducted in the other Baltic States, but there is reason to believe that the situation is similar. Further, local government elections tend to be even more corrupt than national ones.

○ *Even the  
political  
elections are  
being  
corrupted*

The situation in Estonia is indicative of this phenomenon, as corruption is quite common there. One in four Estonian citizens has been asked to pay a bribe and 16% have actually paid bribes, according to Transparency International's Corruption Perceptions Index (CPI).<sup>21</sup> Transparency International created the CPI in 1994 to measure and compare the levels of corruption in different countries. In 2004, 145 states were included in the CPI. Estonia came in thirty-first place – tied with Slovenia and Botswana, and ahead of all of the other new EU member states except Malta.<sup>22</sup>

*O CPI shows high corruption rates in Estonia*

Corruption in Estonia is commonly attributed to leftover remnants of the Soviet mentality and the inevitability of corruption in small countries where everyone seems to know everyone else. During Soviet times, it was very common for Estonians to cheat the occupying regime. Today, some corruption is considered to be residual.

Second, some people think that corruption is simply the consequence of Estonia being a small country where everyone knows everyone else. This theory is based on the fact that local governments are most vulnerable to corruption, and that corrupt local government officials do not always believe that their conduct is criminal or ethically wrong. It is said that a corrupt person, as a criminal, is quite different from other criminals in the society. Corrupt officials do not always understand that they have committed a criminal offense. They tend to have different value systems, and many believe

*O Corruption is attributed to the size of Estonia, where everyone knows everyone else*

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<sup>21</sup> For general information on the CPI, see Transparency International's website: <http://www.transparency.org/>.

<sup>22</sup> The Scandinavian and Baltic countries received the following rankings in the CPI 2004: Finland – 1 (least corrupt); Denmark – 3; Sweden – 6; Norway – 8; Estonia – 31; Lithuania – 44; Latvia – 57; and Russia – 90.

The ten new EU states received the following rankings in the CPI 2004: Malta – 25; Estonia – 31; Slovenia – 31; Cyprus – 36; Hungary – 42; Lithuania – 44; Czech Republic – 41; Latvia – 57; Slovak Republic – 57; and Poland – 67.

The complete CPI 2004 is available at <http://www.transparency.org/cpi/2004/cpi2004.en.html#cpiz2004>.

that their deeds are, in fact, ethically correct. Government corruption is not always connected to organized crime – some corruption is connected to nepotism or relationships between friends, and this kind of corruption can be somewhat benign.

It is important to distinguish between the kind of corruption that is unethical but basically harmless and the kind that leads to “state capture.” The latter is a much greater threat to democratic development than the former. One professor spoke at length about the characteristics of corruption in the Baltic Sea region, and described the phenomenon of “state capture.” This term was coined by researchers at the World Bank to describe the takeover of state administration by high-level government workers.<sup>23</sup> These high-level government officials become oligarchs, and they manipulate power formation and the rules of the game to their own advantage. They exploit their positions as ministers or members of parliament, and they often refuse to allow policy changes. In instances of state capture, the incentives for bad behavior come from individuals in government themselves rather than from organized criminal groups.

There are networks and cartels that come up with corrupt and often complicated schemes. These groups dole out procurement deals, often with respect to privatization. This is most common in Ministries of Education and Health. Procurements and structural funds are the payoffs. People are inter-linked, so blackmail is very common. When everyone has information about everyone else, mutual blackmail becomes prevalent. These groups have very good legal support, and frequently use libel laws to their advantage.

*○ There is a high risk of “state capture” in the region*

*○ Blackmail is common in smaller communities where sensitive information is available*

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<sup>23</sup> Joel S. Hellman, Geraint Jones, and Daniel Kaufmann, “Seize the State, Seize the Day,” Policy Research Paper, World Bank, September 2000. For more information, see <http://www.worldbank.org/wbi/governance/>.



Louise Shelly, a professor at American University, has argued that in many cases, the law is used for illegal means. The World Bank came up with an index of state capture and ranked 209 countries. Unfortunately, the political establishment is not eager to fight these things. There is a lack of investigations into corruption, and there are practically no convictions at higher levels. This is beginning to change, although sentences tend to be very light, and there are very few cases of middle- or high-level corruption.

All of this corruption is very costly in political terms – it undermines democracy, public trust, elections, the judicial system, and media independence. The actual economic cost of corruption, in terms of procurement, often amounts to about 5% GDP. It is no wonder that honest politicians and bureaucrats often become disenchanted.

There does not have to be this much corruption. There are ways to counter corruption. For instance, the development of state institutions, political and electoral coalitions, and the political decisiveness momentum of people can each work to counter corruption. Further, international intervention can be effective against corruption. The EU is moving towards a more coordinated anti-corruption and law enforcement strategy, which could shed some hope on fighting corruption in the Baltic Sea region.

The next section of this report will describe some of the efforts that states are making to counter corruption, narcotics and organized crime, and facilitate the development of democracy and free trade in the Baltic Sea Region.

*○ The corruption undermines democracy and peoples trust in political system*

*○ Baltic states will benefit from the EU's corruption laws*

## 8. States' Capacities to Counter Narcotics and Organized Crime in the Baltic Sea Region

Governments in the Baltic and Nordic States are not sitting idly as narcotics and organized crime spread across the region. Instead, they have each instituted a number of domestic strategies and they have joined together in multiple transnational organizations to counter narcotics and organized crime. While some of these endeavors have been successful, there is still a lot of work to be done. Today, customs officials probably collect only 5% of smuggled goods in the region. It is very difficult to keep up with a lot of organized crime groups because they can often earn back their capital investments in a matter of weeks.

This section describes some of the current efforts by states to counter narcotics and organized crime in the Baltic Sea region and discusses their capacities to do this work more effectively.

### *Existing Institutions for Cooperation in the Baltic Sea Region*

There are quite a few institutions in place dedicated to cooperation between the states in and near the Baltic Sea Region. Some organizations, such as the Council of Baltic Sea States, have very broad goals, while others, such as the Working Group on Youth Affairs, have very specific objectives. The efficacy of these groups – as a whole and individually – was subjected to a considerable amount of scrutiny at the conference.

*○ There are quite a few institutions in place dedicated to cooperation between the states in and near the Baltic Sea Region*

### *Council of Baltic Sea States*

The Council of Baltic Sea States (CBSS) was established in Copenhagen in 1992 as a response to the tumultuous changes in the political map of Northern Europe after the demise of USSR in 1989.<sup>24</sup> Russia's fate was still unknown in 1992, and no one had any desire to build another iron curtain. According to the 1992 Terms of Reference for the CBSS, the organization would "serve as a forum for guidance and overall coordination among the participating states."<sup>25</sup> Subjects for cooperation among the Baltic Sea countries included assistance to new democratic institutions, economic and technological assistance and cooperation.

The foreign ministers from the CBSS Member States have met on an annual basis since 1992. At the initiative of Swedish Prime Minister Göran Persson, the heads of government of the CBSS Member States met with the President of the European Commission and the Chairman of the European Council in Visby, Sweden on 3-4 May 1996. The heads of government have met biannually since then.<sup>26</sup>

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<sup>24</sup> The original CBSS Member States were Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Norway, Poland, Russia and Sweden. As of 2003, CBSS observer countries included France, Italy, the Netherlands, Slovakia, Ukraine, the United Kingdom, and the United States.

See the CBSS website for more information:

<http://www.cbss.st>.

<sup>25</sup> Terms of Reference of the Council of the Baltic Sea States (1992), Council of the Baltic Sea States, <http://www.cbss.st/documents/foundingdocs/dbaFile752.html>.

This sentiment was reaffirmed in the 2005 revisions of the Terms of Reference of the CBSS, which say the "CBSS encompasses all multilateral intergovernmental regional co-operation and serves as a forum for political dialogue among the group of CBSS members. It also acts as a focal point of information and coordination. The co-ordination shall not infringe on the responsibilities of other Ministers within their respective competence and expertise." (Terms of Reference of the Council of the Baltic Sea States (revised 2005), Council of the Baltic Sea States,

<http://www.cbss.st/documents/foundingdocs/dbaFile7912.html>.

<sup>26</sup> Baltic Sea States Summits have been held in Visby, Sweden, 1996; Riga, Latvia, 1998; Kolding, Denmark, 2000; St. Petersburg, Russia, 2002; Laulasmaa, Estonia, 2004; and will be held in Reykjavik, Iceland, 2006.

*O The CBSS is an overall regional forum for intergovernmental cooperation among the Baltic Sea States*

*O Biannual CBSS meetings are assembling the heads of member states*

Iceland currently holds the presidency of the CBSS, and Sweden will take over the presidency in the summer of 2006.

### *The Northern Dimension*

The European Union's Northern Dimension seeks cooperation between EU Member States, Norway, Iceland, and Russia.<sup>27</sup> Its priorities include economics, business, infrastructure, human resources, cross-border cooperation, and regional development.

The EU officially recognizes that the importance of the Northern Dimension has increased since eight EU Member States are in the Baltic Sea region, and the EU's shared border with Russia has increased significantly since the enlargement of the EU on 1 May 2004.<sup>28</sup>

The Finnish government has been credited with putting the Northern Dimension on the EU's agenda in 1997 and during its EU Presidency in 1999. However, it has been difficult to convince the southern EU members that the issues in Northern Europe are pressing. Moreover, the EU policy on Northern Europe has come under fire for being incoherent and unresponsive.

The Second Northern Dimension Action Plan (2004-2006) was approved by the EU's General Affairs Council on 29 September 2003.<sup>29</sup> The Swedish Foreign Ministry official who spoke at the conference expressed his hope that the EU will follow this plan during the

*O The EU's Northern Dimension Program seeks cooperation between EU Member States, Norway, Iceland, and Russia*

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<sup>27</sup> For more information, see the Northern Dimension's website:

[http://europa.eu.int/comm/external\\_relations/north\\_dim/index.htm](http://europa.eu.int/comm/external_relations/north_dim/index.htm)

<sup>28</sup> Eight EU Member States – Denmark, Germany, Poland, Lithuania, Latvia, Estonia, Finland and Sweden – surround the Baltic Sea.

Since expansion on 1 May 2004, the EU's shared border with Russia is 2200 kilometers long ("Cross-Border Cooperation," European Commission's Delegation to Russia,

[http://www.delrus.cec.eu.int/en/p\\_212.htm](http://www.delrus.cec.eu.int/en/p_212.htm))

<sup>29</sup> The Second Northern Dimension Action Plan, 2004-2006, EU

General Affairs Council, 29 September 2003,

[http://europa.eu.int/comm/external\\_relations/north\\_dim/ndap/ap2.pdf](http://europa.eu.int/comm/external_relations/north_dim/ndap/ap2.pdf).

Finnish presidency, and that cooperation will increase between the EU, Russia, Norway and Iceland.

#### *The Enhanced Partnership in Northern Europe (e-PINE)*

The US has also gotten involved in the Nordic and Baltic Sea Regions through its program, the Enhanced Partnership in Northern Europe (e-PINE).<sup>30</sup> This program is a follow-up to the US's Northern European Initiative, which was launched in 1997. The US wishes to use e-PINE to improve multilateral engagement, build civil society, strengthen democratic institutions, combat crime and corruption, and entrench the rule of law in the Baltic Sea Region.

Other institutions that are in place in the region include the *Barents Euro-Artic Council (BEAC)*, the *Nordic Council of Ministers*, and the *Task Force on Organised Crime in the Baltic Sea Region*.<sup>31</sup> There is also a great deal of cooperation between states in the Baltic Sea Region on specific issues such as agriculture, education, culture, trade, the environment, at-risk children, and communicable disease control.<sup>32</sup>

#### *Task Force on Organized Crime in the Baltic Sea Region*

Crime in the Baltic Sea region has increased over the years, with more threats coming from increasingly sophisticated criminal networks that are involved in a wide range of activities. One speaker told us, "Fighting crime is no longer a struggle for states alone: it is a common endeavor." He reported that there are good prospects for further mobilization to fight crime in the region, and he speculated that the EU may someday be the sole instrument for fighting crime. However, it is a

O *The US program in the Northern Europe is called e-Pine*

O *"Fighting crime is no longer a struggle for states alone: It is a common endeavor."*  
– Dan Eliasson

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<sup>30</sup> For more information, see e-Pine's website:

<http://www.state.gov/p/eur/rt/epine/>.

<sup>31</sup> The Barents Euro-Artic Council (BEAC) – <http://www.beac.st> the Nordic Council of Ministers – <http://www.norden.org>; and the Task Force on Organised Crime in the Baltic Sea Region - <http://www.balticseataaskforce.fi/>

<sup>32</sup> Examples of existing institutions in the Baltic Region include the Eurobaltic project – <http://eurobaltic.srv.se>; Baltic Sea Chambers of Commerce Association – <http://www.bcca.ws/>; the Baltic Sea Trade Union Network – <http://www.bastun.nu/>; and the Baltic Sea Parliamentary Conference – [www.bspsc.net](http://www.bspsc.net).

mistake to believe that the EU will be the sole instrument for fighting crime in the region in the near future. There will have to be regional groups. Specifically, he said that Sweden needs to continue to increase bilateral cooperation in the region, since not all cases are multi-national in character. The speaker explained that the Task Force on Organized Crime in the Baltic Sea Region is a good example of the kind of cooperation that is needed.

The Task Force was established in 1998, and it consists of personal representatives of the heads of government of each member country. The Task Force was established as “a response to the urgent need for direct and concerted action to combat organized crime... [and] to elaborate immediate implementation and other concrete proposals to reinforce the regional co-operation in this field.”<sup>33</sup> Specifically, its aim is to “strengthen the ability to prevent and combat organized crime by setting up a close co-operation between law enforcement agencies in each country.”<sup>34</sup>

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<sup>33</sup> The official objectives of the Task Force are as follows:

“Firstly, the Task Force should focus on criminality related to narcotics, illegal migration, trafficking in stolen vehicles, illegal arms trade, smuggling of highly taxed goods, forgery of money and securities, money laundering and violent crime. Since the first summit the topics of trafficking in women, foreign gangs and environmental crime have been included.

”Secondly, the existing structures of co-operation should serve as the basis of the co-operation, which should also be as concrete and efficient and become a natural part of the operative work.

”Thirdly, the exchange of information should be improved through changes in national legislation.

“Fourthly, the system of liaison officers should be enhanced.

“Fifthly, immediate operative aim should improve border arrangements.

“And finally, measures should be taken to ensure a high ethical level.”

(“Objectives,” Baltic Sea Task Force, <http://www.balticseataskforce.fi/intermin/hankkeet/balticseataskforce/home.nsf/pages/E729CEFEF103E144C2256F71005089CE?OpenDocument>).

<sup>34</sup> “Objectives,” Baltic Sea Task Force, <http://www.balticseataskforce.fi/intermin/hankkeet/balticseataskforc>

Sweden chaired the Task Force until 2000, then Denmark was chair, and now Finland is assuming leadership. Today, the Task Force meets twice a year in nice locales across the Baltic Sea Region. Overall, the speakers at the conference agreed that cooperation in the Task Force has been successful, and that it has had a ripple effect throughout the region. One of the speakers said that Poland, in particular, has done “a magnificent job” on the Task Force.

○ *Task Force cooperation has been successful*

The Task Force is composed of a Secretariat, Operative Committee (OPC), expert groups, project groups, joint analysis teams, and joint investigation teams. See Figure 3.2-1.

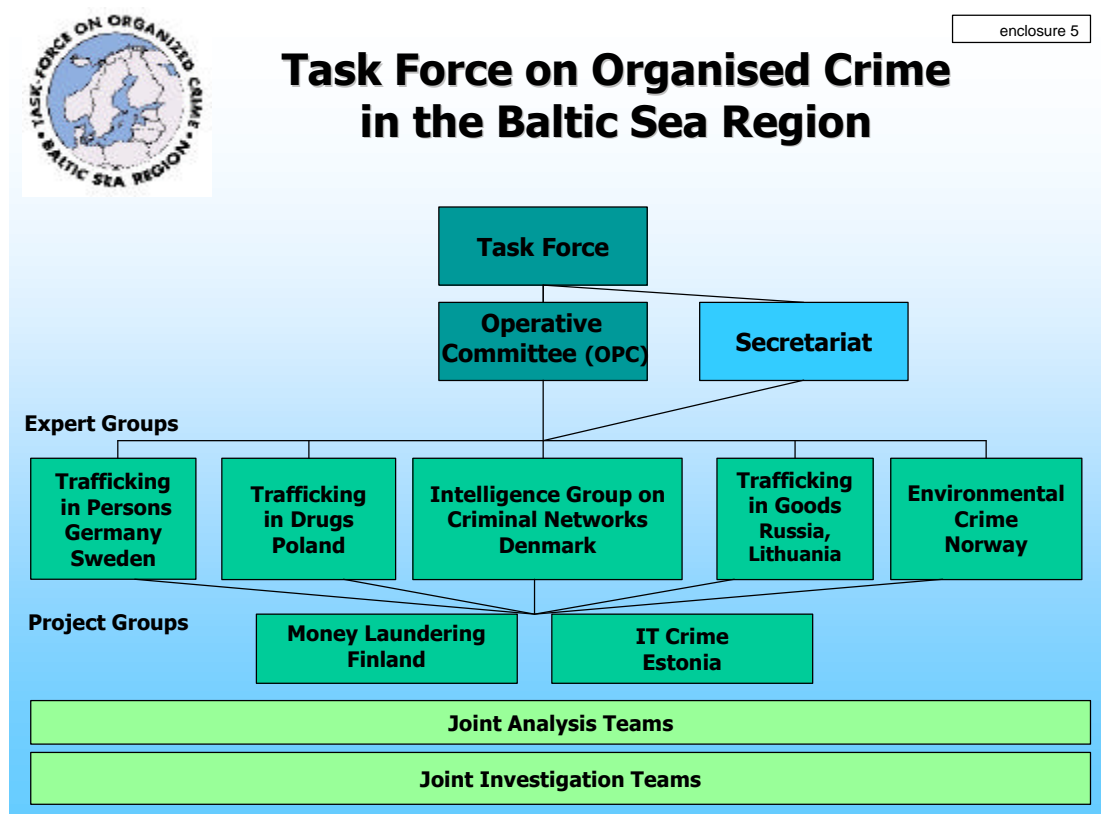


Figure 13.1 Provided by the Task Force on Organised Crime in the Baltic Sea Region<sup>35</sup>

The Secretariat is made up of the personal representatives of the Heads of Government of the member states, the European Commission and the

○ *The secretariat consist out of high level representatives and they meet regularly*

e/home.nsf/pages/E729CEFEF103E144C2256F71005089CE?Opendocum ent.

<sup>35</sup> <http://www.balticseataaskforce.fi>.

Presidency of the European Union. These representatives meet two or three times a year.<sup>36</sup> The OPC is “a multidisciplinary body consisting of representatives from police, customs, border/coast guard and prosecution authorities from the Baltic Sea countries, representatives of the European Commission, Europol, Interpol and WCO.”<sup>37</sup> The OPC meets five times a year and reports directly to the Task Force.

The OPC seeks multidisciplinary law enforcement solutions to problems in the Baltic Sea Region. There are “brainstorming” meetings twice a year. There are also pre-meetings before every OPC meeting. This occurs five or six times per year, and all of the expert branches concerned participate. Reports from international expert group meetings are given to the OPC coordinator in each country and to other responsible authorities. The OPC also receives reports from operations and on-going projects on a continuous basis.

The OPC coordinators are national contact points for the Task Force Secretariat and the OPC. They propose new operations and projects. They also keep the OPC informed of any hindrances in national legislation or organizations efficient law enforcement work in the Baltic Sea region. For example, the Swedish OPC coordinator prepares and works out national answers or proposals for Swedish OPC work. OPC coordinators

*O The OPC is working for multidisciplinary law enforcement*

*O OPC is a heart and brain of Task Force, on Organized Crime*

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<sup>36</sup> Members of the Secretariat: Denmark, Michael Lunn, Permanent Secretary of State, Ministry of Justice; Estonia, Märt Kraft, Secretary General, Ministry of Internal Affairs; Finland, Ritva Viljanen, Permanent Secretary of State, Ministry of Interior; Germany, Lutz Diwell, Secretary of State, Ministry of Interior; Iceland, Stefan Eiriksson, Deputy Permanent Secretary, Ministry of Justice; Latvia, Raimonds Blukis, Deputy State Secretary, Ministry of the Interior; Lithuania, Gintaras Svedas, Deputy Minister, Ministry of Justice; Norway, Trond Prytz, State Secretary, Ministry of Justice and Police; Poland, Ryszard Rychlik, Director Prosecutor, Ministry of Justice; Russia, Vladimir V. Gordienko, Lieutenant General, Head of General Criminal Investigation Department, Ministry of Interior; Sweden, Dan Eliasson, Secretary of State, Ministry of Interior; and, European Union, Soenke Schmidt, Head of Unit D, European Commission.

<sup>37</sup> <http://www.balticseataskforce.fi>.



distribute and coordinate national work and update the tasks, resources, and responsibilities of the law enforcement agencies involved.

Once a year, the personal representatives of the heads of government of the member states call together all law enforcement agency director generals. Law enforcement agencies are obliged to report their efforts and progress in Task Force projects to the government in their annual reports. Law enforcement agencies are also expected to appropriate part of their annual budgets for Task Force and OPC projects.

In addition to the Secretariat and OPC, the Task Force has five expert groups and two project groups.<sup>38</sup> The Expert Group on Trafficking in Drugs consists of experts on narcotics from police authorities and customs in the number states as well as Interpol, Europol, and the Worlds Customs Representatives.<sup>39</sup> Each of these groups has a different schedule, and they meet according to the need.

The Task Force has also initiated the Task Force of Prosecutors-General and the Task Force of Directors General of Tax Administration in the Baltic Sea States. These groups present progress reports to the Task Force on a regular basis.<sup>40</sup>

One conference participant asked the speakers about how much crime been eliminated by the Task Force. This conference participant pointed out that organized criminal groups are often known, but wondered if states are helpless in the midst of all this knowledge. One of the speakers responded that one cannot delineate the work of the Task Force from that of

*○ Expert groups are commonly used asset for OPC and other international law enforcement agencies*

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<sup>38</sup> The Expert Groups relate to Trafficking in Persons, Trafficking in Drugs, Intelligence Group on Criminal Networks, Trafficking in Goods, and Environmental Crime. The Project Groups cover Money Laundering and IT Crime.

<sup>39</sup> For more information, see the homepages of Interpol – <http://www.interpol.int/>; Europol – <http://www.europol.net/>; and the World Customs Organization – <http://www.wcoomd.org>.

<sup>40</sup> “Structure,” Baltic Sea Task Force, <http://www.balticseataskforce.fi>.

traditional law enforcement groups. He said that there have been a number of successes against narcotics in Poland and Lithuania which can be partially attributed to group work. However, it is quite difficult to quantify success in organizational contexts.

## 9. Political Considerations

Two Members of the Swedish Parliament spoke at the conference and lamented that while there is certainly no shortage of organizations involved in the Baltic Sea Region, a lot of problems remain to be solved. For example, what role should Ukraine and Belarus play in the area? Ukraine is a new member of the EU, and it seems only natural for it to take on a greater leadership role. Relations with Belarus, however, are more troublesome since the EU has prohibited anything above low-level contacts. Another problem is duplication – it is possible that a number of organizations are working toward the same goals and using resources inefficiently. One Member of Parliament at the conference asked: “do we have too many institutions and too little leadership?” A large part of the problem is that it is difficult for institutions to produce results that can be easily evaluated. This Riksdag member also questioned whether Sweden is making enough of an effort to stop organized crime, failing states, and other barriers to democratic development.

Moreover, they asked if the EU being used as efficiently as possible. Many people claim that the EU does not pay enough attention to the Northern Dimension, that it does not have a coherent policy on what needs to be done in the Baltic Sea Region, and that it does not take advantage of the changes that have taken place since the Berlin Wall came down.

One way to deal with these shortcomings in EU policy is for the states in the Baltic Sea Region to make more of an effort to speak to the EU and the world with a single voice. Over the years, the Nordic and Baltic states have produced some very dynamic and interesting organizations. Can they cooperate more and perhaps someday allow free movement of labor

*O “Do we have too many institutions and too little leadership?”*  
– Gunilla Carlsson, Riksdag Member

between Baltic States, Poland, Finland, Sweden, and Norway? Such a reform would surely help strengthen democratic regimes in the region.

A major challenge to unity among the Nordic and Baltic States is that states in the region do not share the same defense strategy. Sweden and Finland have not joined the inner-circle of NATO, but Baltic States and Poland have.<sup>41</sup> When states have different policies, cooperation becomes more difficult. In fact, some people argue that if the Nordic and Baltic states cannot work together in economic and everyday institutions, then there is no hope that they will ever be able to tackle larger issues. People must realize that the Nordic and Baltic states face the same threats, and that cooperation already exists in many fields.

Sweden in particular must think about its role in Northern Europe. One Member of Parliament said that Swedes would be wise to broaden their perspectives and to ask more from institutions. Many Swedes want Sweden to be well-known in Brussels for leadership. Sweden should start at home by creating an integrated area in the Baltic Sea Region that uses the tools and institutions of the EU. It is important for Sweden to show that her closest neighbors are her best friends. As a first step, Sweden should put every effort into assuring that the Baltic Sea Region will get the resources and attentions it needs during the Finnish presidency of the EU.

Another Member of Parliament discussed some of Sweden's shortcomings with respect to fighting crime. He wants to see better crime fighting laws within the EU, and he emphasized the importance of maintaining institutional cooperation on a day-to-day basis. He suggested that governments in the Baltic Sea Region focus on how people are recruited to organized criminal

*O Citizens must realize that the Nordic and Baltic states face the same threats, and that cooperation already exists in many fields*

*O It is important for Sweden to show that her closest neighbors are her best friends*

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<sup>41</sup> Sweden and Finland are members of the NATO alliance. Instead, they are part of Euro-Atlantic Partnership Council (For more information, see "EPAC Member Countries," NATO, <http://www.nato.int/pfp/eapc-cnt.htm>).

groups, and then governments must figure out what to do in each country to prevent recruitment to these kinds of groups.

The EU and UN have recently enacted a number of laws that relate to international crime issues such as mutual recognition of final penalties, criminal warrants, joint investigation teams, and money laundering.

Sweden's Parliament needs to develop new laws to fight transnational crime. Under the current system, only the government negotiates these issues, and Parliament comes in at a very late stage in the legislative process. Parliament is required to put a lot of confidence in other countries, which means that the concepts of trust and mutual recognition very important. Trust and mutual recognition are particularly important with respect to sharing intelligence with agencies that may be infiltrated with so-called "bad guys." Trust is always problematic and probably always will be.

One Member of Parliament remarked that Swedish agencies are organized poorly and are not efficient. When asked why Sweden does not have a single intelligence agency, he said it was a matter of resources: "You don't get more policemen than you pay for." Further, he said that the organization of the police probably is not as efficient as it could or should be.

*O Sweden  
needs to  
develop new  
laws to fight  
transnational  
crime*

*"You don't get  
more policemen  
than you pay  
for."  
- Member of  
Parliament*

## 10 Narcotics, Money, and the Effects on the Baltic Region and Its Neighbors

At the conference, the speakers discussed how Sweden can make itself a more effective partner in the fight against narcotics and organized crime. One speaker described the potential for Sweden's financial system to be abused by criminals and terrorists. Specifically, he said that Sweden needs to make a greater effort to combat money laundering by improving its legislation and giving its law enforcement agencies more resources with which to do their jobs.

### *Legislation*

Sweden's anti-money laundering standards still do not meet pre-9/11 standards, and they certainly do not come close to meeting the standards that have since been put into place by the Financial Action Task Force (FATF). FATF is "an inter-governmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing."<sup>42</sup> It has issued forty general recommendations on money laundering which apply to all member states.<sup>43</sup> When states cannot adhere to these general recommendations, it is a cause for concern because it means that a state may not be able to meet specific recommendations.

Sweden does not meet all forty of FATF's recommendations. For instance, one of the

*O Sweden's anti-money laundering standards still do not meet pre-9/11 standards*

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<sup>42</sup> FATF's Baltic members include the European Commission, Estonia, Latvia, Lithuania, Denmark, Finland, Norway, the Russian Federation, and Sweden. See the Financial Action Task Force's website, <http://www.fatf-gafi.org>, for more information.

<sup>43</sup> For more information, see "The Forty Recommendations," Financial Action Task Force on Money Laundering, 20 June 2003 (incorporating amendments of 22 October 2004), <http://www.fatf-gafi.org/dataoecd/7/40/34849567.PDF>.

recommendations says that bank employees should be subjected to background checks. Sweden still has not passed legislation mandating such checks, which means that the banks do not necessarily know who is working for them.

Furthermore, Sweden does not monitor its wire transfer shops as well as FATF recommends. This is troubling because if Sweden does not satisfy these general international norms, then laundered money can enter Sweden. Once this money enters Sweden, it can move into the rest of the EU. This problem is exacerbated by the fact that Sweden certainly is not being observed as closely as near eastern financial areas.

### *Banking Institutions*

Swedish banking institutions are very vulnerable to illegal activity because they do not have adequate security or monitoring systems in place. First, Swedish banks do not use electronic surveillance software to detect illegal activity. This is alarming because surveillance software is necessary to detect certain kinds of money laundering techniques, such as smurfing.<sup>44</sup> Second, Swedish banks check international transactions, but they do not monitor domestic ones. This is troubling because Sweden owns some of the largest banks in the Baltic Sea Region. If these banks do not monitor transactions in Sweden, what are they doing at their branches in the rest of the region? Third, bank leaders do not have access to databases to determine the true identity of their customers. Thus, they have no way of knowing the true beneficial owners of the accounts in their banks. This is in clear contravention of FATF's Recommendation 5.<sup>45</sup>

*O Sweden needs to meet all of FATF's 40 recommendations*

*O Swedish banking institutions are vulnerable, new reforms are necessary*

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<sup>44</sup> Smurfing occurs when "financial transactions are broken down into amounts below reporting requirements." "FATF Report Highlights Money Laundering Trends," Financial Crimes Enforcement Network, U.S. Department of Treasury, 12 February 1998, <http://www.fincen.gov/typonet.html>.

<sup>45</sup> FATF Recommendation 5 says that "Financial institutions should not keep anonymous accounts or accounts in obviously fictitious

Moreover, non-banking institutions such as currency exchange shops have been linked to suspicious activities. There have not been as many reports of such activities in Sweden as one would expect because banks do not have adequate monitoring software. However, one currency exchange shop, Al Barakat, has been closed in November 2001 because of the suspicions of terrorism financing. However the suspicions were never supported by any viable evidence. Moreover, ten more currency exchange shops have taken its place, which proves that Sweden still does not have the means to monitor these wire transfer shops. These shops are used primarily by the immigrant community who transfer money to their home countries supporting family and relatives etc.

*O Swedish  
banking  
security is  
insufficient*

### *Reporting*

Sweden did not adhere to the EU money laundering standards regarding high value goods until 1 January 2005. Thus, Sweden missed four years of training its

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names” and they should “undertake customer due diligence measures, including identifying and verifying the identity of their customers.”

Customer due diligence measures include:

- “Identifying the customer and verifying that customer’s identity using reliable, independent source documents, data or information;
- “Identifying the beneficial owner, and taking reasonable measures to verify the identity of the beneficial owner such that the financial institution is satisfied that it knows who the beneficial owner is...”

Recommendation 5 advises financial institutions to “verify the identity of the customer and beneficial owner before or during the course of establishing a business relationship or conducting transactions for occasional customers.” It also says that financial institutions should refrain from performing any sorts of transactions when it cannot verify the customer.

For the complete text of Recommendation 5, see [http://www.fatf-gafi.org/document/27/0,2340,en\\_32250379\\_32236920\\_33965659\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/document/27/0,2340,en_32250379_32236920_33965659_1_1_1_1,00.html). See also the Interpretative Note to Recommendation 5, which is available at [http://www.fatf-gafi.org/document/48/0,2340,en\\_32250379\\_32236920\\_34025584\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/document/48/0,2340,en_32250379_32236920_34025584_1_1_1_1,00.html).



law-enforcement officials, catching criminals, and getting typologies.

Specifically, Sweden's list of high-value goods that must be reported is very incomplete. It would be more effective to simply say that the purchase of goods that are worth more than a certain monetary amount must be reported. Further, the EU and the US are not on the same page on who has to report what. For instance, the USA Patriot Act requires travel agents to report transactions that may be related to money laundering.<sup>46</sup> EU travel agents, however, do not have to report anything.

Sweden does not monitor non-profit charities. This is troubling because charities have moved money for terrorist groups in the past, as evinced by the attacks of 11 September 2001. Groups such as Ansar al Islam have collected cash donations in order to support the resistance efforts in Iraq, which were also suspected in terrorism activity. Sweden must insist that money be

*O Reporting high values goods is inefficient in Sweden*

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<sup>46</sup> The USA Patriot Act was passed on 26 October 2001 (107 H.R. 3162, available at <http://thomas.loc.gov>). § 311 of the USA Patriot Act says any domestic financial institution or domestic financial agency may be required to keep records of its customers and transactions in an effort to combat money laundering. Since the passage of the Act, "financial institutions" has been defined to include travel agencies. §311 of the USA Patriot Act has been codified as 31 USCA § 5318A.

31 USCA § 5318A (b)(1)(A) says: "The Secretary of the Treasury may require any domestic financial institution or domestic financial agency to maintain records, file reports, or both, concerning the aggregate amount of transactions, or concerning each transaction, with respect to a jurisdiction outside of the United States... if the Secretary finds any such jurisdiction, institution, class of transactions, or type of account to be of primary money laundering concern."

USCA § 5318A (b)(1)(B)(i-iv) says: "Such records and reports shall be made and retained at such time, in such manner, and for such period of time, as the Secretary shall determine, and shall include such information as the Secretary may determine, including-- (i) the identity and address of the participants in a transaction or relationship, including the identity of the originator of any funds transfer; (ii) the legal capacity in which a participant in any transaction is acting; (iii) the identity of the beneficial owner of the funds involved in any transaction, in accordance with such procedures as the Secretary determines to be reasonable and practicable to obtain and retain the information; and (iv) a description of any transaction."

transferred from one account to another so that there is a paper trail and any suspicious activity could be easily traced.

### *Bulk Cash Transfers*

Bulk cash transfers pose huge threats to Sweden's financial security. Cash is usually used in drug transactions. Drug transactions are made easier when currency is available in high denominations, such as the 500 euro note.

Currently, the EU does not mandate how much money travelers are allowed to bring into the EU, and it does not require people to disclose their source of the income. For instance, someone can bring 100,000 euros into an EU airport without having to file any sort of report. There is no reason to allow such large sums to be brought into countries without any sort of paper trail. Rather, large sums of money ought to be converted in some form immediately so that there is a record that can be traced if necessary.

In Sweden, the facility of bulk cash transfers is bolstered by the fact that the banks do not have the means to monitor suspicious activities.

### *Law Enforcement Agencies*

Police rely on banking institutions to report deficiencies and suspicious activities. If banks do not report such activities, the financial crime units cannot do their work.

The Financial Investigation Unit (FIU) in Sweden has not been set up to succeed. The FIU is chronically understaffed and under-funded. The FIU only has one full time analyst who performs true analytical work. It still relies on paper suspicious activity reports (SARs). It should be noted that Estonia has fewer paper SARs than Sweden. The situation is worsened by the fact

○ *Bulk cash transfers are a huge threat to Swedish financial security*

○ *The EU regulations on bulk cash transfer amounts are non-existent*

that the Swedish FIU cannot freeze or block assets – FIU’s in Estonia and Finland can. Instead, the Swedish FIU has to go to the prosecutor’s office to freeze or block assets.

Also, the public knows very little about the Swedish FIU. The speaker reported that he could not access Swedish anti-money laundering legislation that has been passed after 2002. Furthermore, the Swedish FIU does not have a website. Lithuania’s FIU has a website which contains pertinent information and legislation in Lithuanian and English.<sup>47</sup>

Most of the problems with the Swedish FIU relate to funding and staffing, and not a lack of desire to do good work. As one expert put it, “they’re good people doing good work – they’re not being staffed, funded and trained to do good work.” Furthermore, the FIU is located far away from the Police Headquarters and Prosecutor-General’s Office. There is, however, speculation that the FIU will be moved closer to Police Headquarters in the near future.

The Swedish Customs Service is also at a disadvantage when it comes to countering narcotics and organized crime.<sup>48</sup> They cannot simply seize goods which are known to be illicit. Instead, they have to come up with pretexts. The situation is aggravated by the fact that they are also grossly understaffed and under-funded.

The Swedish Prosecutor-General’s Office is also grossly understaffed.<sup>49</sup> Last year, there were just ten convictions in Sweden for economic crimes last year, and almost all of them were related to tax crimes. The speaker explained this phenomenon somewhat bluntly: “Swedes are good at catching tax cheaters, but Sweden is not good at catching individuals connected to illicit

○ *“They’re good people doing good work – they’re not being staffed, funded and trained to do good work”*  
– Trifin Roule

○ *“Swedes are good at catching tax cheaters, but Sweden is not good at catching individuals connected to illicit economic schemes. They’re ignoring how criminals are moving money on a daily basis”*  
– Trifin Roule

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<sup>47</sup> The Lithuanian’s FIU’s web address is <http://www.fnnt.lt/eng/>.

<sup>48</sup> For more information about Swedish Customs, see <http://www.tullverket.se/en/>.

<sup>49</sup> For more information about the Swedish Prosecutor-General, see <http://www.aklagare.se/nyweb3/index.htm>.

economic schemes. They're ignoring how criminals are moving money on a daily basis."

Across Sweden, there is poor formal inter-agency communication and very poor public-private dialogue. For instance, new wire shops are not monitored. Those shops should be approached with respect so to draw the holders to legal way of transferring money in order for those to be monitored and secured.

Sweden's financial security structures are rife with deficiencies, which may explain why there are not many arrests or convictions. The speaker said, "Maybe it isn't occurring – maybe we're all lucky and Sweden is gifted. But we will not know until we start monitoring."

Clearly, fighting money laundering is a regional problem. The Swedish deficiencies are contributing to this problem, but Sweden is not alone. Across the Baltic Sea Region, informal contact between law enforcement agencies in different states is quite good, but formal contact is not. For example, the FIU's in Sweden, Finland, and Estonia are assembling their databases in three different ways, and each FIU is under-funded. The speaker asked why they don't pool their resources and look at the resources in the same fashion. Further, each of the FIU's in the region translates Russian names differently in their databases. There should be a universal system in the region to check for names.

There are also many ways to move money in the region. Brokers, real estate, cash-based businesses, gaming establishments, stores selling high-value goods, and insurance companies are being used by criminals to launder funds. False invoicing schemes are quite common, as are front companies which are used for criminal purposes.

The situation in Latvia illustrates the regional character of the money laundering problem. In 2004, the Latvian Financial and Capital Market Commission assessed

○ *"Maybe it isn't occurring – maybe we're all lucky and Sweden is gifted. But we will not know until we start monitoring."*  
– Trifin Roule

○ *There are many way in which criminals can transfer financial assets between the countries*

○ *"It's crazy how bad it is in these banks!"*  
– Trifin Roule

nineteen banks.<sup>50</sup> They immediately fined one bank – immediate fining is a clear indication that the situation is *really bad*. Five banks were subsequently placed under enhanced supervision. By the end of 2004, thirteen Latvian banks were under supervision. Two banks were ordered to remove at least one of their board members. Two other banks were notified that all board members would have to be removed. The situation in Latvia was so bad that our speaker exclaimed, “It’s crazy how bad it is in these banks!” The Latvian Financial and Capital Market Commission inspected seven insurance companies in 2004, and immediately fined two. Also, in 2003 and 2004, the management of four insurance companies was removed.

The situation in Latvia is not anomalous. The entire Baltic Sea Region is facing major threats from money laundering. This region is not an area whose problems can be resolved by general international anti-money laundering standards. Rather, the Baltic States have to “step it up.” The Baltic Sea Region needs to be committed to enforcing higher standards for combating money laundering if they wish to put an end to it.

#### *Investments of Consequence*

The speaker offered a number of suggestions for improving banking security in Sweden. He said it was crucial for Swedish banks to put in software to detect suspicious activity, as Norway did in January 2005. Some Swedes complain this software is too expensive, but it should be noted that no Norwegian banks have since crashed since January.

Sweden has to take away the predicate offense needed for an anti-money laundering prosecution. It is very

O Dr. Roule suggested several measures regarding the improvement of Swedish counter money laundering efforts

O Émigré communities should be introduced to interest-free banking system

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<sup>50</sup> For more information on Latvia’s Financial and Capital Market Commission, see [http://www.latvianbanks.com/banks/Financial\\_and\\_Capital\\_Market\\_Commission.htm](http://www.latvianbanks.com/banks/Financial_and_Capital_Market_Commission.htm).

difficult to conduct investigations and prosecutions now. Sweden should also create a reverse burden of proof in money laundering cases that would require people to prove where their money came from. As it stands, the state has to prove that someone has laundered money, then they have to tie it to another criminal offense in order to commence the prosecution.

Further, transactions involving goods worth more than 15,000 USD should be recorded. In terms of émigré populations, mosques should only allow transfers from bank account to another. Émigrés should become acquainted with bank that started in the 1960s that do not charge interest (i.e. JAK bank).

The FIU should have means for blocking assets. Also, a finance expert should be embedded in each unit of law enforcement. This would create better knowledge of the networks and would raise the profile of illicit finance crimes. Also, once the criminals are caught, they should face increased prison sentences. Currently, the average penalty is one year in Sweden.

Law enforcement agencies desperately need increases in their staffs and their budgets. These increases could come from the state budget itself, or the state could initiate an asset-sharing program. For instance, Customs could auction off some of the items it finds and use the proceeds to bolster its budget. Perhaps a small tax could be introduced at certain financial institutions. India has a small tax on withdrawals that has proven to generate revenue effectively.

Regionally, a group must be created that deals solely with means of attacking financial schemes. Such groups already exist in the Caribbean, Eurasia, Asia, Africa, and Latin America. There is no reason why a Baltic Financial Aid Task Force could not be created. Its responsibilities could be expanded to include ways to stop lost or stolen ID cards from being used – this is a huge problem in Latvia – or issuing biometric ID cards.

*O Customs services should auction some items in order to bolster its budget*

*O The ID system needs improvement*

*O Swedish government needs to improve its work on counter-money laundering*

### *Creating an Alternate Reality*

The speaker concluded that the reality of money laundering situation in Sweden is not good, and he encouraged the audience to create an alternate reality in a very smart fashion. He said it is possible to bring together people who will go out and do this work, and who will give a laundry list to the government of what needs to be done. He also suggested creating alternative strategies groups and requiring them to submit rigorous biannual reviews of their progress.

Right now, he said that there is no reason to believe that Sweden is not a safe-haven for criminals. He asked: "Does Sweden need a crisis? Does Sweden need a tie to a serious terrorist event before it makes these changes?" Sweden presents enormous opportunities for moving illicit goods and funds for terrorist groups. He said: "Maybe Sweden is in the state of Nirvana, maybe it isn't here, but that conclusion can not be based on data that was collected improperly." There is no reason to believe enormous amounts of criminal activity and, on a low level, funds related to terrorist groups are not presently in Sweden.

○ *"Maybe Sweden is Nirvana, maybe it isn't here, but that conclusion can not be based on data that was collected improperly."*  
– Trifin Roule

## 11. The Role of the Academy

The Public Service Academy of Estonia is a higher educational institution with five colleges and six curricular specialties: police, rescue service, customs, tax administration, corrections, and public administration.<sup>51</sup> This is the only place to get this kind of higher education in Estonia. This Academy trains Estonians as well as law enforcement officials from Central Asia and Georgia. There is a security studies group which is made up of academicians. The internal security studies group includes rescue workers, people from the ministries, the director of Estonia Central Police Force, and academicians.

The Public Service Academy has organized two conferences in the past year: Drug prevention in the Baltic States and Russia, and Interstate Security in the Post-9/11 World. The security conference covered threats and risks related to drugs, HIV/AIDS, and the nuclear power station 86 kilometers from the border. Organized crime was eighth place. Russia's economic expansion to Estonia was also on the list.

There are also institutions in Latvia and Lithuania that provide higher education and training for civil servants.<sup>52</sup>

*O The Public Service Academy of Estonia can be used as an example for future work against organized crime networks*

*O Civil servants are increasingly receiving higher education*

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<sup>51</sup> There will soon be a sixth college that will specialize in training border guards. For more information, see the Academy's website <http://www.sisekaitse.ee/english/index.htm>.

<sup>52</sup> The Latvian School of Public Administration is in Riga, Latvia. For more information, see <http://www.vas.lv/engl/englVAS.htm>.

The Lithuanian Institute of Public Administration is in Vilnius, Lithuania. For more information, see <http://www.livadis.lt/livadis/en/index.php?cat=1>.



**Closing Remarks by Professor Stefan Hedlund,**  
Professor of Eastern European Studies and Chair of the  
Department of Eastern European Studies at Uppsala  
University

In 1990, there were tremendous feelings of happiness and elation across the globe that Eastern Europe would make the transition from Soviet rule to democracy, free market economics, and the rule of law. The EU was going to play a pivotal role in bringing about all of these changes. If everything had happened as we had hoped, there would be no reason to have a conference on Countering Narcotics and Organized Crime in the Baltic Region.

What did happen is that the transition was not as successful as everyone had hoped. The core problem was that the role of the state was highlighted in a rather dismal fashion. The main outcome of the transition was that the monopoly on violence that belongs to the state was decentralized and privatized. Now, the question is: How do we restore the state's monopoly on violence while maintaining democratic values?

The second dimension of what has happened since 1990 is that the EU has not developed the way people had expected. What we are experiencing now is the beginning of a rebellion against established politics, which means that Brussels will be obsessed with reinventing itself. Although this outlook is rather dismal, we still have many good reasons to discuss what is going on in the Baltic Sea Region and to search for solutions.

During the conference, we had a number of interesting talks and panels. As always, it was beneficial to expand our interests and our networks. Specifically, Ken-Marti Vaher, a member of Estonia's Parliament, spoke about the drug problem in his country. As more young people become drug users, it becomes increasingly

*○ The main outcome of the transition was that the monopoly on violence that belongs to the state was decentralized and privatized*

*○ How do we restore the state's monopoly on violence while maintaining democratic values?*

apparent that countering narcotics is not simply about fighting organized crime: it is about saving people's lives. We also heard that while Estonia itself is not a very big market for narcotics, it is a transit zone for drugs and organized crime coming from east of the border. This is a common problem across the Baltic States and it requires transnational solutions.

Mr. Andrejs Vilks described the anatomy of organized crime in great detail. In a disorganized transition, there will always be one organized segment: criminal activity. Mr. Vilks explained that organized crime is turning into something of a social institution in Latvia and is having a greater impact on more people's lives. This phenomenon will have a negative effect on the formation of norms and values in the region, and may have crippling effects on society in the long-run.

Dr. Algimantas Cepas showed how the combination of the Soviet heritage and this new corrupted morality has adversely impacted the development of new social, political, and economic systems, and has resulted in the spread new kinds of criminal activity in Lithuania. This combination of old and new factors requires states to pursue complex policies to influence the formation of norms and values in the region. Further, he emphasized that the successful defeat of organized crime cannot rely on repression alone.

The ability of the Baltic States to tackle organized crime is hindered by the fact that organized crime is not only organized, but it is also very smart crime. Swedish customs official Mr. Mikael Lindgren explained that these criminal groups are very creative, resourceful, and well-organized. He showed us that, in many ways, organized crime is like a virus that adapts to its environment and becomes stronger with time. Criminals stay ahead of states' learning curves by employing counter-intelligence measures.

Professor Rasma Karklins spoke about the capacity of states to deal with sophisticated organized criminal

*○ Countering narcotics is not simply about fighting organized crime: it is about saving people's lives*

*○ In a disorganized transition, there will always be one organized segment: criminal activity*

*○ The successful defeat of organized crime cannot rely on repression alone*

networks. The proliferation of corruption and organized crime in the Baltic Sea Region was not on our radar screen in 1990. In 2000, the World Bank did a great study of corruption.<sup>53</sup> The study's conclusions, however, were not very helpful for addressing future needs. State structures that should be used to catch bad guys have been infiltrated. What should be the strategy here? Can we cooperate with these structures? Should we circumvent them? How is that possible when the policies must be based on trust? Professor Karklins also reminded us that we should be careful when talking about corruption: it is too easy to point fingers. We need to distinguish between the everyday corruption that is part of a culture with which people become accustomed, and the kind of corruption that is harmful to economic growth and the rule of law. Nobody is clean, but we can be dirty in different ways. We need to be wary of legislation because laws can sometimes be used for illicit purposes. For instance, bankruptcy legislation is being used in the Russian Federation with respect to hostile takeovers.

Professor Ludmila Viksna's presentation on the spread of HIV and AIDS in Latvia was particularly distressful. There has been tremendous growth in the number of new HIV/AIDS cases over the last few years in the Baltic States, and it could be devastating for the entire region if it does not level out soon. Moreover, if we cannot prevent large portions of the population from dying, then all of our other efforts to improve people's lives will be rendered completely futile. We need to take the spread of HIV and AIDS very seriously. We must put more money into prevention and treatment. The proliferation of HIV and AIDS is not only a moral problem: it is also a security problem. If disease causes the Russian Federation to destabilize in a serious fashion, it will be

*○ If we cannot prevent large portions of the population from dying, then all of our other efforts will be rendered completely futile*

*○ We need to distinguish between the everyday corruption and the kind of corruption that is harmful to economic growth and the rule of law*

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<sup>53</sup> Joel S. Hellman, Geraint Jones, and Daniel Kaufmann, "Seize the State, Seize the Day," Policy Research Paper, World Bank, September 2000. For more information, see <http://www.worldbank.org/wbi/governance/>.

disastrous for us all. Therefore, it is absolutely imperative to convince the Russian government to care about what is happening to their population

The panel that dealt with organization and cooperation gave us a sense of what is really happening on the political level. Mr. Dan Eliasson, the Swedish Representative on the Task Force for Organized Crime in the Baltic Sea Region, provided us with a great deal of insight into the organizational world of dealing with narcotics and organized crime. He presented us with an image of coherence and determination to deal with these issues on the part of governments in the region. Johan Pehrson, the Chairman of the Riksdag's Judicial Committee, was less enthusiastic about what is happening on the political level.

A fellow Riksdag member, Gunilla Carlsson, called for more results, more leadership, and more determination in tackling narcotics and organized crime in the Baltic Sea Region. She said that we must not allow ourselves to be dazzled by organizational success. Instead, she said that there must be more arrests and convictions of the minor players and bosses alike. We need to break the syndicates. Everyone agreed that if we can wreck serious havoc on the structures of organized criminal groups, we can do some serious good. Further, it was suggested that academics should present indices of cooperation and convictions in each of the states in the Baltic Sea Region that the media could use to compare each country's progress. Also, Dr. Tiiu Pohl pointed out, many of these crime groups are well known: we know what they do, who they associate with, and where they operate.

Dr. Trifin Roule's account of how Sweden is safeguarding itself against financial crime was, to say the least, very depressing. Sweden has assumed a very prominent leadership role in the Baltic Sea Region and should stay ahead of the curve. However, if you try to look at the results, you will have a difficult time finding any sort of information: there is not any data

*O We must not allow ourselves to be dazzled by organizational success. Instead, there need to be more arrests and convictions of the minor players and bosses alike*

*O Many of these crime groups are well known: we know what they do, who they associate with, and where they operate*

on high profile arrests of money launderers. There is a major disconnect between hardworking people in the field and people at the higher levels of government who simply are not taking this very seriously. Dr. Roule mentioned that the main problem with combating financial crime in Sweden is understaffing, which is a direct consequence of the low political priority these issues have been given.

Now that the conference is over, where do we go from here? We could just go home – those of us in the ivory tower can continue writing papers, and high-level politicians can continue to ignore these problems. That, of course, is not very satisfactory, especially given the current emphasis in Sweden on increasing the volume interaction between the political sphere and academia. It is difficult to find the best format for how to proceed because intentions do not always match up with actions. For instance, we sent invitations to this conference to hundreds of politicians, but very few have shown up. While we are very happy about those who have come, we wish that more could have joined us.

In the introductory remarks, it was obvious that there are some major differences in interpreting what is going on in the Baltic Sea Region. Christer Persson, from the Swedish Foreign Ministry, commended the institutions that are in place, while Gunilla Carlsson expressed her desire to see more focus, coherence, and leadership on the part of Swedish politicians. What it all boils down to was summarized quite succinctly by Mr. Björn Fries when he said that we need to get some serious cooperation going on here: the bad guys are ahead of us, and if we do not do something about it, we will just be left behind in the dust. Furthermore, it is becoming more apparent that we cannot simply rely on the EU to be the only vehicle for success in the Baltic Sea Region. We need to make countering narcotics and organized crime more of a regional issue. The ideas behind the Northern Dimension need to have some

*O The main problem with combating financial crime in Sweden is understaffing*

*o There are some major differences in interpreting what is going on in the Baltic Sea Region*

greater successes at home before they can take a prominent position on the EU agenda.

At the most practical level, awareness about what is really going on in the Baltic Sea Region needs to be augmented. This awareness should stem from the fact that approximately 30-40 billion USD change hands annually in the European drug market. Unless we do something about the profitability of the drug market in Europe, organized criminals are going to stay ahead of us. We need to bring home the point to the political circles that our opposition in this struggle is very well financed. Moreover, these criminals are going to invest their dirty money in our economies. For example, there has been serious concern in Israel that the Russian mafia has invested so much dirty money in the Israeli economy that they may overtake the Israeli state. The bad guys are well-organized, well-funded, and far ahead of us. Therefore, we need to hit them where it hurts: right in the pocketbook! I must say I agreed with Dr. Roule when he told another audience that he would be happy if he could increase criminals' transaction costs by 2%. If we increase transaction costs and make it more expensive for criminals to do their business, and if we patch up holes in legislation, we may slowly start to squeeze criminals out of business. But none of this can happen unless people understand the gravity of the situation.

We also need to take care of the people who work hard to fight narcotics and organized crime. In every organization, there will be bureaucrats who are very honest and sincere, and others who will be corrupted easily. We need to devise some sort of scheme to reward the good people and to make their jobs easier – fighting organized crime, tracking dirty money, sharing intelligence – in a way that is based on trust.

There are tremendous prospects for further cooperation in the academic and political sphere, and together we can conquer narcotics and organized crime in the Baltic Sea Region.

*O We cannot rely on the EU to be the only vehicle for success in the Baltic Sea Region*

*O Approx. 30-40 billion USD change hands annually in the European drug market*

*O The bad guys are well-organized, well-funded, and far ahead of us*

*O There is a tremendous opportunity for cooperation between the Baltic and Nordic countries in their fight against the organized crime*



## Policy Recommendations

### *International considerations*

- ? Improving Europol and Interpol operative capacity
- ? Improved cooperation of academic researchers and operative personnel, in order to formulate high quality policy recommendations to decision makers
- ? International Law is necessary to adapt to organized crime realities in order to set the standards for individual states to follow

### *Regional considerations*

- ? Coordination of regional counter narcotics efforts by setting up *direct contact* network between the law enforcing institutions in the East Baltic Sea Regions
- ? Improved synchronization of regional customs services, improving the control of EU eastern border
- ? Increased use of high tech monitoring equipment

### *National considerations*

- ? National law improvement (improving law enforcement chances of limiting organized crime networks operational radius)
- ? Increased funding of counter-narcotics efforts
- ? Supporting projects and counter narcotics initiatives such as the Swedish National Drug Policy Coordinator
- ? Demand reduction programs (schools, families and other forms of public mobilization against drugs)
- ? Political leadership has to become more crime sensitive, which increases chances of successful counter-narcotics policy





*Central Asia- Caucasus Institute*  
*Silk Road Studies Program*

*A Joint Transatlantic Research and Policy Center*

**CONFERENCE**

**COUNTERING NARCOTICS AND ORGANIZED  
CRIME IN THE BALTIC REGION**

**Stockholm, 1-2 June 2005**

Rosenbad – Konferenscenter, Drottninggatan 5, Stockholm

With the support of The Office of The Swedish National Drug Policy Coordinator  
Mobilisering mot Narkotika (MOB)

The Central Asia-Caucasus Institute and Silk Road Studies Program form a Joint Transatlantic Research and Policy Center affiliated with the School of Advanced International Studies, Johns Hopkins University, Washington DC; and the Departments of East European Studies and Peace and Conflict Research, Uppsala University, Sweden

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## PROGRAM

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Wednesday, June 1

10.00-10.30            **Welcome Coffee**

10.30-10.45            **Opening Remarks**  
Mr. Björn Fries  
Swedish National Drug Policy Coordinator [confirmed]

10.45-11.30            **SESSION ONE: INTRODUCTION**

**Introduction of the region and the discussion topics**

Dr. Niklas Swanström  
Director of the Silk Road Studies Program

**Cooperation in the Baltic Sea region**

Mr. Christer Persson, Director Ministry for Foreign Affairs, UD (Sweden)  
Dep. for Eastern Europe and Central Asia  
Ms. Gunilla Carlsson  
Deputy Chair, Committee on Foreign Affairs, Swedish Parliament

11.30-11.40            **Break**

11.40-13.10            **SESSION TWO: ASSESING ORGANIZED CRIME IN THE BALTIC STATES**

**Panel Chair:** Mr. Walter Kegö  
Law Enforcement, The Office of the National Drug Policy Coordinator

**Estonia**

Mr. Ken-Marti Vaher  
Estonian MP and Member of Legal Committee of the Parliament, Former Estonian  
Minister of Justice

**Latvia** *Assessing Organized Crime in the Baltic States: Latvia's Strategy*

Mr. Andrejs Vilks  
Director, European Cities Against Drugs (ECAD) Regional office in Latvia

**Lithuania:** *The peculiarities of organized crime development in Lithuania*

Dr. Algimantas Čepas director of Law Institute of Lithuania, and Dr. Areljus  
Gutauskas, Associated Professor, Dept. of Criminal Law, Mykolas Romeris  
University, Lithuania

13.10-14.30            **LUNCHEON (Rosenbad, conference lunch-coupon required)**

14.30-16.00

**SESSION THREE: BALTIC STATE'S CAPACITY TO TACKLE THE NARCOTICS ISSUE AND ITS EFFECTS**

**Panel Chair:** Mr. Fred Nyberg  
Swedish National Drug Policy Coordinator Director

**Organized Crime networks and their smuggling business**

Mr. Mikael Lindgren  
Swedish Customs liaison Officer in Riga

**Corruption and state infiltration**

Dr. Rasma Karklins  
Professor of Political Science (UIC) – Expert Baltic corruption

**HIV and health problems and its impact on society**

Dr. Ludmila Viksna  
Professor and Director of General Practitioners study, The Riga Stradins University

16:00-18:00

(OPEN)

18.00

**DINNER (by invitation only)**

**Thursday, June 2**

09.00-10.30

**SESSION FOUR: FIGHTING ORGANIZED CRIME AND ENCOURAGING COOPERATION BETWEEN STATES**

**Panel Chair:** Mr. Tomas Hallberg  
Director of ECAD

**Security Challenges for the Baltic region and wider**

Dr. Tiiu Pohl  
Vice-rector of the Estonian Public Service Academy, Head of Security Studies' Working Group at the Academy

**Legal development concerning organized crime in Baltic states**

Mr. Johan Pehrson  
Swedish MP and chairman of the judicial committee

**Task Force on Organized Crime in The Baltic Sea Region**

Mr. Dan Eliasson  
State Secretary to the Minister for Justice and Swedish representative in the Task Force on Organized Crime in the Baltic Sea Region

10.30-10.45

**Break**

11.45-13.15

**SESSION FIVE: FINANCIAL CRIME AND OPERATIONAL TASK FORCE ACTIVITIES IN THE REGION**

**Panel Chair:** Dr. Vello Pettai

Professor and Research Fellow, Department of Political Science, University of Tartu

**Europol and the Baltic Experience in Countering Narcotics**

Mr. Jürgen Storbeck

German Federal Interior Minister's Coordinator for Law Enforcement Cooperation with the Gulf States (GCC), former Director General of Europol in The Hague, The Netherlands

**Narcotics money and the effects on the Baltic region and its neighbors**

Dr. Triffin Roule

Senior Intelligence Analyst with Northrop Grumman Corp.

**The Operative Committee OPC with the Baltic Sea Task Force**

Mr. Staffan Kvarnström

National OPC-Coordinator, Sweden

13.15-13.30

**Break**

13.30-14.00

**Closing Remarks with Summary**

Dr. Stefan Hedlund

Professor of East European Studies, head of the East European studies department, Uppsala University

14:00

**CLOSING LUNCHEON (by invitation only)**

## List of Participants

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### **Gunilla Carlsson**

Gunilla Carlsson is First Deputy Chairperson of the Moderate Party and Deputy Chairperson of the Standing Committee on Foreign Affairs of the Swedish Parliament. Prior to being elected to the Swedish Parliament in 2002, she served as Member of the European Parliament (EPP-ED) for seven years. Between 1995 and 1997, she served as Vice-Chair of the European Economic Area Joint Parliamentary Committee. She was also vice-chair of the Moderate Party Youth League, the Nordic Young Conservative Union, and the International Young Democrat Union. In 1997, Ms. Carlsson was chosen as Political Leader of Tomorrow by the Swedish Junior Chamber of Commerce.

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### **Algimantas Čepas**

Algimantas Čepas is the Director of the Law Institute of Lithuania. His Ph.D. dissertation was titled "Theoretical and Practical Problems of Extradition"

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### **Dan Eliasson**

Dan Eliasson is the State Secretary to the Minister for Justice, and is the Swedish representative on the Task Force on Organized Crime in the Baltic Sea Region. From 1999 to 2001, he was the ambassador and chief international negotiator for the Ministry of Justice. He has also worked as the Swedish K4 coordinator and a political expert at the Ministry of Justice. He was a deputy assistant undersecretary at the Foreign Ministry; a jurist for the EFTA's secretariat in Geneva, Switzerland; and he was an assistant project leader for ASEA Venezuela. Mr. Eliasson studied European Law at the University of Amsterdam and received his law degree from Uppsala University.

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### **Björn Fries**

Björn Fries was appointed as the Swedish National Drug Policy Coordinator in February 2002. He is responsible for implementing and following up the National Action Plan on Narcotic Drugs, as well as for coordinating national drug policy in general. Prior to this appointment, Mr. Fries was the Municipal Commissioner in Karlskrona.

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### **Aurelijus Gutauskas**

Associated professor in Criminal Law, Faculty of Law, Head Criminal Law Department, Law University of Lithuania. He is also a member of Work group (Law on Organized Crime Control), Committee on National Security and Defense under the Seimas (parliament) of the Republic of Lithuania. Published extensively on the topic of Organized Crime.

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### **Tomas Hallberg**

Tomas Hallberg is the Director of European Cities Against Drugs (ECAD). ECAD is Europe's leading organization promoting a drug free Europe and representing millions of

European citizens. ECAD member cities work to develop initiatives and efforts against drug abuse supporting the United Nations Conventions which oppose legalization and promote policies to eradicate drug abuse worldwide.

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### **Stefan Hedlund**

Stefan Hedlund is Professor of Eastern European Studies and Chair of the Department of Eastern European Studies at Uppsala University, Sweden. Before 1991, his research was primarily focused on the Soviet Economic System. Since then, he has been focusing on Russia's adaptation to post-Soviet realities. This has included research on the many challenges of economic transition as well as the importance of Russia's historical legacy for the country's reforms. He has just completed a major project on the issue of 'path dependence' in Russian economic development. *Russian Path Dependence: A People with a Troubled History* was published by Routledge in 2005. Professor Hedlund received his Ph.D. in economics from the University of Lund, and his M.A. in economics from the University of California at Santa Barbara.

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### **Rasma Karklins**

Rasma Karklins is Professor of Political Science and Director of the Office for Democracy Studies at the University of Illinois-Chicago. She is an expert on Baltic corruption, and her current research areas include comparative politics, politics of USSR and successor states, East European politics, transitions to democracy, comparative ethnic relations, politics of public bureaucracy, collective action, and international relations. She has received the American Political Science Association Ralph J. Bunche Award "for the best scholarly work in political science exploring the phenomenon of ethnic and cultural pluralism" for the book *Ethnic Relations in the USSR*, 1987. Professor Karklins received her "Diplom-Politologie" from the Free University of Berlin, Germany; her M.A. in International Relations from the University of Chicago; and her Ph.D. in Political Science from the University of Chicago.

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### **Walter Kegö**

Walter Kegö, Law Enforcement, the Office of the National Drug Policy Coordinator which is part of the Social Ministry. He is also responsible for customs and police issues. Mr. Kegö was previously director of National Criminal Investigation Department, Narcotics Division.

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### **Staffan Kvarnström**

Staffan Kvarnström is the National OPC-Coordinator in Sweden. Member of board (vice-chairman) in Stockholmsbriggen AB (boat building company). He is also corresponding member of the board of The Royal Society of Naval Sciences.

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### **Mikael Lindgren**

Mikael Lindgren is a Swedish Customs Liaison Officer and works at the Swedish embassy in Riga, Latvia.

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**Fred Nyberg**

Fred Nyberg is the Head of Research for the Swedish National Drug Policy Coordinator. He is also a Professor of Biological Research on Drug Dependence in the Department of Pharmaceutical Biosciences at Uppsala University, Sweden. Professor Nyberg received his PhD from Uppsala University.

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**Johan Pehrson**

Johan Pehrson is a member of the Swedish Parliament (Riksdagen) and is the Chairman of the Judicial Committee. This committee deals with matters relating to the courts, the leasehold and rent tribunals, the public prosecution service, the police service, the debt recovery system, medical jurisprudence and the correctional care system. It also deals with matters pertaining to the Penal Code and the Code of Judicial Procedure.

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**Christer Persson**

Christer Persson is the Director of the Ministry for Foreign Affairs, UD (Sweden), Department for Eastern Europe and Central Asia

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**Vello Pettai**

Vello Pettai is Professor and Research Fellow, Department of Political Science, University of Tartu. His research interests include comparative ethno-politics, electoral systems, democratic transition, and political theory. From 2001-2004, he was the Department Chair of the Department of Political Science at the University of Tartu. Professor Pettai received his B.A. in Russian and Political Science from Middlebury College, Vermont; and his M.A. and Ph.D. from Columbia University, New York.

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**Tiiu Pohl**

Tiiu Pohl is Vice-Rector of the Estonian Public Service Academy, Head of Security Studies Working Group at the Academy. He is the Former Head of the Western Europe and North American Bureaus of the Estonian Foreign Ministry and editor and special correspondent to an Estonian daily newspaper. Publications include writings on such issues as "Perestroika" and conflict resolution. Professor Pohl received his Ph.D. in Sociology from the Institute of Sociological Research, Moscow.

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**Triffin J. Roule**

Triffin J. Roule is an Associate Research Fellow with the Central Asia-Caucasus Institute and Silk Road Studies Program, Joint Transatlantic Research and Policy Center. He is a Senior Intelligence Analyst with the Northrop Grumman Corporation. He is also Assistant Editor of the Journal of Money Laundering Control and a correspondent with Jane's Intelligence Review. Previously, Dr. Roule served as Consultant for the World Bank on Governance of Natural Resources, as Ridgeway Fellow at the University of Pittsburgh, and as Lecturer in History at Waynesburg College in Pennsylvania. Dr. Roule received his M.S. in History with

a concentration in Russian and East European Studies as well as his Ph.D. in Security and Political Economy from the University of Pittsburgh.

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### **Niklas L.P. Swanström**

Niklas L.P. Swanström is Program Director of the Central Asia-Caucasus Institute and Silk Road Studies Program, Joint Transatlantic Research and Policy Center. He also founded Asian Analyses, Inc. His main areas of expertise are conflict prevention, conflict management and regional cooperation; Chinese foreign policy and security in Northeast Asia; narcotics trafficking and its effect on regional and national security as well as negotiations. His focus is mainly on Northeast Asia, Central Asia, and Southeast Asia. During the fall of 2004, he was a Visiting Fellow at Renmin University in Beijing, China. Dr. Swanström holds Ph.D., Licentiate, and M.A. degrees in Peace and Conflict Studies from Uppsala University, Sweden; an M.A.L.D. degree from the Fletcher School of Law and Diplomacy, Tufts University; and degrees from the Beijing Languages Institute, Beijing University, and Dalian Languages University.

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### **Ken-Marti Vaher**

Ken-Marti Vaher is a member of the Estonian Parliament (Riigikogu) and Member of the Legal Committee of the Parliament. He was the Estonian Minister of Justice from 2003 under 2005. He has also served as the Secretary General of the political association "Res Publica," the Director of the State Audit Office, an advisor to the Auditor General on personnel and training issues, and advisor to the Constitutional Committee of the Riigikogu, expert of the Committee for Legal Analysis of the Constitution. In 1993, he was founding member and Chairman of the Baltic Organization of Democratic Youth (BODY). Mr. Vaher attended the University of Tartu, Faculty of Law.

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### **Ludmila Viksna**

Ludmila Viksna is a Professor, Chief of Traditional Infectology, and Director of General Practitioners Study, Research, and Organising Center at the Riga Stradins University. Prof. Viksna is a member of the Presidium of Senate, Medical Academy of Latvia, Head of Promotion Board (Internal Medicine), Medical Academy of Latvia, an expert in internal medicine at the Latvian Council of Science, and president of the Latvian Infectologists Association. Her international experience includes, *inter alia*, being a member of the International Committee for Trichinellosis (ICT), and being a WHO expert of Latvia in viral hepatitis, diphtheria and poliomyelitis issues. She has received her *Dr.habil.med.* from the Medical Academy of Latvia

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### **Andrejs Vilks**

Andrejs Vilks is the Director of the European Cities Against Drugs's (ECAD) office in Latvia.

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