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Extortion Racketeering

in the EU:

Vulnerability Factors

33

EXTORTION RACKETEERING IN THE EU

VULNERABILITY FACTORS



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The report *Extortion racketeering in the EU: vulnerability factors* analyses extortion racketeering forms and practices in six EU member states. The analysis disentangles the risk and the vulnerability factors for enterprises in two business sectors – agriculture and hospitality – as well as in the Chinese communities. Drawing on the results of the analysis, the report suggests new policies for tackling extortion racketeering in the EU. This report has been produced with the joint efforts of the Center for the Study of Democracy, Instituto de Ciencias Forenses y de la Seguridad – Universidad Autónoma de Madrid, Transcrime – Università Cattolica del Sacro Cuore di Milano and Vitosha Research and with the support of Guardia Civil in Spain.

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LIST OF ABBREVIATIONS

AKEU	Anti-Kidnap and Extortion Unit, UK
ANRP	National Authority for Property Restitution
AOCG	agricultural organised crime group
APIA	Agency for Payments and Intervention in Agriculture, Romania
BFSA	Bulgarian Food Safety Agency
BGN	Bulgarian lev
BHA	British Hospitality Association
BHRA	Bulgarian Hotel and Restaurant Association
CAP	Common Agricultural Policy
CNEL	Italian National Council of Economy and Labour
CNI	National Intelligence Service, Spain
CPI	Corruption Perceptions Index
CRE	cartel rural extortions
CSD	Center for the Study of Democracy
DG AGRI	Directorate-General for Agriculture and Rural Development
DIA	Direzione Investigativa Antimafia
DIICOT	Directorate for Investigating Organized Crime and Terrorism, Romania
DNA	Direzione Nazionale Antimafia, Italy
EAFRD	European Agricultural Fund for Rural Development
EAGF	European Agricultural Guarantee Fund
EU-28	All MS of the European Union
EU-N13	Member States which joined the EU in 2004, 2007 and 2013 (BG, CZ, EE, HR, CY, LV, LT, HU, MT, PL, RO, SI, SK)
FAI	Federazione Antiracket Antiusura Italiana
GDP	gross domestic product
GVA	gross value added
ha	hectare
HCC	Hellenic Competition Commission
INE	Spanish National Institute of Statistics
INLA	Irish National Liberation Army
IRA	Irish Republican Army
LCN	loosely connected network
MoI	Ministry of Interior, Bulgaria
MS	Member State
NCA	National Crime Agency, UK
NTE	night-time economy
OCG	organised crime group
ONS	Office for National Statistics, UK
PICCJ	Prosecutor's Office attached to the High Court of Cassation and Justice, Romania
PKK	Kurdistan Workers' Party
PSNI	Police Service of Northern Ireland

SAeT	Anticorruption and Transparency Service, Italy
SAPS	Single Area Payment Scheme
SDI	Sistema d'Indagine, Italy
SIA	Security Industry Authority, UK
SME	small and medium enterprise
SOCA	Serious Organised Crime Agency, UK
SOE	state-owned enterprise
UAA	utilised agricultural area
UDA	Ulster Defence Association
UK	United Kingdom
UKTA	United Kingdom Threat Assessment
WGI	Worldwide Governance Indicators

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EXECUTIVE SUMMARY

Extortion racketeering has been long pointed out as the “defining activity of organised crime” (Konrad & Skaperdas, 1998). Although in recent years this crime has not been among the top listed organised crime threats in the strategic EU policy documents, it still remains ever present in European countries. The seriousness of the phenomenon has been recognised at the EU level and the crime has been listed in a number of EU legal acts in the field of police and judicial cooperation in criminal matters.

The current study analyses extortion racketeering in several EU member states by exploring risk and vulnerability factors for enterprises in two specific business sectors (hospitality and agriculture), as well as in Chinese communities. The report draws on a two-year study, which covered six EU member states – Bulgaria, Greece, Italy, Romania, Spain and the United Kingdom – and employed a case study methodology. The general approach of the study resembles the sector vulnerability assessment suggested by Vander Beken (2004, 2008). The study analysed the broader social, legal, institutional and economic environment, as well as the specific characteristics of the perpetrators and victims in order to disentangle the structural conditions that enable the existence of extortion in the hospitality and agricultural sectors and the Chinese communities.

The study argues that **the concept of extortion racketeering as a crime perpetrated by organised criminals should also be extended to include systemic use of extortionist practices by groups or networks of public officials and corporate executives**. Extortionist groups or networks involving public officials and corporate executives have been identified in Bulgaria, Romania Greece and Spain in cases related to extortions in the agricultural sector and to a lesser extent in the hospitality sector. However, the identified cases included all elements of extortion racketeering:

- they are form of organised crime – they were perpetrated by three or more persons acting in coordinated manner;
- they were systematic – practiced against more than one company and were continuous in time;
- they involve coercion – i.e. forcing the victim in a given behaviour using threats through position of power;
- they involve patrimonial damage for the victim – i.e. loss of current or future incomes and loss of property rights.

Such practices should not be confused with corruption, where both the briber and the bribee receive some payoff, since the victims of extortion perpetrated by public officials do not receive any payoff or are forced to pay in order not to receive worse than fair treatment.

The comparative analysis of extortion practices within the six countries revealed that the **profiles and characteristics of the perpetrators** are rather country specific than sector specific. In Western European countries (Italy, Spain and UK), the perpetrators belong to the traditional OCGs and in most cases they were either local gangs or part of bigger mafia-type groups. Other distinctive characteristic for these countries are intra-ethnic extortions, which were identified within the two case studies on extortion in Chinese communities in Italy and Spain. However, the intra-ethnic extortions were also reported for the Chinese community in the UK hospitality case study, as well as for the Pakistani and the Indian communities in the Spanish hospitality case study.

In South East Europe, the perpetrators were either traditional OCGs or loosely connected networks comprising of public officials and/or legitimate businesspersons. Greece does not fit neatly in this classification, since with regards to the hospitality sector the country is similar to Western European countries and the perpetrators are traditional OCGs, whereas in the agricultural sector the predominant part of the perpetrators are loosely connected networks of white collar criminals. In fact, Greece is the only country where the so-called cartel networks were identified. The individual perpetrators behind these networks were members of the executive staff and boards of directors, as well as technical advisors of the companies. The purpose of the extortions was imposing contracts to small farmers by abusing market power. The extortion practices of these networks appear as an extension to typical cartel practices such as price fixing and territorial allocation.

The analysis of the identified extortionists practices in the six countries indicate that two main forms of extortion can be distinguished – **monopolistic extortions and protection racketeering**. Less often identified forms were labour racketeering, extortions related to usury and occasional extortions for profiting. Extortion racketeering for monopolistic purposes is a specific market strategy that aims at the elimination of the competitors or at the creation of monopolistic coalitions. Monopolistic extortions in agriculture were related to monopolising the use of land and access to subsidies. Protection racketeering consists in taxation on a regular basis imposed by violent means, which takes the form of sale and provision of extra-legal protection services. Labour racketeering is a violent negotiation for accessing the labour market and employment. Generally, all these forms of extortion were identified in both hospitality and agricultural sectors, as well as within Chinese communities.

The **profile and characteristics of the majority of victims were similar in both agricultural and hospitality sectors**, as well as in Chinese communities. These were typically small to medium size companies, sole proprietors or family businesses and were not part of any official business associations that could provide support to them. They also usually had not invested in any security measures such as paying for private security services or some kind of insurance. The usual response to extortion demands of the victimised businesses was acquiescence and only when demands escalated they would file reports to the police.

Understanding of the similarities and differences is not possible without accounting for the broader environment, in which extortion racketeering occurs. The current analysis identified several **structural characteristics of the socio-economic context**

Table 1. Profile of perpetrators and forms of extortion

Perpetrators/form of extortion	Hospitality	Agriculture	Chinese communities
Traditional OCGs/protection racketeering	BG, GR, ES, IT, RO, UK	BG, GR, RO	IT
Traditional OCGs/monopolistic extortion	ES	BG	ES
Traditional OCGs/extortion other	BG, ES, IT, RO, UK	RO	ES
LCNs of public officials/protection racketeering	BG, ES	BG, RO	-
LCNs of public officials/monopolistic extortion	BG	BG, RO	-
LCNs of public officials/extortion other	RO	BG, RO	-
LCNs of corporate executives/protection racketeering	BG	-	-
LCNs of corporate executives/monopolistic extortion	BG, ES	BG, GR	-
LCNs of corporate executives/extortion other	-	RO	-

in the six countries, as well as in the profile of the victims, which contribute to the persistence and proliferation of the extortion practices in the agricultural and hospitality industry, as well as within Chinese communities. Some of these are general vulnerabilities for the two sectors (as well as for Chinese communities), whereas some are sector or country specific vulnerabilities.

Together with these vulnerabilities, the current analysis managed also to identify several **protective and resilience factors**. However, unlike vulnerabilities, resilience factors appear to be mostly country specific and are related to the established institutional, legislative and civil society mechanisms. The best example in this regard was Italy, which is the only country that has developed a comprehensive legislation and institutional framework in support of victims of extortion racketeering. It includes financial support to victims, establishing of anti-racket organisations, establishment of specialised police units, enhanced witness protection mechanisms, and the appointment of a central coordinating body in the fight against extortion racketeering.

Drawing on the analysis and implications from the report, several **recommendations for more effective policies for tackling extortion racketeering** can be suggested. Considering the similarities in the profile of the victimised businesses, as well as in the protective measures identified, the suggested measures could be relevant to the two economic sectors and within migrant communities. These measures could be grouped in six categories:

- awareness raising about the new forms of extortion within law enforcement and criminal justice authorities through trainings and exchange of experience;
- reaching out to vulnerable businesses through information campaigns and establishing help desks or hot-lines;

Table 2. Vulnerability factors in hospitality, agriculture and Chinese communities

Vulnerability factors	Hospitality	Agriculture	Chinese communities
A significant share of small and medium enterprises	BG, GR, ES, IT, RO, UK	BG, GR, RO	ES, IT
Low market entry barriers due to the low need for capital, technology and expertise	BG, GR, ES, IT, RO, UK	BG, GR, RO	ES, IT
Spread of grey economy practices (tax evasion, use of undeclared labour)	BG, GR, ES, IT, RO, UK	BG, GR, RO	ES, IT
Cash being the predominant form of payments	BG, GR, ES, IT, RO, UK	BG, GR, RO	ES, IT
Profits and outputs are easy to monitor by potential extortionists (i.e. number of clients, size of farmed land)	BG, GR, ES, IT, RO, UK	BG, GR, RO	ES, IT
The businesses are territorially bound	BG, GR, ES, IT, RO, UK	BG, GR, RO	ES, IT
Areas with high density of small businesses	BG, GR, ES, IT, RO, UK	BG, GR, RO	ES, IT
Culture of illegality/traditional presence of organised crime	BG, IT	-	-
Deep-rooted corruption in regulatory bodies	BG, RO	BG, GR, RO	-
Weak and inefficient regulatory bodies	BG, RO	BG, GR, RO	-
Cumbersome and complex legislation/poorly designed regulations	BG	-	-
Mistrust of national law enforcement and regulatory authorities	ES, UK	-	ES, IT
Hermetic nature of migrant communities	-	-	ES, IT
Regions where the sector provides the only viable source of income	-	BG, GR, RO	-
Dependence of SME farm holdings on external financing	-	BG, GR, RO	-
Lack of awareness in institutions/victims about the new forms of extortion	BG, RO	BG, GR, RO	-
Regulations of CAP funding	-	BG, GR, RO	-
Land restitution and privatisation	BG, RO	BG, RO	-
Food market concentration	-	GR	-

- encouraging and supporting business and civil society organisations that could provide assistance to victims of extortion and foster collective resistance on local level, including provision of financial support to such organisations;
- providing support and protection to victims of extortion through establishing mechanisms for financial compensation and enhancing victim protection measures;
- closing up existing loopholes and harmonizing existing regulations concerning the specific sectors (e.g. farm subsidy regulations for agriculture and food safety regulations for hospitality etc.);
- enhancing anti-corruption measures within police and regulatory bodies overseeing the specific sectors.

In addition to the general policy recommendations, several specific ones should be pointed out with regards to fighting extortion racketeering in Chinese communities. These measures involve:

- implementation of community policing strategies within such ethnic communities;
- provision of specialised training to police officers for enhancing their cultural sensitivity and better understanding of the nature of intra-ethnic extortions;
- recruiting and training of police officers of different nationalities;
- exchanging investigative experience with regards to intra-ethnic extortions.

1. INTRODUCTION

Extortion racketeering has long been pointed out as the “defining activity of organised crime” (Konrad & Skaperdas, 1998: 461). It has also been identified as one of the most effective tools used by organised crime in the accumulation of financial resources and the penetration of the legal economy (Transcrime, 2009). Although in recent years this crime has not been among the top listed organised crime threats in the strategic EU policy documents,¹ it still remains ever present in European countries. The new European Agenda on Security² also does not directly addresses extortion racketeering as an organised crime threat, but the document puts a strong emphasis on tackling the finance of organised crime, as well as its infiltration of the licit economy. Thus, it implicitly refers to extortion racketeering, although not directly pinpointing it. Probably this is also due to the fact that this criminal phenomenon – unlike drug or human trafficking – does not have transnational dimensions, but is rather entrenched at the local and regional level.

Nonetheless, the seriousness of the phenomenon has been recognised at the EU level and the crime has been listed in a number of EU legal acts in the field of police and judicial cooperation in criminal matters, such as the European Arrest Warrant,³ the European Evidence Warrant,⁴ the European Investigation Order,⁵ the mutual recognition to judgments in criminal matters imposing custodial sentences or measures involving deprivation of liberty,⁶ the mutual recognition to judgments and probation decisions,⁷ the exchange of information extracted from the criminal record between member states,⁸ the mutual recognition to confiscation orders,⁹ and the mutual recognition to financial penalties.¹⁰

¹ It is also not covered in Europol SOCTA reports.

² Communication from the Commission to the European Parliament and the Council – The European Agenda on Security – COM(2015) 185 final, Strasbourg, 28.4.2015.

³ Council Framework Decision 2002/584/JHA of 13 June 2002 on the European Arrest Warrant.

⁴ Council Framework Decision 2008/978/JHA of 18 December 2008 on the European evidence warrant for the purpose of obtaining objects, documents and data for use in proceedings in criminal matters.

⁵ Directive 2014/41/EU of the European Parliament and of the Council of 3 April 2014 regarding the European Investigation Order in criminal matters.

⁶ Council Framework Decision 2008/909/JHA of 27 November 2008 on the application of the principle of mutual recognition to judgments in criminal matters imposing custodial sentences or measures involving deprivation of liberty for the purpose of their enforcement in the European Union.

⁷ Council Framework Decision 2008/947/JHA of 27 November 2008 on application of the principle of mutual recognition to judgments and probation decisions with a view to the supervision of probation measures and alternative sanctions.

⁸ Council Framework Decision 2009/315/JHA of 26 February 2009 on the organisation and content of the exchange of information extracted from the criminal record between Member States.

⁹ Council Framework Decision 2006/783/JHA of 6 October 2006 on the application of the principle of mutual recognition to confiscation orders.

¹⁰ Council Framework Decision 2005/214/JHA of 24 February 2005 on the application of the principle of mutual recognition to financial penalties.

Despite being recognised as a serious organised crime threat on EU level, few countries have developed specific approaches and instruments for its prevention and repression. In most countries, the police follow a reactive approach and investigates extortion incidents only when a victim files a report (Transcrime, 2009). There are, however, a number of factors that hinder reporting of victims to the police – indebtedness, operating in the grey economy, fear of reprisals, lack of trust in public authorities due to their low capacity or corruption. The imminent presence of such factors results in low registration rates and authorities being unaware of the real scale of extortion rackets in their country. Standard business victimisation surveys, which are widely accepted alternative to police and judicial statistics, also often suffer from low response and low reporting rates particularly with regards to extortion and protection racketeering and therefore are not reliable enough when it comes to assessing the full extent of the problem. For example, a recent report on the EU survey to assess the level and impact of crimes against business stated that “protection money, together with bribery and corruption, extortion and usury are part of a group of crimes that are less likely to be disclosed or declared by the respondents. For this reason, the information obtained about this type of crime could underestimate its real magnitude” (Dugato et al., 2013). This indicates a need for other more reliable victim-focused approaches to assess the risks and vulnerabilities of businesses to extortion racketeering.

The current analysis seeks to address this gap in the knowledge about extortion racketeering through exploring risk and vulnerability factors in six EU member states – **Bulgaria, Greece, Italy, Romania, Spain and the UK**. It does so by applying a case study method to two business sectors – **agriculture and hospitality – as well as to the Chinese communities** in these countries. The report draws on a two-year research conducted by the Center for the Study of Democracy, Instituto de Ciencias Forenses y de la Seguridad – Universidad Autónoma de Madrid and Transcrime – Università Cattolica del Sacro Cuore of Milan.

The agricultural and the hospitality sectors along with the Chinese communities have been selected by the research team drawing on a preliminary mapping of the sectors and social groups, which were most often victimised in Bulgaria, Italy and Spain. Greece, Romania and the UK were subsequently added in order to collect additional data for cross-country comparisons. The research team identified and analysed extortion incidents in each of the six countries in order to produce a country case study analysis on the vulnerabilities to extortion.

The general approach of the study resembles the sector vulnerability assessment approach suggested by Vander Beken (2004; 2008). The study analysed the broader social, legal, institutional and economic environment, as well as the specific characteristics of the perpetrators and victims in order to disentangle the structural conditions that enable the existence of extortion in these sectors. The analysis of the phenomenon in such different national and socio-economic contexts presented certain challenges in drawing a common list of risks and vulnerabilities, as well as policy recommendations for tackling them. The challenges stemmed from the substantial differences in the contexts of the six countries studied, as well as in the profile and modi operandi of the perpetrators.

This report starts with a critical overview of existing definitions of extortion, including of both traditional forms of extortion perpetrated by organised crime and organised forms of extortion perpetrated by public officials and companies, as well as with a short presentation of the methodology applied for the data collection and analysis. The report then analyses the findings of the six country reports with respect to the sectors of agriculture and hospitality and the Chinese communities. It covers the wider socio-economic context, the profile of the perpetrators and their methods, the involvement of public officials in extortion activities, the profile of the victimised companies and their behavioural patterns. Drawing on the country case studies the report outlines specific risk and vulnerability factors with regards to extortion racketeering, as well as possible protective measures. The analysis concludes with a summary of the main findings and policy recommendations.

2. ANALYSING EXTORTION RACKETEERING IN THE EU: THEORETICAL AND METHODOLOGICAL CHALLENGES

In seeking to understand the underlying factors of extortion, this report generally follows the vulnerability assessment approach, which has been developed and employed as a useful tool to inform social and situational crime reduction measures (Vander Beken & Daele, 2008; Vander Beken, 2004; Klima, 2011a, 2011b, 2012; Lavezzi, 2008). Unlike traditional organised crime threat assessments, which usually focus on the perpetrators and the criminal markets, the vulnerability assessment approach undertakes a holistic view on the environment and the criminal activities with the aim to **identify vulnerability factors** – structures, relations, interdependencies, mechanisms and/or conditions – within the sectors that play a crucial role with respect to crime (Klima, 2011a). According to Vander Beken vulnerability assessments include three key elements: “environmental scanning, analysis of organizations and counter strategies and licit and illicit sector analysis” (Vander Beken, 2004: 471). Thus, besides the analysis of the characteristics of the perpetrators, the suggested approach also puts an emphasis on the examination of the opportunities provided to organised crime groups (OCGs) by legitimate business and the broader socio-economic environment (Vander Beken & Daele, 2008).

Elements of this approach were also integrated in the latest SOCTA report of Europol, which among other things also analysed the so-called crime relevant factors, which are defined as “facilitating factors and vulnerabilities in the environment that have an influence on current and future opportunities or barriers for OCGs and SOC areas” (Europol, 2013: 42).

In addition to the context within which extortion takes place, this report analyses the characteristics of both victimised businesses and the perpetrators. Employing such an approach with the aim to identify risks and vulnerability factors in specific business sectors or social groups presented a number of theoretical and methodological challenges. The first challenge was related to the definition of extortion racketeering because the legal definitions of this crime in the different countries vary and not always cover all existing forms of this crime, especially where it needs to be distinguished from similar crimes such as bribery and some corporate crimes. Further challenges were related to the data collection due to the scarcity and quality of available data. The sections below explain how these issues were handled, starting with an overview of the conceptualisation of extortion racketeering in the academic literature and subsequently presenting the operational definitions adopted and the methods for data collection and analysis applied.

2.1. DEFINING EXTORTION RACKETEERING

Extortion as a crime has long attracted the interest of academics and therefore much effort has been put into coining a precise definition which, among other things, would allow distinguishing it from other similar predatory practices such as coercion, robbery and bribery. According to Best (1982) the defining characteristic of extortion is its exploitative nature – the use of violent means, including the threat thereof, along with the demand of economic benefits are the key elements that distinguish extortion from other predatory crimes. He also suggests that extortion can take place as a blackmailing scheme, or it can entail kidnapping for ransom and racketeering (Best, 1982). Each of these practices can be pursued by an individual in his private capacity or by a group. As a general rule, blackmail is used by a single extortionist, while kidnapping and racketeering need sophisticated criminal organisations due to their more complex nature.

Extortion as organised crime

Apart from their exploitative nature, academic literature has grouped extortive practices according to their degree of complexity and involvement of organised crime. In this sense, the simplest form of extortion displays one offender who receives a one-time benefit from one target, while the most sophisticated form is illustrated by racketeering, whereby an OCG systematically extorts money from multiple victims. Extortion as organised crime activity can involve both episodic extortion practices and well-rooted systemic practices over a certain territory. Transcrime has distinguished these levels of complexity by designating the first forms as “casual extortion” and the latter as “systemic extortion” (Transcrime, 2009).

The literature is consistent in the definition of systematic extortion on a regular basis as *extortion racketeering*. Although racket and racketeering have long enclosed meanings of intimidation, violence, corruption, and duress (Hostetter and Beesley, 1929; Landesco, 1968; Schelling, 1984; Gambetta, 1993; Ruggiero, 1996; Alvazzi del Frate, 2004; Volkov, 2002; Cohen, 2003), the first use of extortion racketeering as an organised crime practice was established by Schelling (1967, 1971), who suggested that the vocation of organised crime is not to sell illegal goods and services, but to create criminal monopolies by extorting and controlling those who provide illegal goods and services.

The underlying conditions for the existence of extortion racketeering – apart from its regular occurrence – are the presence of vulnerable targets, inefficient social control actors, and a sophisticated and fully coordinated criminal organisation (Best, 1982; Paoli, 2003). Early criminological literature exemplified systematic forms of extortion in criminal Indian tribes, urban rackets syndicates in the 1920s, the Black Hand association in Chicago, and the Sicilian and American Cosa Nostra (Lashy, 1930; McIntosh, 1973; Nelli, 1976; Block, 1980). Recent and contemporary research focused on extortion racketeering cover also other mafia-type criminal organisations, such as the Russian mafia, the Yakuza, and the Chinese Triads, and the use of extortive practices in the context of business (Varese, 2001; von Lampe, 2016).

As pointed out by Transcrime (2009), it is essential to distinguish between mafia-type organised crime and other OCGs. While the first has been linked to racketeering to create and strengthen its existence and grip over a certain territory (Gambetta, 1993), OCGs extort business for purely financial purposes. In this sense, the distinction was initially established by Block (1983), who coined the terms *power syndicate* and *enterprise syndicate*.

Extortion racketeering as a mafia crime is also often depicted in terms of sale and provision of protection, or in more contemporary terms, security (Gambetta, 1993; Ruggiero, 1994). Thus, mafia-type organisations could be considered either as a competitor to the state in the field of providing protection of property rights, dispute resolution and enforcement of contracts or a pure predator that thrives on the weakness of the state (Konrad & Skaperdas, 1998; Reuter, 1982; Transcrime, 2009; Volkov, 1999). However, mafia-type organisations do not choose the territory on which to impose protection, but rather actively creates demand for security through series of minor crimes that create the perception of high-level insecurity and criminality. Thus, extortion racketeering per se is also a way to establish control over a certain territory and over certain business sectors such as restaurants, nightlife venues, stores, etc.

According to Monzini (1993), extortion racketeering can generally take one of the following three forms: extortion-protection, labour racketeering and monopolistic extortion. Extortion-protection consists of regular taxation imposed by violent means. Labour racketeering is violent negotiation for access to the labour market and employment, whereas monopolistic racketeering can be defined as a specific market strategy enforced by violent means and aimed at the physical elimination of the competition or at the creation of monopolistic coalitions.

Extortion as crime committed by public officials

Academic research on extortion as committed by (or with the involvement of) public officials and politicians in their official capacity has attracted attention mainly of scholars working in the field of corruption, public policy, and economy. Criminological research, on the other hand, has focused primarily on police corruption. In common law systems, extortion and other predatory schemes where public officials are involved fall under the label of *extortion under the colour of office*. Several public officials have been prosecuted for this type of extortion in the US in the past four decades, and for different types of appropriations, from bribery to campaign contributions (Fleissner, 1985). Existing interpretations of the offence require the officials to hold an active role in the soliciting of extortion (Lindgren, 1993: 1696).

Extortion has often been coupled with bribery, both understood as the financial and economic dimension of corruption, being defined as the unlawful conversion of properties and goods belonging to someone else to one's own personal use and benefit (Gottschalk, 2010). The debate on the differences between bribery and extortion, however, is a contested one, and has followed two lines of inquiries, respectively the degree of coercion involved in the crime and the role of public officials in the bribery/extortive scheme. As for the first issue, extortion

entails a level of physical violence or threat thereof exercised by the extortionist on the victimised party uncommon in ordinary bribe exchanges, where reciprocity is the rule. Even in the case of voluntary acceptance of extortion, the transfer of benefits is highly unbalanced and often approximates the condition of loss of freedom by the victim (Amundsen, 1999; Transcrime, 2009).

The second point that differentiates bribery from extortion concerns the role held by a public official involved in a predatory offence. While bribery “is a corrupt benefit given or received to influence official action” (Lindgren, 1993: 1696), in extortion the official seeks the benefit to be paid under the implicit or explicit threat to harm the victim. In simplest terms, bribery is characterised by a more passive function of the public officials, in contrast to their active role of soliciting economic advantages in the case of extortion. Other approaches, however, consider the distinction between bribery and extortion superfluous when public officials are involved, because the often-repetitive nature and the level of sophistication in payoff situations make it difficult to define the boundaries between the two crimes (Lindgren, 1993).

In general terms, each and every definition of corruption upholds that the state is involved, either directly or through its officials; in this respect, “corruption is basically a particular state-society relationship” (Amundsen, 1999: 5), characterised by an unbalanced exchange of benefits. This relationship can amount either to extractive corruption, where the state obtains resources from the society, or redistributive corruption, where part of the society benefits. The concept of *extractive corruption*, elaborated with reference to the experience of authoritarian states and post-communist transitions in particular, is a useful starting point to explain extortion perpetrated by public officials (Ibid.).

There are several terms used to define extortion perpetrated by public officials, including “active bribery” (Rose-Ackerman, 2010), “predatory corruption” (Khan, 2006), and “institutionalized corruption” (Charap and Harm, 1999). Extortion perpetrated by public officials has also been outlined as a particular form of corruption, which is spread not only in developing countries, but also in the post-communist societies (Sajó, 2003). The common feature is the idea that representatives of the state abuse their power and official position for their own benefit. Similarly, the theory of *rent seeking* has coined the term *rent extraction* to explain the extortive behaviour of public officials, where they abused their vested powers in order to extract rent from businesses and obtain monetary profits (Tullock, 1967; Krueger, 1974; McChesney, 1988).

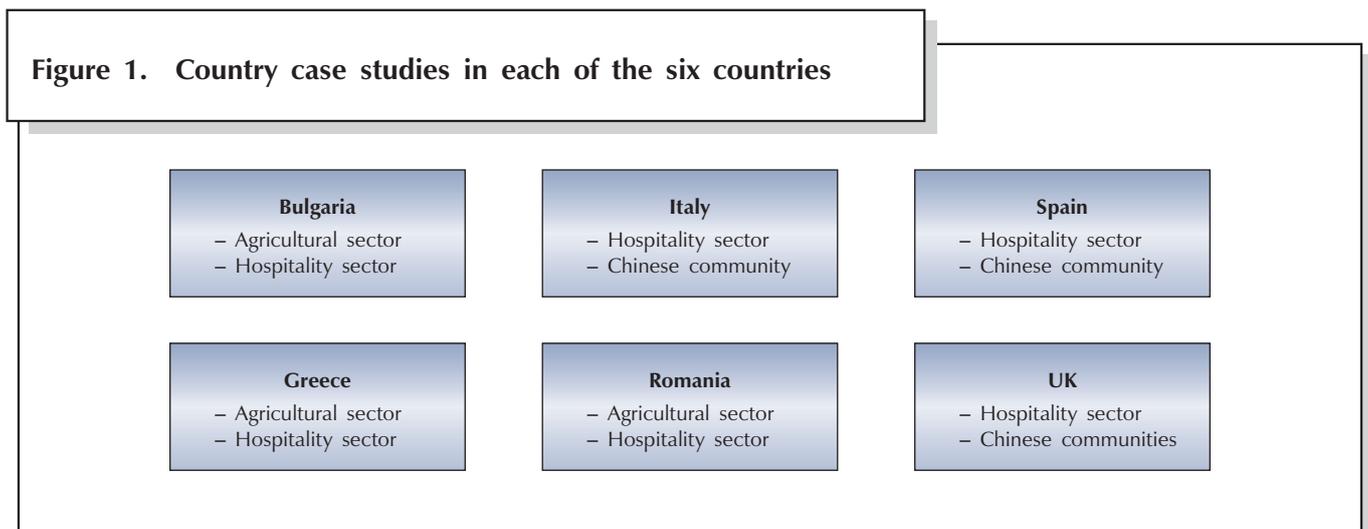
Intimidation, recourse to violence, and extortion are also crimes examined in the context of police corruption. The practice is widespread and present in democratic societies, in developing and transition countries, as well as in authoritarian states (Newburn, 1999; Hope, 2016). Typical scenarios include extorting money following criminal violations or cases of victimisations or soliciting and accepting bribes to speed up investigations (Newburn, 1999). In extreme cases, police officers collect money on a regular basis from street vendors and shops as a form of protective tax (Hope, 2016: 158).

Extortion as corporate crime

Academics traditionally depict extortion in legitimate markets as an organised crime activity. However, some scholars have also identified extortion as a form of corporate crime (Green, 2007; Shichor & Geis, 2007). Developed within the debate on the nature of white-collar crime, corporate crimes are defined as “any behaviours that occur in a corporate and/or individual occupational context; and that is committed for personal and/or corporate gain” (Salinger, 2005: vii). Literature on corporate crime refers to extortion as a coercive tactic used by corporations and large companies to maximise their benefits (Hartley, 2008; Visser et al., 2012). Land grabbing by violent means has also been pointed out as an example of extortion perpetrated by large companies (Visser et al., 2012).

2.2. ANALYSING EXTORTION RACKETEERING

For each of the countries examined for this report, the research team collected and analysed several case studies involving extortion incidents that fit a common operational definition adopted for the purpose of the study. All the case studies included in the analysis involve extortion incidents targeting businesses in the agricultural and hospitality sectors or businesses run by Chinese individuals. The decision to study extortion racketeering in these sectors and the Chinese community has been taken on the basis of preliminary research carried out in Bulgaria, Italy and Spain, that helped to identify those as the most often victimised sectors/migrant community within the three countries.¹¹ Following this preliminary work, each country team chose to analyse two out of the three listed topics. Furthermore, country researchers from Greece, Romania and UK were invited to contribute to the study in order to have a larger pool of data that would allow for cross-country comparisons (see Figure 1).



¹¹ The preliminary analysis was based on scanning publicly available data – grey literature, previous academic research and media reports.

Every extortion incident was analysed in-depth applying a common case study approach and following a common framework that guided the extraction and collection of useful information from the available documents. Subsequently each country produced a national report focused on the sectors or community selected. Findings from the six national reports were summarised and further analysed in this integrated report, showing the findings and conclusions for the two sectors and the Chinese community.

The operational definitions adopted

For the purposes of the current study, the research team adopted a common operational definition of extortion racketeering that was applied within the data collection stage for the identification and selection of cases. The definition was used in order to identify and select extortion incidents, which were subsequently subject of the analysis. The adopted operational definition drew on the existing conceptualisations already identified in the literature review and was intentionally left broader in order to account for the preliminary identified extortionist practices perpetrated by public officials and corporate executives.

The adopted definition required that the following elements should be present in the cases in order to be deemed incidents involving extortion racketeering and thereof selected for the analysis: 1) evidence for **threats for use of violence** or threats through use of position of power; 2) evidence for **patrimonial damage** to the victim (i.e. extracting money, property, or services from a person, entity, or institution, through coercion); 3) **continuity of extortion in time**, i.e. continuous extraction of extortion rents from the same businesses or continuous extraction of extortion rents from different businesses belonging to one and the same stable target population (e.g. extracting corruption rents from companies, beneficiaries of EU funds). Continuity is rather related to the modus operandi and the extortionists will usually target the same type of victims in a repetitive pattern (multi-victimisation). In order to discriminate between extortion and corruption in such cases, the criterion has been the presence of mutual benefits. Under this distinction, in cases of corruption both parties benefit from the relations, whereas in cases of extortion there are benefits for the public officials and no payoffs for the victimised businesses.

In addition, the following definitions of organised crime groups and extortion racketeering within the Chinese communities were adopted for the selection of cases:

- **Organised crime group:** a case was considered perpetrated by an organised crime group, if the following elements were present at the same time: 1) evidence that at least three people were involved in the extortion; 2) evidence that the perpetrators were involved in extortion of at least two different businesses.
- **Extortion in Chinese communities:** a case was considered as extortion in the Chinese communities, if the following elements were present at the same time: 1) both perpetrators and victims of extortion belonged to the same

ethnic community;¹² 2) evidence that the extortion was related to businesses belonging to any economic sector. It is highly likely that in such communities could be found other extortionist practices (e.g. practices related to forced loans and debt collection), which are not necessarily targeting businesspersons, but rather persons working in the grey/black sector, etc. However, such extortion incidents fell out of the scope of the current study.

Information available within police and judicial files is usually centred on perpetrators, hence in a single police/judicial file there are many details about who committed the crime and there might be information about many victims. However, in order to capture a wider spectrum of different extortion cases and achieve better robustness of data, researchers extracted not more than one case per police/judicial file. The selection of a victim's case from a specific police/judicial file was based on the availability and sufficiency of information about the case. Only cases with sufficient information on the profile of the victim were included in the analysis.

Furthermore, the primary focus of the study regarding extortion among Chinese community were cases related to extortion of businesspersons. If there was not sufficient number of cases related to extortion of businesses, the set of case studies was complemented with other cases of extortion (e.g. extortion of illegal workers, extortion of criminal entrepreneurs, etc.).

Data collection

Each country research team carried out the collection of national case studies. The aim was to gather fifteen cases of extortion racketeering per selected sector/group for a total of thirty cases per country. The data collection relied both on unofficial and official **sources of information**, following a two-step procedure. At the first stage, the identification of cases to be included in the analysis drew on open and unofficial sources. After the identification of possible extortion episodes, within the second stage of the data collection each research team sought additional information from police and/or prosecution about the conducted investigations on each of the cases. Thus, where possible the analysis drew on police and judicial documents containing official results from investigations carried out through wiretaps, environmental monitoring, and testimonies by collaborators with justice, witnesses and victims, patrimonial investigation and analysis of documents seized from criminal groups. In cases where access to official police and judicial documents was not possible, information from in-depth interviews with national police officers, prosecutors, victimised business persons and other experts in the field of extortion, as well as data from publicly available sources was used.

Since the starting point of the study was to identify the vulnerabilities and the risk factors of victims of extortion racketeering, the selection of case studies was

¹² For the purpose of the study, a migrant community shall be understood in its broader meaning of ethno-cultural community comprising of first and second generation immigrants, irrespective of their legal status (e.g. citizens, permanent residents, asylum seekers, refugees, undocumented migrants, etc.).

victim-based, i.e. the **unit of analysis** of each case collected was a single episode of company victimised by organised crime groups or by Chinese compatriots. Only incidents which occurred between 2005 and 2014 were included in the analysis.

Table 3 summarises the number of case studies collected in each country and included in the analysis. The table shows that some countries for some targets were able to collect more cases than the minimum number requested of 15 extortion episodes; whereas others did not manage to reach the threshold because of various difficulties encountered in collecting cases.

Table 3. Number of case studies collected and analysed

Country	Agriculture	Hospitality	Chinese community
Bulgaria	15	10	\
Greece	12	15	\
Italy	\	17	12
Romania	16	14	\
Spain	\	15	15
United Kingdom	\	15	6

Data analysis

For each of the identified extortion racketeering incidents information was collected according to a common inventory comprising of a set of indicators. If the information in the police/judicial files was not sufficient to fill-in all the required fields, additional information was gathered from interviews and/or media reports. The case study inventory was designed to facilitate the consistency of data collection and the analysis of the extortion cases identified and it was filled in for each of the extortion incidents analysed. The inventory includes the following information:

- *General description of the case* (ID code, place of incident, year);
- *Local context of extortion incident* (population, main economic sectors, businesses belonging to the sector analysed or run by Chinese citizens, business associations, crime statistics);
- *Profile of victim* (age, gender, nationality, role in the business, location and legal entity, number of employees, core activity, business association membership, security insurance);
- *Victim's response to extortion* (report to police forces, reaction to extortion, relation with extortionists, extortion duration, economic status of the business after the extortion);

- *Profile of perpetrators* (number of perpetrators, nationality, structure and core criminal activity of the group, involvement of civil servants);
- *Modus operandi* (attempt or actual extortion, use of violence, use of intimidation, reasons and purpose of extortion, timing of payment/request, presence of intermediaries).

The country reports analysed both the social and economic context where extortion racketeering had taken place, the characteristics and reaction of victims, the characteristics of perpetrators and their *modus operandi*. The analysis had the final aim of assessing the differences and similarities between the identified extortion incidents, enabling and resistance factors, existing measures and strategies to support victims and fight extortion, and red flags that could help identify unreported cases.

3. EXTORTION RACKETEERING IN THE AGRICULTURAL SECTOR

3.1. INTRODUCTION

Extortion racketeering in the agricultural sector has usually been associated with developing countries and insurgency movements (Eccarius-Kelly, 2012; Laurie, 2016; Singh, 2013). So it is somewhat counterintuitive to seek similar practices in Europe. The current analysis argues that, on the contrary, such practices are even quite common at least in three EU member states – Bulgaria, Greece and Romania. However, the perpetrators are far from the usual suspects – they are not the typical hierarchically organised crime groups attempting to get a grip on certain territories. Instead of mobsters and thugs, the study identified that in the majority of cases the perpetrators were white-collar criminals – corrupt public officials and owners or managers of big legitimate companies, often acting in loosely connected networks (LCNs). Respectively, their modus operandi involved a plethora of administrative sanctions or other forms of administrative pressure and in the case of companies – from purely criminal acts (destruction or theft of property) to harassment through administrative and legal procedures, price gouging, and collusion with public officials.

Most EU countries (including Greece) have adopted rather narrow definitions of extortion racketeering in their legislation, which usually revolve around the use of violence or threats of violence (Transcrime, 2009). Such definitions typically preclude the application of such provisions in cases involving white-collar offenders acting under the “colour of office” or to cases involving legitimate business entities. Bulgaria and Romania, however, have adopted broader definitions of extortion, although especially in Bulgaria these provisions seem to be rarely applied against white-collar offenders. For these reasons extortions in the agricultural sector have remained a latent form of criminality, which is rarely targeted by the criminal justice institutions.

This chapter argues that when perpetrated by persons in official capacity such crimes are in essence extortion racketeering (Rusev & Bezlov, 2016), as they share the following recurring elements: 1) they are a form of organised crime – i.e. are perpetrated by LCNs of people including public officials, their extended family members often acting in collusion with legitimate businessmen; 2) they are systemic – i.e. perpetrated against more than one victim and over time; 3) they involve coercion – i.e. forcing the victim into a given behaviour; 4) they involve patrimonial damage to the victim; 5) they are perpetrated with the aim of profiting at the expense of the victim. In addition to that, in many of the analysed cases the extortions were also a form of territorial and market control, which would be further explained in the sections below. Although in many cases

perpetrators are persons with vested official powers, this type of white collar crime is distinct from bribery, as it is predatory in nature and victims do not receive any payoff or are forced to pay in order not to receive worse than fair treatment (Lindgren, 1993).

Similarly, this chapter argues that the identified malfeasances by corporate enterprises towards farmers should be classified as corporate extortion and not merely monopolistic or cartel practices (Gasparinatou, Stamouli, & Vidali, 2016). Monopolistic and cartel practices are typically regarded as violations of administrative law, whereas the identified practices extend beyond that and are proper extortions. Firstly, these practices are systemic as they concern numerous farm holdings and are sustained in time. Their damage extends beyond fair competition violations, since the contractual relations between the companies (usually big food retailers and food processing companies) and the farmers are not restricted only to the purchase of agricultural produce. The farmers are dependent on the wholesalers, as the latter provide them with loans for tillage, sowing, and treatment of crops. This creates conditions for continuous indebtedness on the basis of forced and often informal contracts. Furthermore, these corporate practices are a form of organised corporate crime, since they involve more than one company colluding and acting as a LCN on the basis of specific illegal project aiming at profiting at the expense of the victim – i.e. cartel agreement. Moreover, the study shows that these cartel agreements extend beyond price fixing and also involve market allocation in the form of territorial distribution and imposing restrictions on farm holdings to enter in contractual relations with different suppliers or purchasers (i.e. limitation of free choice). There is also a clear patrimonial damage inflicted on the victimized farm holdings, which is expropriation of actual and future incomes.

The current analysis explores this currently underestimated and even neglected type of crime, based on the data collected in three countries – Bulgaria, Greece and Romania, which in comparison to all other member states are known for their largest share of the primary sector. The analysis begins with a brief overview of the socio-economic context, then it further focuses on the profile and modus operandi of the perpetrators, the profile and behavioural patterns of the victims and concludes with overview of the identified red flags, risk and vulnerability factors, as well as existing protective measures in each country.

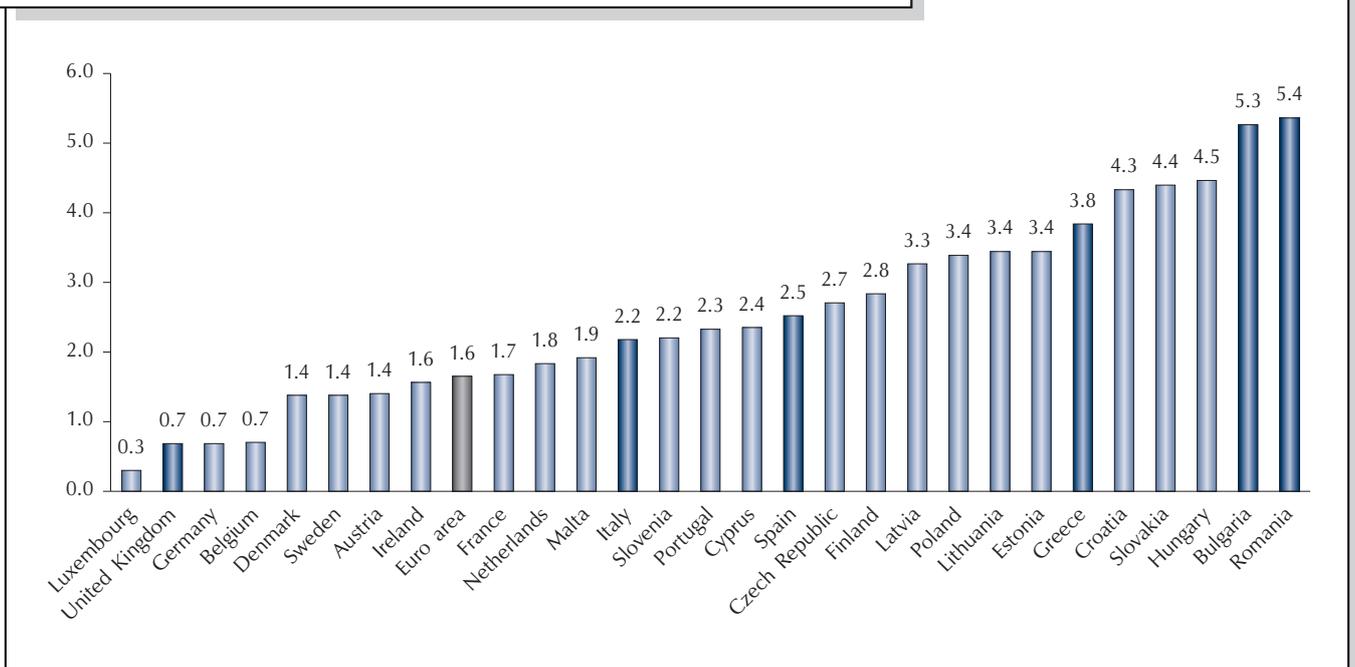
3.2. PATTERNS OF AGRICULTURAL EXTORTION

The analysis of extortion racketeering in the agricultural sector takes into account the overall socio-economic context in Bulgaria, Romania and Greece, where these crimes take place. In the last 25 years, the agricultural sector in the three countries underwent extensive transformations in terms of land and farm structure. These transformations involve ongoing consolidation of land use into the hands of large-scale corporate farm holdings at the expense of numerous small family farms. Several major socio-economic processes both in Bulgaria and Romania should be marked here – the transition to market economy, the accession to the European Union and – as a consequence – the access to the generous EU farm subsidies. The CAP (Common Agricultural Policy) payments have also been a key

factor driving the structural changes in the Greek agricultural sector, along with the impact from the lingering economic and financial crisis in the country. However, a much more important factor in Greece was the food market concentration, along with the ineffective enforcement of market regulations that allowed for recurring horizontal collusive agreements between the companies from the food processing and food retailing sectors.

Unlike in the majority of the EU countries, in Bulgaria, Romania and Greece the agricultural sector still preserves its importance. The value added of the sector as a share of GDP in the three countries is more than twice higher than the average in EU28 (see Figure 2). Romania and Bulgaria remain the two countries in EU with the highest share of agriculture in their national GDP accounts. Specifically for 2011 in rural regions the primary sector in the three countries still represented 12.3 % of total GVA (gross value added) for Bulgaria, 7.6 % for Greece and 13.4 % for Romania, whereas the average share of agriculture in the GVA of rural regions in EU28 is 4.6 % (DG AGRI, 2014). The primary sector in the rural regions of Bulgaria, Greece and Romania is also particularly important in terms of employment. Considering that the population in rural regions represents 40 % – 60 % of the overall population in these countries, the agricultural sector still remains a key source of subsistence (Eurostat, 2016a). The share of the employed persons in the primary sector in rural regions of the three countries is the highest in EU28 – 38.9 % of the active workforce in these regions of Romania is employed in the primary sector, whereas in Bulgaria the sector accounts for 31.7 % and in Greece for 22.7 % of the jobs. The average share of the employed workforce in the primary sector for rural regions in EU28 is 13.3 %.

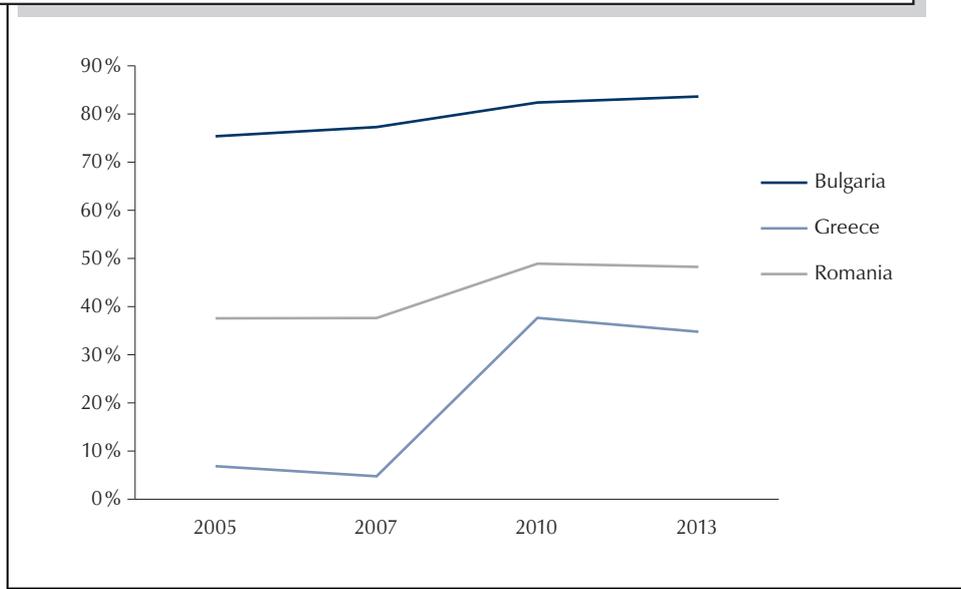
Figure 2. Agriculture, value added (% of GDP) in 2014



Source: World Bank, World Development Indicators, 2015.

All three countries have experienced significant land structure transformations in the last five years, which resulted in increased concentration of land use in large-scale farm holdings (see Figure 3). However, the drivers and dynamics behind this land concentration differed in the three countries. In Bulgaria and Romania the process of land concentration started in the late nineties and was largely driven by the interplay between the legacy of the transition period and the dynamics of EU accession.

Figure 3. Share of overall UAA managed by farm holdings with more than 100 ha



Source: Eurostat, 2016a.

The transition from the planned economy to free market in the agricultural sectors of both Bulgaria and Romania was influenced by the dissolution of the big state-owned farms and restitution of the land to its former owners, which led to considerable fragmentation and dispersion of the land tracts amongst numerous small holders (Nikolae, 2016; Rusev & Bezlov, 2016; TNI, 2015). For example, in Bulgaria the average size of a land estate in 2003 was 0.58 ha for arable land and 0.32 ha for pastures, whereas 78 % of the farms managed up to 1 hectare and were involved in semi-subsistence farming (Yanakieva, 2007). Right after the land restitution took place many of the land holders decided to re-establish the dissolved state-owned farms in the form of cooperatives. Cooperatives remained the predominant form of large farm holdings and by 2003 40 % of the land in Bulgaria was managed by such land holdings, whereas only 16 % by large commercial companies (Meurs & Bogushev, 2008). Similar developments occurred in Romania, where fragmentation of land as a result of the de-collectivisation was also accompanied by partial restoration of the cooperatives, but also by privatisation of some of the state-owned farms by former officials of the communist regime (Bouniol, 2013; Rizov et al., 2001). Thus, a highly polarised land holding structure emerged in the two countries – highly fragmented and significantly concentrated. The numerous small farmers managing

tracts of up to 1 hectare co-exist with large-scale commercial holdings controlling 50 hectares or more (TNI, 2015).

The accession to the European Union affected these two groups of land holders quite unevenly. The rules of funding for the pre-accession SAPARD Programme and later for the CAP payments were designed to favour big commercial agricultural holdings at the expense of the small farmers (Hubbard & Hubbard, 2008; Metis, 2013). For example, both Bulgaria and Romania opted for introduction of the so-called Single Area Payment Scheme (SAPS) under CAP, which envisaged flat-rate, per-hectare payments irrespective of what the land is used for, as long as it is kept in good agricultural condition. Furthermore, both governments decided to introduce a minimum threshold of 1 hectare utilised land per farm as eligibility criterion for all applicants. The regulatory framework automatically excluded about 80 % of all farm holders from access to SAPS. In addition, there was no upper threshold, which allowed for a relatively small number of large-scale agricultural holdings to reap the bulk of all subsidies on a scale unseen in any other EU member state (see Table 4). Thus EU funding in Bulgaria and Romania actually contributed towards excessive concentration of the land use in a relatively small number of large farm holdings (Rusev & Bezlov, 2016; TNI, 2015). As a result, currently in Bulgaria 84 % of all utilised agricultural land is controlled by only 3 % of all farm holdings (Rusev & Bezlov, 2016).

Table 4. Distribution of CAP direct payments in 2013, selected EU member states

Member state	The top x% of beneficiaries	Received x% of the CAP direct payments
France	1.2	9.0
Spain	1.3	23.4
Germany	1.2	28.4
Italy	0.8	26.3
UK	0.9	14.4
Poland	2.0	28.5
Romania	1.1	51.7
Hungary	0.9	38.5
Bulgaria	1.1	45.6

Source: TNI, 2015: 36.

Land concentration in Greece appears to be a more recent development, which evolved in the period 2007 – 2010 (see Figure 3). Currently in Greece 0.2 % of all farms are holdings that manage tracts bigger than 100 hectares, but they control 37.7 % of all utilised agricultural land (Eurostat, 2016a). The driving force behind it seems to be rather related to the increasing food market concentration (OECD,

2014; TNI, 2015), which also involved increased degree of horizontal agreements within food retailing and food-processing sectors (ECN, 2012; Gasparinatos et al., 2016). The effects of these market trends in concurrence with the effects of the CAP funding and the financial crisis have negatively impacted the competitiveness and viability of small farm holdings in the country and contributed to the overall shrinking of the primary sector in Greece. It has also fuelled the process of steady decrease in the number of small family farms in the country.

The growing consolidation of land use in the hands of few large agricultural holdings – or land grabbing as this process has been defined by some researchers – is associated with a number of negative impacts on rural development (Franco & Borras, 2013; Visser, Mamonova, & Spoor, 2012). A recent study commissioned by the European Parliament (TNI, 2015) alarmed about the growing exit of small family farms from the agricultural sector, which results in growing rural unemployment and in the long run to increased outbound migration from rural areas to the big cities or abroad. Moreover, big agricultural holdings focus on industrialised farming, which relies on economy of scale and is less labour intensive. Thus it ultimately brings about rural depopulation and loss of agricultural traditions.

Furthermore, the TNI study warns that although large corporate agriholdings seem more competitive and efficient, actually they appear to be quite fragile both financially and economically. Many of these large producers rely on external credit and are dependent on the global commodity markets. Therefore, enterprises relying on industrialised monoculture farming are much more prone to bankruptcy than the small farms in case of financial turmoil or price volatilities. Thus, land concentration negatively impacts food security and food sovereignty of the countries and increases their dependency on import of foods. The study also warns about the negative environmental impacts of land grabs such as land degradation (e.g. soil erosion), groundwater pollution and loss of bio-diversity (TNI, 2015).

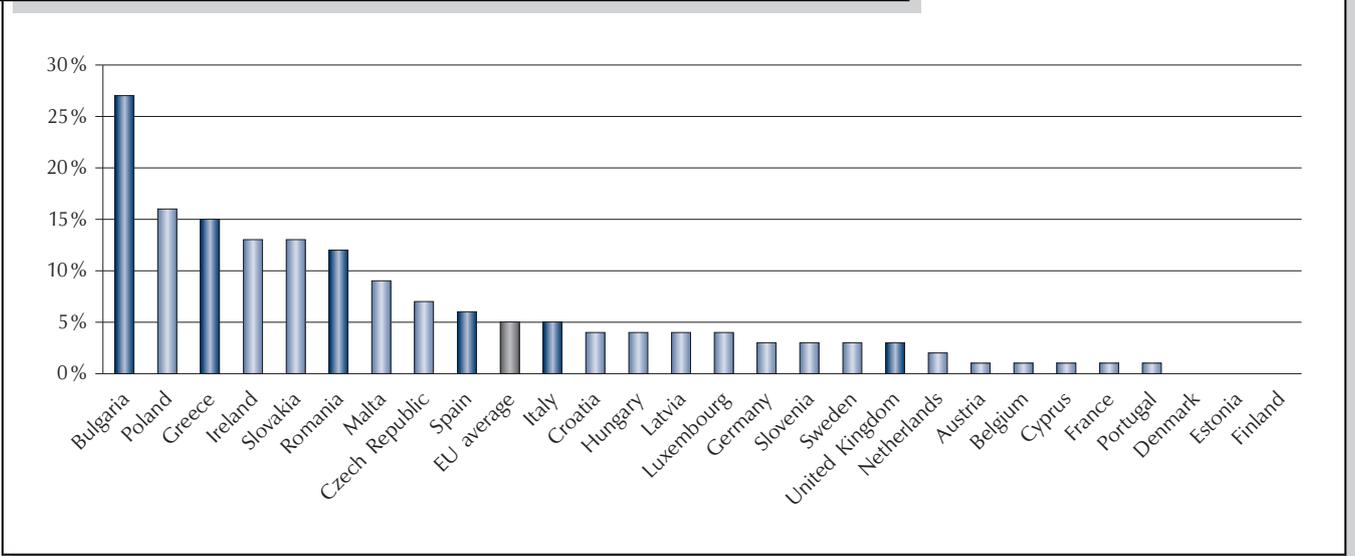
The combination of land use concentration with extortion perpetrated by the owners of the big agriholdings and by various corrupt networks appears to multiply these negative impacts. This is particularly obvious in terms of rural unemployment and rural migration, which have reached unprecedented levels in the last 10 years in Bulgaria and Romania, as was already noted above. Certainly, these processes are also driven by many other factors, but undoubtedly the loss of income and the lack of other viable economic opportunities in the rural regions are among the most important.

The analysis of the identified extortion incidents across the three countries did not reveal any particular social or economic local specifics that cause vulnerability to extortion. Such incidents were identified in a number of regions with quite diverse characteristics, although certain regions in the three countries were slightly overrepresented. Such was the case with the Northwest region in Bulgaria, Transylvania in Romania, Macedonia and Epirus in Greece.

However, the three countries share common problems in terms of good governance, corruption and shadow economy, which are factors associated with higher risks of extortion (CSD, 2010; Gounev, 2006). Bulgaria, Romania and Greece share

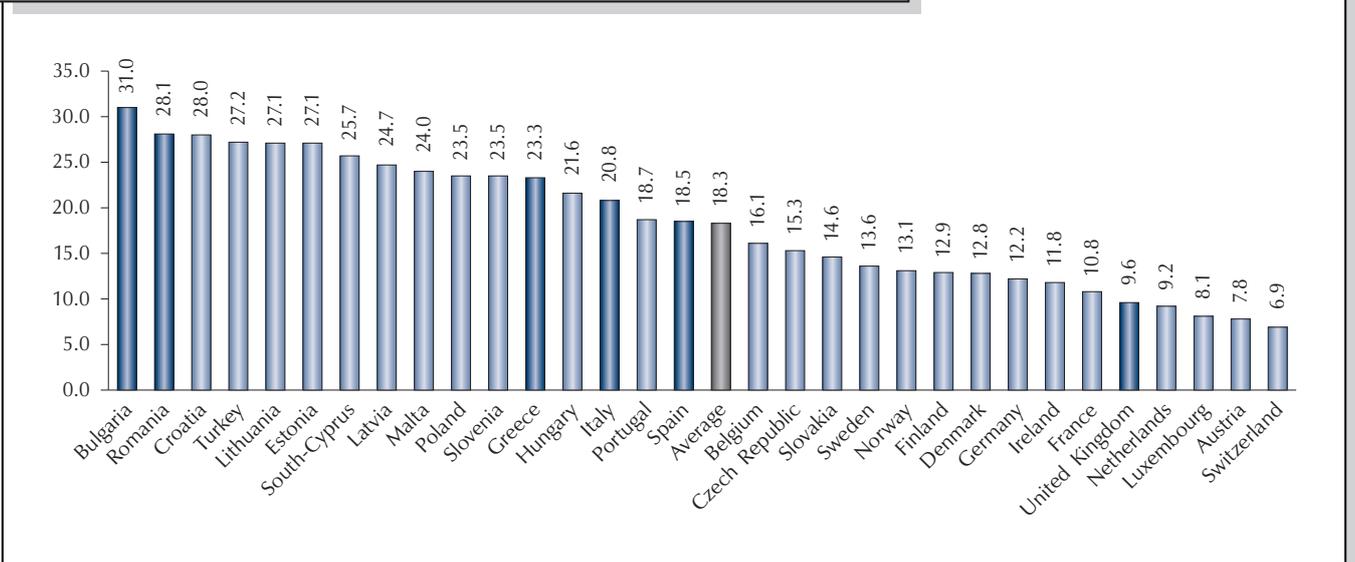
the unenviable bottom positions in the World Bank Government Effectiveness Index and the Transparency International Corruption Perceptions Index. According to the latest Eurobarometer survey on corruption, enterprises in these countries experienced 3-6 times higher than the average for EU incidence rates of solicitation for bribes (European Commission, 2014). Similarly, the three countries have higher than the average for EU share of the shadow economy (Schneider, 2015).

Figure 4. Share of companies asked or expected to pay a bribe



Source: Eurobarometer data in European Anti-Corruption report, 2014.

Figure 5. Size of the shadow economy of 31 European countries in 2014 (in % of GDP)



Source: Schneider, 2015: 5.

3.3. THE PERPETRATORS

The analysis of extortion in the agricultural sectors of Bulgaria, Greece and Romania revealed that this type of crime is perpetrated by actors with quite diverse backgrounds and profiles, which employed various *modi operandi*. The key characteristics of the criminal groups and networks, along with a basic typology of the extortion models are provided below.

General characteristics

Typical OCGs appeared to be only a small share of the perpetrators, whereas the majority could be classified as white-collar criminals – i.e. persons with legitimate occupation (public officials, company owners and managers), with higher social status and professional expertise (Gasparinatu et al., 2016; Nikolae, 2016; Rusev & Bezlov, 2016). Unlike typical criminal groups, the white-collar criminals usually collaborated in LCNs and extortion practices usually involved abuse of vested powers by public officials or collusion between public officials and private companies. Moreover, extortion practices often took place within the context of more complex embezzlement of public funds or document fraud. Overall, the following types of white-collar criminal networks have been identified in the three countries – LCNs of corruption, family-based corruption networks, predatory networks of legal or business professionals, legitimate companies employing criminal methods and cartel networks. The different types of criminal and white-collar perpetrators are described in more detail below.

Hierarchical organised crime groups have been identified in all three countries. They share common characteristics – hierarchical structure, exerting control over a specific territory, regular use of threats for violence or actual violence along with arson and destruction of property. The typical aim of the extortion by such criminal networks is extracting periodical payments from the farmers (protection racket), although in Bulgaria there were also cases of imposing forced land sale or tenancy contracts and gaining monopoly over farm subsidies in a given municipality. Furthermore in Bulgaria some of the criminal groups used legally established private security companies as a cover-up for their extortion. Often the criminal groups were also involved in other crimes such as usury, theft of property, collusion with public officials and electoral vote buying.

LCNs appear to be particularly spread in both Bulgaria and Romania. Usually they comprise of public officials and legitimate businessmen associated with them. The identified cases in both countries involved politicians and officials in various functions: a member of parliament, mayors of municipalities, municipal councillors, municipal servants, mayoralty mayors, a local political leader, local police officers, magistrates, representatives of State Fund Agriculture in Bulgaria or its Romanian counterpart – the Agency for Payments and Intervention in Agriculture (APIA). These groups rarely use violence and instead resort to abuse of their vested powers in order to intimidate and coerce their victims. The extortions sought to either impose land sale or land tenancy contracts on land owners or extract monthly payments from beneficiaries of farm subsidies. In Bulgaria, there were also cases related to establishing monopoly over municipal

pastures, thereby gaining exclusive access to pastureland subsidies (Rusev & Bezlov, 2016). In Romania, in some cases these corrupt networks extorted officers from APIA in order to secure leniency with regards to embezzlement of farm subsidies or securing non-interference of official authorities in cases involving fraudulent acquisition of land estates (Nikolae, 2016). Members of these corrupt networks were also involved in variety of other criminal activities such as rigging public procurement tenders and concessions, embezzlement of public funds, bribery and influence peddling, real estate fraud, illegal logging and illegal extraction of inert materials.

Family based organisations were identified among the Bulgarian and Romanian extortion cases (Nikolae, 2016; Rusev & Bezlov, 2016). These groups resembled to a large extent the LCNs of corruption, except for the family bonds between the key actors. The leading role in these organisations usually belonged to a public official (mayor or municipal councillor), who abused his vested powers in order to enrich members of his immediate or extended family. The family members were typically involved in some agricultural activities (crop growing, livestock breeding). The aim of the extortions was similar to the ones already described under the LCNs of corruption – imposing forced land tenancy, sale contracts or monopolising access to municipal pastureland and thereby over the subsidies for them.

The predator networks are also a form of white-collar criminal organisation, which was identified only in the Romanian cases (Nikolae, 2016). The identified criminal networks were established by legal professionals and businessmen preying on vulnerable business entities and land owners. The groups pursued either imposition of forced land sale or one-off and periodical payments.

Legitimate companies employing criminal methods were among the identified perpetrators of extortions particularly in Bulgaria (Rusev & Bezlov, 2016). The individual perpetrators of the extortions in this case were big tenant farmers and their employees or specifically contracted criminals who extorted small farm holdings and cooperatives in order to force land tenancy contracts on them. Thus these legitimate business structures in practice operated as OCGs led by their owners and used variety of intimidation tactics including harassment through administrative procedures, lawsuits, threats, use of violence, arson, theft and destruction of property. Furthermore, the analysis of the identified cases revealed that the company owners were also involved in other crimes such as electoral vote buying and bankruptcy fraud.

Somewhat similar form of white-collar criminal networks involving legitimate business structures was identified in Greece – i.e. the **cartel networks** (Gasparinatos et al., 2016). Unlike the case in Bulgaria, the cartel networks involved more than one legitimate company, which typically operated in the same sector – e.g. milk processing, flour industry, agricultural supplies, food retailing, etc. The individual perpetrators behind these networks were members of the executive staff and boards of directors, as well as technical advisors of the companies, which participated in the cartels. In some of the networks, there was also complicity of politicians. The purpose of the extortions was forcing contracts by abusing market power. The extortion practices of these networks appear as an extension to typical cartel practices as price fixing and territorial allocation.

Modus operandi of the criminal groups and networks

The cases collected in Bulgaria, Greece and Romania could be generally classified by applying a combination of the categorisations used by Transcrime (casual vs systemic) and Monzini (extortion protection vs monopolistic racketeering). According to Transcrime, casual extortion is “episodic and not spread over a territory. Criminal organizations don’t practice extortion routinely.” Systemic extortion, on the other hand, “is well rooted and well spread over a territory. Criminal organisations practice extortion routinely and extortion racketeering is a core part of criminal business” (Transcrime, 2009). Systemic extortion can be further broken down into protection extortion and monopolistic racketeering according to the categorisation suggested by Monzini. This categorization draws on the specific strategy pursued by the perpetrators. The first strategy is protection extortion, which “consists in taxation on a regular basis imposed by violent means”. The second strategy is labelled monopolistic racketeering and is “a specific market strategy enforced by violent means and aimed at the physical elimination of the competitor, or at the creation of monopolistic coalitions” (Transcrime, 2009). Thus three distinctive *modi operandi* have been identified in the agricultural sectors of the three countries – casual extortion, extortion protection and monopolistic extortion.

Casual extortion

Cases related to casual extortion have been identified primarily in Romania. The extortions involved one-off incidents and the perpetrators were in LCNs of corruption, family-based organisations and predator networks. Most of the cases were related to imposition of forced land sale contracts on farmers and landowners with the aim to buy the land below market value and resell it with profit. However, there was one case where the aim of the extortion was to force members of farmers association to concede their right to receive subsidies in favour of the extortionists. There was also a case, where the extortionists targeted a regional director of the local APIA office and demanded that the office granted subsidies to a member of the group who was not eligible as a beneficiary.

The LCNs and family based organisations relied mostly on abuse of their vested powers as a tool to extract rents. Depending on their position, the perpetrators resorted to different tactics. Whenever there were mayors or city hall clerks in the criminal network or group, they usually abused their powers for approval of requests on restoration of property rights in land restitution cases or threatened with administrative penalties. There were also cases, where police officers or magistrates were part of the criminal networks and they used the threat of criminal investigations as a pressure tool. In one of the cases, a predator group also restrained the victim in a notary office for a couple of hours in order to force him to sign the land sale documents. However, this example is more of an exception, as in the majority of cases the perpetrators relied on their vested powers, which provided them with substantial leverage for administrative harassment and pressure over the victims.

Monopolistic racketeering

Most of the extortion cases identified in Bulgaria and Greece and some of the ones identified in Romania can be classified as monopolistic racketeering (Gasparinatou et al., 2016; Nikolae, 2016; Rusev & Bezlov, 2016). Unlike the cases related to casual extortion, monopolistic racketeering is systemic and targets multiple victims at the same time. The groups use a variety of tactics in order either to monopolise access to farm subsidies or attain monopolistic territorial control over markets for certain agricultural products. Through inducement of fear the perpetrators generally pursued one of the following aims: 1) To impose forced land sale or tenancy agreements to landowners and farmers; 2) To force potential beneficiaries (usually other small farmers) to concede their legally established rights for access to agricultural subsidies in favour of the perpetrators; 3) price fixing and market control via territorial allocation.

The extortion seeking to **impose forced land sale or tenancy agreements** on landowners and farmers in Bulgaria was typically perpetrated by big tenant farmers (i.e. legitimate companies). The case in Romania was perpetrated by a LCN of corruption, which aimed at buying all land tracts in the municipality at lower price with the aim to re-sell it to a foreign investor at a higher price. The motivation behind the extortions in Bulgaria was quite different. Firstly, the business model of the big tenant farmers in Bulgaria revolves around cultivating extensive crops (cereals, sunflower, rapeseed), which involves industrial type of farming and therefore requires larger tracts of land. Secondly, the implementation of direct CAP payments per hectare without upper threshold was a major driver that incited them to relentlessly seek increase of the farmed land in order to receive larger subsidies. Some of these big tenant farmers resorted to a combination of legal actions and criminal methods in order to grab as much land as possible. The methods to achieve this included verbal threats, triggering various administrative inspections and sanctions against the victims. Since some of the victimised farmers or cooperatives resisted, the extortionists escalated the intimidation through theft and destruction of property and in some cases even physical violence.

The majority of the cases related to monopolistic racketeering in Bulgaria were related to **forcing potential eligible beneficiaries (usually various small farmers) to concede their legally established rights for access to agricultural subsidies** (Rusev & Bezlov, 2016). Two patterns emerged from the analysis – the first one related to pastureland subsidies for livestock breeders and the second one related to decoupled payments to tobacco growers. The perpetrators were LCNs of corruption and family-based groups, which followed common modus operandi. At the first stage, the groups secured monopolistic access to the farmer subsidies in the municipality through abuse of their vested powers or other malfeasance, whereas at the second stage they extorted the rest of the eligible beneficiaries in the municipality to concede their right to receive subsidies and not file complaints to the police or other authorities. Since many of these extortions took place in mountainous and underdeveloped municipalities, the monopoly over the subsidies provided control over one of the few steady sources of income of the community. It should also be noted that in such low-income rural regions, the municipality is typically the major employer and it also provides or controls a number of administrative and social services.

Extortions related to **pastureland subsidies** are a typical example of monopolistic racketeering. Pastureland subsidies are determined on the basis of hectares managed and in the first years of their introduction there were no specific requirements to the beneficiaries to present evidence to the State Fund Agriculture for breeding any livestock. Furthermore, pastureland is usually municipal property, so it is the local authorities that are in charge of its distribution among the local livestock breeders. The combination of a powerful incentive stemming from this easy to grab resource and the poor regulations, have opened up numerous opportunities for abuse of powers by local politicians. In most of the identified cases the corrupt networks have either rigged the procedures for distribution and leasing of the pastures or have used blatant embezzlement and unlawfully sold the pastures to businessmen in their clientele. Subsequently, in order to stifle the resistance of the local livestock breeders, the perpetrators abused their vested powers and harassed the victims through verbal threats, excessive administrative inspections and penalties.

A similar pattern was observed with the **decoupled payments for tobacco growing**, where perpetrators were again LCNs of corruption and family-based organisations involving representatives of local authorities. The extortions have started with a malfeasance by local political leaders and public officials who abused their access to insider information with regards to upcoming legislative amendments regulating the distribution of tobacco subsidies. The new regulatory framework replaced the existing quota-based payments linked to the amounts produced with decoupled payments determined on the basis of the quantities of tobacco produced in three reference years – 2007, 2008, 2009. Using insider information, the groups colluded with the licensed raw tobacco traders and manipulated the production quotas for the reference years in favour of their extended family members and fellow party members. The fraud resulted in leaving numerous small farmers with very low or no subsidies and was a reason for many protests. Similarly to the cases with pasturelands the corrupt networks used their administrative and political leverage to threaten and intimidate the small tobacco growers, so that they would not pursue claims or file reports to the police. In one of the cases there was even use of violence by one of the members of the group towards the victim that resisted.

A quite different case were the **cartel rural extortions** that were identified in Greece and appear to be a peculiar type of monopolistic racketeering (Gasparinatos et al., 2016). The main perpetrators of this type of crime were companies from the food processing or food retailing sector that colluded with each other in order to maximise their profits and exert control over their suppliers – i.e. farmers from various sectors (milk production, tomato production, etc.). Usually these networks were led by the company with the dominant market position and they acted according to written or oral agreements for price fixing, territorial allocation and control of suppliers coupled with imposed prohibition on suppliers to change buyers. Extortion came as an extension of these cartel agreements, although the companies regarded these as normal business practices. Cartel extortions were not found to involve any physical violence, but rather occurred within the context of the contractual relationships between the farmers and the companies, which abused their buyer power employing different unlawful tactics.

The abandonment of the existing state supported system for agricultural credits and the privatisation of the Agricultural Bank of Greece in 2012 have erased all opportunities of small farmers for access to credit. Many small farmers had no other choice but to turn to the food processing and retailing companies for loans in order to secure seeds, fertilizers, equipment, animal feed and other supplies for the next growing season. Furthermore, small farmers often had to rely on the companies for transport and storage facilities. Thus, many farm holdings fell in perpetual indebtedness, which the companies leveraged to impose contracts with below market prices, as well as to impose retrospective renegotiation of contract conditions and demand reductions in the price of produce purchased. The farmers that resisted were subjected to further intimidation through threats of delay and revocation of payments for already delivered produce. They could also be left without contracts for next year – and thus without market for their produce – or threatened with negative publicity of the quality of their products. The credibility of the extortion demands was conveyed and stiffened through the existing cartel agreements for territorial allocation of suppliers, which were enforced with the aid of specifically adopted inspection measures. All these practices created an imminent risk for the resisting farmers of losing their annual produce and therefore of financial collapse.

Protection extortion

Protection extortion appeared to be quite spread in both Bulgaria and Romania, and there was one such case reported in Greece. This type appears to be strictly territorial, i.e. it took place in the region where the perpetrators resided and they used it as a form of exerting control (Gasparinatos et al., 2016; Nikolae, 2016; Rusev & Bezlov, 2016). Both LCNs of corruption and OCGs were involved in these extortions, although their modus operandi was quite different. The white-collar groups were typically involved in other graft and malfeasance practices, such as tender rigging, whereas organised crime groups had as their core business model extortion, usury and debt collection.

LCNs of corruption typically relied on abuse of their vested powers. In most cases the groups involved officials from the State Fund Agriculture in Bulgaria and APIA in Romania. They used various excessive administrative inspections, sanctions and revocation of rights to farm subsidies as means to intimidate and threaten farmers. They thereby managed to convince local farmers to pay protection fees in exchange for promises of lenient administrative control and swift resolution of claims and disputes with regards to subsidies and other issues. In many cases the groups used intermediaries to approach and convey their demands to the victims.

Unlike corruption networks, OCGs deliberately and consistently used violence as a means for intimidation and coercion. Their intimidation tactics included verbal threats, arson, theft of agricultural produce, damage of property, poisoning cattle, kidnappings, physical violence against farmers and their workers. The groups did not use any intermediaries and the victims were directly approached by members of the groups. Furthermore, in many of the cases organised groups used private security companies as a front for their extortion. In the Bulgarian cases, the typical

aim of the extortions was to force the farmers to sign contracts with specific private security companies and thus pay monthly protection fee.

Other types of extortions

Some of the incidents identified do not fall in any of the described categories. Usually these cases were related to other crimes, where extortion was a complementary tactic to the main criminal activity. Many of the examples were among the cases identified in Romania. For example, a Romanian OCG specialised in real estate fraud deceived numerous land owners, dispossessed them from their land estates and subsequently extorted them not to file complaints to the police. Similarly, a predatory group involving the owner of a media holding blackmailed big farmers and other businessmen with threats of broadcasting compromising media reports and when the victim resisted they resorted to extortion and intimidated him with physical violence.

3.4. THE VICTIMS

Along with the profile of the perpetrators the current study also captured the key characteristics of the victims of extortion in the agricultural sector. It should be noted that although Bulgaria, Romania and Greece share many common socio-economic characteristics, it appeared quite hard to draw a common profile not only of the perpetrators, but also of the victimised farmers and agricultural businesses. The analysis below focuses on the geographical location, socio-demographic and economic specifics and behavioural patterns of the victims.

Main regions affected

The extortion incidents identified in Bulgaria, Romania and Greece were not confined to specific regions but were identified in all regions of the three countries. However, certain regions seemed to have higher concentration of agricultural extortions, such as the Northwest region in Bulgaria, the Southwest Oltenia region in Romania, Central Macedonia and Epirus regions in Greece. Various predominantly mountainous areas were also reported as particularly affected in the three countries. Keeping in mind the limitations of the methodology, it could be tentatively concluded that farmers and agricultural businesses in economically underdeveloped regions are more vulnerable to extortions. The Northwest region in Bulgaria, Southwest Oltenia region in Romania and Epirus region in Greece are among the least economically developed regions in the three countries. Mountainous municipalities/counties typically also fell in the same category of underdeveloped economically regions (Gasparinatu et al., 2016; Nikolae, 2016; Rusev & Bezlov, 2016). Therefore the scarcity of alternative viable economic opportunities seemed to contribute to the higher vulnerability of the farm holdings. Examples in this regard are the extortion of live-stock breeders for access to pastureland subsidies and the extortion of tobacco growers for tobacco subsidies in Bulgaria.

Demographic, social and economic characteristics

The available sources for most of the identified extortion cases in the three countries provide scarce information on the profile of the victims. The majority of the victimised agricultural businesses in the three countries seemed to be small to medium farm holdings and cooperatives, which were mostly family businesses (Gasparinatou et al., 2016; Nikolae, 2016; Rusev & Bezlov, 2016). In Bulgaria and Romania, a common reason for extortionists to select and target particular farmers was their eligibility to receive farm subsidies. Big commercial farm holdings seemed to be targeted less often in all three countries. The typical organisational form of the victimised businesses was self-employed individual farmers, sole proprietors and cooperatives. The victimised businesses typically employed family labour (2-4 persons), although some of them (especially in Greece) also seasonally employed other workers depending on the economic capacity of the farm holding. The individuals who suffered the extortions were usually the managers and landowners – male, 40-60 years old. The majority of the victimised agricultural businesses in the three countries were involved in livestock breeding and cereal growing and less often in horticulture.

Behavioural patterns of the victims

The majority of the identified extortion incidents in the three countries have been denounced by the victims either to the respective public authorities or to the media. However, it would be wrong to conclude that the majority of victims from the agricultural sector resist and report extortions, as this is rather a result of the limitations of the methodology applied in the current study. The problem is that only such cases surface in media reports and judicial records, which were the main sources for data collection.

Actually a closer look to the data collected suggests that in most cases farmers have initially responded with acquiescence and complied with the extortion demands and decided to resist only after the extortion demands escalated. Furthermore in many of the cases identified in Bulgaria it appeared that victimised businesses in some of the cases were a lot more, but they were afraid of exposure as this could trigger reprisals against them. This was especially the case with extortions perpetrated by criminal organisations and networks involving public officials in Bulgaria, which as a rule are rarely investigated and trialled. Actually none of the perpetrators in the fifteen cases identified in Bulgaria was convicted. Moreover many of the public officials still remained at their positions and continued to harass and intimidate their victims. It should be pointed that this is in sharp contrast with Romania and Greece, where perpetrators much often have faced justice. In Romania, both organised crime and white-collar groups have been prosecuted and convicted by the courts, whereas in Greece some of the cartel networks have been investigated and sanctioned by the Hellenic Competition Commission.

However, the studies in Greece revealed that although farmers perceive the unlawful practices of the cartel networks as extortion, they would rather not report these to the police but respond to them as a political issue. Therefore,

they preferred to denounce the practices to their local Members of Parliament or the Ministry of Agriculture, who in turn would address these to the Hellenic Competition Commission. They have also organised protests through their branch associations. It should also be noted here that in many cases the cartel extortions have been documented to last for several years due to the political corruption and the corruption of the official representatives of the farmer's associations, which often stifled the resistance of the farmers. Exemplary in this regard is the case with the milk cartel investigated by the Greek authorities in 2006 – 2007, where the Chair of the Hellenic Competition Commission and a number of MPs were involved in influence peddling in an attempt to secure leniency of the commission in favour of the milk-processing industry.

Similarly in Bulgaria, since many extortion instances involving public officials were perceived only as abuse of power, farmers did not report them to the police but attempted to expose the incidents in the media, organise protests or seek assistance from political parties or the Ministry of Agriculture. However, such responses to these extortive practices rather lead to shadowing of these crimes, under-investigation and lack of persecution. Even when the authorities undertake administrative measures, the perpetrators remain unpunished and resort to new forms of malfeasances.

The identified incidents of extortion in the three countries lasted between 6 months and several years before the victims decided to report them. In the majority of the cases, the victimised businesses continued to operate despite suffering property damages and financial losses. Some of the extorted farm holdings bankrupted and were dissolved, whereas some of the extorted landowners decided to sell their lands. The spread of this hidden phenomenon, which apparently involves actors with substantial administrative and market leverage, bears the risk of increasing impoverishment of small farmers in the underdeveloped regions, further bankruptcy and dissolution of small and medium farm holdings and out-migration from rural areas.

Protective measures

The majority of the identified extortion incidents involved small to medium farm holdings and landowners, so most of them have not invested in any specific security measures against crime such as insurance contracts or contracts with private security companies. Furthermore, the available information shows that very few of the victimised businesses in Bulgaria and Romania had been members of some farmer's or other professional associations that could stand for their rights. This is in sharp contrast with Greece, where most of the farmers had been members of such agricultural associations and these organisations played important role for resisting cartel extortions. In two cases in Bulgaria the victimised farmers were members of such associations and received support from their organisations, which once more underlines the key role of such professional bodies in preventing and countering extortion.

The governments in the three countries have also adopted certain measures that have helped to curb extortionary practices to some extent, although with

inconclusive efficiency. For example, Bulgaria adopted certain amendments to the existing regulations for farmer subsidies, which were supposed to protect and support small and medium farmers from the blatant land grab practices pursued by the big tenant farmers and the corrupt networks. In 2015, the Ministry of Agriculture and Food amended the *Act on Ownership and Use of Agricultural Land* and replaced the tender procedure with a procedure for distribution of the pastures between all registered livestock breeders based on the number of livestock units owned and tightened the requirements for proof of these numbers. The amendments were supposed to tackle embezzlement of pastureland by local authorities, which on a numerous occasions assigned municipal pastureland plots to favoured companies that did not have any livestock. Similarly, the Ministry of Agriculture and Food adopted new regulations with regards to SAPS direct payments for the period 2015 – 2020 and introduced an upper threshold for the beneficiaries under the scheme.

The Greek case study did not identify any specific administrative regulations directed at the protection and support of farmers. There was, however, an interesting case law precedent in regard to cartel extortions. The provisions on extortion in the Greek *Criminal Code* specifically delineate that when extortion is committed with the use of violence or threat of damage against the business or the profession of a person it is considered a crime under aggravating circumstances and subject to harsher penalties. These provisions were applied for the first time in 2013 against executive staff of ten milk-processing companies, which were charged and convicted of the felony of extortion against livestock breeders (Gasparinatu et al., 2016).

Similarly, the Romanian case study provided examples of a court case with regards to extortion perpetrated by public officials. The Romanian *Criminal Code*, like the *Criminal Code* in Bulgaria, treats extortion under colour of office as an aggravating circumstance. However, in sharp contrast with the court practice Bulgaria where few cases have been prosecuted, there have been several cases in which public officials were charged with the felony of extortion against farmers and convicted by the Romanian courts.

* * *

Incidents of extortion in the agricultural sectors of Bulgaria, Greece and Romania share some commonalities, although apparently differences prevail. The agricultural sector remains very important for all three countries in terms of gross value added for the economy and number of people employed, both among the highest in the EU. Furthermore, the three countries are currently undergoing deep transformation of these sectors, which have resulted in decreasing number of the small and medium farm holdings and steady reduction of the number of people employed in the sector. The driving factors of these transformations in the recent years have been the Common Agricultural Policy of the EU for the period 2007 – 2014 and the increasing power of the food-processing and food retailing companies, which have favoured the big farm holdings and at the same time negatively impacted on the competitiveness of the small and medium ones and thus increased their vulnerability.

Agricultural extortions have emerged in this larger socio-economic context, where criminal groups and networks predated on the vulnerabilities of the small farms and landowners. The profile of the perpetrators and their modus operandi appears to be quite different in the three countries. In Bulgaria and Romania, many of the perpetrators were public officials that abused their vested powers in order to extract rents at the expense of the small farmers, whereas in Greece many of the perpetrators were cartel networks employing a combination of legal and illegal methods to extract larger profit margins. In Bulgaria, some big commercial agricultural holdings also resorted to criminal methods to blatantly grab land from its lawful owners. Typical organised crime groups consistently employing violence were also present in all three countries.

However, the profile of the victims in the three countries exhibited much more similarities. The tentative conclusions from the collected data suggest that victims were usually from economically underdeveloped regions, especially mountainous areas. Victimised businesses were typically small or medium farm holdings, which were usually family business. The predominant legal form of the businesses was self-employed individuals, sole proprietors and cooperatives. The intimidated persons were male and 40-60 years old. The comparison of the cases in Bulgaria, Romania and Greece revealed that the lack of farmers' organisations was a major vulnerability, which significantly decreased the resilience of the victimised businesses. In this regard, the farmers' associations in Greece played a significant role in denouncing and subsequently countering extortion in the country.

The review of existing protective measures in the three countries identified three promising measures for tackling agricultural extortions – adoption of a regulative framework that caps the subsidising of big commercial agricultural holdings and removes opportunities for embezzlement of farm subsidies; criminal investigations and prosecution of extortions perpetrated by public officials and criminal investigations against extortions perpetrated by executive staff of corporations employing extortive practices.

4. EXTORTION RACKETEERING IN THE HOSPITALITY SECTOR

4.1. INTRODUCTION

The hospitality sector includes businesses related to leisure, tourism, restaurants, hotel accommodations, cultural enterprises and theatres. It is an important contributor to the European economy, through its impact on employment growth and tax contributions. It represents 4.4 % of the total employment in Europe and 8 % of all enterprises in the market-oriented economy. In recent years, the hospitality industry has been one of the fastest-growing sectors in Europe in terms of employment and multiplying effect on a number of other sectors (HOTREC, 2016).

Hospitality enterprises in Europe – which are predominantly small and medium-size hotels and restaurants – are an important component of the tourism industry. Europe is the largest tourist destination in the world, with the most visited countries being Spain, France and Italy. There is also an important market share concerning tourist accommodations in coastal areas (Eurostat, 2015).

Extortion racketeering is one of the most frequent means by which OCGs infiltrate the legitimate economy, especially when OCGs have a considerable control over a territory. As a consequence, in the short term, extortion is a serious problem for local businesses, and, in the long term, has a significant impact on economic growth of the affected regions. Extortion usually takes the form of a forced sale and provision of protection; this is the case of mafia-type extortion. It is also used by organised crime as a means to gain control over a specific market sector, among which the most common are construction and the hospitality sector (Transcrime, 2009).

Hospitality is an economic sector vulnerable to the infiltration of OCGs due to the characteristics of the businesses involved and factors related to their locality (Mugellini, 2013; Transcrime, 2009). After manufacturing and construction, hospitality is the most victimised sector in terms of business extortion (Dugato et al., 2013). The profile of these businesses that make them more vulnerable include the small size of the companies, their tax evasion, grey economy and corruption, and the low use of technology (Albanese, 2008; Caneppele et al., 2013; Savona and Berlusconi 2015). Furthermore, bars and restaurants are cash-intensive activities while hotels are territorially specific – both risk factors for OCGs infiltration (Savona and Berlusconi 2015). Nevertheless, victims of extortion in this sector could be other than traditional hospitality businesses extorted by mafia type organisations for protective or monopolistic purposes.

This chapter analyses the findings of the country reports concerning extortion in the hospitality sector in six EU member states: Bulgaria, Greece, Italy, Spain,

Romania and the United Kingdom. It starts by describing the economic background of the six countries analysed and the hospitality sector in Europe, followed by the results of the study about the extortion racketeering practices in each country. An overview of the perpetrators, modus operandi, the victims' profiles, the type of extortion, the victims' reaction and protective measures employed in each country is also provided.

4.2. ECONOMIC CONTEXT

The hospitality sector is a great contributor to the economy of the six countries analysed here, even though there are differences in the size of its contribution (Table 5). In terms of GDP share, Greece and Spain have the highest percentage (6.5 % and 6.3 % respectively), Italy and Bulgaria have medium percentages (4.4 % and 4.2 %) and the United Kingdom and Romania have the lowest rates (3.6 % and 2.1 %). Concerning the contribution of the sector to employment, the highest impact is found in Spain and Greece (12.4 % and 10.8 %), followed by the United Kingdom (9.4 %), Italy and Bulgaria (8.4 % and 8.2 %) and Romania (4.9 %). Eurostat has also calculated the amount of total additional demand generated in the whole economy from €1 spent in the hospitality sector. In these terms, Bulgaria has the highest multiplier followed by Romania, Italy, Spain, Greece and the United Kingdom.

Table 5. Hospitality sector's contribution to the GDP and towards employment

Country	The sector's contribution to the GDP ⁽¹⁾	The sector's contribution towards employment ⁽²⁾	Multiplier (€) ⁽³⁾
Bulgaria	4.2%	8.2%	2.57
Greece	6.5%	10.8%	0.87
Italy	4.4%	8.4%	1.36
Romania	2.1%	4.9%	1.63
Spain	6.3%	12.4%	1.29
The UK	3.6%	9.4%	0.85

⁽¹⁾ Total value added by the hospitality sector to GDP in 2013.

⁽²⁾ The employment supported by the hospitality sector (direct, indirect and induced) as a percentage of total employment in 2013.

⁽³⁾ The amount of total additional demand generated in the whole economy, from €1 spent in the hospitality sector.

Source: Eurostat (2013).

In the last years, a significant economic crisis has hit the European Union, leaving a significant dent in the labour market as well as in the whole economy. Still, between the start of the financial and economic crisis and 2016, there have

been considerable differences in performances of the individual labour markets. The highest level of unemployment was in Greece, Spain and Italy with 24.4 %, 20.4 % and 11.4 % of the population unemployed, respectively. The rest of the countries have levels below the average of the EU-28 (9.1 % in 2015): Bulgaria (7.3 %), Romania (6.4 %) and the United Kingdom (5.0 %), which has the lowest rate.

Extortion racketeering poses a serious threat for local businesses and it has a significant impact on economic growth as well as on the population of the affected regions. There are many indirect effects of extortion on a specific economic sector, in this case hospitality: reduction of investments, high risk of control by OCGs, decrease in economic competitiveness, increase of corruption and involvement of public officials in organised crime, increase of the insecurity of the public, decrease of police efficiency, etc.

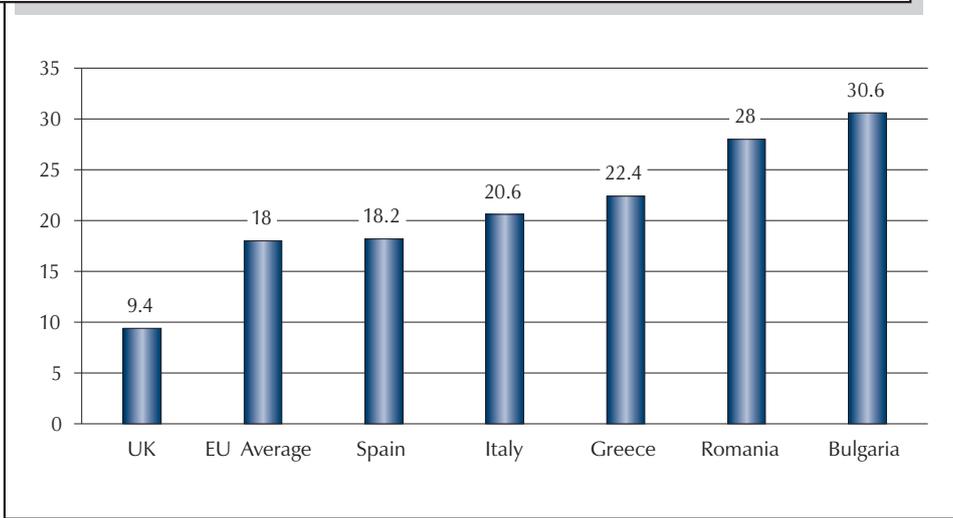
Shadow economy and corruption

Shadow economy refers to the unregistered activities aimed at yielding tangible benefits, in either natural or monetary form, generating given consequences of value creating and/or distribution character (Mróz, 2002; 2012). Informal economies (which can include corruption and the shadow economy) and organised crime are elements clearly connected (Van Dijk, 2007): corruption is one of the main instruments used by organised crime to get into the legal economy (Ferrara, 2015; CSD, 2010). Furthermore, the relationship between mafias and businesses is complex: the payments demanded by criminal groups can be considered as taxes or additional costs for businesses which operate clandestinely. In exchange, the mafia supplies them with public goods that allow them to carry out their underground activities. The huge profits gained by criminal organisations are frequently invested in the legal economies. As a consequence, corruption unbalances such economies, spurring violent competition among businesses (Gurciullo, 2014).

With respect to the size of the shadow economy in European countries, the average in the 28 EU countries has decreased from 22.6 % (2003) to 19.6 % (2008) and decreased again in 2015 (18.3 % of official GDP). As for the countries involved in the current study, the largest shadow economy is found in Bulgaria (30.6 %) and Romania (28 %). Lower and similar rates are found in Greece (22.4 %), Italy (20.6 %) and Spain (18.2 %), which are close to the EU's average (18 %).

In terms of corruption, three-quarters of respondents (76 %) in Europe believe it to be extensive in their own country (TNS Political and Social, 2014a). The analysed countries in which respondents are more likely to think corruption is widespread, are Greece (99 %), Italy (97 %), Spain (95 %), Romania (93 %), Bulgaria (84 %) and the United Kingdom (76 %). In addition, more than half of Europeans (56 %) think that the level of corruption in their country has increased over the past three years. The percentages of the countries of this report are: Spain (77 %), Italy (74 %), Romania (65 %), Greece (59 %), the United Kingdom (59 %) and Bulgaria (41 %).

Figure 6. Shadow economy as share of GDP in the reviewed countries (%)



Source: Adapted from Schneider (2015).

In 2013, the European Union carried out a survey of business attitudes toward corruption in the EU (TNS Political and Social, 2014b) in order to understand the level of corruption perceived by businesses. Even if the hospitality sector was not represented, some conclusions are significant to understand the level of corruption perceived by companies. Considering corruption as a problem when doing business, Greece (66 %), Romania (65 %) and Spain (54 %) have the highest rates, followed by Bulgaria (51 %), Italy (49 %) and the United Kingdom (15 %) which have lower percentages. Concerning bribery and abuse of power for personal gain among politicians, party representatives or senior officials at regional and local level, the highest level of corruption is perceived in Greece (96 %), Spain (88 %) and Italy (87 %), followed by Bulgaria (80 %), Romania (75 %) and the United Kingdom (56 %).

When the survey inquires about corruption in public procurement, the percentages are reversed. Asked whether corruption has prevented their company from winning a public tender or a public procurement contract, 56 % of Bulgarians responded positively, followed by Romania (44 %), Spain (42 %), Italy (36 %), Greece (30 %) and the United Kingdom (16 %). On the other hand, Spanish, Greek and Italian companies (83 %, 76 % and 70 % respectively) are most likely to say that there is widespread corruption in public procurement managed by national authorities, while Bulgarians (57 %), Romanians (64 %) and British (38 %) have the lowest levels. Regarding estimates of corruption at regional and local levels, Greece (94 %), Spain (90 %) and Bulgaria (78 %) have the highest rates, while Italy (69 %), Romania (59 %) and the United Kingdom (37 %) have the lowest ones.

Concerning bribery, there is low incidence. Companies in Bulgaria (11 %) Greece (10 %) and Romania (5 %) are most likely to say that someone in their company has been asked for or expected to pay for building permits but the rest of the

countries show very low rates of response (Italy 0 %; Spain 1 % and UK 3 %). Favouring friends or family in public institutions is considered widespread in Spain (69 %) and less extensive in the United Kingdom (24 %). Greek (52 %), Italian and Spanish companies (both 51 %) are most likely to consider tax fraud or non-payment of VAT as their greatest problem. Greek companies are the most likely to say that bribes (48 %) and kickbacks (52 %) are the most widespread problems in their country, while just only 7 % of Italian companies believe that these practices are extensive.

4.3. THE HOSPITALITY SECTOR IN EUROPE

The hospitality sector in Europe is an important contributor to the European economy, through its impact on employment growth and tax contributions. It employs 10.2 million people and its turnover is equal to approximately 8.1 % of the total economic output, with gross value added in the sector of more than 3.7 % of GDP (Ernst & Young, 2013). The decade between 2000 and 2010 was characterised by three distinct phases in the hospitality sector: a modest growth between 2000 and 2011 that gave way to significant structural changes after this period; an expansion between 2004 and 2008, with an increase in the flow of visitors, especially to new member states; finally, in 2008, the global economic downturn impacted the wider economy and the hospitality sector beginning a period of recession and subsequent repositioning for growth. In recent years, the hospitality industry has been one of the fastest-growing sectors in Europe in terms of employment. The industry is very labour intensive, which means that its growth has a strong employment impact (HOTREC, 2016).

Hospitality enterprises in Europe are predominantly small and medium-size: 99 % have less than 50 employees and as many as 92 % have fewer than ten workers. Hotels and restaurants are an important component of the tourism industry, although it should be noted that restaurants serve locals as well as foreign tourists. Europe is the largest tourism destination in the world with a market share of around 50 %, representing 475 million of international arrivals. The number of nights spent in tourist accommodation in the EU continued to grow in 2014, reaching 2.7 billion nights. The three major destinations are Spain, France and Italy, accounting for nearly 45 % of all guest nights in rented accommodation in 2014. In the same period, nearly half of the nights spent in EU tourist accommodation (46 %) were spent in coastal areas (Eurostat, 2015).

Table 6 shows the share of nights spent at tourist accommodation establishments according to the location's characteristics in 2014. It is evident that Spain, Italy and the United Kingdom have the highest share followed by Greece with a medium range and then Bulgaria and Romania with similar shares.

**Table 6. Nights spent at tourist accommodation establishment
by type of locality**

	Total nights spent (thousand)	Location of the municipality		Degree of urbanisation of the municipality		
		Coastal	Non-coastal	Densely populated	Intermediate	Thinly populated
EU-28 ⁽¹⁾	2,690,109	46.4	53.6	34.4	30.3	35.3
Belgium ⁽²⁾	31,448	21.0	79.0	42.1	38.5	19.4
Bulgaria	21,698	65.5	34.5	33.3	38.6	28.1
Czech Republic	42,947	0.0	100.0	45.9	16.7	37.4
Denmark	29,647	91.2	8.8	32.5	11.6	55.9
Germany	366,527	17.6	82.4	37.4	29.9	32.6
Estonia	5,809	78.9	21.1	56.0	20.2	23.8
Ireland	29,166	63.8	36.2	40.4	25.3	34.4
Greece***	95,810	95.4	4.6	13.6	29.2	57.3
Spain	403,963	78.7	21.3	31.9	38.3	29.8
France	402,315	34.1	65.9	38.3	23.4	38.3
Croatia	66,125	94.2	5.8	4.3	29.1	66.6
Italy	378,176	53.5	46.5	27.3	37.4	35.3
Cyprus	13715	100.0	0.0	12.0	46.9	41.0
Latvia	4,158	82.8	17.2	64.9	22.2	12.8
Lithuania	6,465	23.8	76.2	42.3	32.3	25.3
Luxembourg	2,868	0.0	100.0	40.5	13.7	45.8
Hungary	26,054	0.0	100.0	39.6	29.4	31.0
Malta	8,781	100.0	0.0	49.5	46.9	3.6
Netherlands	99,752	30.8	69.2	29.6	37.0	33.4
Austria	110,441	0.0	100.0	17.8	15.3	66.9
Poland	66,580	25.0	75.0	33.7	33.9	32.4
Portugal	54,979	87.0	13.0	43.4	42.7	13.9
Romania	20,230	17.9	82.1	45.7	33.0	21.3
Slovenia	9,470	21.3	78.7	12.7	36.4	50.9
Slovakia	10,781	0.0	100.0	23.7	32.7	43.6
Finland	19,786	38.5	61.5	40.1	22.7	37.2
Sweden	52,280	61.6	38.4	38.0	23.8	38.2

Table 6. Nights spent at tourist accommodation establishment by type of locality (continued)

	Total nights spent (thousand)	Location of the municipality		Degree of urbanisation of the municipality		
		Coastal	Non-coastal	Densely populated	Intermediate	Thinly populated
United Kingdom ⁽⁴⁾	310,136	46.2	53.8	51.1	24.5	24.4
Iceland ⁽²⁾	4,281	88.3	11.7	45.1	18.5	36.4
Liechtenstein ⁽²⁾	135	0.0	100.0	0.0	100.0	0.0
Norway	30,614	71.4	28.6	31.2	22.1	46.7
Switzerland ⁽²⁾⁽⁵⁾	38,488	0.0	100.0	30.2	33.9	35.9
Montenegro ⁽⁴⁾	9,151	96.8	3.2	:	:	:
FYR of Macedonia	1,519	0.0	100.0	:	:	:
Serbia	5,954	0.0	100.0	:	:	:

⁽¹⁾ EU-28 total and shares estimated for the purpose of this publication using available data.

⁽²⁾ 2013 data.

⁽³⁾ Shares are estimated without including holiday and other short-stay accommodation (NACE I55.2).

⁽⁴⁾ 2012 data.

⁽⁵⁾ Not including holiday and other short-stay accommodation (NACE I55.2).

Note: Due to rounding, deviations can occur between total and subtotals.

“:” Data not available.

Source: Eurostat (2015).

Hospitality sector and extortion

Even if extortion racketeering is linked to organised crime as a way of financing or gaining control over a territory, it is very difficult to find reliable data showing this relationship. There is a general deficiency of official statistics on extortion in the studied countries, except in Italy; United Kingdom and Romania offer limited official data on organised crime, while Greece and Spain do not have organised crime disaggregated data on extortion.

Italy has developed various indexes to measure organised crime and extortion at the national level. Due to a long experience with mafia-type organised crime, Italy provides the most accurate data to prove that extortion was originally initiated in the Southern Italian regions, where mafias had a high control over the population and the territory, after which it spread out in other regions due to the expansion of these mafias.

Greek organised crime has increased in the last decade due to growing consumerism, new labour markets, a rise of leisure and entertainment services,

lack of government control and a large black market. Nevertheless, the latest available data on organised crime show a decrease of extortion in the hospitality sector due to the financial crisis that can be explained by several factors: a reduction of OCGs, a decrease of business turnover and a reduction of the demand and consumption of the population. As a consequence, extortion shifted from large night-clubs to small shops.

The roots of extortion racketeering in Bulgaria can be traced back to the emergence of the first private security companies in the early 1990s (Gounev, 2006; Tzvetkova, 2008). Four factors were relevant to that symbiosis: the reduction of the state monopoly on provision of security, the downsizing of the police force that left properties and infrastructures without protection, poorly implemented market reforms, and weak government institutions. These factors soon created a high demand of extra-judicial protection services, such as contract enforcement, debt collection, settling business disputes or protecting properties (Gounev, 2006). These companies absorbed an abundant supply of unemployment former security officers (army and police) well trained in the use of violence. In 1994, the government regulated the security sector but extortion moved to private insurance companies. In 1998, after new stringent regulations in the insurance sector and a bigger commitment to fight organised crime in the context of accession to the EU, extortion racketeering started to decline.

The United Kingdom does not provide official data on extortion but interviewed experts suggest that there is a big focus on immigrant communities, such as Chinese and Turkish. From a geographical perspective, extortion is also concentrated in Northern Ireland (linked with extortion practices provided by IRA) and Scotland, where extortion is concentrated in the security sector without evident relationship with OCGs.

Regarding the characteristics and features of extortion, the analysed countries can be divided in two main groups – Romania, Bulgaria and Greece in one group, and Italy, Spain and the United Kingdom in the other.

Romania, Bulgaria and Greece

The recent growth of the hospitality sector plays a key role in Greece, Bulgaria and Romania due to the great structural transformations that have taken place. As a result, OCGs have seen opportunities to profit from this situation by abusing these businesses through extortion.

In Greece, the hospitality sector has grown considerably after the 1980s, especially due to the free movement of people within the Schengen zone. Bulgaria and Romania enjoyed visa liberalisation in 2001, which made them more accessible for EU citizens. Nevertheless, the growth of the hospitality industry in Bulgaria and Romania started in the pre-accession period.

The Greek hospitality sector has grown considerably due to the development of consumerism and a massive night-life economy. This subsector of leisure and night-life, which includes bars, clubs, restaurants, taverns, etc., has increased

significantly in recent years. In addition, the deregulation of traditional controls and the rise of free-market forces transformed leisure into a key economic sector (Taylor, 1999). Simultaneously, the sector's association with crime increased greatly due to the rise of protection rackets and the infiltration of criminal organisations into the leisure industry (Βιδάλη, 2007).

Bulgarian tourism is a leading sector in its national economy, facilitated further by its access to the EU. Hotel and restaurant businesses have developed unevenly both over time and across the country while the revenue increased by 25 % compared to the years before its entry into the EU. Nevertheless, the financial crisis has caused an unprecedented slump in the sector. Many hotel construction sites were halted due to the lack of financing and/or potential buyers. Such conditions put investors in a vulnerable position when facing external pressures like extortion. Additionally, there are three conditions that make the hospitality sector in Bulgaria vulnerable to extortion: a) composition of the sector mostly of medium and small businesses; b) low entry barriers for new players in the sector; and c) political uncertainty and administrative corruption.

Extortion racketeering in Romania is systemic and the relationship between victims and extortionists is parasitic and symbiotic (Transcrime, 2009). Extortion is an instrument used by organised crime to obtain protection fees, for loan-sharking purposes and to obtain valuable assets. Links between corruption and extortion are also very clear in the Romanian practices, since public authorities use extortion schemes to victimise companies. The hospitality sector has grown considerably in the past years, and now includes 24,400 companies, with a total turnover of €1.5 billion. High levels of corruption and tax evasion could strongly make this powerful economic sector more vulnerable to extortion due to Romania's underdevelopment.

Italy, Spain and United Kingdom

In Italy, Spain and the United Kingdom, hospitality is an essential sector of their economies and extortion by OCGs has grown together with the rate of their economic growth. Italy suffers systemic extortion, rooted and extended across its territory, and represents a great part of OCGs activities (Savona & Sarno, 2014). In the United Kingdom, due to the peculiar geographical and territorial dimension of organised crime, extortion is not embedded in the country's social, cultural and political structures, although precise assessment of scale is difficult, as it is a much underreported phenomenon. Finally, Spanish authorities began to be aware of extortion mainly by the significant investigations conducted against Chinese organised crime groups, but it is still an underreported and understudied phenomenon.

As the Italian report indicates, the hospitality sector included 418,094 businesses in 2014, which corresponded to 6.9 % of the total number of active businesses in the country. It ranks as the fifth sector by company capacity and the fourth one in terms of employment capacity with about 1.2 million workers (7.4 % of the Italian workforce). Extortion in Italy is concentrated in the regions where traditional Italian mafias originated (Campania, Sicily, Calabria and Apulia), which are also

the less developed regions in the country. In these regions extortion is systemic but due to the expansion of mafias in Northern and Central regions, presently extortion episodes are spread in new areas of infiltration (Lombardy, Lazio, Liguria and Piedmont).

In the United Kingdom, the British Hospitality Association stresses the importance of the hospitality sector within the British economy by pointing out that, in 2014, it represented nearly 4 % of the GDP. With more than three million employees (approximately 10 % of the total workforce) it ranks as the fourth sector by employment capacity. The hospitality sector is also the sixth contributor to export revenues and includes more than 180,000 companies. As the British report shows, given that the hospitality industry plays a crucial role in the economy of the United Kingdom, it does not come as a surprise that recent research found this sector to be among the most infiltrated by organised crime groups (Wall and Bonino, 2015).

In 2014, after the recovery from the economic crisis, the hospitality sector in Spain represented 7.6 % of the Spanish GDP. The latest report from the Spanish Federation of Hospitality offers an overview of the hospitality sector in 2013, stating that bars represented 43 %, restaurants 34 % and hotels 14 % of the sector (FEHR, 2013). The links between organised crime and the hospitality businesses are understudied. There are some references about the infiltration of organised crime groups into the sector, especially for money laundering purposes but there is an absence of studies about extortion. Extortion practices had traditionally been concentrated in the construction industry but the financial crisis pushed them to other economic sectors.

Vulnerability factors in the hospitality sector

Southeast European countries have identified some structural factors that encourage the expansion of extortion:

- High levels of tax evasion and cash-based transactions are factors of vulnerability facilitating compliance with extortion demands.
- Corruption in the police, the judicial system and the civil service is also an inhibitor for victims to report to the police. Corruption leads to a general sense that reporting the case to the police is a waste of time because the investigations will be stopped.
- Features of the hospitality sector: large grey economy, low market entry barriers and alliances between OCGs and public officials (especially in Bulgaria).

Greece also shares some effects regarding these factors (shadow economy and corruption). Added to this is the massive growth of the hospitality and tourism sector in the last 20 years that has created big opportunities for OCGs to develop various illegal activities and extortion.

Two vulnerability factors have been identified in Italy: a) isolation, which benefits OCGs and disadvantages the victims. The victim protection and other examples of reporting could promote the empowerment of victims to report extortion to the police; b) fear of reprisals, which encourages a code of silence among the

victims, which is difficult to break (FAI, 2015); c) excessive bureaucracy which inhibit some victims to report.

The Spanish situation differs from that in Italy. Although Spain has a high level of organised crime, there is no awareness about the existence of extortion. It has been a phenomenon always linked to the Basque terrorist groups, so it is an unknown and an underreported phenomenon. Besides the vulnerability factors detected by the Italian report, the Spanish context provides other conditions promoting extortion practices: a) lack of awareness in the police and judicial authorities about the problem of extortion; b) absence of surveillance or monitoring strategies in the tourist sector and concentration of hospitality businesses; c) links with corruption practices, or involvement, in several cases, of public officials.

4.4. THE PERPETRATORS

Characteristics of OCGs

OCGs involved in the analysed extortion cases were middle-sized or large organisations (especially in Italy) with hierarchical structures and a clear division of tasks. A small proportion of them (25-30 %) were networks with horizontal structures and a flexible division of labour.

In Italy, the main mafia groups (Camorra, 'Ndrangheta, Cosa Nostra) are involved in extortion practices with the aim to exert territorial control. They are involved in extortion racketeering in the areas where they have a stable presence and in other regions like Lombardy, Piedmont, Lazio, etc. This facilitates extortion as a practice well installed in its territory, which enables the OCGs to request payments over long periods of time. Romania has systemic extortion racketeering used by organised crime to obtain revenue through payment fees, loan-sharking or valuable assets at below-market prices. OCGs are criminal gangs and white-collar groups which extort the hospitality sector businesses systematically.

In the rest of the countries (Spain and the United Kingdom) systematic extortion practices occur with both monopolistic and non-monopolistic purposes. In Greece, small and family based groups are mainly present in the hospitality extortion with the intention of having a certain territory under control.

There are two countries where a close relationship between extortion and corruption is found: Bulgaria and Romania show a strong implication of public officials in extortion racketeering. In Bulgaria, the perpetrators are usually senior local administration officials who involve subordinate officials in participating in operations demanding extortion payments. Furthermore, local branches of central government agencies generate incomes from corrupt practices. In these cases, victims usually pay to avoid harassment and damages to their facilities and to be allowed to operate without being subjected to multiple and prolonged inspections, investigations, etc. It should be noted that Bulgarian OCGs are not operating exclusively in the hospitality sector, but carry out different criminal activities such

as corruption, drugs, prostitution or VAT fraud. The type of control exercised by public officials allows the OCGs to operate in territories where small businesses can be easily extorted.

In Romania, extortion is also an instrument used inside corruption networks: public officials threaten companies in order to obtain illegal incomes. Officials in white-collar groups characterised by complicated legal schemes use harassment and threats over long periods of time through administrative and criminal actions against victims.

Table 7. Features of the criminal groups in hospitality sector extortion

Features	Bulgaria	Greece	Italy	Spain	Romania	UK
Structure	Hierarchical and criminal networks (no data available)	4/15 hierarchical criminal groups and 3/15 network subgroups	15/15 hierarchical groups	9/15 hierarchical groups, and 1/15 network-style groups	9/15 hierarchical criminal groups and 4/15 white-collar groups (network)	6/15 hierarchical criminal groups and 6/15 network-style groups
Members' nationality	Local	Local (60%) and foreign (30%)	Local	Local (33%) and foreign (66%)	Local	Local and foreign (no data available)
Extortion related to corruption	Yes	No	No	No	Yes	No
Other criminal activities	Usury, corruption, prostitution, drug trafficking	Drug trafficking, loan-sharking, money laundering	Fraud, drug trafficking, counterfeiting, money laundering	Drug trafficking, usury, prostitution, hospitality business	Money laundering, embezzlement, usury, drug trafficking, corruption	Drug dealing, kidnapping, money laundering

Source: Country case studies.

Regarding the composition of the OCGs, in Bulgaria, Italy and Romania the members belong to the same nationality (local). In the rest of the countries they include other nationalities: in Greece mainly Albanians, in Spain – Pakistanis and Indians, and in the United Kingdom mainly Chinese. Nationality is a key feature in the extortion practices because victims and perpetrators usually share the same ethnic origin. In Spain and the UK, the OCGs take advantage of their victims' immigrant status as well as their lack of knowledge of the regulations of the host country.

As shown in Table 7, the criminal organisations involved in extortion in the hospitality sector usually also carry out other illegal activities, mainly usury, drug trafficking and money laundering. In Bulgaria, the OCGs are focused on usury, corruption, prostitution and drug trafficking; while in Greece these organisations deal in drugs, loan-sharking and money laundering. Italian mafias usually concentrate on fraud, drug trafficking, counterfeiting, and money laundering and Romanian groups are focused on money laundering, embezzlement, usury, drug trafficking and corruption. The criminal organisations operating in Spain carry out drug trafficking, usury, prostitution and are involved in the hospitality business. Finally, illegal groups in the United Kingdom target drug dealing, kidnapping and money laundering.

Modus operandi

OCGs use verbal threats, property damage, harassment and arson as means to intimidate businesses. Physical violence such as assaults and injuries are less common methods to force compliance. The majority of OCGs are mainly focused on the hospitality sector as their source of revenue (Greece, Italy, Spain and Romania).

Table 8. Methods and types of extortion in the hospitality sector

	Bulgaria	Greece	Italy	Spain	Romania	UK
Means employed	Intimidation and inspections	Verbal threats, damages, and arson	Verbal threats, damages and arson	Verbal threats, damages, deceit, harassment, and arson	Verbal threats, harassment and damages	Verbal threats and blackmail
Physical violence	Assaults	Injuries	Injuries	Injuries	Injuries	Injuries
OCG focused on hospitality	No	Yes	Yes	Yes	Yes	Unknown
Type of extortion	Monopolistic and protection	Protection	Protection and labour racketeering	Monopolistic, labour and protection extortion	Protection	Protection

Source: Country case studies.

Expertise and types of extortion

It seems that many of the OCGs identified in the selected countries are specialised in extortion of businesses in the hospitality sector. The Greek, Italian, Spanish and Romanian reports indicate that criminal organisations are specialised in this sector in order to increase their effectiveness.

Italian OCGs have a high degree of specialisation in extortion racketeering. Bulgarian public officials intimidating businesses also have a well-developed strategy to force business payments in exchange of lenient control or favourable treatment. Recurring inspections were carried out as a means to intimidate Bulgarian victims.

The Italian report provides a detailed explanation of *modus operandi*, taking into account that extortion racketeering is a dynamic process involving different phases (La Spina et al., 2014). The description divides the process in three phases:

- a) *Intimidation* is a preliminary step when perpetrators approach the victim. This phase is the first contact between extortionists and the victim and is essential to ensure the acceptance of the extortion request by victims, without reporting to the police. Organised crime groups usually use verbal threats or warnings, damages to properties and arson.
- b) *Negotiation*: when imposing the extortion payment, the amount of money may be subject to negotiation. This is a typical strategy of Italian OCGs because the rest of the countries do not mention this stage. Only the Italian cases explicitly refer to this step, where the criminal groups evaluate the victim's financial capacity and negotiate an amount of payment. The negotiation is carried out by a third person (a "good friend") who intervenes to "help" the victim to achieve a better deal. The rest of the countries do not identify any mediator in the process but they confirm that the final amount is variable according to both the criminal groups' needs and the victims' economic situation.
- c) *Demand*: this final phase includes the requested payment. In most of the Italian cases, this demand was presented as a protection offer (Giampietri & Garofalo, 2016).

Following the typologies of Monzini (1993), the main types of extortion that have been found in the collected cases in the country reports are:

- *Extortion-protection*, which consists in taxation on a regular basis imposed by violent means. It has been found in all six countries, but it has specificities in each place (in Italy, for example, it is called *pizzo* and is demanded in exchange for protection). This type of extortion seems to be linked to the territorial control of specific criminal groups, where extortion processes are used as tools to rule certain regions. These organisations have a great influence over the population, so they do not need to use high levels of violence, especially when public officials are involved. In Spain, for example, there was a case where a mayor of a small town was the leader of an extortionist OCG and demanded money in exchange for allowing extended opening hours.
- *Monopolistic racketeering* is a specific market strategy forced by violent means and aimed at the physical elimination of competitors, or the creation of monopolistic coalitions. Bulgaria and Spain suffer from this type of extortion,

which is a way for companies to generate additional illegal income and in some cases to close down of the victims' businesses.

It seems that there is an especially vulnerable moment for the victimisation of businesses: the opening of a new business. This point has been relevant in the United Kingdom, Italy and Spain, when the criminal groups with territorial control notice the presence of a new business (as soon as the Chinese owner opened his restaurant, a first cash payment was demanded).

- *Labour racketeering* – a type found to a lesser extent – consists in a violent negotiation for accessing the labour market and employment. In Spain, this extortion usually comes from ex-workers of the victims' businesses who use the help of OCGs to obtain a labour contract. In Italy, one of the extortionists imposed himself as an employee in a victims' restaurant. Disputes with ex-workers or clients can lead to an extortion process as a way to solve the conflict.

Extortion payments

Two types of payments have been found in extortion processes in the analysed countries: one large payment or regular small payments. The payment periods vary from weekly to monthly, although there are groups that do not demand payments following a certain period of time. The Italian case studies reveal that some criminal groups tended to demand payments over an extended period of time. In one case, the "relationship" between the victim and the extortionists lasted fifteen years and consisted in the payment of three instalments during feast days. Usually, Italian OCGs prefer to demand a small amount of money from a large number of businesses. In other countries (e.g. the United Kingdom) the cases lasted two years at the most. The payment method most frequently used was cash, but payments using victims' properties have also occurred in Spain and in the United Kingdom.

The overall amount paid greatly differs from one victim to another, and from one country to another – in Greece, it ranges from €200 to €2,000, while in Spain from €500 to €75,000. In the six countries, these amounts are adjusted to the profile of the victim's company, except when the extortion appears as a result of usury practices or loan-sharking, where the debt increases exponentially and becomes impossible to pay back.

4.5. THE VICTIMS

The profile of the victims is very similar in all of the analysed countries. The regions affected by extortion in all countries include large cities and coastal areas. The victimised businesses are restaurants and bars located in tourist areas, where there is a big concentration of hospitality businesses. Bulgaria, Romania and the United Kingdom (and in a lesser extent, Italy) seem to have a significant concentration of extortion cases in their large cities. Extortion incidents are

mainly focused in coastal regions in Greece, Italy, Spain and Bulgaria. Big cities and coastal areas host criminal OCGs, which take advantage of this business concentration to make illegal earnings.

The victims affected by extortion are mostly local owners of small and medium sized enterprises (SMEs). The establishments most frequently victimised in the six countries are restaurants, bars and pubs. Hotels are most frequently victimised in Bulgaria and Romania, while in Greece it is coffee shops, in the United Kingdom takeaway shops and kebabs in Spain.

There is a common profile of the targeted businesses: small companies owned by a family or ethnic partners. This type of establishment seems to be easier to intimidate because of a high level of fear from OCGs' revenge; it is thus exceptional for a case to be reported to the police.

The specific circumstances identified in the various countries include:

- The strong links between corruption and extortion found in Bulgaria and Romania explain why extortion racketeering is a widespread practice in the most populated regions. The OCGs enjoy protection provided by the public administration due to the involvement of public officials with organised crime. This decreases the victims' incentives for reporting because they feel unprotected and believing that it would be a worthless effort. In addition, the extent of the shadow economy in countries like Bulgaria and Romania increases the vulnerability of the victims when facing the public administration. Bulgarian victims who operate in the grey market are more vulnerable to extortion due to their previous relationships with perpetrators. Furthermore, in these countries systematic inspections are carried out by public officials involved in extortion racketeering as a way to force payments.
- In Italy, there is a special figure in the negotiation phase of the extortion process: the so-called "good friend" who acts as an intermediary (La Spina et al. 2014). This individual is not part of the criminal group, but "helps" the victim at the time of negotiations by offering to lower the amount of money demanded.
- In Spain, deceit is used as a means to approach the victims before the extortion process begins. In one case, for example, the criminals pretended to be intelligence agents. When the victim realised they were fake dealers, the perpetrators began the extortion process. Another specific circumstance in Spain is a serious incidence of Pakistanis and Indians being involved as perpetrators and victims, particularly related to their kebab restaurants.
- The United Kingdom has perpetrators and victims of Asian origin, specifically involving Chinese restaurants.

Table 9. Characteristics of the victims of extortion in the hospitality sector

	Bulgaria	Greece	Italy	Spain	Romania	UK
Regions affected	Coastal and large cities	Southern coast and western areas (touristic)	Commercial areas in southern regions	Southern and Mediterranean coast	Large cities popular with tourists	Large cities
Profile	Local SME owners	Local SME owners	Local SME owners	Local and foreign SME owners	Local SME owners	Local and foreign SME owners
Victims' business	Restaurants, hotels and pubs	Coffee shops, music bars and restaurants	Bars and restaurants	Night clubs, restaurants, bars and kebabs	Restaurants, bars and hotels	Pubs, takeaways and restaurants
Special features	Corruption is widespread and enables extortion	Extortions from criminals in prison	"Good friend" as an intermediary in the negotiation phase	Deceit as a means. Ethnic perpetrators and victims (Pakistanis and Indians)	Corruption is wide-spread and enables extortion	Perpetrators and victims of the same ethnicity

Source: Country case studies.

Victims' reaction to extortion

Although there are considerable differences, two general patterns emerge among the analysed countries – the first applies to Southeast European countries, the other to those in Western Europe. Below these patterns are outlined and illustrated by several country-boxes with examples of cases, especially with regard to decisions whether or not to report to the police as well as the consequences of these decisions.

Southeast European countries. Most of the victimised companies complied with the extortion demands, even though some of them suffered systematic harassment. The main motivation for not reporting is their fear of revenge. Some of the victims reported their case to the police when the demands increased considerably, because they were unable to afford the payments, or because they were physically assaulted. In Greece, some extortion incidents started with a usurious loan.

Case example in Bulgaria: The main perpetrator was a successful businessman who was the leader of a local political party. When he tried to extort the owner of a pizzeria and was turned down, he used his power of office to sabotage the victim's restaurant: the electricity of the restaurant was cut off and its summer garden was destroyed. Even when the victim reported the case to the police, the perpetrator sent some OCGs members to threaten him.

Case example in Greece: The victim was an entrepreneur who claimed that he gave money to the perpetrator as a "loan." He did not want to admit that this practice constituted extortion, because he was afraid of losing his life and his property.

Western European countries. The reaction of Spanish victims to extortion demands depended on the nationality of the perpetrators. The Spanish criminal organisations were very effective in their extortion purposes: their demands to both foreign and national victims were fully and quickly accepted. In contrast, the foreign criminal organisations' demands were usually rejected, and immediately reported to the police. The Pakistani victims only accepted the extortion when the perpetrators were unknown; ignorance of Spanish law, their difficulties with the Spanish language and their legal situation in Spain could be significant obstacles to ask the police for help.

Case example in Spain: a well-known OCG engaged in drug trafficking and private security services caused damages to force the victims to hire their services, imposed periodical payments and demanded free drinks in night clubs and bars. A victim who refused to comply with the extortion demands was harassed and seriously injured, even after the report was filed.

The inclination of Italian victims was to comply with the extortion demands (11 out of 17), and reported the crime only when their affairs were discovered through strong evidence or after enduring damages to their premises. The research found fewer resistant victims who directly reported the extortion demands. Consequences of victims' resistance were harsh in the Italian cases, where OCGs inflicted serious damages to the property of victims in order to force their compliance.

Case example in Italy: the victim was initially approached by young extortionists whose demands were turned down. A senior criminal member then tried to persuade him to comply with the demand. Shortly after, another member demanded the payment and – upon the victim's refusal – a fourth member damaged his restaurant.

Although there is a serious shortage of information on such cases in the United Kingdom, it seems that the ethnic communities involved responded differently and, in some cases, bribery and corruption were perceived as normal and work alongside strong intra-community bonds of loyalty even towards extortionists. The response patterns depended on their culture: Chinese communities tended

to underreport these crimes, while Turks living in the United Kingdom reported extortion-type offences at higher rates. In some cases, the extortion processes could lead to the closure of the victims' business.

Case example in the United Kingdom: a gang of five British criminals demanded money for unwanted labour (the replacement of the tarmac in the pub car park) from the relief manager of a pub in Whitley Bay. When the victim refused explaining he had no control over the business' finances, he started receiving many calls and serious threats of violence from the extortionists. The victim had to change his route to work in order to drive past a police station. He felt very vulnerable when opening the pub by himself and felt very scared for his staff and customers.

Protective measures for victims of extortion racketeering

Compared to the other analysed countries, Italy is most advanced in terms of anti-racketeering strategies. The Italian government has developed several administrative measures addressed to victims of extortion racketeering (*Decreto Ministeriale, 12 August 1992, Law 18 November 1993*). In particular, *Law 44/1999* instituted a solidarity fund for the victims who have reacted to extortion and reported the incidence to the police. The adoption of these measures, along with the creation of several anti-racketeering associations (i.e. Federazione Antiracket Antiusura Italiana (FAI) in 1996; Addiopizzo, in 2004 and Libera in 1995) has enhanced the trust of victims towards institutions and increased the number of reported cases of extortion racketeering to the police. These associations provide counselling services to the victims, assist them during court trials and with all the administrative procedures to get reimbursement.

Besides anti-extortion measures and anti-racket associations, several special institutions have been set up to counter extortion racketeering in Italy: a) the most important is the Special Commissioner, who coordinates the fight against extortion racketeering within the country; b) special units in the Italian police forces have been created to deal with organised crime and extortion: the Special group of the Anticrime Central Direction of the Police (SCO), the Special Operations Group of Carabinieri (ROS) and the Central Investigation Service on organized crime of the Guardia di Finanza (SCICO).

In the United Kingdom, there are no special protective measures provided by business associations but in two cases witness protection schemes were applied. In two cases in Northern Ireland the police ran an investigative sting operation in order to secretly record the criminals before arresting them. Afterwards, the victims were forced to leave Northern Ireland and, in both cases, the businesses were dissolved; in another case the victim was relocated to a safe area.

The rest of the countries have not introduced special protective measures for the victims. All of them consider extortion an underreported crime, but no specific strategies or tools have been developed to countering extortion or provide victim protection.

* * *

The hospitality sector is a great contributor to the European economy through its impact on employment growth and tax contributions. Nevertheless, it has some vulnerabilities that could explain the prevalence of extortion in this sector: a) the size of the businesses – it is composed predominantly of small and medium sized companies; b) a high proportion of the shadow economy, with variations between countries; c) low entry barriers for new actors with a continuous rise of newly established companies in the sector; d) concentration of businesses in tourist areas with a great mobility of population; e) low level of control by the authorities; and f) high level of economic penetration by OCGs; g) in many countries, involvement of public officials.

The results of the research in the six countries show that the extent to which extortion racketeering is present in the hospitality sector depends on the country profile. Romania and Bulgaria have a similar profile with systemic extortion facilitated by high levels of corruption and shadow economy, and low market entry barriers in the sector. In addition, the judicial and police authorities provide a permissive regulatory and enforcement context facilitating these types of activities. The Bulgarian scheme of extortion shows a complex interrelationship between OCGs connected with public officials and politicians where fees and bribes are demanded from the businesses for monopolistic purposes and to avoid administrative sanctions. This context of systemic extortion facilitates its expansion among unprotected victims who perceive reporting to the police as a worthless practice. Greece has a lower level of corruption but has had an increase of OCGs infiltrating a hospitality sector that has suffered a massive expansion in the last few years, and an economic crisis that has increased the shadow economy. Italy is in a special situation due to a high level of systemic extortion carried out by mafia-type organisations that exerted strict control over territory and people by infiltrating the legal economy. Traditionally, the hospitality sector has been a target for illegal penetration from the four main Italian mafias (Apulian OC, Camorra, Cosa Nostra and 'Ndrangheta).

In Spain and the United Kingdom extortion is not systemic but is an underreported and unknown phenomenon. Apart from some cases of extortion perpetrated by big OCGs and some public officials, extortion also affects ethnic communities where it develops as a practice among members of the same nationality.

Regarding the profile of perpetrators, the OCGs involved in extortion are middle-sized or large organisations (especially in Italy) with hierarchical structures and a clear division of tasks. A small proportion of them are networks with horizontal structures and a flexible division of labour. Regarding the composition of the OCGs, in Bulgaria, Italy and Romania the members belong to the same nationality (local). In the rest of the countries they include other nationalities: in Greece mainly Albanians, in Spain – Pakistanis and Indians, and in the United Kingdom mainly Chinese. Extortion is not always the main illegal activity of OCGs – they usually perpetrate other crimes, mainly usury, drug trafficking and money laundering.

It seems that there is a degree of specialisation in extortion by the OCGs. Many of the OCGs identified in the selected countries are specialised in extortion of

businesses inside the hospitality sector. In this regard, three types of extortion were identified: extortion-protection (the most prevalent type in the analysed countries), monopolistic racketeering and labour racketeering.

Concerning the profile of the victims, a similar profile was found across the analysed countries. The victims affected by extortion are local owners of small and medium-sized enterprises (restaurants, bars and pubs). Usually, the companies are family owned or belong to ethnic partners. This type of establishment seems to be easier to intimidate because of high levels of fear of revenge by OCGs. It is very exceptional for a case to be reported to the police. Finally, there is a geographical concentration of the victims in large cities and coastal areas.

Concerning the victims' reaction to extortion, most of the analysed companies complied with the extortion demands. The main motivation for not reporting is fear of revenge. They had to suffer extreme pressure before asking for help: a huge increase of demands, incapacity to afford the payments requested, or because they have been physically assaulted and seriously injured. The results show that victims have a strong need for protection due to the actors involved in the extortion process: organised crime groups or public officials involved in criminal organisations.

Finally, regarding the protective measures for victims, there is an urgent need for victim protection. Only Italy has developed anti-racketeering strategies to tackle extortion. The rest of the countries have not identified special protective measures for the victims of extortion.

5. EXTORTION RACKETEERING IN THE CHINESE COMMUNITIES

Extortion racketeering has long been portrayed as a typically local level crime committed by local OCGs, especially when the purpose is to gain control over a specific territory. Nevertheless, it seems to be a criminal practice affecting closed ethnic communities where the perpetrators and victims belong to the same ethnic group (Chin, Fagan, and Kelly, 1992; Perrone, 2000; Wagstaff, Dale, and Edmunds, 2006; Tilley and Hopkins, 2008). Foreign criminal organisations – especially Chinese – usually engage in extortion against co-nationals living in large urban areas (Transcrime, 2009; Becucci, 2015). As many other crimes, most cases of extortion racketeering in the Chinese communities are latent and often unknown to police forces. Indeed, the border between legal and illegal activities is often blurred. All the Chinese communities throughout Europe are subject to high level of internal control, the links with the motherland are still strong, whereas cultural and family rules facilitate the violation of legal norms (De la Corte and Giménez-Salinas, 2010). Chinese criminal organisations perpetrate extortion as their main illegal activity or as an ancillary activity related to others such as drug trafficking, money laundering or robbery.

The analysis of extortion racketeering in the Chinese communities focuses on the situation in Italy and Spain, which host two of the biggest Chinese communities among the EU member states. Moreover, these two countries have experienced the highest increase of Chinese migrants within their borders over the last two decades. This chapter explores how the Chinese communities deal with extortion racketeering in Italy and Spain based on 27 case studies collected within the two countries, which have occurred over the last ten years.

The analysis begins with a brief overview of the Chinese presence in Europe. Then, it deals with Chinese criminal organisations and their illegal activities throughout Europe. Afterward, it focuses on extortion racketeering describing the profile and modus operandi of the perpetrators, the profile and behavioural patterns of the victims and it concludes with an overview of the identified red flags, risk and vulnerability factors, as well as existing protective measures.

5.1. THE CHINESE PRESENCE IN EUROPE

The inflow of Chinese immigrants to Europe has experienced a fluctuating trend and different phases due to Chinese domestic policy as well as historical interactions with European countries. Over the last decades, China has become the second largest economy in the world and migration flows with Europe have increased exponentially. Europe has become a popular destination for Chinese

migrants because of the liberalisation of the Chinese economy and the relaxation of Chinese mobility restrictions. The major trend has affected Russia, Eastern and Southern European countries (Benton, 2011). Around 2.4 million Chinese citizens currently reside legally in EU member states, with the largest groups in France, Italy, Spain and the United Kingdom (Latham and Bin, 2013). Well-established family networks have allowed migrants to follow their friends and relatives to communities in cities across Europe.

Chinese migration to Europe

Chinese migration to Europe has become a noticeable issue in recent years, due to the increase in international migration from China after the liberalisation of the country's travel regime during the 1980s (Benton, 2011). The current pattern of migration from China to Europe is characterised by different waves of people from different areas, many of them establishing communities in Europe built on the localities and cultures of home (Latham and Bin, 2013). The new wave of Chinese immigration following the economic reform in China has become increasingly complex and diversified in recent years and Chinese communities have become more diverse regarding origin, skills, education and migration experience but also in economic activities. The traditional predominance of the catering sector has been supplemented by fashion and leather goods manufacturing in some countries and by import-export businesses and wholesale and retail trading in others (Appadurai, 1990). In some other countries, these relevant activities have now been supplemented by several other businesses, such as nail shops, bars and medicine outlets.

Chinese immigration into Europe is not a recent phenomenon. The first wave dates back to the First Opium War (1839 – 1841), when contract workers started to be recruited via the Chinese coolies' trade system and other channels, resulting in more and more migrant workers moving to European countries (Pieke, 1998). These immigrants mainly settled in Germany, the Netherlands and the United Kingdom. After the establishment of the communist economy and the People's Republic of China in 1949, there was very little emigration from China due to tight travel controls in the country and to limitations on immigration from China to European countries during the Cold War period (Latham and Bin, 2013). The second large wave of Chinese migration to Europe was during years after the Second World War, when thousands of Chinese, mainly from Hong Kong, migrated to the United Kingdom and a few neighbouring countries. The vast majority of these new migrants opened Chinese restaurants and take-away food shops. Such migration continued throughout the 1960s, 1970s and 1980s. In the 1970s, another wave of immigration into Europe began due to the Vietnam War, when thousands of ethnic Chinese left Vietnam, Laos and Cambodia and settled mainly in France, the former colonial power. It was in the late 1970s that international migration from China began to accelerate thanks to Deng Xiaoping's economic reform with more open policies, establishing formal diplomatic relations with the United States in 1979. These events increased the volume and diversity of migrants coming to Europe. Indeed, the new wave of immigrants into Europe came from different source regions and had a variety of skills and educational backgrounds (Wang and Zhuang, 2010; Li, 2011). Additional reforms in the mid-1980s allowed for more

mobility within China and the ability to leave the country for private reasons (Skeldon, 1996). These reforms, which initially seemed to affect primarily internal mobility, spilled over into international migration to Europe. In recent years, local Chinese officials have begun to facilitate migration from regions, which are common source regions for Europe (Anich and Laczko, 2008). The current trends in Chinese migration to Europe are an outcome of a complex interaction between push and pull factors that encourage migrants to leave China and attract them to Europe (Latham and Bin, 2013).

State-owned enterprise (SOE) reform in the 1990s. These reforms led to the closure or transfer of hundreds of thousands of small and medium-sized enterprises to private joint venture firms and the redundancy of tens of millions of SOE employees (CLIN, 1999). The vast majority of redundant workers were forced to migrate to other regions of China or to seek employment in the service sector, but a large part of SOE employees also went abroad, mainly to Europe, in search of alternative business and job opportunities (Blanchard and Maffeo, 2011; Latham and Bin, 2013).

The rapid growth of international trade between China and Europe. China's rise in the international community has seen an increasing communication and interdependence between China and Europe. The rapid growth of trade has led to the adjustment of Chinese ethnic economies in host countries as Chinese immigrants have sought to exploit new opportunities. There has been a diversification of Chinese business interests away from the traditional catering sector to other areas of commerce, manufacturing and personal services (Pastore and Castagnone, 2011). These include shops for Chinese products, trade in everyday items, hardware and traditional Chinese medicine, as well as services for the increasing number of Chinese tourists and delegations coming to Europe (Arlt, 2006; Cologna, 2011).

The rising consumer power and inequalities in China. China's increasing importance worldwide has resulted from a rapid increase of the purchasing power of Chinese citizens at home owing to the substantial growth in wages and household income and the associated increase in consumer spending power (Atsmon et al., 2010; BCG, 2010). Although the vast majority of Chinese citizens have gained in some way from China's rise, the distribution of the benefits of its economic development have been quite uneven, with economic and social inequality increasing between different social groups (e.g. rural vs urban communities). This uneven development has pushed Chinese to seek economic opportunities in Europe (Christiansen, 2003). The author has also found that income inequalities, which reflect social stratification and labour market segregation in China, have also influenced economic and social structures in overseas Chinese communities in Europe.

The establishment of niche economic sectors. The past two decades have seen the emergence of important new niche economic sectors for Chinese immigrants in Europe. They are outside the established Chinese catering industry and have become increasingly consolidated. They include off-the-peg clothing fashion manufacturing and distribution, leather goods production, particularly for the fashion industry, the rise of Chinese import-export businesses and the wholesale distribution of Chinese-

made goods and products (Latham and Bin, 2013). These businesses have created many new opportunities for employment, business development and mobility for Chinese migrant workers and small entrepreneurs in Europe.

The development of illegal immigration routes. China is considered one of the main source countries of irregular immigration to Europe (Anich and Laczko, 2008). The liberalisation of Chinese policy provoked a significant increase of illegal migration in different forms. Illegal operations run by the so called “snake-heads” from the South-Eastern provinces of China (i.e. Fujian and Zhejiang) smuggle immigrants via several routes through the Middle East, Eastern Europe, and via Africa and South America as well. Illegal migrants are offered work and accommodation in the destination countries in exchange for large sums of money either already paid in China or contracted as debts to be paid off through labour on arrival.

The relaxation of immigration policies in key European countries. The relaxation of immigration policies and the mass amnesties for illegal immigrants, especially in Italy and Spain, have encouraged and facilitated Chinese immigration into Europe (Ceccagno and Rastrelli, 2010; Denison et al., 2009; Blanchard and Maffeo, 2011). For instance, Spain offered six amnesties over the past twenty years. The latest one in 2007 attracted more than 700,000 applications for status legalisation (Sandford, 2012).

Extensive family networks. Chinese migrants living and working abroad tend to maintain close ties to China. Migrants rely on family and native-place networks for support when migrating in search of work or for setting up a new business. Following the strong growth of the new migrant Chinese communities in Europe since the 1990s, these networks are now well consolidated, offering migrants well-developed means of support when they arrive in Europe (Benton, 2011; Blanchard and Maffeo, 2011).

Educational opportunities. The increasing level of wealth in China has provided more middle class Chinese family with the means to send their children to universities abroad. Europe is now a popular choice for Chinese students, to some extent due to a waning interest in the United States after the 9/11 immigration restrictions (Latham and Bin, 2013). In 2010, Chinese student numbers in the EU were approximately six times those in 2000 (GHK Consulting and Renmin University, 2011). It is estimated that there are around 120,000 Chinese students all around the European Union, the vast majority of them concentrated in the United Kingdom, France, Germany, the Netherlands, Italy, Ireland and Sweden (ibid.). Many Chinese students return to China on completion of their studies but employment opportunities in the EU entice many to stay on.

Number of Chinese migrants to Europe

Available data on Chinese migrants to Europe and other regions is not entirely reliable due to the illegal migration flows. Official statistics do not take into account illegal migrant workers even though this group accounts for a considerable portion of the new wave of Chinese migration from Fujian and Zhejiang. The number of Chinese legal migrants in Europe has increased over the last three

decades (Latham and Bin, 2013). There were an estimated 620,000 Chinese legal migrants in Europe in 1980, whereas in 2007 they were around 2.15 million (Table 10).

Table 10. Distribution of overseas Chinese population in 1980, 2000 and 2007 (million)

Region	1980		2000		2007	
	Population	%	Population	%	Population	%
Asia	24.764	91.81	32.942	82.85	35.48	78.10
America	1.333	4.94	4.333	10.90	6.30	13.87
Europe	0.622	2.31	1.454	3.66	2.15	4.73
Pacific	0.176	0.65	0.786	1.98	0.95	2.09
Africa	0.077	0.29	0.244	0.61	0.55	1.21
Total	26.972	100	39.760	100	45.43	100

Source: Gui 2011.

Europe accounts for only a small part of the total overseas Chinese migrants, ranking third after Asia and America, but has had the most rapid growth over the past three decades – 3.5 times, much higher than the average global growth rate of 0.68 times. This shifting trend indicates that Europe has become an increasingly important and attractive destination for Chinese migrants since the 1980s. New migrants constitute a large and significant proportion of the total number of Chinese migrants in Europe.

According to estimates by scholars, the total overseas Chinese population in Europe has reached more than 2.5 million, of which 2.3 million reside in the EU member states (Table 11).

The distribution of Chinese migrants in the European Union is very uneven. About 95 % of them are concentrated in 10 countries: the United Kingdom, France, Italy, Spain, the Netherlands, Germany, Ireland, Austria, Belgium and Portugal. Moreover, more than 72 % of Chinese migrants are concentrated in the top four countries (i.e. the UK, France, Italy and Spain). This is due partly to the colonial history of the UK and France and to the employment, social benefits and commercial opportunities available in those four countries. The newly emerging destinations for Chinese immigration have been the peripheral countries of Southern Europe (i.e. Portugal, Italy, Greece and Spain), where growth rates over the past decade have been much higher than the EU average. Italy, in particular, has always been a convenient place for the Chinese to conduct business, especially in the grey and black markets.

The Chinese population in Italy (both legal and illegal immigrants) grew rapidly from around 1,000 in 1975 to 60,000 in 1995 and to an estimated 300,000 in

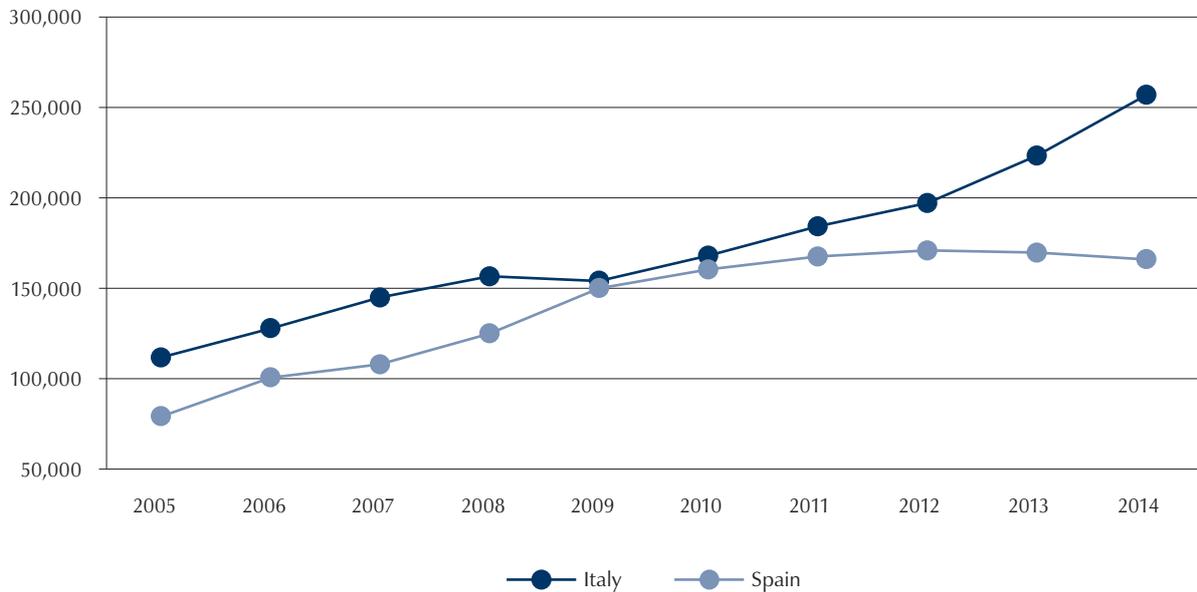
Table 11. Distribution of the Chinese population in Europe, 1998 – 2011

Region	Country	1998	2008	2011
EU countries	United Kingdom	250,000	600,000	630,000
	France	225,000	500,000	540,000
	Italy	70,000	300,000	330,000
	Spain	35,000	168,000	170,000
	Germany	100,000	160,000	170,000
	Netherlands	127,500	150,000	160,000
	Ireland	10,000	60,000	70,000
	Belgium	23,000	40,000	45,000
	Austria	20,000	40,000	40,000
	Portugal	2,700	30,000	30,000
	Sweden	12,800	30,000	28,000
	Greece	600	12,000	20,000
	Denmark	12,800	18,000	18,000
	Hungary	10,000	16,000	18,000
	Romania	3,000	10,000	9,000
	Other	16,320	19,970	24,200
	EU subtotal	939,720	2,153,970	2,307,200
Non EU countries	Russia	200,000	300,000	n/a
	Other	28,000	60,500	n/a
	Non EU subtotal	228,000	360,500	n/a
Total Europe		1,167,720	2,514,470	n/a

Source: Latham and Bin, 2013: 27.

2008 and 330,000 in 2011 (see Table 11). Most of the new arrivals (about 70 %) come from the Wenzhou and Qingtian areas of Zhejiang province and they have settled in the larger Chinese enclaves of Milan, Prato, Florence, Turin, Venice and Naples. A further 15 % has moved from Fujian, and the remaining from other parts of China, including 7 % from North-Eastern China. According to the latest data from Eurostat, Italy hosted 256,846 Chinese legal migrants in 2014, showing an increasing trend compared to 2005 (+130 %) (see Figure 7). The largest community is in Milan, which has the third-largest Chinese population in Europe after London and Paris. Chinese in Italy are mainly employed in fabric, clothing and leather goods manufacturing, restaurants, import-export businesses or retail.

Figure 7. Number of Chinese legal migrants in Italy and Spain, 2005 – 2014



Source: Eurostat data.

The majority of Spain's estimated 180,000 overseas Chinese live in its four main cities: Madrid, Barcelona, Valencia and Alicante. The Chinese population has expanded from an estimated 35,000 in 1998 to about 170,000 in 2011 (see Table 11). According to Eurostat data, there were 165,978 Chinese legal migrants in Spain in 2014 (Figure 7). The number of Chinese has increased since 2005 (+110 %). However, it shows a slight decline from 2012 due to the economic crisis that Spain has experienced in the last years more than other countries in Europe (Latham and Bin, 2013). Chinese in Spain are very entrepreneurial, with a large proportion running small corner shops selling all kinds of food, groceries and household items. There is also a large wholesale supply sector supplying both Chinese and Spanish businesses throughout the country with imported Chinese products.

5.2. CHINESE CRIMINAL ORGANISATIONS AND ILLEGAL ACTIVITIES

Over the past decades, Chinese criminal groups have posed a serious threat all over the world. This threat has become more complex as crime groups originating in mainland China have joined the traditional triads originating from Hong Kong, Macau, and Taiwan in expanding their networks far beyond China's borders, especially after the economic reforms of 1980s in China. In the past decade, Europe has experienced the arrival of Chinese transnational OCGs on the criminal scene. Until the 2000s, most of the reports on these criminal groups

operating outside their own countries came from the USA, Canada and Australia, but in recent years there has been a steady increase in the number of police and judicial reports on the activities of Chinese organised crime in Western and Eastern Europe (Siegel, 2011). However, the reliability of official statistics and the lack of in-depth ethnographic research limit the knowledge about the nature, scope and threat posed by Chinese criminal organisations in Europe (Ganapathy and Broadhurst, 2008).

Chinese criminal organisations include a wide range of entities, such as secret societies and triads, organised criminal gangs, mafia-like underworld groups, tongs, street gangs, human smuggling, human trafficking and drug trafficking networks (Finckenauer, 2007). The powerful triads, which trace their origins to Chinese secret societies in the 17th century, are the largest of the Chinese criminal associations and continue to operate according to traditional practices. Their criminal activities are mainly extortion, gambling, trafficking of drugs, firearms, people, and endangered animals and plants, prostitution and loan sharking (Berry et al., 2003). The upstart Chinese criminal organisations from mainland China, on the other hand, are more loosely organised, their members more showy, and their criminal operations often more sophisticated. These groups are also extensively involved in international drug trafficking, human smuggling, firearm trafficking, and money laundering, but they have specialised in more sophisticated and highly profitable areas of credit card fraud, theft of computer chips, software piracy, and other intellectual property violations (Berry et al., 2003).

Like other forms of transnational crime, Chinese criminal organisations are highly pragmatic: they constantly adjust their routes and connections to different environments. A commonly used method is the so called “flying money”, that is an informal exchange system developed in the seventh century and exploited nowadays as a means for international money laundering because it does not leave conventional evidence. This is an informal remittance system similar to the more famous Hawala. Both the triads and criminal groups originating in mainland China have established relationships with ethnic Chinese criminal groups active in countries throughout Europe. Using traditional Chinese practices of networking, ethnic Chinese crime groups rely on a broad criminal fraternity to broker contacts in any country where there is a large ethnic Chinese community and help facilitate transnational criminal activity (CNEL, 2011; Scagliarini, 2009; 2015).

Local Chinese crime groups in Europe, ranging from street gangs to more formally structured groups, are extensively involved in several criminal activities, such as extortion, gambling, loan sharking, drug trafficking and distribution, smuggling of migrants, counterfeiting and cigarette smuggling, money laundering and prostitution (see Table 12). According to Europol (2011), Chinese criminal groups are among the most capable in managing routes for illegal commodities and migration into European borders. In Western Europe, trafficking in illegal migrants and their exploitation in the legal and illegal economy by Chinese criminal groups is facilitated by the presence of large Chinese communities (Siegel, 2011). These communities play a double role: first, their members (i.e. migrants) are usually victims of extortion; second, they provide support and shelter for

criminals and facilitate their activities (Bovenkerk, 2001). Chinese communities throughout Europe are closed and based on strong internal relationships, as are criminal organisations. Since they are hermetic and secretive, Chinese criminal organisations generally do not cooperate with other ethnic criminal groups in profitable joint ventures. Within Chinese communities, legitimate enterprises such as massage salons, bazaars and restaurants are often the legal facades behind which criminal activities are concealed.

Table 12. Main Chinese organised crime groups in the EU

		General	Members	Headquarters	Main activities	Active in
Traditional triads	14k triad	Cantonese origin	More than 20,000 members in 30 sub-organisations	Hong Kong	Drug trafficking and extortion	Italy, Benelux, Czech Republic, Scandinavian countries, France, Germany, UK and Spain
	Wo-group	Cantonese origin	About 20,000 members (12 branches)		Extortion	Wo Shing Wo in Benelux, France, Germany and Portugal; Wo On Lok in Benelux
	Sun Yee On	Largest triad	About 56,000 members	Hong Kong	Drug trafficking, counterfeiting and smuggling of migrants	Austria, Germany, UK, Benelux and Spain
Other OCG forms	Red Sun				Extortion and human smuggling (Italy) and drug trafficking and money laundering (France)	Austria, Benelux, Czech Republic, France, Germany, UK, Italy, Slovakia and Spain
	United Bamboo	Originally youth gang	About 20,000 members	Taiwan	Gambling and extortion	Benelux, Austria, UK and Ireland
	Big circle	Non-traditional triad, some secret rites adopted	About 5,000 members	Hong Kong	Human smuggling, credit card fraud, counterfeiting and illegal trade in drugs	Benelux, Czech Republic, Slovakia, France, UK and Ireland

Source: Siegel 2011.

5.3. THE PERPETRATORS

The analysis of sampled case studies regarding extortion racketeering incidents in the Chinese communities of Italy and Spain suggests that this type of crime is perpetrated mainly by small criminal groups made up of actors with very similar backgrounds and profiles, who are driven by diverse reasons and employ several *modi operandi*. The key characteristics of the criminal groups and networks involved, along with a basic typology of the extortion models are provided in the following sections. It should be taken into consideration that the sampled cases might suffer from selection bias, i.e. only cases related to small groups are reported to the police and investigated.

General characteristics of the perpetrators

Information collected from the Italian and Spanish case studies points to two types of Chinese criminal organisations engaging in extortion racketeering: a) large organisations exerting significant control over the Chinese community; b) small organisations or groups subordinate to larger ones, which engage in extortion episodes and violent actions. In all the cases, perpetrators were exclusively Chinese citizens.

Large criminal organisations with more than six members are present in both Italy and Spain. They have strict hierarchical structures with a clear division of labour and tasks. These criminal groups have a system of internal discipline with strong social/ethnic identities. Moreover, they all have a clear leader, who is responsible for planning and managing criminal activities. Bosses are assisted by lieutenants (or coordinators), who supervise the OCG rank and file (known in Italian as *gregari*, a kind of foot soldiers of the OCGs). The latter are the people in charge for intimidation and violent actions against potential victims of extortion and for collecting payments. The *gregari* are always younger than their leaders and lieutenants (usually between 20 and 25 years old). In Italy, investigations revealed that criminal leaders employ young gregarious because in case of arrest they would be sentenced to less serious penalty than adults.

Given the control over their communities, large OCGs become the main suppliers with a high level of monopolistic power in the market. In Spain, they help other Chinese to enter the country, procure permits to stay and work, and provide loans for investments and merchandise for bazaars or small shops. These criminal organisations are well connected to economic and political circles. They often use public officials, who help them cross borders, pay police officers to avoid being arrested and public authorities to be awarded public procurement contracts or obtain authorisation to invest in Spain. In Italy, however, there was no evidence in the case studies collected of Chinese criminal organisations collaborating with Italian public officials or colluding with corrupt police officers.

Small criminal groups with less than six members were the bulk of the perpetrators in the cases analysed in both countries. These are young Chinese criminals mainly belonging to the second or third generations born and grown up in the two European countries. They use intimidation and violence when engaging in

extortion racketeering against shop running by their compatriots. Similar to larger criminal organisations, the smaller ones have a well-defined hierarchical structure, which establishes every person's role or task to be performed. The boss is an older man who supervises the activities carried out by the younger criminals (the *gregari*), who are in charge of imposing the extortive demands on victims.

Chinese criminal groups engaging in extortion racketeering also carry out other illegal activities and control legal businesses within the communities where they operate. For instance, they set up illicit gambling houses and brothels (concealed as massage salons), carry out usury and loan sharking and engage in drug trafficking. Spanish cases reveal that Chinese criminals have large amounts of cash at their disposal because of extortion racketeering and loansharking activities against small shops owned by their compatriots. All this money is laundered through several mechanisms. They create new businesses, send money back to China to be laundered there, transfer small amounts to other European countries by issuing fake invoices or through other informal banking methods (e.g. Hawala). In recent years, several large police operations against Chinese criminal organisations have been carried out in Spain, helping to expand knowledge about the main illegal activities in which they engage: smuggling of migrants, human trafficking for labour and sexual exploitation, loansharking, counterfeiting of legal and illegal products (e.g. consumer goods, tobacco, drugs), gambling, money laundering and VAT fraud. This context opens the door to successful entrepreneurs becoming the monopolistic supplier for the rest of the community. They also help migrants to enter Spain, to find a job, to get funds to open a new business, to obtain all the legal documents to live in the country, etc. Recent judicial reports from the Italian authorities (DIA, 2013a; 2013b; 2014) revealed that Chinese criminal organisations in Italy beside extortion racketeering engage in:

- trafficking of human beings carried out with the support of Italian criminal organisations, which provide forged ID documents, in order to recruit people for labour exploitation and prostitution. The latter services are targeted at compatriots (illegal brothels in apartments) and to Italians clients (in fake massage salons);
- acquisition of manufacturing companies with the aim to produce counterfeit goods. These activities entail additional crimes such as illicit trade of industrial waste, tax evasion and money laundering;
- creation and management of gambling houses with money loaned at usury rates;
- import from China of illicit electronic products manufactured in violation of safety regulations;
- drug trafficking from China;
- usury and armed robbery against Chinese individuals and businesses.

Modus operandi

The case studies in Italy and Spain revealed that Chinese OCG engage in extortion racketeering for the following purposes: a) protection racket; b) profit; c) creation of monopolies; d) other reasons.

Protection racket. Extortion racketeering could consist in the imposed provision of protection services. It may develop from the protection of businesses against losses due to robbery, fraud and other property or minor crimes whenever the extortionists themselves create the condition for that protection to be needed. This can be done by committing minor crime, which generate the perception that the situation concerning criminality and security has changed. Thus, extortion racketeering is used as a means to gain control over specific territories or markets. Extortion for protection consists in taxation on a regular basis (e.g. weekly, monthly, *ad hoc*, etc.) imposed by the use of violence. This category seems to be present only in Italy, where few cases of Chinese extortionists imposed with violent means a regular taxation on shops running by compatriots with the purpose of protecting their venues activities from suffering any type of crime.

Profit. Extortion racketeering is one of the main sources of illegal revenue for OCGs. Several cases in Italy indicate that the money was used for buying drugs, paying rents or lawyers for the members in prison. Most Spanish case studies were in this category and included three cases of OCGs specialised in extortion and violent actions, cases of criminal groups whose main illegal activity was loansharking and debt collection from the community and from casinos. In one case, although the reasons for the actions were profit-oriented, the extortion resulted not in a single or periodic payment but as a payment for unsolicited invoices.

Creation of monopolies. Extortion racketeering for monopolistic purposes is a specific market strategy that aims at the physical elimination of a competitor or at the creation of monopoly groups. This is the second most frequent reason detected among Spanish cases, where the main aim of the perpetrators was to force a business to close down. Interviews with Spanish police investigators revealed that Chinese entrepreneurs have large monopolies in the country and seek to prevent the opening of any business that does not belong to them. They have broad control over small companies by supplying products, creating Chinese business associations, giving loans and other services to the community (residence permits, driving licences, etc.).

Other reasons. Revenge or personal conflicts as reasons for extortion racketeering were found in Spain. In one case, the extortion was driven by revenge from a former husband who was supposed to be a member of the Chinese mafia; in another case, the extortion was perpetrated by a former partner. Although information is scarce, these cases seem to have involved settling scores from previous conflicts. A few cases of extortion racketeering to Chinese restaurants carried out for the imposition of goods or employees have been detected in Italy. This involved the OCG seeking to force victims to choose their food company or a friend's company as supplier to the restaurant. Investigators revealed that this kind of imposed food supply service was the first type of extortion against Chinese restaurants in the country.

Despite some variation in areas of action and timing, the criminal organisations within both the Italian and Spanish case studies have much in common. The *modus operandi* in the majority of cases is territorial-based extortion aimed at establishing control of a certain area and removing competitors by forcing victims

to close down their businesses. Extortions are usually carried out as demands for payments (e.g. periodical or single) or impositions of goods/workers on the victimised businesses. When engaging in extortion, Chinese criminals often use intimidation or threats (verbal and/or physical) and commit violent actions (physical damage against people and facilities). They act without the help of external (i.e. non-Chinese) persons, do not collude with public officials or corrupt police officers. In Spain, however, civil servants (e.g. police officers, local authorities) as well as powerful businesspersons have been involved in larger cases revealed through investigations of leaders of Chinese OCGs.

Verbal threats were common in almost all the case studies. This was the first type of intimidation used by perpetrators when approaching victims reluctant to meet their extortive requests. Harassment, death threats, destroying the shop and physical assault were used to scare victims and convince them to pay. For instance, a case study in Italy showed that perpetrators verbally threatened victims that if they did not pay, the criminals would wreak havoc in the restaurant thereby driving off customers. In another case, the young criminals in charge of collecting the money told the victim that they were there because of their boss. This affirmation was sufficient to persuade the owner to pay, since he knew who that person was.

If verbal threats were not sufficient, Chinese criminals resorted to personal intimidation against victims who did not want to comply with their demands. For instance, an extortionist pointed a knife towards a victim's throat in order to obtain the money. Following this episode, the victim paid €210 demanded by the extortionists. Other victims had been blocked inside their shop with their hands tied. Afterwards, extortionists pointed knives towards the owner and an employee. A Spanish case recorded that Chinese criminals tied the victims' hands and feet and taped his mouth. The extortionists intimidated and beat the victims in several occasions, causing a head injury. Another episode shows that extortionists interrupted the regular activity in a shop, let all the customers out and locked the employees in. A couple of Italian case studies illustrate Chinese extortionists staging mock fights inside victims' shops to persuade the owners to pay.

Physical damage and personal violence are recurrent in both Italy and Spain. When extortionists resorted to these violent actions, they had usually already engaged in the above-mentioned methods. However, it seems that they had not been enough to persuade victims to comply with their demands. As far as physical damages are concerned, there were episodes of arson, destruction of mirrors, chairs, bottles. Regarding personal violence, there were cases in which victims were wounded with a knife, punched in the face or hit with glass bottles. In a few Spanish cases, victims were even kidnapped by their extortionists and released after the payment was made or because they were arrested by police.

The Italian case studies and the interviews with experts (Becucci, 2015; Nannucci, 2015; Scagliarini, 2015; Squillace Greco, 2015) can serve as a basis to summarise the steps followed by Chinese OCGs when engaging in extortion racketeering against businesses managed by their compatriots:

- First step: **threat and intimidation**. Extortionists approach their potential victims in groups of 3-10 persons. They start to intimidate, damage properties

or use violence against the owners, their employees or clients in order to arouse fear.

- Second step: **negotiation**. At this stage, perpetrators and victims negotiate in order to find a solution to the inconveniences created by the criminals. In this phase, an intermediary could arrive and propose himself as peacemaker. The intermediary usually works for the criminal organisation and his purpose is to reassure the victims and persuade them to accept the criminal demand.
- Third step: **demand**. At this point, the perpetrators make their extortion demands, which usually come in two forms. One is a request for periodical payments, the other is the imposition of goods or services. A combination of these two forms could also be used. If the victim does not comply with their demands, the extortionists resort again to the intimidating strategies and violence to convince victim to pay.

5.4. THE VICTIMS

Along with the profile of the perpetrators, the current study also analyses the characteristics of the victims of extortion racketeering within the Chinese communities in Italy and Spain. It should be noted that information about victims is rather scarce and it is therefore difficult to draw a common profile. The analysis below focuses on the geographical location, socio-demographic and economic characteristics and behavioural patterns of the victims.

Main regions affected

The extortion incidents in Italy and Spain are not representative of the geographical distribution of this crime in the two countries. The majority of the Italian cases happened within the biggest Chinese community in the country, located in the city of Milan (Lombardy region); whereas a few other cases were in the city of Prato (near Florence, in Tuscany), which hosts the second biggest Chinese community and is a large Chinese manufacturing district. These two communities count almost 45,000 Chinese persons, which make 17 % of the entire Chinese population in the country. Given this high concentration of Chinese migrants and businesses, it could be expected that there would also be a significant concentration of Chinese criminals engaging in extortion and other crimes against their compatriots. Moreover, Lombardy and Tuscany (together with Emilia Romagna and Lazio) are among the top four Italian regions for extortions perpetrated by foreign citizens. All the Spanish cases have been retrieved from Guardia Civil files, which means that all the incidents occurred in rural areas where this police force has the authority to investigate. Most extortion cases were located in four main regions: the autonomous communities of Madrid, Catalonia, Valencian Community and Andalusia. There were also several cases from Leon and Caceres, located in the central part of the country. Chinese migrants in Spain are mainly concentrated in the autonomous regions of Madrid and Catalonia, which host almost 100,000 Chinese residents (46 % of the entire Chinese population in the country). Due to their importance in the Spanish economy, since 2000 these two regions have experienced an increase in the number of Chinese businesses. Here, the Chinese

have created the biggest textile manufacturing hubs around Cobo Calleja, Sabadell and Matarò.

Demographic, social and economic characteristics

The available sources for most of the identified extortion cases in the two countries provide scarce information on the profile of the victims. The Italian incidents involved businesses located within urbanised areas such as the Chinatown in Milan (the biggest in the country) and the so-called *Macrolotto* in Prato, where there is a strong concentration of Chinese businesses and associations. Spanish victims were mainly placed in small towns with a limited number of Chinese businesses and no local business associations. They were located in commercial venues, industrial districts or isolated areas. The majority of the victimised Chinese businesses in Italy and Spain included bazaars, restaurants, hair salons and call centres. These types of businesses were easy to extort because their profits could be monitored by the criminals, who selected the richest ones and calculated a suitable sum to demand. Also, the businesses could not be moved elsewhere in order to escape the intimidation of the criminal organisation. These were mostly family-run small and medium-sized companies, typically employing family members (2-4 persons), although some of them also used external workers. The individuals who suffered the extortions were usually the owners and/or employees – both male and female, usually documented immigrants. Indeed, illegal immigrants are not employed in places that serve the public in order to keep them as undocumented and avoid the risk of being sent back to their country.

Behavioural patterns of the victims

The majority of the extortion incidents collected in Italy and Spain were reported by the victims to police forces. This contrasts with the general view reported by both Italian and Spanish experts interviewed. Indeed, Chinese victims of extortion usually prefer not to report to police because of their traditions, which suggest involving the elders of the community in case of problems or disputes. Experts explained that victims usually report when the situations are difficult to solve without external intervention. Indeed, Italian case studies show that victimised owners reported to the police because extortionists were very violent and hence drew the attention of the police, which was resented by the whole community.

According to Centorrino, La Spina, and Signorino (1999), there are three different type of reactions to extortion requests:

- Acquiescence – the victim decides to comply with the demands;
- Complicity – the victims complies with extortionists' demands and receives undue benefits;
- Resistance – the victim refuses to satisfy extortionists' demands.

Chinese victims of extortion within the Italian case studies adopted various behavioural strategies:

- two victims complied with the extortion demands at the outset;
- in six cases the victims refused to comply with the demands;
- in two cases the victim initially refused to pay but then cooperated with the criminals;
- in two other cases the victims first chose to pay but when the extortionists changed their demands the victims refused to comply with the new demand.

Conversely, the Spanish cases show that all the victims (except in one case) refused to comply with the extortionists' requests and reported immediately the incident to the police. Only in one extortion incident, the victim followed the acquiescence path but when they became unable to pay what the extortionists demanded, they decided to report to the police.

The identified incidents of extortion in the two countries lasted between few hours (especially in Spain, where victims immediately reported after being threatened by extortionists) and several months before the victims decided to complain. In the majority of the cases, the victimised businesses continued to operate despite the property damages and/or financial losses.

Protective measures

None of the victimised businesses in Italy and Spain had invested in any specific measure against crime, such as private security services or insurance. Furthermore, available information shows that none of them was member of any business/professional association. The absence of the Chinese companies in the institutional networks business support can be sought in the cultural tradition of this community. Indeed, the role of advisors and problem-solvers in case of disputes is recognised to the elders of the community (Becucci, 2015; Mundula, 2015). Only in rare cases the solutions involve non-Chinese individuals (e.g. cultural mediators, volunteers, police officers) because they are seen as outsiders by the community, which prefers not to draw external attention on their activities (both legal or illegal) (Nannucci, 2015).

Interviews with Italian experts revealed that Chinese entrepreneurs, which were victims of extortion and also other crimes, resorted to different strategies in order to reduce the risk of being targeted and deter payment demands or the imposition of services. The first method was the refusal to pay if the other businesses in the same area were also not paying. The second method emerged from the interviews with experts working in the Tuscany region (Becucci, 2015; Borsacchi, 2015; Mundula, 2015; Nannucci, 2015; Squillace Greco, 2015). Here, entrepreneurs had created a private chat on WeChat called *Sicurezza* (security). All the people involved in the group were able to post warnings or photos about suspicious men visiting the shops and asking for money or information about the owners. The third method was identified in the province of Prato (Tuscany region) (Becucci, 2015; Mundula, 2015; Nannucci, 2015; Squillace Greco, 2015). In this case, entrepreneurs paid a private company for surveillance in the industrial area, known as *Macrolotto*. The security service guards had to control the area at night time and call police in case of danger or suspicious activities. Local authorities – e.g. in the province of Prato (Tuscany) – had also established protective measures

for Chinese entrepreneurs, which were identified during the interviews. The first measure was the publication of documents and brochures in both Italian and Chinese in order to ensure awareness about the regulatory framework or information about local events. The second measure was the creation of round tables with the most active entrepreneurs when planning particular local events (e.g. commemoration after incidents involving the death of Chinese citizens). The third measure was implemented by the CNA World China – the Chinese section of the National Confederation of Crafts and Small and Medium Enterprises. The institution has created a WeChat group in order to involve the entrepreneurs in the association and provide them information about all the services offered by the association (e.g. counsels). The fourth measure was established by *Questura* – the police headquarters at provincial level – and consisted of a help desk managed by a cultural mediator who spoke Chinese. This service provided information and help to victims of crime.

The Spanish case studies did not identify any specific administrative regulations directed at protection and support of Chinese businesses victimised by extortion and/or other crimes. Authorities are aware of the extortion practices but they do not provide any prevention strategy to neutralise this phenomenon or protect the businesses under threat.

* * *

Extortion incidents in the Chinese communities of Italy and Spain share some common features but they also have several differences. The Chinese communities are rather significant in the two countries in terms of number of people (both those who reside legally and illegally) and number of businesses, which are among the highest among the EU member states. Furthermore, the two countries have experienced growth in rates much higher than the EU average over the last decade, due to their choice of implementing amnesties for illegal immigrants. The traditional primacy of the catering sector has been supplemented by fashion and leather goods manufacturing, import-export businesses, wholesale and retail, but also by a range of other economic activities, such as nail shops, bars and hairdressers.

Extortion episodes have taken place in different socio-economic contexts, where Chinese criminal groups exploit the vulnerabilities of small and medium-sized businesses. The profile of the perpetrators and their *modus operandi* appears to be quite similar in the two countries. Many of the perpetrators were young members of small criminal groups. These organisations are characterised by strong hierarchical structures with a clear division of labour and tasks. They show a system of internal discipline with strict and strong social/ethnic identities. Moreover, they all have a clear leader, who is responsible for planning and managing criminal activities. In Spain, larger criminal organisations often resort to the help of public officials, police officers or local authorities who help them cross borders, avoid being arrested, obtain public procurement contracts or authorisation to invest in the country. In Italy, there is no evidence of Chinese criminal organisations collaborating with Italian public officials or colluding with corrupt police officers. The general *modus operandi* in most cases is territorial-based extortion seeking

to control a certain area and remove competitors by forcing them to close down their businesses. Extortions are usually carried out as payment demands or impositions of goods/workers on the victimised businesses. When engaging in extortion, Chinese criminals often use intimidation or threats and commit violence against the victims and their shops.

Information about the victims is rather scarce and it is difficult to draw a common profile. There is sufficient evidence, however, to conclude that extortion incidents are concentrated in the areas which host the biggest Chinese communities and the majority of Chinese businesses in the two countries. The tentative conclusions from the collected data suggest that the typical victims are usually small or medium businesses, which are usually family-run. The victimised businesses typically employ 2-4 family members, although some of them also use external workers. The individuals who suffered extortion are usually the owners and/or their employees, both male and female with regular residency permits. These types of businesses appear to be more vulnerable because of their low level of protection and resistance against extortionists. Chinese criminal groups often tend to monopolise the market in which they operate, which increases the risk of victimisation and abuse of power by suppliers towards small entrepreneurs.

Although most of the case studies have been reported to the police in both countries, the rate of reporting is very low and it would need to increase in order to inform the development new and more preventive and protection measures for victims.

The effectiveness of investigation should be enhanced. Exchange of knowledge and expertise between national and European authorities is difficult and often absent, but it is essential to prevent and combat this phenomenon. Moreover, trusted relationship should be established between investigators and the Chinese communities in order to increase the victims' rate of reporting. This aim should be pursued also by developing new *ad hoc* services, plans and strategies, which could involve the traditional group of elders within the community and cultural mediators, who can provide the link between victims and the authorities.

6. POLICY IMPLICATIONS

The current study examines multiple aspects of the extortion racketeering in the hospitality and the agricultural sectors, as well as extortions in Chinese communities in several EU member states. The analysis reveals the broader context, as well as the specific characteristics and patterns of behaviour of both perpetrators and victims. These aspects of extortion have been analysed with particular focus on the vulnerabilities and protective measures adopted in each country that enable or inhibit the proliferation and persistence of the phenomenon. In that sense, the study generally falls in the category of vulnerability assessments. This approach has been applied for assessments of risk related to the infiltration of organised crime in a number of business sectors and used as a tool to identify and suggest social and situational crime reduction measures (Vander Beken & Daele, 2008; Vander Beken, 2004; Klima, 2011a, 2011b, 2012; Lavezzi, 2008).

Extortion racketeering is a latent form of crime, infamous for the low rates of reporting by the victims. The latency of extortion not only impedes the effective fight of this crime, but it also renders difficult the assessment of the actual scale of the phenomenon. The traditional reactive law enforcement approach, where the police investigate extortion incidents only when a victim files a report cannot effectively tackle this type of crime. An alternative approach, currently embraced only in Italy, includes victim-focused prevention and support measures and proactive policing, which facilitate the collaboration of the victims with the authorities and increase their resilience to extortion demands. However in order to implement such pro-active approaches and protective measures, better understanding of this phenomenon and its hidden dynamics is much needed. Assessments of the vulnerabilities to extortion of specific sectors and social groups are a useful tool that can support such better informed legislative and law-enforcement measures.

6.1. DIFFERENCES AND SIMILARITIES AMONG COUNTRIES

The current analysis examined extortion racketeering incidents carried out in two quite different economic sectors and within the social group of Chinese migrants. Furthermore, the study covered six EU countries with diverse national contexts. The legislative and institutional frameworks, social and economic contexts in each of these countries are far from similar. The profile of the perpetrators, the purpose of extortion and their modus operandi also appeared to be quite diverse in all six countries.

In Italy, the majority of the perpetrators belong to the infamous mafia organisations, which usually engage in territorially-based protection racketeering through the means of threats for violence or actual violence. In Spain, the perpetrators were also hierarchically organised groups, although there seemed to be much greater

diversity in the nationality of the perpetrators and the purpose of the extortions – cases of protection racketeering, labour racketeering and monopolistic extortion were identified. The perpetrators within Chinese communities, both in Italy and Spain, were either from large mafia-type organisations or small hierarchically organised gangs, which also engaged in extortion for variety of reasons – protection extortion, labour racketeering, and monopolistic extortion.

In Greece and UK both hierarchically organised groups and network-type organisations were present and they engaged either in occasional extortions or protection racketeering. Unlike in all other countries, in Greece the research identified OCGs which involved members of various nationalities. Furthermore in Greece, specifically in the agricultural sector, there were cases related to colluding corporate entities, which engaged in extortion of small farm holdings. In Bulgaria and Romania, along with the traditional hierarchical OCGs research found many network-type organisations formed by corrupt public officials, as well as such of legitimate business persons and professionals. The white-collar, network type of organisations identified in Greece, Romania and Bulgaria usually did not resort to the classic extortion methods such as violence or threats to use it, arson, property damage. Instead, they resorted to intimidation through abuse of vested official powers or abuse of market power.

Despite substantial differences between the countries and the sectors studied, several important commonalities emerged. Firstly, there is a **proliferation of new patterns of extortion** in all six countries in the last 10-15 years – namely the extortion racketeering within certain ethnic groups and the extortions perpetrated by public officials and corporate executives. Apparently, criminal justice authorities and the society as whole in the studied countries still do not have adequate mechanism for identifying and reacting to these new forms and practices of extortion. In Italy and Spain, for example, along with the traditional forms of racketeering perpetrated by local organised crime groups, Chinese OCGs are more often identified as extortion perpetrators. Chinese OCGs typically target victims of their own nationality, often taking advantage of their lack of knowledge about the regulations in the country and lack of trust in the public authorities.

Balkan countries also face new forms of extortion: perpetrators are national citizens, but with a white-collar profile. In the cases of Bulgaria and Romania these new forms of extortions blur the thin line between extortion and bribery, whereas in Greece – the difference between corporate malfeasance and extortion. The extortion in Bulgaria and Romania is rooted in the broader high-corruption environment. Indeed, in certain regions of the two countries public officials formed coalitions or loose criminal networks in order to monopolise local resources or extract payments from local businesses. In Greece, corporate entities through their executives entered into collusive cartel agreements for price fixing and market allocation at the expense of local small farmers. These cartel agreements were subsequently enforced through extortionist practices. These three examples illustrate how white-collar criminals could act as an organised crime group and in some cases even coalesce with typical organised criminals.

Another common feature that emerged from the analysis is that irrespectively of the country, sector, profile or modus operandi of perpetrators, the majority of the

victimised businesses shared similar characteristics. Most of them were small to medium sized, sole proprietors or family businesses and typically were not part of any official business associations that could provide support to them. They also usually had not invested in any security measures such as paying for private security services or some kind of insurance. The usual response to extortion demands of the victimised businesses was acquiescence and only when demands escalate they tend to file reports to the police.

6.2. VULNERABILITIES TO EXTORTION RACKETEERING

Understanding both the similarities and differences identified in the course of this research requires that the broader environment where the extortion racketeering occurs be accounted for. The current analysis has identified several structural characteristics of the socio-economic context in the six countries, as well as in the profile of the victims, which contribute to the persistence and proliferation of the extortion practices in the agricultural and hospitality industry, as well as within Chinese communities. Some of these are general vulnerabilities for the two sectors (as well as for Chinese communities), whereas some are sector or country specific vulnerabilities.

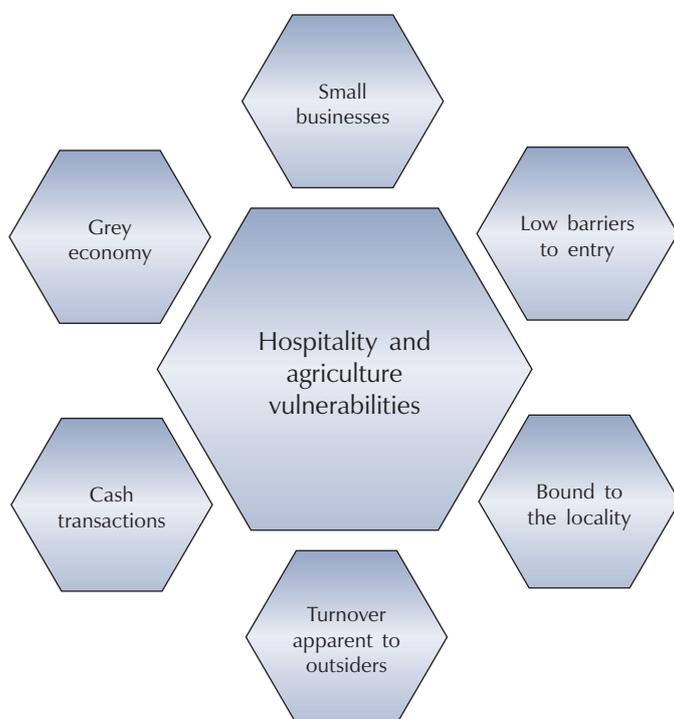
The **general vulnerabilities** derive from the economic structure of the hospitality and the agricultural sector, which is very much similar in the studied countries. Both sectors are characterised by:

- a significant share of the small and medium enterprises;
- low market entry barriers due to the low level of capital, technology and expertise required;
- spread of grey economy practices (tax evasion, use of undeclared labour);
- cash being the predominant form of payments;
- profits and outputs are easy to monitor by potential extortionists (i.e. number of clients served, quantity of agricultural produce, number of livestock units, size of farmed land);
- the businesses are territorially bound – i.e. they cannot be moved somewhere else easily.

These common characteristics explain the similarities in the profile of the victimised businesses in the analysed countries and sectors. The same characteristics are relevant for the victimised businesses within Chinese communities. To a large extent, they coincide with the characteristics already described in previous research as favourable conditions for infiltration by organised crime (Gambetta & Reuter, 1995; Lavezzi, 2008; Reuter, 1987).

The skewed structure of these sectors creates a large pool of potential targets which are easy and attractive, while at the same time the fact that these enterprises often resort to grey economy practices makes them reluctant to turn and report extortions to the authorities. Furthermore, when it comes to protection racket, the use of cash makes it easy for victimised businesses to pay the demanded fees without registering this in the books, because they operate with undeclared

Figure 8. Vulnerability factors in the hospitality sector and agriculture



Source: Country case studies.

incomes. On the other hand, the lower market entry barriers seem to create incentives for lowering the competition. Both protection racket and monopolistic extortion are known to impede ease of market entry for new companies and raise costs for the ones already operating on the market, thus effectively imposing restrictions on competition (Lavezzi, 2008; Shelling, 1984). The demand for lowering the considerably high levels of competition, also explain why these two sectors, as well as the Chinese communities, are susceptible to extortion.

There also some vulnerabilities, which are sector specific and country specific. For example in the **hospitality sector**, the majority of targeted victims are restaurants, pubs and nightlife venues and the most affected regions are tourist areas, where there is a high concentration of such businesses. Because of the density of such businesses on a relatively small territory, tourist areas are more attractive and also vulnerable to being controlled, especially in cases when there is a well-established presence of organised crime or deep-rooted corruption in regulatory bodies in the same region.

On a national level, there are also other institutional and socio-economic conditions that contribute to the vulnerability of the hospitality sector. In Italy, the deep-rooted presence of mafia has created a specific culture of illegality, where companies in the sector perceive extortion as part of the normality and

are thus more susceptible towards extortion demands. In Bulgaria and Romania, the transition from state-planned to market economy has been accompanied by rigged privatisation, systemic political corruption and infiltration of criminal capital. This legacy, along with weak and inefficient regulatory bodies and pervasive administrative corruption, is a nurturing environment for the persistence of extortion practices. Another enabling factor in the two countries is the cumbersome and complex legislation (e.g. on farm subsidies disbursement in agriculture or on food and hygiene standards in hospitality), which creates many loopholes and is subsequently exploited by the corrupt public officials to intimidate companies in the sector. For example pastureland subsidies were introduced as a mechanism for support of livestock breeders, but the procedures on disbursement of the subsidies in Bulgaria did not specifically provisioned that applicants should provide proof of breeding any livestock. Corruption, specifically among police officers, plays an important role for the proliferation and persistence of extortion racketeering specifically in Bulgaria, Greece and Romania.

The businesses of **Chinese communities** in Italy and Spain largely share the same vulnerabilities, as the ones already described for the hospitality sector. This can be explained with the fact that many of the Chinese businesses are in the hospitality industry, although they also operate in the fashion industry or run hairdressing and massage salons. Therefore, similarly to the hospitality sector, most of the extortion incidents were identified in areas with high concentration of Chinese businesses. The high concentration of similar businesses in a given area leads to severe competition, which often acts as a driver for some of the market actors to seek extra-legal mechanisms for eliminating competitors. Cases of monopolistic racketeering identified within Chinese communities in Spain are a fine example for employing such extra-legal strategies. Other vulnerabilities, which are specific for this social group, are the general **mistrust towards national law enforcement** and regulatory authorities and the **hermetic nature of these communities**, where the tradition is to resolve the problems within the community rather than seek aid outside of it. Certain vulnerability factors stem from the specific social role of the organised crime groups within Chinese communities. They often provide a number of highly valued illicit services such as illicit lending, facilitating illegal immigration, supply of various goods, gambling venues. In many cases supply of specific commodities is actually monopolised by organised crime groups within these communities, thus further aggravating the vulnerability of local businesses to extortion demands.

Unlike in the hospitality sector, case studies on extortions in the **agricultural sector** suggest that such activities tend to occur more often in economically underdeveloped regions, such as mountainous regions, where farming is one of the few viable economic opportunities. Agriculture being the main economic activity in such regions also makes them more susceptible to extortions, since farmers do not have any other economic alternative for subsistence. Another specific vulnerability of this sector is the dependence of the small and medium farm holdings on external financing for purchasing agricultural supplies for the next growing season and for their economic survival as a whole. Because of that, many of these farmers rely for their survival on farm subsidies from the state or bridging loans from food retailers. This dependency appears to make these small and medium farm holdings vulnerable to extortion by corrupt public officials and cartel networks. A major vulnerability seems to be also the **lack of awareness of**

criminal justice institutions and the victims themselves about the nature of the extortionist practices perpetrated by public officials and corporate entities. For example, when extorted by public officials farmers perceive it as a political issue rather than a criminal practice. Therefore, instead of filing reports to the police they seek political support or denounce the incident in the media.

Certain characteristics of the agricultural sector in Bulgaria and Romania further facilitate the proliferation and persistence of extortion practices. They are largely related to the **land restitution and privatisation processes** in the two countries, which started in the nineties and have still not ended. Land restitution was accompanied by considerable land fragmentation and dispersion of the land tracts among numerous small holders, who typically lacked capital and often knowledge on how to tend the land. This created a significant pool of easy targets of various fraud and extortion schemes, additionally exacerbated by the pervasive corruption in the two countries.

Another major factor that shaped the agricultural sector in Bulgaria and Romania and also triggered various extortion practices was the access of the farm holdings to **the EU pre-accession and CAP funding instruments**. The regulations on farm subsidies suffered from various loopholes and provided incentives for concentration of the land use in the hands of the large commercial agricultural holdings. Furthermore, the poorly designed regulations along with the inefficient regulatory bodies and the pervasive corruption among other things resulted in the proliferation of various monopolistic extortion practices exploited by both the large commercial agricultural holdings and corrupt public officials often acting in alliances.

In Greece, the major enabling factor seems to be **food market concentration**. The ineffective enforcement of the competition regulations in the country allowed for recurring emergence of collusive cartel agreements between companies from the food-processing and food retailing sector. Apparently, in many cases these collusive agreements were subsequently enforced by various extortionist practices.

6.3. PROTECTIVE MEASURES

Together with the already described vulnerabilities, the current analysis managed also to identify a number of protective measures, which were adopted by the state or by the enterprises themselves. Italy is a fine example in this regard, since the state has developed a comprehensive legislation and institutional framework in support of victims of extortion racketeering. The most important among the adopted measures include:

- 1) the establishment of a special solidarity fund in support of victims of extortion and usury who report such incidents to police forces;
- 2) the availability of business and civil society anti-racket associations since the beginning of the 1990s;¹³

¹³ There are four main active and well-established anti-racket associations that provide support to victims of extortion in Italy *Federazione Antiracket Italiana (FAI)*, *SOS-Impresa*, *Addiopizzo* and *Libera*.

- 3) a Special Commissioner responsible for coordinating anti-extortion and anti-racket initiatives nationwide and chairs the Committee of solidarity for the victims of extortion and usury, established by the Ministry of the Interior. The Commissioner deliberates and rules on requests for access to the solidarity fund;
- 4) the establishment of special units in the Italian police forces and the National Antimafia Directorate (DIA), which have been created to deal with organised crime and extortion;
- 5) the implementation of special witness protection programmes for victims that testify against mafia.

These measures are complemented with a comprehensive anti-mafia legislation, which also includes a number of other measures also relevant to countering extortion racketeering. Among the many worth mentioning are the measures related to the social reuse of confiscated criminal assets.

The case of Greece has also exemplified the importance of **viable business organisations**. The case studies on the extortion racketeering in the agricultural industry have shown that farmers' organisations have played a key role in denouncing and resisting the cartel networks and in supporting victimised farmers. The absence of such active associations in Bulgaria and Romania has additionally contributed to ineffective resistance against the extortionist demands.

The case studies on extortion in the agricultural sector have also pointed out the importance of existing legal definitions of extortion and its implementation by the judicial authorities. The **broader definitions of extortion adopted in the criminal codes of Bulgaria and Romania** make the complicity to extortion by public officials, acting in their official capacity, an aggravating circumstance. The existence of such provisions is a necessary precondition for tackling these new forms of extortion, which apparently have proliferated in the recent years in the two countries. However, these legal provisions have been actively used in practice by the Romanian criminal justice authorities, whereas in Bulgaria they have had very limited application. The **court practice in Greece** has also shown how corporate executives that have colluded to establish and enforce cartel agreements with extortionist methods can also be prosecuted and convicted under *Criminal Code* provisions on extortion.

The Bulgarian case studies on extortion racketeering in agriculture has also shown how closing down loopholes within existing regulations on the application and disbursement of farmer's subsidies could curb to some extent the monopolistic extortion practices within the sector. Thus, **better tailored administrative regulations** which protect and support small and medium farmers increase the overall resilience of the sector towards extortion.

The analysis on the extortion racketeering in the Chinese communities has also pointed out several protection measures that can support local businesses in resisting extortion. Some of these measures have been devised by businesses themselves and involve the establishment of informal groups through social media to share information about perpetrators. An example is the cooperation of SME owners in order to jointly contract a private security company for night

time surveillance over the area in which they operated. Other measures have been implemented by local law enforcement authorities and include active outreach to the Chinese business owners through dissemination of information materials about extortion, close collaboration with the local association of the Chinese businesses, organisation of regular meetings and establishing a help-desk for victims of crime managed by a cultural mediator knowledgeable in the Chinese language.

6.4. POLICY RESPONSES

Drawing on the analysis and implications from the report, several groups of recommendations for more efficient and effective policies for tackling extortion racketeering can be suggested. Considering the similarities in the profile of the victimised businesses, as well as in the protective measures identified, the suggested measures could be relevant both to the two economic sectors and within migrant communities. The following policy responses and recommendations have two main purposes: a) increase the number of cases of extortion racketeering reported to police forces so that the crime becomes more visible; b) prevent and control extortion racketeering in order to reduce the impact of its consequences. These measures could be grouped in six categories:

- awareness raising about the new forms of extortion;
- reaching out to vulnerable businesses;
- encouraging and supporting business and civil society organisations;
- providing support and protection to victims of extortion;
- closing up existing loopholes in the regulations;
- improving anti-corruption measures.

The lack of awareness among law enforcement and criminal justice institutions, as well as in the society as a whole about the new forms of extortion – such as intra-ethnic extortion practices and extortion perpetrated by public officials and corporate entities – indicates the need for targeted measures for **raising awareness of this criminal phenomenon**. Such measures could involve conducting further research and assessments of the phenomenon, as well as seminars and trainings to police officers and magistrates.

Vulnerable businesses also need to be more aware about these forms of extortion, including their options for reacting and receiving support and protection from the police. In that sense, **reaching out to these businesses** should be done through targeted information campaigns, initiating meetings and round tables between police and business associations, establishing help desks and hot-lines. Furthermore, countries could **encourage and support the establishment of business associations and civil society organisations** particularly in the most affected areas, since such organisations appear to increase substantially the resilience of the small and medium companies against extortionists' demands. **Support to such organisations could also be provided through "social reuse" mechanisms for assets confiscated from organised crime or other public funds.**

Among other things, small and medium companies are often financially vulnerable. Therefore, becoming victims of extortion and attempting to resist it often entails devastating effects on their business. In addition, reporting to the police could also endanger their lives or the lives of their families, especially in cases of extortion perpetrated by mafia-type groups. These are among the main reasons why many of the victims are often reluctant to file reports to the police.

Providing support and protection to victims of extortion is a way not only to increase collaboration of victims with criminal justice, but also to increase their resistance and resilience to extortion. Such measures could include establishing specialised compensation funds for such victims, as well as effective witness protection measures. Every EU member state for which extortion racketeering is a relevant issue should develop and/or improve the effectiveness of programmes for the protection of victims and witnesses. The success of strategies against extortion racketeering is undoubtedly related to the effectiveness of victim and witness protection programmes. Actions can be taken at the EU level, establishing transnational programmes for the protection of victims and witnesses. Moreover, national agencies should improve standard programmes through the promotion of exchange of good practices.

Extortionists often take advantage of the inadequate legislation and regulations in specific sectors, as was exemplified in the analysis of the hospitality and agricultural sectors. In the hospitality sector, complex and cumbersome regulations often lead to various administrative violations, which subsequently are used by organised crime and corrupt public officials to extort victims. In the agricultural sector extortionists also take advantage of existing loopholes in farm subsidies and land use regulations and abuse these against small and medium farm holdings. Therefore, **closing such loopholes and harmonising existing regulations** can contribute to diminishing extortion. Regular impact assessments of existing regulations, their implementation and effect on companies within the sector can provide supporting evidence for such measures.

The adoption of **anti-corruption measures in the regulatory bodies** overseeing the specific sectors and most often identified as exposed to corruption pressure could also act as a restraining factor on extortion.

Focusing on intra-ethnic extortion practices

In addition to the general policy recommendations, several specific ones should be pointed out with regards to fighting extortion racketeering in Chinese communities. National and European institutions should increase law enforcement work aimed at reducing ethnic extortion, which seems persistent in those closed ethnic communities where perpetrators and victims belong to the same ethnic group, and are widespread across the EU member states.

In order to prevent intra-ethnic extortion, **community policing strategies** (e.g. leaflets in the language of the community which provide information about victim support) and **training of police officers** would be very effective. Moreover, **recruiting and training of police officers of different nationalities** would build

a multi-ethnic police force, which would stimulate victim cooperation and trust in the reliability of law enforcement. In this regard, the two biggest Italian cities – Milan and Rome – embedded two Chinese police officers with Italian police forces in May 2016. It was a two weeks trial in order to test its effectiveness in enhancing the trust of Chinese citizens towards police forces and help the police overcome the resistance of Chinese communities (Giuzzi & Baron, 2016). National specialised law enforcement agencies should try to develop common standards for investigating extortion incidents within migrant communities, which usually share common patterns although perpetrated in different countries. These agencies should also engage in **exchanging investigative experience**.

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**COUNTRY
REPORTS**

EXTORTION IN BULGARIA

Extortion racketeering in Bulgaria is usually associated with the early nineties and the rise of organised crime at the onset of transition from the communist regime to the market economy. The typical protection racket involving physical violence, destruction of property, arsons and bombings was the first and most profitable niche for organised crime groups in the country and remained an important source of criminal profits until the late nineties. The rackets were territorially based and systemic and were used to gain control over certain regions and infiltrate and monopolise businesses (Transcrime, 2009).

However, the first decade of the twenty-first century witnessed gradual decline in protection rackets and disappearance of the topic from the public agenda. Extortion did not disappear though, but rather transformed itself and evolved to new forms, distinguishable from the typical modus operandi and much ingrained in the various institutional capture practices that proliferated at the local level throughout the country. The new forms involve organised extortion of businesses perpetrated by public officials and corporate executives.

This evolution still remains largely unnoticed by law enforcement and criminal justice authorities in the country. This could be explained by the fact that systemic extortion of bribes by public officials tends to be interpreted and prosecuted as abuse of power, embezzlement or bribery. Although these extortion practices are often broadly classified as corruption, they are predominantly predatory in their nature and unlike other corruption transactions do not involve an exchange of benefits between the payer and the receiver of the bribe. Thus both media and government institutions fail to identify and address the systemic use of coercion applied towards a wide range of businesses, perpetrated by organised groups of public officials or in the corporate sector pursuing personal enrichment and control over a certain territory or business sector. The chapter on extortion in Bulgaria provides an insight in these new dynamics and in particular the new modi operandi, the victims and the perpetrators focusing on the sectors of agriculture and hospitality.

Extortion racketeering as organised crime was recognised and addressed by the Bulgarian legislators for the first time in 1993, when the *Criminal Code* was amended and supplemented in order to introduce provisions penalising protection racketeering. The new provisions were incorporated under the *Criminal Code* section on blackmail under the new article 213a.¹ The new provisions

¹ Bulgarian *Criminal Code*, Article 213a. (New, SG 62/97)27. "(1) Who, with the purpose of forcing another to administer a possession or his right, or undertake proprietary liability, threatens him by violence, divulging defamatory matter, damaging of property or other illegal act with serious consequences for him or his relatives, shall be punished by imprisonment of 1 to 6 years and a fine of BGN 1,000 to 3,000. (2) The punishment shall be imprisonment of two to eight years and a fine of three thousand to BGN 5,000 if the act was: 1. accompanied by a threat

introduced the key elements related to extortion racketeering: use of intimidation, use of violence, patrimonial damage to the victim; along with outlining a list of aggravating circumstances – evidence for the commitment of the act by an OCG or representatives of private protection or insurance companies and dangerous recidivism in committing the acts (i.e. continuity over time). Aggravating circumstances are also the act being accompanied by the use of explosives or arson, and perpetrated by or with the complicity of public official or when it is committed against a public official in relation to his office. Along with the incorporation of the new provisions in the *Criminal Code*, the legislators also supplemented the previous provisions on blackmail.²

In 2005, a *Law on Forfeiture of the Proceeds from Crime* was adopted, which introduced civil forfeiture in cases of extortion racketeering. The three key institutions tasked with countering extortion racketeering, along with other organised crime offences, are the General Directorate Combatting Organised Crime, the Specialised Prosecutor's Office and the Commission for Illegal Assets Forfeiture.

THE RISE AND DECLINE OF TYPICAL PROTECTION RACKET IN BULGARIA

The roots of extortion racketeering in Bulgaria can be traced back to the emergence of the first private security companies in the early nineties (Gounev, 2006; Tzvetkova, 2008). Both Gounev and Tzvetkova argue that the rise of the Bulgarian organised crime and its symbiosis with the private security companies have been largely determined by the influence of four socio-economic factors. Firstly, in the beginning of the nineties the state monopoly on the provision of security was undermined. The downsizing of the police force left numerous public and corporate properties, facilities and infrastructure without protection. Market reforms were

of murder or serious bodily harm; 2. accompanied by causing light body harm; 3. accompanied by seizure, destruction or damaging of property; 4. perpetrated by two or more persons; 5. perpetrated by a person under art. 142, para 2, item 6 and 828; 6. committed by an armed person; 7. repeated in non-minor cases.

² Article 214. (Amend., SG 10/93; amend. and suppl., SG 50/95)

(1) (Amend., SG 62/97) Who, with the purpose of obtaining for himself or for somebody else a property benefit compels somebody by force or threat to commit, to miss or sustain something against his will, thus causing him or somebody else a property damage, shall be punished for extortion by imprisonment of one to six years and a fine of one thousand to three thousand leva, whereas the court can impose a confiscation of up to half of the property of the perpetrator.

(2) (Amend., SG 62/97) The punishment for extortion under the conditions of art. 213a, para 2, 3 and 4 shall be: 1. under para 2 – imprisonment of two to ten years and a fine of four thousand to six thousand leva, whereas the court can rule confiscation of up to one second of the property of the perpetrator; 2. under para 3 – imprisonment of five to fifteen years, a fine of five thousand to ten thousand leva and confiscation of up to half of the property of the perpetrator; 3. (amend., SG 153/98) (Amend., SG 153/98) under para 4 – imprisonment of fifteen to twenty years, life imprisonment or life imprisonment without an option and confiscation of no less than half of the property of the perpetrator.

(3) The punishment for extortion shall be from five to fifteen years of imprisonment and a fine of up to five hundred leva, whereas the court can rule confiscation of up to half of the property of the culprit if: 1. it has been accompanied by a serious or average bodily harm; 2. the act represents a dangerous recidivism”.

often implemented by poor regulations, with the government institutions expected to enforce them being weak or inexistent. This was accompanied by doubling the rates of crime in the country and pervasive sense of impunity. Furthermore, most of the newly emerged businesses were in the grey economy and could not, therefore, resort to official law enforcement mechanisms, relying instead on private security services. These factors soon created demand for extra-judicial protection services, such as contract enforcement, debt collection, settling business disputes or protecting properties (Gounev, 2006; Tzvetkova, 2008).

Secondly, the beginning of the nineties was a time of large lay-offs of security personnel from the police and the army, when roughly 30,000 security officers were sacked. Similarly, the transition and the concomitant economic crisis marginalised a large army of former athletes and graduates from the sports schools, which until the end of the 1980s had been generously supported by government programmes for Olympic sports.³ Many of these unemployed former security officers and athletes started new careers in the then unregulated private security sector (Gounev, 2006). They created the backbone of the “violent entrepreneurs”, a term popularised by Volkov (2002) with reference to Russia.

This was the point when the abundant supply of unemployed men trained in the use of violence met the demand for security and order. Thus, the first years after the beginning of the transition to market economy the weakness of the institutions was soon made up by the mushrooming of numerous private security companies providing protection (Gounev, 2006; Tzvetkova, 2008). The complete absence of regulation of private security companies soon attracted many criminal actors that took advantage of the situation and under the disguise of providing private protection started to extort businesses through a variety of intimidation tactics, which included beating, mutilation, bombing and murder.

This was especially true for the private security companies established by ex-athletes also known as “the wrestlers”. The most infamous among these were VIS, SIC and Group 777. Unlike the former security officers who used their contacts and started providing services to big state-owned enterprises, public institutions and public infrastructure, the ex-athletes focused on small to medium private businesses, like night-life venues, restaurants, small hotels and shops, small to medium construction companies, kiosks and street vendors. Farmers and agricultural cooperatives were also targeted, as well as warehouse markets

³ Similarly to the former Soviet Union, Bulgaria had a very well developed system for training professional athletes in the Olympic sports. There was a network of sports schools where large numbers of children were trained to become professional athletes. At the time, the state ensured lifelong support for the elite athletes. With the end of communist rule, the system was deprived of financial support, thus leaving tens of thousands of athletes to fend for themselves. The actual start of this process was set in 1991 when a group of well-known Bulgarian athletes (Olympic and world medallists) demanded that private security activity be licensed by the state. This was seen as a means of survival after the “drastic cuts in public spending on sports”. The Ministry of Interior promptly regulated private security arguing that it would give the laid-off officers a chance to earn a living legitimately. As a result, tens of thousands of former MoI and Ministry of Defence employees, a large number of former athletes and even criminals who had been given amnesty (1990) not only obtained legal jobs but also the right to carry arms and demonstrate force in an environment of general insecurity. This was the emergence of an “army” of experienced armed people who actually served as a legal cover for the emerging organised crime.

for agricultural goods. The results soon followed – agricultural markets and tourist resorts fell under the control of certain criminal groups, which entailed bankruptcy of non-compliant businessmen, distortion of competition, price fixing and concentration of resources within the hands of few privileged entrepreneurs (Gounev, 2006; Tzvetkova, 2008).

In 1994, the decision of the government to step in and regulate the sector led to the dissolution of most of the notorious private security companies engaged in extortion, but only to see these re-emerge a year later as private insurance companies and thus transforming protection racket into insurance racket. Only in 1998, after the introduction of new stringent regulations in the insurance sector and a bigger commitment by the government to fight organised crime in the context of accession to the EU, typical extortion racketeering involving wide-spread use of violence was curbed and started to decline. Further steps in the same direction was the adoption of the new *Law on Private Security Services* in 2004 and the *Law on Private Enforcement Agents* in 2005, which further diminished demand for the kind of extra-judicial protection services that the violent entrepreneurs were providing. As a result, the majority of the notorious organised crime groups from the nineties preferred to launder their criminal profits by participating in the privatisation of state-owned assets and transformed themselves into companies with large and diverse holdings. Some of the violent entrepreneurs from the nineties decided to step in and get a grip over certain black markets such as smuggling of goods, drug trafficking, prostitution (CSD, 2007; Tzvetkova, 2008).

BACKGROUND OF ORGANISED CRIMINALITY IN THE COUNTRY

Bulgaria is one of the Eastern European countries which have undergone the most difficult transformations from its totalitarian regime. As a result, it was also among the states most hard-hit by the crime wave in the 1990s. In the context of stagnant reforms, with the corrupt exploitation of state property by the elites of the transition and with the dismantled or corrupt law enforcement and judicial institutions, the breaking of the law and economic crimes became a political and economic necessity. In other words, in countries like Bulgaria organised crime was not so much a deviant phenomenon but stemmed inexorably from the specific characteristics of the transition (see CSD, 2007).

A starting point in assessing the extortion in Bulgaria is the fact that violent entrepreneurs have been one of the many forms of manifestation of criminal structures in the country. CSD's (2007) conditional classification of three types enables a more precise and realistic description:

- **Violent entrepreneurs** whose activity was initially largely based on violence, providing protection in exchange for payments, collecting debts for a share of the collected amount and dispute settlement.
- **Extreme-risk entrepreneurs.** They were more likely to be permanently involved in continuous criminal activity in view of the competitive advantages of this type of "entrepreneurship".

- **The oligarchs** (akin to the notorious Russian model) – large business structures using central government, municipal or judicial power to redistribute and concentrate national wealth, to secure oligopoly and monopoly profit in various economic sectors, not only through corruption and clientelism but often by resorting to violence.

All three groups shared the aspiration to capture markets regardless of the methods of operation. Moreover, entry into the various legal, grey, and black markets took place within the context of the restructuring of the planned economy into a market economy and its liberalisation accompanied by the arrival of big international companies (Table 1).

Table 1. Sources, methods, and stages in the development of organised crime in the context of the Bulgarian transition

Violent Entrepreneurs	Extreme-risk entrepreneurs	Oligarchs
Sources		
<ol style="list-style-type: none"> 1. Former sportsmen in heavy athletics and highly physical sports such as weight-lifting, wrestling, etc. 2. Former officers from the Ministry of Internal Affairs. 3. Former criminal convicts. 	<ol style="list-style-type: none"> 1. Representatives of occupations requiring no education degree but with a degree of entrepreneurship under socialism: taxi drivers, bartenders, warehouse managers, waiters, etc. 2. Representatives of professional groups such as foreign trade specialists, accountants, jurists (mainly lawyers), as well as students in these subjects. 3. Former criminal convicts. 	<ol style="list-style-type: none"> 1. Former high-ranking business executives. 2. Former communist-party functionaries. 3. Former officers from the special services.
Method		
Use and selling of violence through large groups.	Using networks to execute criminal and semi-criminal operations, mostly involving import and trafficking of goods, as well as lease and purchase of state and municipal property; obtaining bank credits (the group of the so-called credit millionaires), and others.	National wealth redistribution through the use of the new political elites and establishment of holdings comprising dozens of companies. Gaining domination over financial institutions and taking control of state financial institutions (including the Central Bank) and the media.

Table 1. Sources, methods, and stages in the development of organised crime in the context of the Bulgarian transition (continued)

Violent Entrepreneurs	Extreme-risk entrepreneurs	Oligarchs
Markets – initial emergence		
<ol style="list-style-type: none"> 1. Providing security for hospitality companies, retail companies and outlets, and entertainment establishments. 2. Debt collection, punitive actions, mediation in conflicts between businesses. 3. Trafficking from and to the former Yugoslavia. 4. Trafficking in excise goods – spirits, cigarettes, crude oil. 5. Thefts, smuggling and trade in automobiles. 	<p><i>Gaining advantages from the unlawful entry into all possible markets:</i></p> <ol style="list-style-type: none"> 1. Trade in scarce goods – starting with mass consumer goods such as cooking oil and sugar in the first months of the 1990 spring crisis. 2. Ranging from the import of used cars and spare parts to car and registration fraud schemes. 3. Ranging from trade in real estate to speculative operations such as buying up municipal and state-owned housing, including by eviction of tenants. 4. Trade in foreign currency, including currency speculations. 5. Participation in the black markets, including prostitution and drugs. 	<p><i>Conquering key markets by:</i></p> <ol style="list-style-type: none"> 1. Setting up financial companies – financial companies, banks, etc. 2. Controlling the input and output of state enterprises. 3. Creating, gaining domination and control over mass-media. 4. Controlling large shares of mass markets (cartels). 5. Partnering with risk entrepreneurs and setting up holdings present in as many markets as possible. 6. Establishing strategic alliances with big multinational corporations.
Markets – second stage		
<ol style="list-style-type: none"> 1. Insurance transforming the security and entering the mass insurance market – symbiosis with the stolen car market. 2. Pirated CD manufacturing, considerable investments in advanced technology. 3. After the end of the Yugoslav embargo, attempts to make up for the losses in income by taking control over the most profitable smuggling markets (including drugs). 		

Table 1. Sources, methods, and stages in the development of organised crime in the context of the Bulgarian transition (continued)

Violent Entrepreneurs	Extreme-risk entrepreneurs	Oligarchs
<i>Cooperation between the three groups</i>		
The oligarchs' role is to solve problems with law enforcement and judiciary. Extreme risk entrepreneurs serve as advisors, trustees, and income and investment channels.	Using the structures of these groups to conquer market shares and to deal with problems with competitors or partners; joining up with the oligarchs to ensure access to markets, protection, and assistance against the state.	Intimidation and control over small businesses through extreme punitive action (including destruction of property and murder); using extreme-risk entrepreneurs (including through financing) in problematic operations.

Source: CSD, 2007.

NOTES ON THE METHODOLOGY

The Bulgarian country report examine extortion practices in the period following the years of emerging and proliferation of extortion racketeering in Bulgaria, as apparently extortion practices in Bulgaria did not disappear with the consolidation of the rule of law in the country. The decision of the criminal leaders to launder their profits and move into the legitimate economy eventually led to transplanting their intimidation tactics in the legitimate sectors, where they started to operate and use these tactics to establish monopolies over certain regions or businesses (Tzvetkova, 2008).

The evolution of extortion racketeering in the last 10-15 years and its disappearance from the priorities of law enforcement institutions have turned it into a challenging research area. Not only is data on such crimes scarce but, as the analysis below would demonstrate, many forms of extortion are not regarded as such by law enforcement and judicial authorities, although they hold all characteristics of this type of crime. Problems with collecting data on extortion incidents are also related to the very low percentage of such incidents being investigated and eventually prosecuted. Therefore it is extremely difficult to identify judicial case files related to extortion from the last 10 years. The current study consulted the existing public statistics collected by the police and the judicial system. Additionally, a business victimisation survey among 1,000 Bulgarian companies was carried out in an attempt to collect statistical data on the extortion rates.

A substantive part of the current analysis relies on the case study method, which aims at identification of particular extortion incidents in the last 10 years in order

to capture in detail the characteristics of the victims, the perpetrators and the modus operandi of OCGs. The incidents were identified through search in the European Media Monitor database for media reports and in the Bulgarian case law repository APIS Practice for judicial case files related to extortion racketeering. The data was complemented with interviews conducted with law enforcement and judiciary officials and victims of extortion. A large part of the incidents analysed in the study have been identified through media reports and in-depth interviews, as part of them never made it to court and the rest were in the court trial stage. The analysis of the hospitality sector relied on information from case studies and interviews with magistrates with long experience with extortion and corruption, high-level officials from the Ministry of Interior and the tax administration.

Certainly various limitations are inherent in these data, such as lower reliability of the details provided in these reports or interviews, as well as various missing aspects related to the particular crime incidents. However, the recent proliferation of the new forms of extortion and its importance as an organised crime threat outweighs the risks associated with operating with lower reliability of data.

EXTORTION IN THE AGRICULTURAL SECTOR

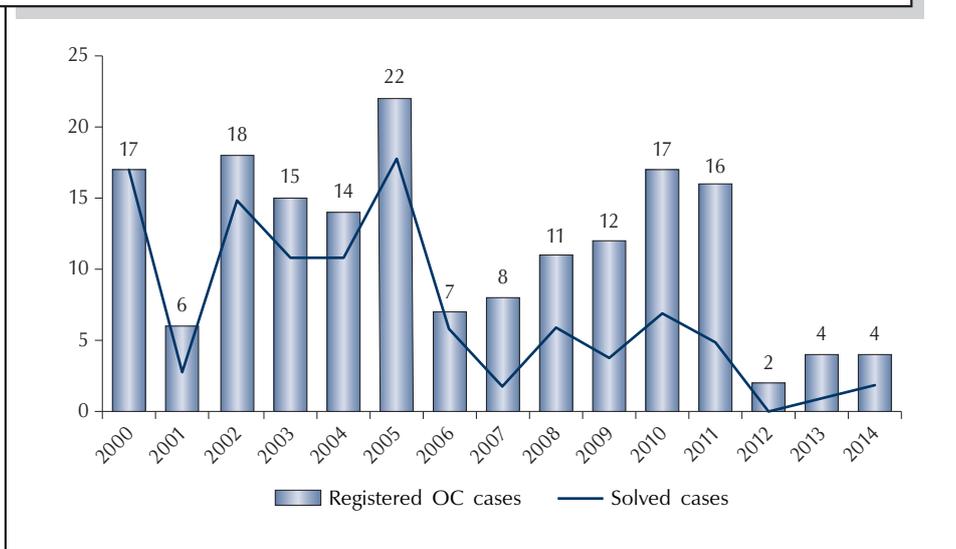
The analysis of extortion racketeering in the agricultural sector should take into account two important contexts – the criminal context in the country and the overall socio-economic context in the agricultural sector, as well as the role of the EU funding as an important catalyst. This section summarises the existing data on national and, where possible, regional level.

THE CRIMINAL CONTEXT

Data availability

Statistics on organised crime in Bulgaria and specifically on extortion racketeering targeting businesses appear to be quite scarce and unreliable. The only institution that currently provides data on extortion racketeering as organised crime is the Ministry of Interior. However, these statistics should be analysed with caution, as police statistics are much influenced by factors such as trust in the police and police priorities in countering crime over time. The available data covers the period from 2000 to 2014, whereas for the violent period in the 1990s proper statistics are missing (see Figure 1). The available judicial statistics do not

Figure 1. Annual number of OC related cases of extortion registered by the police in Bulgaria

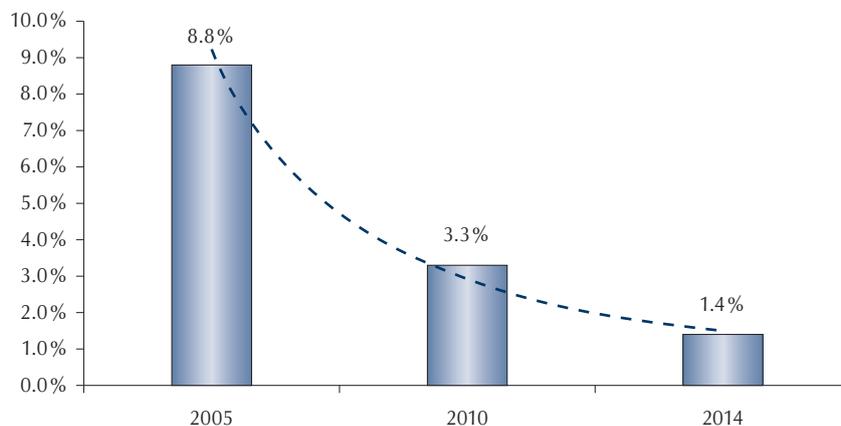


Source: Ministry of Interior, Police Statistics 2000 – 2014.

discriminate between blackmail of individuals and extortion against businesses, neither do they indicate which part of the offences is related to organised crime. Thus, the statistics could not be indicative of the trends in this type of organised crime. The trend for reporting extortion incidents from 2000 to 2014 indicates an overall decrease, save for a short resurgence in the years of the financial crisis 2008 – 2011.

This trend is also corroborated by data from the National Business Victimization Surveys carried out by CSD in 2006, 2011 and 2015 (see Figure 2). There is a steep decline in the share of companies that report intimidation and threats. About one third of the companies that admit being victims of extortion in 2014 filed reports to the police (37 % of the cases registered in the full sample). The comparison with the extremely small number of extortions registered by the Mol in 2014 suggests that there may be some police filter with respect to this crime. The survey results from 2014 indicate that companies in four economic sectors reported extortion – hospitality, agriculture, construction and repair of motor vehicles. Notwithstanding the small number of reported cases within the survey sample, it could be tentatively concluded that these are the 4 major economic sectors where extortion takes place in Bulgaria.

Figure 2. Companies that reported being victims of intimidations and threats



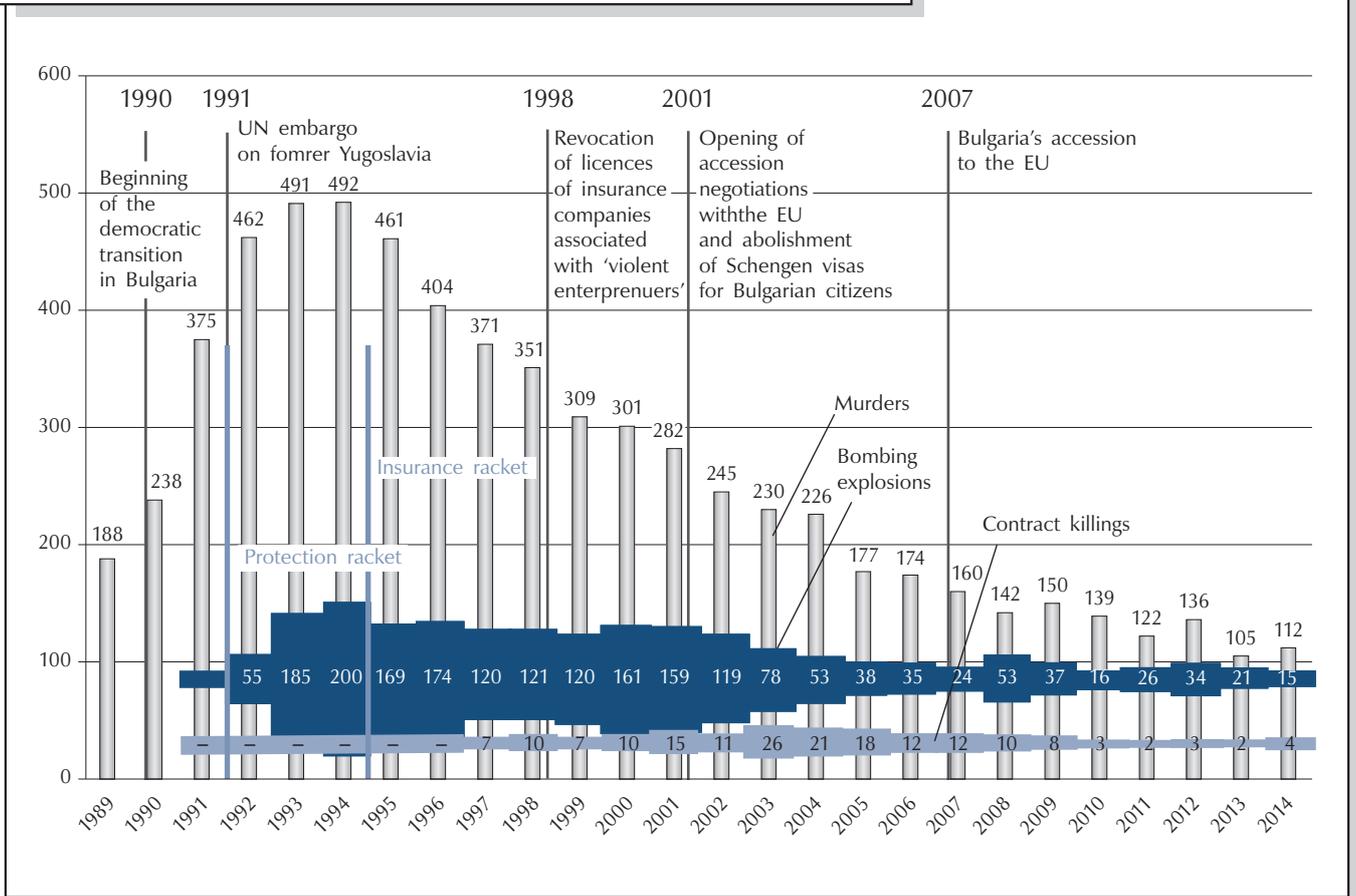
Source: CSD, National Business Victimization Surveys 2006, 2011, 2015.

The number of registered offenses related to establishing or participating in OCGs seems to be a poor proxy indicator, inasmuch as before EU accession the police registered between two and seven such offences per year. Some idea on the current levels of organised crime in the country provides a recent announcement of the Chief Commissioner of the General Directorate Combating Organised Crime, who stated that in 2015 280 organised crime groups comprising of 1,200 offenders were identified in Bulgaria. The main crime areas identified by the

Directorate included smuggling of goods, human trafficking, drugs trafficking and trafficking in antiques (Михова, 2015).

As an additional form of assessment, Gounev (2006) and CSD (2012) have also used police statistics on bombings as a proxy indicator for the levels of violence in the country and inter alia the levels of extortion racketeering (Figure 3).

Figure 3. Police registered cases of murders, explosions and CSD assessment of murders of public figures and criminals



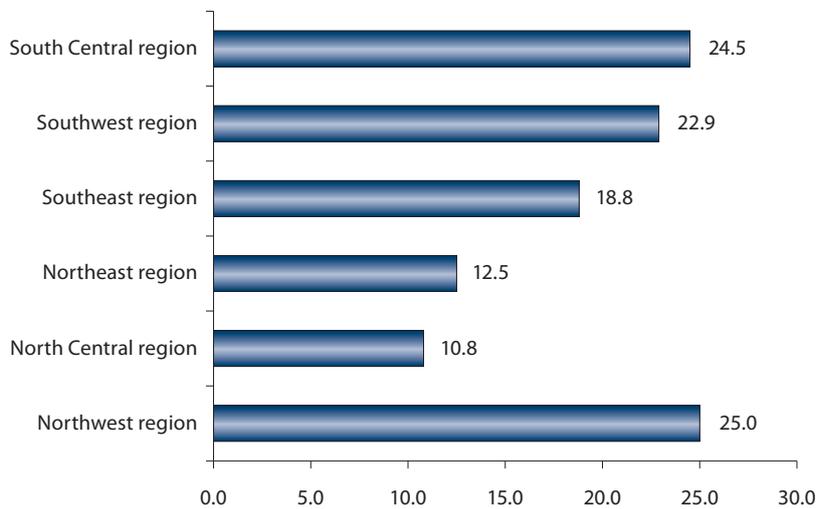
Source: Calculated on the basis of CSD, 2012 and Mol data.

The assumption behind this choice is that such data could be difficult to filter and reduce when registered by the police. The number of registered offenses related to establishing or participating in organised crime groups also seem not to be a useful indicator, inasmuch as the available statistics are rather indicative of the changes of police priorities over time than of actual levels of organised crime (for example, for the first half of the 2000s Bulgarian police registered 17 such crimes in total).

Police statistics on corruption crimes also show very low level of this type of offence. For example, in 2014 only 97 acts of bribery were registered.

However, according to the latest Eurobarometer the levels of corruption in the country remain very high – 27 % of the companies reported being asked to pay bribes, compared to the average 5 % for EU-27 (European Commission, 2014). A more recent business corruption survey that was carried out by CSD in 2015 indicated that on average 20.7 % of Bulgarian companies report corruption pressure from the public administration. The survey also captured certain regional differences in terms of corruption pressure on businesses – the most affected regions appeared to be the North-western region and the South Central region (Figure 4).

Figure 4. Share (%) of companies reporting corruption pressure from the administration by NUTS-2 regions



Source: CSD, National Business Victimisation Survey, 2015.

Companies operating in the shadow economy are considered to be in high risk of extortion (CSD, 2010; Gounev, 2006), so its size could also be indicative of the level of extortion in the country. The size of shadow economy in Bulgaria reached 31 % of the GDP in 2015 and is the highest in the EU, given that the average share for EU-28 is only 18.3 % (Schneider, 2015).

SOCIAL AND ECONOMIC CONTEXT IN THE AGRICULTURAL SECTOR

The study of extortion in the agricultural sector should also take into account the socio-economic processes related to the major transformations of the land and farm structure in Bulgaria. The annual statistics collected by Eurostat on agriculture and rural development allow for detailed overview and analysis of these processes.

Agriculture is a typical economic activity for the predominantly rural regions⁴ and Bulgaria still preserves a large share of population living in such regions – according to Eurostat 37.3 % of Bulgarians reside in such regions. This share is above the average of 22.6 % for EU-28, but still below the average of 40.1 % for the EU-N13 (DG AGRI, 2014). There is a steady tendency of decline in rural population and in the period 2000 – 2014 the inhabitants of rural areas decreased by 3.5 %. This is partly due to the fact that unemployment rates in these regions are almost twice as high as in urban areas of the country – 18.0 % in rural areas compared to 10.2 % in urban ones. Unemployment rates in Bulgarian rural regions are also twice as high compared to the average rates in rural areas for EU-28 and steadily increasing since 2009 (DG AGRI, 2014).

The Bulgarian agricultural sector in socialist times was mostly composed of large state-owned farms following the Soviet *kolhoz* model, where the average size of the farmed land was typically 2,000-3,000 ha (Hubbard & Hubbard, 2008). However, in the transition period after 1989 the state-owned collective farms were dissolved as part of the comprehensive land reform and the land was restituted to its previous owners or their heirs. The reform resulted in a large fragmentation and dispersion of the land estates and the average estate became 0.58 ha for arable land and 0.32 ha for pastures. Furthermore, there were on average 3-4 inheritors of each estate (Yanakieva, 2007). The economic crisis in the beginning of nineties also had a significantly negative impact on the sector due to a number of negative tendencies: the collapse of the old Comecom⁵ markets; the decline of the purchasing power of households; the instabilities accompanying the privatisation and the concomitant instabilities in the food supply chains (Hubbard & Hubbard, 2008).

Currently, the primary sector⁶ in Bulgaria accounts for 4.9 % of the GVA in the country, which ranks Bulgaria second after Romania among EU-28 and indicates the importance of agriculture in the economy of the country. Member states with similar structure of the economy include Croatia, Latvia and Hungary (DG AGRI, 2014). The primary sector of the country provides for 19.2 % of the employment, which again ranks Bulgaria second after Romania in this regard. The biggest share of the labour force engaged in agriculture are sole holders and family members working in the farms – 92.2 % of all engaged in the sector. Somewhat similar importance of the primary sector for the employment rates is observed also in Greece, Portugal and Poland, although in these countries primary sector provided for half of the employment rate present in Bulgaria (DG AGRI, 2014). However, for the period 2007 – 2012 the primary sector has faced a steady negative annual average growth by 2.2 %, despite that GVA marked a steady increase by 2.8 % annual average growth for the same period (DG AGRI, 2013).

⁴ According to Eurostat terminology 'predominantly rural' are regions with 50 % or more of the total population living in rural areas.

⁵ Comecon – Council for Mutual Economic Assistance – an economic bloc comprising the then communist countries from Eastern Europe, which existed from 1949 to 1991.

⁶ According to Eurostat classification the primary sector comprises Agriculture, Forestry and Fishing.

The total agricultural lands are 4,475, 530 ha of which 69.8 % are arable land, 27.7 % are permanent grassland and meadows, 2.2 % are permanent crops and 0.2 % are kitchen gardens. The access to EU funding for the agricultural sector in Bulgaria contributed to a steep rise of utilised agricultural land by 47 % in the period 2007 – 2010, which includes a significant increase of the arable land by 460,000 ha and a massive increase of the permanent pastures by 961,000 ha at the expense of registering common lands as permanent pastures (DG AGRI, 2013). This led to a major restructuring of utilised agricultural lands and tripling of the share of the permanent pastures from 9.2 percent in 2007 up to 27.7 % in 2010.

According to the latest data reported by DG AGRI, there are 370,490 agricultural holdings (farms) in the country with average utilised agricultural area of 12.1 ha per farm, reflecting the legacy of the land reform and the restitution in the beginning of nineties. However the distribution of the existing agricultural holdings according to the average size of the farms is quite skewed, as 91.4 % of them manage less than 5 ha, whereas 6.4 % manage between 5 and 50 ha and 2.1 % – 50 or more hectares (DG AGRI, 2014). It should also be noted that between 2007 and 2010, the average physical farm size has increased by 95 % from 6.2 ha/farm to 12.1 ha/farm. This was accompanied by a drastic reduction of the number of farm holdings by 25 % and clearly marks the gradual concentration of the agricultural land in a few extra-large farm holdings that cultivate thousands of hectares.

There are quite a few difficulties in determining the most affected regions in terms of extortion incidence, as the current study employed convenience sampling and the results should be carefully interpreted. However, a notable fact is that 7 out of 15 cases identified in total were in the North-western region. The region is known as the least economically developed not only in Bulgaria, but also in EU-28 as a whole. The population density according to the last national census is 44.4 persons per square kilometre, which is the lowest in the country. According to the National Statistics Institute the region contributes 7 % to the GDP of the country, with unemployment rates reaching 14.2 % compared to 11.2 % for the country. The North-western region has the largest share of agriculture in the GVA with 13 % compared with the average 5 % for the country. There were 28,520 farm holdings registered in the region for 2013 and 4 % of these were managing 100 ha or more thus covering 89 % of all utilised agricultural area. The share of large farm holdings is the highest in the country.

LAND CONSOLIDATION AND ITS SOCIAL AND ECONOMIC CONSEQUENCES

The annual statistics of Eurostat clearly indicate that during the last 15 years land in the Bulgarian agricultural sector has been consolidated in the hands of a few large-scale agriholdings – a process often described in literature as land-grabbing (Franco & Borrás, 2013; Visser, Mamonova, & Spoor, 2012). The available data indicates that these land-grab processes were further accelerated by the introduction of the pre-accession EU funds in 2001 and the EU CAP subsidies

in 2007, since the state adopted a regulation framework that favoured the big agricultural holdings over the numerous small farmers, which largely remained cut from EU funding.

Unlike land grabbing in developing countries from Africa, Latin America and Asia, which is usually associated by large multinational holdings, the process in Bulgaria was driven by domestic companies and, as the analysis below will show, often involved issues like embezzlements and extortion by corrupt local officials and shady businessmen. A comprehensive study by the World Bank had summarised the negative impacts of such rapid large-scale acquisitions of land as follows: “[...] displacement of local people from their land without proper compensation, land being given away well below its potential value, approval of projects that were only feasible because of additional subsidies, generation of negative environmental or social externalities, or encroachment on areas not transferred to the investor to make a poorly performing project economically viable” (Deininger & Byerlee, 2010).

Some of these impacts could be observed in Bulgaria as well. A recent study commissioned by the European Parliament alarmed about such “creeping” land-grab tendencies, albeit on a different scale, taking place in the EU. The study indicated that specifically affected are the EU-N13 countries including Bulgaria (TNI, 2015). The driving forces behind the processes of land grabbing are the relatively low land price in the new member states compared to the prices in the old ones, the food market concentration in EU-N13, the existing national policies in EU-N13 in support of land consolidation, the regulatory framework of the CAP funds in EU, as well as some of the recently introduced EU renewable energy policies (Ibid.).

The concentration of farmland use in the hands of the large agricultural holdings appears to be accompanied by several negative tendencies on a national and EU level. Firstly, the large agricultural enterprises tend to focus on industrialised monoculture farming that is less labour intensive and allows for economy of scale. Because of that they easily outperform in terms of profitability the small family farms, which tend to be more focused on horticulture, fruit-growing or other labour intensive cultures. Drawing on their superior market and competitive power, large corporate holdings could afford to pay higher land tenancy rents and invest in land purchases, thus steadily pushing out the small and medium farms from the agricultural markets (TNI, 2015). The decline of the family farming is further accelerated by the employment of various semi-legal and even criminal methods against the small farmers, which are analysed in more detail in the next sections of the report.

The consolidation of land use in the hands of the large agricultural producers could be deemed as a natural and even desired outcome considering their superior competitiveness and efficiency. However, EU level data show that although large in size these enterprises actually turn out to be particularly financially fragile. Many large agricultural holdings rely on external credit and their economic performance is quite dependent on global commodity markets – e.g. the price of wheat grain on world stock exchange markets. Therefore these enterprises are much more vulnerable to economic and financial shocks and much more likely to become

insolvent. This was the case in Denmark and the Netherlands during the economic crisis in 2008 – 2009, when many large-scale farms went bankrupt (TNI, 2015).

Land concentration and monoculture farming also appear to be associated with a number of environmental problems resulting in land degradation. The extensive industrialised type of farming, which is practiced by the large agricultural producers, is often accompanied with intensive use of agrichemicals and mechanised deep ploughing. These practices have a number of negative environmental impacts such as destruction of soil structure and increased risk of soil erosion, pollution of groundwater resources, loss of biodiversity (Ibid.).

Furthermore land grab practices and the decline and marginalisation of family farming appear to strongly correlate with the soaring of rural unemployment, which usually is shortly followed by increase in outbound migration towards the big cities and abroad (Ibid.). These negative tendencies typically result in permanent depopulation of rural areas, which is a harsh reality already largely observed in some regions in Bulgaria. In the long term, these tendencies are also associated with irreversible loss of local agricultural traditions, undermining of the national food security and increasing dependency on import of foods.

The irreversible negative long-term impacts of rural economic decline and depopulation driven by land use consolidation in the hands of few large land owners is not something new for Europe. A classic example from the eighteenth century is the case with the highland pastures in Scotland, which were consolidated to large land tracts and handed over to a handful of big landlords for sheep rearing. Sixty years later when the price of wool collapsed due to the cheap import from Australia, most of the local population left these areas as the labour requirements drastically decreased. Thus, the Scottish Highlands permanently turned into beautiful empty landscapes (TNI, 2015).

EU SUBSIDIES AS A CATALYST OF RECENT ECONOMIC AND CRIMINAL DYNAMICS

The accession of Bulgaria to the European Union and the opportunities for access to EU agricultural subsidies turned the agricultural sector especially attractive to both licit and illicit entrepreneurs. The entering of large-scale commercial farm holdings in the sector was soon followed by local oligarchs and criminals looking for opportunities to launder illicit funds or gain easy profits. The generous agricultural subsidies also attracted the interest of many white-collar criminals – unscrupulous local politicians and civil servants involved in abuse of office, bribery, etc. (CSD, 2012; Petrunov, 2010). The increasing interest in investing in the sector was accompanied by major changes both in land and farm structure.

The changes in farm and land structure was largely driven by the economic recovery after 1998 and the access to EU pre-accession funding and subsequently to the CAP funding instruments in the beginning of twentieth century. The agricultural sector started to attract the interest of big commercial shareholder

companies and by 2003 they already managed 16 % of the utilised agricultural land (Meurs & Bogushev, 2008). Since 2001, Bulgaria has had access to SAPARD⁷ funding, which was devised as a specific financial instrument to aid the structural adjustment of the agricultural sector to the Common Agricultural Policy in EU. However, from the very beginning the selection criteria of the potential beneficiaries and hence the implementation of this instrument favoured a few medium to big agricultural holdings over the numerous small holders. Thus, it further exacerbated the imbalances in the sector, where the big producers got even bigger, while small holdings remained small and uncompetitive (Metis, 2013). This triggered the process of further consolidation of the land use by a relatively small number of large producers, which later with the introduction of the Single Area Payment Scheme (SAPS) in 2007 expanded exponentially.

SAPS in Bulgaria envisaged flat-rate, per-hectare payments irrespective of what the land is used for, as long as it is kept in good agricultural condition. Furthermore, the Bulgarian government opted for a minimum threshold of 1 hectare of utilised land per farm holding in order that it would be eligible for subsidising. This excluded about half of the small farm holdings from the payment scheme. Secondly, the mechanism provided incentives for further consolidation of the land use, since there was no upper threshold for receiving subsidies; in addition, the large-scale farm holdings already had a competitive advantage because of the economies of scale (Hubbard & Hubbard, 2008).

As a result in 2013, five years after the introduction of SAPS direct payments, 84 % of the utilised agricultural land (3,890 thousand hectares) was cultivated by only 3 % of all farm holdings (6,160 farms) managing 100 ha or more. At the same time, for the period 2005 – 2013 the overall number of registered farms plummeted by 47 %, which was largely due to reduction of the small semi-subsistence farms tilling less than 1 ha (Eurostat, 2016). An illustration of the distortion driven by the CAP payments is that in 2014 there were 33 beneficiary companies that each received over €1 million in subsidies. Moreover, there were reports that some of the beneficiaries controlled more than one companies and, for example, a single beneficiary received €15 million from EU subsidies in 2014 only (Fermera.bg, 2014). The rapid increase of the lands used for pastures and meadows was also driven by the interest of big farming holdings operating 100 ha or more, because of a similar to SAPS payment scheme for subsidising management of pastures and meadows. The data shows that while in 2005 only 26 % of the pastures were managed by farm holdings operating 100 ha or more, in 2013 the share of the pastures managed by large farm holdings reached 84 % (Eurostat, 2016).

These processes are not unique to Bulgaria. Existing data shows that CAP regulations have had similar negative impacts across a number of EU member states, but are particularly striking in Central and Southeast Europe. Bulgaria appears to be one of the most affected, since the SAPS mechanism has brought to 1.1 % of all CAP beneficiaries receiving 45.6 % of all paid subsidies. Such levels of concentration of subsidies in the hands of the largest beneficiaries are comparable only to Romania (Table 2).

⁷ Special Accession Programme for Agriculture and Rural Development.

Table 2. Distribution of CAP Direct Payments in 2013, for selected MS

Member state	The top x% of beneficiaries	Received x% of the CAP direct payments
Romania	1.1	51.7
Bulgaria	1.1	45.6
Hungary	0.9	38.5
Poland	2.0	28.5
Germany	1.2	28.4
Italy	0.8	26.3
Spain	1.3	23.4
UK	0.9	14.4
France	1.2	9.0

Source: TNI, 2015: 36.

The introduction of the new regulatory framework for the period 2014 – 2020, including the new rules for upper threshold cap for the direct payments are promising with regards to curbing or offsetting the structural deformations observed in the previous period. Certainly, the big agricultural holdings would not give up easily the guaranteed steady incomes stemming from CAP funding. As it was already pointed out, many of the big CAP beneficiaries have embraced the strategy to channel their activities through a number of related companies. Thus, the subsidies are divided among several enterprises, although the beneficial owner is one and the same.⁸ This business strategy was completely legitimate according to the previous 2007 – 2013 CAP regulatory framework. However, with the adoption of the new framework and the new upper threshold cap, such practices could be deemed an unlawful bending of rules. Therefore, if the beneficial owners do not notify the affiliation of the companies they controlled to the State Fund Agriculture, they could be prosecuted for EU funds' fraud.

THE PERPETRATORS

Several diverse profiles and modi operandi of the extortion racketeering perpetrators in the agricultural sector were identified in the course of the study. Their analysis suggests that although the protection racket method of the 1990s is still practiced,

⁸ An investigative report by the weekly *Capital*, drawing on data from the Bulgarian Commercial Register reveals that *Oktopod Invest Holding* controls 5 companies, which are beneficiaries of SAPS direct payments – i.e. Troya-avto EOOD, ET Desi-Svetla Simeonova, Resen EOOD, Sortovi semena Vadim EAD, ET Svetlozar Dichevski. The report also provides examples for other owners controlling a number of big beneficiaries (Иванова & Ватева, 2014).

it has been largely overtaken by extortion exercised by corrupt local officials and shady businessmen employing criminal methods. The section below outlines the key characteristics of the criminal groups or networks involved in these extortion cases and provides a basic typology of the extortion racketeering models.

Types of extortion

Extortion racketeering in the academic literature is usually referred to as a defining activity of organised and mafia-type crime, where organised crime is either considered as a competitor to the state in the field of providing protection and enforcement of contracts or a pure predator that thrives on the weakness of the state (Čábelková, 2001; Konrad & Skaperdas, 1998; Reuter, 1982; Transcrime, 2009; Volkov, 1999). However, systemic extortion perpetrated as predatory activity by white-collar criminals from the corporate world or by public officials has largely remained outside the scope of extortion research.

Extortion by politicians and public officials – also known in common law as “extortion under colour of office” (Lindgren, 1993) – has long been criminalised in some national legislations including the Bulgarian *Criminal Code*, where the involvement of a public official is considered an aggravating circumstance. Extortion by perpetrators in official capacity has been addressed in the research on corruption, although authors have either referred to it as “institutionalized corruption” (Charap & Harm, 1999), “predatory corruption” (Khan, 2006), or “bribery” (Rose-Ackerman, 2010), which in many cases have been used interchangeably with extortion. However, analysis of law practice with regards to the offences of bribery and extortion has shown that the legal distinction between these two offences is not only far from straightforward, but also hard to justify in court (Lindgren, 1993).

Public choice theorists have also coined the term “rent extraction” to describe such kind of extortion behaviour by public officials, where they abuse their vested powers in order to extract rents from businesses (McChesney, 1988). Rent extraction as concept has probably tapped most precisely the predatory and coercive nature of this type of official misconduct. Extortion perpetrated by public officials has also been outlined as a particular form of corruption, which is spread not only in developing countries, but also in the post-communist societies (Sajó, 2003). UNODC have also listed extortion as one of the forms of corruption (UNODC, 2004).

The current analysis will argue that extortion perpetrated “under colour of office” is different from bribery for the following reasons:

- **It is systemic** – i.e. it is targeting more than one victim and it is enduring in time;
- It is perpetrated by loosely structured networks including public officials and often – local businessmen – i.e. **it is organised**;
- **It is predatory** in nature, i.e. the victim does not receive payoffs from the corrupt transaction, but rather pays to the public official in order not to suffer patrimonial damages.

Less examined remains the extortion perpetrated by business entities, although extortion is occasionally discussed as a form of corporate crime (Green, 2007; Shichor & Geis, 2007). However, in the literature on land grabbing, some authors have referred to extortion as an intimidation tactic employed by some large companies (Visser, Mamonova, & Spoor, 2012).

General characteristics of the perpetrators

The organisations that have been identified in the case files can be classified under four distinct types – loosely joined corruption networks, family-based organisations, legitimate companies employing criminal methods and hierarchical OCGs. This classification is rather provisional, as many common characteristics are shared between all four types. For example, the networks are most often comprised of corrupt public officials, but in many cases they collaborated and acted in favour of local businessmen, who were owners of legitimate companies. Overall, most of the perpetrators match the profile of white-collar criminals and only in a few cases the perpetrators were organised crime figures. All identified cases involved perpetrators of Bulgarian ethnicity and only in 2 of the cases the perpetrators were Bulgarian citizens of Turkish ethnicity.

In the majority of the cases the perpetrators were operating in **loosely joined corruption networks** comprising of three to five core members (BG-A1, BG-A5, BG-A6, BG-A8, BG-A10, BG-A13). The network type was observed in cases where the perpetrators were mainly corrupt public officials abusing their position of power to extract bribes (BG-A1, BG-A8) or monopolise access to agricultural subsidies at the expense of other legitimate beneficiaries (BG-A5, BG-A6, BG-A10, BG-A13). The identified perpetrators include a member of parliament (BG-A8), municipal mayors (BG-A10, BG-A13), mayoralty mayors (BG-A10), a local political leader (BG-A5), representatives of the State Fund Agriculture (BG-A1, BG-A8), municipal councillors (BG-A6, BG-A8, BG-A13), municipal clerks (BG-A13). Members of these corruption networks were also involved in other criminal activities such as rigging public procurement bids and concessions (BG-A10, BG-A13), embezzlement of public funds (BG-A13), bribery and trade of influence (BG-A8), illegal logging and illegal extraction of inert materials (BG-A5).

Three of the cases involved **family-based organisations** that comprised of close and extended family members (BG-A2, BG-A3, BG-A12). These organisations to a large extent resemble the corruption networks, except for the family bonds between the members. In all three cases the leading figure was a public official (mayor or municipal councillor) who abused his position of power in favour of some family members, typically engaged in agriculture (crop growing, livestock breeding). For example, the first case (BG-A2) involved a municipal mayor and her lifetime partner (also a local political figure), who abused their position of power in order to monopolise the use of the municipal pastures and thus the access to agriculture subsidies for livestock breeders. The second case was related to a mayoralty mayor, who abused his vested powers and through document frauds, coercion and extortion managed to appropriate land estates from their owners or to force the owners to sign land-sale or land-tenant agreements. Thus, his family became the largest beneficiary of agricultural subsidies in the municipality (BG-A3).

There were also two cases, where owners of **completely legitimate companies** extorted other small farmers, cooperatives and land owners. The perpetrators were big tenant farmers who resorted to extortion in order to force small farmers and cooperatives to sign land-sale or land-tenancy contracts (BG-A7, BG-A11). The companies used various intimidation tactics in order to increase their profits and share of agricultural subsidies and get rid of their local competitors. Thus, these legitimate business structures in practice acted as hierarchical OCGs led by the owners; the latter were also involved in other criminal activities such as bankruptcy fraud (BG-A7), and electoral vote buying (BG-A11).

Some of the cases involved **typical hierarchical OCGs** with notorious local organised crime figures known for usury, drug trafficking, frauds, etc. For some of these groups there was also information about involvement in electoral vote buying (BG-14, BG-A15) and collusion with corrupt officials (BG-A9). Two of these groups exercised protection racketeering and forced local farmers to sign contracts with specific private security companies (BG-A14, BG-A15). The leaders of the other two groups have decided to invest in the agricultural business and intimidated local farmers and landowners in order to force them sell their lands or take over their tenant contracts (BG-A4, BG-A9). The groups comprised of 5-13 members.

Table 3. Main characteristics of perpetrators in the Bulgarian case studies on extortion racketeering in the agricultural sector

Case ID	Type of organisation	No. of identified perpetrators	Involvement of public servants	Occupation/core business of key figures
BG-A1	Network	3	Yes	Inspectors at Regional Directorate of the State Fund Agriculture
BG-A2	Family-based	More than 3	Yes	Mayor of municipality and local political figure, life partners
BG-A3	Family-based	4	Yes	Mayoralty mayor and his family, tenant farmer
BG-A4	Hierarchical	More than 3	No	Drug trafficking, prostitution, extortion, loan-sharking, money laundering. Licit businesses in livestock breeding, tourism, construction, transport
BG-A5	Legitimate company	More than 3	Yes	Local political leader, with licit businesses related to timber processing, construction, tourism, etc.
BG-A6	Network	4	Yes	Local political leader, municipal councillor

Table 3. Main characteristics of perpetrators in the Bulgarian case studies on extortion racketeering in the agricultural sector (continued)

Case ID	Type of organisation	No. of identified perpetrators	Involvement of public servants	Occupation/core business of key figures
BG-A7	Legitimate company	More than 3	No	Two brothers owning agricultural companies, among the biggest tenant farmers in the province
BG-A8	Network	3	Yes	Member of parliament, municipal councillor, director of a Regional Office Agriculture
BG-A9	Hierarchical	5	No	Fraud, extortion, appropriation of agricultural produce
BG-A10	Network	More than 5	Yes	Officials in the municipal authorities (mayor, mayoralty mayor, clerks)
BG-A11	Legitimate company	More than 3	No	Tenant farming, grain producer
BG-A12	Family-based	More than 3	Yes	Local tobacco trader and his extended family members. The son of the trader is a local political leader
BG-A13	Network	More than 5	Yes	Local political figures, representatives of the municipal authorities and a local businessman
BG-A14	Hierarchical	13	No	Usury and debt collection and more recently protection racketeering
BG-A15	Hierarchical	10	No	Extortion racketeering

Source: Author's elaboration on the case studies.

MODUS OPERANDI OF THE CRIMINAL GROUPS AND NETWORKS

All fifteen cases involved territorially based extortion, since the extortion was perpetrated exclusively against farmers from a specific municipality or province. Two general types of extortion could be distinguished – monopolistic racket and extortion-protection, which match a classification suggested by Monzini (Transcrime, 2009: 22-23). According to Transcrime, the extortion-protection “consists in taxation on a regular basis imposed by violent means”, whereas monopolistic racketeering “is a specific market strategy enforced by violent means and aimed at the physical elimination of the competitor, or at the creation of monopolistic coalitions.”

Monopolistic racketeering

Most of the cases identified are linked to monopolistic racketeering, where the perpetrators employed a variety of means and tactics in order to monopolise the access to agricultural subsidies in a given region and eliminate the competitors. Through intimidation, the perpetrators usually pursued two main goals: 1) To force landowners and farmers to sell their land or sign tenant agreements (BG-A3, BG-A4, BG-A7, BG-A11); 2) To force potential beneficiaries (usually other small farmers) to concede their legally established rights for access to agricultural subsidies in favour of the perpetrators (BG-A2, BG-A5, BG-A6, BG-A10, BG-A12, BG-A13).

Extortion in order force land sale or land tenancy contracts is generally perpetrated by big tenant farmers. Two of the cases identified were linked to legitimate companies, whereas the third one was related to a family-based group. The motivation of the perpetrators was two-fold. Firstly, their business model revolved around farming extensive cultures such as cereals, rapeseed and sunflower, which requires larger size of the farmed land. Secondly, the implementation of the SAPS model for decoupled payments per hectare without upper threshold functioned as a key driver for seeking increase of the farmed lands in order to obtain larger subsidies.

The first case was related to a legitimate company, which is one of the biggest tenant farmers in the Bourgas province (*oblast*) in Southeast Bulgaria (BG-A11) and the second one – one of the biggest tenant farmers in the Pleven province in Northwest Bulgaria (BG-A7). Both owners of the legitimate companies initiated the extortion with verbal threats and triggered administrative inspections against the victims. Since the victims resisted, the perpetrators escalated the intimidation by destroying property. For example, in BG-A7 the extortionists started with verbal threats and initiated an inspection by the State Fund Agriculture for alleged farm subsidy fraud by the victim. Later employees of the extortionists sprayed with herbicides large areas of the crops (maze, sunflower, etc.) cultivated by the victimised farmers, thus entirely destroying the yield.

Somewhat different is the case BG-A3, where the extortionists were part of a family-based group and the leader was a notorious long-standing mayor of a village in the Vratsa province in Northwest Bulgaria. Currently, the mayor and his life-partner manage the majority of the arable land in the vicinities of their village. However, the secret to their success was mostly extortion. The modus operandi of this family enterprise included a plethora of criminal tools – the mayor directly threatened landowners with both physical violence and various administrative sanctions in order to force them to sell their land sale or sign tenancy contracts in favour of him or his life-partner. The mayor also abused his powers in order to forge property documents and thus appropriate land estates from his fellow villagers. The few who decided to file reports to the police and the prosecution about this were persecuted with destruction of property and physical violence.

In the majority of cases related to monopolistic racketeering, **the major aim of the perpetrators was to force potential beneficiaries (usually other small farmers) to concede their legally established rights for access to agricultural subsidies.** Most typical in this regard are the cases related to access of pastureland subsidies

for livestock breeders and access to decoupled payments for tobacco growers. This study focuses on five such cases, although many more were identified. Usually the modus operandi of the criminal groups and networks in these cases involved a two-stage process. At the first stage, the perpetrators secure monopolistic access to the subsidies in a given municipality or mayoralty using corruption or abuse of office. At the second stage, they threaten and intimidate the small farmers not to pursue claims or file reports to the police. It should be noted here that in the low income rural regions, the municipality is usually the biggest employer and it also provides or controls a number of administrative and social services. These vested powers provide substantial leverage to corrupt local politicians for administrative pressure and harassment of local farmers.

Pastureland subsidies appear to be particularly attractive for all kinds of criminal groups and networks, since the subsidy payments start from €150/ha and increase twice for high-altitude pastures and meadows. For comparison, in 2014 under the SAPS scheme for decoupled payments, the subsidies per hectare of arable land were €140 (Ministry of Agriculture and Foods, 2015). Although the pastureland subsidies were intended for livestock breeders, there were no requirements for the subsidy beneficiaries to present to the State Fund Agriculture proof for breeding any livestock. The poor regulation soon attracted many opportunists seeking easy money with minimum investment and at the expense of the local livestock breeders. Livestock breeders in mountainous regions appear to be particularly vulnerable to extortion, as the agricultural land there is limited and thus pastureland subsidies are among the few affluent sources of guaranteed steady income. Furthermore, pasturelands are mostly municipal property, so their use is determined by the local authorities, which creates large opportunities for abuse of powers by the local politicians.

The current study identified five cases related to extortion of livestock breeders, which took place in different geographical locations of the country (BG-A2, BG-A4, BG-A5, BG-A6, BG-A13), although four of them were in mountainous municipalities. The majority of the perpetrators were corrupt local politicians either acting as part of networks in favour of local businessmen (BG-A5, BG-A6, BG-A13) or as part of family-based groups (BG-A2). Only in one of the cases, the perpetrators were leaders of notorious local OCG which decided to invest in livestock breeding (BG-A4).

The close examination of the cases revealed that in three of the cases the extortion was preceded by malfeasance and embezzlement of public property. The perpetrators were public officials (municipality mayors or local political figures) who abused their position of power and transferred exclusive rights over some or all municipal or mayoralty pasturelands to a member of their criminal group or network. In two of the cases this was achieved through rigging municipal tender procedures for tenancy of the pasturelands in favour of a member of the criminal network (BG-A2, BG-A5). In one of the cases (BG-A13), the municipality mayor with the assistance from his fellow-party municipal councillors blatantly abused his powers and illegally sold all the municipal pasturelands to his business partner, thus precluding all local livestock breeders from their legally established right of access to the pastures and therefore subsidies. The resistance of the local farmers and their attempts to contest the rigged procedures and instigate

investigations against the perpetrators triggered the extortion. There were also two cases where there is no information that the extortion was preceded by any embezzlement of public property or other unlawful acts of the perpetrators (BG-A4, BG-A6).

The actual extortion of the livestock breeders included mostly verbal threats and intimidation through administrative sanctions. In two of the cases (BG-A2, BG-A4), the groups resorted only to verbal threats, as they already had a notorious reputation which they leveraged to create fear of retaliation in the victimised farmers. The first group was family-based and involved local political leaders, one of them being the mayor of the municipality (BG-A2). The second was an OCG involved in drug trafficking, prostitution, usury and a number of violent acts; this case was an expansion of their territorial control from their criminal activities into the legal economy (the agricultural sector) (BG-A4).

The rest of the cases involved loosely structured corruption networks comprising of local shady businessmen, municipal mayors, municipal councillors and officials of the municipal administration (BG-A5, BG-A6, BG-A13). They employed both verbal threats and imposition of administrative sanctions. For example, in BG-A13 the corrupt mayor of the municipality instigated an inspection by the Regional Directorate of the Construction Control Agency against one of the defiant farmers. The Regional Directorate subsequently issued an order for immediate removal of two barns belonging to the farmer, declaring that they had been built on municipal terrain and without any construction permits. The order was immediately enforced by the mayor, although the farmer appealed to the administrative court. The buildings were demolished and the farmer lost part of his cattle. In one of the cases there was also intentional damage to property (BG-A6) – the pastures managed by the farmer were ploughed and thus turned unfit for grazing. This criminal act was followed by reporting the farmer to the State Agency Agriculture for not keeping properly the pastures, which in turn led to administrative sanctions to the farmer.

Practices related to monopolistic racketeering have also been identified with regards to **subsidies for tobacco growers**. Unlike pastureland subsidies, tobacco subsidies are provided by the national budget. Tobacco growing in Bulgaria has always been subsidised and up to 2010 subsidies had been quota-based payments coupled with the amounts produced. The sector is quite important as it provides subsistence to 50,000 farmers from low-income regions with few alternatives for employment. With the accession to the European Union the country had to transpose the EU legislation that provided for phasing out of coupled payments for tobacco growing. Thus, since 2009 Bulgaria has applied new regulations for tobacco growers, which introduced decoupled payments to the farmers. The purpose was to provide a guaranteed minimum income for these farmers, who would otherwise face harsh economic difficulties, instead of supporting tobacco growing itself. The scheme for the decoupled payments was intended for a period of three years, so that the farmers could adapt to the new situation and find alternatives to tobacco growing. The size of the subsidy for each farmer was determined on the basis of the quantities of tobacco produced in three reference years – 2007, 2008, 2009. Consequently the scheme was extended for seven years and is expected to expire in 2020 (NovaTV, 2015).

However, the new scheme for decoupled payments soon appeared to be quite vulnerable to fraud, which left thousands of farmers without any subsidies. Subsidy fraud has accompanied the payment schemes to tobacco growers for quite some years. Under the old regulation the swindlers mainly targeted the quota distribution, aiming to unjustly increase the amount of subsidies for certain farmers or companies. The inflated quotas were then used to claim larger subsidies, without actually producing the amounts of tobacco declared (Соколова & Николов, 2009). However, the new scheme for decoupled payments further exacerbated the problem, as it became evident that some people receive subsidies without even growing tobacco, whereas the small farmers were left to deal with the low purchase prices of tobacco without any support from the government or viable alternative for other employment. Moreover, the process of development and adoption of the new tobacco subsidy regulations by the Ministry of Agriculture has largely been opaque and no proper awareness campaign has been carried out among the farmers. This led to numerous protests of farmers in some municipalities in the years following the introduction of the new payments scheme and racketeering by fraudsters (who, as a rule, appeared to be corrupt local politicians) in order to force farmers to concede their rights to subsidies. Two such cases have been identified – one in the northeast region and one in southwest region of Bulgaria (BG-A10, BF-A12).

Similarly to the extortion of livestock breeders related to pastureland subsidies, the two cases involving tobacco growers were preceded by malfeasance of officials in the local government. Although one of the groups could be classified as a family based group and the second one as a corruption network, both groups involved local political leaders and representatives of the municipal authorities (municipal mayor and municipal councillor). Apparently, these local politicians abused their access to insider information and colluded with the licensed raw tobacco wholesalers in order to manipulate the quotas in the three reference years. Thus, they managed to secure for fellow party leaders or extended family members particularly large quotas for tobacco production at the expense of the numerous small farmers. As a result, when the new decoupled payment system was introduced in 2010 many small farmers realised that they have been left with minimum or no subsidies, whereas the members of these family-based groups or corruption networks enjoyed high payments without any need to grow tobacco (BG-A10, BG-A12).

The attempts of the small farmers to file reports to the police or go public in the media have been met with systemic reprisals through verbal threats for administrative penalties and in one of the examined cases – by violence. For the case from Southwest Bulgaria (BG-A10), the interviewed police officer commented on the extent of the social control that the corruption networks exerted – some of the members of the network were functionaries of a political party or/and held positions in the local administration (mayoral mayors, municipal councillors, public servants in the municipality, local police officers, local forest guards, etc.). The family-based group in Northeast Bulgaria (BG-A12) had comparable social control span – the father was owner of the major raw tobacco wholesaler in the region, whereas his son a municipal councillor. Thus, they possessed both economic and administrative leverage over the small farmers. Furthermore, in this particular case the verbal threats were followed by the use of violence towards

one of the most vocal farmers. He was initially physically assaulted and later on the perpetrators arranged for a car accident, where the car of the farmer was pulled out of the road.

Protection extortion

Along with monopolistic racketeering, protection extortion (typical during the 1990s) is also quite spread in the agricultural sector. Five of the identified extortion incidents involved criminal groups that resorted to protection racket. Roughly half of the cases were perpetrated by loose networks of white-collar criminals. These white-collar criminals were typically also involved in other graft and malfeasance practices such as rigging public procurement tenders (BG-A1, BG-A8). In the rest of the cases, the perpetrators were typical hierarchically structured OCGs, which had extortion, usury and debt collection as their core business (BG-A9, BG-A14, BG-A15).

The modus operandi of **the corruption networks** included abuse of vested official powers as a means to intimidate local farmers. They managed to force victims to pay them protection fees in exchange of promises for lenient administrative control. For example, one of the groups consisted of public officials from the State Fund Agriculture, who targeted beneficiaries of SAPS subsidies. They used excessive inspections, administrative penalties and revocation of rights to receive SAPS subsidies in order to convince the victims that they should pay monthly fees (BG-A1). The group used a former expert from the same agency, who acted as an intermediary and approached the beneficiaries with the extortion demands. The demands involved monthly fees of €300-400 per farmer and at some point they succeeded in forcing about twenty farmers to comply with their demands.

Similar methods were employed in the case BG-A8. The corrupt networks threatened and manipulated a big tenant farmer with imposition of administrative sanctions from the Regional Directorate of State Fund Agriculture, excessive time to process or approve straightforward requests, and revocation of the right to receive subsidies. They chose the victim because his company was a large beneficiary of SAPS direct payments and had substantial economic capacity. The extortion demands were conveyed to the victim by a municipal councillor, who acted as an intermediary. The corruption network demanded protection money and gratuitous transfer of property rights over 300 ha of land in exchange of slack oversight, swift transfer of the subsidies and administrative support in case of disputes with other competitors. The extortion was initially successful, since in the beginning the victim complied and paid them €25,000. However, since the extortion demands continued he filed a report to the police.

The modus operandi of **the criminal groups** resembles the typical protection racketeering from the beginning of the 1990s. The extortion is territorially based and all the victimised farmers were targeted, because they operated in the same municipality as the perpetrators. The three cases identified involved a plethora of intimidation tactics typical for the insurance racketeers from the 1990s – verbal threats, arson, theft of agricultural produce, damage of property, poisoned cattle, kidnapping, physical violence against farmers and their workers (BG-A9, BG-A14,

BG-A15). There were no intermediaries involved in the extortion incidents and the farmers were openly intimidated by the “muscle squad” of the group. The typical purpose of the extortion was to force the farmers to sign contracts with specific private security companies and thus pay monthly protection fee (BG-A14, BG-A15). One of the groups also extorted landowners with the purpose of forcing them to sell their lands (BG-A15). The third identified case was related to debt collection and the purpose of the extortion was to force the victim into acting as a “straw man” in a fraud scheme, as well as to use his business as a front company (BG-A9).

THE VICTIMS

Along with the characteristics of the perpetrators, the current study also analysed the main characteristics of the victims of extortion in the agricultural sector. The section below provides the main profiles of the victims in terms of geographical location, socio-demographic and economic characteristics, as well as behavioural patterns.

Main regions affected

Keeping in mind the limitations of the data-collection methodology, the analysis of the cases suggest that extortion racketeering is not constrained to one or more specific regions in the country. However, most cases were identified in the Northwest region and more specifically in Vratsa province (see Table 3). As already explained in the overview of the agricultural sector, the Northwest region is the least developed, with highest rates of unemployment and highest weight of agriculture in the GVA of the regional economy. The scarcity of viable economic opportunities in the region seems to contribute to the particularly high importance of farm land and agricultural subsidies as an economic resource. Both local households and larger commercial agricultural holdings rely on land as a source of guaranteed income or profit. This inevitably leads to collision of interests between the groups with political or economic leverage and the small farmers and landowners over this limited resource, which could provide a plausible explanation on the intensity of extortion activities in the region.

Similar collision over land resources seems to take place in the mountainous municipalities with regards to pastureland, insofar as the analysis of the cases collected also suggests higher incidence of extortion episodes in such areas (BG-A4, BG-A5, BG-A6, BG-A13). Such cases were identified in several mountainous municipalities across different NUTS-2 regions – 1 in Southwest region, 2 in Southeast region and 1 in South Central region. Typically, the size of the utilised agricultural area in such municipalities is limited and mostly in the form of pastures and meadows. Thus, grazing livestock breeding is among the few viable economic activities, which inter alia provides access to generous agricultural subsidies. Achieving monopolistic control over this resource in a given municipality ensures substantial and steady income, which few other businesses could provide.

Quite similar is the situation in the tobacco-growing regions (BG-A10, BG-A12), especially in the mountainous municipalities in Southern Bulgaria. The climate and soil characteristics in these areas do not allow for growing alternative crops and at the same time there are no viable economic alternatives. The tobacco growing sector has always relied on state subsidies in order to secure the subsistence of the farmers. This has turned tobacco subsidies into a valuable resource and has attracted the interest of corruption networks to capture and redistribute this income flow at the expense of small farmers.

Demographic, social and economic characteristics

The available sources for most of the identified cases provided scarce or limited information on the profile of the victims. The majority of the identified victims of extortion have been small family farms that are entitled to receive EU or national subsidies (self-employed individuals) and landowners. There were only three victims that do not fit into this general pattern – one big tenant farmer who operated as a sole proprietor (BG-A8), one cooperative (BG-A7) and one limited liability company (BG-A9). There was no information on the number of employees working for any of these farm holdings. However, the small family farms usually employ 2-4 persons, which typically are family members.

Five of the cases were related to farm holdings growing mainly cereal (i.e. wheat, maize) or technical cultures (e.g. sunflower, rapeseed) and in two of the cases the victims were tobacco growers. There were also six cases where the victims were livestock breeders. Less common targets were land owners (three cases), a wholesaler of agricultural produce and a concessionaire of irrigation dams. Extortionists targeted mostly the manager of the farm holding or the landowner. The typical profile of the targeted person is male, Bulgarian citizen, aged between 40-50 years. Only one of the identified victims was female. The age of the targeted landowners was 60 or over (see Table 4).

Table 4. Demographic and economic characteristics of the victims of extortion

Case ID	Location (province)	Gender	Age	Main activity	Role of person in the farm holding
BG-A1	Dobrich	n/a	n/a	Crop growing (cereal)	Most likely sole holders
BG-A2	Vratsa	Male	~50	Livestock breeding	Sole holder (family farm)
BG-A3	Vratsa	Male	~60	Land owners/ Crop growing	Land owners/sole holders (family farm)
BG-A4	Blagoevgrad	n/a	n/a	Land owners/ Livestock breeding	Land owners/sole holders (family farm)
BG-A5	Sofia	Male	~40	Livestock breeding	Sole holder (family farm)

Table 4. Demographic and economic characteristics of the victims of extortion (continued)

Case ID	Location (province)	Gender	Age	Main activity	Role of person in the farm holding
BG-A6	Bourgas	Male	~30	Livestock breeding	Sole holder (family farm)
BG-A7	Vratsa	Male	~60	Crop growing (maze, sunflower)	Chair of cooperative
BG-A8	Pleven	Male	~40	Crop growing (cereals, technical cultures)	Owner & executive director
BG-A9	Vratsa	Male	32	Trade in agricultural produce	Owner & executive director
BG-A10	Blagoevgrad	Male	n/a	Tobacco growing	Sole holder (family farm)
BG-A11	Bourgas	Male/Male	65/45	Land owner/fish farming & irrigation	Land owner/Owner & executive director
BG-A12	Shumen	Female	47	Tobacco growing	Sole holder (family farm)
BG-A13	Pazardzhik	Male	~40	Livestock breeding	Sole holder (family farm)
BG-A14	Vratsa	Male/Male	~50/~50	Livestock breeding	Sole holder (family farm)
BG-A15	Montana	n/a	n/a	Land owner/ Crop growing	Land owners/sole holders (family farm)

Source: Author's elaboration on the case studies.

Protective measures adopted by the government, business associations and owners themselves

The majority of the victims were small farmers and therefore none of them had invested in any specific security measures against crime such as buying insurance or signing a contract with a security company. Moreover, in most of the cases there was no information about victims being members of some business or farmers association that could protect their rights. Only two of the victims were part of such associations and in both cases they did receive some support from their organisation. One of the victims was a local coordinator of the National Association of the Tobacco Growers (BG-A12), whereas the second one was member of the National Association of the Grain Producers (BG-A8). The National Association of the Grain Producers is one of the very influential business organisations, as it is a representative body for most medium and large-scale grain producers, and undoubtedly their support helped the victimised person counter more effectively the extortion demands.

In the light of the recent scandals surrounding the EU subsidies under the SAPS direct payment scheme and the pastureland subsidies, the government

was pressured to adopt certain amendments to the existing regulation, which are expected to protect and support the small and medium farmers against the blatant land grabbing practices employed by big tenant farming companies and networks of political corruption. In 2015, the Ministry of Agriculture and Foods amended the *Act on Ownership and Use of Agricultural Land* and replaced the tender procedure with a procedure for distribution of the pastures between all registered livestock breeders based on the number of livestock units owned and tightened the requirements for proof of these numbers. The amendments were supposed to tackle embezzlement of pastureland by local authorities, which on a numerous occasions assigned municipal pastureland plots to favoured companies that did not have any livestock. The scale of the problem was illustrated by the Minister, who stated that in 2015 only half of the 265 municipalities were in compliance with the new regulations and have distributed the pastureland fairly (Gospodari.com, 2015). Similarly, the Ministry of Agriculture and Foods adopted new regulations with regards to SAPS direct payments for the period 2015 – 2020 and introduced an upper threshold for the beneficiaries under the scheme. The new regulations imposed a €300,000 cap on the annual amount of the SAPS direct payments per beneficiary and a progressive decrease in the amount of subsidies by 5 % for sums of €150,000-€300,000 (Agronovinite.com, 2015).

Behavioural patterns of the victims of extortion

The majority of the victims identified within the study resisted the extortion demands. However, it would be wrong to conclude that the majority of the victims of extortion in agriculture are not inclined to comply with the extortion demands. In some of the cases, the victims initially acquiesced but as the demands escalated, they decided to resist (BG-A6, BG-A8, BG-A10, BG-A12, and BG-A14). The prevalence of resistance in the studied cases should rather take into account the fact that only such cases have been prosecuted or have been exposed in the media. In other words, this is rather a result from the limitations of the sources of data used, as the majority of the cases have been identified through media reports. Moreover, the very same reports claim that the victims in a given extortion incident are much more, but are afraid of exposing themselves as this could trigger reprisals against them. The interviews with representatives of the police and prosecutors also suggested that extortion, especially when it is linked to corrupt local politicians is rarely investigated and even more rarely indicted and put on trial. Out of the fifteen identified cases none of the perpetrators has been convicted, five groups have been indicted and their trial was still ongoing at the time of writing, six are in the phase of pre-trial investigation and the rest have not been investigated.

However, it should be noted that in most cases the victims of extortion by corruption networks do not perceive these practices as extortion per se. The interviewed victims in the cases related to monopolistic racketeering for pastureland subsidies, described the events as abuse of position of power and a political issue (e.g. BG-A13). Therefore, when they decided to resist, they did not reported the incident to the police. Instead, they attempted to seek support from political party leaders, members of parliament and the minister of agriculture and foods. They also decided to expose the incidents in the media in order to attract public

attention to their situation. Such responses from victims seem to be common, considering the large disparities between extortion incidents reported in media and the statistics of Mol.

According to the information available, the average duration of the extortion was between six months and two years. Some of the victims dissolved their business (BG-A11) or decided to sell or lease their lands (BG-A3, BG-A4, BG-A11). However, in most cases the business of the farmers remained intact and operational, although they suffered property damage and financial losses. On the other hand, in many of the cases, especially the ones involving corrupt networks, the perpetrators have not been convicted and some of them are still in the local government (e.g. BG-A2, BG-A10, BG-A13). Therefore, many of the extorted farmers could very well go bankrupt or dissolve their business in the near future. The lack of access to subsidies also bears the risk that farmers – despite continuing to operate – could become impoverished due to low incomes.

CONCLUSION

The concentration of the agricultural lands and consolidation of the business in a few large-scale agricultural holdings, which has peaked in Bulgaria in the last 7-8 years, most probably will continue to exert various market, non-market or even criminal pressures on the small and medium farmers. The lucrative EU subsidies only exacerbate these tendencies. The changes introduced in the European regulation framework for the new Common Agricultural Policy instruments for 2014 – 2020, as well as the related changes in the national legal framework, have attempted to reverse the focus and enhance support for small and medium farmers. However, the implementation of these rules remains in the hands of the national and local authorities and thus the incentives for *mala fide* corporate and public actors to bend or circumvent these rules also remain. This fact is of particular concern given that in the majority of the cases extortion in the agricultural sector involved malfeasance and graft of public officials from the local government.

The analysis shows that in the majority of the extortion incidents the targets were small and medium farm holdings. The victimised farmers were typically from less developed regions such as the municipalities in Northwest Bulgaria, as well as in mountainous and traditional tobacco-growing areas. Extortion is undoubtedly a hidden phenomenon and in many instances victims do not file reports to the police and prosecution. However, the analysed cases suggest that even when victimised farmers reported extortion against them or malfeasance of the local authorities, effective and timely investigations and indictments rarely follow. Furthermore, in none of the analysed cases the pre-trial investigations or court trials led to a conviction of the perpetrators, as the cases were protracted over time without any definitive results. Awareness of this most likely further undermines the willingness of victims to report such incidents, because of fear of reprisals. The legislative framework does not provide for effective protection and compensation for the victims of extortion. The lack of established and pro-active associations of small and medium farmers is also a major constraint for this group to effectively resist the pressure from corrupt officials and criminals.

Drawing on the identified profiles and characteristics of the perpetrators and victims of extortion in the agricultural sector, several general recommendations for countering the extortion could be outlined. Firstly, there is a need to strengthen the fight against corruption in local authorities, as well as in the regional offices of State Fund Agriculture. Secondly, there is a need of better monitoring and enforcement of the rules for CAP payments in order to curb possible embezzlement and fraud. Thirdly, there is a need to introduce better protection and compensation mechanisms for victims in order to improve reporting and collaboration. Fourthly, there is a need to empower small and medium farmers through supporting the establishment and development of associations and networks of small farmers.

EXTORTION IN THE HOSPITALITY SECTOR

HISTORICAL DEVELOPMENTS

Organised crime in the hospitality sector

Extortion in the hospitality sector in Bulgaria has changed significantly over the years of transition. Four major phases of development can be identified, each marked by different manifestations and influence of organised crime. In the first one – the early transition years – organised crime established control over a number of publicly owned hotels, restaurants, cafes, bars, etc., as well as over the newly established private ones. This was followed by a boom of the private companies in the hospitality industry, as well as in commerce and transport.⁹ The second phase was marked by the privatisation of the mid-1990s and the considerable participation of all three forms of Bulgarian organised crime (see Table 1), with the particularly strong involvement of the group of oligarchs. The third phase encompasses the pre-accession period and the boom in the real-estate sector, when extortion and political corruption enabled OCGs to enjoy competitive advantage. The latest period came with the start of the economic crisis at the end of 2007 and is still ongoing.

Almost all of the notorious groups of violent entrepreneurs started their operations as local restaurants, motels, bars and hotels. Some of the smaller groups even originated in neighbourhood pubs and fast-food pavilions. The expansion of the “firms” was related to the expansion of territory which was marked by new restaurants, bars, etc., brought under control. The clashes and wars between these groups were usually the result of a struggle for the most popular restaurants and hotels (the seizing of the “headquarters” in a particular restaurant was the symbolic end of a power group).

In contrast to Russia, Ukraine and some of the other former Soviet republics, the violent entrepreneurs in Bulgaria did not limit their activities to getting rent for their forced services, but also created and ran their own companies. One particular aspect of this model was when successful managers of legitimate companies were made partners of the violent entrepreneurs (in many cases the partnership was not voluntary but forced). Gradually, these entrepreneurs and the oligarchs came to dominate night clubs, bars and gambling establishments, and took control of large state-owned companies – mostly hotels and restaurants – in popular winter and sea resorts.

⁹ Earlier, in the beginning of the 1980s, as a result of the efforts of the communist government to develop the tourist industry in the country, legislative changes were introduced for the controlled establishment of small private entities to ensure better quality service for foreign and Bulgarian tourists.

Privatisation of the hospitality sector

As noted in the introduction, the end of the insurance racket coincided with the start of the mass privatisation in the country, which set the stage for a new era for organised crime in the hospitality sector.

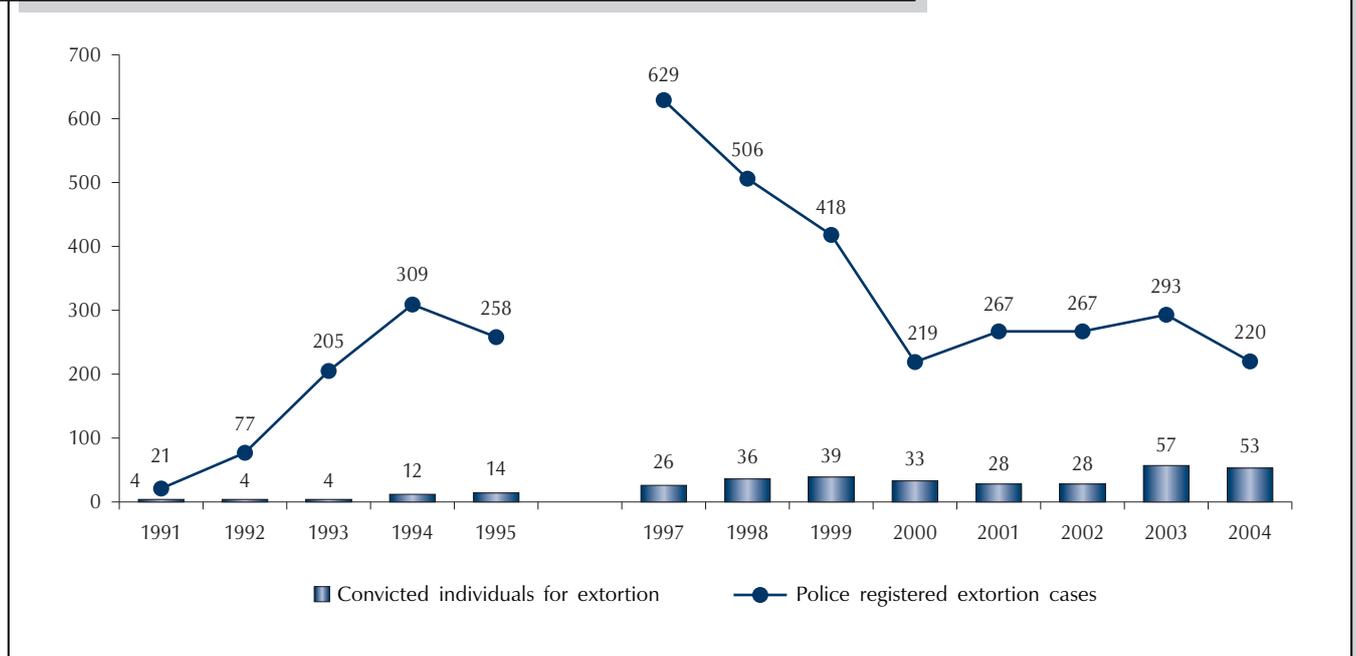
During this period, oligarchic structures such as Mutligroup, Nove Holding, Lyudmil Stojkov (tried for fraud and money laundering), Georgi Gergov (now chairman of BSP-Plovdiv), bankers Emil Kyulev (assassinated), Slavcho Hristov, Tsvetelina Borislavova, Tseko Minev, Petya Slavova among others (E-vestnik, 2012a; 2012b) had participated in the privatisation of hospitality facilities in the summer and winter resorts (Бъчварова & Василева, 2004). Companies related to the already closed insurance racketeers VIS-2 and SIC had taken ownership of multiple hotels in Sunny Beach and Golden Sands at the Black Sea, whereas TIM¹⁰ took ownership over almost the entire resort St. St. Konstantin and Elena. The mass privatisation process gave a chance for the group of extreme-risk entrepreneurs to participate in acquiring ownership in the hospitality sector separately or in a coalition with the other two groups (see Table 1). The main difference from the first attempt in the mid-1990s was that violence did not come back under a new, legal form. The opportunities for criminal entrepreneurs to enter the legal economy made the transition to a mode of operation with less violence irreversible. The end of the privatisation in the hospitality sector in 2001 – 2002 placed most companies under different management and resulted in new types of extortion. Companies belonging to oligarchic conglomerates appropriated hotels, restaurants and establishments in the big resorts and cities. Small and middle-sized companies were driven out of the market as their contracts with the former state-owned companies were cancelled or they were forced to pay different rents around the big hotels and establishments. According to interviews of police officers and prosecutors, the sector easily maintained the old model – paying rent for territory and time. The establishment of hundreds of new companies allowed staff of the former insurance racketeers to be employed in the hospitality sector after its privatisation. The positive side of this process was that a large number of people experienced in violence did not go back to common criminality. Their leaders from the higher and middle ranks had become the new owners who could provide them with legal employment. Those leaders retained their old role of enforcers of protection racket against the “others” or of arbitrators in dispute settlement.

The significant change in that period was related to the opportunity for the new owners to use the institutions of government. Interviewees for this study described many cases of a typical scheme when owners of small restaurants, coffee shops, fast-food restaurants, etc., sought protection of bigger owners (e.g. controlling several hotels in a resort), former leaders of national and local power structures. Consequently, the old criminal bosses started acting as intermediaries. They would turn to local police chiefs or prosecutors when finding a solution to a problem,

¹⁰ TIM, Varna-based group, is an interesting example of borderline violent entrepreneurs – they continued functioning as a security company, but did not enter the insurance racket business. Later, they managed to turn into one of the biggest oligarchic structures in the country which is currently the only one possessing banks, an insurance company, the national airliner and over 100 companies.

thus sustaining their reputation. As a result of all these changes, the forms of extortion typical for the second period (1997 – 2000) declined dramatically (see Figure 5).

Figure 5. Police registered extortion cases and convictions



Source: Mol, *Police Statistics*; NSI as quoted in Gounev, 2006: 113.

The new forms of extortion emerging in their place involved the use of various government enforcement agencies against those who failed to pay up. A suitable description for the dynamics and characteristics of the period is the popular Russian anecdote: “Why set his restaurant on fire when you could simply send the fire inspector?”¹¹ (Volkov, 2002).

EU accession and the real-estate boom

The deregulation of the banking sector, the entry of foreign financial institutions, a steady economic growth and the prospects for EU accession fuelled the third wave of development of the hospitality sector. This included new investment and construction on a mass scale, making the sector highly lucrative and suitable for laundering the proceeds of organised crime. With easily available funds from foreign investors and banks, and prospects for quick return acquiring and building hospitality facilities became one the most favoured sectors for integrating dirty money into the legitimate economy (Petrunov, 2008: 88). Analysis of money laundering by OCGs has revealed that hotels and restaurants (including clubs and

¹¹ In Russia and Ukraine the same process of restricting the violent entrepreneurs took place at around the same time.

bars) represent 15 % of the legal businesses of OCGs (CSD, 2012: 65). In 2010, investing money of illicit origin was mainly focused on four sectors: trade (including dealing in real estate property) – 31 %; construction – 27 %; gambling – 18 %; tourism – 10 % (CSD, 2012: 64).

The developments in the hospitality sector have shaped two distinct groups of investors/owners with regards to their political and business standing, respectively their risk or susceptibility of being a victim of extortion and/or racketeering. The first group includes larger economic and financial entities which had acquired ownership of previous state-owned facilities and land through privatisation. This group has a solid financial and political backing and are often related to shady financial schemes and transactions on a larger scale. Because of strong political ties, among other factors, the risk of racketeering and extortion for this group may be assessed as minimal. The second group is of investors and owners, including foreign investors, who became active after the deregulation of the financial sector and the real-estate and construction boom of the early 2000s. It must be noted that this subset of hospitality operators also included politically connected businesses which made a quick profit through land swaps – a widespread practice, particularly in the period 2007 – 2009 (see Лещарска, 2015), whereby lucrative state-owned plots along the Black Sea coast were swapped for other less economically viable plots. Nevertheless, this second group of investors included a large number of risk-taking entrepreneurs in the construction business, who built small hotels and apartment buildings with the intention of selling them to larger investors. These are represented in the hundreds of properties, including hotels, apartments and food and drink establishments advertised for sale due to inactivity and indebtedness, in addition to the ones who continue to operate on the verge of profitability. These may be deemed to be at higher risk of extortion pressure, including unwarranted inspections from government supervisory bodies.

In the environment, violence still had its functions. At the lower and middle levels it fell to comparatively low levels (Figure 5) and was used marginally. At higher levels, it was used predominantly in the presence of sufficient political and – more frequently after the end of the 1990s – magistrate protection.¹² A new type of violence which made up for the loss of old ones were the so-called “contract assassinations.” They were a kind of sublimation of the previous mass violence and directed towards the owners and managers of the companies, mostly representatives of one of the three forms of organized crime from the 1990s (see Table 1). Contract assassinations were an instrument used in the 1990s, but following 2001 they also served as a substitute for symbolic violence at a lower level.

According to various sources, during this period, another acute form of violence grew out of the old extortion mechanisms – deliberately unsuccessful assassination attempts, a kind of warning shots. There have been many cases of shooting without the aim of hurting the owners, managers, their families, security guards, etc. In addition, there have also been token attempts at arson (sometimes hard to

¹² Violence is used against the victims when the criminal entrepreneurs can ensure that the local law enforcement agencies would not intervene, or that they would arrange investigations to be discontinued, court trials delayed, etc.

be differentiated from vandalism), demonstrative vandal acts (smashing picks into cars), deliberate car crashes, severing of the lines of car breaks, damaging security systems in offices, etc. These accidents are not reported to the police and they avoid registering them.

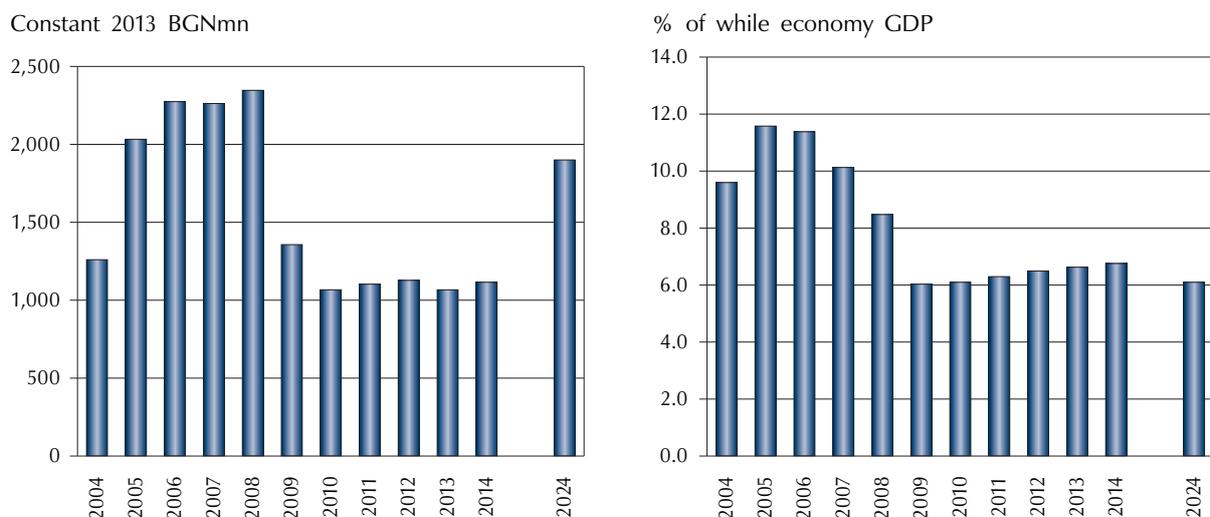
THE HOSPITALITY SECTOR

Social and economic data

Tourism in Bulgaria is a leading sector in the national economy. The sector has been relatively stable, has a 12-18 % contribution to GDP and high rates of employment at 300,000 persons employed on labour contracts and 500,000 temporary contracts (Ministry of Economy and Energy, 2014: 7). Revenue from tourism in 2012 amounted to €2,916.6 mln, which was a 2.2 % growth on 2011. Bulgaria’s accession to the EU has been a major catalyst for the growth of tourism as in 2007 alone (the year of accession) revenue increased by 25 % compared with the previous year (Ministry of Economy and Energy, 2014: 21). As of 2010, Bulgaria had 148 designated resort areas – 58 spa resorts, 56 mountain resorts and 28 seaside resorts (Ministry of Economy and Energy, 2012).

The total contribution of travel and tourism to GDP was BGN 10,670.6 mln (13.3 % of GDP) in 2013, and is forecast to rise by 3.7 % in 2014, and to rise by 2.6 % to BGN 14,295.3 mn (11.9 % of GDP) in 2024 (World Travel and

Figure 6. Capital investment in travel and tourism



Source: World Travel and Tourism Council, 2014.

Tourism Council, 2014). Tourism revenue is disproportionately dependent on foreign visitors, as domestic tourism has been lagging. With the exception of the Black Sea region, the major winter resorts and largest cities, most regions in Bulgaria have not been able to create and offer quality tourist services. This has caused an over-saturation of development in the traditionally popular summer and winter resorts, which may stifle growth rates in the future. A significant portion of the over-development in these areas has also been attributed to lax regulation and a highly speculative market in expecting quick and high profitability. In the meantime, the tourist potential in the rest of the country remains largely untapped (Ministry of Economy and Energy, 2014).

The hotel and restaurant business has developed unevenly both over time and across the country. From the beginning of the 2000s until the financial and economic crisis in 2008 hotel construction experienced an unprecedented boom. It is estimated that between 2002 and 2008 hotel capacity grew on average with 12 % annually, well surpassing leading western European destination countries (Ministry of Economy and Energy, 2012).

Table 5. Main economic indicators in sector “Hotels and Restaurants”

Indicator	2008	2009	2010	2011	2012	2013	2014
Number of active facilities (incl. food and drink, accommodation, entertainment etc.)	22,172	25,962	26,073	26,071	26,540	26,056	26,312
Turnover (in thousands BGN)	2,916,145	2,826,352	2,831,185	3,133,917	3,349,435	3,503,427	3,624,806
Production (in thousands BGN)	2,400,258	2,306,582	2,231,105	2,433,743	2,687,312	2,814,299	2,928,532
Number of personnel	128,922	140,467	138,118	142,524	140,011	137,586	136,459

Source: National Statistical Institute.

In 2012, the number of accommodation facilities was 2,758, 27 % less than in 2011. The majority of accommodation businesses operate in North and Southeast Bulgaria (1,709) and especially in the Southeast of the country, where their share was 27 % of all active facilities. In 2011, the number of active accommodation facilities reached a peak at 3,776 (Ministry of Economy and Energy, 2012: 31).

The financial crisis and the collapse of the credit and real estate market caused an unprecedented slump in the sector. Many hotel construction sites were halted

due to lack of financing and/or potential buyers. The popular financing scheme – selling properties before construction was complete in order to acquire a fresh and constant flow of cash – was swiftly abandoned. Particularly hard hit were developers looking for quick profit by investing in the construction of smaller hotels and vacation apartments. This segment of the sector is still recovering from the crisis, as hundreds of hotels and vacation properties along the Black Sea coast and in the winter resorts are advertised for sale. Analysis for 2011 shows that 300-400 hotels in the country had been put up for sale by their investors. Over 85 % of these had been built during the construction boom prior to 2008/9 and were mostly located in the periphery of summer and winter resorts. Around 70 % were located along the southern coast in the Bourgas province (GVA Sollers Solutions, 2011). These figures indicate an immense financial strain on many owners and investors, as many facilities remained unfinished and/or non-operational, while their investors heavily indebted. Such conditions potentially put investors in a position of high susceptibility to external pressures, such as extortion. It must be noted that 4 out of the 10 identified extortion cases have also occurred in the Bourgas province.

Regulatory bodies and business associations

The association with the widest representation of hospitality businesses is the Bulgarian Hotel and Restaurant Association (BHRA) established in 1993 as a non-profit organisation. It has 35 regional structures in most of the country: Sofia, Varna, Veliko Tarnovo, Stara Zagora, Rousse, Asenovgrad, Bansko and others. It is among the largest business associations in Bulgaria and is also a member of the International Hotel & Restaurant Association. Cooperation with institutions such as the Ministry of Economy, the Ministry of Finance, the Ministry of Regional Development and Public Works, the Ministry of Culture, the National Tourism Council, allows BHRA to influence policy-making in the tourism sector in Bulgaria (BHRA, 2009).

The regulatory bodies responsible for the hospitality sector in Bulgaria may be separated in two different types – normative and market ones (Institute for Market Economics, 2012). The broader institutional framework includes the National Tourism Council and the Expert Commission for Rating and Certification of Tourist Sites and Facilities. Bulgarian hotels and restaurants can only operate at sites which have been rated as suitable according to the standards of the *Tourism Law* (Ministry of Tourism, 2015). At present, the General Directorate for Tourism Policies and the Department for the Regulation of Tourism at the Ministry of Tourism are the key government bodies responsible for the regulation of the hospitality sector in Bulgaria. In addition, the Bulgarian Food Safety Agency has a remit to control the quality of the food products served in hotels and restaurants throughout the whole country (Bulgarian Food Safety Agency, 2016). The agency operates through a comprehensive regional structure, but its previous directors have arguably compromised its public standing and role, due to accusations of extortion and abuse of office (Герасимов & Радославова, 2015; see also Box 1).

The sector as a grey zone

There are three general aspects of the hospitality sector that make it vulnerable to becoming a grey zone and hence vulnerable to extortion practices.

The first is related to the position of the sector in the economy. Given its contribution to the GDP (12-18 %) and employment (14-16 %), the sector is assessed as a fairly sustainable one, with considerable presence of big Bulgarian and foreign companies. At the same time, statistical data and studies indicate that the sector contains a comparatively large number of small and middle-sized companies in parallel with the other main sectors in the country. Another important feature are the low entry barriers for new actors in the sector. Because of the specifics of the services provided through the real estate and the high levels of employment, there is a constant rise in newly-established small and middle-sized companies in the sector.

The second group of characteristics is the criminal environment which – besides the above-mentioned tradition and adaptation – continues to exert considerable influence. Low institutional capacity and a large grey sector create a space in which criminal structures manage to position their businesses, such as prostitution and drugs. This criminal environment and tradition reassure established companies in the sector to continue using criminal instruments against their competitors.

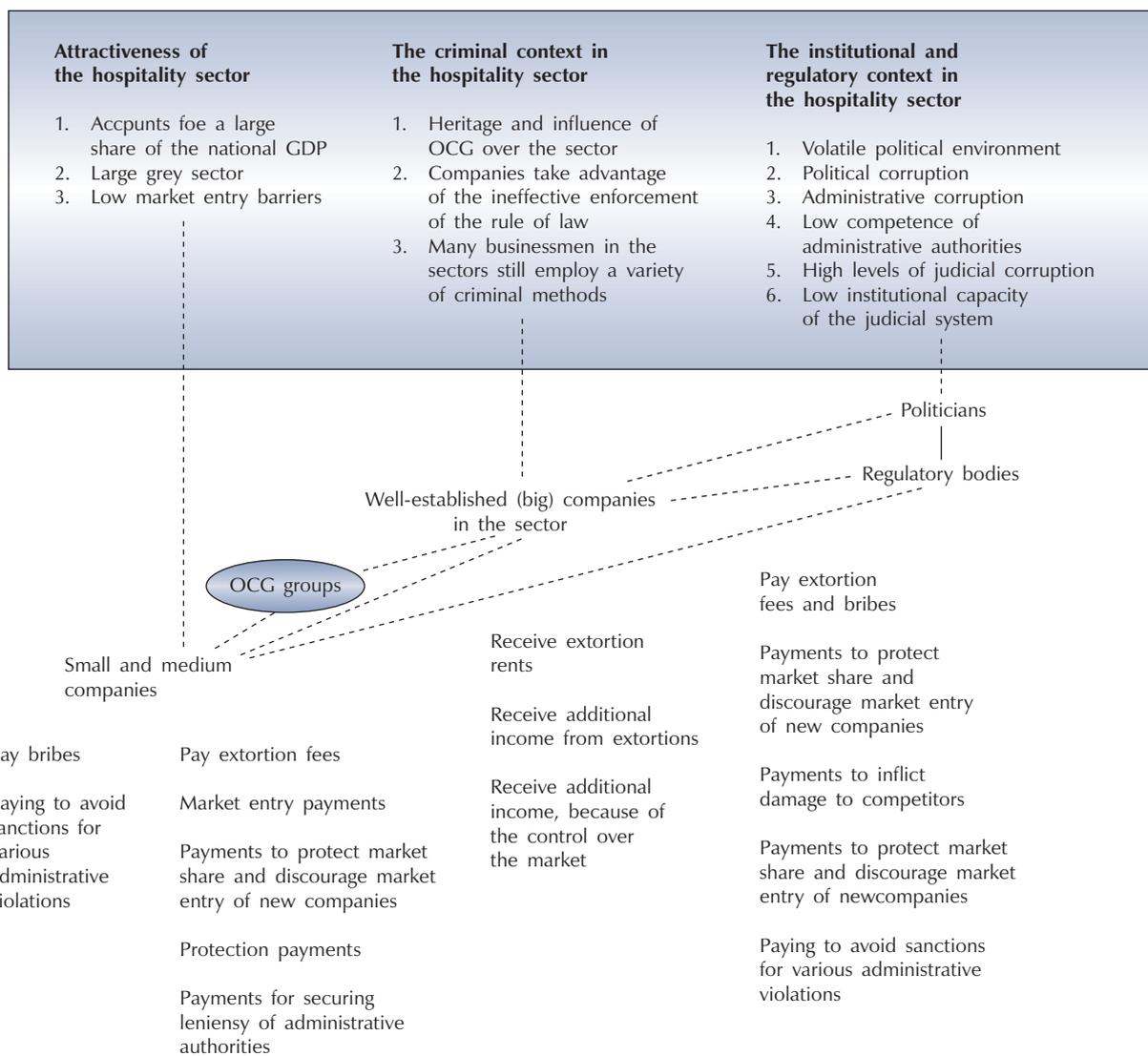
The third group of characteristics relate the institutional environment. A key role here plays the prolonged political instability. Although it has improved since the 1990s, the absence of a stable system of democratic parties creates considerable corruption risks, as the comparative studies among EU countries indicate. Political corruption “trickles down” as administrative corruption at the lower levels. As a consequence, systemic corruption affects the entire public administration – from the Ministry of Interior to the tax administration and the different ministries, agencies and local government bodies related to the regulation of the hospitality sector. Political uncertainty and corruption further undermine the administrative capacity of government services. In the hospitality sector, as in other important economic sectors, there is a paradox of the harmonisation with European legislation and standards being abusing for corruption purposes. Particularly vulnerable in this regard are small and middle-sized companies. In addition, independent assessments by EU institutions show that the judiciary is in a poor shape and blame it for inefficiency and corruption which prevent it from handling the conflicts in the sector.¹³ Furthermore, many of the victims and experts interviewed for this study believe that EU legislation is increasingly abused by big companies and the public administration as an instrument for corruption pressure and unfair competition.

¹³ An example for the problems in the judicial system is the levels of trust in the prosecution and the courts, which are the least trusted public institutions. For the period between 2008 and 2015 these institutions have had 8-10 % of trust and 60 % of distrust (Alpha Research, 2016).

TYPOLOGY OF EXTORTION SCHEMES AND PERPETRATORS

The cases on which the typology below is based are representative of the current period of development of extortion practices in the hospitality sector, which started in 2007 – 2008. The characteristics of the sector outlined in the preceding section make it vulnerable to predatory groups and by and large determine the types of extortion practiced. Figure 7 attempts to demonstrate how the three groups of characteristics interact with each other and how extortion and corruption schemes typical of previous periods coexist with their contemporary manifestations.

Figure 7. Schemes of corruption and extortion in the hospitality sector



Source: Author's elaboration, based on in-depth interviews.

The first type of scheme was common in the 1990s when a given criminal structure would racketeer companies in the hospitality sector. The second type is related to large private companies, which have a completely legal business and occupy a dominant market position (national or local) but use corrupt public officials and/or criminal structures in order to obtain extortion rent from smaller companies. The third scheme is in the public administration – by using the hierarchy in different public institutions, a group of individuals develops a criminal organisation (sometimes more than one). Consequently, it could extort companies in the sector using the powers of a given government body. This third scheme is applied in two modes: through closed structures working at the local level and through a large organisation at the national level (in one of the cases reviewed here, the national-level organisation allowed its local structures to do their own extortion).

As regards the perpetrators, two main types of actors implementing the new forms of extortion can be derived from these schemes. The first one is related to established companies in the sector using criminal methods, while the second are public officials. The companies using criminal “tools” can also cooperate with criminal groups, as well as the public administration as a way for extracting extortion rent. There are many mixed forms and even a case where the same company was simultaneously subjected to extortion and exercising protection racket itself.

Extortion by typical crime groups

Five cases were observed involving typical criminal organisations, falling into two groups. The first is related to small criminal organisations which find suitable victims to pressure for a particular sum of money; these had not previously established a sustainable extortion model (BG-H5, BG-H6 and BG-H7). The second group (BG-H1 and BG-H8) is more specific, as there are two criminal structures operating in a broader criminal context – it is believed that these two groups use the “infrastructure” of OCGs which have dissolved under pressure from law enforcement.

In the first group, although each case is positioned in a specific context, some typical features can be distinguished. For example, in BG-H5 the modus operandi was reminiscent of the practices in the 1990s. It involved a restaurant in a small town, where officials from a security company racketeer the owner and pressure him not to end his “subscription” for their security services. The background of this type of extortion is related to the state of the security companies in the country. The town where BG-H5 took place is located near Bourgas, where the business of security companies offering shady services in the tourist industry has traditionally been well developed. According to the testimony of a high level police officer and media reports, there was a conflict between two security companies. One of them had reportedly been trying to retain its territory, whereas the other had been attempting to enter a territory it considers its own. This is characteristic of this type of extortion – the company protecting its territory and market share demonstrates symbolic violence against the other company expecting that “its clients” would not risk leaving its territory.

In the case BG-H7, again there is the “traditional” model of extortion – the perpetrators were related to the so-called usurious business which was particularly popular in the 1990s when the banks practically did not credit small and medium businesses, and the interests on loans exceeded 20 % on an annual basis. In the second period of Bulgaria’s organised crime development, borrowing money from OCGs was an opportunity for both those giving and those receiving the money. The criminal leaders had the chance to continue controlling legally the business of the companies which had previously paid protection rent. To this end, the loans they provided had to comply with the applicable legislation. These new credit deals initially appeared just and even favourable to the victims, especially as such loans ensured a quick entry in the hospitality sector. The location where extortion in the BG-H7 took place was a small village at the Southern coast of the Black Sea which is one of the hot-spots of economic growth in the tourist industry. It began in the end of the 1990s and lasted until 2011, with the beginning of the next crisis in bank crediting. Borrowing towards the end of the 1990s was important, because the competition was particularly tough and after the established companies consolidated their market positions, the entry of new actors became a difficult task. With the start of the crisis, the “tolerable extortion” became too expensive and the victim decided to seek support and assistance.

In case BG-H7, the two perpetrators charged with the crime relied on the cooperation of a criminal network, but also used various illegal services of notaries and lawyers. It has not become clear, however, whether the criminal structure acted independently or with the protection of local criminal leaders.

The case BG-H6 is typical for the 1990s – a small criminal group demanded a monthly extortion rent amounting to €5,000 from a successful restaurant owner. Following his refusal, the perpetrators hired two martial arts’ fighters to assault him. The case could be described as a part of the “normal” development and the perpetrators were part of the new generation of criminal groups, which entered the market with the onset of the economic crisis in 2008. The group operated in Sofia, predominantly in a specific neighbourhood, and the media reports and interviews indicate that the group also had other victims of extortion.

In the second group of cases of OCG-type extortion, case study BG-H1 represents a systematic extortion of small business owners, small restaurants and night-life venues and pubs. The criminal structure operated in one of the biggest Black Sea resorts. It is believed that the group was subordinated to a criminal leader who had for years monopolised this business in the Bourgas area. After the dismantling of his hierarchical OCG and his imprisonment, his subordinates tried to adapt to the new conditions and created new criminal structures. The group in case study BG-H1 was involved in prostitution markets, but also parts of the local drug market; its victims of extortion were small businesses, taxi drivers, etc. It is telling that the criminal group was not trying to extort the larger companies operating in that area. From the interviews with police officials and prosecutors it became clear that the chief of the regional police department, as well as a considerable number of officers and prosecutors had corrupt relations with the criminal boss, and in some cases even had a joint criminal business

with him. While his imprisonment limited his influence to a certain extent, it did not end it completely. Case study BG-H8 is similar as it took place in a middle-sized town regarded as “the town of the two brothers”. In fact, the “brothers” were former police officials from the national service for combatting organised crime. They managed to gain notoriety by seizing control over the entire town, and even created their own political party which quickly won elections and control over the police, the prosecution and the courts. Consequently, their notoriety attracted the attention of both Bulgarian and European media. As a result, the law enforcement authorities started investigating them, but for a long time failed to track any witnesses of the huge local extortion system. Following years of investigations, the brothers were finally convicted but managed to leave the country. In any case, there is plenty of evidence indicating that the criminal structure involved in case study BG-H8 operated under the control of the two “brothers”.

Monopolistic racketeering

One type of perpetrator which was frequently mentioned in the interviews with sources from the hospitality sector and law enforcement institutions was the big company which uses its national or local market domination to force smaller companies into paying them rent for access to territory and services (infrastructure such as electricity and water). In the two cases BG-H3 and BG-H9 reviewed here the companies used external individuals and institutions (intermediaries) to extort victims, although there is information to suggest that companies have used groups of their own officials or even entire departments as criminal structures generating additional illegal income.

Case BG-H3 involves a representative of the oligarchs (see Table 1). The perpetrator possesses one of the largest pharmacy chains, is a former boss of a popular football club and created his own local political party before running for a mayor of his city. Although his reputation links him to extortion against owners of other pharmacies, there have not been any charges against him. While he has been blamed for VAT fraud and the tax authorities have tried to investigate him, yet again there have been no court charges. In addition to this, the same oligarch has been blamed for electoral fraud at local and national elections. In his case study, the role of a perpetrator overlapped with the functions of a patron. He demanded that the owner of a pizza restaurant pay a monthly rent of €5,000 to an individual pretending to be an owner of the premises hosting the pizza restaurant. The oligarch has threatened consistently the owner of the pizza restaurant, but failed to force him paying a rent. As a result, the perpetrator tried to use the fact that he had built an additional building on the land where the restaurant was located, thus trying to prove that he owned the land as well. By using his influence of an influential businessman, local politician and town councillor he forced the local municipal administration to apply the law in his favour. As a result, the electricity of the restaurant was cut off and its summer garden was demolished. The restaurant owner filed a report to the police and the prosecution initiated an investigation against the perpetrator. According to the victim, however, the perpetrator sent representatives of the local criminal world to threaten him.

In case BG-H9, the perpetrator – owner of a big company producing food components for fast-food Arab restaurants – was also a victim in another case – BG-H2 (see Box 1). Acting as a patron for the restaurants he supplied, the perpetrator received a complaint from fast-food Arab restaurants in a large city that a new competitor had entered the market, thus siphoning off their customers. The victim developed his restaurant successfully and was planning to open a second one and expand his business. The perpetrator, who had built and sold a shopping mall in the city, used his good contacts among the organised criminal groups at the local level and turned to one of its leaders. Although the exact method used is unknown, the owner of the premises hosting the victim's restaurant was forced to cancel the tenant contract with the fast-food restaurant. The victim tried to approach and talk to the criminal leader, but he refused negotiating with him. As a result, the restaurant was shut down and the company bankrupted.

Racketeering by public officials

Racketeering of small and medium companies by public officials occurs most frequently at the local level. These are usually senior officials in the municipal administration or the local branches of central government agencies. The latter are somewhat independent, allowing officials to find suitable victims. For the racketeering model to function successfully, however, those same senior officials need to find subordinate officials to create and participate in a structure ensuring the extortion rent. This criminal structure inside the public administration can ensure income from corrupt practices, but in the case of administrative racketeering, the model presupposes that the victims would pay to avoid harassment and damages. The colloquial term for this levy is “let live fee” – the extorted person/company pays up in order to be allowed to operate without being subjected to multiple and protracted checks, inspections, investigations, etc. Case study BG-H10 developed in one of the municipalities in Sofia and serves as a good example for an analysis of the administrative racketeering which has also been taking place in other municipalities of big cities, as well as in the local departments of central government institutions. The resource used by the mayor of the municipality and her “criminal network” for the purposes of racketeering was the municipal property of several key junctions. Temporary facilities were built up there to host fast-food pavilions. Because of their very good strategic location, they all had a considerable daily profit. Given the complicated legal case, the facilities had a “pending” status for years. The municipality did not want to sell them because of the unclear status of the land on which they were located. At the same time, it made temporary contracts with the owners of the fast-food pavilions, which contained a clause for a short notice cancelation. To avoid the latter scenario, the owners of the pavilions were forced to pay a monthly rent to the mayor and her group. The group's organisation has been constantly changing – besides the mayor, it comprised of almost all of the key officials from the municipality – the lawyer, the architect, the accountant and officials employed as a result of their friendship with someone from the group. The group also had other “channels for illegal income” related to corrupt services, public procurement, etc. The rest of the municipal officials had some general information about the developments, but preferred not to report to the relevant authorities

because the mayor's management provided them with a sense of security and a chance for additional privileges; hence, they would not risk raising questions about the corrupt practices. The mayor and her criminal network were enjoying the protection of parties political (as a result of clientelist services) and entrepreneurs who had influence over the political parties in the municipal council. At the end, the administration of the city's mayor (to whom the municipality mayor is subordinated) initiated a revision which led to the temporary removal of the mayor of the local municipality, and later to her permanent resignation, although no charges were pressed against her.

Cases and schemes of administrative racketeering similar to the one in BG-H10 have also occurred at the lower level in few other places, although in different modifications. A case in point is the tax administration of a big city, which covers several regions in North-western Bulgaria. The administrative director used several of his trusted officials to identify companies, restaurants and hotels at risk. They initiated tax audits and – as expected – managed to find various violations and tax evasions. When companies are small and cannot afford large sums for corrupt payments, they learn their lesson and in the future try to keep their operation entirely legitimate so that inspection cannot find any pretext for extortion. As a result, the public officials would offer them to simply pay a “let live” tax. Depending on the type of violation, the extortion rent could be paid either monthly or quarterly. It would usually be agreed that future tax audits would only find minor violations. The checks would be done to manifest that the system is working and the rents need to be paid regularly. In the case of a food safety agency (see Box 1) in a big city at the South coast of the Black Sea, the local department of the agency applied the “let live” fee in addition to other typical corrupt practices. If a new competitor emerges, those paying would signal to their patrons, so that the latter could start inspections and find or fabricate violations. The aim is to deny the company a share in the market before it could establish and consolidate itself by generating sufficient income.

In addition to this, a market monopoly method is also used. An example is provided by the so-called animal waste, mostly discarded products of meat processing. The regulatory standards require that the enterprises manufacturing food destroy all animal waste in a specific manner. A local department of the government supervisory agency started to apply this requirement to all restaurants in the area. The aim was to enable the only regional company destroying animal waste to receive several hundreds of restaurants as its clients. The model of the criminal group inside the local government institution is similar to the one observed in case study BG-H10, as once again there has been evident protection from political parties. Besides the leader of the scheme, there could also be his deputy or other senior officials included in the “criminal network” for political reasons.

Box 1. BG-H2: the gamekeeper turned poacher

The case BG-H2 gained notoriety after a big media and political scandal in May 2015, thus showing the various aspects of the new system of racketeering and extortion. According to the sources, the rent had been distributed first to the leaders of a political party in government and – following the start of the term of a new government – to another political party supporting the government.

Perpetrators

The Bulgarian Food Safety Agency (BFSA) was created in 2011 and turned into a mega-agency controlling 650,000 facilities, 25,000 restaurants and fast-food establishments, 22,000 bars, cafes, pastry shops, etc. According to media publications and interviews with various sources (officials, policemen, prosecutors), in the local and national level inspection agencies which were merged into BFSA there had been various schemes ensuring income from extortion and corruption but there was no evidence of coordination of these practices. These practices were remained in the new mega-agency but because of political shocks, they constituted systematic corruption rather than a system of extortion. The organisation for creating a system for regular extortion rents started developing with the change in management in the autumn of 2013.

According to the victim from case BG-H10, the newly appointed director of BFSA and his team created a centralised system for racketeering amounting to “approximately BGN10 million (approx. €5 mln) on a monthly basis”. In his view, the ones who avoided paying either enjoyed political protection themselves, or were “in the process of being forced”, or – similarly to him – “are below the radar screen”. The victim’s claims were later confirmed by business associations, such as the National Association of the Dairy Producers (Actualno.com, 2015), as well as by interviews with their representatives.

According to information provided by the victim and unsigned media sources, the big companies have acknowledged that they had paid the Agency’s new management. A big restaurant chain would pay approximately BGN 100,000 on a monthly basis only for its restaurants in Sofia. Another chain delivering meat and pastry as semi-manufactured goods to restaurants had to pay an annual sum of 1 million leva. The BFSA management created a centralised system for racketeering of big companies, but let its local departments enjoy their own income from corruption and extortion. As a result, the Agency enjoyed their loyalty and cooperation in more complicated cases, such as BG-H2.

In order to implement the system for extortion, the new director constructed a new “instrument” by creating two new departments – Risk Analysis and Mobile Groups – which were directly subordinated to him, and he handpicked the senior officials appointed there. Prior to this, the usual practice was to make a certain number of inspections on an annual basis. Through the Risk Analysis Department it could focus on a specific company or facility outside of the annual plan, and instead of the regional BFSA inspectors, the director himself could form and send a mobile group. The argument in favour of the new structure was that it would bypass local collusions between corrupt officials and business but in fact the establishment of the mechanism for extortion of big companies did not affect the interests of the already existing local mechanisms for corrupt income.

Box 1. BG-H2: the gamekeeper turned poacher (continued)**Victims**

The BG-H2 case involves a holding group whose two companies became subjected to monthly extortion. The specifics of the case are related to the profile of the victim – a well established Arab entrepreneur living and working in Bulgaria since the start of the 1990s.¹⁴ His first business initiatives were related to import and sale of consumer electronics, and for this reason he was well aware of the racketeering mechanisms for border crossing, taxation, and the mechanisms of corruption related to the complex powers of Bulgarian government institutions. Following his bankruptcy in 2009, in 2010 the businessman created a new company which used a specific market niche in Bulgaria – the fast-food kebab restaurants. He started two enterprises – his own chain of 30 Arab fast-food restaurants and a company for the delivery of the basic products for the kebab shops in the country – a poultry factory, a bakery for Arab bread, workshops for the sauce and potatoes. Because of his experience in the 1990s and his involvement in the real estate and construction businesses, his new companies were completely legal and he invested considerable resources in the maximum hygiene of his facilities.¹⁵ His initial investment amounted to €5 million and he employed 800 people. Both companies were particularly successful and their sales rose by 70 % annually within three years, thus managing to deliver products to more than 500 Arab fast-food outlets in Bulgaria (70 % of the market). However, as case study BG-H9 has shown, the victim here was obviously a perpetrator of racketeering in other instances.

The shakedown

From the media publications and the interviews with the victim, it became clear that several months after the appointment of the new director (at the start of 2014) the victim was approached by an intermediary (a high-level official from BFSA in Sofia). The intermediary stated that the Agency was aware of the big market share of the Arab food and made “an offer” to help the businessman become a “monopolist of the kebabs in Sofia”. The victim, however, did not agree to pay the suggested amount for that support. From the interviews with police officials it became clear that the victim relied on his political protection and did not regard “the offer” as an actual threat (Blitz.bg, 2015).

The victim’s poultry factory was examined by BFSA in detail because it was known that it processes chilled chicken meat imported from Poland. The meat’s durability was 7 days, whereas its route to Bulgaria would usually last 3-4 days. At the end of March 2014, three months after the offer, a special inspection of the enterprise was initiated and its refrigeration storage facilities were shut down. The Agency demanded €5,000, while the value of all the meat in the storage amounted to €350,000. Thus, only in a few days the meat costing €3.50 per kilogram would have to be scrapped and only used as a dog food for the value of 10 cents per kilogram. The victim accepted to pay the “let live fee”,

¹⁴ Initially, the entrepreneur established and developed his companies in Bulgaria, and then in other Balkan countries, and eventually created a big company for electrical devices and electronics, with markets in the Balkans and in North Africa. During the real estate boom in Bulgaria, he made investments amounting to €100 million as of 2008. As a result of the crisis, he bankrupted, as the banks crediting him took the larger share of his international company and its real estate assets.

¹⁵ The victim in case study BG-H2 tried to retain the specifics of the Arab fast-food, but simultaneously change its image of insufficient hygiene. For that reason, his investments were considerably higher compared to those for hygiene standards in other EU countries.

Box 1. BG-H2: the gamekeeper turned poacher (continued)

but the next day the extorters came up with a new demand of a €10,000 monthly rent – in other words, a sum worth half the annual revenue of the company. The victim refused and the chilled meat remained in the sealed storages. As a result, he realised that the damage done would eventually result in a huge annual loss which would in turn lead to problems with the banks crediting him. The director of the BFSA and the others involved in the operation knew that the meat they were inspecting would turn out to be normal in the laboratory analysis, as a result of which they would be sued. However, they were also aware of another problem in the company of which the victim claimed he had not known, but admitted his fault. It turned out that a group of workers had consistently stolen parts of the meat and smuggled it out. After the stores had been sealed, the meat quickly went bad and was found by the inspectors. The violation was documented, but not announced. The victim's refusal to pay also led to a series of actions against his fast-food restaurants. The local structures of BFSA also started pressuring other Arab fast-food restaurants, while trying to convince their owners and managers to cancel the contracts and deliveries from the company of the victim.

The exposure

The victim tried to achieve a sort of agreement with the BFSA management but its director offered him to meet with his subordinates and negotiate. In this very period, it became clear that new parliamentary elections were coming. The victim decided to try and make the most of the situation and filed a report to the police and the prosecution. An investigation soon started, but the BFSA negotiator had apparently been tipped off and foiled the attempt to use surveillance techniques in the negotiations and the money exchange. After the election of the new government, the victim thought that he would not face any more trouble with the BFSA's director, although the latter retained his position. Only a week after the prosecution's investigation ended, however, a new team from the Agency entered the victim's enterprise. This time he was told that their aim was not to make him pay, but to use him as an example of punishment for all those who were paying. According to the victim, the actual goal was to bankrupt him; as a result, he declared that would fight back with the support of the media. Soon after this he started giving a lot of interviews, thus attracting the interest of national media. At the end, the BFSA's director was changed, despite protests of the political party which supported the government and opposed his dismissal.

THE VICTIMS

Most of the victims in the analysed cases were in some way related to the grey market and had previously established relations with the perpetrators.

The analysed media reports reveal high concentration of extortion cases in the coastal regions of Bourgas – 4 and Varna – 1, as well as in the city of Sofia – 3; two cases occurred in Pleven and Dupnitsa. Most of the cases occurred in large cities and resorts – Sofia, Bourgas, Varna and Pleven. The two exceptions are the towns of Aytos and Dupnitsa. The prevalence of extortion in large cities and resort areas may be explained by higher concentration of companies in the hospitality sector. Most of the analysed cases reported extortion-related incidents where one particular entity and/or person has been identified as the prime

target and victim. However, two cases involved multiple victims who had suffered systematic extortion – in the resort Sunny Beach (Bourgas) and in Sofia (BG-H10; BG-H1). In Sunny Beach, Nessebar and Sveti Vlas an OCG had targeted small retailers, mostly single-owner businesses, while in Sofia municipal administration officials extorted more than 50 retailers who had been renting their place of business from the city administration. Both cases involved continuous and systematic extortion practices; the ad hoc extortion incidents took place mostly in the Sofia and Bourgas regions. This indicates that victims are concentrated in areas within cities and resorts with high profile retail areas such as marketplaces, downtown pedestrian areas, etc.

Most identified victims were Bulgarian males. In one case (BG-H2) the victim had a dual citizenship and in another the victim was female (BG-H5). In seven of the cases the victims had been owners of small to medium-sized limited liability companies in the food and hospitality sector. One case involved a larger company in the meat processing and fast-food sector with considerable presence in Sofia and some coastal regions (BG-H4; BG-H2). However, in two of the cases involving multiple victims (more than 50) they have been identified as sole proprietors/merchants. With some caution, this indicates that the majority of extortion victims were small businesses. In all but one case, the owners of the businesses had been the target of extortion practices. In the extortion case involving a larger fast-food chain company, regional offices and production facilities were also targeted, in this case by public officials (BG-H2; BG-H4).

The analysis of the collected data suggests that small sole proprietor businesses tend to comply with extortion demands. In the cases involving multiple small businesses in Sofia and Sunny Beach almost all have complied with the demands and have sustained systematic harassment (BG-H1; BG-H10). Out of the remaining eight individual cases, however, only two have initially complied only to report to the police and/or media after circumstances had escalated either through increased demands by extortionists or physical assault (BG-H8; BG-H7; BG-H9). In these cases the victims lost their business and/or related properties. In the rest of the cases the businesses of the victims remained operational. In one case the victim neither complied with extortionist demands nor initially alerted the authorities but rather attempted to resolve the issue by negotiating with the stakeholders (BG-H9). Still, where extortion demands were resisted it is not clear whether compliance had been refused from the onset or due to rising extortionist demands. It is noteworthy that the likelihood of victims reporting to the authorities does not seem to depend on the type of offender. In both cases of mass systematic extortion by an OCG (BG-H1) and by representatives of a public administration (BG-H10), the small business victims remained mostly compliant. This indicates that size of business may play a role in the decision-making process to report or not the extortion to the authorities.

In most cases the extortionists were clients of the facilities of the extorted or, where public officials were involved, government oversight agencies. In one case there appears to have been a personal relation between victim and perpetrator (BG-H3), while in another (BG-H6) no apparent connection has been established. In a noteworthy instance the extortionist of a hospitality facility owner was the private security company hired by the victim (BG-H5).

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APPENDIX 1. LIST OF CASES FOR THE STUDY OF EXTORTION IN THE AGRICULTURAL SECTOR

ID	Location/Period	Description	Source
BG-A1	Dobrich province, 2014	Two inspectors from a Regional Directorate of State Fund Agriculture in complicity with a former expert from the same institution extorted more than 20 farmers receiving subsidies from the fund. The farmers were threaten with excessive inspections and sanctions, if they did not comply with the demands.	Media
BG-A2	Vratsa province, 2014 – 2015	The mayor of a small municipality, the life partner of the mayor and accomplices from the municipal council rigged a concession tender for municipal pastures (500 ha) in order to obtain subsidies. Subsequently, the beneficiary denied the local livestock breeders the right to use the pastures, thus effectively pushing them into bankruptcy. The group abused their position of power to silence the farmers and suppress any claims from them.	Media
BG-A3	Vratsa province, 2014 – 2015	The mayor of a village, his wife and sons in complicity with the local political leader, have been extorting and racketeering farmers and landowners in their village in order to force them to sign land-sale/land-tenancy contracts. When a victim of the extortion filed a report to the police they systematically threatened him and arranged so that his house was vandalised and pillaged.	Interviews with police, media
BG-A4	Blagoevgrad province, 2014 – 2015	A notorious OCG from a mountainous municipality in the Blagoevgrad province decided to move into cattle breeding in order to get access to EU subsidies. They managed to rig the tender for the concession of the municipal pastures and forced a number of landowners to sign sale/tenant contracts for their private land suitable for pastures in order to increase the acreage of pastures tended.	Interviews with police
BG-A5	Sofia province, 2014 – 2015	Infamous shady businessman and a local political leader in a mountainous municipality of Sofia Province, in complicity with municipality councillors and the mayor (fellow party members) rigged a concession over part of the municipality pastures with the ultimate goal to receive European subsidies. The businessman attempted to extort 2 local livestock breeders in order to take over their pastureland using verbal threats for physical assault and threats for imposition of administrative sanctions.	Media

ID	Location/Period	Description	Source
BG-A6	Burgas province, 2014 – 2015	Two shady businessmen harassed a local sheep breeder in the Strandzha mountain in an attempt to take over his pastureland. He was the only farmer tending most of the pastures in the village and receiving European subsidies. They tried to threaten him, tried to convince the villagers to terminate their land tenancy contracts with him, intentionally ploughed the pastures and triggered administrative inspections against the farmer in order to make him give up the pastures.	Interview with victim
BG-A7	Vratsa province, 2013 – 2015	Two brothers – shady businessmen from a small town in the Pleven province – were extorting small farmers and cooperatives in the Vratsa province. The aim of the extortion was to force the small farmers and cooperatives to cede their land tenancy contracts and give up the lands cultivated by them along with the rights to receive EU subsidies for those lands. The extortion started in 2013 with administrative claims and disputes over the lands cultivated by the cooperative and attempts by the extortionists to block the EU subsidies for the cooperative. In 2015, employees of the extortionists sprayed with herbicides large areas of the victims' crops (maze, sunflower, etc.), thus destroying the entire yield of a local cooperative.	Interviews with police, media
BG-A8	Pleven province, 2012	A member of parliament in complicity with a municipal councilor from Pleven and the Director of the Regional Office of State Fund Agriculture in Montana extorted a big tenant farmer cultivating a hundred thousand hectares in the provinces of Montana, Pleven and Vratsa. They requested protection money in exchange for lenient administrative control, swift disbursement of the subsidies and administrative support in case of disputes with competitors. In the beginning the victim complied, but as the extortion continued he filed a report to the police.	Media
BG-A9	Vratsa province, 2010	An OCG involving notorious figures from the town of Montana kidnapped a trader in agricultural produce from Vratsa and extorted him to participate in fraud schemes in order to pay back his debts. The leader of the extortionists was an infamous businessman and big tenant farmer known for involvement in numerous incidents related to extortion, theft or damage of property, VAT tax frauds.	Interviews with police, media
BG-A10	Blagoevgrad province, 2014 – 2015	A number of tobacco growers were deceived, defrauded and thus deprived of their legitimate right to receive agricultural subsidies. The fraudulent scheme was implemented by a group of municipal and other local officials (fellow party members) – mayoral mayors, municipal councilors, public servants in the municipality, local police officers, local forest guards, etc. Subsequently the group extorted the farmers to not pursue or cede claims for their right to receive the subsidies.	Interviews with police, media

ID	Location/Period	Description	Source
BG-A11	Bourgas province, 2013	A big tenant farmer extorted local land owners to sell or lease their lands. In one of the cases he ordered a physical assault on a local landowner who resisted. In a previous incident he extorted a local concessionaire of the irrigation dams in the municipality to transfer his concession to a company controlled by the tenant farmer. In order to overcome the resistance of the concessionaire, he ordered the fish in one of the dams to be poisoned and the other dam to be drained out.	Interviews with police, media
BG-A12	Shoumen province, 2007 – 2011	A well-established tobacco grower and tobacco trader (also a local political leader) deceived and defrauded a number of tobacco growers in the municipality and thus deprived them of the right to receive agricultural subsidies. He continuously extorted the local farmers not to file complaints and cede claims for their rights to receive subsidies. When the tobacco growers attempted to organise protests, the perpetrator intimidated the local coordinator of the National Association of Tobacco Growers, eventually organised a physical assault and arranged a road incident, where his car was pulled out of the road.	Interviews with victim, media
BG-A13	Pazardjik province, 2014 – 2015	The mayor of a municipality in the Pazardjik province in complicity with an infamous local businessman, the head of the municipal office “Agriculture” (his intimate partner) embezzled municipal property through forging documents and selling the municipal pastures to a company allegedly controlled by the mayor and the businessman with the ultimate goal to obtain the right for agricultural subsidies from them. When the local livestock breeders filed complaints to the police and the prosecution, brought the case in the media and organised protests, the mayor and his accomplices started to intimidate and extort them through threats and administrative penalties. The purpose of the extortion was to persuade the livestock breeders to cede claims for the pastures and concede their right to receive agricultural subsidies for them.	Interviews with victims and prosecutor, media
BG-A14	Vratsa province, 2013 – 2014	Farmers and stockbreeders have been subject to protection racketeering from an OCG consisting of at least 13 people. The farmers had to pay monthly fees for access to and protection of their lands and pastures.	Prosecution, media
BG-A15	Montana province, 2012 – 2014	An OCG involving notorious figures extorted local farmers to sign contracts for private security services or to sign contracts for sale of lands. The group used verbal threats and intimidated the victims through various tactics – beatings, arson, damage of property and kidnappings.	Prosecution, media

APPENDIX 2. LIST OF CASES FOR THE STUDY OF EXTORTION IN THE HOSPITALITY SECTOR

ID	Location/Period	Description	Source
BG-H1	Bourgas province, 2012	A local crime boss was involved in systematic extortion of small owners of tourist attraction facilities, kiosks, restaurants and pubs in Nessebar and Sunny Beach. His group was also involved in drugs trafficking and prostitution. It has been reported that the group was also subordinated to the popular criminal leader Mityo "The Eyes".	Interviews with police, media
BG-H2	Sofia, 2014 – 2015	The Bulgarian Food Safety Agency – an oversight body – has been involved in the extortion of popular fast-food chains in Bulgaria. The case revealed several networks for long standing extortion, which in some periods was centrally managed and politically protected.	Interviews with victim, media
BG-H3	Varna, 2014	The case involves a large economic holding, the core of which is trading in pharmaceuticals and petrol, as well construction. Being a large property owner in the city, in cases of conflict it would protect one side and extort the other.	Media
BG-H4	Bourgas province, 2014	Representatives of the Regional Directorate of the Bulgarian Food Safety Agency were accused of extortionist practices in the province of Bourgas. These were more or less stable groups of public officials extorting restaurant owners and meat producers.	Interview with BFSA former employee, media
BG-H5	Bourgas province, 2014	A private security company tried to force the owner of a club/restaurant (conflicting reports) to renew his contract with them. The same company used violence against other victims and against its competition.	Interviews with police, media
BG-H6	Sofia, 2011	A prominent restaurant in the capital city was extorted by a local OCG.	Media
BG-H7	Bourgas, 2011	Loansharks had long been extorting the owner of a guest house and a restaurant because of a loan. The owner did not report it to the police but the case surfaced after a lost court battle and violence.	Media

ID	Location/Period	Description	Source
BG-H8	Kyustendil province, 2006 – 2012	The restaurant owner became a victim of systematic extortion and harassment. The group perpetrating it is linked to two men known as the biggest criminal entrepreneurs in the region. Large huge sums of money and a villa were taken from the victim, after which he bankrupted. The police and prosecution, however, have not initiated any legal proceedings despite the physical abuse suffered by the victim and the damage done to his property.	Media
BG-H9	Pleven, 2014	The victim was a young manager of a successful small fast-food restaurant, who was extorted by a powerful entrepreneur supplying semi-processed products. The latter hired a local criminal boss who pressured the victim's landlord to default on their rent contract and expel him from the premises. The victim efforts tried to negotiate with the criminal boss but failed and, as a result, lost his business.	Interview with victim
BG-H10	Sofia, 2012 – 2015	The mayor of a Sofia municipality and her administrative officers have been accused of extortion by small restaurant and shop owners. The restaurants and shops are located at places of significant footfall. Because they were erected on municipal land, the mayor and accomplices extorted the victims threatening a cancellation of their rent contracts.	Interviews with victims

EXTORTION IN GREECE

THE RISE OF ORGANISED CRIME, EXTORTION AND RACKETEERING IN THE LATE 20TH CENTURY

Organised crime had not been an issue in the public discourse and academic debate in Greece until the middle of the 1990s. Although in the beginning of the decade some family based groups of Greeks extorters were formed, organised crime was recognised and recorded mostly as a problem connected to the presence of migrants (Vidali, 2014: 178). A look at reports of the Hellenic Police on organised crime shows that it was in the 1990s that organised crime began to be highlighted as a problem in the Greek context (Antonopoulos, 2009; see also Xenakis, 2006). These reports constitute the first official documents which referred to the presence and the involvement of criminal organisations in the Greek market and emphasised a clear link between organised crime and the influx of immigrants. In particular, the reports of the Hellenic Police for the years 1995 – 1999 noted a serious threat from “national criminal groups”, and at the same time stressed the involvement of foreigners in organised criminal activities.¹

Another factor for the under-representation of racketeering and extortion among the priorities of the Hellenic Police has been the growth of the shadow (informal) economy. Its large size made it difficult to distinguish organised crime from other forms of illegality, because it contributed to blurring the boundaries between organised crime and typical economic crimes of entrepreneurs (Vidali, 2007/1: 912). In the 1990s, typical organised crime seemed to be a marginal phenomenon, which began to be investigated thoroughly and independently because of international commitments undertaken by Greece to prepare special reports on the state of organised crime (Rizava, 2012: 77).² In particular, police data for the years 1995 and 1996 show that organised crime had not been established in Greece during that period. The activity of criminal organisations in that period was considered limited, while the authorities predicted the increase of migration flows and cross-border criminality.

¹ The 1998 Hellenic Police report on organised crime in Greece, for example, states: “the continuing critical financial situation, the fragile political balance of almost all countries neighbouring Greece and the constant influx of refugees and so-called economic migrants from neighbouring Balkan countries constitute an excellent aggravating factor for an increase of crime rates in certain areas of criminal activity” (Hellenic Police, 1999: 2). Later, in the 2003 and 2004 reports the role of ethnicity in shaping domestic organised crime is clearly emphasised.

² Lambropoulou (2003: 82) points out that the reports for 1995 and 1996 differ in several respects from the reports of 1997, 1998 and 1999, mainly due to the pressure to present a report based on the EU Council’s requirements (1997b) document 35 (rev. II, Doc. 6204/2/1997). It is worth noting that the conclusions of the 1999 report are almost the same as in the previous report and appear incompatible with the presented situation (Hellenic Police, 2000: 3).

THE CONSOLIDATION AND EXPANSION OF ORGANISED CRIME

The gradual consolidation of criminal organisations in Greece in the period 2000 – 2005 (Βιδάλη, 2007/1: 912) was related mainly to the structural changes at the end of the twentieth century, especially the expansion of the free market economy and its consequences. New labour markets, consumerism and free markets, including in sectors such as leisure and entertainment, which had not been regulated by the government (Βιδάλη, 2014: 178), in combination with the increase of social inequalities contributed to the emergence of groups of people with low professional qualifications who were excluded from the legal economy and could easily be employed in the illicit markets (Ruggiero, 2000: 15-27).

This consideration changed in the annual reports on organised crime for the years 2011 and 2012, which provide more data and information than previous ones. According to these, individuals of Greek nationality are over-represented in most criminal activities.³ The conclusions of the 2011 report state that “in general, there is a strengthening of the role of residents in most criminal activities, and foreigners seem to predominate only in the smuggling of migrants, organised robberies and thefts” (Hellenic Police, 2012: 48).

The increased involvement of Greeks in organised crime is reflected in the report for 2012, which finds an increase in their role in most criminal activities (Hellenic Police, 2013: 49). Without an explicit reference to the causes of increasing domestic engagement with organised crime we estimate that it may be the result of the financial crisis, which is considered a key factor influencing the growth of organised criminal activities (Σταμούλη, 2015: 1212-1213).

Recent reports of the Hellenic Police point out that the geographical position of Greece as a passage between East and West in conjunction with the consequences of the economic crisis (especially the high level of unemployment) are two main factors which reinforce illegal activities such as trafficking, smuggling of tobacco products and drugs trade. In the latest Europol report on serious and organised crime in Europe, the economic crisis is also emerging as the primary reinforcing agent (enabler) (Europol, 2013: 11), which creates new opportunities for the growth of organised crime and changes the modus operandi of criminal organisations. However, this does not necessarily imply an increase in organised crime but could mean significant changes in the modus operandi trends of criminal organisations.

THE IMPACT OF THE ECONOMIC CRISIS

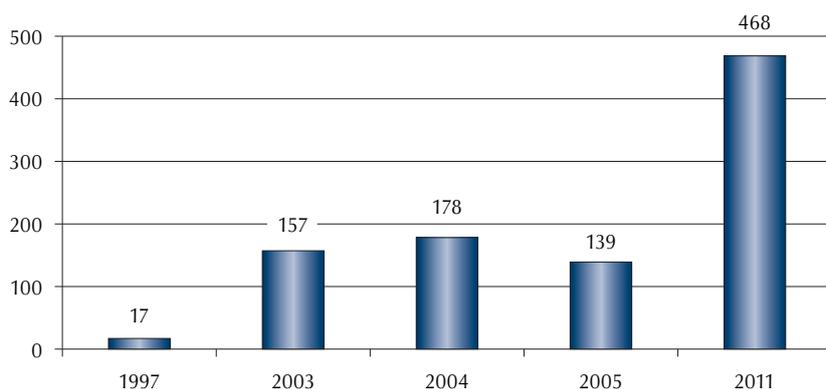
The economic crisis is framed by two essential social conditions in Greece, which reinforce the growth of organised crime: the first of which is a consequence of the crisis, and the second are structural conditions including high unemployment

³ The 2011 report for the first time referring to domestic criminal groups that cultivate cannabis and even noted that “these groups consist of nationals usually connected by family ties, friendship or business relations” (Hellenic Police, 2012: 19). Also, it notes the primary role of nationals in criminal activities such as metal theft, vehicle theft, trafficking in people, fraud, extortion and cyber-crime.

and the shadow economy. According to Eurostat, in August 2015 Greece had the highest unemployment rate (24.6 %) among the 28 member states of European Union. The unemployment rate is higher for youth under 25 years (52.4 %, 2014) and for women (30.2 %, 2014).⁴ Furthermore, Greece has one of the higher rates of shadow economy in Europe. The existing data for the year 2013 shows that Greece ranks 8th among the European member states with high levels of shadow economy after Romania, Lithuania, Estonia, Latvia, Cyprus, Malta and Poland (Schneider, 2013: 23). In particular, the shadow economy is estimated at about €43,170 millions out of a GDP of €182,924 million, meaning that 23.6 % of the Greek economy is channelled in the informal sectors (ibid.). The growth of the shadow economy is a strong factor that favours criminal organisations activities development.

The impact of the economic crisis on organised crime is documented by the 2011 and 2012 Hellenic Police reports. There, the crisis is considered an essential condition for the expansion of organised crime activities. In particular, according to the 2011 Hellenic Police Report, the economic crisis creates conditions for easy recruiting of people, mainly foreigners facing hardship (Hellenic Police, 2012: 50). Indeed, the annual numbers of cases of criminal organisations investigated by the Hellenic Police has increased over time (see Figure 1). However, these changes could be related also to changes in the Hellenic Police's priority targets or to changes in the modus operandi of the criminal groups (involving criminals who are not professionals, conflicts between organised crime groups). There is also a clear increase in the number of involved persons in the criminal organisations (see Figure 1 and Figure 2) (Σταμούλη, 2015: 1214-1215).

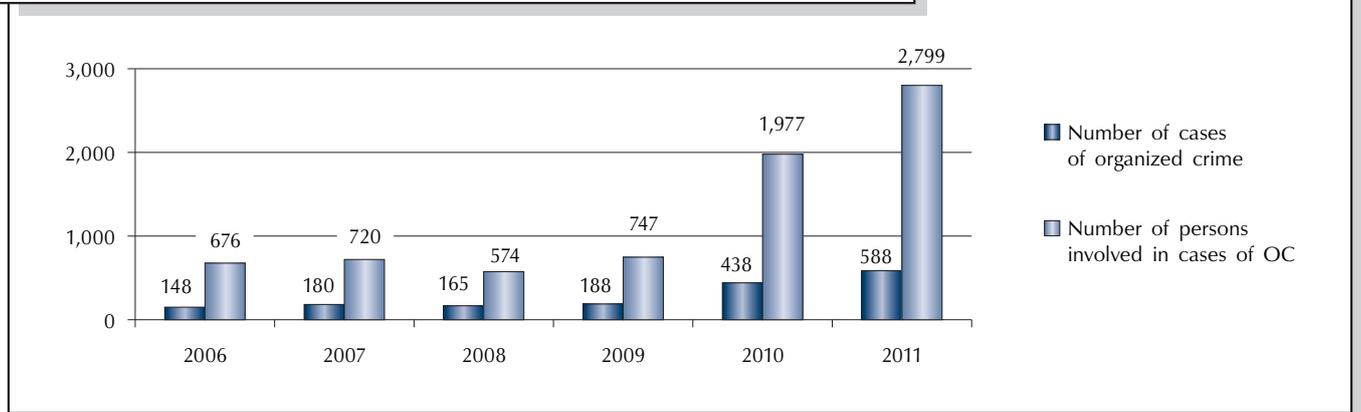
Figure 1. Number of criminal organisations in Greece



Source: Hellenic Police 1998, 2004, 2005, 2006, 2012, elaborated by Irene Stamouli.

⁴ <http://ec.europa.eu/eurostat/statistics-explained/inex.php/Unemployment>

Figure 2. Cases of organised crime and number of persons involved



Source: Hellenic Police, 2013, elaborated by Irene Stamouli.

PROBLEMS WITH THE QUALITY OF DATA ON ORGANISED CRIME

The Hellenic Police report on organised crime for the year 2012 did record the total of cases of organised crime, but described its specific aspects, such as: illicit trafficking of migrants; distribution of drugs; robberies and thefts; human smuggling; extortion; kidnapping; fraud; forgery; tobacco and cigarette smuggling; counterfeiting of goods; and trade in cultural products and antiquities.

The methodology of reporting statistical data, however, is different for each specific aspect of organised crime. In most cases, the report indicates the total number of cases and persons charged by the police regarding the specific offenses. In other cases, the data shows the number of criminal groups apprehended (and not the number of organised crime cases). According to the 2012 report, the Greek Police investigated 664 criminal groups, corresponding more or less to the same number of organised crime cases. Out of all criminal groups, 9 groups committed extortion and racketeering offences (4 in Athens, Thessaloniki 4 and one in western Greece). The absence of a solid and valid measurement and reporting on organised crime and its variations on qualitative and quantitative aspects, leads to vaguely general and confusing evaluations about its extent and about the concrete impact of the economic crisis on these criminal activities. However, there are some data which allow gauging the qualitative changes regarding extortions and racketeering in Greece within the economic crisis.

The structural changes in the Greek society and economy in the recent decades had determined also qualitative changes in criminality and crime rates increase. While attention was on street criminality and fear of crime, various forms of serious financial, corporate and organised crime expanded also. Up to now, organised crime has mainly been linked to cross-border criminality such as smuggling, drugs, human trafficking. In the internal illegal market extortion, racketeering, drugs, corruption and sex workers' exploitation are typical organised groups businesses. Official data are, however, very poor, so low statistical figures of these crimes

cannot be said to correspond to high levels of social harm. Specifically, corporate and economic crime data are marginal in comparison with other common crimes. The cases registered by the police annually are not indicative of the expansion of these crimes. Our research showed that the cases of organised crime according to Hellenic Police data for 2012 are less than 7 for each region. Extortion cases, in particular, are not easily identified outside big urban areas.

CORRUPTION AS A KEY FACTOR LINKED TO ORGANISED CRIME

According to the Corruption Perception Index for 2015 by Transparency International, Greece is ranked 58th among 168 countries, having improved its position by almost 10 points (69th in 2014, 94th in 2012), having 46 points on a scale from 0 (highly corrupt countries) to 100 (no corruption) (Transparency International, 2015). Furthermore, according to the 2010/2011 Global Corruption Barometer of Transparency International the 66 % of Greeks who participated to the survey consider the government ineffective in fighting corruption, and 75 % believe that the level of corruption in the country has increased during the period 2007 – 2010. Eighteen percent of Greek people reported paying a bribe.⁵ However, it should be noted that these surveys are measuring perceptions about corruption and not the quantitative or qualitative extent of corruption. Additionally, the levels of corruption measured by Transparency International are rather related to political and public sector corruption in its relation to the private sector but do not provide a measure of organised crime's infiltration in the legal economy.

LEGISLATIVE AND INSTITUTIONAL ASPECTS

Greece has adopted a series of legislative measures against organised crime, in the context of the Convention of the United Nations and initiatives of the European Union, related to the concept of criminal organisation, to the European Arrest Warrant, to collaboration among police and judicial systems, to transnational crime and terrorism, to human trafficking, etc. Independent authorities and special services for the monitoring, control, and investigation of organised crime have also been institutionalised. With respect to legislation Greece follows the international and European trends against organised crime. Applicable laws on this issue are laws 2928/2001 and 3251/2004.⁶ The competences of control and market protection are vested in the Hellenic Competition Commission (HCC) which is responsible for the enforcement of the law 3959/2011 on protecting fair competition. HCC is an Independent Administrative Authority with procedural and decision-making autonomy, and performs all the enforcement actions with respect to national and EU competition rules. It has broad enforcement powers in the area of collusive

⁵ http://www.transparency.org/country/#GRC_Data

⁶ L. 2928/2001, Gazette of Government vol. A, n. 141/27.6.2001 "Amendment of the provisions of the *Penal Code and the Penal Procedure Code*, and other provisions for the protection of citizens from punishable acts of criminal organizations". L. 3251/2004, Gazette of Government, vol. A', n. 127/9.7.2004: "European arrest warrant, modification of the Law 2928/2001 on criminal organizations and other provisions".

practices/cartels, abuses of dominance and merger control. In this context, the HCC may take decisions finding an infringement of the *Competition Act* and the *Treaty on the Functioning of the European Union* (collusive agreements and/or concerted practices between undertakings that have as their object or effect the restriction of competition) and impose administrative fines, launch investigations and conduct raids for the enforcement of antitrust and merger control rules, conduct sector inquiries.⁷ The HCC has no jurisdiction over the application of the provisions of law 146/1914 on unfair competition, the application of which is in the competence of civil courts.

The Greek *Criminal Code* incriminates extortion as an offence included among the crimes against property. Article 385 of the Code defines it as the act of someone who “in order to earn for himself or others an unjust profit, forces someone with violence or threat of an act, omission or forbearance as a result of which damage occurs to the property of another.” The crime is constituted when it is committed with physical violence against a person or threats combined with imminent danger to the body or life b) if the offender exercised violence or threat of damage to the business, profession, his position, or other activity carried out by forcing or else or offered to provide or provides protection to avoid causing such damage by a third party shall be punished with imprisonment of at least two years and may not convert or suspension of sentence. The provision is further qualified in cases when the acts are committed by a person who commits such acts habitually or as profession (or if the circumstances show that the perpetrator is especially dangerous). If the act results in the death of a person or in serious physical harm or if the transaction was executed with particular cruelty against a person, then life Imprisonment is imposed.

In Greek penal legislation there is no specific provision against racketeering. Racketeering is considered one of the acts which constitute the *modus operandi* of extortion. Usually these offenses are compounded with other offenses, such as setting up an organised crime group (criminal association, art. 187 *Criminal Code*), illegal possession of weapons, illegal profession, supply and trafficking of drugs, etc.

⁷ www.epant.gr/content.php?Lang=en&id=85

EXTORTION IN THE AGRICULTURAL SECTOR

BACKGROUND

For the purpose of this report “agricultural sector” includes all the activities of land cultivation, animal feed and production, as well as the promotion of agricultural products in the wholesale and retail markets by the producers or the sale of the primary produce to the wholesalers or to agricultural/animal products’ processing industries. The process of agricultural/animals production includes also the rural equipment, the supply of animal feed and plant seeds, the maintenance of rural lands and facilities, livestock, etc. All these processes and specific needs in the supply and possession of goods are included in the primary sector production.

Extortion in the agricultural sector is not a typical form of crime. The various forms of extortion or racketeering which are committed against agricultural producers within the cycle of agricultural production are included in this term. This particular type of crime has not been researched or identified specifically in this sector in Greece. This report, therefore, covers cases which have not been identified by the Greek authorities as typical forms of crime, and consequently are in the grey zone of criminality. Up to now, extortion has been a form of crime related to interpersonal violence or threats of violence or to the operation of OCGs mainly in the urban context. By this perspective, extortions have typically been related to the consumer economy and mainly to the night-time economy (NTE) and leisure industries. However, as just mentioned, they have not been committed typically within the tertiary sector, between contracting parts in legal enterprises. As will be analysed below, rural extortions by contrast are committed within the cycle of rural production between contracting parts of entrepreneurs. This is probably a key reason why there has been an invisibility of rural extortions.

The analysis in section is based on the research of 12 cases of extortion in the agricultural sector in Greece for the years 2004 – 2015. In this type of extortion (hereinafter referred to as rural extortions), there are three categories of perpetrators. First, a large number of corporations of agricultural supplies and processing of agricultural products organised to violate laws on competition and rights on property disposal of the agricultural producers. Second, there are the livestock breeders and agricultural producers who transited from legal primary sector to organised criminal activities as drug trafficking, extortions, etc. Third, rural extortions involve a limited number of offenders coming from marginalised Roma groups, who belonged to OCGs. The victims in the researched cases include a large but indeterminable number of villagers, livestock farmers and agricultural producers. The sources used in the research include the decisions of the Hellenic Competition Commission (HCC), publications in newspapers and magazines, publications on websites of rural associations and cooperatives, parliamentary questions to the Minister within Parliamentary Control, and interviews with farmers who were victims of rural extortion.

THE AGRICULTURAL SECTOR AND EXTORTIONS IN GREECE: A CORPORATE CRIME?

Dominance and crisis of the agricultural sector

Greece is a country of mixed capitalist economy, in which the agricultural sector is very important for the Gross Domestic Product (GDP). Throughout the 20th century the primary economic sector in Greece developed as mainly small scale family owned agricultural enterprises and breeding units, the secondary included medium scale manufacture industries and the tertiary sector commercial private enterprises and public services. Up to now, self-employment and family business have been typical of the Greek economic structure (Βιδάλη, 2011, Νικολαΐδης, 2005: 116, Χάλαρης, 2005: 49).

In 2012, the value of primary sector in Greece was estimated at €10.8 billion, the number of employed in it was about 500,000 people, namely 12.2 % of the total employed workforce. According to European Commission reports, the agricultural areas in Greece occupy 82 % of the total land of the country. However since the 1990s, under the Common Agricultural Policy of EU (CAP) the primary sector had increasingly shrunk. The Utilised Agricultural Areas (UAA) in Greece during 2007 – 2010 decreased by 15 %. In the years 2007 – 2012 the average of employed in primary sector decreased by 1.3 % per year (European Commission, 2013 and 2012).

In the last 30 years, in the context of the expansion of free market economy in combination with the CAP and structural variables typical of the Greek political and institutional system (such as political clientelism, corruption, economic deregulation), a number of structural changes occurred in Greece, which involved also agricultural sector. The concurrence of these factors had, among other things, the effect of disintegrating the small industries in the processing of agricultural products, while favouring the expansion of industrial consortiums in this sector, and dismantling the state protected agricultural credit system (loans to farmers); the unique Agricultural Bank was also privatised in 2012. These events enhanced the vulnerability of the agricultural producers and their dependence on corporations' financing (Λουλούδης, 2012: 10 and Αργεΐτης, 2005: 30). On the other hand, industries processing agricultural products began to move to horizontal agreements, responding to the increasing competition within the primary sector because of industrial concentration and the entrance of large foreign companies in the Greek market.

Organised corporate crime in Greece and research findings summary

According to findings of this research, rural extortions in Greece can be classified in three types: (a) cartel rural extortions (CRE) are related to the production cycle of agricultural produce and livestock, and their sale to processing industries and to wholesale distribution companies. In particular, extortions are committed as part of the development of cartel agreements between industries supplying and those processing agricultural produce; (b) The second type – agricultural OCGs

(AOCC) – are related to the effect of breeders and farmers switching to illegality (GR-A2). (c) The third is related to crimes committed by typical OCGs against farmers' markets (GR-A11). From these three types of rural extortion, the first (CRE) is the most common within the primary sector in Greece (10 cases found in the research).

The **cartel practice** is a form of white-collar crime or at least of corporate/economic crime. In Greece, only some aspects of cartel practices are incriminated under specific conditions. However, according to our research, an aspect (or side effect, but constitutive condition of cartel process in the specific sector) of cartel crimes is the extortion in rural areas, which has not been studied as such up to now. The fact that until now cartels have been mainly studied in the context of commercial, consumption processes, has contributed to the undervaluation of its extortive aspect regarding agriculture. This practice constitutes extortion for a number of reasons (also elaborated in more detail in the following subsections).⁸

First, it is not related only to competition but to proper extortions on the level of contracts on agricultural produce prices, which are conditioned according to the relations formed between the producers and the agricultural produce industries/traders, on the basis of loans for agricultural supplies, of allocations of storage areas and transport vehicles, etc. So there is a relation which forms a basis for *forced* and mostly *informal* contracts: this is a very important condition, which constitutes the very purpose of extortion.

Second, the cartel agreements include a "ban" on farmers' "movement" from one corporation to another and therefore limit their choice and distort fair competition.

Third, threats against the producers are related to damage of properties in a particular form: not as physical violence against property but as damage to actual and future agricultural produce. Therefore, there is coercion related to the lack of choice for the producers.

Fourth, this type of extortion is related to organised crime because the cartel practices are developed in forms of loose ties between cartel agreements companies (networks), on the basis of a concrete illegal project (unfair competition) and therefore a cartel of such type constitutes a criminal enterprise network.

Fifth, those involved in this practice have described the experience as being one of extortion. Additionally, in 2013 the special prosecutor against corruption in Greece has opened an inquiry for extortion regarding milk cartel representatives. In this context there is also evidence of corrupt practices by some politicians.

An agricultural OCG, the second type, was found in only one case (GR-A2) but there has been involvement of a large number of fellow villagers in a region of Crete Island. An established cultural attitude toward cannabis cultivation, in combination with the livestock crisis in their area, increasing consumerism, intense

⁸ See also HCC, Decision n. 1 369/V/2007 (inquiry on milk products process industries). HCC Decision 563/VII/2013 (inquiry on market of broilers husbandry). HCC Decision 531 /VI/2011 (obstruction of inquiry in the company Kaplanidis Mills and in the association of the Greek Flour Industrialists).

local social inequalities and local political corruption determined the transition of this group of breeders to organised crime business and specifically, cultivation and trafficking of drugs, arms trafficking, extortions of traders in tourist areas and armed robberies. For some of them, their involvement with organised crime was also related to their addiction to drugs (as cocaine addicts to finance their need to buy cocaine). Extortions were committed as coercive control of their village and its inhabitants in order to maintain power and ensure revenue.

The **third type of extortion** is also unique and found only in one case (GR-A11). It was related to extortions committed by an OCG against the farmers' markets in the region of Peloponnese (in Argos Town). The perpetrators extorted sellers in street/farmers' markets for a share of their profits on sales of vegetables. In some cases extorters destroyed the vegetables on sale. Usually, extortion related to organised crime and street markets is related to illegal permits for street markets and is a fully urban type of crime in the tertiary sector. The uniqueness of this case was that the organised crime group had recruited Roma – persons from one of the most marginalised social groups in Greece – to execute the criminal plan.

It seems that cartel rural extortions are not rare cases within the primary sector according to the data collected for this research but included among white collar and corporate crime. Criminologists who study white-collar crime generally agree that it: a) occurs in a legitimate occupational context; b) is motivated by the objective of economic gain or occupational success; and c) is not characterised by direct, intentional violence (Friedrichs, 2010: 5). In fact, these features are present in the cartel cases identified in our research. Corporate crimes could not have a single meaning or definition but their typical feature is the violation of private or public trust (Ibid.: 8). Criminal entrepreneurship can develop within organisations: corporate crimes are illegal activities or harms related to the entrepreneurial development process. Since Edwin Sutherland (1945) "discovered" it, white-collar/corporate crime has been considered a form of organised crime: it is rational, deliberate, persistent, and much more extensive than its official registrations within criminal justice system reflect. Their illegal practices are covered by administrative law, which protects the conditions of fair competition in the market.

Geographical distribution of organised corporate crime (cartel) extortions and socio-economic context

As mentioned above, extortion rates and rates of organised crime in Greece are very low. Rural extortion is developed in relation to the specific kinds of products, in the context of commercial relations between producers and corporations in the agricultural sector. Compared with other kinds of extortion on a regional level in Greece, rural extortion is different as to its object (the product) and also its modus operandi. Within the same type of extortion there are also further differences regarding the specific kind of extortion products and the spread of such practice on a regional level.

The data collected suggests that most cartel agricultural extortions cases take place in the **northern and north-western parts of the country, namely in the regions of Macedonia and Epirus, followed by Crete and Peloponnese**. However, the

distribution of these cases does not lead to general conclusions of a possible correlation between the development of the agricultural sector, population size and the spread of cartel agricultural extortion on a regional level, because of the specific local socio-economic structure and conditions of development. These regions and their urban centres are of various population sizes: Chania in Crete has more than 100,000 inhabitants, while Thessaloniki in Macedonia has more than 700,000. The area of Preveza and the close to it Arta have less than 50,000. However, all those interviewed in Preveza confirmed the cartel extortive agreements in their region.

The data indicate some contradictions regarding the development of the primary sector, which will only be briefly mentioned here. Macedonia, where the cartel agricultural extortion seems to have consistent presence, produces 73.1 % of the milk in the country but its primary sector contributes only 11 % to GDP, while in Epirus its contribution to GDP is at 8.9 %, in Peloponnese is at 32.8 % and in Crete at 5.4 %. In comparison with the other regions, the primary sector is dominant on at the local level only in Crete. Still, despite this dominance, the labour force of that sector has decreased at 36.43 % during the years 2000 – 2008 (Περιφέρεια Κρήτης, n.d.), but the decrease of the labour force does not correspond to changes in the unemployment rates. For example, despite the fact that Rethymno Regional Unit is one of the poorest in Greece, in 2013 (2nd trimester) it was the Macedonia regional unit with the higher rates of unemployment (32.9 %) in comparison to Crete and the national average. Further, according to the Labour Force Survey final (corrected) data, the rates of unemployment in Western and Central Macedonia for the 3rd trimester of 2013 were at 32.1 % and 30.2 % respectively, and for the 3rd trimester of 2014 were at 26.7 % and 27.8 %. At the same time, unemployment in the Crete Regional Unit was at 22.9 % (3rd trimester 2013) and 20.9 % (3rd trimester 2014) respectively (ΕΛΣΤΑΤ, 2014; Περιφέρεια Δυτικής Μακεδονίας, 2013: 4).⁹

Generally, unemployment, part-time employment and underemployment rates could not be correlated to extortions in the agricultural sector, because of shadow labour and, recently, because of the economic crisis effects: unemployment in Greece was at 9.7 % of the total work force in 2003, 17 % in 2011 and 27.3 % in 2013. Youth unemployment in 2011 was at 44.7 %, in 2013 at 58.3 % and in 2014 at 52.4 %; since then, there has been a massive migration of active work force toward other countries.¹⁰

Furthermore, in Epirus the primary sector contributes 8.9 % to GDP, but a vital agricultural production in “new” cultivations is forming there. In all the regions, the primary sector constitutes less than 1/3 of the regional economy. It can therefore be argued that it is neither the specific socio-economic conditions nor the actual expansion of the primary sector, but the organisation and financing of the whole chain of production that is a significant factor contributing to the development of cartel rural extortion.

⁹ ΕΛΣΤΑΤ, “Έρευνα Εργατικού Δυναμικού, Δελτίο Τύπου”. 18.12.2014. Περιφέρεια Δυτικής Μακεδονίας Σχέδιο Πρότασης Περιφέρειας Δυτικής Μακεδονίας για την διαμόρφωση των Κατευθύνσεων Εθνικής Αναπτυξιακής Στρατηγικής 2014 – 2020, 2^η Εγκύκλιος, 28/11/2013, σελ. 4.

¹⁰ Eustostat, “Unemployment and beyond”, *Statistics Explained*, 2014.

THE PERPETRATORS

White-collar criminals and corporate crime

The cases of cartel rural extortions classified as white collar/corporate crimes should be analysed in the context of the characteristics of such crimes. Specific caveats apply to the extension of the concept of white-collar and corporate crime to social harms, or its determination by criminal or by other laws (civil, administrative, etc.). Beyond the various conceptual disputes over corporate crime, its causes are linked also to various perceptions. The structural functions of capitalist economy and power relations, opportunity for more profit or adaptation to crises of various kinds are some of the explanations regarding the causes of corporate crimes. In this context, the causal conditions “can be understood as necessary responses to changing social phenomena, within increasingly complex relations between legitimate and illegitimate organizations” (Tombs and Whyte, 2001).

The perpetrators of corporate crimes are institutions and individuals with legitimate, respectable status, often high professional expertise, whose aims are financial gains or the maintenance and extension of power and privilege. Therefore, they are socially different in comparison with common criminal offenders (Friedrichs, 2010: 8). It is generally accepted that white-collar crimes are crimes committed by corporations and their personnel to obtain market power and profit (see, indicatively, cases GR-A1, GR-A9, GR-A10). **They are perpetrated in different forms (cartel is one of them) following the structure of the market in specific sectors and are committed with less violence.** They do suffer from social stigma (labelling) and loss of peer status (Sutherland, 1945: 132-139). However, according to Weisburd, Waring and Piquero (2004) corporate crimes offenders are people who have moderate income, belong to middle-class strata, get involved in criminal business more than once and are older than common criminals. Some of them are involved in crime as a response to a crisis, exploiting the advantage position of trust they occupy (see all identified cartel cases). Another group among them, called “opportunity takers,” are ordinary people whose criminality is linked to unexpected and unusual opportunities in their career (GR-A4, GR-A12). Their involvement is favoured by their attitude of not recognising their practices as crimes or harms, but treating them as usual business. Nevertheless, as Paunch (2008) suggests, a strong factor is the loss of choice because of the organisational power’s dominance over professional and personal life and choices (company man), which provide the motives for deviance, the rationalisation of law breaking, obedience, etc. These general characteristics have been found in the researched cases of cartel rural extortions. The extortive practices against agricultural producers had been realised in the context of corporate crimes of the companies mentioned above, which acted as organised criminal networks (Minkes and Minkes, 2008: 10-12; Paunch, 2008: 117; Weisburd, Waring and Piquero, 2004: 51).

Some general findings regarding the profiles of perpetrators, their basic socio-demographic data and the **general structure of these criminal businesses** can be summarised as follows.

Extortions of the first type (CRE) were committed by executives and technical advisors of corporations, thus realising the corporation's "shadow" policy. In particular these were personnel of 10 milk products elaboration companies (GR-A1), of a flour production company (GR-A9), of 7 flour production/wholesales of cereals companies (GR-A10), and of 14 retailers/wholesale import companies of potatoes and other vegetables (GR-A12), animal feed suppliers (GR-A4), retailers/wholesale traders of agricultural supplies and/or produce, owners of small/medium scale enterprises or staff of big enterprises of agricultural supplies (GR-A6, GR-A7, GR-A8), staff of a corporation of foods retail chains along Greece (GR-A5), ten to fifteen (10-15) employees of kiwi production export trade companies (Greeks and Italians) (GR-A9). In this category all the persons involved were aged about 50 years.

Some cases of cartel agreements also involved representatives of industries associations, agricultural associations and, in one case, (GR-A1) politicians in order to ensure (under commission) that the HCC would not inquire into the case.

The second type (AOCG) of extortion (criminal business as reactions to local area crisis) was committed by breeders who were charged with setting up a criminal organisation (some of them have been found not guilty for this specific charge) (GR-A2). In this category all the persons involved were aged 20-40 years old.

The third type of extortion (common organised crime) was committed by ten (10) Roma, members of a wider criminal organisation (GR-A11); they were younger than 30 years.

Structure and modus operandi

In all the cartel cases the purpose was to control the market and eliminate competition in order to increase their profits. In this context the extortions against producers have been committed to gain the lower price fix of agricultural products. In the case of the transition to a criminal business (GR-A2), the breeders have been transformed into a typical OCG. Extortions were committed in order to reassure the "omertà" of fellow villagers and avoid investigation by the police in their village, and of course for profit. In the case of the Roma (GR-A11), in addition to profit, there was the involvement with crime as cultural and socially cultivated "job" (problem solving): since the 1990s when the traditional occupations of the Roma began to appear, they, not having access to the new labour market due to low qualifications, began to become involved with illegality (drugs, black market, etc.).

The loose bonds between the members of the cartels determined that they operated as criminal networks but for achieving their purpose they adopted practices typical of OCGs: some corporations had a dominant position, the cartels adopted security/surveillance measures to enforce the agreement, and followed concrete rules regarding the control of territory and clients. In some cases the agreements were also written.

The implementation of a concrete criminal plan and awareness of crime

Apart from the cases GR-A2 and GR-A11, which are typical cases of extortion included among the illegal business (extortion, racketeering) of common criminal organisations, the cartel agricultural extortions are classified as side effects of corporations' cartel agreements (usual business) regarding agricultural production (Weisburd, Waring and Piquero, 2004: 66-67). However, as mentioned above, these are substantial forms of extortion. The cartel agreements have been developed according to concrete plans and rules – written or oral – regarding the enforcement of agreements and consolidation. **These in fact constituted organised crime plans and** included:

- a) the recognition of the dominant positions of certain companies in the cartel, which had the initiative of setting up the agreement;
- b) the conclusion of criminal agreements (harmonising practices) under which the cartel members dealt with the producers. Such agreements are prohibited (are banned but are not criminal offences) under EU and Greek laws. The harmonised practices concerned the fixing¹¹ of prices of agricultural produce, the distribution of clients (producers) and the prohibition to change clients between cartel members, the supervision/control of the cartel members for the enforcement of the agreement.
- c) the implementation of an agreement with the producers was a **deliberate act although not perceived as a form of extortion**: the corporation's staff denied the criminal nature of the deal by considering it business as usual. The prohibition to change clients, the fixing of prices, the widely known complications of the financial ties between the corporations and the producers are some of the criminal aspects of these deals which were considered usual business. Thus, the implementation of the agreement was conditioned by the efficiency of extortive threats on risks addressed against the producers.

There is no information about the duration of the third type of extortion (common OCG, GR-A11). For the other cases, their length is documented by all sources used in the research: for the cartels it was between 2 and 10 years; in the case GR-A2, the criminal activity was implemented within 5-6 years.

Structural changes in the agricultural sector, general denial of the extortive criminal nature of these practices, the vulnerability of the victims and acquiescence caused by fear, positions of power and trust of the perpetrators, inertia of the competent authorities (police, criminal justice), political corruption are some of the reasons (in varying proportions in the different cases), which favoured the longevity of the cartel and the extortive practices.

Extortive practices in the agricultural sector in the context of unfair agreements of powerful intermediaries and the manipulation of farmers and breeders production relations have been long established, and are related to the vulnerability of the victims and to the lack of incrimination of these practices. The special influence that

¹¹ "...Much of fixing prices does not involve a specific conspiracy but rather takes the form of parallel pricing, wherein industry 'leaders' set inflated prices and supposed competitors adjust their own prices accordingly... Parallel pricing, which is virtually beyond the reach of law, has been estimated to cost consumers more than \$100 million annually..." (Friedrichs, 2010: 81).

white-collar classes and corporations have on law-making, especially criminal law, and the high level of recidivism of these perpetrators/corporations are well known to the scholars on criminology (GR-A1, GR-A12) (Sutherland, 1945: 132-139).

Today, even if the range of incriminated offences is expanding in Greece and the EU, cartels in the agricultural sector constitute violations or harms committed by organisations which remain outside the scope of criminal law (Friedrichs, 2010: 9). Such *under-criminalisation* of corporate crimes (in this case cartel agreements) and their suppression by anti-cartel *administrative* legislation contributes to the shadowing of more serious criminal side effects, namely the cover up of extortions.

Extortions: the penal law view

As pointed out in the Introduction, according to the Greek *Criminal Code*, in order to qualify as crime of extortion the offence should include the intention of gaining profit by forcing someone (the victim) through violence or threat of violence to commit or omit or tolerate an act of omission from which results in property damage. There are thus four premises of extortion related to the perpetrator's attitude: an illegal intention, coercion, the use of violence or threat of violence and the damage to the property of the victim.

Specifically, extortion is directly bound up with the *coercion* of the victim, i.e. the use of force or threat, after the exercise of which the victim (the one forced) can no longer voluntarily decide for the act or omission, and therefore acts under the duress of such violence or threat, and takes a decision damaging his/her or another person's property. The act is considered *intentionally committed*, when the perpetrator knows that the asset advantage he requires is not a legal title or when the act or omission of the forced person is not an expression of the free will, as recognised by the Constitution and the laws, nor an expression of the right of freedom to transactions. Therefore, apart from the illegality of his demand, it is alternatively recognised that the perpetrator has intentionally committed the act, when its commission provoked the violation of the right to the free expression of someone's will, of the right of freedom to trade and to free disposal of assets (Papathanassiou, 2011: 1977). Various Decisions of the Hellenic Competition Commission did not accept that the perpetrators ignored the prohibition of the horizontal agreements and also that their acts provoked damage to producers and to other competitors.

In the researched cases, the illegality of the perpetrators' demands is proved by the fact that prior to the corporations' deals with the agricultural producers there have been illegal cartel agreements between corporations: these are considered coercive practices and are banned by the competition laws of EU and Greece.

In the cases under research, **compelling** took place on the basis of existing commercial relations between the perpetrators (corporations) and the victims (producers) and was manifested in the contracts between these parties for purchasing of the produce. The questions that arise are related to the possible choice of contracting party for the producers and to the violation of the expression of free will and the right to assets disposal.

The relations between corporations and producers were founded on the need for producers to finance the production of the next year, and in particular to buy agricultural supplies (tools, animal feeds, seeds), to store or transport their products. These needs were met through loans and facilities granted by the same corporations which buy the agricultural produce (GR-A1, GR-A4, GR-A9, GR-A10). Under such conditions breeders and farmers have up to now been continuously in debt to the companies and had no alternative (GR-A6, GR-A7, GR-A8). Therefore, at the annual negotiations between producers and corporations about the prices of agricultural products, the companies were in a position of power towards the producers, and were able to impose their demands, i.e. to buy at the lowest possible price, even departing from the initial (oral) agreement. The producers were compelled to oblige because of the abovementioned collapse of the agricultural credit system, which deprived farmers of the ability to borrow under suitable terms, leaving them almost no other option but to finance their production through loans from these companies.

By force of horizontal agreements, the perpetrators (processing companies, wholesalers, etc.) agreed to parcel out the producers-clients and banned the participating companies from accepting each other's clients, thus preventing the producers from approaching another company to sell their produce. These conditions determined directly the violation of the expression of free will and the right to property disposal for the agricultural producers, and thus meet the penal definition of extortion. Furthermore, these deals were not transient or symptomatic states of extortion. In many cases, the extortion was repeated every year.

Another crucial issue is related to corporate violence in the cases of cartel agreements. Analysing the nature of corporate violence Friedrichts argues that in comparison to conventional interpersonal violent crime, corporate violence is indirect and temporary in the sense that the effects of corporate violence are typically quite removed in time from the implementation of the corporate policies and actions which cause harm, and there could not easily be established a causal relation between the corporate action and the injury or harm. According to Friedrichts corporate violence is collective and is motivated by profit maximisation. It is a consequence rather than a specifically intended outcome of such motivations and it has not been an issue of serious reactions and debate within the criminal justice system (Friedrichts, 2010: 65).

Coercion differs from violence as it is accepted that it can occur without exercising physical or psychological force (e.g. by omission) or it can occur at the level of the expression of the will. Beyond perceptions of violence as a physical force, there is the psychological dimension of violence which alters someone's will on the material not only on psychological effect. In the researched cases, the effect of the psychological violence against producers was their compliance with the corporations' demands. It is argued that psychological violence (*vis compulsiva*) consists of two wills confronting and becoming subordinated to the other (Μπουρμάς, 2011: 1902). It is also assumed that in the case of the crime of extortion the threat must be explicit and direct, oral or written, direct or indirect, and this includes the threat implied by offender's expressions and his/her overall behaviour (Papathanassiou, 2011: 1978). In the cases of the examined cartels, the corporations compelled the producers to accept lower prices by employing

a number of tactics for intimidation, such as discrediting the quality of their products, requiring the decrease of prices by reneging on the (oral) agreements, etc. All these practices create an immediate risk of damage to agricultural property, of loss the annual production and, consequently, of producers' financial collapse in the case of unsold production.

In sum, these cases constitute extortion and, in some aspects, racketeering because the background of the relations between producers and companies involved in the cartels constituted a condition of *compelling force* of which the will of the producers is bent to will of the corporations. The producers had no other choice to save their production (property) in the present and in the future.

THE VICTIMS

Corporate crime victims, as those of organized crime, are "often quite impotent to respond effectively to corporate crimes, which were difficult to prove, and corporations were well positioned to 'fix' cases against them" (Friedrichs, 2010: 8). In all the cartel cases the victims were agricultural producers and livestock breeders. It is difficult to discuss the individual victims' profiles because this particular kind of extortion was collective, which was reflected in the sources that have been used, and the way by which these cases became known to public (it is possible to describe the profile of the victims only at average level for each group). Considering this limitation it is nevertheless obvious that in their majority the victims were about 40-50 years old, owners of small/medium agricultural (or livestock) family companies legally classified as sole proprietorship (cases GR-A1-12). The victims were heads of households and beyond members of their families they employed other labour force (seasonal or long-term) depending on type of their production. A characteristic of the Greek agricultural sector is that the sheep and goat breeders and milk producers are usually inhabitants of mountainous areas, which are least developed in Greece for various reasons (historical, economic, social, etc.). Therefore the type of the product under extortion leads to some conclusions, regarding the development conditions of the specific geographic areas.

In their majority, victims were members of agricultural associations active on local, regional or national level. Agriculture was a core business of the producers in the researched cases – a fact of significance regarding extortions, because it is considered part of the entrepreneurial activity protected by criminal law. It was their profession that was put at risk by the extortions. In particular, the concept of "enterprise" (art. 385 of the *Criminal Code*) includes all the elements of an economic activity of an agent acting for profit. Beyond "enterprise" as an economic activity, art. 385 also protects "the profession" as an intangible asset, independently from profit-making. "Profession" is considered any activity of a person which is directed (aims) to earn a living (Παπαθανασίου, 2011: 1983 – 1984).

There was no information in the researched cases of contracts with private security companies, or about insurance against risks of extortion, or to any other insurance against risks of the specific productive activity. The law provides only that in cases of various types natural disasters producers are compensated from the state budget.

The structural changes mentioned above had further specific effects on producers' social status. They contributed to undermining the ability of farmers/breeders to finance their production, to the degeneration of power of agricultural cooperatives and associations (linked also to cases or corruption), and to the increased power of agricultural industries to determine the supply conditions in the agricultural sector in many areas of Greece.

Victims coped in various ways with the cartel agricultural extortions. In many cases the victims complied with the demands of the perpetrators for several years, depending on the type of production, the vulnerability of the victims or their confidence that justice could or could not be obtained (GR-A6, GR-A7, GR-A8). The relations between corporations and producers complicated the whole issue. In many other cases victims understood the extortions as problems of politics (GR-A4, GR-A9, GR-A12) (Minister of Economy, Competitiveness and Shipping, 2011), to be resolved by the government, rather than violations of their property rights to be redeemed by criminal justice. Corporations' attitudes toward victims constituted part of a long-standing political dispute at the local level, as the producers used to address the local politicians or to the minister of agriculture via their associations, and ask for government's mediation/intervention for a better price of their products, instead of addressing the justice system and denounce their extortion/ exploitation.

Nevertheless, in many cases, the extortive cartel practices have been publicly denounced on the initiative of these associations.¹² Because of their complaints, in some cases the Hellenic Competition Commission has undertaken to investigate and then reveal the concerted practice of companies (GR-A9, GR-A10); that, however, did not concern the extorted farmers.

For years, **corruption** had favoured the cartel practices. The mismanagement of many agricultural cooperatives, corruption in the administrative boards of cooperatives, and the political clienteles undermined the contractual power of the agricultural associations. These trends victimised further the producers, who were even subject to a "double" victimisation by their very representatives and by corporations.

CONCLUSION

It is evident from the researched cases that the agricultural and the primary sector in general are vulnerable to the demands of organised corporate crime on specific aspects of production. This issue should be explored further and in comparison with other subsectors of the primary sector (e.g. fisheries), and in taking into consideration the effects of the economic crisis on potential criminal trends within legal business.

¹² Resolution of the General Assembly of kiwi cultivation, production and trade Agricultural Cooperative of Arta. 13.10.2010. "Cartel on kiwi denounce the producers in Arta", *Eleftherotypia*, 29.11.2010. "Cartel on kiwi denounce the GCP (KKE in Greek)", *Agronews*, 12.10.2015.

The vulnerability of the victims is linked to various reasons: the processing of agricultural produce and its delivery to consumption markets is controlled by networks of powerful intermediary companies. The supply of agricultural equipment, provisions and feeds depends on farmers' ability to borrow from the private sector. The state controlled agricultural bank has closed. Furthermore, the professional association of the farmers has been problematic for years, politicised and fragmented. The restructuring of the primary sector in the last 30 years has failed to modernise it and to create preconditions of primary sector enforcement. Considering these factors, it could be argued that the vulnerability of the victims is linked rather to structural factors of primary sector organisation and development rather to local or individual factors. Moreover, it should open a discussion about the specific risks of criminal nature which are linked to the primary sector, about possible legislative provisions against rural extortion, and about the empowerment of farmers to recognise and denounce the illegal entrepreneurial practices against them.

EXTORTION IN THE HOSPITALITY SECTOR

BACKGROUND

The hospitality sector in Greece includes all the services related to enterprises in tourism, leisure time, hotel accommodation, cultural enterprises and theatres. Significant among them is the sub-sector of leisure time and the night-time economy (NTE), which includes bars/pubs, night clubs, restaurants, taverns, cafés, music halls, etc. A large number of small enterprises of self-employment or family businesses are typical of the structure of this sub-sector. There are also big chains of leisure time and entertainment enterprises, which are usually established in various urban areas. More recently, they have increasingly been located in city districts characterised by high concentration of related leisure and entertainment services.

Extortion and racketeering are some of the typical offences committed in the hospitality sector and in particular, in the night-time and entertainment sectors (Vidali, 2009: 185-186). Until the late 1970s, NTE in Greece was linked to petty criminality and small size local gangs with sporadic action, for which there has been no systematic research to date. Night-time enterprises have been identified with places frequented by illegal groups of smugglers, pimps, prostitutes, blackmailers, etc., rather than places coercively controlled by extortionists. The model of economic development of the country and the structure of Greek society did not favour the development of organised crime as it is presented today. Factors such as widespread self-employment, the small size of land plots and industries, family industrial enterprises, structural poverty, large scale immigration of Greek youth to developed countries, informal ties of powerful economic and political groups to the political system (which promoted political patronage, clientelism, and provided services that usually associated with organised crime) are some of the main factors that contributed to a limited growth of criminal organisations and to the lack of mafia type groups until the fall of the military dictatorship in 1974 (Βιδάλη, 2007/I: 315-329, 405-410 and Βιδάλη, 2007/II: 615-635, 856-865). Furthermore, the dominance of the Greek army in politics until 1974, the five wars in which Greece had been involved during the 20th century, including the long civil war, are some other parameters which explain the absence of typical criminal organisations. It was not before the 1980s that structural changes in economy and society (free market, consumerism, etc.) in combination with the effects of economic globalisation contributed to the restructuring of illegal economies and their organisation beyond the family (Ibid).

Extortion and racketeering in the hospitality sector became connected to the development of consumerism and the NTE in Greece by the late 1980s. At that time, the first large-scale entertainment enterprises were created. As in other post-industrial economies, the deregulation of traditional controls and the rise of

free market forces transformed leisure into a key sector of the economy (Taylor, 1999). At the same time, the association of the sector with crime was increasingly marked by the rise of protection rackets and infiltration of the leisure industry by criminal organisations (Βιδάλη, 2007/II: 856 seg., 910 seg.).

Since then, the influence of criminal organisations in shaping social and economic relations within a free market NTE has been of primary importance. Despite these links, up to now NTE and entertainment have not been among the core issues of crime policy for the Greek authorities (Vidali, 2009: 183). The high rate of latency of such crimes should be considered a major reason for authorities' attitudes. The majority of crimes of extortion and racketeering are hidden: they are underreported and therefore are not recorded in official crime statistics. In most cases the victims are afraid to report extortion to the authorities for fear of reprisals against their properties (clubs, bars, restaurants) and against their lives (see below the section on victims). There are cases in which the victims testify to the police that they loaned money to the perpetrators, although they had not known them before (see, for example, GR-H9). However, it is widely accepted that the NTE and the hospitality sector are privileged fields for criminal organisations (Βιδάλη, 2009: 186).

In terms of the methodology of data collection for this report, fifteen cases of extortion in hospitality sector were collected and examined in total. Of these, twelve were collected at the stage of police interrogation. Since the police interrogation is completed, the file cases go to the prosecutor, who is supposed to submit the indictment of the perpetrators. For three cases, we collected data from newspapers.

Economic crisis and changes in extortion-racketeering

The 2012 Hellenic Police report on organised crime registered a decrease of extortion and racketeering in NTE and hospitality enterprises due to the financial crisis. The apparent decrease in this criminal activity is associated with the reduction of criminal groups involved in extortions and the decrease in profits.¹³ The decrease in consumption and the number of visitors in night clubs has resulted in a corresponding reduction in business profits. According to the only research conducted by the National Centre of Social Research on urban consumption in Athens, the expenses for cultural consumption are in decline at 15 % (2014) in all areas of the Greek capital city (Εμμανουήλ, 2014). The decrease in consumption has resulted in respective reductions of revenue for entrepreneurs and further into a decrease of the amounts of money paid to the racketeering groups. According to the report of the Hellenic police, the amounts of money paid for protection now range from €100 to €150 per week and may be up to €1,000. These amounts are below the levels of previous years and have mainly a symbolic character: they are a method adopted by criminal organisations to reaffirm the control in a specific geographical area. Furthermore, such trends indicate the restructuring

¹³ As it was reported in the newspapers: "...the economic crisis and the 'slack' lead most store owners to report *en masse* to the Hellenic Police networks of the 'godfathers' of the night (*νονοί της νύχτας*), who skimmed large amounts of money every month for 'protection'" (Λαμπρόπουλος, 2015).

and changes in the extortion market – the reduction of the revenue of large night clubs have led to a transition to other activities, such as extortion of smaller stores, shops and kiosks and coercive debt collection (extortion of businessmen for collecting debts to third parties) (Σουλιώτη, 2012).¹⁴

Another effect of the economic crisis on extortionist OCGs is related to changes in their membership. Many members are no longer permanent but are usually assigned to carry out a specific task for a limited period of time (Hellenic Police, 2012: 33), and they are allowed to cooperate with other criminal groups. This practice is similar to the changes in the labour market and the new forms of employment (flexible labour relations, temporary employment contracts, part-time employment, etc.) (Βιδάλη, 2014: 202. Σταμούλη, 2015: 1214-1215). This fact is in line with the theoretical model suggested by Ruggiero according to which organised crime develops as a division of labour system and follows the changes in the dominant type of legal economy and labour relations (Ruggiero, 2000: 64-74; Ruggiero, 1996).¹⁵ The above data should be treated with caution, however, since the extended dark number of cases of extortion. In any case, we argue that the economy of organised crime is in a symbiotic relationship with the legal economy (in particular the shadow economy), following its changes and trends in a kind of interactive relations.¹⁶

THE PERPETRATORS

Drawing on the case studies collected, some basic features of the structure and modus operandi of OCGs involved in extortions in the hospitality sector can be highlighted.

Type of OCGs

In a couple of cases, the groups were structured in a hierarchical order (GRH8, GRH9, GRH13, GRH15) or were acting as a wider network through subgroups (GR-H11, GR-H12, GR-H14). The average number of perpetrators in each criminal group was about 6 persons. About 60 % of them were Greeks, 30 % were Albanians and the rest were persons mainly from the Balkans (Romanians, Kosovars, etc.). In four cases, the OCGs were heterogeneous – Greeks and other

¹⁴ Souliotis states that bodyguards became gradually “tax collectors” in Attica and other regions, confirming the assumption that the economic crisis created opportunities for some. He also points out that officers of the police who have been involved in investigations to dismantle “local” extortionists networks argue that, amid the crisis, a profitable activity for “bodyguards” was debt collection and “check breaking” (when an individual is unable to cash a bank check from a third person, he gives the check to someone (a “bodyguard”), who completes the mission and charges a percentage of the collected amount).

¹⁵ The dominant model of the era of Fordism was steady work, specialisation and the production chain. This corresponded to a specific type of division of labour and organised crime. Today, this pattern has changed in proportion to changes in the predominant type of economy (globalisation) and industrial relations (Cressey, 2008: 50; Vidali, 2014: 200; Ruggiero, V., 1996; Chambliss, 1998: 35).

¹⁶ Chambliss, *Ibid.*; Ruggiero, 1997; Ruggiero, 2007.

nationalities, mainly Albanians (GR-H1, GR-H5, GR-H11, GR-H15). In some cases, there was not enough information (GR-H2, GR-H4, GR-H5, GR-H10) in order to determine the type of OCG involved.

It should be mentioned that traditionally extortion in the NTE has been controlled by Greeks. Usually, it is perpetrated by small OCGs, sometimes family-based, which collaborate with each other and in some cases fight.¹⁷ The age of the perpetrators is between 25-50 years. The extortionists (the individuals who “visit” and “protect” the companies-victims) are mainly young persons between 24-40 years old, while the leaders of the OCGs are between 40-55 years old.

An important point to be noted is the relations of the OCGs with their members in prison (GR-H3, GR-H8). According to the police file, in case GR-H3 the leader of the OCG was a prisoner convicted of being a member of a criminal group and for attempted murders and contract killings. Also in case GR-H8, core members of the OCG were in prison. This point is important, because shows that the organised criminal activity can continue despite the leader being in prison.

Modus operandi

In the majority of the cases, the OCGs attempted to exert control over the entertainment industry (coffee shops, music clubs, restaurants, etc.) in specific regions. According to the police files and media reports, the groups involved in extortion usually divide the zones of their territorial control. It is not rare different OCGs to come to violent “turf” conflicts over a disputed territory (Λαμπρόπουλος, 2008 and Λαμπρόπουλος, 2001) but sometimes crime groups can cooperate.

According to media reports, the OCGs try to obtain control in four areas (Βραδέλης, 2009): a) the zone of the suburbs of West Attica, which consists of municipalities of Chaidari, Peristeri, Ilion, Agious Anargirous; b) the zone of Piraeus and the southern suburbs, such as Kalithea, Nea Smirni, Palaio Faliro, Glyfada; c) the northern suburbs, e.g. Agia Paraskeui, Chalandri; d) the zone of Athens (city centre, Gazi, Psiri, etc). Drawing on the selected case studies, the most affected zones are the suburbs of West Attica, the centre and the southern suburbs of Athens. All these areas have been developed over the last twenty years as entertainment agglomerations in the region of Attica, as they have gathered a very large proportion of night clubs, bars and cafes. Moreover, these zones, except of the West Attica zone, are considered as prosperous and “posh” areas. Most of the neighbourhoods in the southern suburbs are newly built and host – apart from fancy housing – businesses in the maritime sector, finance and real estate. Furthermore, most neighbourhoods in the centre of Athens had undergone a process of urban regeneration before the 2004 Olympic Games that altered the human geography of the areas and sparked a boom of real estate prices. The latter was further sustained by the creation of entertainment districts in city centre areas such as Thyssio, Psiri, Gazi, Metaxourgeio-Kerameikos, etc.

¹⁷ In some cases, operating as owners of nightclubs Greek crime groups are able to operate their illegal businesses from there. Most of them are centred in Athens but some sub-groups operate in other cities in Greece.

The selection of the victims is proceeding according to geographical criteria. This means that the most significant parameter is the location of the enterprise-victim. If an OCG wants to obtain the control over a particular night entertainment area, it tries to extort the majority of the enterprises. The extortions researched were committed in order to obtain money from business owners under the pretext of providing protection, mainly to owners of cafes, bars, nightclubs, etc. Moreover, in some cases the perpetrators attempted to acquire equity in the firms.

The case GR-H1 is typical because it reflects a general picture of the *modus operandi* of the crime groups involved in extortion in the hospitality sector in Greece. The case refers to the criminal activity of an OCG with 38 members and a hierarchical structure, which aimed to control specific regions through the provision of “protection” to places of entertainment. The *modus operandi* was: a) selection of the company, b) warnings through phone calls, c) demand of the money (according to the revenue of each company), d) appearance of members of the group at the shop, d) psychological and physical violence, e) infliction of damages, f) robbery (acquiring the money by physical violence). According to the police files, the particular OCG had also adopted the following methods: a) acting as an intermediary for the return of stolen goods; b) appearance at music events with the purpose of provoking fear; c) appearance in trade union elections with the purpose of provoking fear; d) appearance in elections of student unions with the purpose of provoking fear.

The most frequently used method by the OCGs involves: a) selection of the victim according to geographical and economic criteria; b) demand of the money in weekly or monthly payments; c) use of psychological violence (mainly threats of owner’s life or the lives of his family). In some cases, the extortionists appeared as clients, refusing to pay the bill. Causing trouble or in some cases the provocation of fights with other clients constitute methods to inform the owner of the company that “you need protection.” The basic tool is violence either by threats against the victim’s life and property or by physical injuries, attempted murder, shootings, explosions, arson and destruction of their property. The form of violence varies according to the reaction of the victims (Hellenic Police, 2005: 19). According to the cases studied, the amount of the monthly rates varies between €200-€1,500, depending on the economic capacity of the victimised company (see cases GR-H1, GR-H4, GR-H6, GR-H7, GR-H8, GR-H9, GR-H10, and GR-H15). The amount of the weekly payments is between €125-€500, which means that in some cases the monthly rate reaches €2,000.

Other organised crime activities

According to the police files, the core business of the majority of the crime groups is extortion. The most frequent other activities of the crime groups involved in extortion are drug trafficking, loan-sharking, robbery and money-laundering. In some cases, the enforced illegal placement of electronic devices for lotteries and other criminal activity related to gambling and casinos are reported as secondary crime activities. Also, in the majority of the cases, the members of the crime groups were charged with illegal possession of weapons.

Involvement of public servants

According to the data of the cases examined, there was no involvement of public servants in any case. It should be noted, however, that the involvement of public servants, mainly of police officers, in organised crime activities is not a rare phenomenon in Greece (Antonopoulos, 2012: 135-141). Most characteristic examples concern three big cases of organised criminal activity related to extortion, black mail and loan-sharking, where police officers (acting and retired) were involved.¹⁸ In 2011, 217 persons faced charges for extortion. The case concerned the criminal activity of four groups controlling the entertainment industry in Athens, in Piraeus, in Halkida (Evoia Island) and in Agrinio (Wets Greece). According to the police file, in the above case there was involvement of police officers and several civil servants, including employees of the country's central bank.¹⁹

Use of violence and intimidation

In the majority of the selected cases, the usual methods were verbal threats against the life of the owners and some damage to property. Only in three cases we found use of physical violence against the owners. It is important to highlight case GR-H3, in which the OCG inflicted injuries to an owner who in the past had testified against the head of the OCG. Also in the cases GR-H4, GR-H9, explosive mechanisms were used.

¹⁸ <http://policenews.eu/archives/2571>, see also Σουλιωτη, 2011; Γεραφέντης, 2015.

¹⁹ This case has not been included among our sample of cases, because there are extremely poor data regarding the victims. According to an online article, in 2011, "after two years of investigation the police officers smashed four large gangs that bullied shop owners in the form of providing security and organised arson, attempted murders and human trafficking. The police investigation began after the start of the clash between the leaders of two of the gangs which resulted in 19 of their members killed, several arson, bombings in restaurants and other crimes between 2006 and 2009. The Greek police department dealing with extortionists made a file for 217 people 70 of whom were members of the four gangs. 22 were arrested on warrants issued against them, while the rest were detained. Much of the file and a long list of names were sent to the prosecutor in Piraeus, as most of the interceptions acted in the suburbs of the port city. The criminal activity of the captured was highly diverse. The biggest night clubs in Athens became the subject of their attacks. One of the captured was a retired police lieutenant from northern Greece. It is believed that he was involved in money laundering, delivering weapons to the gangs and in the extortion of the nightclubs' owners. He also 'authorised' the gang members to beat the persons with whom he had quarrel. Seven police officers currently working in the National Bank who participated in the counterfeit money laundering worth €1.5 million as well as government officials were also charged for involvement in the criminal groups. The list of the criminals' 'heroisms' is long. They blackmailed the owners of restaurants and shops in Attica, Thessaloniki, Agrinio, Navpaktos, Corinth, Loutraki, Halkida and other cities in the region of Ilia and the island of Crete, the amounts ranging from one to three thousand euros. Only from this activity of theirs they gained half a million euros per month. According to the police, they collected that amount from 268 sites in total. Arson, placing of explosive devices, attempted murders, trafficking of people, sale of drugs, weapons and ammunition, supply and possession of explosives, robbery, fraud, extortion of money from debtors, production and circulation of counterfeit banknotes, counterfeit and legalisation of money from criminal activities are part of the 'exploits' of the criminals" (GRRreporter, 2011).

THE VICTIMS

Characteristics of the main affected regions

The majority of researched cases of extortion in the hospitality sector were committed in the region of Attica, namely in the municipality of Athens and its suburban areas, specifically in the municipalities in the south, west and southeast of Athens. The perpetrators targeted prosperous leisure and entertainment enterprises (bars, restaurants, night clubs, etc.) regardless of the socio-economic characteristics of the wider area. Specifically, the 15 case studies concerned incidents of extortion in the entertainment industry (coffee shops, music clubs, restaurants etc.) mainly in the region of Attica (see above cases GR-H1, GR-H2, GR-H4, GR-H5, GR-H6, GR-H7, GR-H8, GR-H9, GR-H10, GR-H12, GR-H13, GR-H15), the region of Peloponnese (Xylokastro – GR-H11, Kalamata City – GR-H3) and in the region of Central Macedonia (Municipality of Thessaloniki, GR-H4).

Attica is the largest residential region of Greece with 3,827,624 residents. There is an intense development of the tertiary sector in this region (79.8 % of GDP of the region of Attica) including trade, finance, real estate, telecommunications, transport, publishing, hospitality and leisure. A significant part of the secondary sector is also concentrated there (18.8 % of GDP of the region). The primary sector is less developed in this region (3.6 % GDP of the region).²⁰ The region of Attica hosts 36 % of tertiary sector enterprises at the national level (Περιφερειακό Επιχειρησιακό Πρόγραμμα Αττικής, 2007 – 2013: 2007 π. 22). In 2005 (the year of Attica's high growth rates), Attica was at 84.6 % a region of tertiary sector services (Ιωάννου, 2010: 9).

In Attica, the NTE is concentrated within the de-industrialised areas of the centre of Athens and in the suburban centres just mentioned, as well as in the seaside areas. Local municipal authorities have encouraged such concentration through policies of urban regeneration, land-use planning, licensing of entertainment venues and through marketing of the coasts and beaches as tourist and leisure destinations. Similar processes have taken place in other cities in Greece (Vidali, 2009: 185). The majority of the examined cases shows that criminal organisations act particularly in southern coastal areas (Piraeus, Glyfada, Palaio Faliro) and western suburbs of Attica (Chaidari, Peristeri, Sepolia, Ilion). The massive growth of hospitality and NTE in these areas (especially in south and west suburbs) of Athens has taken place during the last 20 years, since the 1990s.

Demographic, social and economic characteristics of the victims

The average age of the victims is in the range of 40-55 years, mainly male (only one female victim). The usual number of victims per case is one, only in six cases we found two victims per case. The sole proprietorship and family business are the usual business structure in Greece and the victims usually fall in those types. The core business activity is in the hospitality sector, mainly cafes, bars,

²⁰ Calculated by Irene Stamouli on the basis of data from the Hellenic Statistical Authority, available at [http://www.statistics.gr/el/statistics/-/publication/SEL57/-](http://www.statistics.gr/el/statistics/-/publication/SEL57/)

restaurants and music clubs. The majority of them continue to operate after the incidents of extortion, whereas in two cases the damages to the business resulted in the bankruptcy of the owners. The data that was used in this report was mainly derived from police files that describe the incidents reported, which did not contain sufficient information about the profiles of the victims (economic capacity, educational level, etc.) and their vulnerabilities.

Behavioural patterns of the victims

Two types of behavioural patterns of the victims can be distinguished. The first group of victims reported the incidents of extortion to the police, while the second group didn't ask for the help of the authorities. Unfortunately, in the majority of cases the victims did not report the incidents of extortion to the police because of fear for their lives, the lives of their family members and their property; therefore they complied with the demands. For example, in case GR-H8, the owner of the victimised company claimed that he was giving money to the perpetrator as a "loan." He did not want to admit that this practice constituted extortion, because he was afraid of losing his life and his property. Most of the times, the victims reported the incidents of extortion to the police because they could not afford to pay. In the majority of the cases, the victims who decided to report to the police collaborated with the police and were asked to aid an operation with marked banknotes.

In general, most of the times the victims of extortion were reluctant to report incidents of extortion to the police and to cooperate with the authorities, because there is fear of retaliation from the criminal groups (Hellenic Police, 2013: 34).

Protective measures adopted by the government, business associations and owners themselves

There are no specific data about protective/security measures adopted by the government, business associations and owners themselves. Usually, night clubs take protective measures by hiring bodyguards (private security), who provide protection and take care of the place (e.g. restrain drunk persons who provoke scandals, etc.). This practice does not always prevent the incidents of extortion. Instead, in most of the cases the extortionists impose forced contracts for private security protection to the victimised company.

CONCLUSION

The finding of our research is that **extortion in the hospitality sector is a common phenomenon in Greece**. The OCGs involved in such incidents can be heterogeneous, but most often are groups comprising of Greek citizens. They commit extortions in order to obtain money from business owners under the pretext of providing protection, mainly to owners of coffee shops, bars, nightclubs, etc. Most of the groups operate as networks (sub-groups which cooperate) and their basic tool is violence either by threats against the victims' life and property or by physical force, homicide attempts, shootings, explosions, arsons and destructions of their property. The victimised companies are most of the times small family-based companies, which do not report the incidents to the police. It is a common consideration in Greece – especially through the representations of media – that the extortion related to the NTE constitutes a widespread phenomenon, even an integral part of the particular business activity, which appears to have a consistent social tolerance linked to the fear of the victims. However, there is a need for further research to prove these observations.

Anti-extortion should be made a priority in the criminal policy in Greece, in order to reinforce the public confidence in police and to encourage the victims to report criminal activities to the authorities. As long as the NTE is being covered by a veil of silence and unemployment in a time of economic crisis is increasing, extortion and racketeering will expand.

Therefore, policies against organised crime should prioritise:

- a) The effective protection of victims.
- b) The control of money laundering inside Greece. Up to now, the focus on the offshore companies and human and drug trafficking has contributed to the obfuscation and mystification of extortions of such type as a regular business of organised crime of mainly Greek groups.
- c) The rupture of the networks between prisoners, criminals at large and corrupt police departments. A strategy is need to deal with a triangle of corruption which has developed within the prison system (prisoners and prison personnel), NTE, the leisure business and the police. In this regard, the anticorruption measures should include specific educational and recreational programmes for the organisation of prisoners' everyday life.
- d) A strategy of social crime prevention which should target the most vulnerable part of youths by developing programs within secondary schools. Such programmes should be related to the leisure time and recreation activities of the youth.
- e) Measures are needed to prevent the involvement of ex-members of OCGs in further illegal activities and in other more serious sectors of criminality (e.g. contracts of death).
- f) Optimisation of the regulations of private security agencies and the control of these agencies.

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APPENDIX 1. LIST OF CASE STUDIES FOR EXTORTION IN THE AGRICULTURAL SECTOR

Case ID	Case Name	Sources
GR-A1	Milk Cartel	<p>HCC, Decision n. 1 369/V/2007 (inquiry on milk products process industries)</p> <ul style="list-style-type: none"> – Karagounis Dimitrios, <i>Milk Cartel and the consequences on relative Greek market</i>, University of Pireus, 2012, http://dione.lib.unipi.gr/xmlui/bitstream/handle/unipi/4531/Karagkounis.pdf?sequence=2&isAllowed=y – Koufopoulou Theodosia, Mousilimi Iliana, <i>The commercial trafficking of fresh milk in Greece and the DELTA (VIVARTIA) milk industry</i>, Technological Educational Institute School of Ecoomy and Admkinstration, Thessaloniki, 2008, http://docplayer.gr/8018318-I-emporiki-diakinisi-toy-freskoy-galaktos-stin-ellada-kai-i-galaktoviomihania-delta-vivartia.html <p>“How erected the Greek ‘Milk Cartel’”. Charontakis Dimitris, <i>To Vima</i>, 11.03.2007, http://www.tovima.gr/PrintArticle/?aid=179611</p> <p>“The Milk ‘cartel’ with names”, Maria Sideri, <i>Kathimerini</i>, 21.12.2006, http://www.kathimerini.gr/272408/article/oikonomia/epixeirhseis/to-kartel-toy-galaktos-me-onomata</p> <p>“MEVGAL, AGNO, FAGE, NESTLE, DELTA and OLYMPOS are accused for extortion”, 11.11.2013, http://www.sofokleousin.gr/archives/147095.html, http://www.enet.gr/?i=news.el.article&id=397740</p>
GR-A2	Zoniana Cannabis case	<p>Vidali, Sofia. The Social reaction to crime and its limits: drugs and organized crime in Greece”. In <i>The Contemporary Criminality, it’s Confrontation and the Science of Criminology – Essays in Honour of Professor James Farsedakis, 1751-1784</i>. Athens: Nomiki Vivliothiki, 2011.</p> <p>“With coca sell the ‘trump’”, “Kathierini”, <i>Kampylis Takis</i>, 11/11/2007.</p> <p>“From agricultural subsidies to hashish plantations,” <i>To Vima</i>, Chatizidis, Takis, 25/11/2007.</p>
GR-A3	Manolada Case	Cancelled
GR-A4	Animal Feeds Cartel	<p>Minister of Economy, Competitiveness and Shipping, <i>Reply to the Greek Parliament</i>. Direction of Parliamentary Control, Department of Questions, Athens, 21.02.2011, No. Orig.: B13-64, Question Ref.: 10093/31-01-2011: “Increased prices for the purchase of feed paid by breeders’.</p> <ul style="list-style-type: none"> – Ministry of Agricultural Development and Food: G. D. of animals’ production, <i>Livestock – Animal production</i>. Athens, 2011. – Rethymnon Champer, <i>Outline of Region Developmental Profile</i>, Rethymon, Crete, 2006.

Case ID	Case Name	Sources
GR-A4	Animal Feeds Cartel	<ul style="list-style-type: none"> – Geotechnical Chamber of Greece, <i>The Greek dairy cattle farming</i>, Thessaloniki, 2011. – “Without feeding the flocks without supplies fields”, by Tsatsakis John, <i>Agronews</i>, 24.7.2015 – “Livestock wiped out by rising feed”, 03.10.2012, <i>Agonas Kritis</i>, http://agonaskritis.gr/ – “Complaints of Breeders Association of Chania Prefecture: “cartel” in the marketing of livestock”, <i>Haniotika Nea</i>, 03.05.2013, http://www.haniotika-nea.gr/120665-kartel-stin-emporια-zwotrofwn/#ixzz3nBO8xz00
GR-A5	Marinopoulos Super Market Chain Case	<ul style="list-style-type: none"> – Ministry of Agricultural Development and Food: G. D. of animal’s production, <i>Livestock – Animal production</i>. Athens, 2011. – Complaints of Breeders Association of Chania Prefecture: “cartel” in the marketing of livestock”, <i>Haniotika Nea</i>, 03.05.2013, http://www.haniotika-nea.gr/120665-kartel-stin-emporια-zwotrofwn/#ixzz3nBO8xz00 <p>Πουλακίδας, Κ. (2014, April 18). Τα σούπερ μάρκετ “Μαρινόπουλος” εκβιάζουν τους αγρότες – παραγωγούς. <i>Η Αυγή Online</i>. Retrieved from: http://www.avgi.gr/article/2325988/ta-souper-market-marinopoulos-ekbiazoun-tous-agrotēs-paragous</p>
GR-A6	Tomato Producer Agricult. Supplies Case	Interviews with victims (GR- A6, GR- A7, GR-A8)
GR-A7	Tomato Pepper Prod. Agricult. Supplies Cartel	<ul style="list-style-type: none"> – Geotechnical Chamber of Greece, <i>The Greek dairy cattle farming</i>, Thessaloniki, 2011. – “Without feeding the flocks without supplies fields”, by Tsatsakis John, <i>Agronews</i>, 24.7.2015.
GR-A8	Corn Producer – Agricultural Supplies Cartel	
GR-A9	Kiwi Cartel	<ul style="list-style-type: none"> – HCC <i>Sectoral Research in fresh fruit and vegetables: summary of key findings and conclusions 1</i>, 2012. http://www.epant.gr/img/File/perilipsi%20kladiki%20oporokipeytika.pdf – Epirus Region, Business Plan “Agricultural Products Basket”. http://www.php.gov.gr/docs/kalathi_total.pdf – Resolution of the General Assembly of kiwi cultivation, production and trade Agricultural Cooperative of Arta. 13 October 2010. http://www.mindev.gov.gr/el/index.php/προκηρυξις-προσκλησις/505- – “Cartel on kiwi denounce the producers in Arta”, <i>Eleftherotypia</i>, 29.11.2010. – “Cartel on kiwi denounce the G.C.P. (KKE in Greek)”, <i>Agronews</i>, 12.10.2015 http://www.agronews.gr/ekmetaleuseis/dendrokipeytika/arthro/134608/kartel-sto-aktinidio-kataggellei-to-kke/

Case ID	Case Name	Sources
GR-A10	Cereal Cartel	<p>Region of Central Macedonia Agricultural Development Business Plan “Agricultural Products Basket”, 2013, http://www.pkm.gov.gr/inst/pkm/gallery/PKM%20files/Regional%20News/2012_04_27_</p> <p>HCC Decision 559/VII/2013 Deciding on exploring possible impairment – hindrance to Competition Commission investigation under the provisions of Article 26 of <i>Law. 703/1977</i></p>
GR-A11	Argos/Nafplion Roma Org. Crime	<p>“Dismantled a criminal organization involved in extortion traders in Argolida”. Hellenic Police, Press Release, 03.13.2015.</p> <p>http://www.astynomia.gr//index2.php?option=ozo_content&lang=&perform=view&id=51435&...</p> <p>“Mafia blackmailing for ‘protection’ merchants in farmers markets”. Agro24.gr, http://www.agro24.gr/print/4103, 5.3.2015.</p>
GR-A12	Potato Import Cartel	<p>– Minister of Rural Development and Food, <i>Reply to the Hellenic Parliament</i>. Direction of Parliamentary Control, Department of Questions, Athens 22.05. 2014. No Orig. 785, Question Ref: 7916/04.30.2014, “Requests of potato producers of Messinia”.</p>

APPENDIX 2. LIST OF CASE STUDIES FOR EXTORTION IN THE HOSPITALITY SECTOR

Case ID	Case Name	Year	Source
GR-H1	Extortion, OCG, Municipality of Palaio Faliro. Attica Region.	2012	Police
GR-H2	Extortion, One person, municipality of Agios Dimitrios. Attica Region.	2007	Police
GR-H3	Extortion, OCG, Kalamata City, Region of Peloponnese.	2014	Police
GR-H4	Extortion, OCG, Municipality of Agia Paraskeui. Attica Region.	2010	Police
GR-H5	Extortion, Municipality of Nea Smirni. Attica Region.	2013	Police
GR-H6	Extortion, OCG, Municipality of Glyfada & Piraeus. Attica Region.	2008	Police
GR-H7	Extortion, OCG, Municipality of Athens. Attica Region.	2007	Police
GR-H8	Extortion, OCG, Municipality of Chaidari. Attica Region.	2007	Police
GR-H9	Extortion, OCG, Municipality of Chaidari. Attica Region.	2012	Newspaper
GR-H10	Extortion, OCG, Municipality of Peristeri. Attica Region.	2007	Police
GR-H11	Extortion, OCG, Municipality of Sepolia. Attica Region.	2014	Police
GR-H12	Extortion, OCG, Municipality of Athens, Historic Centre. Attica Region	2011	Police
GR-H13	Extortion, OCG, Municipality of Glyfada. Attica Region	2013	Newspaper
GR-H14	Extortion, Municipality of Thessaloniki, Central Macedonia Region	2015	Newspaper
GR-H15	Extortion, OCG, Municipality of Ilion. Attica Region.	2013	Police

EXTORTION IN ITALY

Extortion racketeering in Italy is a complex criminal phenomenon due to the types of perpetrators involved and the relationships they create with the victims (Transcrime, 2009). Historically, the Italian mafia-groups (Camorra, Cosa Nostra and 'Ndrangheta) have been deeply involved in extortion racketeering against legal and illegal actors within those areas where they had originated and exerted a strong control over territory and people (Gambetta, 1993; Paoli, 2003; Scaglione, 2008). However, since the last two-three decades, as mafias have spread also over Central and Northern Italian regions so has extortion racketeering (Asmundo, 2011; Gunnarson, 2015; Transcrime, 2013).

Existing studies reveal that extortion racketeering in Italy is systemic (La Spina et al., 2014; Lisciandra, 2014; Scaglione, 2008; Transcrime, 2009). This means that it is rooted and extended across territories and represents an important part of organised crime activities (Savona and Sarno, 2014). OCGs involved in extortion racketeering have hierarchical structures and tend to create parasitic and symbiotic relationships with their victims (Filocamo, 2007; SOS Impresa – Confesercenti, 2008; Transcrime, 2009). OCGs also engage in other criminal activities such as fraud, drug trafficking/production, forgery, crimes against the public administration and illegal activities related to prostitution (Transcrime, 2009). Extortion racketeering in Italy is also perpetrated by foreign OCGs – from Eastern European countries or from Far Eastern countries (e.g. China) – who extort their fellow-nationals and businesses set up within their ethnic communities (Becucci, 2015; Transcrime, 2009).

Italian mafias use extortion racketeering as a way to control the territory by infiltrating legitimate economy and restricting the activities of criminal actors (such as drug dealers) that do not belong to their organisations (La Spina et al., 2014; Lisciandra, 2014; Savona and Sarno, 2014). According to judicial evidence, extortion racketeering of businesses by Italian mafias consists in the imposition of regular or ad hoc payments or other types of transactions, such as supplying raw materials, services or workers to the victims (Lisciandra, 2014; Sciarrone, 2009; Transcrime, 2013).

The Italian *Criminal Code* defines extortion racketeering in Article 629 §1 and Article 629 §2. The former focuses on general extortion as follows: “Any person who, with violence or threat, forces another person to do or not to do something which involves an unlawful gain for the offender or another person and causes loss for others is punished with an imprisonment of between 5 and 10 years and with a fine of between €1,000 and €4,000.” The latter punishes extortion racketeering: “Imprisonment of between 6 and 20 years and a fine of between €5,000 and €15,000 if the crime is committed under the circumstances cited in the last paragraph of article 628”, which include violence and threat committed by a person belonging to an organisation as described under article 416-*bis*, which defines mafia-type associations.

The official statistics on extortion racketeering are collected by the Ministry of Interior within the SDI (Sistema d'Indagine) database.¹ However, these data refer to the wider phenomenon of extortion, which entails not only extortion racketeering but also other typologies of extortion (e.g. kidnapping for extortion, occasional extortion among individuals, etc.), which usually represent the majority of reported cases. Therefore, statistics on extortion should not be considered reliable for analysing the extent of extortion racketeering in Italy. Besides official statistics, alternative data to analyse the extent of the phenomenon in Italy may be retrieved by victimisation surveys and estimates on the illegal revenues earned by Italian OCGs (Lisciandra, 2014; Mugellini, 2012; Transcrime, 2013).

In 2008, Transcrime carried out the first Italian business victimisation survey (Mugellini, 2012). The main key findings concerning extortion racketeering against businesses were the following:

- 10.9 % of businesses in Italy were worried about being victims of extortion racketeering, with a higher share (20 %) for businesses located in the Southern regions of the country (8.3 % in the North);
- 1.7 % of businesses had been victims of extortion racketeering, and 29.1 % of them had been victims of protection racketeering;
- 1.4 % of businesses located in the Southern provinces and 0.1 % of those situated in the rest of the country had experienced at least one extortion episode;
- 6.6 % of Italian businesses declared that they had reported an extortion episode to the police, while 19.8 % replied that they had informed the police without formal reporting. 73.6 % of the victimised businesses had not reported to the police.

Lisciandra estimated both the most affected economic sectors (Table 1) and Italian regions (Table 2) in terms of monetary extortions and illegal revenues accrued by the Italian mafias (Lisciandra, 2014; Transcrime, 2013). As Table 1 shows, wholesale and retail sectors are the most affected businesses, with overall revenues ranging from €1,370 to €2,430 million and the greatest number of observations. Construction is the second most extorted sector and its share varies between 20.1 % in the lower bound down to 14.3 % in the upper bound. As Table 2 shows, the most exposed regions are traditional areas of influence of OCGs: Campania, Sicily, Calabria, and Apulia. They account together for the 65 % of national revenues of extortions. However, some non-traditional areas (Northern and Central Italy) show a significant presence of extortion racketeering: Veneto, Piedmont, Lombardy, Lazio, and Tuscany.

Since the 1990s, the Italian legislation has developed several administrative measures addressed to victims of extortion racketeering.² Their aim is to protect and financially support victims and witnesses who decided to report to police forces.³ Since the

¹ SDI provides the yearly number of crimes reported by the police to the judicial authorities.

² The first administrative measure was created in 1992: Decreto Ministeriale 12th August 1992, n. 396, followed by Law 18 November 1993, n. 468.

³ This is the case of the law n. 44/1999, which institutes a solidarity fund for the victims who have reported extortion.

Table 1. Observations and estimates of overall extortion amounts in the most affected economic sectors

Sector	No. observations		Total estimates	
	Periodic	One-time	Lower (million €)	Upper (million €)
Manufacture of food products	26	17	78.5	523.6
Construction	-	-	553.6	1,107.2
Wholesale and retail trade and repair of motor vehicles and motorcycles	73	27	137.6	212.7
Wholesale trade, except for motor vehicles and motorcycles	78	32	248.7	376.1
Retail trade, except for motor vehicles and motorcycles	301	117	983.7	1,836.8
Land transport and transport via pipelines	18	10	99.8	293.5
Food and beverage service activities	87	33	186.1	263.8
Sports activities and amusement and recreation activities	33	16	97.9	217.3
Other personal service activities	10	2	153.6	897.7

Source: *Lisciandra 2014; Transcrime 2013.*

Table 2. Estimated revenues from extortion racketeering per region (million €)

Region	Total revenue		Region	Total revenue	
	Lower	Upper		Lower	Upper
Abruzzo	32.1	84.1	Marche	58.9	164.2
Apulia	260.0	773.2	Molise	0.99	25.7
Basilicata	13.4	34.2	Piedmont	130.8	374.4
Calabria	322.9	929.9	Sardinia	19.7	51.1
Campania	821.7	2,255.9	Sicily	395.8	1,117.4
Emilia Romagna	69.0	194.1	Trentino Alto Adige	113.2	323.5
Friuli Venezia Giulia	21.9	59.9	Tuscany	22.1	57.5

Table 2. Estimated revenues from extortion racketeering per region (million €) (continued)

Region	Total revenue		Region	Total revenue	
	Lower	Upper		Lower	Upper
Lazio	116.4	300.6	Umbria	14.0	38.3
Liguria	32.0	86.2	Valle D'Aosta	0.76	19.6
Lombardy	119.7	345.6	Veneto	109.9	306.6
			Italy	2,762.1	7,743.0

Source: Lisciandra 2014.

adoption of the first anti-racket measures, small firms created anti-racketeering associations that merged into the Federazione Antiracket Antiusura Italiana (FAI) in 1996, which aims to provide help and assistance to victimised entrepreneurs (FAI, 2015). Two other associations were established. In Sicily, the association Addiopizzo which is composed of a branch dedicated to victims' assistance with 996 associates in the region was created in 2004 (Addiopizzo, 2015). Furthermore, in 2010 the association "Libera – Associations, names and numbers against mafias" implemented the SOS GIUSTIZIA project. It is a network of eighteen branches assisting the victims of OCGs-related crimes, including extortion racketeering (SOS Giustizia, 2015).

Besides anti-extortion measures and anti-racket associations, several special bodies have been established to counter extortion racketeering in the country. The most important one is the Special Commissioner,⁴ who coordinates the fight against extortion racketeering in the country.⁵ Several special units within the Italian police dealing with organised crime and extortion racketeering have been established. For the most serious crimes, there are the Special group of the Anticrime Central Direction of the Police (SCO), the Special Operations Group of Carabinieri (ROS) and the Central Investigation Service on organized crime of the Guardia di Finanza (SCICO). In addition to the above-mentioned services, the Direzione Investigativa Antimafia (DIA)⁶ is in charge of carrying out preventive investigations against organised crime and mafia-type offences.

⁴ Commissario straordinario del Governo per il coordinamento delle iniziative antiracket ed antiusura, see Article 14 of *Law 400/1988*.

⁵ The Commissioner is responsible for coordinating anti-extortion and anti-racket initiatives nationwide. He chairs the Committee of solidarity for the victims of extortion and usury, established by the Ministry of the Interior, which examines and deliberates on requests for access to the Solidarity Fund.

⁶ The Direzione Investigativa Antimafia created in 1991 in the framework of the Public Security Department, is an investigative service specialized in activities against organized crime.

THE CRIMINAL CONTEXT

Territories and regions with the highest presence of organised crime and mafias are most vulnerable to the involvement of such groups in the legal economy and mafia-related crimes (Caneppele, Riccardi, and Standridge, 2013; Riccardi, 2014; The Dutch Parliament, 1996; Vander Beken, 2004; Varese, 2011).

Some data on OC-related crimes are available at the national and regional levels (NUTS-2). The SDI database contains information for the following crimes: extortion, mafia-type association and arson. Moreover, data on corruption cases⁷ against public officials are published by the Anticorruption and Transparency Service (SAeT, 2010).

Table 3 highlights that OC-related crimes tend to concentrate in the southern Italian regions, where mafias originated and exert closer control over territory and population, as previous researches on extortion racketeering and OC have already stressed (DIA, 2014; La Spina et al., 2014; La Spina, 2008; Lisciandra, 2014; Transcrime, 2013; 2009). Still, such practices have a high incidence in other regions of the country (e.g. Lombardy, Lazio, Liguria, Piedmont), where mafias have expanded over the last twenty years and their presence has been well-proved by recent investigations⁸ (DIA, 2013b; DNA, 2010; 2012; Gunnarson, 2015; Transcrime, 2013; 2009; Varese, 2011).

Table 3. Number of crimes reported by the police to the judicial authority by region, 2013

Region	Extortion*		Mafia-type association		Arson****		Corruption	
	AV**	%***	AV	%	AV	%	AV	%
Abruzzo	136	2.0	0	0.0	240	1.6	5	1.4
Apulia	81	1.2	4	7.1	2,627	17.3	36	10.3
Basilicata	296	4.4	0	0.0	149	1.0	1	0.3

⁷ The Italian *Criminal Code* has several provisions against corruption. For the purpose of the analysis, the following provisions are considered: Corruption for an official act (art. 318: a public official who, to commit an act of his duty, receives, for himself or for a third party, money or other benefits that are not due); Corruption for an act contrary to official duties (art. 319: a public official who receives for himself or for a third party, money or other benefit, for omitting or delaying or for having omitted or delayed an act of his office, performing or having performed an act contrary to his official duties); Corruption in judicial proceedings (art. 319-ter: if the facts set out in the articles 318 and 319 are committed to favour or damage a party in a civil, criminal or administrative proceeding); Corruption of a public servant (art. 320: the provisions of art. 319 shall apply also in charge of a public servant; those of art. 318 also apply to the person responsible for a public service); Incitement to corruption (art. 322: whoever offers or promises money or other benefits not due to a public official or a representative of a public service, to induce him to commit an act contrary to his duties).

⁸ For instance, operation Infinito in 2010 detected the well-rooted presence of 'Ndrangheta in Lombardy, whereas operation Minotauro in 2011 revealed the 'Ndrangheta in Piedmont.

Table 3. Number of crimes reported by the police to the judicial authority by region, 2013 (continued)

Region	Extortion*		Mafia-type association		Arson****		Corruption	
	AV**	%***	AV	%	AV	%	AV	%
Calabria	986	14.6	6	10.7	1,306	8.6	8	2.3
Campania	439	6.5	24	42.9	1,161	7.7	96	27.6
Emilia-Romagna	84	1.2	0	0.0	644	4.3	7	2.0
Friuli Venezia Giulia	640	9.5	1	1.8	126	0.8	5	1.4
Lazio	151	2.2	5	8.9	1,030	6.8	37	10.6
Liguria	944	14.0	0	0.0	335	2.2	37	10.6
Lombardy	160	2.4	0	0.0	1,436	9.5	43	12.4
Marche	33	0.5	0	0.0	197	1.3	2	0.6
Molise	446	6.6	0	0.0	64	0.4	1	0.3
Piedmont	631	9.4	2	3.6	708	4.7	17	4.9
Sardinia	166	2.5	0	0.0	966	6.4	5	1.4
Sicily	726	10.8	13	23.2	2,893	19.1	5	1.4
Trentino-Alto Adige	363	5.4	1	1.8	124	0.8	1	0.3
Tuscany	47	0.7	0	0.0	511	3.4	23	6.6
Umbria	88	1.3	0	0.0	93	0.6	11	3.2
Valle d'Aosta	23	0.3	0	0.0	17	0.1	0	0.0
Veneto	294	4.4	0	0.0	523	3.5	8	2.3
Italy	6,734	100	56	100	15,150	100	348	100

* includes not only extortion racketeering but also other types

** absolute value

*** percentage above the national figure

**** arson cases include non-forest arsons and property damage caused by arson

Source: Authors' elaboration on SDI and SAeT data.

Besides official statistics, which could provide a misleading representation, estimates on the mafia presence in a given territory and the share of the shadow economy are alternative data to analyse the OC phenomenon and also extortion racketeering in Italy (Asmundo, 2011; Asmundo and Lisciandra, 2008; Calderoni, 2011; La Spina, 2008; Scaglione, 2008; Schneider and Williams, 2013; Transcrime, 2013). For instance, the mafia presence across territories has been estimated by Transcrime (2013), who developed the so-called Mafia Index (Table 4). This index results from the combination of the following variables:

- Mafia murders and attempted mafia murders (2004-2011);
- Persons charged with mafia association (2004 – 2011);
- Municipalities and public authorities dissolved for mafia infiltration (2000 – 2012);
- Property confiscated from criminal organisations (2000 – 2011);
- Active mafia groups reported in reports by DIA and DNA (2000 – 2011).

There are also estimates of the shadow economy at national and regional level (NUTS-2).⁹ According to Schneider and Williams (2013), the shadow economy in Italy amounted to €333 billion in 2012, which corresponded to 21.6 % of the national GDP. The Italian National Institute of Statistics (ISTAT) estimates the extent of the shadow economy across Italian regions on the basis of several variables regarding the irregular labour market. The most commonly used figures are about irregular labour units and the incidence of added value derived from irregular labour (Table 4). The irregular labour units in Italy are 12.2 % of the total labour units, whereas the incidence of the added value derived from irregular working is at 6.5 % of the national GDP. Regional data in Table 4 support both official statistics and previous studies. Indeed, they confirm that the regions most affected are the Southern regions (e.g. Apulia, Calabria, Campania, Sicily), where mafias originated and exert tight control over territory and population, and the new areas of infiltration (e.g. Lombardy, Lazio, Liguria, Piedmont), where mafias have expanded over the last two decades.

**Table 4. Mafia Index and shadow economy by region.
Share of irregular labour units, 2010**

Region	Mafia Index	Irregular labour units (%)	Added value to GDP (%)*
Abruzzo	0.74	13.5	7.0
Apulia	17.84	21.1	14.6
Basilicata	5.32	31	18.3
Calabria	41.76	18.6	9.0
Campania	61.21	8.3	4.6
Emilia Romagna	1.44	10.6	6.1
Friuli Venezia Giulia	0.42	11.4	4.9
Lazio	16.83	12.5	6.5
Liguria	10.44	7.6	4.5
Lombardy	4.17	9.9	6.4
Marche	0.67	23.2	12.6

⁹ Shadow economy comprises all currently undeclared economic activities that would contribute to the officially calculated gross national product if the activities were recorded (Schneider and Williams 2013). Although the shadow economy has been investigated for a long time, data collection and analysis is difficult because of its very nature.

**Table 4. Mafia Index and shadow economy by region.
Share of irregular labour units, 2010 (continued)**

Region	Mafia Index	Irregular labour units (%)	Added value to GDP (%)*
Molise	0.31	11.2	5.7
Piedmont	6.11	18.2	11.8
Sardinia	0.70	21	12.1
Sicily	31.80	20.7	11.2
Trentino Alto Adige	0.37	9.1	5.0
Tuscany	2.16	7.7	4.5
Umbria	1.68	12.1	6.6
Valle d'Aosta	0.57	11.6	4.8
Veneto	0.41	8.4	5.0

* added value to the total number of labour units and to GDP.

Source: *Transcrime 2013; ISTAT.*

ECONOMIC AND SOCIAL CONTEXT OF THE MOST AFFECTED REGIONS

The six most regions most affected by extortion can be grouped in two categories – the less developed regions in the South and the richer regions in the North.

Located in Southern Italy, Campania, Sicily, Calabria and Apulia share some common economic and social features and have the highest illegal revenues generated by extortion racketeering (see Table 2). They are among the least developed economies in the country and represent the areas where traditional Italian mafias originated. Their GDP per capita and employment rate of persons aged 20-64 are below the national level, with a decreasing trend compared to 2008 (the beginning of the economic crisis).

Campania

Campania has 5,861,529 inhabitants.¹⁰ It is one of the biggest and most populated Italian regions and it is divided into five provinces: Avellino, Benevento, Caserta, Naples and Salerno. Naples and its province are the major urban and economic areas of the region.

In 2013, Campania had the fourth lowest GDP per capita among the Italian regions, equal to €17,014 per inhabitant (the national figure was €26,694).

¹⁰ The data refers to the resident population on 1 January 2015.

Moreover, the employment rate of people aged 20-64 was about 42.6 % and the second lowest in the country in 2014 with a decreasing of 8.1 % compared to 2008. According to ISTAT, there are 337,775 active businesses in Campania.¹¹ The hospitality sector (accommodation and food service activities) accounts for the 6.9 % of the regional economy with 23,369 active businesses (405 businesses per 100,000 population).

Campania has almost 500 km of seaboard and hosts several major archaeological sites (e.g. Pompeii, Paestum, Ercolano). The region had almost 4.4 million visitors in 2013 equal to 17.7 million overnight stays (4.7 % of the overnight stays all around the country). The majority of tourists visiting Campania come from Italy (56.9 %), although data show that the number of foreigners has constantly increased between 2008 and 2013. The yearly number of visitors shows a roughly stable trend comparing to 2008, whereas the number of overnight stays has decreased only in 2013 (-5.3 %).

Sicily

Sicily is the biggest Italian island with 5,092,080 inhabitants in 2015. The region is divided into nine provinces: Agrigento, Caltanissetta, Catania, Enna, Messina, Palermo, Ragusa, Siracusa, and Trapani. Palermo and its province are the major urban and economic areas of the region.

Sicily had the third lowest GDP per capita among the regions in 2013, equal to €16,515 per inhabitant (the national value was €26,694). Moreover, in 2014 the employment rate of people aged 20-64 was about 42.4 % and the lowest in the country with a decreasing of 10.1 % compared to 2008. According to ISTAT, there are 271,714 active businesses in Sicily. The hospitality sector accounts for 6.8 % of the regional economy with 18,583 active businesses (372 businesses per 100,000 population).

The region is has 1,600 km of seaboard and hosts several archaeological sites, especially from Ancient Greece. Sicily had slightly less than 4.5 million visitors in 2013 spending almost 15 million overnights (3.8 % of the overnight stays all around the country). The majority of tourists visiting Sicily come from Italy (55.2 %), although data show that the number of foreigners has constantly increased between 2008 and 2013. The annual number of visitors and visitor days has shown the same trend (respectively +6.4 % and +4.0 %).

Calabria

Calabria had 1,976,631 inhabitants in 2015. The region is divided into 5 provinces: Cosenza, Catanzaro, Reggio di Calabria, Crotona and Vibo Valentia. Cosenza and its province are the major urban and economic areas of the region.

The region had the lowest GDP per capita among the Italian regions in 2013, equal to €15,455 per inhabitant (the national value was €26,694). Moreover, the employment rate of people aged 20-64 was about 42.6 % and the second

¹¹ The data refers to the national census of businesses and services carried out in 2011.

lowest in the country in 2014, with a decreasing of 11.7 % compared to 2008. According to ISTAT, there are 109,987 active businesses in Calabria. The hospitality sector accounts for the 8.2 % of the regional economy with 9,066 businesses (463 businesses per 100,000 population).

Calabria has 750 km of seaboard and several archaeological and cultural sites. The region hosted slightly less than 1.5 million visitors in 2013, which corresponded to 8 million overnight stays (2.1 % of the overnights all around the country). The vast majority of tourists visiting Calabria come from Italy (82.7 %). The annual number of visitors and visitor days has decreased over the last 5 years available (by -3.6 % and -5.8 % respectively).

Apulia

Apulia had 4,090,105 inhabitants in 2015. The region is divided into 6 provinces: Bari, Barletta-Andria-Trani, Brindisi, Foggia, Lecce and Taranto. Bari and its province are the major urban and economic areas of the region.

The region had the second lowest GDP per capita among the Italian regions in 2013, equal to €16,208 per inhabitant (the national figure was €26,694). Moreover, the employment rate of people aged 20-64 was about 45.7 % and the fourth lowest in the country in 2014 with a decreasing of 6.5 % compared to 2008. According to ISTAT, there are 252,203 active businesses in Apulia. The hospitality sector (accommodation and food services) accounts for the 6.8 % of the regional economy, including 17,176 businesses (424 businesses per 100,000 population).

Apulia has almost 900 km of seaboard and several archaeological and cultural sites. The region hosted slightly more than 3 million visitors in 2013, which corresponded to 13.3 million overnight stays (3.5 % of the overnights all around the country). The vast majority of tourists visiting Apulia come from Italy (81 %). The annual number of visitors and overnights shows an increasing trend between 2008 and 2013 (respectively +9.1 % and +9.7 %).

Fifth and sixth in terms of the estimated illegal revenues generated by extortion racketeering are two Northern regions – Lombardy and Piedmont – both with a much stronger economic performance than the four regions described above.

Lombardy

Lombardy is located in the North of the country, has 10,002,615 inhabitants (2015) and is divided into 12 provinces: Bergamo, Brescia, Como, Cremona, Lecco, Lodi, Mantova, Milano, Monza e della Brianza, Pavia, Sondrio and Varese. Milan and its province are the major urban and economic areas of the region. In 2015, they accounted for 32 % of the resident population in Lombardy with 3,196,825 inhabitants.

Lombardy has one of the strongest economies among the Italian regions – it is the first region in Italy in terms of contribution to the national GDP. It is also the home of many of the major industrial, commercial and financial businesses of the country. Lombardy has the third highest GDP per capita among all the Italian

regions in 2013, equal to €36,273 per inhabitant. This is significantly higher than the national value of €26,694. Moreover, in 2014 the employment rate of people aged 20-64 was about 69.5 % and the fifth highest in the country with a stable trend compared to 2008. According to ISTAT, there are 811,666 active businesses in Lombardy. The hospitality sector accounts for 5.3 % of the regional economy with 43,023 businesses (443 businesses per 100,000 population).

Lombardy has the Alps in the north, as well as lakes and several cultural attractions and sites. The region hosted 13.6 million visitors in 2013, with almost 34 million overnight stays, which accounted for 9.1 % of the overnight stays all around the country. The majority of tourists visiting Lombardy come from abroad (51.3 %). Data show that both the number of Italians and foreigners (as well as the length of their stay) had constantly increased between 2008 and 2013 (respectively +14.7 % and +40 %).

Piedmont

Piedmont is also in the Northern part of the country, adjacent to the west of Lombardy. In 2015, the region had 4,424,467 inhabitants and it is divided into eight provinces: Alessandria, Asti, Biella, Cuneo, Novara, Torino, Verbano-Cusio-Ossola and Vercelli. Turin and its province are the major economic and urban areas.

Similar to Lombardy, Piedmont has one of the strongest economies among the Italian regions. It is among the first regions in Italy for economic importance, in terms of contribution to the national GDP. It is also the home of rice cultivation and of many of the major industrial activities. Piedmont has the tenth highest GDP per capita among all the Italian regions in 2013, equal to €28,482 per inhabitant. This is higher than the national value of €26,694. Moreover, the employment rate of people aged 20-64 was 66.7 %, with a roughly stable trend comparing to 2008. According to ISTAT, there are 336,338 active businesses in Piedmont. The hospitality sector accounts for 6.2 % of the regional economic activities with 20,781 businesses (477 businesses per 100,000 population).

Piedmont also includes sections of the Alps, lakes, several cultural attractions and food farming activities. The region hosted almost 4.3 million visitors in 2013 equal to 12.7 million overnights, which accounted for 4.1 % of the overnights all around the country. The majority of tourists visiting Piedmont are Italian (65.1 %). Data show that both the numbers of Italians and foreigners (as well as the length of their stay) had had an unstable trend between 2008 and 2013 (with peaks in 2010 and 2011).

EXTORTION IN THE HOSPITALITY SECTOR

According to the Italian classification of economic sectors (ATECO 2007), the hospitality sector includes facilities that provide accommodation for short periods to visitors and travellers, as well as food and drink prepared for consumption. There are 302,067 active businesses¹² in the sector, which is 6.8 % of the total number of active businesses in the country. It ranks as the fifth sector by company capacity, fourth in terms of employment capacity with 1,220,529 workers, and accounts for the 7.4 % of the Italian workforce.

The analysis of extortion racketeering within the hospitality sector in Italy focuses on seventeen case studies. In order to collect the cases, seven requests of collaboration were sent to magistrates, judges, chief constables and scholars. The results of the requests are the following:

- 4 persons out of 7 did not answer;
- 3 persons out of 7 forwarded several documents for 13 cases of extortion.

Of these 13 case studies, four were discarded because they did not meet the criteria:

- 3 cases were not extortion racketeering;
- in 1 case the extortion was not perpetrated by an OCG;

Moreover, 344 police operations from Transcrime's archive were analysed. After an in-depth analysis, 8 cases were selected as meeting the criteria (extortion racketeering against hospitality companies and the most recent cases). Of the 17 final cases included in the analysis there were:

- 2 bars;
- 4 hotels/resorts;
- 10 restaurants;
- 1 food truck.

Furthermore, nine in-depth interviews with prosecutors, police officers, managers of branches for legal reporting and scholars were conducted.

¹² The data refers to the national census of businesses and services carried out in 2011 by ISTAT. All data on businesses and employment were retrieved from the ISTAT database.

THE PERPETRATORS

Drawing on the case studies collected, this section describes the profile of extortion racketeering perpetrators, including the main characteristics of OCGs involved, and their *modus operandi*.

Characteristics of OCGs

The case studies collected involved perpetrators belonging to all the main four Italian mafias (i.e. Apulian OC, Camorra, Cosa Nostra and 'Ndrangheta), confirming that extortion racketeering is a typical illegal activity carried out by OCGs (see Introduction). According to the information collected through the case studies, the main characteristics of OCGs perpetrating extortion racketeering in Italy are the following:

- **Hierarchical structure.** All the case studies concern an episode of extortion racketeering carried out by local groups (known under designations such as clan, family, locale) that belong to one of the main Italian OCGs. These groups seem to fit the most common OCG definition which consist in a “single leader and a relatively clearly defined hierarchy. Systems of internal discipline are strict and strong social or ethnic identities can be present” (UNODC 2002, 34-35). OCGs coordinate the extortion activities by giving different roles to their members: some of them are responsible for the demands, others collect the money, and others are in charge of intimidating and damaging victims' premises. The division of tasks within the OCG is clearly identifiable in IT-H10, where the different steps are present. The victim was approached by young extortionists and after his refusal to pay, a senior member of the clan persuaded him to comply with the demand. Shortly after, another member demanded payment and, at his refusal, a fourth member came and damaged the restaurant.
- **Geographical scale** of extortion racketeering. Almost all the OCG groups involved in the extortion racketeering activity have a stable presence in the area and based their power on the control of the territory (from IT-H1 to IT-H17, IT-H16 excluded). These characteristics are confirmed by the fact that extortion racketeering has long been considered a typical local level crime committed by “local OCGs especially when the purpose is to gain control over a specific territory” (Transcrime 2009, 27).
- **Relation with the victims.** Extortion racketeering mainly affects victims belonging to the same ethnic group of the perpetrators, i.e. Italian.¹³ The case studies revealed that the Italian OCGs tend to demand the payments over a long period. Scholars define this type of relation as parasitical (Savona and Sarno 2014). Especially in IT-H10, the “relation” between the victim and the extorters lasted fifteen years and consisted in the payment of three instalments during feast days.¹⁴ In the case IT-H16, the victim became the accomplice of the fraud

¹³ This is true also for the Chinese communities although the cases reviews showed evidence of joint venture among different ethnic groups.

¹⁴ Refers to the Catholic calendar of saints. Mafia members used to collect payments from victims on Christmas day, Easter day and Assumption day (15th of August).

made by his “protectors”, which produced illicit benefits for both. Gambetta (2000) identifies it as a symbiotic relation.

Table 5 summarises the main characteristics of the perpetrators involved in the case studies collected. Despite the scarcity of information available within the sources, it seems that Italian OCGs usually extort victims in-group (in most of the cases they were between 3 and 5 people). The perpetrators were men and of the same nationality as the victims (all Italian). Besides extortion racketeering, the recurrent core activities perpetrated by the OCGs involved in the analysis were drug trafficking, money laundering and counterfeiting. OCG members do not usually involve public officials as mediators between them and the victims.

Table 5. Main characteristics of perpetrators

Case ID	OCG	No. of perpetrators	Nationality	Core business	Involvement of civil servants
H1	'Ndrangheta	2	Italian	Extortion racketeering, illicit exploitation of the local economic resources, crimes against property, crimes against people	n/a
H2	Cosa Nostra	5	Italian	Extortion racketeering and other illicit activities (drug trafficking, collusion and violent influence on the award of public procurement contracts)	n/a
H3	'Ndrangheta	1	Italian	Extortion racketeering and other illicit activities (falsification of certificates, corruption, drugs trafficking, money laundering)	No
H4	'Ndrangheta	4	3 were Italian, nationality of fourth n/a	Extortion racketeering	No
H5	'Ndrangheta	3	Italian	Extortion racketeering	Yes
H6	Cosa Nostra	7	Italian	Extortion racketeering	No
H7	Camorra	5	Italian	Extortion racketeering and counterfeiting	n/a
H8	Camorra	5	Italian	Extortion racketeering	n/a

Table 5. Main characteristics of perpetrators (continued)

Case ID	OCG	No. of perpetrators	Nationality	Core business	Involvement of civil servants
H9	Camorra	4	Italian	Extortion racketeering and drugs trafficking	No
H10	Cosa Nostra	13	Italian	Extortion racketeering	No
H11	Apulian OCG	2	Italian;	Extortion racketeering	No
H12	Apulian OCG	2	Italian	Extortion racketeering	No
H13	Apulian OCG	2	Italian	Extortion racketeering	No
H14	'Ndrangheta	5	4 Italians and a Moroccan	Extortion racketeering, drug trafficking, money laundering	n/a
H15	'Ndrangheta	5	Italian	Extortion racketeering	No
H16	'Ndrangheta	3	Italian	Extortion racketeering and drug trafficking	n/a
H17	'Ndrangheta	3	Italian	Extortion racketeering	n/a

Source: Authors' elaboration on the collected case studies.

Modus operandi

The majority of the case studies involved the typical form of extortion racketeering, which consists in a regular payment (the so-called *pizzo*) demanded by OCGs from legitimate businesses under the threat of violence (Savona and Sarno 2014). However, in some cases, extortion occurred with other forms, as in case IT-H3 where the extortionist (member of the 'Ndrangheta) imposed himself as an employee in the victims' restaurant. Extortion can also take the form of the imposition of goods and services, as was the case in IT-H1, where the extorters tried to force the victim to use draught beer equipment from a specific supplier.

In fourteen case studies (IT-H1, IT-H3 to IT-H5, IT-H7, and IT-H9 to IT-H17), the intimidation phase represented the first contact between extortionists and the victim, which included the use of violence.¹⁵ The intimidation method included damage or arson (IT-H4, IT-H5, IT-H11, IT-H12, IT-H13, IT-H14, IT-H15) or verbal threats (IT-H1, IT-H3, IT-H4, IT-H7, IT-H9, IT-H15, IT-H16, IT-H17) and it seemed to be essential to ensure the acquiescence of the victims to the extortion demands

¹⁵ La Spina considered that the use of violence showed the difference between mafia type and other criminal organisations (La Spina et al. 2014).

without reporting to the police. In most of the case studies, OCGs influence the territory and people on which they want to impose the extortion request by creating a general sense of insecurity.

When imposing an extortion payment, the amount of money may be subjected to negotiation. In this phase, OCGs evaluate the financial resources of the victims and the threshold of the victims' willingness to pay before reporting to the police. The case studies show that the amount of money requested is not fixed once and for all the extorted victims: it depends both on the needs of the criminal group and on the economic situation of the victim.¹⁶ For instance, the case IT-H10 shows that *ad hoc* payment demands are intended for the maintenance of imprisoned family members and may be subject to variation. Moreover, negotiation may be carried out by a third person as it was in the case IT-H11. This is the role of the so-called "good friend" (La Spina et al. 2014), who acts as an intermediary between the victim and the OCG. He intervened to "help" the victim although the result often did not correspond to what the victim hoped for. Indeed, the intermediary was the victim's cousin who was very close to the clan's boss. He managed to reduce the amount the victims had to pay but in the end the victim still had to pay the criminal group and also to be grateful to the intermediary.

Finally, in most of the case studies (see IT-H2, IT-H5, IT-H6, IT-H9, IT-H10, IT-H11, IT-H12, IT-H13, IT-H16 and IT-H17), the request is presented as an offer for protection. This service is necessary for "protecting" the victims from the threats made by the extortionists themselves. Therefore, the victims pay the money in order to stop the intimidation and the fear that derives from the OCG's activities. In case IT-H9, the demand did not seem to respect the basic rule of proportionality, which is "the more the victim earns, the more he has to pay" (Violante 1998) but it follows the strategy of "pay less, pay everybody" described by Grasso (Transcrime 2009, 42). Among the requests, some criminal groups impose specific suppliers (as it is the case IT-H1) or the recruitment of employees, often members under house arrest (as it was in the case IT-H3).

THE VICTIMS

The case studies collected on extortion racketeering in the Italian hospitality sector revealed that victims are not targeted randomly but are selected according to their vulnerabilities. The most important one seems to be the location of the businesses in the OCG's "zone of influence", where criminals can exert their intimidating power. Indeed, in all the case studies the extortionists controlled the area and were particularly influential in the local economy. Bars and restaurants are easy accessible venues and it seems that the late opening hours is a facilitator factor for extortion attempts.

Table 6 summarises the main characteristics of the victims involved in the case studies collected. Despite the scarcity of information available within the sources, it seems that Italian OCGs usually extort one person at a time, typically male,

¹⁶ Also confirmed by the literature (Transcrime 2009, 25).

between 30 and 40 years old, of Italian nationality and owner of the victimised business. In few cases, the victims were more than one (two or three) and managed the business involved in the extortion.

Table 6. Main characteristics of victims

Case ID	No. of victims	Sex	Age	Nationality	Role
IT-H1	1	Male	48	Italian	Owner
IT-H2	2	Male	n/a	Italian	Owners
IT-H3	2	Male	n/a	Italian	Owner and manager
IT-H4	1	Male	n/a	Italian	Owner
IT-H5	2	Male	31; 40	Italian	Owners
IT-H6	1	Male	n/a	Italian	Owners
IT-H7	1	Male	n/a	Italian	Owner
IT-H8	1	Male	n/a	Italian	Owner
IT-H9	1	Male	40	Italian	Owner
IT-H10	1	Male	n/a	Italian	Owner
IT-H11	3	Male	n/a	Italian	Managers
IT-H12	2	Male	n/a	Italian	Managers
IT-H13	1	Male	n/a	Italian	Owner
IT-H14	1	Male	55	Italian	Owner
IT-H15	2	Male and female	39; n/a	Italian	Owners
IT-H16	1	Male	38	Italian	Owner
IT-H17	n/a	n/a	n/a	Italian	Owner

Source: Authors' elaboration on the collected case studies.

The type of legal entity involved was available only for few cases. Three victimised businesses were limited liability companies (IT-H3, IT-H5, IT-H6), two were sole proprietorship (IT-H1, IT-H7), two were general partnership (IT-H2, IT-H10), and one was a limited partnership (IT-H8). According to the information available, only two of them (IT-H6, IT-H9) were members of the Italian anti-racket association.

Reaction to extortion demands

When extortion racketeering occurs, victims can be either acquiescent (pay what is demanded), resistant (refuse to pay the demanded money/goods and service),

or complicit (receive benefits thanks to their cooperation with the OCG). In the present analysis:

- eleven cases revealed that victims acquiesced to the demands of extortionists (IT-H2, IT-H3, IT-H4, IT-H6, IT-H7, IT-H8, IT-H10, IT-H11, IT-H14, IT-H15, IT-H17);
- one case showed that the victim apparently complied with the demands but in the end he did not pay (IT-H1);
- four cases revealed that victims resisted the extortion (IT-H5, IT-H9, IT-H12, IT-H13);
- one victim was accused of complicity due to his cooperation with the extortionists (IT-H16).

As Blok (2008) has revealed, the boundaries between victim and accomplice are often blurred.

It is important to stress that with the economic crisis businesses had become less inclined to pay for protection because they could not afford it. This was the case of IT-H8, where the victim did not comply with the new extortionists' demands because of liquidity problems. The economic crisis also forced owners to turn to OCGs for help. A case in point is IT-H16, where the victim asked for the help of another clan for stopping the extortionists' demands, which resulted in a reduction of the amount of money to be paid.

The inclination to report to the police varies among victims. Indeed, resistant victims are more likely to denounce than others are. Of the four resistant victims two reported directly the extortion demands (IT-H12, IT-H13), one reported only after enduring damages to the premises (IT-H5) and another reported but only after being subpoenaed by the authorities (IT-H9). The complicit victims often report the crime to the police only when their affairs are exposed by strong evidence (La Spina et al. 2014, 16). In IT-H16, for example, the victim reported only partially the relationship he had with the extorters. The acquiescent victims almost never reported the facts until they had been discovered. Only in one case (IT-H11), the victim reported, although after a subpoena. Such reactions may be explained by the fear of reprisals, which also adds to the underreporting of crime (Ciconte, Forgione, and Sales 2012). The victim in IT-H9 was a member of an anti-racket association and resisted to extortion demands from the very beginning but only reported the facts two months later thanks to the police investigations.

Protective measures for victims of extortion racketeering

Different protection programmes have been created for supporting victims of extortion racketeering. These programmes have two aims: to protect victims and to redress the damages suffered by them. The victim protection programme consists of police protection, temporary relocation to safe areas, anonymity and deposition of court testimony through videoconferencing, medical and psycho-social support, financial compensation and assistance (Transcrime 2009, 148). There are also witness protection programmes that offer assistance before and during the trial, physical security and in case of a serious threat, a change of

identity. However, there is no information whether such programmes have been used in the analysed cases.

Anti-racket associations are another protection service available for victims of extortion. Violante revealed that after the victims reported to official authorities, no other acts of violence had been made against one of the forty anti-racket associations (Violante 1998). This is confirmed by an interview with the director of the association Addiopizzo, who said that as the association is becoming bigger and better known over the country, OCGs do not seem to approach their members with extortion demands. When a businessperson joins the association, he receives a sticker with a symbol (e.g. Addiopizzo) which he has to post in a visible place on the premises. This sticker also helps attract clients. Moreover, the decision to join is published on the internet with the name of the business, address, etc. (Gunnarson 2015, 142).

Anti-racket associations have important roles. First, they help the victims in overcoming isolation, which leads to fear and weakness. Indeed, it transforms an individual refusal to pay into a public act. The aim is to change the perception of racketeering and “breaking the silence around the activity” (Gunnarson 2015). Moreover, these associations act as an intermediary between the victims and government institutions. They may help the victims in giving more details about the extortion (DIA 2014, 232).

Italian law also provides for financial redress measures. Pursuant to law No. 44 of 23 February 1999, the victims of racket and usury may request a compensation for the damage caused by extortionists. In 2013, 792 requests of compensation were submitted to the Committee for Solidarity with the victims of extortion and usury of the Italian Ministry of Interior.¹⁷ Of these, 128 requests for compensation were approved and €10.2 million were paid to the victims of extortion racketeering. The majority of the compensations were provided to hotels and restaurants (16.7 %), manufacturing activities (10.7 %) and farming (7.14 %).

CONCLUSION

The number of unreported extortions may be high and difficult to quantify. For this reason, this report based its analysis on various sources: official data, judicial documents containing the results of investigations, and interviews with judges and members of anti-racket associations, which provided a more realistic picture of the phenomenon, as the literature recommends (Militello et al. 2014).

The analysis revealed the importance of the “association model” of helping victims in countering extortion (FAI 2015). Few vulnerability factors emerge from the analysis and the interviews:

- **Isolation**, which benefits OCGs and disadvantages the victims because, as a victim revealed: “loneliness was the first problem. Nobody talked about it. The

¹⁷ Comitato di Solidarietà per le Vittime dell’Estorsione e dell’Usura.

word *pizzo* was banned” (La Spina et al. 2014). Sometimes, the decision to report set off the reaction of others in the same situation.

- **Fear of reprisals.** This vulnerability usually prevents victims from reporting and is the result of the “successful intimidation phase”. This fear causes victims to maintain silence, which is difficult to break (FAI 2015). Membership in an anti-racket association helps realise the seriousness of the crime and enhances the understanding of what it means to be a victim of that type of crime (DNA 2013). Victims need to realise that extricating themselves from such a situation depends on the degree of collaboration and on the accuracy of their reports. For that reason, anti-racket associations work as a “counselling centres” but also as intermediaries between the authorities and the victims of extortion.

Some recommendations can be given to enhance the cooperation between government institutions/police forces and victims in order to guarantee the security of the latter. As confirmed by the analysis of the case studies, extortion racketeering makes no differences between bars, restaurants or hotels and may hit any sector. While counter-extortion policies have achieved important goals, some problems remain. The main ones include the lack of security in some regions and environments with high entrepreneurial risks such as heavy debts, defaulting on contracts, fraud, etc. (Gunnarson 2015). Other factors facilitating extortion racketeering seem to be the bureaucratisation or the overregulation of services. The SOS Giustizia interview revealed that victims of extortion racketeering are less inclined to report because of the bureaucracy. Moreover, one of the difficulties encountered by associations is that they cannot immediately support the victims financially because there is a time lag before the victims could obtain reimbursement from the authorities (SOS Giustizia 2015).

Beside the analysis of judicial documents, an alternative approach may be based on situational crime prevention, which focuses on high-risk activities and criminal settings. The reduction of criminal opportunities for extortion could work if systematic vulnerabilities, risks factors that produce opportunities for criminals are analysed. Because organised crime occurs in public and semi-public spaces, better surveillance would reduce the opportunity for crimes (Felson 2006).

EXTORTION AMONG THE CHINESE COMMUNITIES

This section describes and analyses the general economic and social context in which extortion among the Chinese communities in Italy takes place. The analysis focuses on twelve case studies, which were selected on the basis of the feedback received from thirteen requests of collaboration sent to magistrates, judges, chief constables and scholars. The results of the requests were the following:

- 6 persons out of 13 did not answer;
- 7 persons out of 13 forwarded several documents for 40 cases of extortion.¹⁸

Of these 40 cases:

- 3 were discarded because they did not meet the criteria (2 cases were not about extortion racketeering and in one case the extortion had not been perpetrated by an OCG);
- 25 cases were discarded because they were identical in OCGs and modus operandi to other already selected:
 - 15 restaurants;
 - 8 hair salons;
 - 2 massage salons.

Furthermore, nine in-depth interviews with prosecutors, police officers, managers of branches for legal reporting and scholars were conducted.

IMMIGRANT GROUPS AND EXTORTION

The five biggest immigrant communities in Italy are Romanian, Albanian, Moroccan, Chinese and Ukrainian (ISTAT 2015). The available data on extortion showed that it is a crime committed by Italians and foreigners (DIA 2013b; 2014). Figure 1 shows that Romanians are the most reported foreigners for extortion in 2013 (31 %), followed by Albanians (14 %) and Moroccans (12 %).

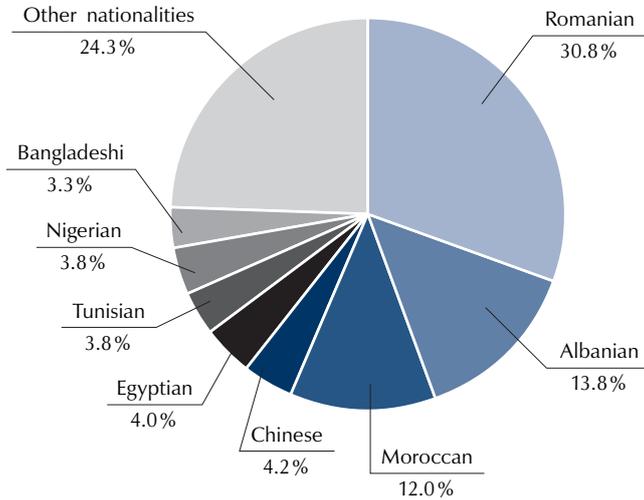
In 2013, Lombardy (19.3 %), Emilia Romagna and Lazio (10.6 %) and Tuscany (8.8 %) were the regions with the highest incidence of foreign perpetrators of extortions (Figure 2).

Using the search engine of the European Media Monitor,¹⁹ it was established that the highest number of extortion-related cases *within* immigrant groups occurred among the Chinese community, which is why it was chosen for the analysis.

¹⁸ In some files there was more than one case.

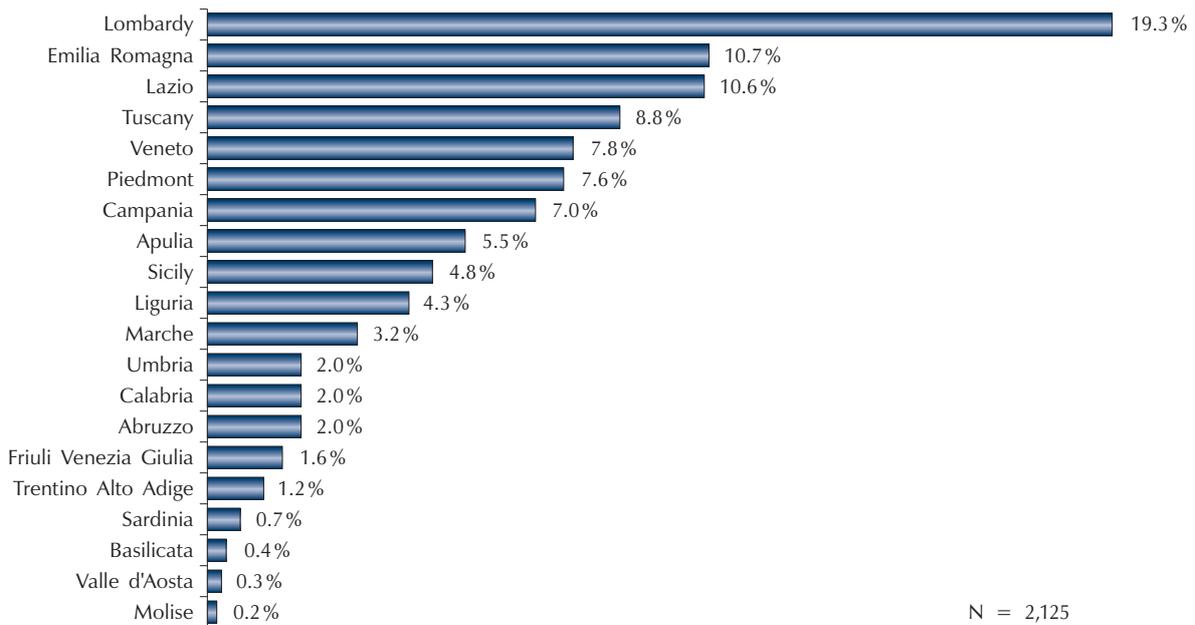
¹⁹ http://emm.newsbrief.eu/NewsBrief/clusteredition/it/latest_en.html

Figure 1. Share of extortion cases perpetrated by foreign citizens in Italy, 2013



Source: Author's elaboration on DIA data.

Figure 2. Share of extortion cases perpetrated by foreign citizens per region, 2013



Source: Author's elaboration on DIA data.

THE CHINESE COMMUNITIES IN ITALY

The Chinese communities chose to settle in regions with good industrial clusters and essential infrastructure (e.g. harbours, motorways) because they are strongly involved in commerce with other Chinese communities established throughout Europe and with their homeland (Becucci 2015; Nannucci 2015).

Chinese individuals represent 0.5 % of the resident population in Italy (ISTAT 2015), dispersed throughout the Italian regions. The largest groups are established in Lombardy, Lazio, Tuscany and Veneto (ISTAT 2015). However, it is difficult to know the actual number of Chinese living in the country because of the strong illicit immigration (DIA 2013a; 2013b). The regions with the highest share of Chinese among the resident population are Tuscany (1.2 %), Lazio (0.8 %), Veneto (0.7 %), Marche (0.6 %), Lombardy (0.6 %) and Emilia Romagna (0.6 %). The case studies analysed were collected in two regions: Lombardy (Milan and its province, IT-C1 to IT-C10) and Tuscany (Prato, IT-C11, IT-C12). The Chinese population in Lombardy is 62,953 in 2015 and their number has more than doubled in the last ten years (+127.8 % compared to 2005). The Chinese in the Milan province number 37,027 (58.8 % of the regional Chinese residents) and 76.5 % of them live in the city of Milan. The Chinese inhabitants in Tuscany are 43,427 in 2015 and their number has doubled in the last ten years (+113.5 % compared to 2005). The Chinese community in the Prato province is equal to 17,827 inhabitants (41 % of the regional Chinese residents) and 90 % of them live in the city of Prato.

Chinese individuals establish companies or are employees in businesses managed by compatriots eliciting the so-called “ethnic companies” (CNEL 2011; Scagliarini 2015). This situation reproduces the typical secretive trait of Chinese culture (Scagliarini 2015). However, it is very difficult to know the number of Chinese companies operating in Italy because many are not members of business associations and/or are not registered in the local Chamber of Commerce (Becucci 2015; Nannucci 2015).

A recent report by CNEL²⁰ (2011) revealed a high frequency of dissolution and creation of Chinese companies is probably adopted in order to avoid fiscal reporting. For the same reason, there is a strong presence of individual companies (Becucci 2015; Nannucci 2015). However, in the last years, the high number of bankruptcies can be explained by the economic crisis worsened by the difficulty of being foreigners (e.g. language, bureaucracy, fiscal taxation) (Becucci 2015). Another reason for the absence of the Chinese companies in the institutional networks of support for business can be sought in the cultural tradition of the communities. Indeed, the roles of advisors and problem solvers in case of doubts or disputes are performed by the elders of the community (Becucci 2015; Mundula 2015). Only in rare cases the solutions proposed involve non-Chinese individuals or institutions (e.g. the Italian police) because they are seen as outsiders and the communities prefer not to have Italian investigators looking into their activities (Nannucci 2015). However, recent projects implemented in the city of Prato

²⁰ Italian National Council of Economy and Labour.

(Tuscany)²¹ revealed that irregularities in companies in several sectors (e.g. security, budgetary) had not been deliberate but caused by the complex structure of Italian regulations (Borsacchi 2015; Mundula 2015).

Few data on the Chinese businesses operating in Italy are available. According to the Chamber of Commerce (Adnkronos 2014), there are about 45,000 Chinese registered companies. The regions with the highest number of Chinese companies are Tuscany (21 %), Lombardy (19.4 %), Veneto (11.2 %), Emilia Romagna (9.1 %), Lazio (7.6 %) and Campania (6.1 %). The economic sectors with the greatest number of active businesses are manufacturing, retail, food services and human healthcare (Adnkronos 2014). According to the Chamber of Commerce, in 2014 the number of active businesses managed by Chinese people in the Lombardy region was 8,756,²² which accounted for 19.4 % of the Chinese businesses in Italy (about 45,000). The region experienced an increasing trend between 2004 and 2014 (+139.2 %). The province of Milan hosts 4,668 Chinese businesses, which accounts for 53.3 % of the regional figure. The number of Chinese businesses has doubled compared to 2011. The number of active businesses managed by Chinese people in the province of Prato is 5,058,²³ which accounts for 64 % of the businesses managed by foreigners and the 16.3 % of the active businesses in the province. The vast majority of the Chinese businesses in Prato are active in the manufacturing sector (74.8 %), followed by trade (15.9 %) and services (5.1 %). The hospitality sector accounts for 3.4 %.

As regards crime, recent reports by Italian law enforcement authorities (DIA 2013a; 2013b; 2014) revealed an intensification of criminality by Chinese OCGs:

- trafficking of human beings perpetrated with the help of Italian OCGs, which provide forged ID documents aimed to recruit people for labour exploitation and prostitution. The latter phenomenon is oriented to Chinese expatriates (illegal brothels in apartments) and to Italian clients (in fake massage salons);
- acquisition of manufacturing companies for producing counterfeit goods. These activities involved additional crimes such as illicit trade in industrial waste, tax evasion and money laundering;
- creation and management of gambling houses with money lending at usury rates;
- import from China of illicit electronic products produced in violation of safety regulations;
- drug trafficking from China;
- extortion, armed robbery and usury against Chinese persons and companies.

Interviews with experts highlighted several problems, which are common to all Chinese communities in Italy:

- Language. Chinese is a complex idiom and has several dialects. It is very hard to learn Chinese and almost impossible to learn more than one dialect. This

²¹ For further information, see <http://www.poloprato.unifi.it/it/alta-formazione/offerta-formativa/progetto-asci/home.html> (ASCI project) and <http://www.poloprato.unifi.it/it/alta-formazione/offerta-formativa/progetto-face/home.html> (FACE project).

²² Number of active Chinese businesses in September 2014 (latest available year).

²³ Number of active Chinese businesses at 31 December 2013 (latest available year).

makes it difficult to communicate clearly with individuals who do not speak Italian;

- Interpreters. Linked to the previous problem is the presence of reliable interpreters able to translate surveillance interceptions or to help with the reports of crimes. The inadequate compensation and the unsuitable protection of their identity reduce the availability of these professionals;
- Communication channels. Chinese citizens traditionally communicate by word of mouth or with online chat platforms like WeChat or QQ chat. The use of social networks permeates every aspect of the Chinese life. Furthermore, institutions of the Chinese community use QR code and mute animated cartoons readable by smartphone to communicate what to do in a case of emergency. Indeed, Chinese expatriates use smartphones for personal communications and for working too (e.g. request of tax forms). Italian government institutions usually provide administrative guidelines on their sites or in the office so it is difficult to establish a contact and to communicate. Only in the above mentioned projects in Prato, first attempts of communication of rules using animated cartoons were made;²⁴
- Investigation. The exchange of information between authorities within Italy and with other countries is difficult, but it is essential in order to better identify the OCGs members who use forged documents and different aliases.

THE PERPETRATORS

Drawing on the case studies collected, this section describes and analysed the characteristics of the perpetrators involved in the extortion racketeering, and the *modus operandi* adopted by the criminals.

The characteristics of OCGs

According to prosecutor Scagliarini (2015; 2009) the structure of Chinese OCGs has changed since the beginning of 2000. In the 1990s, the Chinese OCGs in Italy were made up of small groups of Chinese middle-aged entrepreneurs, who extorted money from legal businesses in order to acquire property of companies and to use them for laundering money just like the Italian mafias (Paoli 2003). After 2000, the OCGs changed their organisation and now have strong hierarchical structures composed by young Chinese men and women, who operate as henchmen (known in Italian as *gregari*, a kind of foot soldiers of the OCGs) and are controlled by a leader. In case of big groups, the henchmen are overseen by lieutenants (IT-C5, IT-C6, IT-C7). This description corresponds to the definition by UNODC (2002) and it was identified in all the case studies analysed both in Lombardy (IT-C1 to IT-C10) and Tuscany (IT-C11, IT-C12).²⁵

²⁴ For further information see <http://www.poloprato.unifi.it/it/alta-formazione/offerta-formativa/progetto-face/materiali/molly-limprenditrice.html>

²⁵ "Single leader and a relatively clearly defined hierarchy. Systems of internal discipline are strict and strong social or ethnic identities can be present" (UNODC 2002, 34, 35).

In the organisations of the perpetrators in each of the case studies, every member had a role. The leaders planned the criminal activities, sometimes with the help of their lieutenants (IT-C5, IT-C6, IT-C7). They oversaw the henchmen, who actually carried out the extortions and, if necessary, the punitive actions. The henchmen were always younger than their leaders – they are in their twenties, all dressed and combed in the same way (IT-C1 to IT-C10). In the case IT-C1, investigations revealed that the boss said he preferred juvenile boys and girls as *gregari*, because in case of arrest they would receive more lenient sentences than adults. All the OCGs used expatriates and legal companies operating in the Chinese communities as cashpoints with the purpose to control the territory and the supply of money to pay for criminal activities (e.g. buying drugs, paying apartment rents for the henchmen) or supporting activities (e.g. paying lawyers for the imprisoned henchmen). As Paoli (2003) pointed out, this crime is preferred because it involves low risk, is easy to carry out in areas where the law enforcement presence is weak and does not require high initial investment.

The OCGs involved in the analysed cases controlled several crime activities in the Chinese communities where they operated. They set up gambling house or extorted/loaned money at usurious rates to the gamers (IT-C11, IT-C12), controlled drug trafficking (IT-C1, IT-C2, IT-C3, IT-C4, IT-C5, IT-C6, IT-C7, IT-C8, IT-C10) and extorted money to illegal brothels (IT-C1, IT-C2, IT-C5, IT-C6, IT-C7, IT-C8, IT-C9, IT-C10) and guesthouses (IT-C1, IT-C2, IT-C3, IT-C4, IT-C8, IT-C10).²⁶

Modus operandi

Despite the different areas of action and time periods, the OCGs analysed have much in common. They act without the help of external persons, do not draw up alliances with public officials or corrupt police officers. The criminals involved in the case studies follow the same *modus operandi* highlighted by La Spina et al. (2014):

- The first phase is intimidation. They come to their victims in groups of 3-10 people, damage properties, threaten or use violence against owners, their employees or clients in order to arouse fear.
- The second phase is the negotiation, where perpetrators and victims seek a solution to the inconveniences created by the OCG. In this phase, an intermediary could arrive and propose himself as peacemaker. The intermediary usually works for the OCG and his purpose is to reassure the victims and persuade them to accept the criminal demand. This phase was not present in the case studies analysed.
- The third phase is the demand. At this point, the perpetrators make their extortion requests. The OCG members adopt two forms of extortion requests, both discussed in the literature (Scaglione 2008): regular payments (IT-C2, IT-C3, IT-C4, IT-C5, IT-C6, IT-C7, IT-C9, IT-C11, IT-C12); and/or the imposition

²⁶ Other episodes of extortion of restaurants are mentioned as “other organised crime activities” in cases IT-C1, IT-C2, IT-C3, IT-C4, IT-C8, IT-C10. Other episodes of extortion to massage salons are mentioned as “other organised crime activities” in cases IT-C1, IT-C2, IT-C3, IT-C4, IT-C5, IT-C6, IT-C7, IT-C8, IT-C10. Other episodes of extortion to massage salons are mentioned as “other organised crime activities” in cases IT-C5, IT-C6, IT-C7.

of services. An example of the latter is the case where the criminals managed a food company and they started to impose themselves as suppliers (IT-C8). A combination of these forms was also present (IT-C1, IT-C10).

According to La Spina et al. (2014), the phases can vary in their order; for example, in some cases the demand was presented before the intimidation (IT-C1, IT-C11, IT-C12).

THE VICTIMS

Drawing on the case studies collected, this section describes and analyses the victims' profiles, their reactions to the extortion demands and the protective and resistance factors.

Characteristics of the victims

The businesses selected by extortionists were easy victims because of their characteristics (Schelling 1984). The OCGs selected the most prosperous businesses and calculated a suitable sum to demand by monitoring their revenue; they also opted for businesses that could not be moved in order to avoid the areas of influence of OCGs (IT-C1 through IT-C12).

According to the case studies collected, the victims were 18 Chinese persons, seven men, eleven and women and one unknown. The victims were both owners and employees, as Table 7 shows.

Table 7. Role of the victims in the victimised companies²⁷

Case ID	Owner(s)	Employee(s)	Case ID	Owner(s)	Employee(s)
IT-C1	1	1	IT-C8	1	0
IT-C2	3	0	IT-C9	1	0
IT-C3	2	0	IT-C10	1	0
IT-C5	1	0	IT-C11	1	1
IT-C6	1	2	IT-C12	1	0
IT-C7	1	0	Total	14	4

Source: Author's elaboration on the case studies.

²⁷ The case study IT-C4 did not provide data on the gender and the role of the victim the company.

According to the Chief Constable of Prato (Nannucci, 2015), the manager and employees targeted by extortion racketeering were usually documented immigrants or individuals of Chinese origin who had been granted Italian citizenship. Illegal immigrants were not employed in businesses that serve the public in order to keep them undocumented and avoid the risk of being repatriated by the Italian authorities. Investigations did not reveal information on the victims' citizenship status.

Reaction to extortion demands

According to Centorrino et al. (1999) there are three different reactions to extortion demands:

- acquiescence (victim complies with demands);
- complicity (victim complies with demands and receives improper advantages);
- resistance (victim refuses to comply).

In the case studies analysed:

- two victims complied with the extortion demands (IT-C4, IT-C8);
- in six cases the victims refused to comply with the demands (IT-C5, IT-C6, IT-C7, IT-C9, IT-C11, IT-C12);
- in two cases the victims initially refused to pay but later complied with the demands (IT-C2, IT-C10);
- in two other cases the victims initially chose to pay but then refused subsequent criminal demands (IT-C1, IT-C3).

As said before, Chinese entrepreneurs who have become victims of extortion usually prefer not to report to the police because of their traditions, which suggest involving the elders of the community in case of problems or disputes. However, in several cases the victims reported their extortionists (IT-C1, IT-C2, IT-C5, IT-C6, IT-C10, IT-C11, IT-C12) or cooperated with authorities when summoned (IT-C3, IT-C7, IT-C8, IT-C9).²⁸

Nannucci (2015) claims that reports are filed when the situations become too difficult to solve without external intervention. Indeed, in the cases analysed victimised owners reported to the police because the OCGs were very violent and hence drew the attention of the police to the community, which was resented by the whole community. According to the experts interviewed (Becucci 2015; Nannucci 2015), the third and fourth generation Chinese are more inclined to report because they are westernised.²⁹

²⁸ The case study IT-C4 did not provide data on reporting or cooperation of the victim with authorities.

²⁹ The third and fourth Chinese generations were born and grew up in Italy. They attended Italian schools and are more similar to their Italian peers than to the Chinese ones who live in China (Becucci 2015; Mundula 2015; Nannucci 2015).

Protective measures for Chinese victims of extortion racketeering

In order to reduce the risk of being targeted and with the aim of stopping the payment demands or the imposition of services, the entrepreneurs organised themselves in several ways. The first method revealed by the analysis was the refusal to pay if the other businesses in the same area were not paying. In the case IT-C2, the victim told his extortionists to start collecting money from the other companies in the area and then return to him. Investigators revealed that all the owners who received payment demands gave the same answer, so the criminals gave up on them. The second method is described in the interviews with experts from Tuscany (Becucci 2015; Borsacchi 2015; Mundula 2015; Nannucci 2015; Squillace Greco 2015). The entrepreneurs had created a private chat on WeChat called “Sicurezza”.³⁰ All the people involved in the group were able to post warnings or photos about suspicious men, who visited the shops asking for money or information about the owners. The third method occurred in the province of Prato (Becucci 2015; Mundula 2015; Nannucci 2015; Squillace Greco 2015). In this case, entrepreneurs paid a private surveillance company in the industrial area, known as *Macrolotto*. The security service guards had to monitor the area at night and phone the police in case of danger or suspicious activities.

Local authorities have also established protective measures for Chinese entrepreneurs. Interviews stress out the initiatives adopted in the province of Prato (Tuscany). The first measure is the production of documents and brochures in both Italian and Chinese in order to ensure that the community understands the laws and the information about events. The second measure is the creation of round tables with the most active entrepreneurs in case of particular events to plan (e.g. commemoration after incidents with Chinese citizens dead). The third measure is implemented by the CNA World China – the Chinese section of the National Confederation of Crafts and Small and Medium Enterprises. This institution created a WeChat group in order to involve the entrepreneurs in the association and provide them with information about the services offered by the association (e.g. counsels). The fourth measure was established by the Police Headquarters (Questura)³¹ and consisted of a help desk managed by a cultural mediator who speaks Chinese. This service provided information and help to victims of crime. Nannucci (2015) shared the story of an undocumented Chinese citizens who was brought by the mediator to the police in order to fill a report against his extortionist. The service was experimental and ended in September 2015, although it is not clear why.

³⁰ *Sicurezza* means both “safety” and “security”.

³¹ *Questura* is a central office responsible for the police force, public order and related administrative services.

CONCLUSION

Despite the limitations of the collected data, the analysis highlighted several difficulties in dealing with Chinese communities and some good practices to be implemented in the future.

In terms of difficulties, the analysis stressed the issues of **language, the availability of interpreters, the investigations and the bureaucracy**. Solutions suggested by the experts or already implemented in specific areas in Italy include:

1. language and interpreters:
 - a. identify an appropriate number of interpreters able to translate the different Chinese dialects;
 - b. provide them adequate compensation in order to increase the number of professionals;
 - c. guarantee adequate protection of their identity;
2. investigations:
 - a. establishment of investigative units composed by specialised officials with knowledge of Chinese traditions and culture able to speak with foreigners;
3. bureaucracy:
 - a. launch projects with Chinese speaking operators, similar to the ones already implemented in Tuscany;
 - b. use of communication channels already adopted by Chinese entrepreneurs, as the CNA World China did and Chinese channels of communication (e.g. animated cartoons).

It is important to plan new services aiming at encouraging reporting to the police or avoid the risk of minor offences, which should take into consideration two traditional institutions in the Chinese communities. The first is the group of the elders who are able to put pressure on their compatriots counselling them to involve the authorities in case of problems, disputes or threats coming from OCGs. The second is the presence of cultural mediators, who can be the connection between the authorities and the victimised entrepreneurs. They would not be expected to solve the problems but to be helpful by mediating between the request of the victims and the police needs.

Overall, the establishment of trusted relationship between the investigators and the Chinese communities seems to be fundamental in order to fight organised crime and extortion.

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APPENDIX 1. LIST OF CASE STUDIES IN THE HOSPITALITY SECTOR

Case ID	Case name	Source
IT-H1	Operation "Stop"	Request for precautionary measures, Preliminary inquiry section – Catanzaro Court
IT-H2	Operation "Addiopizzo 5"	Judgment, Preliminary inquiry section – Palermo Court
IT-H3	Operation "San Marco"	Request for precautionary measures – Busto Arsizio Court
IT-H4	Operation "Minotauro"	Request for precautionary measures, Preliminary inquiry section – Turin Court
IT-H5	Operation "Metastasi"	Order of application of coercive measures, Preliminary inquiry section – Milan Court
IT-H6	Operation "Antiracket Gela 8"	Request for precautionary measures, Preliminary inquiry section – Caltanissetta Court
IT-H7	Operation "Antiracket Caserta Provincia 2"	Judgment, Preliminary inquiry section – Naples Court
IT-H8	Operation "Antiracket Cercola, San Sebastiano, Volla"	Judgment – Nola Court
IT-H9	Operation "Antiracket Ercolano 5"	Judgment, Preliminary inquiry section – Naples Court
IT-H10	Operation "Antiracket Gela 10"	Order of application of coercive measures, Preliminary inquiry section – Caltanissetta Court
IT-H11	Operation "Antiracket Vieste 2"	Request for precautionary measures, Preliminary inquiry section – Bari Court
IT-H12	Operation "Antiracket Vieste 2 bis"	Request for precautionary measures, Preliminary inquiry section – Bari Court
IT-H13	Operation "Antiracket Vieste 1"	Judgment – Foggia Court
IT-H14	Operation "Caposaldo"	Judgment, Preliminary inquiry section – Milan Court
IT-H15	Operation "Bad Boys"	Judgment – Busto Arsizio Court
IT-H16	Operation "Di Grillo"	Request for precautionary measures, Preliminary inquiry section – Milan Court
IT-H17	Operation "Pandora"	Order of application of coercive measures, Preliminary inquiry section – Catanzaro Court

APPENDIX 2. LIST OF CASE STUDIES IN THE CHINESE COMMUNITIES

Case ID	Case name	Source
IT-C1	Chinese restaurant in Milan (1)	<i>Carabinieri</i> final report, Provincial Chief of Milan, 2010 Judgment, VIII penal section – Milan Court, 2010
IT-C2	Massage salon in Milan (1)	<i>Carabinieri</i> final report, Provincial Chief of Milan, 2010
IT-C3	Hair salon in Milan (1)	<i>Carabinieri</i> final report, Provincial Chief of Milan, 2010
IT-C4	Chinese restaurant in Milan (2)	<i>Carabinieri</i> final report, Provincial Chief of Milan, 2010
IT-C5	Hair salon in Milan (2)	<i>Carabinieri</i> report N 55/8-57, Provincial Chief of Milan, 2011
IT-C6	Massage salon in Milan (2)	<i>Carabinieri</i> final report, Provincial Chief of Milan, 2011
IT-C7	Bar in the province of Milan	<i>Carabinieri</i> final report, Provincial Chief of Milan, 2011
IT-C8	Fry shop in Milan	Judgment, VIII penal section – Milan Court, 2010
IT-C9	Arcade in Milan	Judgment, Preliminary inquiry section – Milan Court
IT-C10	Chinese restaurant in Milan (3)	<i>Carabinieri</i> final report, Provincial Chief of Milan, 2010 Judgment, VIII penal section – Milan Court, 2010
IT-C11	Chinese restaurant in Prato	Request for precautionary measures, Preliminary inquiry section – Florence Court
IT-C12	Hair salon in Prato	Request for precautionary measures, Preliminary inquiry section – Florence Court

EXTORTION IN ROMANIA

Extortion in Romania needs to be understood in the context of the general prevalence of corruption. In the post-communist period, corruption has been the primary instrument for individuals to maintain and improve their social status and accumulate capital under the new opportunities of the market economy. Under the new conditions, capital became a more robust source of power than the former communist bureaucratic elite exchanges. Using corruption, the former *nomenklatura* managed to transform their influence over administrative and legal decisions into economic capital. This transformation occurred in all social areas and economic domains by various corrupt methods: syphoning state companies (parasite companies, tax evasion and joint ventures), loans without proper collaterals (awarded by state-owned banks like Bancorex, Dacia Felix Agricultural Bank, etc.), rigged privatisation deals (protracted procedures in order to reduce the value of the companies), control over public utility companies (water, sewage, garbage, transport), favouritism in the use of the management and employee buyout method (Kaufmann and Siegelbaum (1997), embezzlement and market manipulation inside state-controlled investment funds (Romania Insider, 2014), extortion in the restitution of property and bribery (public procurement, health, justice, police services) (Nicolae, 2010: 239).

Currently, Romania has **high levels of estimated corruption**. According to the aggregate indicator control of corruption from the Worldwide Governance Indicators (World Bank),¹ Romania is the third most corrupt country in the EU after Bulgaria and Greece. In the last 10 years, the World Bank corruption indicator for Romania improved by only 7 %, from an initial value of 49.76 in 2005 to 53.4 in 2015.

Another measure of corruption in Romania is Transparency International's Corruption Perceptions Index (CPI).² In the last ten years, Romania's CPI slowly improved from an initial value of 3 in 2005 to 4.3 in 2015. Corruption continues to be a problem in Romania despite progress registered in the last years.

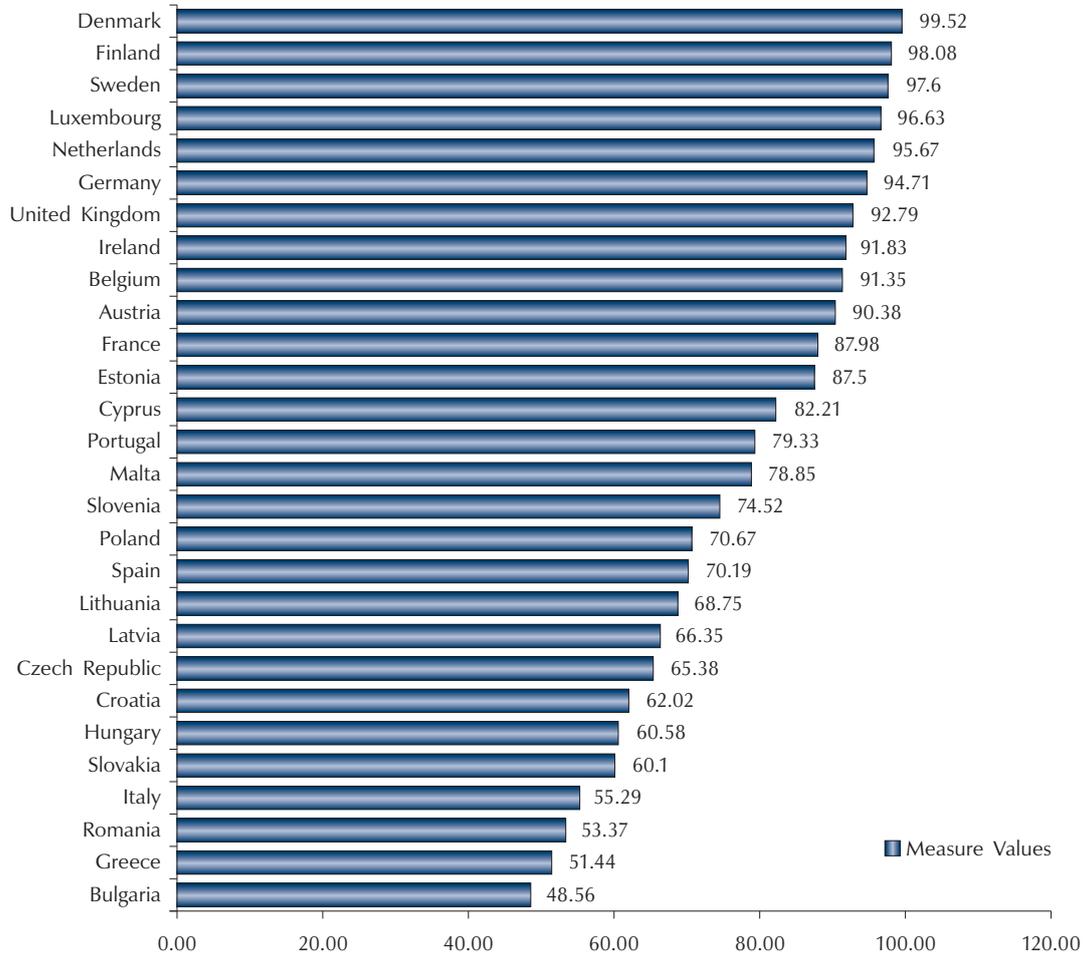
According to the latest Eurobarometer on corruption,³ the most corrupt institutions in Romania are perceived to be the police (67 %), healthcare (67 %) and politicians (52 %); the judiciary is also perceived to be highly corrupt (42 %). Police have the most impact against organised crime and extortion so the levels of corruption in the police and the justice system can influence the spread of extortion racketeering practices.

¹ <http://info.worldbank.org/governance/wgi/index.aspx#home>

² http://www.transparency.org.ro/politici_si_studii/indici/ipc/2014/CPI%202014_Regional%20with%20data%20source%20scores_RO.pdf

³ http://ec.europa.eu/public_opinion/archives/ebs/ebs_397_fact_ro_en.pdf

Figure 1. WGI control of corruption (EU member states)



Source: World Bank, 2014.

Extortion racketeering in Romania is systemic, the relationship between the victims and the extortionists being either parasitic or symbiotic (Transcrime, 2009: 9). Extortion racketeering involves local clans, domestic and foreign organised crime groups, being closely connected with corruption. Romania is one of the EU countries with the highest rates of corruption and organised crime (Gounev and Bezlov, 2010: 150). Romanian entrepreneurs seek to evade government control by hiding some or all of their activities, with little prospect of sanctions, limiting their growth aspirations, or engaging in corruption as a means of furthering their objectives (Vorley and Williams, 2015). Thus, the level of tax evasion is very high, being a vulnerability of the businesses that are exploited by the organised crime groups.

The **shadow economy** continues to be a challenging problem in Romania as the Economic Council estimated that it represented 28 % of GDP in 2015 (Digi24.

ro, 2015b). The Ministry of Agriculture estimated that the tax gap due to evasion in the sectors of meat/livestock and fruits/vegetables amounts to approximately €400-600 million annually (Pavelescu, 2013). The farmers do not have access to markets for their agricultural produce and prefer to sell it to intermediaries that are involved in tax evasion (Gotiu, 2016).

Figure 2. Shadow economy as % of GDP in Romania



Source: Economic Council and Schneider, Raczkowski and Mróz, 2015.

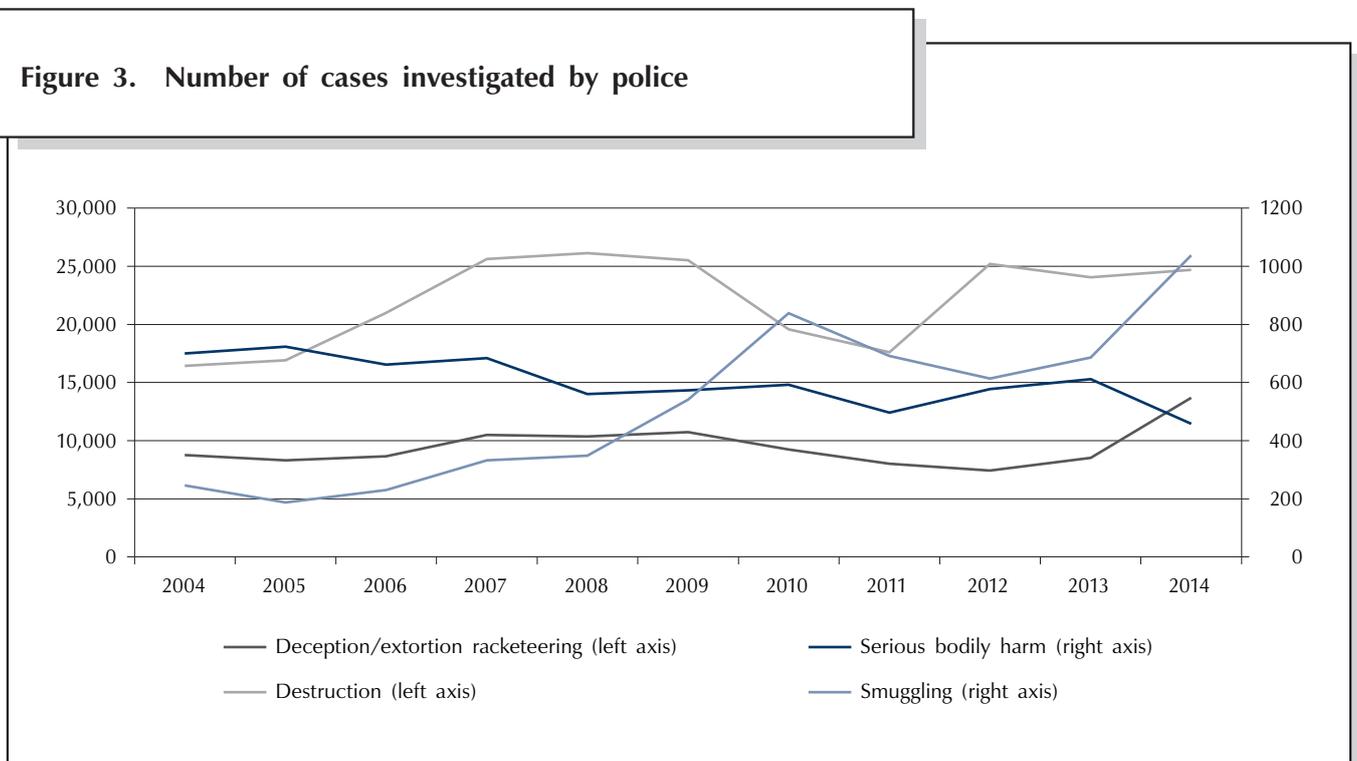
Extortion racketeering is not about isolated incidents (Transcrime, 2009: 195) but an instrument used by organised crime either in the form of protection fee, loan sharking or as a way to obtain valuable assets at below market prices. Along with extortion racketeering, organised crime groups tend to employ a wide range of instruments: physical violence, harassment, arson, shooting, corruption, and blackmail. Extortion racketeering is also an instrument in corruption schemes as public officials intimidate companies in order to extract rents. Beginning in 2010, the annual reports of the Directorate for Investigating Organised Crime and Terrorism (DIICOT) have included examples of cases of extortion racketeering by criminal groups: 2010 – *Corduneanu* group (DIICOT, 2010: 21) and a second group of 18 people involved in leasing machinery and special construction vehicles (Ibid.: 34); 2011 – *Costel Mafiotu* group (involved in loan sharking; DIICOT, 2011: 18), *Ghenosu* group involved in prostitution, loan sharking and protection fee (Ibid.: 21); other groups involved in computer fraud, in phishing confidential corporate data and extortion of corporate victims (phishing confidential client data from a clinic and threatening with publication of data, unless €300,000 is paid; DIICOT, 2011: 40-50); 2012 – a criminal group enslaved, intimidated and forced into labour 13 migrants from Honduras (DIICOT, 2012: 19); 2013 – *Cămătarii și sportivii* group specialised in loan sharking

(DIICOT, 2013: 19); 2014 – Kastro Charli group – specialised in kidnapping for ransom or forcing the victims to sign damaging contracts (DIICOT, 2014: 33). These are only few examples of the complex criminal activity that involves – at some point – extortion.

Historically, **serious criminal groups** emerged after 1990. These groups have been prosecuted and convicted, but some members of local clans managed, after serving their sentences, to regroup, move to other geographical areas and continue the criminal undertakings. At the same time, in the context of European integration and new technologies, crime groups expanded in new areas such as human beings trafficking, credit card/computer fraud, counterfeiting and across borders, joining international crime structures. The criminal groups are present across Romania, in urban and rural areas. There is no geographical or economic sector preference.

There is no generally accepted indicator in Romania of the rate of organised crime at national and regional level. DIICOT reports do not estimate the annual level of organised crime. Nevertheless, the National Institute of Statistics report annually the number of cases investigated by the police on several crimes. Some crimes may be used as a proxy indicator of the level of organised crime: deception, serious body harm, destruction and smuggling. In the period 2004 – 2015, the total number of cases investigated by the police seems to be growing slowly. Thus trend seems to account for a slow improvement in the law enforcing capacity rather than a consolidation of the criminal networks.

Figure 3. Number of cases investigated by police



Source: National Institute of Statistics.

The main institution having the legal mandate⁴ to investigate and prosecute the crime of extortion racketeering is DIICOT. The Directorate is an autonomous structure (having legal status and own budget) within the Prosecutor's Office attached to the High Court of Cassation and Justice (PICCJ). DIICOT has also a mandate to investigate criminal organisations, human beings trafficking, drug trafficking, deprivation of liberty, harassment, computer fraud, counterfeiting of coins, stamps or other valuables, and smuggling. Romania recently amended its legislation against organised crime and introduced a new *Criminal Code* and a new *Criminal Procedure Code*.⁵ In the Romanian legislation, an organised criminal group "is a structured group formed of three or more persons that exists for a period of time and acts in a coordinated manner for the purpose of committing one or more serious offences, in order to obtain directly or indirectly a financial benefit or another material benefit".⁶

DATA COLLECTION

The process of data collection in the hospitality sector focused on official investigations and criminal files regarding extortion racketeering. The cases were identified in the official records of the courts and relevant data was collected from court decisions, mostly final. Cases were reported also in media and the media reports regarding these cases were consulted.

With respect to agriculture, collected data focused on official investigations and criminal files regarding extortion racketeering in agriculture. The cases were identified in the official records of the courts and relevant data was collected from court decisions and mostly final instance decisions were taken into account. Nevertheless, extortion was only part of more complex criminal undertakings, which why two of the cases focus on the appropriation of agricultural state property. Cases were identified also in media and the media reports were consulted.

⁴ Law no. 508 of 17 November 2004 on the establishment, organization and functioning within the Public Ministry of the Directorate for Investigating Organized Crime and Terrorism, article 12. The mandate includes art. 207 of the *Criminal Code*: "Blackmail (1). Forcing someone to give, do, not do or suffer anything in order to gain unfairly benefit prerogatives for him or for another, shall be punished with imprisonment from one to 5 years. (2) The same punishment applies revelation threat of a real or imaginary, compromising the person threatened or to a family member of its intended purpose in par. (1)".

⁵ New *Criminal Code* and *Criminal Procedure Code* entered into force in 2014; Law no. 211/2004 on the protection of victims; Law no. 682/2002 on the protection of witnesses.

⁶ Art. 367, paragraph 6 of the new *Criminal Code*.

EXTORTION RACKETEERING IN THE AGRICULTURAL SECTOR

HISTORICAL BACKGROUND

Extortion in agriculture in Romania is related to the land restitution process of the post-communist period (RO-A4, RO-A6, RO-A11) and to European subsidies (RO-A15, RO-A12, RO-A1). Apart from these two types, organised crime groups, with aid from public officials, used extortion to acquire valuable agricultural property (RO-A2, RO-A3, RO-A5, RO-A7, RO-A8, RO-A9, RO-A10, RO-A14).

The restitution process generated intensive debates in Romanian society after the 1989 revolution which abolished the communist dictatorship (Socaciu, 2007). In 1948, a communist regime was established by force in Romania with the support of the Soviet Union. The communist regime immediately initiated the process of nationalization of all means of production. On 11 June 1948, 1,050 industrial enterprises, banking and insurance companies were nationalised as “assets of the people”. On 2 March 1949, collectivisation began violently by the expropriation of all properties larger than 50 hectares (Andrei, 2014). By 1962 the communist state had confiscated almost all private agricultural properties in the country and merged them into state-run agricultural enterprises. Most of the private buildings and homes were also moved into the state property beginning in 1950 (Știrile TVR, 2013).

This nationalisation process was reversed after 1989 and the former owners or their heirs have been granted the right to request their assets back. During the last 26 years, the Romanian Parliament adopted 12 laws (the latest one in 2013) regarding the restitution of properties confiscated by the communist regime. However, the restitution process generated severe abuses, corruption and extortion (Bian, 2008). In agriculture, local committees with discretionary powers for law enforcement were established and these committees practically divided the land at will, generating a long string of lawsuits (Medeanu and Iojă, 2005). Land restitution started in 1991 (*Law no. 18/1991*) and it has not been completed yet. The rightful owners were extorted in order to receive the ownership acts, false owners appropriated land, and powerful criminal groups forced the rightful owners to sell cheaply their lawful rights over the properties (Digi24.ro, 2015). Owners were continuously required to provide new documents until, in despair, they strike a deal with committee members: either pay bribes in cash or conclude preliminary contracts of sale at very low prices to buyers who are part of the local committees. Prosecutions against these groups are still at an early stage: one group was indicted in 2015 for gaining more than 43,000 hectares of forest in Bacău County, based on illegal decisions of judges, with the involvement of members of parliament (Anghel, 2015). Another group was under investigation at the end of 2015 for illegally appropriating a former farm of 170,000 square meters near Bucharest, the total damage being estimated at €135 million (ȘtirileProTV,

2015). All over the country restitution of real estate practically became a criminal market. Corrupt public officials at the highest levels of government, as well as local criminal groups in conjunction with local officials have been active in this market.

Another process in agriculture that generated the interest of criminal groups was the European Union funding under the Common Agricultural Policy programmes. Romanian Agency for Payments and Intervention in Agriculture (APIA) paid more than €7.6 billion from the European Agricultural Guarantee Fund (EAGF) in the period 2007 – 2013 (AgroInfo.ro, 2016). EAGF primarily finances direct payments to farmers and measures regulating or supporting agricultural markets.⁷ The subsidies are awarded in the form of direct payments per hectare managed by the Integrated Administration and Control System (IACS). APIA also manages the export-import certificates and guarantees for import and export of agricultural products. The implementation of the programme was plagued by various schemes for fraud and embezzlement; the most common criminal arrangement was to request and receive undue subsidies.⁸

A third pattern of extortion in agriculture is to use violence in order to acquire land from private individuals or develop complicated patterns to appropriate state property (good examples are cases RO-A13 and RO-A16). Criminal gangs as well as white collar groups compete to illegally gain agricultural properties from public organisations or businesses.

Demographic, social and economic context

Extortion racketeering in agriculture is prevalent not only in selected regions in Romania, but has been identified in all regions. The uncovered extortion cases in agriculture tend to be located in rural areas rather than urban ones, insofar as large cultivated lands are within the territory of rural communities. The sample of cases analysed for this report took place in 12 counties, 14 communities – 7 urban (Ploiesti, Craiova, Brasov, Sacele, Timișoara and Turceni) and 7 rural. Geographically, the communities can be grouped in five regions with agriculture potential: Modova (2 cases), Transilvania (6 cases), Oltenia (4 cases), Muntenia (1 case) and Dobrogea (1 case).

The main economic sector in all 7 rural communities affected by extortion is agriculture. Four communities (RO-A1, RO-A3, RO-A6 and RO-A9) cultivate cereals (corn, wheat, oatmeal and sunflower) and vegetables (potatoes, beans, unions and cabbage); others have fruits and vine (RO-A1, RO-A5 and RO-A12) or livestock (RO-A5 and RO-A15). Most of the companies involved in agriculture are family associations.

Most of the urban communities from the sample cases are large municipalities (Timisoara – 319,279 inhabitants; Brasov – 275,514 inhabitants; Craiova – 269,506 inhabitants, Ploiesti – 209,945 inhabitants). These large municipalities are located in counties with agriculture potential. There are also 2 small cities (Săcele, Brașov

⁷ http://ec.europa.eu/agriculture/cap-funding/index_en.htm

⁸ <http://www.agrinet.ro/content.jsp?page=1567&language=1>

Table 1. Demographic characteristics of the villages affected by extortion racketeering

Name of the rural community, county, case ID	No. of inhabitants	No. of companies involved in agriculture	Agricultural area	EU payments 2014 – EAGF and EAFRD (€)
Udesti, Suceava, RO-A1	7,566	93	5,258 ha	177,445 (568 beneficiaries)
Viile, Satu-Mare, RO-A12	3,514	40	6,797 ha	622,529.07 (338 beneficiaries)
Telciu, Bistrita-Nasaud, RO-A15	6,450	2	7,439 ha	1,709,597.44 (883 beneficiaries)
23-August, Constanta, RO-A3	5,289	11	6,534 ha	234,460.34 (79 beneficiaries)
Ocnele Mari, Vâlcea, RO-A5	3,309	1	2,505 ha	23,122.99 (75 beneficiaries)
Zărand, Arad County, RO-A9	2,677	7	6,910 ha	557,525.23 (363 beneficiaries)
Ion Neculce, Iasi County, RO-A6	5,445	36	6,411 ha	1,475,743.51 (475 beneficiaries)

Source: Agency for Financing Rural Investments.

County – 30,798 inhabitants; Turceni, Gorj County – 7,269 inhabitants). Dolj County is on the seventh place among 42 Romanian counties considering area suitable for agriculture, whereas Timiș County is at 11th place. Brasov County is at the 5th place regarding the area of pastures and hay fields, whereas Gorj County is 11th. Timiș County has the highest number of livestock (pigs and sheep) in Romania. The total utilised agricultural area in Romania is 13,298,000 ha (2010). 888,000 ha were not cultivated and 1,350,000 hectares were land lying fallow (2010).⁹

All the counties affected by extortion racketeering from the sample have important utilised agricultural areas. The structure of the economy involves animal breeding (developed in Timiș, Constanța and Brașov), and cultivating cereals and vegetables (Timiș, Dolj, Constanța, Arad, Brașov, Vâlcea), vine (Dolj, Constanța, Vâlcea). Industry also plays an important part in local economy of Timiș (transportation and manufacturing), Dolj (automotive, foods and beverages, textiles, chemicals and heavy equipment), Constanța (energy), Bistrița-Năsăud (electrical equipment and appliances, metallurgy, food and textiles), Satu-Mare (textiles, automotive,

⁹ General Agricultural Census 2010, pp. 7, 9, 12, http://www.fao.org/fileadmin/templates/ess/ess_test_folder/World_Census_Agriculture/Country_info_2010/Reports/Reports_4/ROM_ROU_PRE_REP_2010.pdf

food, timber and furniture), Gorj (mining) and Prahova (oil). Tourism is especially developed in Braşov, Constanţa, Timiş and Suceava.

Table 2. Regional structure of the agricultural sector

County	Total utilised agricultural area	No. of business entities in the agricultural sector
National	13,298,000 ha	132,862
Timis	660,103 ha	3,498
Dolj	534,392 ha	5,431
Constanţa	533,558 ha	3,441
Arad	452,273 ha	2,971
Iaşi	349,303 ha	4,685
Suceava	330,157 ha	3,316
Bistriţa-Năsăud	279,973 ha	6,510
Satu-Mare	277,357 ha	3,279
Prahova	250,309 ha	1,859
Brasov	225,942 ha	1,651
Gorj	219,050 ha	3,250
Vâlcea	189,308 ha	2,364

Source: General Agricultural Census 2010 and National Trade Register Office.

In 2015, there were 132,862 business entities in the agricultural sector.¹⁰ In every county there are several business associations, the most relevant at the national level being the Chamber for Commerce, Industry and Agriculture, Sheep and Goat Breeders Association, Farmers League Association, Beekeepers Association.

National and regional rates of unemployment

The official rate of unemployment in Romania is 4.88 %.¹¹ In the last ten years, its rate varied in the counties in which the documented cases of extortion took place. There does not seem to be a correlation between the level of unemployment in the year in which the extortion incident took place and the case, as there were years in every county with even worse unemployment rates and the level of unemployment was below the national average.

¹⁰ These business entities (including self-employed certified farmers) have their primary field of activity in the agriculture and animal breeding sector (excluding hunting, forestry and logging, fisheries and aquaculture).

¹¹ National Agency for Employment, data for October 2015, retrieved from: <http://www.anofm.ro/files/Comunicat%20de%20presa%20somaj%20octombrie%20%202015.pdf>

Table 3. Unemployment rate in affected counties (%)*

County/Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
National Average	6.3	5.9	5.2	4	4.4	7.8	7	5.2	5.4	5.7	5.4
Timiș	2.6	2.3	2	1.6	1.6	4.5	3.7	1.9	2	1.9	1.6
Dolj	5.8	6.3	6.8	4.9	8.1	11.3	9.8	8.9	9.4	9.7	9.4
Arad	3.6	3.6	3.3	2.3	3.1	6.8	5.2	3.5	3.6	3.2	2.8
Iași	7.1	7.2	6.5	5.6	5.4	7.4	7	5.4	5.1	5.2	5
Suceava	7.8	6	4.7	3.7	4.3	7.9	7.3	4.9	5.5	6.5	6.7
Constanța	5.9	5.6	4.3	3.5	3	6.4	5.8	4.3	4.5	4.4	4
Bistrița-Năsăud	6.4	4.3	3.2	2.4	2.7	8.2	6.4	4.9	4.8	4.9	4.5
Satu-Mare	2	3.4	3.4	2.6	3	6.5	6.1	4.6	4.8	4.6	4.4
Prahova	6.6	6.3	5.1	3.8	3.9	8.9	8.6	5.7	5.6	5.8	5.2
Brasov	10.7	8.7	6.1	5	4.3	8.7	7.2	5.1	4.9	4.7	4.3
Gorj	8	9.3	8.8	5.6	7.3	10.7	10.1	7.8	7.7	8.2	7.5
Vâlcea	7.6	6.6	4.8	3.4	4.7	7.9	7.7	5.2	6.1	6.8	5.6

* Counties affected by agriculture-related extortion cases. Shaded cells indicate the year in which the extortion incident took place.

Source: National Institute for Statistics.

Nevertheless, there are three counties that experienced extortion cases in their worst employment year comparing it with the entire decade and with the national average: Iași, Gorj and Arad in 2009.

THE PERPETRATORS

Types of organised crime groups

Two broad types of groups emerged from the analysis of the sample of cases: white-collar groups (10 cases) and criminal gangs (4 cases). Members of white-collar groups are public servants, legal professionals, politicians and businessmen. They are involved in cases related to the land restitution process and to European subsidies for agriculture. Typical for the white-collar groups are abuse of office, complicated legal schemes, corruption, long period of harassment and threats with administrative actions. The white-collar groups may be further analysed in two different subgroups: groups lead by public officials (RO-A1, RO-A3, RO-A6, RO-A11, RO-A12 and RO-A15) and groups lead by professionals – predator

networks (RO-A2, RO-A4, RO-A8 and RO-A9). While the public officials do not use violence at all, the predator networks resort to it.

The groups of public officials are involved mostly in cases of land restitution and European funds. In the case RO-A1, all the extortionists were public officials at the municipal administration. In the case RO-A3, there were three extortionists: a police agent and two partners at a trading company. The perpetrators met during the lawsuit the two partners had against the victim. The crime group was organised as a loose network, all three perpetrators planning the scheme and constantly intimidating the victim. In RO-A6, the group was composed by a mayor, his wife and a civil servant at the municipal administration, the mayor being the head of the group. In case RO-A11, 5 individuals were involved in extortion: the mayor (the head of the group), his brother-in-law, his advisor, the city manager¹² and a local councillor. In cases RO-A12 and RO-A15, the managers of APIA Satu-Mare and APIA Bistrița-Năsăud were helped by other local officials to extort large sums of money from farmers who received funding from APIA and to pay subventions for agricultural activities that were not executed.

The predator networks were involved in extortion of vulnerable businesses. In the case RO-A2, 6 individuals were involved in extortion: a former leader of a political party, his wife, a public notary and other accomplices (private friends). The group was organised as a network, its members working together according to well established criteria. First, they called the victim and proposed buying the land. They put pressure on the victim to accept the deal and then took him to a public notary (an accomplice) to sign the selling documents. The victim refused to sell the land at the low price proposed by the extortionists. They sequestered the victim for approximately 2 hours in the office of the public notary and forced him to sell. In the case RO-A4, the perpetrators convinced the victims that they can obtain for them favourable decisions in court by using their influence among magistrates and asked them for money or assets depending on the their economic profile.

In cases RO-A8 and RO-A9, the groups were hierarchical. The first group was led by a famous journalist and director of a national TV station, while the second was led by one of the shareholders of a popular Romanian football team, who was also stock-market investor and shareholder in several real estate companies. The first group threatened to use the TV station to orchestrate a smear campaign against the victim, if he did not comply with their demands.

The criminal gangs (RO-A5, RO-A7, RO-A10, and RO-A14) are hierarchical, territorial, have many members (some of them being linked by kinship) and internal specialisation, and employ violence. These kinds of groups are involved in various criminal activities, extortion racketeering being only one of them. Some of the members have previously been involved in other dismantled organised crime groups. For instance, in the RO-A7 case, two of the perpetrators previously committed crimes in Germany; two of them are husband and wife and the third is a family friend. The group convinced the victims to sell their land and accept signing the notarial papers without having received the total amount of money. In RO-A10 case, the extortionists were relatives (brothers and a wife).

¹² A high level civil servant at the municipal administration.

Considering the number of perpetrators, all the analysed groups were small, composed of 3 individuals, on average. There were two criminal gangs with more than three individuals involved in extortion (RO-A5 – 5 individuals and RO-A14 – 4 individuals) and two white-collar groups (RO-A2 – 6 individuals and RO-A11 with 5 individuals). All of those involved in extortion were Romanians.

Two more cases (RO-A13 and RO-A16) relate to state property. In RO-A13, during 2008 – 2009, two police officers threatened public officials who refused to comply with their demands. The police officers initiated criminal investigations in order to intimidate public officials and force them to approve different illegal requests of the clients of the wife's company. Thus, the police officers opened criminal files against public officials who refused to grant VAT refunds to certain fictitious economic transactions, remove restraints imposed on real estates of businesses with debts to the state budget or to pay subsidies for agricultural activities that were not conducted. In case RO-A16, a private company, part of a criminal group, using false documents and with the aid of a judge (that did not summon the parties involved and ruled knowing that the documents were false) succeeded to secure a final court decision acknowledging the property right over a land estate that was state property in the administration of the local council and mayor. Immediately after the sentence the estate was partitioned and illegally sold (without a tax certificate) for €21 million. At the beginning, the mayor and the local councillors denounced to the Prosecutors Office the false documents and the court decision and initiated a civil lawsuit against the private company that illegally appropriated the agricultural terrain (396,122 square meters, value of €60-100/m²). The Chief Prosecutor of Galati was part of the crime group and ignored the complaints. The mayor and local councillors were threatened with criminal investigations and civil actions by the crime group in order to force them to withdraw their lawsuit and issue a tax certificate (a document required in order to be able to sell a property in Romania). Several harassing civil actions for damages were opened by the crime group against the mayor and the councillors. As they did not comply, the Chief Prosecutor of Galati opened a criminal file (with fake charges) regarding the mayor and the local councillors and summoned them for interrogation. Threatened with jail time, the mayor and the councillors agreed to withdraw the civil lawsuit and complaints of criminal wrongdoing. After being intimidated, the victims complied with all the demands.

Modus operandi of the perpetrators

The groups of public officials operate without mediators. In the cases involving EU agricultural subsidies, they used their powers to approve payment claims, perform oversight and certify declarations on cultivated land in order to extort the beneficiaries of EAGF subsidies. Each group acted in their geographical area within which they had administrative competence. For instance, in case RO-A1, the perpetrators (a mayor, a municipality cashier, the president of a Breeding Association and a lawyer) forced the farmers (members of the Breeding Association) to sign false declarations and used these documents to claim EU subsidies in the name of the Association. Afterwards, the extortionist embezzled from the Association the illegally received EU subsidies and divided the money

among them. The victims were the members of the Association who have put their land and animals together to form this collective entity. They had the right to receive subsidies individually if the subsidies were not requested by the Association.

In the case RO-A12, the manager of APIA Satu-Mare and his accomplices periodically requested sums of money from victims in exchange for being negligent in monitoring the EU subsidies approved for the victims' agricultural businesses. The manager of APIA Satu-Mare requested €2,500 from a farmer – who had several agricultural activities that were monitored by APIA – and after the farmer paid, the manager requested another €5,000 for the same purpose and then another €3,000. In the case RO-A15, the perpetrators (a mayor, a manager of APIA and an employee of APIA) requested large amounts of money from the farmers whom they threatened to cancel lease contracts for pastures. The victims received EU subsidies in the form of direct payments for the pastures leased from the mayor's office.

In the cases involving land restitution, the public officials abused their powers to approve the requests on restoration of property rights. In case RO-A6, the mayor and his accomplices threatened the victim with administrative penalties and refusal to sign the restitution act for a 4.4 ha land estate, if the victim does not sell the land to the mayor at a low price. In case RO-A11, the white-collar group (a mayor and several employees at the city hall) refused to sign the restitution acts over the lands unless the farmers sell to the group their lands at a low price. The mayor bought the properties in order to resell to a private investor – a multinational company and producer of cement, concrete and aggregates. The group bought land for 10,000 lei¹³ per hectare and resold it to the private investor for 100,000 lei per hectare. The profit of the group was €1.5 million. A similar case is RO-A3, in which a police chief abused his power and threatened the victim – already under investigation – that he would bring additional criminal charges, if the victim would not sell him three land estates and an apartment, and give him money.

Predator networks identify vulnerable companies (companies that have valuable assets, companies involved in lawsuits, companies with financial problems, companies selling their assets) and often involve mediators to extort them. These perpetrators are also active in the land restitution process. For instance, in case RO-A4 the extortionists used a mediator to request money from an owner of a prosperous agricultural company. They promised the victim that they would exercise their influence over several judges so that he could obtain a favourable judgment in a lawsuit for restoration of property rights, which was under appeal, and would then facilitate enforcement of the court decision. The extortionists started demanding for money periodically and threatening the victim to pay up.

In case RO-A8, the crime group threatened the victim through a mediator in order to obtain a 10 ha land plot with a value of over €15 million. Instead, the extortionists assured the victim that he would become again the owner of

¹³ Approximately €2,200.

the local football team and he would get rid of his legal problems. During this period, the perpetrators talked almost 500 minutes on the phone to the victim and had 15 meetings. In case RO-A9, the extortionists were journalists who made investigations about different businessmen. Having obtained various documents and pictures they began to extort the victims through mediators. In the beginning, the perpetrators intimidated the victim by broadcasting on their TV station allegations of corruption regarding illicit operations of the victim in agriculture. Then, two accomplices approached the victim and demanded money on behalf of the perpetrators so that further allegations and evidence would not be broadcast. The extortion incident lasted 6 months.

Criminal gangs – the second type of perpetrators – have a different *modus operandi*: they operate within a certain territory with no mediators but with the support of corrupt public officials, and target vulnerable victims such as companies with financial problems, companies selling their assets, companies which have to comply with strict regulations. Moreover, these groups use violence to ensure compliance and are involved in multiple criminal activities.

In case RO-A5, the group was specialised in usury, fraud, money laundering and tax evasion. The extortionists loaned money to the victims with the intention to make them dependent. Moreover, victims were informed about the contacts that the group leader had in the local political circles, among the judiciary and administrative decision makers, thus creating an image of him as a person with considerable “patronage”. The extortionists demanded weekly payments from the victim, inducing in him a state of fear and making him feel vulnerable if he would not meet their demands. This group also used a second method: the members of the group identified businessmen and propose them different commercial deals/contracts with companies that were controlled by the perpetrators. In the end, the perpetrators would not pay and threat the victim not to complain.

In case RO-A7, a similar pattern was developed: the perpetrators searched for businesses selling their land and after signing the sale contract, the group paid less than the amount agreed. The groups threatened the victims into accepting the situation and losing money, caused a total prejudice of €1 million to four victims. Another method was used in case RO-A10: the group members bought meat products from various meat companies, tampered with the quality of the meat and dairy products and, then threatened the directors of the companies to report them to consumer protection authorities if they did not pay ransom. In case RO-A14, the crime group intended to control a local market of agricultural produce by demanding from other retailers in the area to raise the prices of the agricultural produce. Stores not complying were vandalised.

Both types of groups (white-collar and criminal gangs) are involved in other criminal activities: white-collar mostly in corruption (RO-A1, RO-A6, RO-A4, RO-A11), tax evasion (RO-A3), extortion (RO-A9, RO-A12, RO-A15) and real estate schemes (RO-A2, RO-A8 – buying litigious rights and illegally receiving damages from ANRP) while criminal gangs deal mostly in loan-sharking (RO-A5, RO-A14) and extortion by violent means (RO-A10 – extortion of restaurants and fast-foods outlets, RO-A7).

Involvement of public officials and use of violence and intimidation

The groups of public officials were composed almost only of civil servants and elected politicians, who initiate, plan and execute the extortion. In the sample cases, the groups were led by mayors (RO-A1, RO-A6, RO-A11) or local managers of APIA (RO-A12, RO-A15). In one case the leader of the group was the chief of the local police (RO-A3).

In the predator groups' cases there was no involvement of public officials (RO-A2, RO-A4, RO-A8 and RO-A9). In only one case from the criminal gangs sample there were public officials involved (RO-A5, the prefect of Vâlcea County and the deputy head of the Râmnicu Vâlcea Police).

When perpetrators are public officials they threaten to impose various administrative penalties (e.g. terminate the lease contracts in RO-A15, exclusion from the agricultural cooperative in RO-A1, impose additional criminal charges during investigations in RO-A3, refusal to sign the restitution acts in RO-A6 and RO-A11, inspections RO-A12) and red tape in order to ensure compliance.

Predator networks use low-level violence in order to ensure compliance. In the case RO-A2, the victim was verbally threatened, confined for 2 hours in the public notary's office, beaten and tied by his hands and legs. In the case RO-A4, the extortionists followed the victim at home or at work and intimidated him by using muscle force. In the case RO-A9, the extortionists threatened the victim mostly by phone, by broadcasting allegations and also used violence by sending two persons to beat the victim at home. In RO-A8, the mediator used only verbal threats to convince the victim think that the extortionist is a very powerful enemy: "there's no other enemy with such power like he has".

The criminal gangs are the most violent groups. While in this sample of cases the violence was not extreme, the potential for violence of these gangs is consistent (see below the section on extortion in the hospitality sector in Romania). In the case RO-A14, the gang members wrecked the victim's store and beat him up. In RO-A10, the gang members used a gas pistol to intimidate the victims. In the case RO-A7, they cut off the power and the gas supply of the victims' houses and threaten to beaten and even kill them. In the case RO-A7, the perpetrators threatened the victim that they would destroy his harvest and used insults to make the victim pay.

THE VICTIMS

The groups of public officials active in land restitution target individual farmers that are entitled to get their land back and extort them in the process of issuing the restitution acts. Officials dealing with EU funds target family cooperatives or individual farmers that are entitled to receive EU subsidies and extort a share of the subsidy (10 % to 30 %). The predators and the gangs target mostly economically viable companies in the agricultural sector. The targeted companies are small local businesses that cultivate cereals (RO-A1, RO-A2, RO-A3, RO-A4, RO-A6,

RO-A8, RO-A11) and vegetables (RO-A1), breed animals (RO-A1, RO-A9, RO-A15) or produce honey (RO-A7), meat and dairy products (RO-A10) and harvest fruits and vine (RO-A5, RO-A12). The organisational forms of the affected businesses include limited liability companies (5 cases), certified self-employed farmers (4 cases), family cooperatives (2 cases), joint-stock companies (2 cases) and an agriculture cooperative (1 case). These businesses have between 1 to 15 employees.

All victims were Romanians and most were owners of the land or owners of agricultural companies. Only in case RO-A10, the victims were the company's executives. Most of them were males aged between 40 and 60 years.

Most of the victims were not members of any business association and had no insurance against risks related to crime. Only one company was a member of an association – the Romanian Farmers Association (RO-A4). Only three companies had contracts with a private security company, but only as protection against theft (RO-A2, RO-A3, and RO-A10).

Behavioural patterns of the victims of extortion

Most of the victims complained to the law-enforcement authorities, but only after the extortion became unbearable (RO-A1, RO-A3, RO-A4, RO-A5, RO-A7, RO-A9, RO-A10, RO-A11, RO-A12). The initial behaviour was compliance. In case RO-A1, the farmers complied and signed the false documents but, after 7 months, when the scandal became public, they submitted a complaint to the police. In the time between the signing of the documents and the report to the police, the farmers were threatened constantly not to file a complaint to the police or talk to someone else about the situation. In case RO-A3, the victim paid €45,000 in 5 months of extortion. The chief of police told the victim he would make sure the victim's prison penalty would be longer than normal, if he did not comply. Nevertheless, as the extortion continued the victim complained to the police and the extortionists were caught red-handed.

In case RO-A4, the victim filed a report to the police when the extortionists continued to demand more money. At the beginning, he complied with the extortion demands, but when the perpetrators began to use physical force, he realised that only the authorities could stop them. After the extortion took place, the company still remained operational. In case RO-A5, at the beginning the victim paid almost €13,500, but then refused to comply. When the threats increased and he feared for his own life (the extortionists used intimidation such as damage of property and verbal threats), he reported the case to the police. The company became insolvent after the extortion.

In the case RO-A7, the victims were pressured by the members of a criminal group into selling their lands. The perpetrators offered the victims only part of the payment at the signing the land sale contract and promised to pay the rest of the money shortly afterwards. When the victims requested the money, the perpetrators threatened them with violence. After years of living in fear, the victims filed a report to the police. Following the extortion case the victims filed for bankruptcy, one of the victims having lost up to €700,000. In case RO-A9, at the beginning the owner of the farm accepted the demands of the extortion

journalists and paid €30,000 and 42,000 lei (approx. €10,000). Then, when he was asked for more and felt pressured he decided to let the authorities know about the situation. After the extortion the company remained operational.

In case RO-A10, having paid €8,000 over a 4 month period, one of the companies filed a report to the police after implementing a new safety system. Following the extortion case the companies remained operational. In the case RO-A11, the extortion began when a mayor found out that a private investor was going to build a factory in his town. The mayor refused to sign the victim's restitution acts unless they sold the land to the mayor. The victims accepted but when they discovered that the mayor sold their land to the private investor at 10 times the value, they complained to the police. In the case RO-A12, the farmer accepted to pay the amounts demanded by the APIA manager in order not to be inspected (the victim paid €5,500), but after 3 more demands he reported the extortion and the APIA manager was caught red-handed.

The second behavioural pattern of the victims is to refuse to comply and denounce the attempt at extortion (RO-A2, RO-A6, RO-A8, RO-A14, and RO-A15). In case RO-A2, the victim refused to comply with the demands and sign the documents and did complain to the police after being beaten and held captive for two hours in a public notary office. In case RO-A6, the victim was threatened over a 3 year period in order to agree to sell a plot of land. In this time he did not come in ownership of the land because the mayor refused to sign his restitution act. The victim turned for help only to a bailiff but the mayor still refused to sign the restitution act claiming that there were some mistakes in the restitution documents, although the restitution of the land was based on a court decision. As of the end of 2015, the victim still had not received the title deed over the land.

In case RO-A8, the owner did not give the land to the extortionists and he complained to the police. In case RO-A14, as the owner refused to sell the produce at a higher price the crime group assaulted him and his employees and destroyed the store. The owner complained to the police, the leader of the group was arrested but his brother threatened the victim with murder in order to withdraw his complaint. The victim complained once more. The business was operational after extortion incident. In case RO-A15, the farmer refused to pay the amount requested by the mayor and the APIA officials. He complained to the police and one of the APIA officials was caught in flagrante delicto while taking 600 lei (€150) from the farmer, as partial payment. After the extortion, the farmer died of a heart attack.

CONCLUSION

Extortion of agricultural businesses in Romania takes place in a broader context of corruption which criminal gangs and white collar groups use to illegally gain agricultural properties from public organisations. Extortion in agriculture is closely connected with corruption also because public officials are involved in most of the sample cases analysed. Extortion in agriculture is also related to the land

restitution process and to EU subsidies. Extortion in agriculture is also present when organised crime groups target vulnerable companies in order to acquire valuable agricultural properties.

Agricultural businesses are vulnerable to extortion because the level of tax evasion is high. For example, each year the tax evasion on meat/livestock and fruits/vegetables is around €600 million.

Three types of groups are involved in the extortion of private agricultural businesses: groups led by public officials (non-violent), predator networks (low-level violence) and criminal gangs (violent). Public officials are involved in cases related to the land restitution process and European subsidies for agriculture and use their powers (to approve requests, to oversee, to certify declarations) to extort the beneficiaries of EAGF subsidies. In the cases involving land restitution, the public officials abuse their powers to approve the requests on restoration of property rights. The predator networks' members are legal experts, politicians and businessmen. The predator groups are involved in the extortion of vulnerable business entities (companies that have valuable assets, companies involved in lawsuits, companies with financial problems, companies selling their assets) and often use mediators, complicated legal schemes and threats with legal action. The criminal gangs are hierarchical, territorial, have many members (some of them being linked by kinship) and internal specialisation, and employ violence. These kinds of groups are involved in various criminal activities (e.g. loan-sharking), extortion racketeering being only one of them.

Most of the victims complained to the law enforcement authorities, but only after the extortion became unbearable. The initial behaviour is compliance because the businesses do not trust law enforcement, have their own problems with law enforcement authorities (e.g. because of tax evasion, lack of compliance with safety measures or false declarations filed to avoid red tape). In one of the cases studied, a meat company did not implement fully quality control measures and thus – when the extortionists claimed the products had been infested – paid the requested sums when it was extorted. Only after a new safety and quality system was implemented and the extortion continued did the company officially report the incident.

The businesses targeted for extortion are SMEs and certified self-employed farmers. SMEs are vulnerable when they have to deal with litigations, red tape, cash-flow problems, or inspections and tend to comply with extortion hoping that the extortionists can solve their problems. Many businesses have a history of dodging regulations in order to preserve market share. The individual farmers are vulnerable when exposed to the new information technologies and have limited access to information, largely dependent on the local authorities for guidance and supervision. Also, among the targeted farmers there are those who do not have access to markets for their agriculture produce and prefer to sell it to intermediaries who are involved in tax evasion.

A positive aspect is the existence of producers associations. These associations can be involved by law enforcement authorities in mapping the phenomenon and identifying the hot spots.

Other measures to reduce extortion include increasing transparency of the public agencies involved in agriculture (open data, appointments of APIA manager on merit not politics, informing farmers through seminars and consultancy), reducing red-tape (e-government), and separating the payment and inspection functions.

The underlying measures to improve the system are agricultural cadastre and finalisation of the land restitution process.

EXTORTION RACKETEERING IN THE HOSPITALITY SECTOR

THE ECONOMIC CONTEXT

The exposed cases of extortion in the hospitality tend to be located in urban areas rather than rural ones. This is explained by the fact that economically viable bars, restaurants, hotels tend to be concentrated in large or middle-sized cities with a tourist potential or robust economy. The case studies analysed with respect the hospitality sector are from all regions: Bucharest (capital city, 3 cases), Modova (north-east, 2 cases: Iași and Rădăuți), Transilvania (west and centre of the country, 6 cases: Sibiu, Gheorgheni, Petrosani, Deva, Reșița, Cluj-Napoca), and Dobrogea (south-east, seaside, 3 cases: Constanța; Mangalia, Neptun).

At the national level, in 2014, according to doingbusiness.ro¹⁴ there were 6,126 companies that managed restaurants as their main activity, 7,676 companies that had as primary activity operating bars, 2,112 companies operating hotels, 961 companies in electronic gambling and casinos and 362 catering companies. Nevertheless, these numbers do not represent the whole picture of the industry, as many other companies operate bars, restaurants, etc., as their secondary business activity. According to the National Trade Register Office data for 2013, there were 24,400 companies in the hospitality sector with a total turnover of €1.5 billion. According to national statistical data, in 2014 there were 1,473 hotels, 1,665 rural tourism units and 1,323 boarding-houses (Ionescu, 2014) registered in Romania.

In Bucharest alone (Rosca, 2015), there are over 3,400 restaurants, bars and coffee shops¹⁵ with an annual turnover of over €570 million. The hospitality business in Bucharest represents a third of the total hospitality market in Romania. According to Euromonitor,¹⁶ 2.44 million tourists (of which 1.9 million foreigners) come annually to Bucharest for either business or leisure; they represent one third of the total number of visitors Romania annually receives. Bucharest is by far the biggest hospitality market in Romania, followed by Cluj-Napoca and Constanța.¹⁷ The hospitality companies tend to be concentrated in big cities: in Iași there are at least 464 companies and in Sibiu at least 456,¹⁸

¹⁴ NACE codes: Hotels and similar accommodation/Hoteluri si alte facilitati de cazare similare, Gambling and betting activities/Activitati de jocuri de noroc si pariuri, Beverage serving activities/Baruri si alte activitati de servire a bauturilor, Restaurants and mobile food service activities/Restaurante.

¹⁵ 3,102 restaurants and 329 bars and coffee shops, according to data provided by the National Sanitary Veterinary and Food Safety Authority (ANSVSA).

¹⁶ <http://www.euromonitor.com/romania>

¹⁷ Constanta County includes Constanța city, Mangalia city and Black Sea resorts like Neptun.

¹⁸ According to doingbusiness.ro: Iași (No. of companies: 33 casinos, 155 restaurants, 31 hotels, 236 bars, 9 catering), Sibiu (No. of companies: 15 casinos, 169 restaurants, 60 hotels, 199 bars, 13 catering).

while in 2014, there were at least 1,414 companies in the hospitality sector¹⁹ in Constanta and 903 in Cluj.

There are no reliable market studies because the hospitality industry has a high rate of tax evasion,²⁰ with only part of the operations being properly registered, accounted and taxed. This is a weakness that is exploited by criminals in the form of a protection fee.

The association of the businesses in the sector is called the Association of the Hotels and Restaurants from Romania.²¹ There are also numerous associations of companies from the hospitality sector at the national level: National Association of Travel Agencies, Romanian Tourism Employers' Federation, National Association of Rural, Ecological and Cultural Tourism, Romania Hotel Industry Federation. There are also local and regional associations; for example, in Constanța, the main business association of hospitality companies is the Danube Delta Association for seaside tourism.

With respect to unemployment, as with the counties affected by extortion in the agricultural sector (see Table 3 above), the rate of unemployment in the counties

Table 4. Level of unemployment in selected counties (%)*

County/Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
National Average	6.3	5.9	5.2	4.0	4.4	7.8	7.0	5.2	5.4	5.7	5.4
Cluj	5.1	4.4	3.4	3.0	2.9	6.3	4.9	3.8	3.8	3.5	2.8
Harghita	7.2	8.5	7.2	5.1	6.5	10.5	8.8	6.5	7.3	7	6.0
Sibiu	6.3	6.0	5.1	3.1	3.1	8.3	5.8	4.3	4.5	4.8	4.6
Iasi	7.1	7.2	6.5	5.6	5.4	7.4	7.0	5.4	5.1	5.2	5.0
Suceava	7.8	6.0	4.7	3.7	4.3	7.9	7.3	4.9	5.5	6.5	6.7
Constanta	5.9	5.6	4.3	3.5	3.0	6.4	5.8	4.3	4.5	4.4	4.0
Bucharest	2.6	2.4	2.2	1.7	1.6	2.4	2.3	2.0	2.0	2.0	2.0
Caras-Severin	9.0	7.9	6.4	6.8	6.0	10.2	9.0	5.6	5.5	5.7	4.5
Hunedoara	10.8	9.4	6.7	4.8	6.7	10.7	8.5	6.0	6.6	7.5	6.6

* Counties affected by hospitality-related extortion cases. Shadowed cells indicate the year in which the extortion incident took place.

Source: National Institute for Statistics

¹⁹ According to doingbusiness.ro: Constanta (No. of companies: 42 casinos, 620 restaurants, 308 hotels, 424 bars, 20 catering), Cluj (No. of companies: 49 casino, 316 restaurants, 102 hotels, 395 bars, 41 catering).

²⁰ Some sources claim that the rate of tax evasion in the sector is over 90 %.

²¹ <http://horaromania.org/home/>

where hospitality-related extortion has been registered varies considerably, the lowest being in the capital Bucharest.

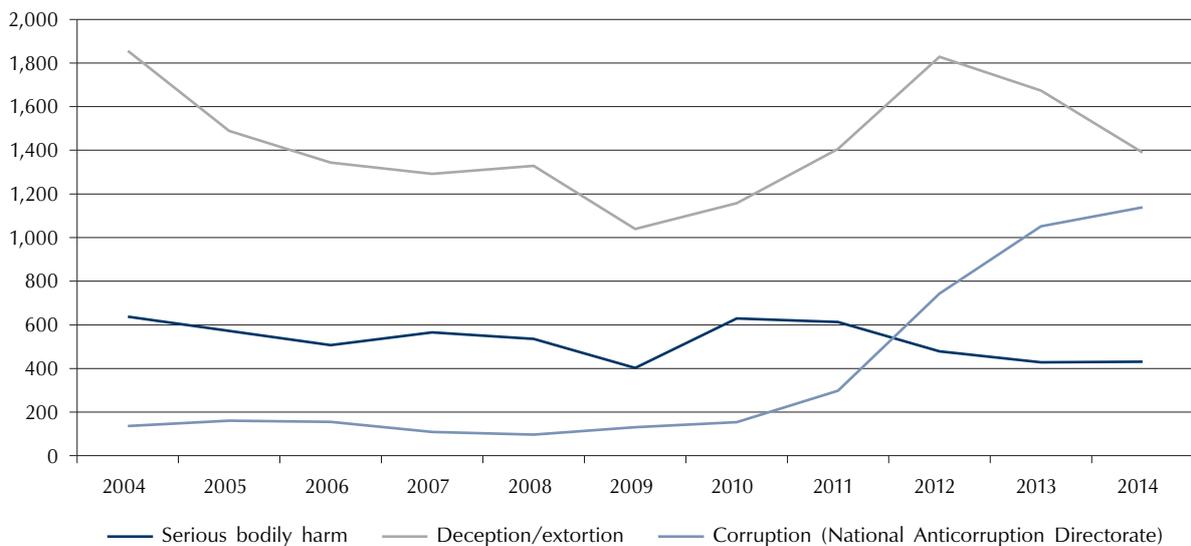
Also like in the agriculture extortion cases, there does not seem to be a correlation between the level of unemployment in the year in which the extortion incident took place and the case, as there were years in every county with even worse unemployment rates and the level of unemployment was below the national average. Nevertheless, there were two counties that experienced extortion cases in their worst employment year comparing it with the entire decade and with the national average: Caraş-Severin in 2009 and Hunedoara in 2004.

THE PERPETRATORS

The criminal context

In addition to the number of cases of relevant crimes investigated by the police (see Figure 3 above), a useful indicator for understanding the criminal context of extortion is the number of persons convicted for organised crime-related offences (final court decisions): deception/extortion, serious bodily harm, corruption. These data need to be analysed with precaution as they may reveal the efficiency of the judicial system rather the actual trends in criminal behaviour. In the last 10 years, the capacity of the National Anticorruption Directorate, the specialised anticorruption prosecutor, improved constantly and the courts have become less tolerant of corruption.

Figure 4. Persons convicted by final courts decisions



Source: National Institute of Statistics and National Anticorruption Directorate.

Another relevant indicator is the number of persons convicted annually in Romania and the distribution of the convicted persons by counties (the counties where cases of extortion racketeering in the hospitality sector have been taken into consideration). In all counties the number of persons convicted decreased.

All data analysed indicate a slow improvement of crime control in the period 2004 – 2014 and slow decrease of shadow economy and corruption. As the case studies will reveal, in this period the extortion racketeering mechanisms had been similar from year to year.

Type of organised crime groups involved in extortion racketeering

Two main types of organised-crime groups emerged from the case studies: criminal gangs (9 cases) and white-collar groups (4 cases). Both groups systematically extort businesses in the hospitality sector, with the relationships being mostly symbiotic and predatory.

As in agriculture-related extortion, the criminal gangs are hierarchical, territorial, have many members (some of them being linked by kinship) and internal specialisation, and employ violence. For instance, in case RO-H5, the group was composed of 12 individuals, between 19 to 41 years old, from the same geographical area – a city and nearby villages. The group had two leaders and they all lived off crime, with experience in assault and battering, physical violence towards women, goods and property damage, etc.

The same characteristics (i.e. many individuals and specialisation in assaults and theft) were shared also by the groups involved in cases RO-H11 and RO-H12. Another group, case RO-H6, was composed of 50 individuals aged between 19 to 52 years. Although the group operated locally, it included also persons from other parts of Romania and even from abroad. The crime group was a strictly hierarchical organisation, with specialised structures for assault (“intervention squads”), for extortion of legal and illegal businesses, etc. The group had cooperated with a legal private security company to launder money. It had its general headquarters in a night club. The criminal organisation was originally established by a violent 27 years old man who reorganised a previous crime group dismantled by the police after the group leader fled to Spain in order to avoid imprisonment. In case RO-H8 there were 7 individuals involved, who formed a criminal group specialising in usury. The crime group was hierarchically organised, having as its boss a notorious man who called the other six perpetrators “his lieutenants”. The victims were businessmen who were extorted for different amounts of money.

Abuse of office, complicated legal schemes, corruption, long periods of harassment and threats of administrative and criminal actions are the typical methods of white-collar groups. They tend to use only verbal threats. In the case RO-H1 the perpetrators were a director of a department in the municipal administration, a deputy director at the same department and a businessman. The perpetrators intimidated the owner of a grocery store and the owner of a restaurant into selling them the businesses at a much lower price than the market one. In another case (RO-H4), the group was organised hierarchically, with the mayor of

a village being the head of the group and having two other members (employees at the mayor's office). The latter, acting on behalf of the mayor, threatened the victim and also tried to hide evidence of misconduct (audio records from the Local Council meetings when the mayor tried to influence the council members to adopt a decision in favour of the perpetrators). In 2013, the mayor and his accomplices, acting on behalf of the municipality, illegally sold a plot of land to a private company. The plot was located near the shores of the Red Lake, a popular tourist site in Romania, and could not be sold because it had been leased for 49 years to another company, partially owned by the municipality. They did not have the right to sell the land without the majority shareholders' approval. The administrator of the company which had the lease, with the approval of the major shareholder, launched a legal procedure to get back the terrain. When the mayor and his accomplices found out they threatened him that they would use their powers of office and intimidated him with violence; the mayor summoned the administrator of the company to the City Hall and demanded that he resigned.

A third group, case RO-H7, was composed of a judge, an attorney and a businessman. The three were helped by other 2 accomplices and they all intimidated a businessman in order to force him to give them a hotel in the centre of the city. A fourth group, case ID RO-H14, was formed by a director in a public institution and two persons associated with him. The extortionists demanded money from the victim and 50 % of the shares in a centrally located building with a restaurant in it in order to withdraw a civil action. The extortionists also promised that in exchange for money and the restaurant the company of the victim will win the next procurement contracts of that public institution.

There are many instances of communication and cooperation between these two types of groups, insofar as the criminal gangs usually get support from public officials at the local and national level (by buying them, for instance) and the white-collar groups request services from the criminal gangs.

A third type of group was involved in case RO-H15, which shows that ad-hoc groups also emerge to exploit opportunities. The perpetrators were a man (32 years) and a woman (30 years), who were employees of a restaurant and threatened the owners of the restaurant with making public information and images regarding their personal life.

Regarding the nationality of the members of the criminal groups, most of them were Romanian citizens. Only in one case, RO-H6, there was a foreign citizen perpetrator, from Luxembourg.

Modus operandi of perpetrators

The criminal gangs are territorially based (operate locally), involve no mediators, extortion is in line with other criminal activities and payments imposed tend to be regular. The activities of this type of group fall into two broad categories: usury (RO-H3, RO-H8, RO-H11, RO-H12, and RO-H13) and protection racketeering (RO-H5, RO-H6, RO-H9, RO-H10).

In the **usury modus**, the group lends money, in particular to people owning local businesses that need cash urgently and afterwards threaten them to pay back much more than was initially agreed. For instance, in the case RO-H8, the criminal group targeted only businessmen who had considerable assets but needed money at a certain time and could not borrow it legally (e.g. from a bank). The victim in this case fitted this profile. The perpetrators targeted him because they knew the victim had financial capacity and if they threaten him he would pay. In the case RO-H11, the members of the group used to lend money at very high interest (sometime the victim was asked to pay 10 times the initial amount). If the victim refused, the members of the group started to intimidate him, threatening his family and even his children. When the victim firmly refused to pay, the perpetrators became violent, used firearms and injured the victim and threaten his family, until they convinced him to pay. The victim, in this case, was attacked in his night club and they cut off his hand with a sword. In the RO-H12 case, a businessman hired an organised crime group in order to help him recover a loan he had provided to another businessman. The purpose of the extortion, in this case, was to facilitate the payment of the debt.

Most of the extortion incidents by usury type groups proved to be successful for the perpetrators, at least initially. In RO-H3 case, the victim was deprived of a motel. In RO-H8 case, the perpetrators extorted €32,000 from the victim. In RO-H13, the victims complied and paid the amounts requested. The reason for targeting the companies/businessmen was their financial health and ability to pay. The perpetrators tend to have no jobs and live only off the money obtained from their illegal activities. They reinvested the criminal proceeds in other loan-sharking activities. They tend to request ad-hoc rather than regular payments, usually gauging the ability of the victim to pay. For example, in the case RO-H3, there was a demand for a single payment but at a very high value. In cases RO-H11 and RO-H13 there were monthly payment demands.

Protection racketeering type groups extorted hospitality companies located in the area controlled by the criminal group. These companies could not function without protection from the crime group and they have to contribute monthly in order to be able to operate. Protection fees were the primary source of financing of these organisations.

In the case RO-H5, in the first stage, the extortionists intimidated the owner of a club by not paying for entry tickets. The owner allowed this conduct and tolerated it, because they threatened him. Later on, the perpetrators demanded a protection fee. If the owner would not pay, they would continue to harass the clients, be involved in scandals, damaging the facilities of the club, etc. The same approach was adopted in the RO-H6 case. At the first stage, the extortionists intimidated the owner of the club by threatening him. When he refused to pay he was beaten twice by “intervention squads”.

If the owner refused to pay, the usual practice was to send an “intervention squad” to beat the owner, his/her family, setting his/her car on fire, etc. A pertinent example is RO-H10. In 2007 – 2009, several members of former organised crime groups released from prison after serving their sentences got together with other people known as belonging to the criminal world of Sibiu County and set up a

new, large criminal organisation (40-50 persons). The new group aimed to gain supremacy in the world of nightclubs, bars and gambling in Sibiu. To this end, they committed a variety of antisocial, violent actions, creating a feeling of fear, even terror among the owners of clubs, bars and gaming customers and the security agents of these companies. They extorted significant amounts of money as protection fees, and even committed burglaries, but were not charged by the police because of the fear induced in the city. Sometimes by means of violence the injured parties were pressured into withdrawing complaints or amending their statements. Characteristic of this group was its dynamism, both in terms of its members – new members were recruited and old ones were removed when they opposed or threatened the position of the leaders – and in respect of the offenses committed, in a continuous diversification (expansion), depending on the opportunities of obtaining income and on the social realities (e.g. loan-sharking, fraud scams through gambling and leasing companies, car theft, etc.).

In the case RO-H9, the extortionists succeeded in taking two real-estates (land) from the victim: one in 2000 and another in 2007. The victim gave away the first plot of land in 2000 without signing a property sale contract. This represented the protection fee and was demanded in order to allow the victim to operate his hotel and other businesses. The value of one of the plots was estimated at €15,000. For 9 years, the victim gave money, goods and land to the extortionists in order to run his businesses.

In cases involving **white-collar type groups**, the extorted companies had contacts with the public institution employing the public officials and the modus operandi included fake or real administrative and court actions, abuse of power, corruption, while the payments tended to be occasional. With the exception of RO-H7, in which a bailiff was used to pressure the victim, there were no mediators involved. These types of groups tend not to be as successful in the initial phase as the criminal groups. For example, in case RO-H1, the perpetrators had interest in obtaining the grocery store and the restaurant so they can open another business in that particular place, which had a great commercial potential. Because of their public office job, the perpetrators had inside information related to the economic potential of the venue. The extortion incident was attempted because the perpetrators did not succeed in obtaining the grocery store and the restaurant.

In the case RO-H4, the perpetrators illegally sold under the market price a plot of land in a tourist area with a booming hospitality sector, and warned the victim against pursuing a legal action. In the case RO-H7, the group of public officials, based on a preliminary sale contract signed by the victim, pressured him to give them ownership of a hotel. In case RO-H14, the public official used his discretionary power to initiate a civil action and use it to extort a company.

Thus, the main difference between criminal and white-collar groups is the way companies are selected for extortion and the means to ensure compliance: territoriality vs oversight, violence vs legal action.

In a case that does not fit into the two broad categories (RO-H15), the general modus operandi of the group was to collect information from inside the victim

company – the extortionists worked in the victim’s restaurant. The extortionists took advantage of the victims who gave them half of the sum of money they asked for, but didn’t succeed in taking the rest of the money and the other advantages they demanded. The extortionists targeted the company they worked for because they were aware of the assets of the owners and their willingness to do anything in order to keep the reputation of their chain of restaurants.

Other organised crime activities of the perpetrators

Both types of criminal groups were involved in various illegal activities. The criminal gangs tended to engage in multiple organised crime activities. For instance, the group from the RO-H3 case specialised in loan-sharking but was also involved in other criminal businesses such as theft, arson and drug trafficking. Other groups specialised in usury (RO-H11 and RO-H12 cases) were also involved in many other crimes, such as assault, battering, rape, damaging goods, theft, etc. In case RO-H13, besides loan-sharking, the group was also involved in tax evasion, extorting protection fees and assault. They were also participating in a so-called “intervention group” collecting debts through racketeering, threats and beatings. The same pattern applies to the groups extracting protection fees. The groups described in the cases RO-H5, RO-H6, RO-H9, RO-H10 were also involved in many types of criminal activity, such as assault, battering, rape, prostitution (human trafficking), damaging goods, car arson, drug trafficking, etc. The groups extorted protection fees not only from bars or restaurants (hospitality sector in general), but also from other small businesses (shops, gyms, foreign currency exchange agencies, etc.) or even individuals.

Besides extortion, the white-collar groups were mostly involved in corruption and embezzlement. In RO-H4, the mayor was also investigated in other criminal cases for corruption and embezzlement. The extortionists in RO-H7 were involved in other extortion incidents as well as corruption. The leader of the group from the RO-H14 case also had experience in using threats for extortion racketeering. Only in RO-H1 the group had no prior involvement in another type of criminal business.

Involvement of public officials

Regarding the involvement of public servants, two instances were common: the public servants were at the core of the criminal group (in the case of white-collar groups) and the public servants only support the crime group (in the case of criminal gangs). In 6 cases there were no public servants involved: gangs specialised in loan-sharking (RO-H3, RO-H8 and RO-H13), gangs specialised in protection racketeering (RO-H5 and RO-H10) and an ad-hoc group (RO-H15).

Nevertheless, there were 2 cases in which groups specialised in loan-sharking benefited from the support of public servants. In RO-H11, the chief of a City Police Department was involved in the crime group. His role was to persuade the victims not to press charges. In RO-H12, several law enforcement officials were involved with the group, their role being to convince the victims not to press charges.

There were also two cases in which criminal groups specialised in extracting protection fees benefited from the support of public servants. Six police officers – the chief of city police, his two drivers and three field agents – were involved with the group from the RO-H6 case. They were recruited by the crime organisation for ensuring protection against police actions. The police officers were paid large amounts of money, but they also benefited from other kind of services delivered by the crime group: providing prostitutes/sexual services, paying their checks in bars, restaurants and clubs, influence peddling for ensuring their promotion in the police hierarchy. The role of the police officers was to discourage the victims from pressing charges or initiate official criminal complaints against the perpetrators, especially when the victims were hospitalised.

Regarding the case RO-H9, the chief commissioner of a city police department who favoured the extortionists and committed the offense of abuse against the victim interests was involved with the group of extortionists. He committed these acts during the handling of the victims' files. He was in charge with the file since the first complaint of the victim, in 2009, but he received money from the extortionists and he did not take measures to solve the case and stop the victim's extortion.

Regarding the white-collar groups they were primarily formed and lead by public officials at the local level: a director and a deputy director of a municipal department (RO-H1), a mayor and two employees in his administration (RO-H4), a judge and a mayor (RO-H7), a director of a public institution (RO-H14).

Use of violence and intimidation

The cases reviewed in this report differ with respect to the use of violence and intimidation. The criminal gangs are very violent whereas the white-collar ones use only intimidation and verbal threats. The most violent groups were involved in cases RO-H3, RO-H5, RO-H6, RO-H9, RO-H10, and RO-H11. In the RO-H3 case, the perpetrators physically abused the victim after he complained to the police. The victim was beaten once by two extortionists and needed hospitalisation. In the RO-H5 case, the perpetrators used physical force to ensure compliance by the owner, by harassing the clients of his club, damaging goods and provoking scandals.

In the RO-H6 case, the perpetrators used physical force to ensure compliance by the owner, by assaulting him twice (he remained in the hospital for 3-4 days). Other victims stayed in hospital for up to 50-55 days. In total, the police documented 20 witnesses who have been beaten and needed medical treatment. The perpetrators also used intimidation (verbal threats) to force the owner of the club to pay the protection fee and damaged the property. In the RO-H9 case, the crime group used verbal violence (death threats, insults, public scandals) as well as violence (destruction of the renovation work at the victim's restaurant). In 2009, after the victim decided to complain to the police about the extortion, the extortionists sent several phone text messages to the victim's family members in which they were threatened by murder, if the victim did not pay the annual €15,000 protection fee. The victim was also threatened with arson of his commercial premises. The intimidation actions reached their peak in February

2010. The victim was renovating his restaurant, when the extortionists destroyed the place, causing a public scandal and addressing threats to the workers, telling them to inform the victim to pay the protection fee. Later the same month, the extortionists came back and destroyed the renovation work and injured workers.

In the case RO-H10, the perpetrators used violence to ensure compliance by assaulting one of the clients of the night club (he remained in a hospital for a week). The perpetrators also used verbal threats, and physical violence, including property damage to force the owner of the club to pay the protection fee. In the RO-H11 case, the perpetrators cut off the victim's hand with a sword in the victim's bar.

The other crime groups used only intimidation (RO-H8, RO-H12 and RO-H13). In the case RO-H8, the extortionists threatened the victim verbally and said that they would resort to violence if the victim did not comply with their demands. During three years of extortion, the victim and his family were living in constant fear for their lives, being emotionally terrorised by the extortionists. In the case RO-H12, the perpetrators used psychological pressure to ensure the compliance of the owner. They visited him several times, called him on the phone and threatened him. In the RO-H13 case, the criminals threatened the victims telling them they will damage their properties (arson or destruction of the goods inside) as a warning. They also used insults in need to make the victims pay.

The white-collar groups are using mostly verbal threats and intimidation with administrative actions. In the case RO-H1, the intimidation consisted in verbal threats and the extortionists threatening to hurt the victims' family. In the case RO-H4, the intimidation consisted in verbal threats and imposition of administrative penalties (demanding supplementary local taxes not required for that specific business to be paid and initiating excessive inspections). The perpetrators used their position of power (mayor, civil servants) to force the victim to comply with their demands (discontinue the lawsuit and withdraw the complaint to the police).

In the case RO-H7, there was also low-level violence involved. One of the perpetrators punched the victim in the face but the group mainly used their position of power (judge, attorney, mayor) and verbal threats to force the victim to transfer the ownership of the hotel. In the case RO-H14, the extortionists used their position of power to force the victim to comply with their demands and give away the restaurant and money. In RO-H15, there was also minor violence involved as one of the extortionists punched the victim and pushed him to the wall. The group also used verbal threats and insults.

THE VICTIMS

'Hot spots' and main regions or zones affected

The cases analysed for this report took place in 12 cities in four regions: Bucharest (capital of Romania, 3 cases), Modova (2 cases), Transilvania (6 cases) and Dobrogea (3 cases). Half of the cases (7) took place in large cities, with population over 100,000 inhabitants, according with the official data from 2011

census: Bucharest, Cluj-Napoca, Constanța, Iași, Sibiu. These cities are important industrial and tourist centres, benefiting from investments and economic growth, and the counties where they are located account for around 40 % (2015) of the country's GDP (contribution to GDP: Bucharest and Ilfov – 27.9 %, Cluj – 3.57 %, Constanta – 3.95 %, Iasi – 2.88 %, Sibiu – 2.33 %).

The rest of the cases took place in small towns, with populations below 100,000: Mangalia, Gheorgheni, Petroșani, Deva, Rădăuți, Reșița, and Neptun. These towns are either tourist destinations (Mangalia, Ghorghieni and Neptun) or industrial centers (Resita, Petrosani, Deva and Rădăuți). Nine extortion cases included in the sample took place in cities in which tourism is an important economic sector: Bucharest, Constanța, Mangalia, Neptun, Iași, Sibiu, Gheorgheni. The other cities have also some tourist potential, but their main economic sector is industry.

In the sample of extortion-racketeering cases, apart from cases from Bucharest, Cluj, Constanta, Iași and Sibiu counties, there are 5 more cases from other counties: two cases from Hunedoara county (Petroșani and Deva cases), one case from Suceava county (Rădăuți), one from Harghita (Gheorgheni) and one from Caraș-Severin (Reșița). The hospitality sector in these counties is equal or less developed than in other counties mentioned: 365 hospitality companies in Hunedoara, 488 in Suceava, 217 in Caras-Severin, 363 in Harghita.

Given this distribution, it can be concluded that there is no geographical “hot spot” as regards extortion in the hospitality sector. The only pattern was that the uncovered extortion cases tended to be located in urban areas rather than rural ones.

Table 5. Businesses targeted for extortion

Case ID	Type of company	Core business activity	No. of employees
RO-H1	limited liability company	restaurants	6
RO-H3	limited liability companies	motel/hotels	3
RO-H4	limited liability companies	travel agency	2
RO-H5	limited liability companies	pubs/bars/night clubs	10
RO-H6	limited liability companies	pubs/bars/night clubs	5
RO-H7	joint-stock company	restaurants and motel/hotels	22
RO-H8	limited liability companies	restaurants	12
RO-H9	joint-stock company	restaurants and motel/hotels	34
RO-H10	limited liability companies	pubs/bars/night clubs	7
RO-H11	limited liability companies	pubs/bars/night clubs	16
RO-H12	limited liability companies	restaurants	na

Table 5. Businesses targeted for extortion (continued)

Case ID	Type of company	Core business activity	No. of employees
RO-H13	limited liability companies	pubs/bars/night clubs	24
RO-H14	limited liability companies	restaurants	34
RO-H15	joint- stock company	restaurants	16

Source: Case studies.

Most of the companies did not have other business activities or auxiliary activities, except for two of the victim companies which had auxiliary renting activities: renting out commercial spaces or buildings that are in their property (RO-H7 and RO-H14).

None of the victimised companies were members of business associations and none had insurance against risks related to crime. Most of the analysed companies had a contract with a private security company, but only to prevent theft and propriety damage (RO-H1, RO-H3, RO-H4, RO-H7, RO-H8, RO-H9, RO-H11, RO-H13, and RO-H14).

Profile and behavioural patterns of the victims

Most of the victims were owners of businesses, males between 36 and 63 years old, ethnic Romanians. This profile is characteristic for the entrepreneurial sector in Romania. There was one woman, 41 years old, co-owner of a chain of restaurants was targeted for extortion (RO-H15). Also, an ethnic Hungarian was targeted for extortion (RO-H4). In most of the cases only one person was the target of extortion.

Most of the victims complained to the law enforcement authorities, but only after the extortion became unbearable (RO-H1, RO-H3, RO-H5, RO-H7, RO-H8, RO-H9, RO-H13, and RO-H15). The typical initial behaviour was compliance.

In RO-H1, the victim filed a report to the police only after being threatened and harassed with inspections for about 2 years in order to sell a grocery store. Soon after, another victim, an owner of a restaurant, filed a report against the same perpetrators. Two of the extortionists were directors of the municipal departments and both companies were subject to municipality oversight. The perpetrators threatened both the owner of the grocery store and the owner of the restaurant in order to buy the businesses at a below market price. The extortionists were not interested in the businesses, but wanted the land owned by the companies because of its commercial potential.

The same pattern of initial complying was in the case RO-H3. After taking a loan from the extortionists (loan-sharks), the victim could not afford to pay the

principal and the huge interest anymore and was forced to give up his business, a motel located at the seaside. The amount of money the victim had to give to the perpetrators was significantly smaller (€33,000) than the value of the victim's motel (€100,000). The victim was forced to transfer the motel to the extortionists and they agreed to pay him the difference (€67,000). In the end, the perpetrators did not respect the deal (the victim did not receive any money) and threatened him in multiple instances to abandon any claims. The victim complained to the police only after the perpetrators refused to pay the €67,000 difference.

Case RO-H8 also involved loan-sharking. The victim took a loan of €5,000 from a criminal group specialised in loan-sharking. After a year, the victim succeeded in paying back the total amount of money the extortionists requested (€9,000). After a few months, the perpetrators came back and asked the victim to pay more. The victim took a loan from a bank and paid the perpetrators another €23,000. Not long after, they came back asking for more money. Not being able to pay anymore, and fearing for him and his family safety, the victim filed a report to the police. The extortion began in 2009, when the victim took the first loan from the perpetrators and ended in 2012 when the victim filed a complaint to the police.

In case RO-H5, the initial behaviour was also compliance. Over a period of one year, the extortionists conducted an intimidation campaign by refusing to pay for entry tickets in the club of the victim, harassed the clients and intimidated him by placing a funerary wreath on his car. Only after they requested a protection fee did the owner file a report to the police, claiming compensation for the damages caused by them.

Initial acceptance of the demands was the pattern also in RO-H7. The extortionists were public officials who received various benefits during the extortion period: free food and alcohol and free vacations at the hotel owned by the company in Mamaia (a resort on the Romanian Black Sea coast). Nevertheless, the extortionists went further demanded ownership of the hotel. Only then the victim reported the case to the law enforcement authorities.

In the RO-H9 case, after 9 years of extortion, the victim decided to put an end to it, complained to the police and submitted a lawsuit requesting the extortionists to return the land they took from him. During this period, the victim paid €15,000 annually as protection fee. Despite this, the extortionists continued with their actions (death threats, violence), being supported by the head commissioner of the city police who did not take any measures.

In RO-H13, the extortion began in January 2005 when the perpetrators began to threaten the victims with destroying their businesses (bars they had in Cluj-Napoca) if they didn't pay regularly an amount of money. Initially, the three companies involved paid all that was demanded. The extortion ended in April 2005 when one after another, the victims reported to the police.

In the RO-H15 case, initially the victims complied with the extortion demands (the extortionists were the victim company's employees). The victims gave the extortionists half of the sum of money they asked for and raised their salaries. When the perpetrators asked for the company's profit, threatened with violence

against their family and used violence against them, the victims filed a report to the police. The perpetrators were caught red-handed.

In five cases (RO-H4, RO-H6, RO-H10, RO-H11, and RO-H14) the victims refused to comply and denounced the attempts at extortion. In the RO-H4 case, the victim refused to comply and took legal steps to get back a plot of land that was illegally sold by the mayor and his accomplices. After being threatened in order to withdraw the legal action, the victim filed a report to the police.

The same pattern was registered in the RO-H6 case. The owner refused to comply and pay the protection fee, and complained to the police. However, the chief of the local police was an accomplice of the criminal group, and stalled any investigation of the matter. The owner was threatened and harassed by the group (he was violently attacked twice and remained in a hospital for 3-4 days) in order to withdraw his charges. The victim also complained to the Prosecutor's Office at the Court of Appeal. In the case RO-H10, the owner also refused to pay the protection fee. The criminal group proposed to the victim to hire one of the group members as a bodyguard of the bar, on a hefty salary. After the victim refused, the perpetrators created incidents and scandals in the bar.

In the case RO-H11, the perpetrators started the intimidation process by demanding that the victim paid back a much bigger amount than initially borrowed. Since the victim of loan-sharking refused to pay, the group threatened his family and children, assaulted him in his night club and cut off his hand. The owner then filed a report to the police. In the case RO-H14, the extortionists demanded €180,000 from the victim (the value of the building according to the intimidated company accounting documents) in order to withdraw a civil action. The company owner made the extortionists think he would give them everything they asked for, but he notified the law enforcement agencies and the leader of the group was caught red-handed.

In one case (RO-H12) the victim committed suicide after being intimidated by the criminal group. The extortionists were hired by another businessman in order to recover a debt made by the victim. The extortionists visited the victim at home to demand paying the debt. After the victim refused, the extortionists pressured him psychologically, by visits and phone calls and threatened his family.

Most of the companies remained operational after the extortion (RO-H1, RO-H3, RO-H4, RO-H5, RO-H6, RO-H7, RO-H9, RO-H10, RO-H11, RO-H12, RO-H13, RO-H14, and RO-H15). In one case, after the extortion took place the victimised company filed for bankruptcy (RO-H8).

The duration of the extortion incidents was between several months and 9 years, depending on the attitude of the victim. Most of the victims who initially refused compliance suffered violent repercussions. The victims who initially accepted the extortion demands lost large sums of money.

CONCLUSION

Extortion racketeering is an instrument used by organised crime either in the form of a protection fee, loan-sharking or as a way to obtain valuable assets at below market prices. Along with extortion racketeering, organised crime groups tend to employ a wide range of instruments: violence, harassment, arson, firearms, corruption, and blackmail. Extortion racketeering is also an instrument in corruption schemes as public officials threaten companies in order to extract rents.

The exposed cases of extortion in the hospitality tend to be located in urban areas rather than rural ones. This is explained by the fact that economically viable bars, restaurants, hotels tend to be concentrated in large or middle-sized cities with a tourist potential or robust economy.

Romania has high levels of estimated corruption. According to the aggregate indicator “control of corruption” from the Worldwide Governance Indicators of the World Bank, Romania is the third most corrupt country in the EU after Bulgaria and Greece. All data analysed indicate slow improvement of crime control in the period 2004 – 2014 and slow decrease of the shadow economy and corruption.

Two main types of organised-crime groups emerged from the case studies: criminal gangs (9 cases) and white-collar groups (4 cases). Apart from these two types, ad-hoc criminal groups can emerge to exploit extortion opportunities. The criminal gangs are characterised by hierarchy, large number of members, internal specialisation, territorial approach and violent behaviour. These groups are involved in different kinds of criminal activities, extortion racketeering being only one of them. Some of the members had been previously involved in now defunct organised crime groups. The modus operandi of the criminal groups is to operate locally and employ no mediators; extortion is in line with their other criminal activities and payments imposed tended to be regular. The activities of these types of groups fall into two broad categories: loan-sharking and extraction of protection fee.

The white-collar groups are characterised by abuse of office, complicated legal schemes, corruption, long periods of harassment and threats with administrative action. The white-collar groups tend to use only verbal threats. Companies extorted by white-collar groups typically have some business with the public institution employing the public officials and the modus operandi includes fake or real civil actions, abuse of power, corruption, and ad hoc payments.

Regarding the involvement of public officials, two instances are common: officials are at the core of the criminal group (in the case of white-collar groups) or they only support the crime group (in the case of criminal gangs).

All of the victims were small companies, i.e. limited liability companies and joint-stock companies, with maximum of 36 employees. Most of the persons targeted

for extortion were the owners/managers of the companies. Most of them were men, between 36 and 63 years old. Most of the victims complained to the law enforcement authorities, but only after the extortion became unbearable. The initial behaviour was compliance with the extortionists' demands. The second behavioural pattern of the victims of extortion is to refuse to comply and denounce the attempt.

The main vulnerabilities of the victims of extortion stem from their tax evasion – the hospitality sector is characterised by high levels of tax evasion – and cash-flow problems. Also, weak compliance with safety and quality standards makes the hospitality businesses liable to penalties as a result of government inspections. Red-tape is another vulnerability factor that makes businesses compliant with extortion racket demands – the latter is perceived as a low-cost protection compared with the cost of complying with government regulations.

Small companies in the hospitality sector are vulnerable in areas where organised crime groups are active – they target and penetrate this type of vulnerable legitimate businesses. In this respect organised crime risks should be correlated with corruption risks and with the type of complaints submitted by the private sector. In the cases studied, because of the cosy relationships between organised crime and corrupt police officers, numerous complaints have been discarded without a proper risk analysis by senior management.

Policy measures to reduce extortion should include strengthening the partnership between law enforcement system and civil society, in particular business associations; tracing, freezing, and forfeiting the proceeds of extortion racketeering; and reducing red-tape.

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APPENDIX 1. LIST OF CASE STUDIES OF EXTORTION IN AGRICULTURE

Case ID	Case name	Source
RO-A1	Extortion related to European funds in Udești, Suceava county	Suceava Tribunal File no. 1319/86/2015, media reports
RO-A2	Extortion in Brașov	High Court of Cassation and Justice, File no. 602/64/2008, Decision no. 1705/2013.
RO-A3	Extortion in Constanta	Decision no. 574 from 02.08.2013 of the Constanța Court of Appeal, file no. 582/118/2013/a11
RO-A4	Extortion in Dolj County	Mediafax, 30.06.2015, <i>Fostul procuror Marius Vlădoianu, trimis în judecată pentru șantaj și trafic de influență</i> . Retrieved from: http://www.mediafax.ro/social/fostul-procuror-marius-vladoianu-trimis-in-judecata-pentru-santaj-si-trafic-de-influenta-14524398
RO-A5	Extortion in Râmnicu Vâlcea	media reports: Ziarul de Vâlcea, 13.01.2015, <i>Procurorii DIICOT cercetează o rețea specializată în șantaj. Adjunctul Poliției Râmnicu Vâlcea, Gabriel Popa, vizat de anchetă. Șeful rețelei: Mihai Obreja, zis Miță Lăbuș. Prefectul Dumitru Cornoiu a fost chemat la sediul DIICOT Vâlcea</i> . Retrieved from: http://ziaruldevalcea.ro/2015/01/13/procurorii-diicot-cerceteaza-o-retea-specializata-in-santaj-adjunctul-politiei-ramnicu-valcea-gabriel-popa-vizat-de-ancheta-seful-retelei-mihai-obreja-zis-mita-labus-prefectul-dumitru-c
RO-A6	Extortion related to land restitution in Ion Neculce commune, Iași County	media reports: BZI, 06.07.2011, <i>Santajat de primar pentru a-i lua terenul de sute de mii de euro</i> . Retrieved from: http://www.bzi.ro/santajat-de-primar-pentru-a-i-lua-terenul-de-sute-de-mii-de-euro-228115
RO-A7	Extortion in Timișoara	Decision no. 1895 from June 5 th 2012 of the High Court of Justice Romania, file no. 1883/30/2010
RO-A8	Extortion in Dolj County II	media reports: GDS, 24.07.2015, <i>Mititelu – patron la CSU, scenariu de șantaj cu terenuri?</i> Retrieved from: http://www.gds.ro/Local/2015-07-24/mititelu-patron-la-csu,-scenariu-de-santaj-cu-terenuri/
RO-A9	Extortion in Zărand, Arad County	media reports: Ziua de Vest, 23.06.2015, <i>Stenograme din dosarul lui Dan Diaconescu: Cum era șantajat primarul Zărandului</i> . Retrieved from: http://ziuadevest.ro/actualitate/54312-stenograme-din-dosarul-lui-dan-diaconescu-cum-era-santajat-primarul-zarandului
RO-A10	Extortion in Săcele municipality, Brasov city	media reports: ProTV, 08.06.2012, <i>Cum a fost demascata rețeaua de santajisti care cerea mii de euro ca sa nu faca plangeri la OPC</i> . Retrieved from: http://stirileprotv.ro/stiri/actualitate/santaj-alimente.html

Case ID	Case name	Source
RO-A11	Extortion in Turceni, Gorj County	media reports: Gazeta de Sud, 31.03.2014, <i>Primari olteni, în "vizorul" DNA</i> . Retrieved from: http://www.gds.ro/Actualitate/2014-03-31/Primari+olteni%2C+in+%E2%80%9Evizorul%E2%80%9C+DNA/
RO-A12	Extortion related to European funds in Satu-Mare	media reports: Hotnews, 04.06.2014, <i>Coruptie cu fonduri europene: Manastiri si parohii din Suceava fara activitati agricole au primit subventii/Ferme subventionate ilegal in Bucuresti, Suceava si Dambovita/Directorul general APIA, dus la audieri</i> . Retrieved from: http://anticoruptie.hotnews.ro/stiri-anticoruptie-17417343-perchezitii-dna-apia-central-suceava-vizate-nereguli-decontari-pentru-exploataii-agricole-surse.htm
RO-A13	Slatina group targeting the subsidy program	Decision no. 572/2013, File no. 244/54/2013 of the Romania High Court of Justice
RO-A14	Extortion in Ploiești, Prahova County	media reports: Observatorul Ph, 21.12.2010, <i>A fost reținut și Marin Tudoran, fratele cămătarului Liviu Tudoran din Bălțești – VIDEO Arestare Liviu Tudoran</i> . Retrieved from: http://www.observatorulph.ro/eveniment/exclusiv-a-fost-retinut-si-marin-tudoran-fratele-camatarului-liviu-tudoran-din-baltesti-video-arestare-liviu-tudoran
RO-A15	Extortion related to European funds Telciu Village, Bistrița-Năsăud county	File no. 2643/112/2014 of the Bistrița-Năsăud Court of Justice
RO-A16	Criminal group in Galați	Criminal file no. 185/P/2008 of the Galați territorial service, the National Anticorruption Department. Court file no. 1142/44/2013 (Court of Appeal Brasov).

APPENDIX 2. LIST OF CASE STUDIES OF EXTORTION IN THE HOSPITALITY SECTOR

Case ID	Case name	Source
RO-H1	Extortion by Constanta city hall's officials	High Court of Cassation and Justice file no. 331/36/2010, Decision no. 1496/2011
RO-H3	Local clan involved in extortion in Mangalia city	Media reports: Telegraf, 21.02.2014, <i>Membru al clanului Raim, reținut pentru șantaj și amenințare</i> . Retrieved from: http://www.telegrafonline.ro/1392933600/articol/260390/membru_al_clanului_raim_retinut_pentru_santaj_si_amenintare.html
RO-H4	Extortion by Gheorgheni municipal officials	Mureș Tribunal, File no. 171/102/2015 and media reports
RO-H5	Criminal group in Petroșani city	High Court of Cassation and Justice, Penal Section, File no. 15/57/2007, Decision no. 3770/19.10.2008
RO-H6	Criminal group in Deva city	Decision no. 925/2013, File no. 2175/109/2008 of the Romania High Court of Justice, the Criminal Ward.
RO-H7	Extortion in Rădăuți city	Media reports: Adevărul, 23.06.2014, <i>Șantaj orchestrat de un procuror, un judecător, avocați, un executor judecătoresc și un comisar. Un afacerist sucevean, terorizat pentru o clădire</i> . Retrieved from: http://adevarul.ro/locale/suceava/Santaj-orchestrat-procuror-judecator-avocati-executor-judecatoresc-comisar-afacerist-sucevean-terorizat-cladire-1_53a836d50d133766a8d4b62d/index.html
RO-H8	Criminal group in Resita City	Decision no. 312 from October 15th 2013 of the High Court of Justice Romania; File no. 1882/115/2013
RO-H9	Criminal group in Neptun beach resort	Prosecution file No. 326/P/2010, General Prosecutor Office
RO-H10	Criminal group in Sibiu City	Decision no. 17/2009 of the Alba-Iulia Court of Justice and media reports
RO-H11	Criminal group near Bucharest	File no. 974/98/2013 of the Ialomița Tribunal and media reports
RO-H12	Criminal group in Iasi city	Media reports: Adevărul, 19.02.2014, <i>Mafia cămătarilor din Moldova: om de afaceri terorizat de clanul Corduneanu, găsit spânzurat în pădure. Un milionar în euro este angajatorul interlopilor</i> . Retrieved from: http://adevarul.ro/locale/iasi/mafia-camatarilor-moldova-om-afaceri-terorizat-clanul-corduneanu-gasit-spanzurat-padure-milionar-euro-angajatorul-interlopilor-1_5303b144c7b855ff567563cd/index.html
RO-H13	Criminal group in Cluj-Napoca city	Media reports: AmosNews, 16.09.2005, <i>Trei bodyguarzi de cazino din Cluj, arestați pentru șantaj</i> . Retrieved from: http://www.amosnews.ro/arhiva/trei-bodyguarzi-cazino-din-cluj-arestati-pentru-santaj-16-09-2005

Case ID	Case name	Source
RO-H14	Extortion related to Polyvalent Hall from Bucharest	Media reports: Mediafax, 02.09.2015, <i>Înregistrări din dosarul directorului Sălii Polivalente. Octavian Bitu, către denunțator: "Cât îmi dai? Vreau mașină, mă!"</i> Retrieved from: http://www.mediafax.ro/social/inregistrari-din-dosarul-directorului-salii-polivalente-octavian-bitu-catre-denuntator-cat-imi-dai-vreau-masina-ma-14698278
RO-H15	Extorted by their employers in Bucharest	Media reports: B365, 09.09.2015, <i>Patroni de restaurant, șantajați de un cuplu. Suspecții au fost prinși în flagrant.</i> Retrieved from: http://www.b365.ro/patroni-de-restaurant-prinsi-in-flagrant-in-timp-ce-santajau-un-cuplu_236731.html

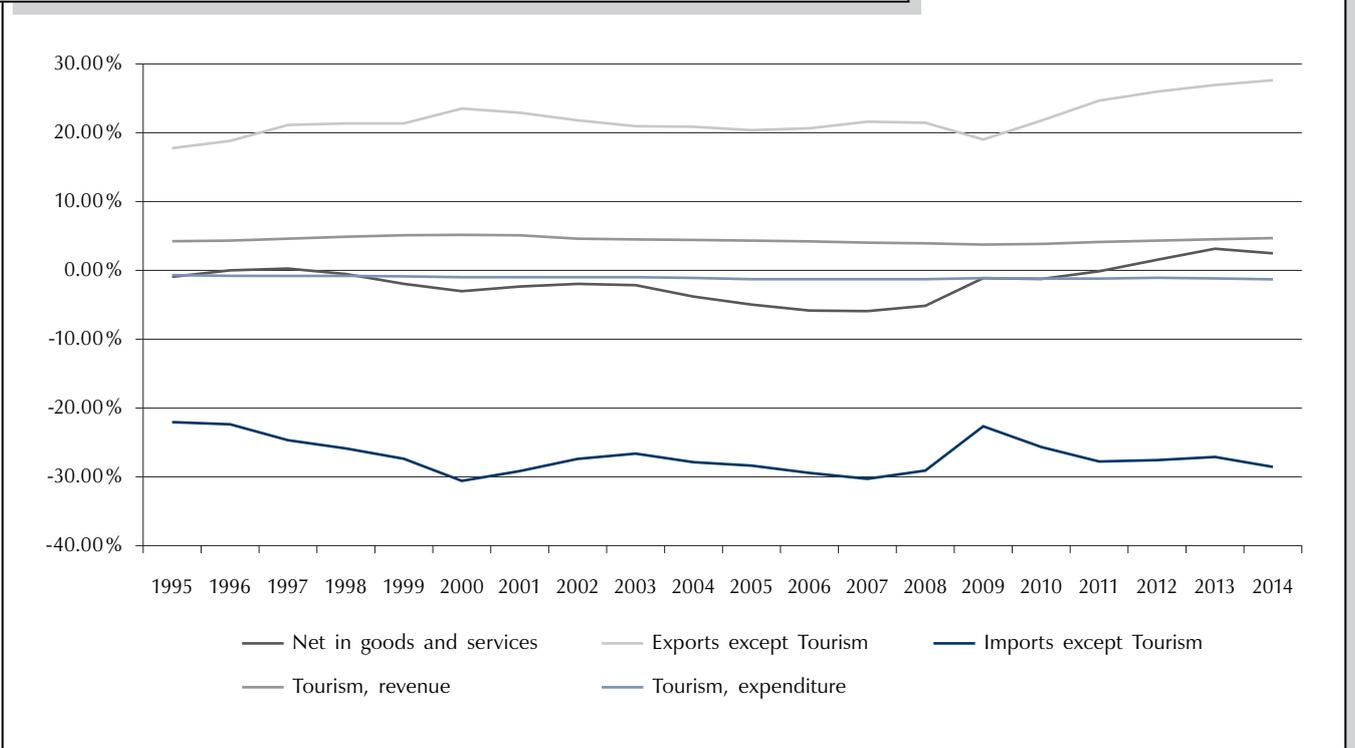
EXTORTION IN SPAIN

THE ECONOMIC CONTEXT

Spain's economy is the 14th largest in the world and 5th largest in the European Union in nominal GDP terms. The country is listed 23rd in the UN's Human Development Index and 30th in GDP (PPP) per capita as stated by the World Bank, making it a high income economy and situated among the countries of very high human development.

Spain has been suffering from an extended economic crisis from 2007 to 2014, which has had a great impact on the labour market as well as on the whole economy. The economic slump significantly reduced imports and increased, while the country kept attracting a growing number of foreign tourists. As a result, its trade balance in goods and services reached almost a 6 % deficit of GDP in 2007 and achieved a surplus in 2012 for the first time since 1997.

Figure 1. Tourism in the overall trade balance in goods and services (% GDP)



Source: *Statistic bulletin of Banco de España, 2015.*

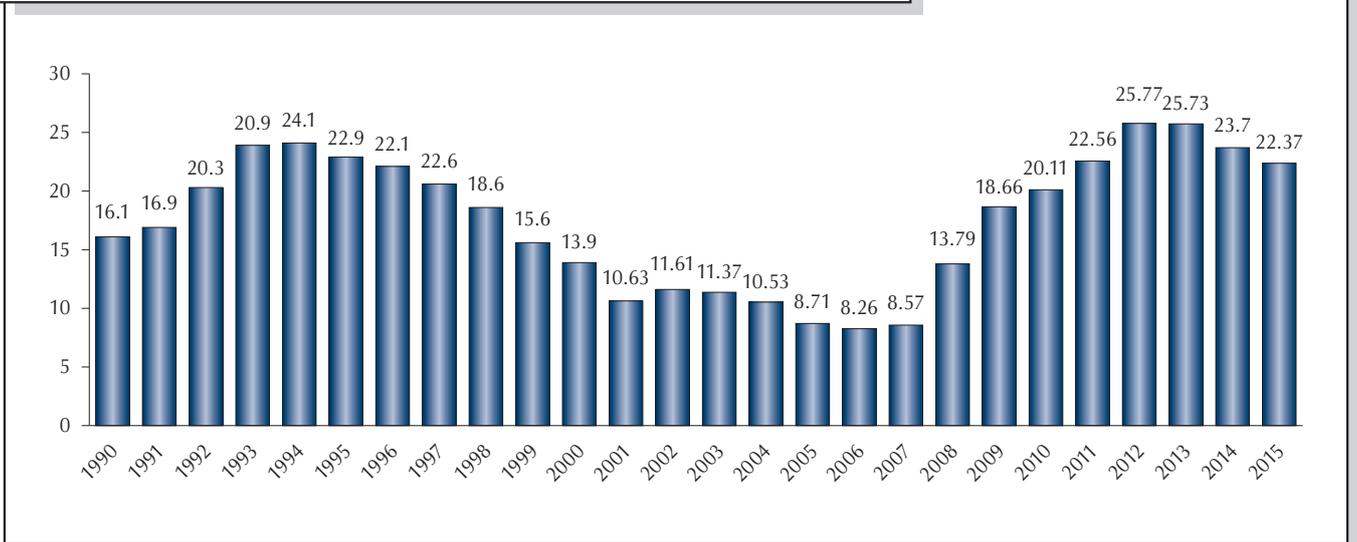
In November 2015, OECD’s economic forecast stated:

“A robust economy recovery in Spain is projected to continue into 2016 and 2017, throughout a gradually slowing pace as the positive impact of the depreciation of the euro, and lower oil and other commodity prices, dissipate. Low borrowing rates of business and households will also continue to provide support together with the fiscal stance, which is expected to be mildly expansionary over the past two years. These factors, together with the implementation of significant structural reforms, are increasing business confidence” (OECD, 2015: 1).

Dynamics of unemployment

The unemployment rate in 2015 was 22 %, one of the highest figures in the European Union after Greece, EU’s average being 9.3 %. As shown in Figure 2, the present unemployment rate is higher than it was in the 1990s (16 %). In 2007, the economic crisis began its impact on the labour market reaching the lowest level in 2012 with 25 % unemployment. After 2012, the situation started changing slowly and market opportunities increased.

Figure 2. Changes in the Spanish unemployment rate (%) (1990 – 2015)

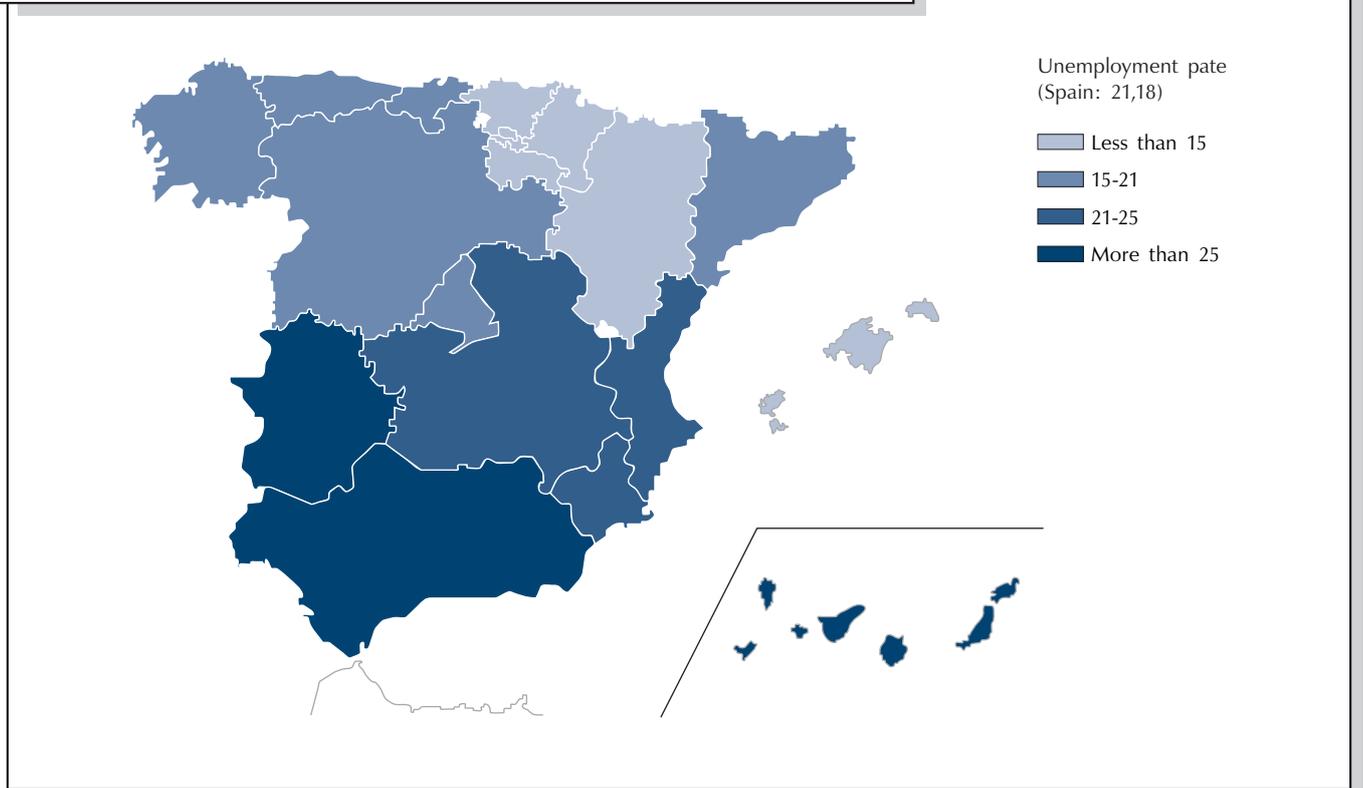


Source: INE, 2015.

There are considerable differences between Spanish regions in terms of unemployment: the autonomous regions with the highest rates of unemployment are Andalusia (34 %), the Canary Islands (32 %), the city of Ceuta (31 %), Extremadura (29 %) and Castilla-La Mancha (29 %).

The Spanish economy is a broadly developed economy, with the service sector representing more than 70 % of GDP. From the late sixties on it has developed a substantial comparative advantage in two economic sectors: construction

Figure 3. Unemployment rate by autonomous region



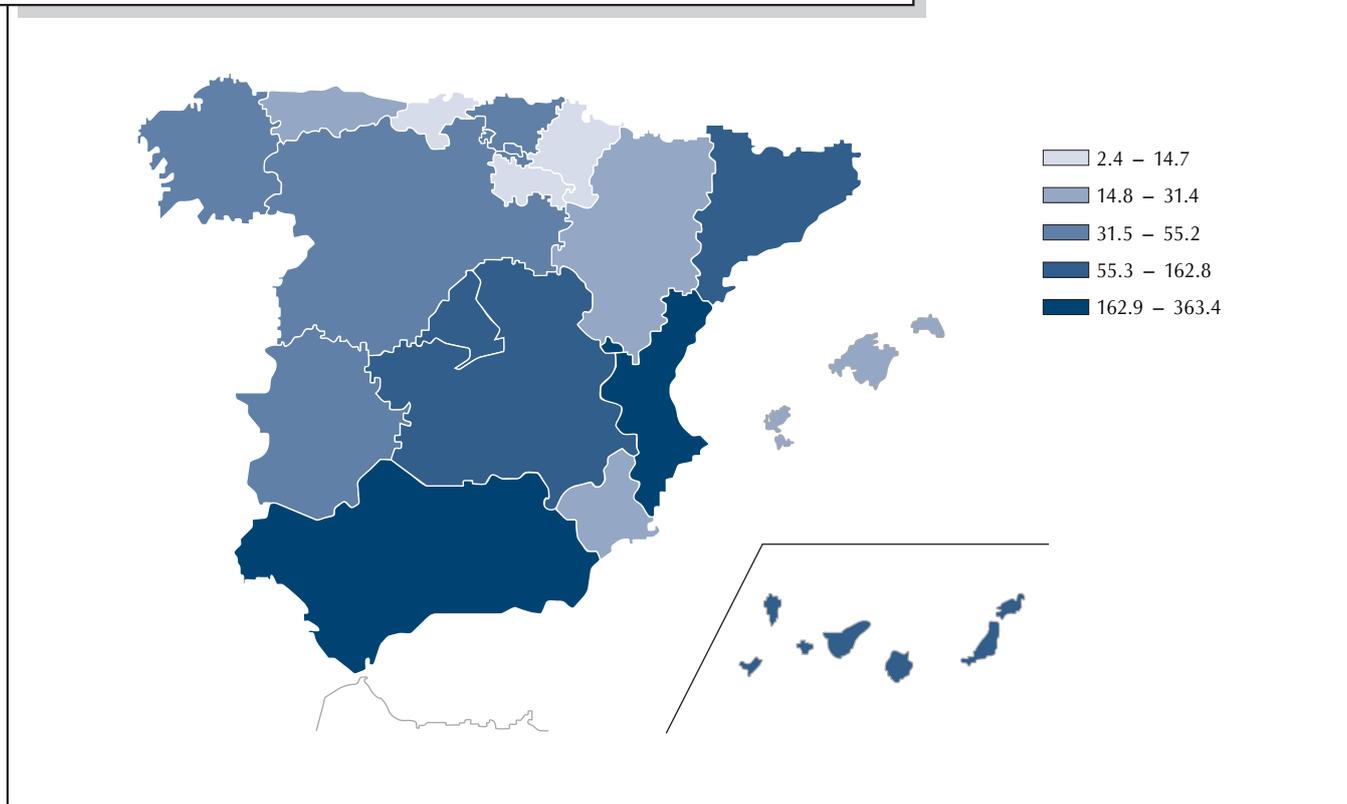
Source: INE, 2015.

and tourism. During the 1990s and early 2000, when the economic growth was fuelled by the economic opportunities provided by the integration in the Eurozone plus the easy financial conditions, those sectors were the leaders of growth in Spain. In 2007, the construction sector represented 11.2 % of the national GDP and 6.5 % of the GDP was represented by the hospitality sector. The hospitality sector is substantially dependent on strong international tourist demand, which in 2014 reached 4.6 % of the GDP (all tourist activities including internal tourism is estimated to induce around 10 % of the Spanish GDP). The crisis more than halved the value added by the construction sector, while nowadays international tourism has fully recovered and the hospitality sector has gained weight in the GDP.

The crisis had a huge impact on unemployment, affecting construction workers especially hard. An additional budget consolidation conducted by the government in order to face the fiscal consequences of the economic crisis has had an added impact on the private economy and on the standard of living. There has been an increase in the poverty rates, reaching 29.2 % of the people at risk of poverty and social exclusion¹ (INE, 2014). This rate has increased from 2011

¹ This has been measured by the AROPE Indicator, a combined indicator including: poverty risk, material deprivation and low employment, taken from INE (Encuesta de Condiciones de Vida, 2014).

Figure 4. Number of unemployed from the service sector in 2015 (thousands)



Source: INE, 2015.

(26.1 %) to 2013 (27.3 %). The average household income in 2014 also dropped to €26,154 – a 2.3 % fall compared to 2013, according to the Life Conditions Survey conducted by INE in 2014. In addition, the share of the population living in extreme poverty (earning annually 30 % of the average income, currently €3,650) has been growing and has reached 6.4 % (around 3 million people).

Figure 4 shows the number of unemployed citizens in the service sector, the distribution being similar to the average levels of unemployment in Spain.

Level of corruption and shadow economy

In terms of corruption, in 2015 Spain ranked 36 out of 175 countries, with a Corruption Perception Index of 58² (Transparency International, 2015). While this indicates that Spain does not have a systemic corruption problem like many other countries, there are multiple political corruption scandals mainly in the management of political parties and in local and autonomous governments. As a result of the economic crisis, there has been a decrease in Spain's ranking (from

² A country or territory's score indicates the perceived level of public sector corruption on a scale of 0 (highly corrupt) to 100 (very clean).

position 25 in 2007 to 36 in 2015) due to two main reasons: pressure from law enforcement which increased the number of corruption cases brought to the judicial system, and the increase of public indignation over corruption scandals; as a result, many cases have been reported and prosecuted due to a general intolerance towards corruption (Transparency International, 2015).

Transparency International conducts corruption surveys in local governments in Spain which highlight the differences between regions. As can be seen in Table 1, there are 6 autonomous regions with a low ranking (on a scale from 0 to 100): Andalusia, Extremadura, Galicia, Aragon, Andalusia, Canary Islands and Valencia. The most transparent regions in terms of corruption are Asturias, Cantabria, La Rioja and the Basque Country.

Table 1. Corruption rating of autonomous regions

Autonomous region	N. of councils	2014	AVG. Score 2012	AVG. Score 2010	AVG. Score 2009	AVG. Score 2008
Andalusia	21	77.5	56.7	62.8	56.7	45.6
Aragon	3	76.3	63.4	50.9	66.3	34.6
Asturias	3	98.8	98.8	95.0	95.0	74.6
Baleares	1	100.0	72.5	91.3	53.8	46.9
Canarias	5	78.8	61.5	63.0	57.0	50.0
Cantabria	1	97.5	82.5	73.8	83.8	34.4
Castilla La Mancha	6	87.7	48.8	64.2	58.1	54.2
Castilla Leon	10	91.0	76.5	63.0	50.6	47.7
Catalonia	16	92.9	84.1	82.7	78.8	60.1
Extremadura	2	51.3	32.5	35.7	40.6	22.5
Galicia	7	74.7	75.4	74.5	75.5	60.1
La Rioja	1	93.8	87.5	70.0	58.8	62.5
Madrid	15	90.1	76.1	73.0	64.0	52.1
Murcia	3	87.9	69.6	69.2	78.8	63.5
Navarra	1	90.0	93.8	66.3	76.3	62.5
Basque country	5	98.3	94.3	82.8	72.5	63.5
Valencia	10	78.7	66.0	70.5	52.8	42.0
Totals/Averages	110	85.2	70.9	70.2	64.0	52.1

Source: Transparency International, 2015.

Transparency International also indicates that Spain ranks as the 11th out of 28 countries in the Bribe Payers Index³ (BPI), with a ranking of 8 out of 10. From 2008, there has been a slight increase (from 7.9) but it remained in the average index (7.8 in 2008).

In 2013, the European Commission conducted a Special Eurobarometer⁴ about corruption. According to its results, 62 % of the people surveyed answered that they had been affected personally by corruption in their daily life (26 % is the average in the EU). Besides, 95 % of the people considered that corruption was a widespread problem in the country (76 % is the average in the EU) and 91 % stated that corruption is a fact in the local and regional institutions (77 % is the average in the EU). Nevertheless, in measuring actual victimisation only 2 % of respondents stated that they had been asked implicitly or explicitly to pay a bribe during the preceding year (4 % is the average in the EU). As regards corruption in the business sector, 52 % of Spaniards considered that success in the business sector is impossible without political patronage and 83 % believed that favouritism obstructed competition. Finally, 93 % of the people stated that favouritism and corruption are great obstacles to fair competition in the country (73 % is the average in the EU).

The estimated size of the Spanish shadow economy, which has been exacerbated by the economic crisis, is around 18.5 % of GDP (Schneider, 2015); there are also other estimates that show even higher shares. Table 2 shows estimates by different research studies at the national and international levels.

Table 2. Estimates of the shadow economy in Spain

Report	% of GDP
Doing Business Report, 2007	22.6%
Estudio de los Tecnicos de Hacienda, 2009	23.3%
Estudio Funcas, 2011	20.2%-23.7%
Closing The European Tax Gap, 2012	22.5%
Informe ATKearney/VISA, 2013	18.6%
Others	20-25%

Source: Ureta, 2013.

Furthermore, there is variation among the economic sectors, with construction, wholesaling and retailing, and hotels and restaurants having the highest shares

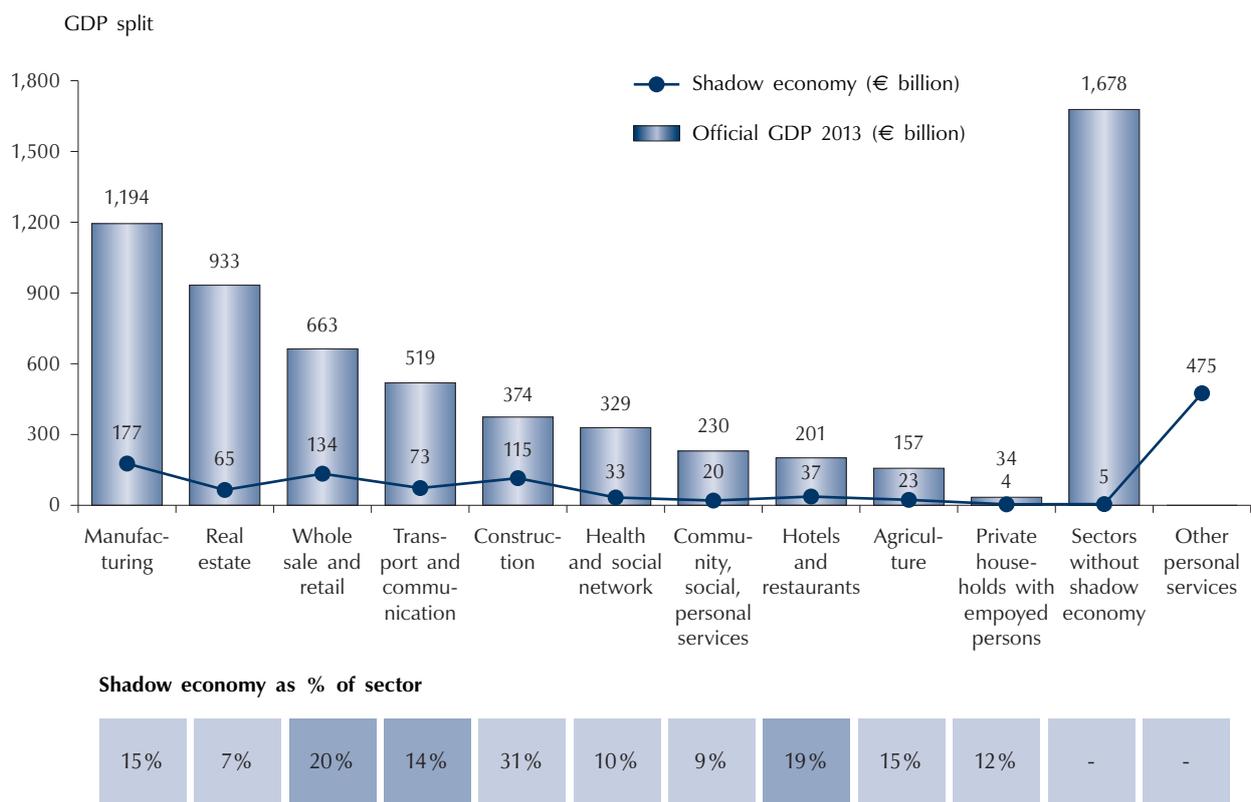
³ The BPI varies between zero and ten points, where the lower score indicates a tendency to commit bribery.

⁴ Special Eurobarometer 397. Available at the website: http://ec.europa.eu/public_opinion/archives/ebs/ebs_397_en.pdf

of shadow economy. In these sectors it consists of several main components: high level of underreporting (particularly in construction); undeclared labour (especially in construction and retailing); and the large number of small, cash-based transactions. Small and medium sized enterprises are prone to trade largely in cash and consequently evade taxation. Some studies conducted in the Spanish market concluded that Spain's shadow economy is caused by five main reasons: a tax increase, the economic recession, and the lack of awareness in citizens concerning tax payment, the overregulation and the rigidity of the labour market (Ureta, 2013).

Across Europe, almost two-thirds of the shadow economy is concentrated in the five largest European economies: Germany, the United Kingdom, France, Spain and Italy (Schneider & Kearney, 2013). Figure 5 shows the distribution of the shadow economy in Europe by industry.

Figure 5. Share of the shadow economy in Europe by industry



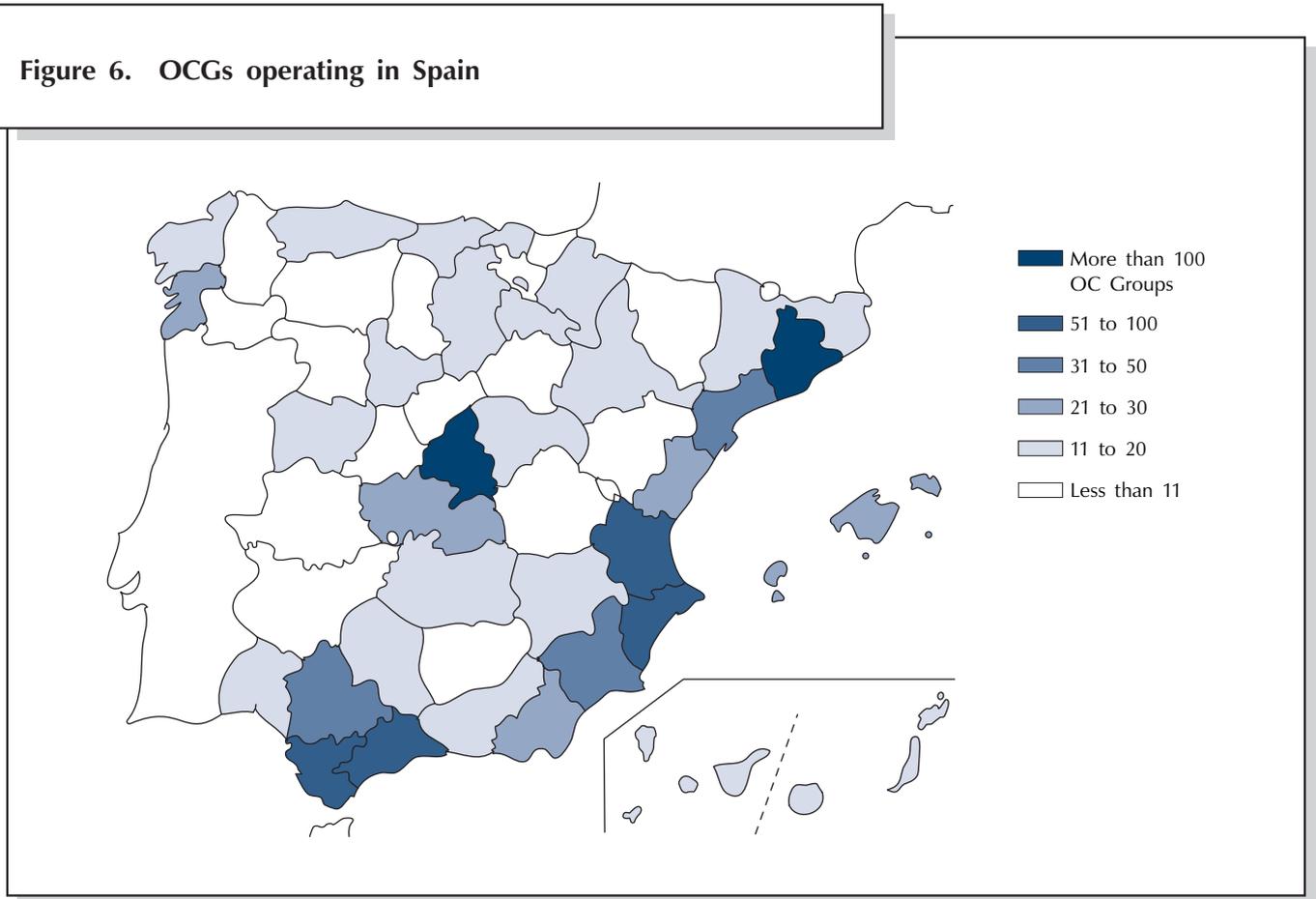
Source: Schneider & Kearney, 2013.

THE CRIMINAL CONTEXT

Extortion in Spain has been historically linked to Spanish terrorism, mainly by ETA.⁵ This terrorist organisation commonly extorted businesspersons to finance their illegal activities, using threats and fear as instruments to achieve their goal. Businesspersons in the Basque Country were forced to pay the so-called revolutionary tax. A study into ETA's financing carried out in 2009 revealed that the money collected by extorting businesspersons represented 13 % of ETA's income, all other income stemming from legitimate funds provided by the Basque government and private companies (Buesa, 2009).

This terrorism has decreased in Spain in the last decade due to the work of law enforcement and the organisation's gradual decline. Therefore, extorting businesspersons has also decreased, including because of changes in the victims' attitudes. Currently, businesspersons who do not support the cause refuse to pay, unlike previously when ETA represented a real and significant threat. Extortion in Spain is currently more linked to organised crime or individual and isolated terrorism cases.

Figure 6. OCGs operating in Spain



Source: Adapted from data by the Ministry of Interior, 2014.

⁵ ETA, which is the acronym for the Basque expression *Euskadi Ta Askatasuna* meaning "Basque Country and Freedom", is a terrorist organisation based in northern Spain.

Because of its geographical location and cultural similarities with supplier countries Spain is one of the most significant organised crime hubs in the European Union (Europol, 2013; De la Corte and Gimenez-Salinas, 2010). It is a main European entry point for many illicit markets such as cocaine trafficking from South America, hashish trafficking from Morocco and human trafficking for sexual exploitation from Eastern Europe (Russia, Romania and Poland), South America (Colombia, Brazil and Ecuador) and Africa (Nigeria and Somalia). Spain is also a main exit point of an important route for the trafficking of stolen vehicles towards northern Africa and a well-established money laundering zone for many criminal organisations that are permanently settled in Spain (Italian organised groups, Russian criminal organisations and more recently Chinese organised crime groups).

In 2014, 456 criminal organisations were identified and over 6,000 people were arrested and charged with organised crime. These activities are largely concentrated in Madrid, Barcelona and the southern and eastern coastal areas. Figure 6 shows the regional distribution of identified OCGs in Spain in 2014.

The main illegal markets controlled by the organised crime groups identified by the police in 2014 include: cocaine trafficking (29 %), hashish trafficking (20 %), robbery (27 %), trafficking of human beings mainly for sexual exploitation (7 %), fraud (7 %) and money laundering (6 %), others (4 %).

Extortion by organised crime in Spain

Organised crime-related extortion is an activity which has not been significantly studied in Spain. All the studies on the subject focus on terrorism by researching the characteristics and dimensions of extortion as a way of financing. The research presented in this report is based on 50 cases of extortion from open sources (media reports) and interviews with organised crime police units. These have shown that extortion by organised crime groups may be carried out as a main illegal activity (this characteristic was found to be true in 89 % of the cases analysed) or as an ancillary one to other illegal markets (11 %). OCGs involved in extortion as their main activity usually provide their services to other groups. However, when extortion is a secondary illegal activity (11 %), it is usually linked to other crimes such as money laundering, robbery and drug trafficking (especially cocaine).

The OCGs which choose extortion are mainly Spanish (24 %) who are involved in fraud and fictitious debts, and Chinese (24 %) who are involved in extorting small shops and loan sharking in casinos. 24 % of the groups have mixed nationalities: Spanish, Latin American and Eastern European. The other homogeneous groups include Italians (7 %) and Russians (5 %), who are involved in extortion as a supporting activity for money laundering; Romanians (10 %), who use extortion for protection; and Colombians (4 %), who extort in order to collect cocaine trafficking debts.

Measuring extortion in Spain

The description in this section is based on the collected from open sources which provided an insight into the profiles of victims and perpetrators, as well as the business sectors which are most vulnerable to this type of crime. Obtaining a realistic overview of extortion in Spain is difficult for several reasons: a) a common obstacle in this type of crime is the high dark figure; b) methodological issues regarding official data collection practices and c) some fact-finding problems benefiting from the under-prosecution of extortion.

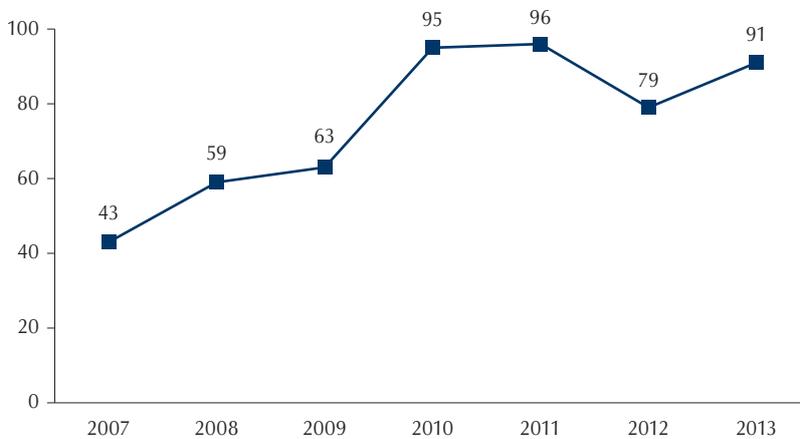
a) High dark figure

Extortion is an underreported occurrence because of the risks the victims assume. The extortion process implies violence and intimidation towards the victims, thus very few cases are reported to the police making the dark figure very high (Mugellini, 2013). Often, accepting to pay extortion money is less risky for the victim than filing a police report, which is why many victims accept the demands of the perpetrators and decide not to report the case to the public authorities. The dark figure is even higher when extortion occurs within an immigrant community due to unawareness of the local legal environment, to the threats made by the extortionists inside their community and to some cultural constraints that demand secrecy (Taylor, 2006; Wagstaff et al., 2006; Chin et al., 1992).

b) Methodological issues regarding official data

Official court and police data do not really provide a realistic overview of the dimensions and characteristics of extortion in Spain. Court data offer an incomplete picture because of the limited amount of prosecuted extortion cases and the absence of variables on record. Figure 7 shows the increase in the number of

Figure 7. Annual number of court cases on extortion (2007 – 2013)



Source: INE, 2015.

court cases from 2007 to 2013. Nevertheless, it is very difficult to acquire in-depth knowledge of the specific characteristics of a crime (e.g. organised crime related cases, businesspersons/individual victims, perpetrators, victims) due to the limited variables of information collected.

While police data offer a more realistic view of the extortion cases reported, the dark figure is still very high (Bezlov et al. 2006; Parkinson, 2004). Table 3 shows the number of extortions known to the police, the extortion victimisations and the arrests related to extortion made from 2011 to 2013. These figures show a decrease in the number of extortions known by police during this period while the victimisations remained more or less the same and the number of arrests increased. The data reveal that there were few crimes, which could be a sign that this is an underreported occurrence. Unfortunately, there are no victimisation surveys carried out in Spain to confirm this empirically.

Table 3. Police data on extortions, 2011 – 2013

	2011	2012	2013
Extortion cases identified by the police	243	246	336
Victimisations	281	276	283
Arrests	219	235	237

Source: Ministry of Interior, 2015.

Police data also provides an insight into the means used by perpetrators: intimidation, physical as well as psychological violence. The limiting factor in this case is the category “others” which includes over 50 % of the cases. Table 4 shows the methods used in extortion cases known by police.

Table 4. Means used in extortion cases known to the police

	2011	2012	2013
Intimidation	142	99	100
Physical violence	15	18	16
Psychological violence	20	16	34
Other	66	113	186
Total	243	246	336

Source: Ministry of Interior, 2015.

Other variables have been collected in relation to extortions including the means used. The variables chosen by the Ministry of the Interior may be useful for other types of crimes but they are useless for extortion. In addition, the categories are not mutually exclusive. For example, in order to classify the means used to extort, five options have been created: by telephone, over the internet, by email, online, using weapons and through the media (many cases fall under more than one option). Furthermore, the categories “other” or “unknown” are usually the most frequent.

c) Investigation problems lead to reported extortion being under-prosecuted

Criminal investigations of extortion cases are extremely complex mainly because they are difficult to prove. One of the main difficulties is to retain victims’ testimonies over a period of time. According to some experts interviewed,⁶ in order to avoid threats and coercion victims are not able to testify until the final trial. Criminal investigators say that these types of investigations are extremely long and complex, and with an uncertain trial outcome (many cases end up being dismissed). That is why many extortion cases are investigated by bundling them with collateral crimes (threats or injuries) in order to be more efficient in the trial. Those difficulties have a clear impact on official extortion figures.

Spanish concept of extortion racketeering

European countries take different approaches to combatting extortion. Some consider extortion as an individual practice, without taking into account its organised crime components. Most countries’ laws consider individuals as victims without referring to businesses as potential and separate victims.

Article no. 243 of the Spanish *Criminal Code* defines extortion as follows: “anyone who, for profit, using violence or intimidation forces another to act or to refrain from acting in a particular way or to carry out a transaction to the detriment of his or her own wealth or that of a third party, will be sentenced to imprisonment for one to five years, without prejudice to any other penalties applicable for violent acts”.

In addition, Spanish case law⁷ develops this definition, establishing that the following four main elements are required to this end:

- a) The act of forcing somebody to do or refrain from doing something;
- b) Using violence or intimidation as an instrument to force the victim to act or refrain from acting in a particular way;
- c) Financial loss to the victim or third party;
- d) The aim of making a profit, usually at the victim’s expense.

These elements are similar to those included in the common European concept developed by Savona (2010), which includes the common elements found in the

⁶ Interview with a police officer of the Policia Nacional investigating extortion in Colombian organised crime groups.

⁷ Decision of the First Section of the Provincial Court of Mallorca, 15.03.2010.

definitions of various European countries. Table 5 shows that the Spanish and European concepts of extortion share common elements.

Table 5. Comparison of the Spanish and European concepts of extortion

Spanish concept of extortion	European concept of extortion
Forceful behaviour	Coercion to act in a particular way
Violence or intimidation	Use of violence or threatening behaviour
Material damage or loss	Connected damage
Profit-making motive	Unlawful gain

Source: Compiled on the basis of Savona (2010) and the Spanish Criminal Code.

Spanish police units combating extortion

Extortion is combated by several specialised units of the two main Spanish police forces. The Specialised and Violent Crime Unit (UDEV, by its acronym in Spanish) of the Policia Nacional has a division dedicated to investigating kidnapping and extortion in collaboration with the Drugs and Organised Crime Unit (UDYCO, by its acronym in Spanish) which investigates organised crime. The Guardia Civil also has a specialised unit investigating extortion called the Crimes against Persons Division (Grupo de Delitos contra las Personas- GDP) and another for organised crime called the Central Operative Unit (Unidad Central Operativa-UCO). At a regional level, the Mossos d'Esquadra, the Policia Foral of Navarra and the Ertzaintza are autonomous police forces with independent authority in their respective autonomous communities (Catalonia, Navarra and the Basque Country).

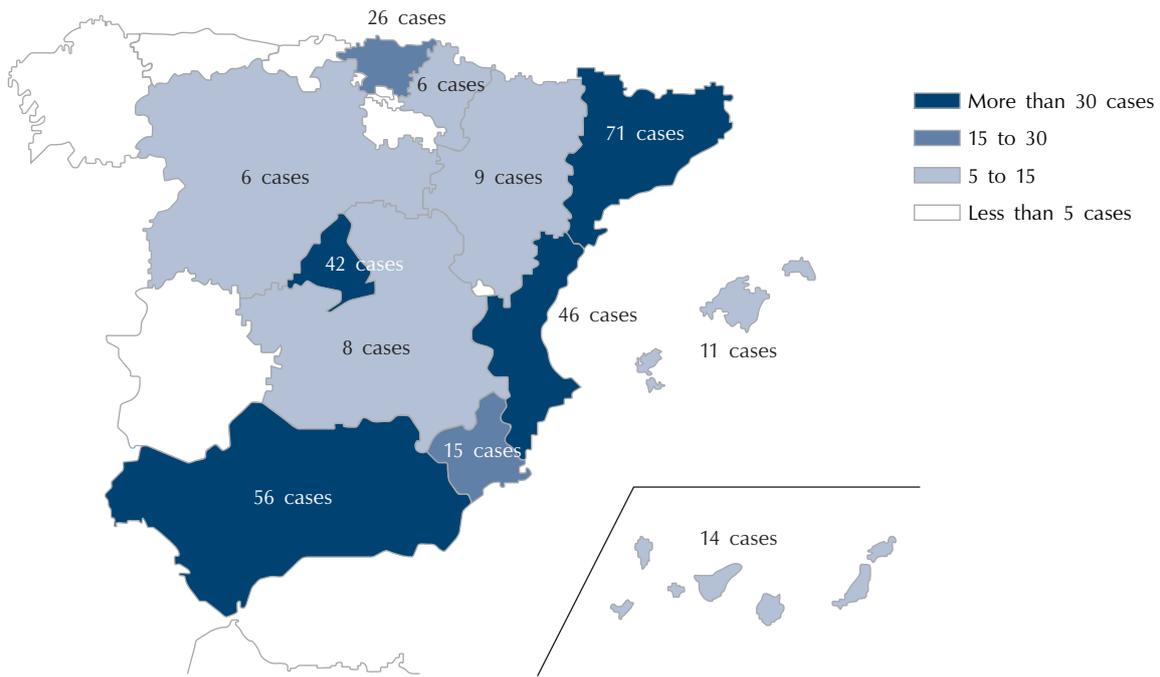
The Terrorism and Organised Crime Intelligence Centre (CITCO, by its acronym in Spanish), gathers data and information from the two main national police forces with investigation powers (the Policia Nacional and the Guardia Civil) and develops strategic intelligence on organised crime. The CITCO is also in charge of coordinating joint investigations between different police forces. No other institutions specifically combat extortion and no prevention strategies have been placed to counter extortion in Spain.

Extortion case distribution in Spain

According to official police data, the regions which are most affected by extortion are Madrid and some of the regions along the Mediterranean coast, mainly Catalonia, Valencia and Andalusia. The regions which are less affected by this activity are Murcia, the Balearic Islands, the Canary Islands and the Basque Country. This distribution is similar to that for organised crime, in relation to

which Madrid, Catalonia, Andalusia and Valencia are also the most affected regions. Figure 8 provides an overview of the main regions affected by extortion by organised crime in Spain.⁸

Figure 8. Regions affected by extortion according to police files



Source: Police data collected by the Ministry of Interior (2013).

Given that police data are at a regional level, in order to have a low level distribution of cases we will provide the results of our research of extortion cases in open sources of information. A high concentration of cases was found in three provinces: Madrid, Barcelona and Mallorca.

Madrid

- **Fuenlabarada, Usera, Parla and Leganés:** extortion cases in the Chinese community due to a great number of Chinese businesses, particularly in Cobo Calleja.
- **Torreldones:** Chinese extortion cases due to the concentration of casinos.
- **Rivas Vaciamadrid:** extortion cases related to prostitution.

⁸ The regions with more than 40 extortion cases are in black, and those with more than 10 cases are in grey.

Barcelona

- **Sant Roc**, Badalona: due to the multi-ethnic commercial area where criminal groups gather.
- **Sitges** and **Maresme**: extortion is present due to the large concentration of leisure clubs.
- **Valés, Sant Cugat, Bellaterra, Rubí** and **Palau-Solità**: extortion cases involving individuals and businesses, at times led by organised crime groups specialised in robbery.

Palma de Mallorca

- The village of **Calvia** where the **Palmanova** and **Magaluf** neighbourhoods are located with areas in which extortion in the leisure and tourism sectors has been investigated; it has usually been related to corruption.

The most affected economic sectors⁹

From the information collected in the press, 72 % of the extortion cases involved businesses and 28 % involved individuals. In relation to individuals, extortion is usually linked to prostitution or human trafficking for any type of exploitation.

When the victims of extortion are businesses, the following are the most common sectors:

- **Trade and retail** (36 %): small shops, neighbourhood stores and small and medium-sized businesses.
- **The leisure** (26 %) and **tourism** (8 %) sectors are breeding grounds for groups carrying out extortion, which involves offering protection. This is also common in bars and nightclubs, and corruption¹⁰ is usually a key element in the investigation.
- **Debt-collection companies** (19 %). The criminal groups involved in these activities often use legitimate companies that offer debt-collection services. The criminal groups assume the debt as a means of extorting the debtors while the risk of being reported is reduced by using violence.
- There are three marginal groups of businesses which show how criminal organisations infiltrate the legal economy. **Wholesalers** (e.g. in fruit markets) (4 %) are typically extorted for a price reduction. **Companies facing economic difficulties** (3 %) are used by foreign criminal groups to launder money and organised crime groups acquire them by extorting the owners. The purpose of extortion in **the construction sector** (4 %) is to force the victim to buy protection services, but as this sector has fallen behind in recent years due to the financial crisis, criminal groups have moved into more profitable industries such as tourism and debt collection.

⁹ Information obtained from open sources, mainly news and press releases.

¹⁰ Involving public officials such as police officers or politicians.

EXTORTION IN THE HOSPITALITY SECTOR

OVERVIEW OF THE SECTOR

The hospitality sector is considered a cluster of services and activities associated with the supply of food, drink and accommodation (Lashley and Morrison, 2013). In Spain, hospitality is an important economic sector because of both tourism and strong internal demand based on deeply ingrained cultural patterns. Tourism has been one of the main drivers of the Spanish economic growth since its opening to international trade in the 1960s and its competitiveness has grown being presently the first economy in the world in natural and cultural resources, infrastructures, tourism policy and the enabling environment (World Economic Forum, 2015). In the Travel & Tourism Competitiveness Index 2015, Spain leads the ranking for the first time, having ranked eighth in 2011, and fourth in 2013. It is the third most visited country in the world, with approximately 60.3 million arrivals, and this trend continues to increase thanks primarily to the visitors coming from developing markets such as China, Brazil and Mexico.

In 2013, the hospitality sector in Spain made up 6.7 % of the country GDP, only slightly increasing its share after the 2008 crisis (Table 6). Its share grew more tangibly in 2014 to 7.6 %.

Table 6. GDP by economic sector

Sector	2007	% GDP* in 2007	2013	% GDP* in 2013
Agriculture	26,376	2.71%	26,578	2.77%
Industry	176,305	18.18%	168,603	17.59%
Construction	109,192	11.22%	55,070	5.75%
Services	663,382	67.88%	708,220	73.89%
Commerce	151,910	15.61%	158,635	17.07%
Hospitality	62,928	6.47%	64,593	6.74%
Information and communications	42,582	4.38%	39,726	4.14%
Financial, Real Estate and Professional Activity	208,106	21.39%	220,569	23.01%

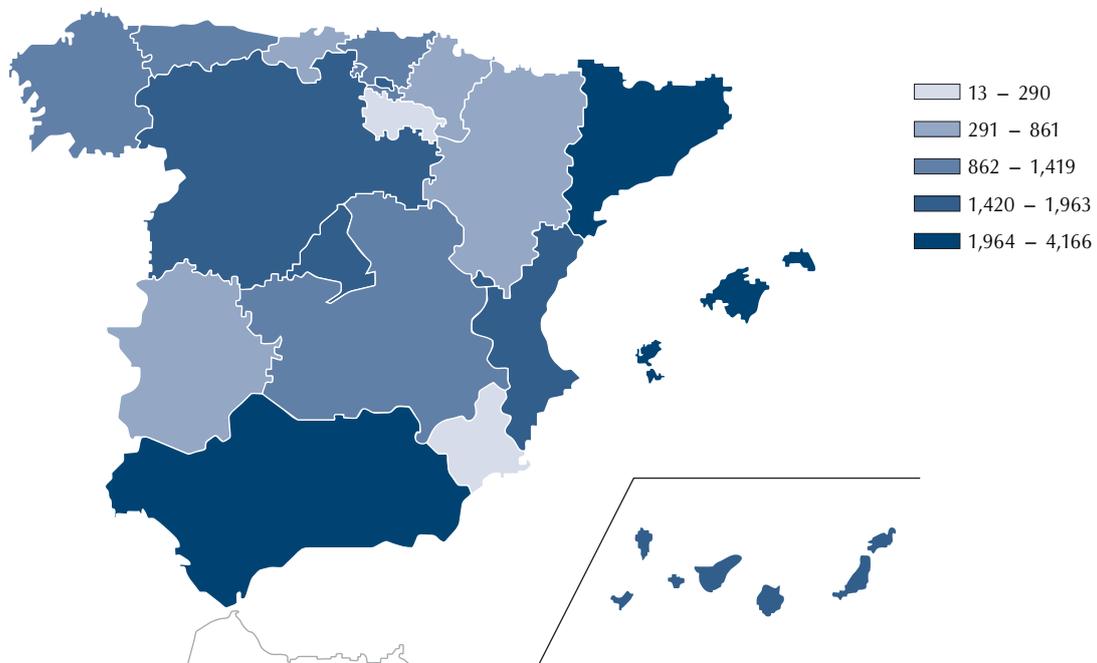
Table 6. GDP by economic sector (continued)

Sector	2007	% GDP* in 2007	2013	% GDP* in 2013
Public Administration. Education and Health	158,626	16.31%	178,677	18.64%
Other Services	36,230	3.72%	41,050	4.28%
Added value at market price	972,855	-	958,471	-
Indirect Taxes	107,952	-	30,710	-
Gross domestic product	1,080,807	-	1,049,181	-

* except indirect taxes

Source: INE, 2015.

Figure 9. Number of businesses in the hospitality sector in Spain



Source: INE, 2015.

The latest report from the Spanish Federation of Hospitality provided an overview of the hospitality sector in 2013, stating that bars represented 43 % of the sector, restaurants 34 % and hotels 14 % of overall businesses (Los sectores de Hostelería, 2013).

In terms of the geographical distribution (Figure 9), hospitality sector companies are mainly concentrated in Andalusia, Catalonia and the Balearic Islands (the most popular tourist areas in Spain), followed by Valencia, Alicante, Madrid, the Canary Islands and Castilla-Leon.

THE PERPETRATORS

The results presented in this section are based on the analysis of 15 cases of extortion perpetrated against hospitality sector businesses. The cases selected for the study involved a variety of organisations: some fit easily in the organised crime definition, while in other cases the extortion had been conducted by individuals with an organized crime group support.

Involvement of OCGs

Following the typology of Monzini (1993), three main types of criminal groups have been found: a) *extortion-protection* which consist in taxation on a regular basis imposed by violent means; b) *labour racketeering*, which consists in a violent negotiation for accessing the labour market and employment (usually the extortion come from ex-workers of the victims' businesses with the help of organized groups); and c) *monopolistic racketeering* which is a specific market strategy forced by violent means and aimed at the physical elimination of competitor, or the creation of monopolistic coalitions.

Table 7. Summary of cases by location, type of business, reasons for extortion, demand and prior perpetrator-victim relations

Case No.	Province	Victimised business	Reason	Demand	Prior relations
1	Balearic Islands	Night club	Monopoly	Payment for services or closure	Competitor
5	Alicante	Indian restaurant	Monopoly	Closure	Competitor
12	Alicante	Indian restaurant	Monopoly	Closure	Competitor
9	Almeria	Kebab	Labour racketeering	Labour contract	Ex-worker

Table 7. Summary of cases by location, type of business, reasons for extortion, demand and prior perpetrator-victim relations (continued)

Case No.	Province	Victimised business	Reason	Demand	Prior relations
13	Murcia	Night club	Labour racketeering	Labour contract	Ex-employees
2	Jaen	Restaurant	Extortion/Protection	Debt	Loansharking
3	Almeria	Street vendors and kebab employees	Extortion/Protection	Payment (€300 to €10,000)	Unknown
6	Castellon	Businessmen	Extortion/Protection	€10,000+other demands	Clients
7	Balearic Islands	Coffee shop	Extortion/Protection	€75,000	Unknown
8	Asturias	Restaurants	Extortion/Protection	€2,000 annually	known
10	Zaragoza	Indian restaurant	Extortion/Protection	Drink, food and money (more than €1,000)	Clients
14	La Coruña	Kebab	Extortion/Protection	Periodical payments (bajos)	Competitor
4	Almeria	Businessmen	Economic/Protection	€200,000	Unknown
11	Zaragoza	Kebab	Economic/Protection	€1,500 per month	Known by a previous job
15	Barcelona	Bars and night clubs	Economic/Protection	Periodical payments and protection contracts	Ex-workers and clients

Source: Case studies.

The **extortion-protection cases**¹¹ can be classified in four different groups:

- a) Large and well-known criminal organisations, having their criminal business in drug trafficking. These OCGs have hierarchical structures with a clear division of labour. In such cases, the usual strategy of these organisations is having a branch of the group in charge of violence or threats to force payments or recover debts (ES-H2, ES-H6, ES-H15). In case ES-H2, the OCG – specialised in debt collection and composed by Moroccans, Argentinians and Spaniards – used the victim's companies as drug selling points. They pretended to be a legal company (bank) offering loans with high interest rates given to restaurant owners in economic difficulties. Case ES-H6 involved Hell's Angels, a well-known OCG engaged in drug trafficking and prostitution, which carried out extortion for protection to businesses in the area. In addition, they demanded free food and drinks during the motorcycle fans events to several businesses. A mayor

¹¹ ES-H2, ES-H3, ES-H4, ES-H6, ES-H7, ES-H8, ES-H10, ES-H11, ES-H14 and ES-H15.

of a small town was the leader of the organised crime group in case ESH8, in collaboration with the police force in the area. It was a well-consolidated OCG imposing protection-extortion to bars and restaurants in order to have extended opening hours. Finally, case ESH15 was started by a big OCG, named Casuals, developing extortion for protection in Barcelona and controlling a great number of bars and night clubs, which were also used as drug selling points.

- b) Another type of criminal groups are mafia-linked groups from Malaysia and Romania (ES-H7, ES-H10). The OCGs are similar to those explained in point a) or branches of a criminal group engaged in other crimes (although evidence is not clear). Case ES-H7 is a Malaysian criminal group extorting shares in profitable restaurants and Case ES-H10 is a Romanian criminal group whose activities are not well known, although they try to get drink and food for free, as well as take periodically money from the cash registers of a restaurant. Both of these mafia-linked groups use their notorious reputation in order to intimidate the victims.
- c) OCGs for which extortion is the main illegal activity. In this type, there were two cases of extortion in the Pakistani community (ES-H3, ESH-11) and one case perpetrated by a Spanish OCG. Case ES-H3 concerned the Pakistani groups, where the OCG had a clear division of labour and a well-developed strategy extorting three types of victims: a) Pakistanis having an irregular resident status in Spain; b) Pakistanis residing legally in Spain and having a high standard of living; and c) street vendors. Case ES-H11 involved an individual who supposedly acted as a member of an OCG (the assumption of OCG association is based on the victim testimony, so we cannot establish an evidenced-based link). Nevertheless, author and victim knew each other from a previous business and the victim believed that he had been chosen in relation to their known business activity. In both cases, perpetrators used threats and deceit in order to force payments, with the added value of using professional and personal information about the victims to intimidate them. The Spanish OCG (ES-H4) had a clear division of labour and a well-developed strategy to select and mislead the business victims. They gathered information about the financial situation of powerful businessmen. They pretended to be CNI (National Intelligence Service) agents and involved some public officials. Finally, ES-H14 could be included in this category because the perpetrator was a competitor but also involved in an OCG extorting closed businesses (restaurants in the surrounding area).

Groups focused on monopolistic racketeering.¹² All the organizations located in this category were foreign criminal groups, and all victims resisted the demands to close their businesses. In these cases, the perpetrators and the victims were competitors in the same region:

- a) Italian mafia's members who extorted Spanish night clubs in Formentera (ES-H1);
- b) Extortion inside Indian community's restaurants (ES-H5);
- c) An English criminal group, which tried to close down some restaurants in Torrevieja (ES-H12).

¹² ES-H1, ES-H5 and ES-H12.

No physical violence was detected in this category, but threats and harassment were complemented with damages to property (ES-H1, ES-H12) or arson (ES-H5).

Labour racketeering.¹³ Two cases were found in this category, perpetrated by individuals with the help of OCGs. The extortion in case ES-H9 was perpetrated by three Pakistanis, two of them helping an ex-worker to force the business owner to renew a labour contract. Case ES-H13 is similar to the previous one: three ex-workers from Morocco extorted the owner of a new restaurant seeking to impose on him a labour contract. In those cases, the implication of an organised crime group is very weak.

Modus operandi

With the caveat that some of the 15 cases analysed contained more information than others, the modus operandi can be divided in two main categories: territorially based extortion (when the goal is to have control over the territory) and functionally based extortion (when the extortion tries to obtain a gain or an action from the victim).

In **territorially based extortion** (ES-H1, ES-H5, ES-H12), the intention was to close down the premises (restaurant/bar), so the extortionists began with verbal threats, sometimes including physical violence against the victim, harassment and arson. In **functionally based extortion** (the rest of the cases), the intention was to collect money or force the victim to perform some action. In these cases, the extortion strategies were more sophisticated and required some knowledge of the victims' economic capacity.

Cases ES-H3 and ES-H15 are clear examples of extortion-protection where the OCG controlled a certain area of business and demanded payment for protection. A Pakistani criminal organisation (ES-H3) extorted at least 30 businesses demanding regular payments. As they had a police officer as a member of the organisation, they could threaten the victims with expulsions and trumped up charges. There was a big organisation perpetrating three types of extortion inside the Pakistani community. They demanded payments from the Pakistanis arriving in Spain in order to get them legal permits, and demanded payments from Pakistanis who live in Spain with a high standard of living (using a loan as an excuse). Finally, they force street vendors to sell their products at a very low price.

In ES-H15, ES-H6 and ES-H8 the extortions were executed by a large criminal group that had control over a territory and could impose protection contracts on many restaurants, bars and nightclubs in the area. In case ES-H8, public officials were involved who abuse their official powers as a means of intimidation.

ES-H9 and ES-H13 are extortion with the intention to impose labour contracts. Those cases were similar to the ones suppressing competition. In case ES-H9, the extortionist wanted to force the sale of a business at a low price. ES-H4 and ES-H2 were extortions related to loansharking or frauds under the guise of CNI

¹³ ES-H9 and ES-H13.

agents. Finally, in ES-H11, the extortionists demanded high regular payments from a similar business but presumably unknown by the victim.

Table 8. Description of the groups, the means, the reasons, the main activities and the goals of the extortion

	Description of the group	Means	Reasons	Main activities	Goals
1	An Italian mafia-type group who covered: travel agencies, bars, restaurants, private security services, suppliers of Italian food, marketing, etc.	Verbal threats, damage to the property and boycott.	Geographical location and control.	Suppliers of Italian products, real estate, private security services, drug trafficking and extortion.	Force the transfer of management or close down the premise.
2	The group dealt in loan-sharking. They selected the victims in the casino, when they had difficulties paying and made the victim accept new abusive loan terms.	Harassment, death threats and violence.	Geographical location.	Extortion, loansharking and drug trafficking (cocaine and medicines).	The imposition of periodical payments (goods and money).
3	The Pakistani OCG extorted other Pakistanis in the region. They usually submitted false complaints against those businessmen who refused to pay.	Use of violence. Victims were beaten before being falsely accused.	Geographical location.	Extortion.	The imposition of periodical payments.
4	The OCG gathered financial and property information from businessmen. They acted as CNI agents.	They used aggressive means and verbal threats.	Economic capacity.	Extortion.	The imposition of one large payment in a brief period of time.
5	One of the members of the criminal group had an Indian restaurant.	Verbal threats and arson.	They wanted to control the small kebabs in the region.	Extortion and competition.	Avoid the opening of new Indian restaurants.
6	An OCG extorting businessmen in the area.	Verbal threats and physical violence.	Economic capacity/ Geographical location.	Extortion, prostitution and drug trafficking.	Payments of €10,000 for protection.
7	The main extortionist threatened to sell the stake of the business to the mafia in Malaysia if the victims refused to pay.	Damage to the victims' property and threats.	Geographical location and economic capacity.	Unknown.	A single payment of €75,000.

Table 8. Description of the groups, the means, the reasons, the main activities and the goals of the extortion (continued)

	Description of the group	Means	Reasons	Main activities	Goals
8	The criminal group was composed by councillors and local police, who demanded from restaurant owners extra payments when they had to work extra hours, during the local festivities.	The mere petition of a police chief was used as means of intimidation.	Geographical location and economic capacity.	Control of the village and the monopoly of the security services due to their jobs.	They required the payment of €2,000 per victim each year.
9	The Pakistani group using threats to enforce a labour contract in a kebab.	Beatings, insults and death threats.	Member of the same community with profitable businesses.	Unknown.	To renew the labour contract.
10	Romanian extortionists visited frequently the victim's restaurant and never paid their bills.	Harassment and threats.	Geographical location.	Unknown.	The OCG wanted free consumption and extra money from the restaurant. (debt €1,800).
11	A Pakistani extortionist, who claimed he was a member of a criminal group, begun to extort other Pakistanis.	Threats of death and threats of arson.	Economic capacity.	Unknown.	A monthly payment of €1,500.
12	An English group who ran a restaurant tried to avoid competition causing arson and using threats and boycotts against their competitors in the area.	Verbal threats, damage to the property and boycott.	Geographical location/control.	Hospitality.	The closure location of a business.
13	Two Moroccan extortionist had been working as musicians in the business targeted, but when they were dismissed they began to harass the owners and managers.	Threats of death, harassment, theft and arson.	To impose a labour contract.	The perpetrators were also musicians.	To impose a labour contract.

Table 8. Description of the groups, the means, the reasons, the main activities and the goals of the extortion (continued)

	Description of the group	Means	Reasons	Main activities	Goals
14	Spanish extortionists required several ad hoc payments to the victim under threats of death. When the victim refused, the level of violence and demands increased.	Verbal threats.	Geographical location.	Hospitality.	Payment of €500.
15	A Spanish OCG of more than 29 members, who controlled several nightlife locations in Barcelona.	Threats, assaults, beating, fights and harassment.	Geographical location.	Extortion, drug trafficking and protection services.	Payments from businessmen and forcing protection services contracts.

Source: Case studies.

Verbal threats and harassment were common strategies in all cases. Deceit, damages to property and arson were exceptional means employed by several criminal groups. In addition, there was minimum use of physical violence.

Deceit. ES-H4 involved a clear example of deceit used to exercise the extortion. The members of the OCG pretended to be intelligence agents. When the victim realized that they were fake, the perpetrators began the extortion process depending on the economic capacity of the victim.

Property damage. Damages to the victim's property (arson excluded) were an added element of intimidation to strengthen the criminal groups' aims in cases ES-H1, ES-H7, ES-H12, ES-H15. The most common were the following:

- To force the closure of the victims' premises. In the Italian mafia case (ES-H1) physical damages were accompanied by a number of intimidation means: boycotts to fend off the victim's consumers, threats to make the victim to close earlier at night, offers of protection and security services, and offers of financial help for the victim's family members such as college fees. In case ES-H12, the English OCG went to the victim's restaurant in order to intimidate the owner, his family, his employees and his clients with harassment, arson and death threats. The perpetrators admitted having caused arson in order to intimidate the nearby restaurants' owners and carrying out boycotts to fend off the victim's clients with the purpose of avoiding competitors in their area.
- Death threats or threats to cut off the victim's limbs. The victim was warned about the main extortionist's involvement with the Malaysian mafia, and at the end damages were caused to force his surrender (ES-H7). In another incident,

a Spanish OCG dealing in drugs and private security services caused damages to force the victims to hire their services, and imposed periodical payments and free drinks in night clubs and bars (ES-H15).

Arson and threats of arson. The intimidation can also be done by arson or threat of arson as additional measures. In the cases analysed those methods were not enough to force the acquiescence of the victims, so the extortionists finally did not achieve their purposes: the closing down of premises (ES-H5) and the renewal of a labour contract (ES-H13).

Threats of arson were also part of the extortion process in two other cases: in one of them the threats included setting the victim's car and restaurant on fire (ES-H2) with the aim of forcing the payment of a debt owed to a loansharking OCG. In another incident inside the Pakistani community, periodical payments were demanded (ES-H11).

Violent means or intimidation. The extortionists using the most violent means (ES-H4, ES-H6, ES-H14, ES-H15) tried to achieve their goals very quickly and had a great success. These were criminal organisations with many victims under control over a long period of time:

- Pakistani extortionists forced members of their community in Almeria to pay amounts of money set according to their incomes and their legal status (ES-H4).
- Hell's Angels was a violent international organisation that required payment in exchange for supplying security services, and demanding free drinks and food (ES-H6).
- An organisation acting in the nightclubs and bars in Barcelona has been extorted many victims more than ten years by extremely aggressive means, requiring long term payments for protection (ES-H15).
- An organisation composed of a mayor and police officers imposed periodical payments on the businesses during the municipal fairs in the city (ES-H14).

In addition to extortion, the most prevalent illegal activity of the perpetrators was drugs trafficking (ES-H2, ES-H6, ES-H15). Many organised crime groups have a legal activity in the hospitality sector, similar to the activity of the victims, especially in cases of monopolistic racketeering (ES-H1, ES-H5, ES-H12).

Involvement of public officials

The sample analysed in the hospitality sector include some cases (ES-H1, ES-H3, ES-H4, ES-H8), where public servants have been involved to facilitate the intimidation process and to ensure payments. Police officers were the most common type of public officials involved, but there was also a state attorney who engaged in deceit (ES-H4) in order to reinforce the credibility of the extortion strategy, and a mayor of a small town. The main functions fulfilled by the public officials are the following:

Police officers: a) periodical inspections to enforce the demanded payments (ES-H1, ES-H8); b) help with avoiding prosecutions or reports by the victim

(ES-H8); c) use of administrative powers to intimidate the victim (e.g. imposition of administrative fines; ES-H1);

Public officials: a) a mayor of a small town was the leader of an extortionist OCG; he was in charge of demanding money in exchange for allowing the victim to have extended opening hours (ES-H8); b) when inside an immigrant community, extortion may be related to illegal immigration (in ES-H3, the OCG which inflicted extortion on the immigrant victims provided assistance with entering Spain). It is thus common to have officials as accomplices to facilitate the stay permits and work permits in the country. In ES-H3, a policeman working in the immigration department was implicated in launching expulsion procedures when victims refused to pay. c) a State Attorney and a labour inspector were involved in ES-H4. They contacted potential victims by telling them that intelligent agents wanted to work with them. When the victims realised it was fake, the criminal group threatened and harassed the victims, demanding a great amount of money (ES-H4). The labour inspector was in charge of providing fake documents of Intelligence Service agents.

THE VICTIMS

Victims extorted in the analysed cases were mainly owners of restaurants or night-clubs in various Spanish provinces.

Table 9. Description of the 15 cases by type of victims, their reactions, previous relationship and place where the extortion took place

Case #	Victims	Reaction	Place
1	Owner of a night club	Resistance (refuse to comply)	Es Pujols, Formentera,
2	Spanish restaurant owners	Acquiescence	Castillo de Locubin, Jaen
3	Pakistani street vendors and businessmen	Acquiescence	El Ejido, Adra, Berja and Almeria
4	Businessmen with high standard of living	Acquiescence	Almeria, Malaga, Toledo and Madrid
5	Indian restaurants Kebabs, food and drinks shops	Resistance (the victim reported the case to the police)	Torrevieja, Alicante
6	Businessmen in the area	Initially complied with demands but later reported to the police	Castellon de la Plana
7	Hospitality businessmen	Resistance (the victim reported the case to the police)	Palma de Mallorca

Table 9. Description of the 15 cases by type of victims, their reactions, previous relationship and place where the extortion took place (continued)

Case #	Victims	Reaction	Place
8	Restaurant owners	Acquiescence	Cudillero Asturias
9	Owner of a kebab	Resistance, finally filed a report to the police	Roquetas de Mar, Almeria Andalusia
10	Owner of an Indian restaurant	Acquiescence. After 10 month, reported the case to the police	La Almunia Zaragoza
11	A Pakistani owner of a kebab	Refused to comply	Caspe, (Zaragoza)
12	Owner of an Indian restaurant	Refused to comply and reported the case to the police	Torre Vieja, (Alicante)
13	Owner of hospitality premises	Refused to comply and reported the case to the police	Balsicas, Torre-Pacheco (Murcia)
14	A Pakistani owner of the two kebabs	The victim complied with some demands, but finally reported the case to the police	Carballo, (La Coruña)
15	An owner of many night bars	He refused to comply with extortion demands and was seriously injured	Barcelona

Source: Case studies.

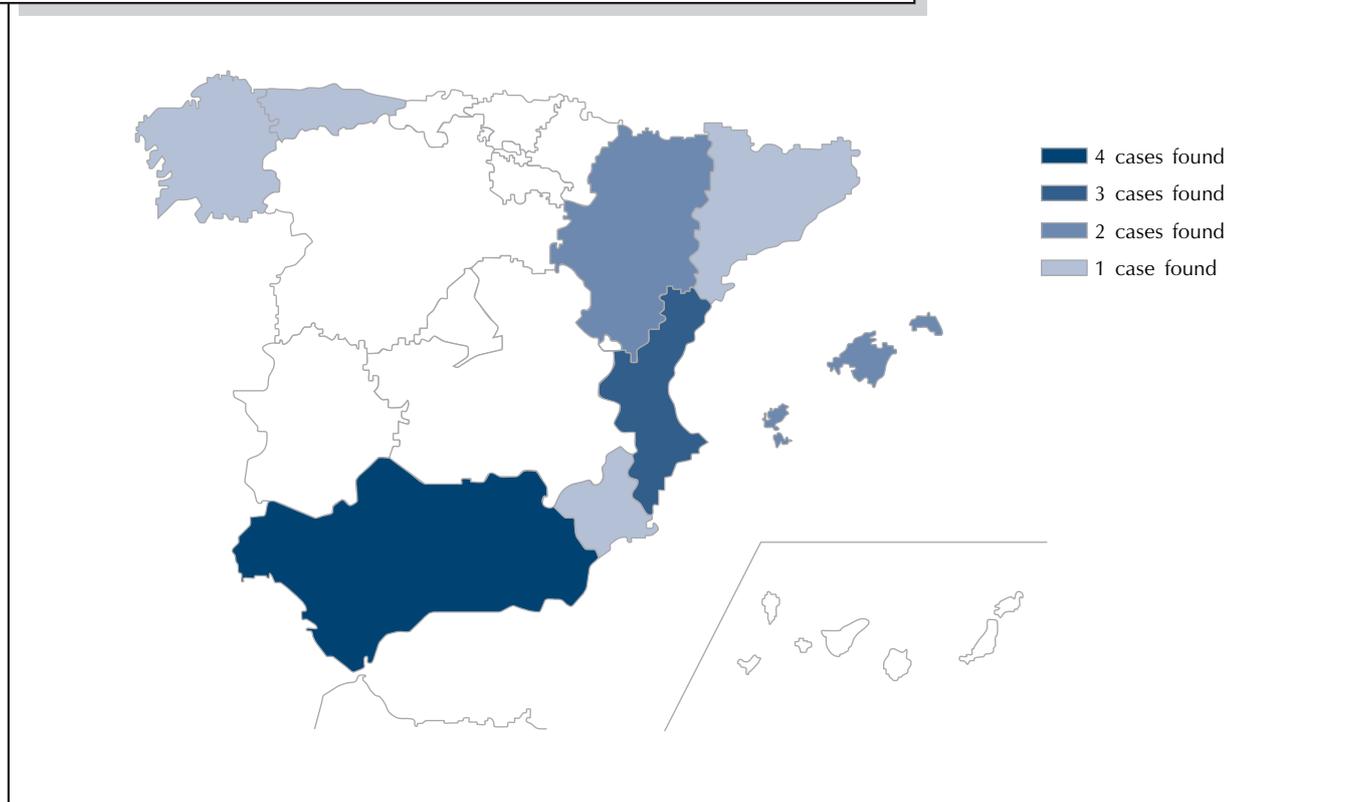
Demographic, social and economic characteristics of the affected regions

The South of Spain and the Mediterranean coast are the regions most affected by the extortion cases. The Eastern coast is affected to a lesser extent. Four of the 15 cases involved businesses located in tourist areas (ES-H1, ES-H6, ES-H7, ES-H15).

The extortion practices took place in sparsely populated small villages in Andalusia, the Mediterranean coast and the North of Spain, except for one case in Barcelona, which occurred in the city centre. Fourteen of the 15 victims were small restaurants and bars located in rural areas, where the economy is usually based on agriculture (ES-H2, ES-H3, ES-H4, ES-H8, ES-H9, ES-H10, ES-H11, ES-H13, ES-H14) and tourism (ES-H1, ES-H5, ES-H6, ES-H7, ES-H12, ES-H15).

Agriculture-based regions. Nine of the 15 cases took place in small villages where agriculture is the basis of the economy. Bars and restaurants are not very common in villages focused on agriculture, in provinces like Asturias (ES-H8), Zaragoza (ES-H10, ES-H11), Murcia (ES-H13) and La Coruña (ES-H14). However,

Figure 10. Distribution of the extortion cases of the sample (N = 15)



Source: Case studies.

Almeria (ES-H4, ES-H4, ES-H9) and Jaen (ES-H2), in Andalusia, have a great number of restaurants. Most of them have few, if any, business associations at the local level (except ES-H8). All these cases took place in provinces where the level of organised crime is medium or low and small local bars are easy to intimidate or deceive.

Tourist areas. Six out of the 15 cases took place in tourist areas – the Balearic Islands (ES-H1, ES-H7), Alicante (ES-H5, ES-H12), Castellon (ES-H6) and Barcelona (ES-H15). All of these locations have high numbers of hospitality businesses and a medium or high level of organised crime. Most of them have also local business associations (except ES-H6). The large number of bars and restaurants is apparently seen by the criminal organisations operating in the area as a funding opportunity.

Table 10 shows the level of organised crime in the provinces where the cases took place, the rate of companies and business associations inside the hospitality sector of the village affected, the features of the location, the number of victims in the main case and the other victims of the same criminal group.

Table 10. Characteristics of the locations affected by the extortion cases

Case IDs	Province	Level of organised crime*	Number of companies/business associations	Key features of the village	No. of case victims	No. of other victims**
ES-H1, ES-H7	Balearic Islands	Medium	High/High	Tourism and immigration	2	2+
ES-H2	Jaen	Low	High/Low	Agriculture	2	2+
ES-H3, ES-H4, ES-H9	Almeria	Medium	High/Low	Agriculture and immigration	7	7+
ES-H5, ES-H12	Alicante	High	High/High	Tourism and immigration	4	5+
ES-H6	Castellon	High	High/Low	Tourism and immigration	1	2+
ES-H8	Asturias	Low	Low/High	Agriculture and tourism	5	5+
ES-H10, ES-H11	Zaragoza	Low	Low/Low	Agriculture and immigration	1	N/A
ES-H13	Murcia	Medium	Low/Low	Agriculture and immigration	1	N/A
ES-H14	La Coruña	Low	Low/Low	Agriculture	1	N/A
ES-H15	Barcelona	High	High/High	Tourism and immigration	29	+29

* The levels of organized crime are taken from Figure 6.

** When the victim's testimony or the police documents show more victims affected.

Source: Case studies.

Behavioural patterns of the victims and protective measures

In the cases which involved Spanish victims as well as Spanish perpetrators (ES-H2, ES-H4, ES-H6, ES-H8, ES-H15) the victims accepted the demands and paid. This also happened in the only case with Spanish perpetrators but foreign victims (ES-H14). It can thus be assumed that Spanish criminal organisations are effective in their extortion demands.

Conversely, all the extortion demands to foreign victims or by foreign perpetrators (Pakistanis excluded) (ES-H1, ES-H7, ES-H12, ES-H13) have been rejected: Spanish, Indian and Moroccan victims refused payments and reported the incidents to the police.

The extortion responses from the Pakistani victims depended on the previous relationship between victims and perpetrators:

- When the perpetrators had been previously unknown to the victim, whether compatriots (ES-H3) or foreigners located in the same district (ES-H10, ES-H14), the extortion was accepted and paid.
- When the perpetrators were known (ES-H9, ES-H11), the extortion demands were refused by the victim and reported to the Spanish authorities.

Lack of knowledge of Spanish law, difficulties with the Spanish language and their legal situation in Spain are significant obstacles for immigrants to put up resistance.¹⁴ Harassment and threats are used as means of intimidation and, sometimes, the aim is to persuade victims to withdraw the criminal complaint when the incident is reported to the police. In the most violent cases beatings, insults and death threats using a kitchen knife were employed to force the payments and silence the victims (ES-H9).

Finally, in the only case identified inside the Indian community, with both Indian perpetrators and victims, the extortion was rejected and the incident reported to the police.

CONCLUSION

This section provides an overview of the main conclusions of the report, as well as the identified red flags and vulnerability factors.

Applying the Monzini's (1993) typologies to extortion in the hospitality sector in Spain, three main types of practices can be identified: a) *extortion-protection*, which is imposed by big organisations with a high capacity to force payments, or by ethnic criminal organisations towards victims from the same ethnic group; b) *labour racketeering*, which is mainly perpetrated when victims and perpetrators belong to the same nationality; c) *monopolistic racketeering*, encountered in three cases: two Indian businesses and one big organised crime group with a high input in the local economy.

Concerning the strategy used by the extortionists, it was established that when the intention was to close down the premises (territorially based), the extortion began with verbal threats, sometimes including physical violence against the victims, harassment and arson to force the closure of the restaurant/bar. Otherwise, when the intention was to gather money or make the victims do something against their will (functionally based), the extortion strategies were more sophisticated and required some knowledge about the victims' economic capacity. The modus operandi depended on the level of complexity of the OCGs.

Verbal threats and harassment were common intimidation strategies in all cases. Deceit, damages to property and arson were exceptional means employed just by

¹⁴ For example, four Pakistanis victims were jailed as a result of false complaints by an OCG (ES-H3).

a few criminal groups. In general, there was a minimum use of physical violence in the analysed cases.

The most prevalent illegal activity conducted by the extortionist groups, aside from extortion, was drug trafficking. Many of the OCGs had a legal business in the hospitality sector, similar to the victims' business, especially in cases of monopolistic racketeering.

The extortion practices took place in sparsely populated and small villages in Andalusia, the Mediterranean coast and the North of Spain, except one case in Barcelona, which occurred in the city centre. Fourteen out of the 15 victims were small restaurants and bars located in rural areas, most of them base their economy on agricultural and tourist activities.¹⁵

Two types of victim profiles were identified according to their geographical location. The victims in *agriculture based-regions* were settled in areas characterised by medium and low levels of organized crime, where small local bars were easy to intimidate. In these cases, deceit and intimidation were frequently used to force payments to OCGs, which had a high territorial control and could intimidate without needing to use extreme violence. Labour racketeering and extortion-protection were the most prevalent typologies.

Victimised businesses in *tourist areas* were located in regions with medium or high organised crime levels and a high concentration of similar businesses (bars and small restaurants). This high concentration of small businesses could be a funding opportunity for criminal organizations. Monopolistic and extortion-protection were the most frequent types of extortion.

Harassment and threats were the most common means of intimidation in all cases, and generally the aim was to persuade victims to pay, and when the incident was reported to the police to withdraw the criminal lawsuit. Deceit, damages to property and arson were exceptional tools, specifically employed against foreign victims. There was a low use of physical violence. In the most violent cases detected, the means employed to force payments as well as to force the victims' silence during the judicial process were the following: damages to property, injuries caused by beatings and stabbings, and one case of homicide.

The analysed sample included four cases where public officials had been involved with the intention of facilitating the intimidation process and ensuring periodical payments. Police forces were the most common public institutions involved, but we have found one case where a state attorney was involved in a deceit to reinforce the credibility of the extortion strategy and another case where a mayor of a small town was involved. In the cases involving public officials, the victims accepted the extortion demands and paid the requested amounts. This means that the involvement of public officials is a successful strategy for extortion by OCGs.

¹⁵ This can be a consequence of the selection of the sample – cases investigated by Guardia Civil, whose competences are mainly deployed in rural areas.

Regarding the victims’ reaction, their response to the extortion demands depended on the perpetrators’ nationality or ethnic group. The *Spanish criminal organisations* were totally effective in their extortion purposes: their demands to both foreign and national victims were fully and quickly accepted. In contrast, the *foreign criminal organisations’* demands were usually rejected, and immediately reported to the police. Pakistani victims only accepted the extortion when the perpetrators were unknown. Lack of knowledge of Spanish law, difficulties with the Spanish language and their legal situation in Spain are significant obstacles for immigrants to put up resistance.

Table 11. Summary of vulnerability factors of the victims

Same nationality	Different nationality
<ul style="list-style-type: none"> • Illegal immigrants (new arrivals) • Unknown victims • Opening of new business • Opening of business concerning the same community (kebabs, etc.). • Conflicts with employees 	<ul style="list-style-type: none"> • Concentration of businesses of the same type • Rural and isolated areas • No business associations • Involvement of public officials • Victims asking for loans • High concentration of criminal organisations • Spanish perpetrators

Source: Case studies.

EXTORTION IN THE CHINESE COMMUNITIES

SOCIO-DEMOGRAPHIC CONTEXT OF THE IMMIGRANT COMMUNITIES IN SPAIN

Spain has a population of 46,464,053 people, with a density of 92 inhabitants per km², which is below the European Union average. Spain's population is concentrated in its large cities – Madrid, Barcelona, Valencia, Alicante, Seville and Malaga; overall, 79 % of the population lives in urban areas (World Bank, 2015).

Due to its geographic and strategic location, Spain is a significant tourist attraction in Europe. In 2014, the country received 64,996,275 tourists,¹⁶ most of whom came from European countries. In addition, the immigration flow has increased over the last decade, despite there being a significant reduction in this respect from 2008 to 2015 due to the financial crisis. Immigrants in Spain represented 1.3 % of the population in 1991, 3.8 % in 2001, rising to the current level of 10 % (INE, 2015).

In 2014, the most prevalent nationalities of immigrants with a residence permit in Spain were Romanian, Moroccan, English, Italian, Ecuadorian and Chinese. Several nationalities have decreased in number over the last few years, probably because many residents have obtained Spanish nationality (i.e. residents from South America). In contrast, the numbers of Chinese and other European residents (Italians, British and Germans) have grown.

Table 12. Foreigners registered or with a residence permit

Country of origin	2014	Share	% variation on 2013
Romania	953,183	19.36 %	2.69
Morocco	770,745	15.65 %	-1.84
The UK	275,817	5.60 %	3.87
Italy	217,524	4.42 %	6.09
Ecuador	192,404	3.91 %	-13.94
China	191,078	3.88 %	3.74
Bulgaria	183,342	3.71 %	1.79

¹⁶ Data provided by the Ministry of Industry, Energy and Tourism.

Table 12. Foreigners registered or with a residence permit (continued)

Country of origin	2014	Share	% variation on 2013
Germany	148,644	3.02 %	3.74
Portugal	143,738	2.92 %	2.42
Colombia	139,952	2.84 %	-13.81
France	124,131	2.52 %	6.45
Bolivia	115,202	2.34 %	-12.27
Poland	90,835	1.84 %	2.52
Ukraine	82,067	1.67 %	2.13
Pakistan	71,152	1.45 %	1.56
Other countries	11,224,179	24.86 %	-1.10
Total	4,925,089	100 %	-

Source: The Ministry of Employment and Social Security, 2014.

THE CHINESE COMMUNITY IN SPAIN

The Chinese community is the sixth foreign community according to the number of residents living in Spain. It represents 3 % of the immigrant population in Spain. The influx of people of this nationality to Spain has been increasing ever since the turn of the century, but has slightly decreased in the last two years. In 2014, Spain had 181,701 Chinese residents, which represents a very high migratory flow with an average of 11,878 Chinese people per year since 2008.

As regards the distribution of Chinese residents by age, almost 50 % are aged between 20 and 35, and 29,593 (15 %) are students (INE, 2015).

Unemployment among the Chinese community is very low and self-employment is prevalent. Of all the Chinese residents registered in the Spanish Social Security (a public medical service compulsory for active workers), 50 % are self-employed (Union de Profesionales Autónomos, 2015). In addition, Chinese residents are third in terms of non-EU foreigners registered¹⁷ in the Social Security, behind Moroccan and Pakistani residents.¹⁸

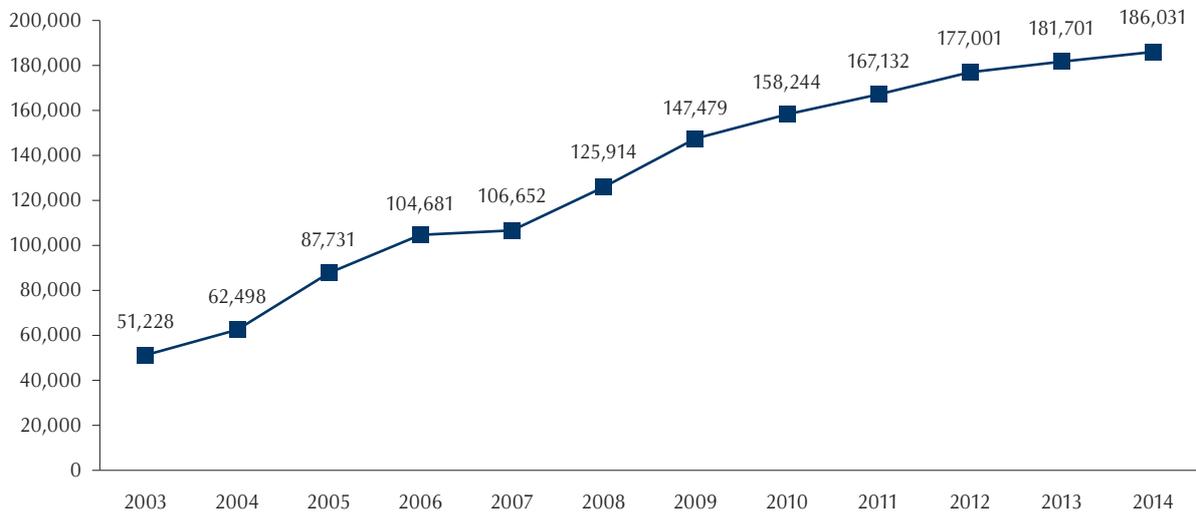
As Figure 12 shows,¹⁹ the number of Chinese residents in the two largest autonomous regions, Madrid and Catalonia, is 99,248.

¹⁷ Outside the EU.

¹⁸ Revista Social Activa, available at: <http://www1.seg-social.es/ActivaInternet/index.htm>

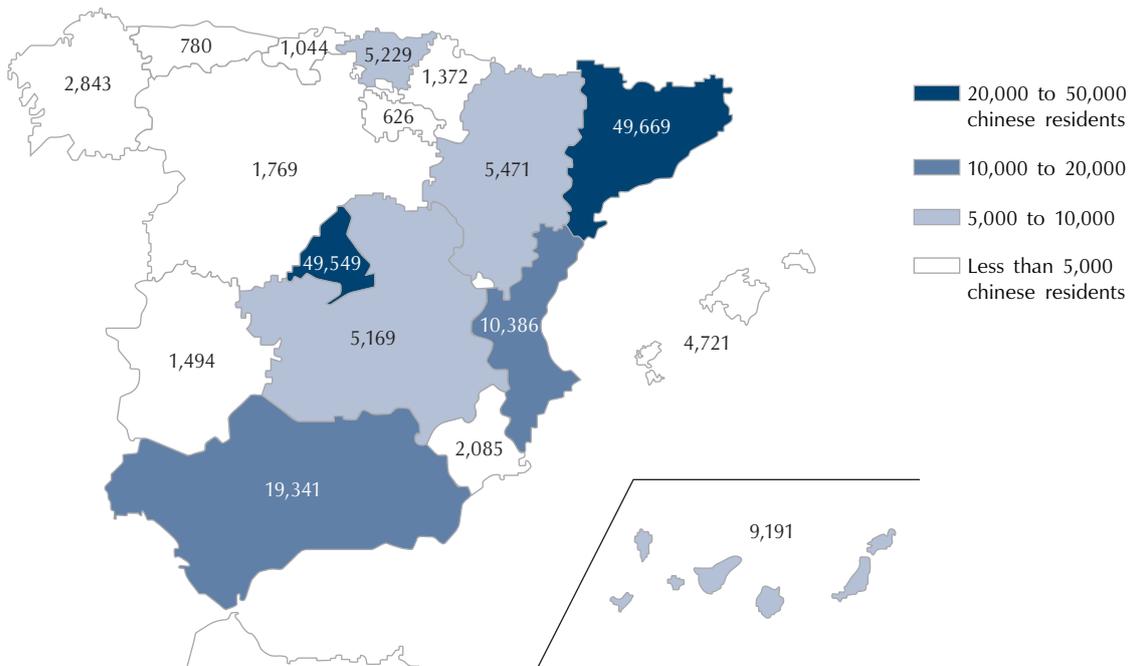
¹⁹ Differences between national and autonomous regions data may be due to their collection date: national number was taken in January 2015, while local numbers were taken in June 2015.

Figure 11. Chinese residents in Spain (2003 – 2014)



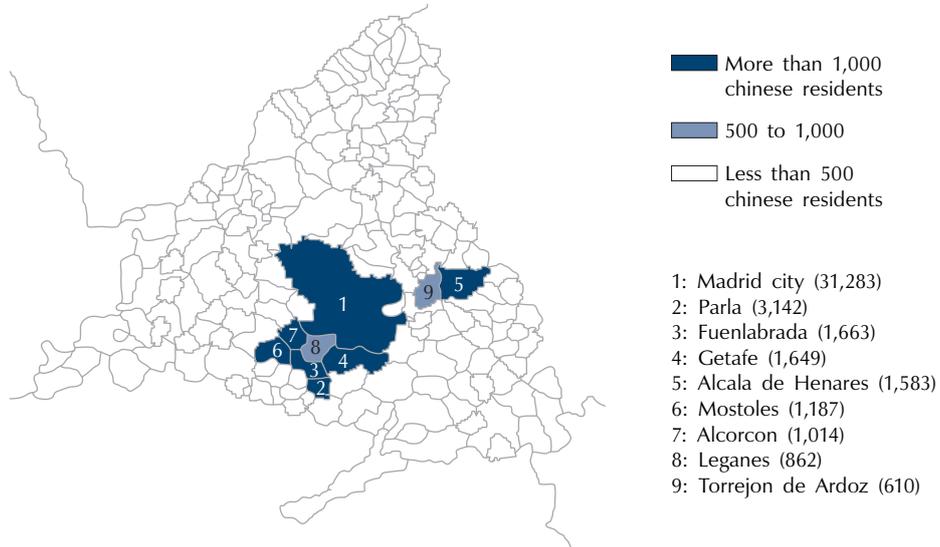
Source: INE, 2015.

Figure 12. Chinese population by autonomous region



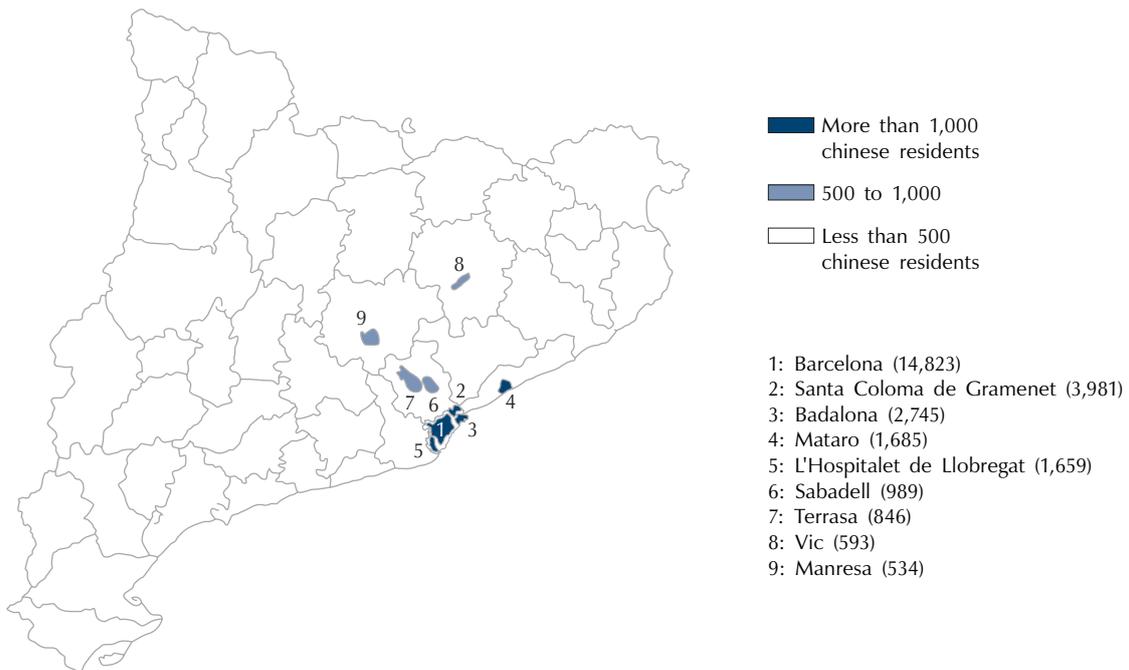
Source: Adapted from data by INE, 2015.

Figure 13. Municipalities with a high concentration of Chinese citizens in the Autonomous Community of Madrid



Source: Adapted data by INE, 2015.

Figure 14. Municipalities with a large Chinese population in the Autonomous Region of Catalonia



Source: Adapted from data by INE, 2015.

A significant percentage of Chinese residents are located in Madrid and Barcelona,²⁰ as well as in other nearby municipalities, and are concentrated in specific urban areas. Madrid is the most densely populated area in this respect, with two main focal points: Madrid city and the southeast: Alcorcon, Fuenlabrada, Parla and Getafe.

The Chinese population in Catalonia is located around three main areas: Barcelona, Sabadell and Mataró. This zone is an important textile hub which has proven to be a key economic sector for Chinese citizens over the last decade.

Chinese businesses in Spain

The first records of economic activity by Chinese immigrants in Spain dates back to 1920 and involved itinerant sales by citizens from Zhejiang. The migratory project for the first Chinese immigrants coming to Spain was to raise revenue to return to China and improve their economic position (Beltran, 2010). Before the 1990s, Chinese immigrants focused their businesses on the hospitality sector (especially Chinese restaurants), mainly as family businesses. At that time, Spaniards were opening up to international cuisine and Chinese food was well received as innovative and trendy. In the 1990s, Chinese residents, who had increased significantly in number, moved part of their economy to the textile sector to generate new business alternatives. At the beginning of 2000, the Chinese population progressively focused their activities in Madrid and Barcelona as the most significant Spanish economic areas. Textile manufacturing was mainly carried out in Lavapiés and Fuenlabrada in Madrid and Santa Coloma de Gramanet in Barcelona (Saiz López, 2004).

The concentration of Chinese residents led to an increase in the number of bazaars and small shops to supply to Chinese population in Spain through businesses such as supermarkets, barbershops, call centres, consultancy firms, travel agencies, driving schools and real estate agencies. Nevertheless, the proliferation of these businesses was not enough to cover the employment demand of new immigrants, thus in 2001, the construction sector which was economically powerful absorbed much of this demand.

Currently, the expansion of the Chinese penetration in the Spanish market and the wide acquisition of premises that have become low-priced due to the financial crisis have led to the opening of huge amounts of new businesses such as clothes shops, large bazaars, beauty shops and hairdressers (Chao, 2015).

In order to supply this demand, some large industrial areas were created where the main suppliers were concentrated to import and export products from and to China. The largest industrial area is Cobo Calleja (which is also the largest of its kind in Europe), located in Fuenlabrada, 20 kilometres away the city of Madrid. It covers 162 hectares and includes around 500 small and medium-sized companies. It was created in the 1970s as a large industrial area but in 2011 a €43 million investment was approved to develop a large Chinese wholesaling zone.

²⁰ Madrid and Barcelona have approximately 6 and 5 million inhabitants, respectively.

Due to the financial crisis and the significant financial capacity of Chinese entrepreneurs, the number of large Chinese investments in Spain has increased, especially in the bigger cities. The director of ESADE China Europe Club (2014) underlines the sectors in which Chinese investment is most active in Spain: energy (companies such as Sinovel Wind, Sunford Light, Yingli Green Energy, Jinko Solar), telecommunications (Huawei, Lenovo, ZTE), transport and logistics (China Shipping, Kerry Logistics) and banking (Industrial and Commercial Bank of China).

Chinese criminal organisations in Spain

Chinese organised crime is an understudied phenomenon in Spain. The existing scientific literature on the Chinese community takes a sociological and anthropological stance with limited references to organised crime activities (Saiz López, 2004; Beltran, 2010; Betrisey, 2010; Bernardos et al. 2014). In recent years, large police operations against important Chinese organised crime groups were carried out shedding some light on the scope of their illegal activities in Spain, the amount of money made and laundered, and their economic and political impact. The information collected in these operations and the interviews carried out offer a unique insight into the illegal activities of Chinese organised crime groups in Spain.

Chinese communities have the following main features: the illegal immigration process is facilitated by the Chinese community; most migrant families are concentrated in homogeneous areas; the Chinese community helps immigrants settle in, and they remain culturally isolated and tend to solve conflicts within the community. Barriers between legal and illegal activities are blurred; there are large monopolies around supply services; the community is subject to high levels of internal control; the links with China as the country of origin are strong and cultural and family rules facilitate the violation of laws (De la Corte and Gimenez-Salinas, 2010). In this respect, the main illegal markets developed by the Chinese organised crime groups detected in Spain are: immigrant smuggling, human trafficking for labour and sexual exploitation, loansharking, counterfeiting of legal and illegal products (goods, tobacco and drugs), gambling, money laundering and VAT fraud.

This context opens the door to successful entrepreneurs offering services to the community and becoming monopolistic suppliers for the rest of the community, arranging for the immigrants to come to Spain, to find a job, to get funds to open a business, to obtain all the legal documents required to remain in the country, to buy the goods of the monopolistic supplier, etc.

The abovementioned factors make this community very vulnerable to abuse and exploitation by criminal organisations. Scientific literature²¹ notes that businesses run by minority ethnic communities are more likely to be victimised, thus Chinese settlements can be considered a vulnerable population group, in which a concentration of extortion incidents can be found.

²¹ Tilley and Hopkins (2008), Wagstaff et al. (2006), Perrone (2000) and Chin et al. (1992).

The following section summarises the main characteristics of organised crime involved in the extortion cases analysed in fifteen case studies. Due to the limited amount of information available in some of the cases regarding the perpetrators, we will complete the information with data collected from several large criminal investigations concerning Chinese organised crime groups (Emperador, Snake, Long, Pelicano, Sol Naciente and Ming) plus the interviews carried out by the research team with a police officer from the Guardia Civil and another from the Policia Nacional specialising in Chinese groups.

THE PERPETRATORS

The cases chosen for studying extortion in the Chinese communities contained limited information on the perpetrators. The sources are mostly police files in which the information on the perpetrators comes from the victims' testimonies, which is an important limitation. Court decisions also generally offer limited relevant information for the study. The victims are afraid and as they are known in the Chinese community, they are reluctant to provide information and details about the perpetrators.²²

Two types of criminal organisations can be identified on the basis of the information gathered in the interviews and in criminal investigations against Chinese criminal groups: a) large organisations exerting significant control over the Chinese community; b) small organisations or branches of the larger ones, which engage in extortion and violent actions. Both organised crime groups are exclusively made up of Chinese residents.

Organised crime groups

The large organisations identified have more than six members and have a hierarchical structure with a clear division of labour and some well-defined hierarchical positions. From the information obtained from these cases, we were able to identify the role of some organised crime group members although the global structure is unknown. These crime groups all have a clear leader assisted by coordinators, and some other members engage in intimidation and violent actions to demand payment.

Three of the 15 cases selected fall under this category. Two of the extortion cases (ES-C2 and ES-C15) derive from the main loansharking activity. Case ES-C2 shows a criminal group acting in a casino in Madrid. This group specialised in loansharking in casinos, where they could target clients who were losing money. ES-C15 relates to an organisation specialised in loansharking in the Chinese community which targeted immigrants arriving in Spain in need of capital to invest and other types of services.

The information obtained from large police operations in Spain involving Chinese organisations (Heijjin, Cian Ba, Emperador, Snake, Long and Dragon) and two

²² Interview with an expert in Chinese organised crime from the Policia Nacional.

interviews indicates that the large organisations detected in Spain have similar patterns and are a significant economic threat to society and to Chinese victims. Some of the most significant operations (Emperador and Long) involved a Chinese businessperson arriving in Spain who firstly opened some small businesses (restaurants, bazaars, import-export business, etc.). Afterwards he decided to move on combining legal and illegal activities (smuggling tobacco, illegal immigration, etc.) and finally becoming a person of reference for the Chinese community. Those leaders become the community's main suppliers with a high level of monopolistic power in the market: they help other Chinese persons to come to Spain, offer them illegal work, legal permits to stay in Spain, provide loans for their investments, merchandise for their bazaars or small businesses, etc. For example, Gao Ping, head of a large organised crime group dismantled during operation Emperador, was the owner of many of the businesses in Cobo Calleja and was the supplier of 60 % of the Spanish bazaars, and many members of his gang collected regular payments from these small owners through his business association (Gao Ping paid them 1.2 % of the amount collected). Most of these owners had to pay to Chinese business associations to be part of the supply chain.²³ As a consequence of these activities, they had vast amounts of black money,²⁴ which they needed to launder in several different ways: by creating legal businesses, by sending the money back (in cash) to China for it to be laundered there, by wire transferring small amounts to European countries, by issuing fake invoices or through other underground banking methods (Hawala).²⁵

These organised crime groups have deep ties in economic and political circles, and often resort to civil servants to help them cross borders, obtain legal permits to stay in Spain, pay police officers to avoid being arrested and public authorities to be awarded public contracts or receive the required authorisation to invest in Spain.²⁶

One of the police officers interviewed²⁷ informed us that all these large criminal groups have a debt collection branch, whose tasks include extorting, collecting debts and inflicting violence.

Small criminal groups

The rest of the 12 cases analysed involved small criminal groups and some individuals supported by members of Chinese criminal groups. Four cases (ES-C6; ES-C8; ESC-10 and ES-C15) involved organised crime groups specialised in debt collection, extortion and violence, and two of them were involved in loansharking

²³ Interview with the police officer of the Policia Nacional specialised in Chinese criminal groups.

²⁴ In operation Long the organised groups laundered €40 million per year from smuggling tobacco.

²⁵ In operation Emperador, Gao Ping set up a large compensation system to help businesspersons recover their money from tax haven accounts. If a Spanish businessperson required a large amount of cash, the group provided that amount in Spain and the Spanish businessperson would transfer the amount from his or her tax haven account to a bank in China. This was a Europe-wide compensation system including brokers in many European countries.

²⁶ In operation Emperador, many police officers and the mayor of Fuenlabrada were implicated in the course of the criminal investigation.

²⁷ Criminal investigator in the Chinese Organised Crime Unit of the Policia Nacional.

within the Chinese community and in casinos. Four other cases involved members of a larger organised crime group. Case ES-C4 whose perpetrators were supported by suppliers in Madrid; case ES-C9 whose perpetrators belonged to a larger organised crime group located in several Spanish provinces. Case ES-C13 involved a businessman who had the support of a violent group carrying out extortion and violence. Finally, case ES-C3 presumably involved an organised crime group.²⁸ The other four cases involved more than one individual. In these cases the involvement of a criminal group is possible for several reasons: in some of the cases an individual threatened the victim with the support of a criminal group (e.g. ES-C7; ES-C11); other cases involved an owner whose brothers seemed to be part of a criminal group (although this is unclear; ES-C14). In another case (ES-C12), two perpetrators inflicted extreme violence while demanding money, although there is insufficient information to determine whether these individuals were members of a criminal group.

The interview with the police investigator revealed that some recent cases had been reported as extortion and they matched the profile of some individuals demanding money with a vague link to organised crime. There are groups made up of businesspersons' descendants (young Chinese people) that call on small shops to demand payments under the threat of damaging the premises. They demand money and even force some businesses to close down.

Motives and reasons for extortion

The data collected reveal the two main reasons for extortion: profit-oriented and monopolistic racketeering (see Table 13). There is a third category including two cases which we have labelled revenge or personal conflicts.

Profit-oriented: nine cases (ES-C1, ES-C2, ES-C3, ES-C4, ES-C8, ES-C10 and ES-C12) fall under this category and include three cases of OCGs specialised in extortion and violence (ES-C1, ES-C4 and ES-C8). Two cases involve criminal groups whose main illegal activity is loansharking and debt collection (within the Chinese community [ES-C10] and in casinos [ES-C2]); and two other cases in which the involvement of an OCG is difficult to prove and individual motivations are difficult to discern (ES-C3, 12). Case ES-C6 falls into this category but it is different from the others because although it was profit-oriented the extortionists demanded no single or periodic dues but a payment for unsolicited invoices. Finally, the reasons in case ES-C15 involved a previous debt.

Monopolistic racketeering: this is the second most predominant reason with four cases falling under this category (ES-C5, 9, 13 and 14). The main aim of the perpetrators was to force a business to close down; most of the perpetrators were unknown to the victim and in one case the victim's partner was also a perpetrator (ES-C14). The interview with the police investigators revealed that Chinese businesspersons have large monopolies in Spain and seek to prevent the opening of any business that does not belong to them. They have broad

²⁸ This information came from the victim not from the incomplete data available in police files so it wasn't enough to reach this conclusion.

control over the small businesses by supplying products, creating Chinese business associations, giving loans and other services provided for the community (residence permits, driving licences, etc.).

Revenge or personal conflicts. Two cases do not fall under either of the preceding categories: the extortion in ES-C4 was motivated by revenge from a former husband who was a member of the Chinese mafia and case ES-C8 involved extortion by a former partner. Even though we do not have sufficient information on the reasons for the extortion, these cases seem to involve settling scores coming from previous conflicts.

Table 13. Relationship between perpetrator and victim, reasons for extortion and OCGs involved

Case ID	Previous relationship	Reasons	Perpetrators/Organised crime group
ES-C1	Unknown	Profit-oriented (a large payment)	OCG (main activity extortion)
ES-C2	Client	Profit-oriented (loans in casinos)	OCG: loansharking in casinos
ES-C3	Former worker	Profit-oriented	OCG (based on victim's testimony)
ES-C4	Former partner	Profit-oriented (victim chosen for his/her economic capacity)	Branch of an OCG related to suppliers (victim's testimony)
ES-C6	Supplier	Profit-oriented (unsolicited invoices)	Debt collectors linked to another organised crime group
ES-C8	Former husband	Profit-oriented (robbery and payment of €60,000)	Criminal group specialising in extortion and violence
ES-C9	Unknown	Monopolistic racketeering	OCG
ES-C10	Same province	Profit-oriented	OCG (main activity extortion)
ES-C12	Unknown	Profit-oriented	Unclear relationship with a criminal group
ES-C5	Unknown	Monopolistic racketeering	OCG
ES-C9	Unknown	Monopolistic racketeering	OCG
ES-C15	Client/debtor	Profit-oriented (previous debt)	OCG (loansharking in casinos)
ES-C13	Unknown	Monopolistic racketeering	OCG
ES-C14	Unknown	Monopolistic racketeering	OCG

Source: Case studies.

Modus operandi

Territorial-based extortions are practices whose main purpose is to remove competitors by forcing victims to close down their businesses. The means used in these cases are similar and are summarised in Table 14.

Table 14. Means used to force business closure in the collected cases

Case ID	Means used to force closure of business
ES-C5	Death threats, damaging property and violence. Consequences: damage to property and injuries to the victim and to his or her family members.
ES-C9	Death threats, verbal threats and several visits to the premises. Using the Chinese mafia as a threat.
ES-C13	Arson as a consequence of the extortion. Serious damage to victims and property.
ES-C14	Death threats and threats to terminate the victim’s lease agreement.

Source: Case studies.

There are two cases of extortion related to loansharking, in which organised crime groups used extreme violence. The first case (ES-C2) took place in a casino, and the perpetrator offered the victim some money when he was losing it. Then, the loan was claimed by extremely violent methods: assaulting the victim’s mother and attempting to kidnap his father. The other case (ES-C15) also involved extorting a debtor whose son was kidnapped by the debt-collecting organised crime group. Three cases involved extortion to collect payment from Chinese businesses: ES-C1, ES-C2 and ES-C10. The method used in these cases was not extreme violence, but intimidation and threats. The other cases involved direct or indirect extortion by organised crime groups and the victim and the perpetrator were previously related in some way (e.g. former partner, former worker or tenant). In some cases, physical damage was inflicted, but more frequently intimidation and threats were used stating they were part of a mafia group (ES-C3, ES-C4, ES-C7 and ES-C11).

Involvement of public officials

Our sample of cases is based mainly on police investigations of extortion of Chinese businesses because the victim reported the case to the police. Consequently, all these cases represent extortion practices with a low degree of threat. No involvement by civil servants was detected in the cases analysed. However, police officers, local authorities’ officials and powerful businesspersons were involved in other large cases concerning investigations of important Chinese OCG leaders (e.g. operation Emperor). Recent operations against Chinese crime groups have revealed economically powerful organisations with economic and political connections that are a major threat to society (Sansó-Rubert and Gimenez-Salinas, 2014).

THE VICTIMS

This section analyses the profile of the victims of extortion racketeering in the cases collected. The main regions in which Chinese extortion is present, the socio-economic characteristics of the victims, the profile of the victimised businesses, the protective measures used by the victims and the role of business associations are all described.

Characteristics of the affected regions

The cases collected are not representative of the distribution of extortion in Spain due to the data sources used for the selection. We used Guardia Civil files, which means that all the cases or incidents occurred in rural areas (as this is where this law enforcement institution has authority to investigate). Consequently, our conclusions and results should apply to extortion in rural areas.

In this regard, the cases primarily relate to four main regions in Spain: Madrid (centre), Barcelona (northeast), Valencia (east coast) and Seville (south). There was an isolated case in Galicia (north east) and some cases in Leon and Caceres (in the centre). There is also a high concentration of organised crime in those areas (except in Caceres and Leon).

Most of the cases involved small towns with a reduced number of Chinese businesses (11 cases) and no nearby local business associations. Only four cases were detected in large cities, with a strong presence of Chinese businesses and Chinese associations created in the same area (AS-C10, 11, 14 and 15). These cases occurred in Barcelona, Madrid and Alicante.

Businesses extorted in small towns were located either in commercial venues (50 %) or industrial areas or more isolated areas (50 %). The businesses extorted in Madrid and Barcelona were located in small towns (commercial venues) and in industrial areas, next to the large Chinese supply area of Cobo Calleja (Fuenlabrada).

Profile of victimised businesses

All but one cases collected involved two types of victimised businesses: small and large bazaars (12) and restaurants (2). Only one case involved a call centre. The profile of those businesses is very similar: medium or small-sized businesses, mostly family owned and run. The payments demanded or the obligations imposed ranged from €4,000 to €5,000, except in one case: a restaurant owner who was asked to pay €1 million (ES-C1). In general, the amounts demanded which were reported to the police were single payments, not periodic payments. When the goal of the extortion was to monopolise the market, the extortionists usually demanded that the business close down, which is a substantial demand.

By analysing the relationship between the victims and perpetrators, two main strategies were identified:

Monopolistic racketeering. When the extortion aims to remove competitors, the perpetrators and victims either do not know each other or they do but only as competitors. Four cases fall under this category (ES-C5, 9, 13 and 14). In these cases, the victims were owners of bazaars and are visited by someone acting in the name of an organised crime group, who advises them to close down their business or face the consequences. The perpetrator and victim did not know each other in these cases and the extortionists' motivation was to close down a business that has opened in their area.

Profit-oriented extortion. In these cases, the perpetrators and victims usually know each other. Nine cases fall under this category, and in 7 out of 9 cases the victims and perpetrators knew each other:

- Two cases where loansharking extortions (ES-C2, 15 and 10);
- One case involved extortion by a supplier (ES-C6);
- Three cases involved extortion by a former worker (EXS-C3 and 7);
- One case involved a tenant of an industrial building extorting his or her landlord (ES-C11).

Only two cases (ES-C1 and 12) under this category involved extortions between victims and perpetrators that did not know each other.

From the information collected, three main methods were used in these particular cases:

- Loansharking (violent means, physical damage and kidnapping);
- False invoices (verbal threats and intimidation);
- Directly imposing compensation for past circumstances or because of the characteristics of the business (death threats, verbal threats and physical violence).

Two other cases, which do not fall under the above categories, have a similar motive, **revenge** of some kind **or settling an old score**, which is unknown because it was not in the police files. The cases involved a former worker who wished to make extra money after being on sick leave and decided to extort his boss (ES-C 4) and a woman who was presumably extorted by an organised group linked to her former husband (ES-C 8).

Victim response and protective measures

The victimised Chinese premises have not contracted private protection services, except for one case (ES-C9). All the victims reported the extortion to the police and refused to comply with the extortionists' demands (although there was information about the reasons for the extortion in the police report). Since the Chinese community solves any problems internally and reporting is uncommon, it is intriguing that the victims decided to report and refused to comply with demands despite the fear and the internal pressures imposed by their community.

Most of the cases involve no business associations, except for the extortions in large cities. From the information collected, there was no evidence of any

business association mediating or directly involved in the extortion process. The local authorities were aware of these practices and provided no prevention strategy to neutralise the situation or protect the business under threat.

CONCLUSION

From the limited sample of cases analysed it is difficult to draw reliable conclusions about risk and vulnerability factors. However, some results that may be helpful for preventive purposes can be identified.

Chinese criminal organisations are extremely powerful and have ample control over Chinese people who reside in Spain legally. New immigrants and residents living in Spain for a short period of time depend heavily on OCGs for several reasons: debts in exchange for helping the immigrants, labour exploitation to pay the debts, loans for living expenses and to start a family business, supply of goods and services, etc. This high level of dependency among Chinese residents make them more vulnerable towards extortion and intimidation practices.

Some Chinese entrepreneurs in Spain, especially those with ties to organised crime aim to monopolise the market, which increases the risk of victimisation and abuse of power by suppliers: OCGs try to impose their goods on small Chinese businesses.

As regards victims from the cases collected, two types of businesses are particularly prone to extortion: bazaars (small and large) and restaurants. These businesses are a small to medium-sized and most are family-owned and run. Therefore, these types of businesses could be considered more vulnerable because of their low level of protection and resistance.

Victims are at risk at different times depending on the type of extortion:

- When the business is just opening or starting, they are at risk because of other competitors who want to protect their territory and business.
- When businesses become prosperous and have a strong economic capacity (at least ostensibly).
- When businesses ask for a loan from a loan-sharking OCGs.
- When owners of businesses gamble at casinos.
- When suppliers have a monopoly over the products and goods in the area.
- In cases of prior conflicts with former partners, workers, etc., victimisation is a way of solving the dispute.

All the cases in the sample were reported to the police. Of the total 400 cases analysed, we only identified 15 cases which were relevant for this study. This rate of reporting is very low and needs to be increased to be able to carry out more protection to the victims.

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APPENDIX 1. LIST OF THE HOSPITALITY SECTOR CASE STUDIES

Case ID	Case name	Source
ES-H1	Es Pujols	Victim's testimony
ES-H2	Castelljaen	Police file, Jaen case 35/2011
ES-H3	Panyab	Police file, Almeria case 2436/2013
ES-H4	Tres Reyes	Police file, Almeria case 452/2015
ES-H5	Torre vieja II	Police file, Torre vieja case 4920/2014
ES-H6	Castellon	Provincial Court sentence, Castellon process 391/2010 (s2)
ES-H7	Palma Mallorca	Provincial Court sentence, Balearic Islands process 59/2012 (s1)
ES-H8	Cudillero	Provincial Court sentence, Asturias sentence 237/2012
ES-H9	Roquetas de Mar	Police file, R. Mar-Aguadulce case 265/2011
ES-H10	Almunia de doña Godina	Police file, La Almunia case 1205/2012
ES-H11	Caspe	Police file, Caspe case 648/2011
ES-H12	Torre vieja III	Police file, Torre vieja case 5446/2011
ES-H13	Torre-Pacheco	Police file, Torre-Pacheco case 204/2011
ES-H14	Carballo	Police file, Carballo case 37/2015
ES-H15	Barcelona	Provincial Court sentence, Barcelona sentence 12/2013 (s5)

APPENDIX 2. LIST OF CHINESE COMMUNITY CASE STUDIES

Case ID	Case name	Source
ES-C1	Alfajar	Police file, Catarroja case 12/2015
ES-C2	Collado Villalba	Police file, Collado Villalba case 161/2013
ES-C3	Loeches	Police file, Loeches case 768/2013
ES-C4	Valderas	Police file, Valderas case 37/2015
ES-C5	Mairena del Aljarafe	Police file, Mairena del Aljarafe case 1431/2013
ES-C6	Poio	Police file, Pontevedra case 83/2015
ES-C7	Mos	Police file, Mos case 194/2012
ES-C8	Talayuela	Police file, Talayuela case 402/2012
ES-C9	Hervas	Police file, Hervas case 145/2014
ES-C10	Aspe	Police file, Aspe case 1258/2012
ES-C11	Cobo Calleja	Police file, Rivas Vaciamadrid case 5355/2012
ES-C12	Tomares	Police file, San Juan Aznalfarache case 2052/2012
ES-C13	Palacios y Villafranca	Police file, Palacios y Villafranca case 1169/2011
ES-C14	Torre vieja	Police file, Torre vieja case 4774/2011
ES-C15	Barcelona	Decision of the Provincial Court of Barcelona (case no. 582/2012 (S22))

EXTORTION IN THE UNITED KINGDOM¹

Analysing extortion racketeering in the United Kingdom proves to be a challenging task for researchers, primarily due to the lack of a specific offence of extortion in the British legal system. Interview with a former Senior Officer (UK-E1) at the Anti-Kidnap and Extortion Unit (AKEU) at the now defunct Serious Organised Crime Agency (SOCA)² suggests that blackmail is the closest offence that can match this paper's definition of extortion as converging around three main elements: a) the presence of a threat, b) patrimonial damage and c) continuity of the act. It is very important to stress that this alternative conceptualisation of the offence brings up problems in the classification of the cases of extortion. For instance, someone demanding money from the owner of a take-away shop commits blackmail³ irrespective of whether the victim does or does not comply with the financial demand. In other words, the legal definition of blackmail differs from this paper's definition of extortion insofar as it does not necessarily include an element of patrimonial damage. Further complications are brought by the presence of multiple offences at the same time.

Despite not being identified as priority areas in the *National Strategic Assessment of Serious and Organised Crime 2015* drafted by the National Crime Agency (NCA), the criminal threats posed by blackmail should not be underestimated. As Figure 1 shows, with the exclusion of an upwards trend in 2006/07, in England and Wales police recorded blackmail offences remained fairly stable between 2002/03 and 2012/13 and later significantly increased in 2013/14 and, especially, in 2014/15.

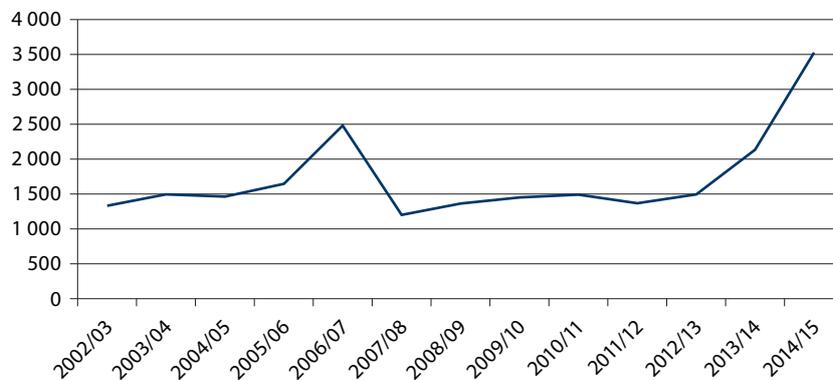
However, the links between extortion and blackmail are very difficult to assess. The NCA points out that "the true extent of blackmail and extortion offences (including 'protection rackets') by organised criminals is not known. Fear, and damage to reputation in the case of retail businesses, may make victims unwilling to report instances" (National Crime Agency 2015b). Research conducted by

¹ The author would like to acknowledge the kind assistance of the six experts (UK-E1, UK-E2, UK-E3, UK-E4, UK-E5 and UK-E6) who provided deep insights into extortion in the UK. Their identities are not disclosed for reasons of confidentiality. Moreover, the author would like to thank Gabriele Giovannini (Northumbria University), Liz Campbell (University of Edinburgh), Davie Duncan (Police Scotland), Lucy Smith, Ben Cavanagh and Brendan Nisbet (Scottish Government), Rebecca Jackson (National Crime Agency) and Gael Stigant (The Star).

² SOCA was established in 2006 and later replaced by the National Crime Agency (NCA) in 2013.

³ Section 21 of the *Theft Act 1968* states that "(1) a person is guilty of blackmail if, with a view to gain for himself or another or with intent to cause loss to another, he makes any unwarranted demand with menaces; and for this purpose a demand with menaces is unwarranted unless the person making it does so in the belief (a) that he has reasonable grounds for making the demand; and (b) that the use of the menaces is a proper means of reinforcing the demand. (2) The nature of the act or omission demanded is immaterial, and it is also immaterial whether the menaces relate to action to be taken by the person making the demand. (3) A person guilty of blackmail shall on conviction on indictment be liable to imprisonment for a term not exceeding fourteen years."

Figure 1. Police recorded blackmail offences in England and Wales (2002 – 2015)



Source: Home Office 2015.

Tilley and Hopkins (2008) highlighted that only a few businesses in high crime residential areas are victimised by serious organised crime and victims of extortion accounted for only 1 % of all of the 420 British businesses surveyed in the study. Importantly, the definitional and conceptual problem of conflating extortion with blackmail makes it hard to gauge the exact extent of extortion racketeering. UK-E1 further highlighted that the current classification of offences presents challenges in the production of reliable statistics. The SOCA database on combined cases of “kidnap and extortion” used to average about 500 cases per year during a seven-year period of time. However, a Home Office database would run in thousands of cases each year. The mismatch is partly explained the fact that the Home Office double counts some offences. For instance, if an individual is kidnapped and later murdered, the Home Office would count murder twice: first, as a single offence of “murder”; and second, as a joint offence of “kidnap and murder”.

Therefore, the opacity of the criminal phenomenon of extortion in the United Kingdom is not only explicable by the lack of such a specific offence. Additional methodological obstacles that impede the production of strong and reliable statistics relate to the diverse systems of recording crime by the police, the NCA and the Home office. Moreover, certain ethnic communities, in which extortion is prevalent, present a different degree of permeability. Thus, the data collected is vague and, for the most part, purely indicate the criminal activities that law enforcement agencies uncovered, rather than the exact extent of extortion-type offences in the United Kingdom. In this respect, one of the experts interviewed (UK-E1) pointed out that the Chinese community tends to be very inward looking and operates along homogeneous ethno-cultural lines. Within this community, bribery and corruption are perceived as normal and function alongside strong intra-community cultural bonds of loyalty even to extortionists (UK-E1). In this context, it is not unsurprising that extortion-type offences within Chinese communities tend to go unreported. This was confirmed during interview with an

Analyst (UK-E5) in the Specialist Crime Division (Serious Organised Crime Group Mapping) at Police Scotland. Conversely, good relationships between British law enforcement agencies and Turkish communities can explain why Turks living in the United Kingdom report extortion-type offences at higher levels. This analysis goes hand in hand with an understanding of extortion racketeering as often targeting victims who belong to the same ethno-national community as the perpetrator(s). However, there are cultural nuances at play here. A Senior Officer (UK-E6) of the Organised Crime and Counter-Terrorism Unit at Police Scotland stressed the need to differentiate between Turkish and Kurdish groups. Kurdish groups tend to be particularly involved in extortion in Scotland. They tend to be migrant rather than Scottish-born and are very difficult to penetrate. They usually run coffee shops, kebab shops and other similar small businesses. While they might originally start their activities in London, they tend to subsequently move to other parts of the UK. Since 2007 Police Scotland have recorded a concentration of Turkish and Kurdish organised crime groups in Edinburgh, Glasgow and Aberdeen. Extortion within Kurdish communities is often related to fundraising for the Kurdistan Workers' Party (PKK). This entails a flux of money that moves from the UK to Turkey and Iraq. Moreover, extortion-related threats might not necessarily be directed to the UK-based victims but might target their family members in Turkey and/or Iraq. Victims of extortion who pay money to Kurdish groups *de facto* end up funding a terrorist organisation, the PKK. As in the case of Chinese groups, extortion within Turkish and Kurdish groups tends to be intra-ethnic, as groups maintain clear international connections. However, there is certainly a growing pattern of 'cross-fertilisation' of activities, namely different groups come together for joint criminal enterprises.

While extortion racketeering impacts differently within different ethnic communities, it also impacts differently within different areas of the United Kingdom. In mainland United Kingdom the crime of extortion is often undefined, hard to measure and opaque. However, in Northern Ireland, extortion appears to be a serious and widespread threat. The peculiar political history of Northern Ireland and its troubled past of enduring national conflicts are at the root of the problem. Since at least the 1970s, members of the Irish Republican Army (IRA) have resorted to extortion as a method to both raise funding to finance their paramilitary operations and maintain social control over the community (Transcrime 2009). According to research conducted by Transcrime (2009), extortion generates a few millions of pounds every year: this is money that used to be destined to paramilitary activities. It is true that, nowadays, paramilitary activities are not as prominent as during the Northern Ireland Conflict (1968 – 1998) but splinter groups of the IRA still maintain paramilitary-like structures and are involved in criminal activities (BBC 2015; Smyth 2015). But even the true extent of the extortion problem in Northern Ireland is not reflected in the number of cases successfully prosecuted. While less than 10 % of incidents of extortion are reported to the police, the number of businesses asking for assistance from the Police Service of Northern Ireland (PSNI) is increasing (Transcrime 2009). As of today, the Irish National Liberation Army (INLA) is allegedly operative and involved in extortion racketeering too (Bradfield 2015).

At the opposite side of the spectrum are areas of mainland UK such as Scotland where the extent of extortion is unclear. According to an advisor on Organised

Crime to the Scottish Government (UK-E2), recorded cases of extortion tend to be low in numbers (which were not disclosed by Police Scotland to the author), and particularly concentrated in the private security sector. The establishment of the Security Industry Authority (SIA) further reduced the levels of extortion in this sector. The low impact and the lack of sophistication of extortion in Scotland is corroborated by the fact that the database of Crown Office and Procurator Fiscal Service (Scotland) holds very few extortion cases, which have been reported by the police and investigated (UK-E3). Moreover, extortion cases prosecuted in Scotland are usually unconnected to organised crime groups.

The major British institutions fighting extortion racketeering are law enforcement agencies and units tasked with dealing with organised crime. The key agency is the National Crime Agency, which is tasked with countering all forms of organised crimes and covers the whole of the UK with some limitations in Scotland and Northern Ireland. AKEU within the Investigations Command in the NCA deals with kidnappings, blackmail and extortion. The Organised Crime Division of the Crown Prosecution Service prosecutes serious organised crime, proceeds of crime and cases investigated by the NCA in England and Wales. The Northern Ireland Organised Crime Taskforce operates as a forum and multi-agency law enforcement taskforce bringing together government, law enforcement and other agencies (for example: Police Service of Northern Ireland, Her Majesty's Revenue and Customs, Northern Ireland Executive, Northern Ireland Policing Board, Home Office, National Crime Agency, and other organisations) to set priorities for tackling organised crime in Northern Ireland. The Serious Organised Crime Taskforce is a similar agency that operates in Scotland and brings together Police Scotland, the Scottish Prison Service, the Crown Office and Procurator Fiscal Service (Scotland) and other organisations. Moreover, in the past decade several pieces of legislation have been enacted to tackle organised crime, for example: the *Proceeds of Crime Act 2002*, the *Fraud Act 2006*, the *Money Laundering Regulations 2007* and the *Serious Crime Act 2015*.

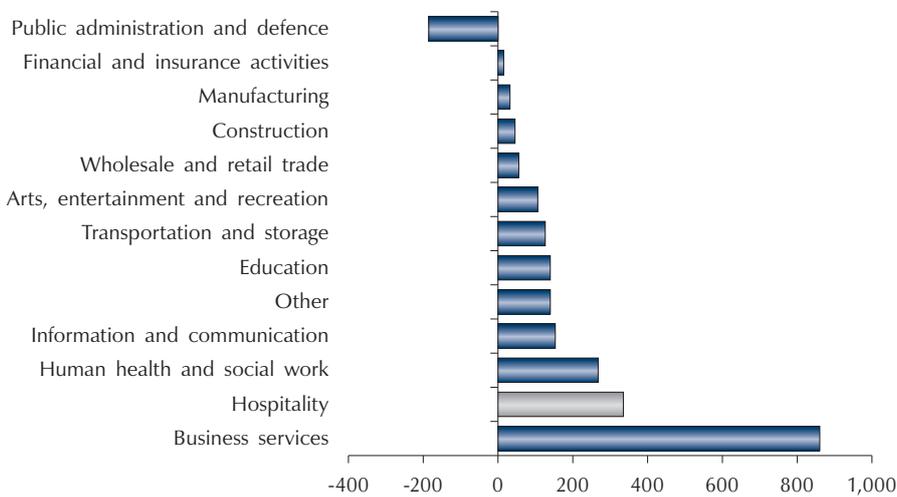
In terms of data collection, the sources consulted include: LexisNexis Professional (court cases); LexisNexis Business (media news); European Media Monitor (media news); various statistical sources (Office for National Statistics, Census, crime surveys, local councils' stats, et cetera); practitioners across various sectors, including government, police, prosecutors, journalists, et cetera. Fifteen cases of extortion racketeering in the hospitality sector were collected. However, only 3 cases are based on "strong data", that is court files. The other 12 cases were drawn from open sources (newspaper articles). Methodological difficulties were related to the relatively unknown nature of this type of crime and serious problems of access. A clear indicator of the challenges faced by researchers who wish to study extortion and organised crime in the United Kingdom was well spelled out in conversation with a Senior Officer (UK-E4) from the Organised Crime Fusion Centre/National Intelligence Hub at the National Crime Agency. UK-E4 explained that the NCA database contains no records that match the criteria adopted by this paper and that, even if the database contained such information, the NCA would be very reluctant to share it. Moreover, cases could not be retrieved via LexisNexis Professional (the world's largest electronic database of legal and public records) because: media sources do not state the name of the offender(s) and/or the victim(s) and/or the company, i.e. details

necessary to make a search; or the court case is still ongoing; or it is not clear if the case went through the court system and, if so, through which court; or the case is simply not available on LexisNexis Professional. A lack of responses from the Home Office, business associations and newspapers only compounded the problem of access. It is crucial to stress that this study can only present an extremely superficial picture of extortion in the UK: the findings are very preliminary, at times speculative, and should not be generalised to the whole country.

EXTORTION IN THE HOSPITALITY SECTOR

According to a recent report commissioned by the British Hospitality Association (BHA) to Oxford Economics, the hospitality sector is the economic sector which includes all of the industries providing “accommodation, meals and drinks in venues outside of the home” (Oxford Economics, 2015: 2). The BHA also stresses the importance of the hospitality sector within the British economy. In 2014, it represented nearly 4 % of the national Gross Domestic Product (GDP). With more than three million employees, that are approximately 10 % of the total workforce, it ranks as the fourth sector by employment capacity. The hospitality sector is also the sixth contributor to export revenues and accounts for more than 180,000 companies. As Figure 2 demonstrates, the hospitality industry contributed significantly (17 %, Oxford Economics, 2015: 13) to the UK employment growth in the last four years (Oxford Economics, 2015).

Figure 2. UK employment growth by industry (2010 – 2014)

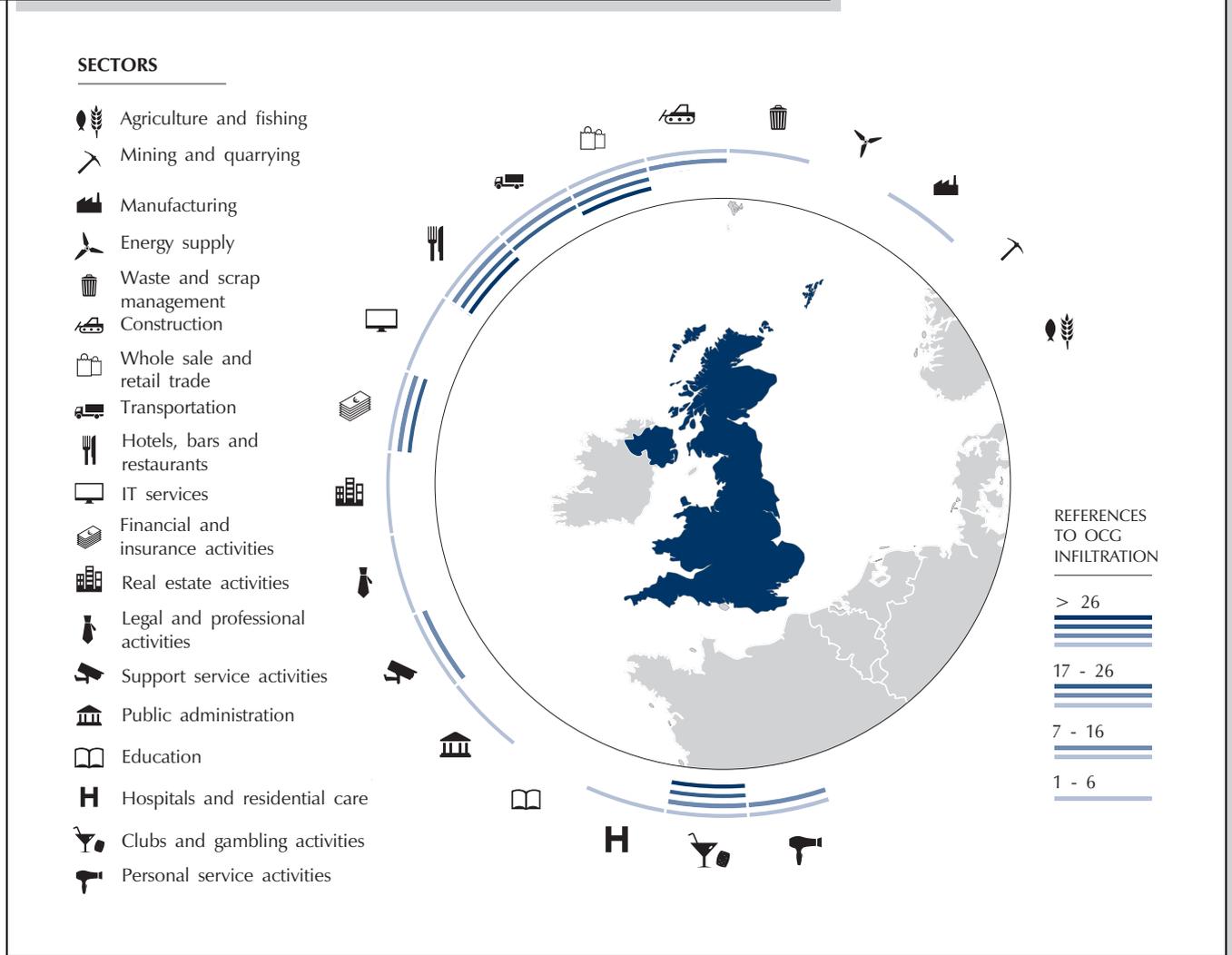


Source: Oxford Economics 2015: 12.

Across the United Kingdom, London and the South East are the regions with the highest rate of hospitality-related activities and account for the highest number of employees in the sector, respectively nearly 400,000 and nearly 350,000 in 2010 (Ibid.). Given that the hospitality industry plays a crucial role in the economy of the United Kingdom, it does not come as a surprise that recent research (Wall and Bonino, 2015) found this sector to be among the most

infiltrated by organised crime groups (see Figure 3, particularly the symbol for “hotels, bars and restaurants”).

Figure 3. Estimated organised crime infiltration of business sectors in the UK



Source: Wall and Bonino 2015: 71.

According to the Home Office (2013), in the UK there are about 5,500 organised crime groups and nearly 40 thousand criminals, many of whom are so-called generalist criminals (Francis et al., 2013). Even if there is some evidence of the presence of hierarchical organised crime groups, the majority of the organised crime groups active in the UK are loosely organised (Wall and Bonino, 2015). They resemble a network rather than a traditional mafia group (Hornsby and Hobbs, 2007; Levi and Maguire, 2004; Wall and Bonino, 2015). These groups tend to operate in a functional manner, that is they work together for the purpose of committing an offence and then they may dissolve (Wall and Bonino, 2015). Longer-term goals to control an illicit market (Lavorgna

et al., 2013) or a business sector (Adamoli et al., 1998) are not common (Wall and Bonino, 2015).

The United Kingdom Threat Assessment (UKTA) maintains that the major threats posed by organised crime groups are: “[1] trafficking of controlled drugs; [2] organised immigration crime (people smuggling and human trafficking); [3] financial crime (fraud); and [4] organised acquisitive crime (e.g. armed robbery, road freight crime and organised vehicle theft)” (Home Office 2011: 9). According to this assessment, extortion-type offences are not identified as preferred crimes perpetrated by organised crime groups in the United Kingdom. However, there are myriads of reasons why these offences are not considered a major threat posed by organised criminals, ranging from their widely underreported nature within certain ethnic communities to crime classification issues.

Due to the peculiar geographical and territorial dimension of organised crime in the United Kingdom (Wall and Bonino, 2015), extortion racketeering may not be not embedded in the country’s social, cultural and political structures to the same extent that it is in European countries, such as Italy, which presents more traditional, territorial mafia-type criminal organisations (Savona and Berlusconi 2015). Moreover, the shadow economy in the United Kingdom is relatively low. In 2013, the portion of the shadow economy in the United Kingdom was at 10 % of the GDP, a share well below most European countries such as Norway (14 %), Belgium (16 %), and Spain (19 %) Italy (21 %) and higher only than economically virtuous states such as Switzerland (7 %), Austria (8 %) and The Netherlands (9 %) (Schneider 2013: 4). Utilising electronic payment methods tends to negatively correlate with the degree of shadow economy: in the United Kingdom and Nordic countries such payment methods are widespread (Schneider 2013: 14). The exact contribution of criminal activities, including extortion, carried out by organised groups to the shadow economy is unknown. In fact, as Albertson and Fox (2012: 240) explain, “those activities carried out by organised criminal organisations are not all in the shadow economy.”

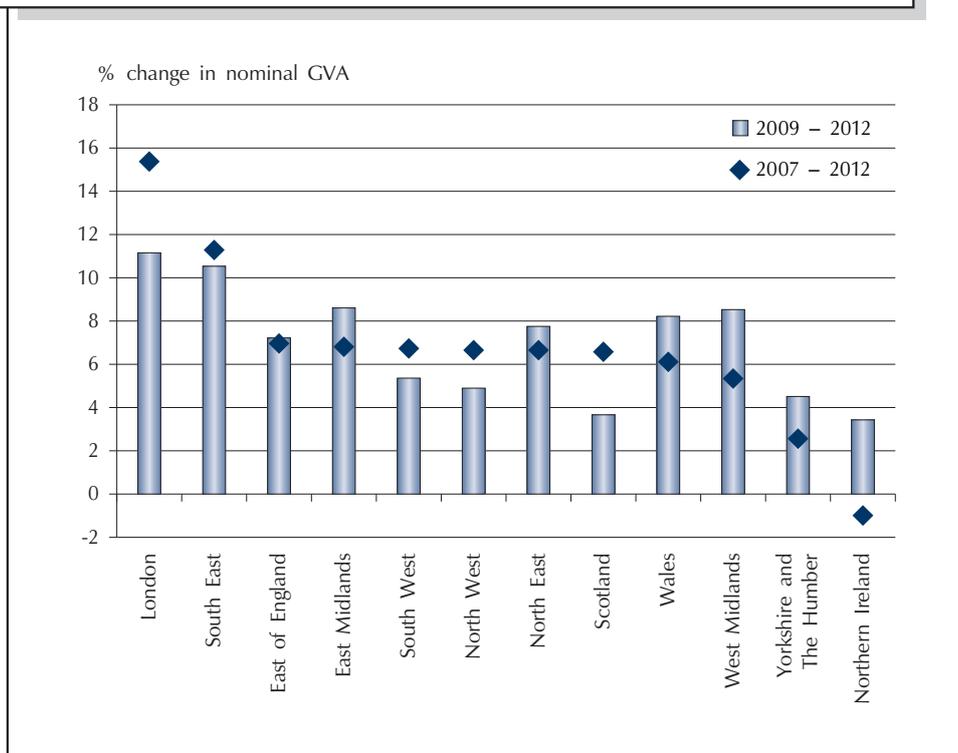
It would be misleading to conceptualise extortion simply in financial terms. Acquiring territorial control through fear is overwhelmingly more important than mere financial means (Kelly, 1999). In this sense, the monopolistic control of a particular territory by a criminal group within certain contexts, such as Sicilian territories controlled by the mafia in Italy, increases the chances of becoming victim of extortion. This is also due to the fact that perpetrators indiscriminately commit continuous or occasional extortion against all of the businesses working within “their borders” (La Spina et al., 2014: 2). As the recent history of Northern Ireland demonstrates, while extortion is often driven by economic motives, there remains a very strong territorial dimension that turns extortion into a para-political crime. A case in point is the fact that, before the IRA declared a ceasefire in 1994, one of the key factors that helped both Loyalist and Republicans paramilitary groups to survive and prosper was their ability to exercise social control within their constituencies and generate vital revenues from extortion (Maguire 1993).

Combining the examination of the *modi operandi* of organised crime groups, and especially their relation to specific territories, with the available data on extortion

mentioned so far, it appears that, geographically, Northern Ireland could be prone to extortion within a wider socio-political strategy of both exerting territorial control and generating revenues. Within mainland United Kingdom, some minority ethnic communities, particularly those operating in the London area, might operate within internal cultural dynamics that facilitate the underreporting of intra-community extortion, as suggested by UK-E1.

Extortion racketeering flourishes in contexts coloured by extremely different economic situations, from the key financial hub of the United Kingdom, London, to the relatively languishing Northern Ireland. In fact, London and Northern Ireland are, respectively, the biggest and the smallest contributors to the national GDP. In 2013, Northern Ireland accounted for a tenth of the GDP compared to London (£33 billion versus £338 billion) (Harari, 2014). The recent trends have deepened this gap. Data (see Figure 4) from the Office for National Statistics (ONS) show that, between 2007 and 2012, the Gross Value Added (GVA) of London increased by 15.4 % (a rate more than double compared to the national average). Northern Ireland was the only region that showed a contraction (-1 %) (Office for National Statistics, 2014).

Figure 4. Change in GVA by region and country 2007 – 2012



Source: Office for National Statistics, 2014.

The mortality rate of businesses also demonstrates the disparity between these two regions. In fact, in 2012 London registered an increase of 3.1 % (the highest increase in the UK), while Northern Ireland recorded a negative score (-2.5 %)

for the fourth year in a row. In light of these figures, it comes as no surprise that in 2013 the government granted Northern Ireland the Assisted Area Status for the period 2014 – 2020 (Department for Business Innovation & Skills 2014). As far as London is concerned, given that the capital city records both the highest number of businesses in the hospitality sector and the biggest economy in the country, it is possible that profit-driven extortionists will target London businesses over and beyond other regions. However, at the moment this remains speculative due to the data limitations identified in the introduction.

PERPETRATORS

The prevalence of extortion racketeering is unknown across Europe due to the nature of the phenomenon. The scarcity of information collected from 15 case studies and the questionable reliability of open sources are a limit to the generalisation of findings.

As far as the fifteen cases collected are concerned, both network-type of organised crime groups (UK-H4, UK-H6, UK-H7, UK-H11, UK-H12 and UK-H13) and hierarchically organised crime groups (UK-H3, UK-H5, UK-H8, UK-H9, UK-H14 and UK-H15) account for 6 cases each (40 % each). In the remaining 3 cases (UK-H1, UK-H2 and UK-H10), that is 20 %, the nature of the group was unknown. It is noteworthy that extortion incidents involving hierarchical groups all occurred either in Northern Ireland or within migrant communities. Outside the context of either ethnic minorities or Northern Ireland, extortionists tended to target small businesses, such as takeaways. One potential explanation could be that the criminal group is not well organised, structured and operationally equipped to extort money from larger and more profitable businesses. The duration of extortion activities, which ranges from one-off payments to a maximum period of two years, further points to the direction of an utilitarian type of crime that fizzles out once criminals move to different criminal activities or are investigated and prosecuted. The more structured the gangs are, the longer the crime continues. Network and hierarchical groups differ also in relation to the outcome of their extortion. While in the 15 cases under study network-type of criminal groups never managed to perpetrate actual extortion, hierarchical criminal groups were always successful besides one single occasion (UK-H5). The criminal groups were composed of a maximum of seven people – a relatively low number typically associated with local organised crime groups.

Modus operandi

In all cases involving hierarchical groups (UK-H3, UK-H5, UK-H8, UK-H9, UK-H14 and UK-H15), the criminals pursued territorially based extortion with only one exception (UK-H5), in which the leader of a criminal gang composed by at least four individuals of different nationalities aimed to obtain a one-off payment from a pub owner. In this case, the gang was a temporary hierarchical unit that pursued a single demand of money. All of the three cases (UK-H11, UK-H12 and UK-H13), in which extortion was functional, involved network-style groups. The geographical location of the economic activity tended to be the most relevant selection criterion driving extortion in six cases (UK-H1, UK-H2, UK-H8, UK-H9, UK-H14 and UK-H15). Contact was always directly established by the extortionists, without the help of mediators with the exception of one case (UK-H15). There is no evidence of any involvement of public officials.

Some form of intimidation took place in eleven cases: in seven cases (UK-H1, UK-H4, UK-H5, UK-H8, UK-H10, UK-H11 and UK-H15) the perpetrators threatened the business owners, their relatives or their employees; in four cases (UK-H6, UK-H7, UK-H12 and UK-H13) they blackmailed or threatened with property damage. Violence in the form of physical aggression was detected in four cases (UK-H1, UK-H2, UK-H5 and UK-H11).

The spectrum of criminal activities in which the perpetrators are involved is far larger for hierarchically organised groups. In such groups, activities span from drug dealing (UK-H4, UK-H9, UK-H10, UK-H14 and UK-H15) to extortion (in all cases) to kidnapping (UK-H8 and UK-H9) and money laundering (UK-H8 and UK-H9). With regard to network-type groups there was no relevant data. This may suggest that networks are mainly *ad hoc* structures formed to pursue very specific types of crime.

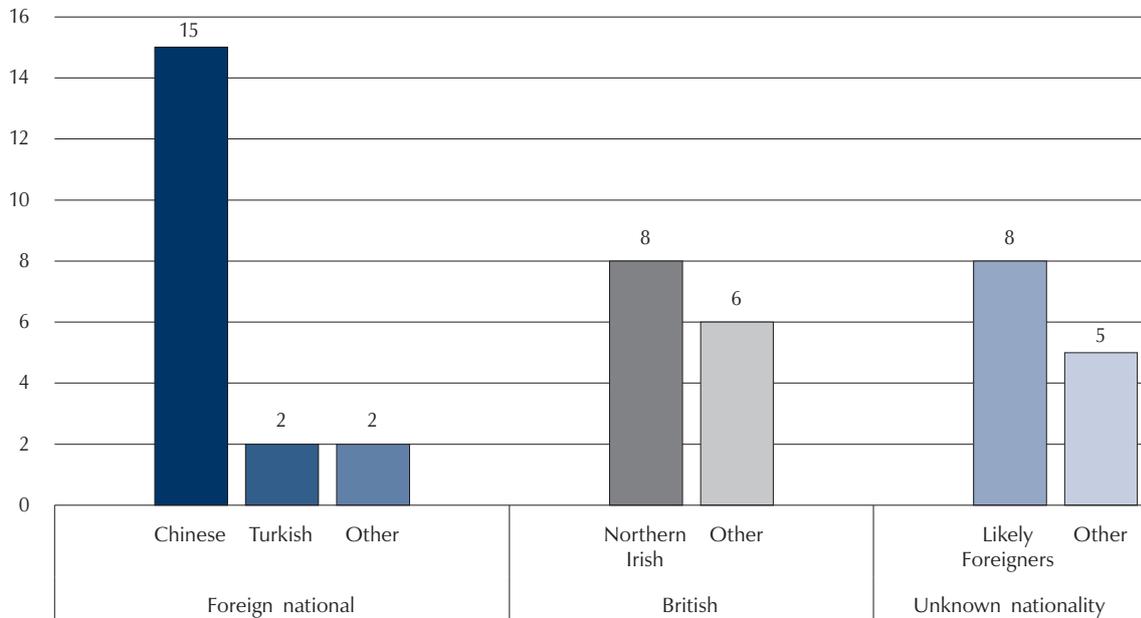
Nationality of the perpetrators

The empirical analysis of the case studies seems to confirm the important role of the ethnic background of perpetrators, which was specifically pointed out by one of the experts interviewed (UK-E1). In the 15 incidents under study at least 46⁴ criminals were involved and foreign nationals outnumber British-born criminals (see Figure 5).

Northern Irish criminals (8 people) account for more than 50 % of the British quota; 5 of the 6 remaining British perpetrators were all involved in the same case (UK-H11; see Box 1). The non-territorial dimension of such a case as well as the fact that it was only an attempted extortion eventually punished with several years of imprisonment could well indicate that British extortionists are not necessarily more effective than foreign nationals. For thirteen perpetrators (cases UK-H1, UK-H2, UK-H5, UK-H10, UK-H12, UK-H13) it was impossible to ascertain the national origin: however, it is likely that 8 perpetrators were foreign nationals. This considers the fact that the victim was a foreign national and, therefore, that s/he was targeted by a foreign gang, in line with what had been reported by the senior officer interviewed (UK-E1).

⁴ In two cases (UK-H12, UK-H13) there is no data available but there had to be at least two perpetrators (one in each case) for the crime to be committed. In all the other cases (UK-H1, UK-H2, UK-H3, UK-H4, UK-H5, UK-H6, UK-H7, UK-H8, UK-H9, UK-H10, UK-H11, UK-H14 and UK-H15) there is evidence of a specific number of criminals involved in extortion. However, given that these criminals often operated as part of a larger group, the figure provided here (46 people) might be an underestimate.

Figure 5. National distribution of perpetrators based on collected cases



Source: Author.

Box 1. A British gang’s attempt to extort £18,000 from a pub owner in Whitley Bay (UK-H11)

This is a case in which a gang of five British criminals demanded money for unwanted labour (the replacement of the tarmac in the pub car park) from the relief manager of a pub in Whitley Bay. The victim initially did not know whether the work that the extortionists had done was sanctioned by his boss and thought they were council staff. However, the individuals were criminals attempting to defraud the pub by carrying out unwanted labour and then demanding payment. When one of the extortionists demanded money from the victim, the victim told him that he had no control over the finances and that he was not in a position to pay. The victim started receiving many calls and serious threats of violence from the extortionists had he not paid the money requested by the extortionists (a one-off payment of £18,000). The victim changed his route going into work to drive past a police station. He felt very vulnerable when opening the pub on his own and felt very scared for his staff and customers. He apparently reported the case to the police after some time. The situation continued for one or two years between late 2011 and sometime in 2012 or 2013. The gang also used this same method to blackmail and intimidate other small businesses in Newcastle upon Tyne Birmingham, Hull, Devon and Sheffield. The five criminals ended up being jailed for a total of 31 years in 2014.

VICTIMS

Main regions or zones affected

Keeping in mind the limitations posed by the scarcity of information collected in the case studies, it seems that extortion racketeering is concentrated in major British cities. Two thirds of the incidents (UK-H2, UK-H3, UK-H4, UK-H6, UK-H7, UK-H8, UK-H9, UK-H10, UK-H14, UK-H15) took place in large cities. London (UK-H7, UK-H14, UK-H15) and Belfast (UK-H3, UK-H8, UK-H9) were the most affected places with three cases each. But there was also evidence of one occurrence in Birmingham (UK-H4), Edinburgh (UK-H10), Glasgow (UK-H2) and Manchester (UK-H6) (all areas with more than 350,000 inhabitants). Only five cases (UK-H1, UK-H5, UK-H11, UK-12 and UK-H13) occurred in smaller towns. However, two (UK-H12 and UK-H13) out of these five cases involved low levels of operational organisation, violence, patrimonial damage and no continuity of the extortion: in other words, extortion in these cases was an episodic and opportunistic crime. In these two cases the extortionists blackmailed the owners of, respectively, a pub and a hotel in order to obtain a free or discounted meal and stay under the threat of a bad review on the popular website Tripadvisor.

Keeping in mind the serious limitations of the data collected, extortion seems to be connected to the urban dimension of certain cities rather than to the demographic characteristics of the wider region. As far as London is concerned, the three reported cases (UK-H7, UK-H14 and UK-H15) all took place in areas of the city where the ethnic communities involved in the incidents account for a relevant percentage of the overall population. In fact, the Chinese community in the City of Westminster (London) represents 2.7 % of the total population (nearly 6,000 people) while the Turkish community accounts for nearly 7 % of the total population in the London Borough of Enfield (approximately 21,000 people). With regard to the smaller towns (UK-H1, UK-H5, UK-H11, UK-12 and UK-H13) in which the database recorded at least one case of extortion racketeering in the hospitality sector (excluding UK-H12 and UK-H13), these are close to relatively big towns: Haslingden, in Lancashire, is only 19 miles far away from Manchester; Shinfield, in Berkshire, is only 4.7 miles from Reading; and only 11 miles separate Whitley Bay from Newcastle upon Tyne.

The most interesting finding is that the targeted businesses share similar urban locations within the towns in which they are based. An analysis of the addresses of the commercial venues of the targeted businesses demonstrates that the vast majority of the victimised companies are located along major routes or in very busy areas. In seven cases (UK-H1, UK-H2, UK-H10, UK-H11, UK-H13, UK-H14 and UK-H15) the venue is located on major routes classified as A-roads, while five businesses (UK-H3, UK-H5, UK-H6, UK-H8 and UK-H9)

are on B-roads.⁵ But besides the importance of the roads in terms of national codification, what seems to matter even more is their relative central position. In eight cases (UK-H1, UK-H2, UK-H3, UK-H10, UK-H11, UK-H13, UK-H14 and UK-H15) the targeted business lies on the most important road of its area. In other eight cases (UK-H5, UK-H6, UK-H7, UK-H8, UK-H9, UK-H11, UK-H14 and UK-H15) it is placed very close to a key intersection. The three remaining incidents (UK-H4, UK-H6 and UK-H7), with only one exception (UK-H12), involved companies located in the city centre. This preliminary urban analysis can indicate two possible findings. First, extortionists might target businesses in the hospitality sector that are located on main routes because they enjoy very high visibility and, in turn, are most likely to possess a certain financial capacity. Second, it could indicate the scarce organisation and capillarity of the gangs involved in extortion racketeering: in this sense, a visible café in the city centre might be easier to identify and target than a secluded one in a suburban area. Arguably, this study lacks enough data to provide a full assessment. However, further research should certainly aim to understand whether the location of targeted businesses along key routes is a signal of the limited diffusion of extortion.

Demographic, social and economic characteristics

Among the twenty identified victims, all but two were male between 30 and 50 years old. As in the case of the perpetrators, many victims were foreign nationals, but in this case they did not represent a majority (as for the available data there are 8 foreign nationals and 8 British, the latter including 3 Northern Irish). In the three cases (UK-H2, UK-H14 and UK-H15) in which an immigrant was victimised,⁶ s/he was a documented immigrant. There are no data regarding the number of employees in the various businesses, but most businesses appear to be small in size, for example pubs or takeaway shops. In 12 cases (UK-H1, UK-H2, UK-H4, UK-H5, UK-H6, UK-H7, UK-H8, UK-H9, UK-H12, UK-H13, UK-H14 and UK-H15) out of 15 either the owner or the director of the business were victimised. In two cases (UK-H10 and UK-H11) employees of the company were victimised (see also Box 1). Data on the victim's role in the company is missing in one case (UK-H3). Besides three cases (UK-H2, UK-H7 and UK-H12), no data were available on other activities of the businesses. Whether the business had a contract with a private security company, held an insurance against extortion-types of risk, or were members of a business association is unknown.

Protective measures

There is no evidence of special protective measures provided by business associations emerging from the analysis of the case studies. The only evidence of special protective measure implemented by public authorities is detected in

⁵ The UK Government Department for Transport defines A roads as "major roads intended to provide large-scale transport links within or between areas" and B roads as "roads intended to connect different areas, and to feed traffic between A roads and smaller roads on the network" (Department for Transport 2012: 6).

⁶ There is no evidence on the immigrant status of the other foreign victims.

two cases (UK-H8 and UK-H9). Both cases occurred in Northern Ireland and involved some of the same perpetrators. In these cases the police run investigative sting operations in order to secretly record the criminals before arresting them. Afterwards, the victims were forced to leave Northern Ireland and, in both cases, the businesses were dissolved. In one case (UK-H8, see Box 2) a witness protection scheme was put in place to relocate the victims to a safe area (England).

Box 2. From victims of extortion to the witness protection scheme: a case in Belfast (UK-H8)

This is a case of extortion conducted by three criminals, members of the loyalist paramilitary Ulster Defence Association (UDA), against the owner of a bar and her husband in Belfast from June 2004 to May 2005. Starting in June 2004, the criminals demanded the owner to pay a weekly sum of money (£1,000, later agreed at a lower amount of £200) every Monday, initially by cheque and then in cash. Gaming machines, for which the owner was paying a rental lease, were emptied totally between the leasers and one of the extortionists. Also, the extortionists demanded £2,000, and then agreed on £1,000 in cash, from the owner from a wedding reception that she had organised at the bar. Further £1,000 were demanded a month later and the demands and intimidations became more frequent to the point that, by May 2005, no profit was being made and the owner was having difficulties paying, e.g., the lease. The criminals were often in the bar and at some point they asked for the rent to be paid directly to them. In that instance, one of the three criminals demanded the owner's husband to hand over the bar keys, books and cheque books. The criminal wanted to use the employment payrolls to falsely obtain a mortgage for a house. The following day the bar was effectively handed over along with £4,000 in cash. According to media sources (but not the court case), the victims were in fear of their lives and contacted the police. The police organised an undercover operation and secretly recorded the extortion and the threats, before arresting the criminals and moving the two victims to England under a witness protection scheme, where they were put under police protection.

Behavioural patterns of the victims

What emerges from the analysis of the 15 case studies collected for this research is that in the vast majority of cases (UK-H1, UK-H4, UK-H5, UK-H6, UK-H7, UK-H10, UK-H11, UK-H12 and UK-H13) the victim refused to comply with the perpetrators' requests, although it should be noted that only cases that are reported to the police eventually become publicly known. In 9 of the 13 cases (UK-H1, UK-H4, UK-H5, UK-H6, UK-H7, UK-H10, UK-H11, UK-H12 and UK-H13) for which there is information, victims resisted (or tried to resist) the demands from the extortionists. In some cases it is unclear whether the victim refused to pay extortion money from the very beginning, or whether sometimes they paid, perhaps under the promise that the payment would be a one-off protection request. Despite the fact that the perpetrators often used intimidation (UK-H1, UK-H4, UK-H5, UK-H6, UK-H7, UK-H8, UK-H10, UK-H11, UK-H12, UK-H13 and UK-H15) as well as physical violence (UK-H1, UK-H2, UK-H5 and UK-H11), in only three cases (UK-H8, UK-H14 and UK-H15) the victims paid the money that was demanded. Moreover, in some cases (UK-H1, UK-H4, UK-H5, UK-H6, UK-H7 and

UK-H8) the victims referred the incident to the police: this includes the Chinese owner of a pub (UK-H4, see Box 3), showing that even in a tightly knit community sometimes a victim of extortion finds the courage to resist demands for money.

Box 3. Resisting extortion: a Chinese case in Birmingham (UK-H4)

This is a case in which five young Chinese men, for a period of five months (February-June 2014), demanded a weekly sum of protection money (£500), both using threats in person and over the phone, from the owner of a restaurant in Birmingham in order to keep his business safe. As soon as the restaurant opened, the owner was demanded a first round of money. It is not clear whether the business owner ever responded to the threats (i.e. whether he ever paid the money or not) but it is known that the gang returned for a second round of demands in the same year in July when the incident was reported to the police. It is also known that the gang was not a hierarchically organised group, but instead a network.

However, even if in the victims had resisted and asked for police assistance (and this is not established given data limitations), this does not necessarily mean that, at least initially, they were not acquiescent. At the same time, even if there is no evidence of an immediate refusal to pay money, the collected data do not indicate the existence of a tendency to continuously pay money to the extortionists. However, the existence or absence of compliance cannot be generalised due to the lack of information in the collected cases and the very limited sample.

CONCLUSION

The hospitality sector in the UK constitutes a key segment of the British economy accounting for nearly 4 % of the national GDP in 2014. At the same time, it is a key target of organised crime groups (see Figure 3). The limitations posed by both the quality of the data collected and the small sample are evident. It is of paramount importance that researchers manage to establish channels with police forces and governments in order to access reliable data that can inform sound European policies. As noted elsewhere (Wall and Bonino, 2015), easily accessible centralised repositories of data on organised crime are missing in the British system, making research in this field very complicated. Moreover, the lack of a specific crime of extortion is a major hurdle in conducting serious trans-European research on this topic.

The analysis of the case studies collected for this research produced preliminary and, at times, speculative findings. Extortion in the hospitality sector has sometimes been undermined by limited operational capacities and a lack of acquiescence by the victims. The adoption of intimidation and violence in the course of an extortion attempt is not necessarily a guarantee of success. The data also show that foreign nationals, for example Chinese people, are involved in several incidents of extortion, while the involvement of British perpetrators is more limited (out of six perpetrators, five were involved in the same incident; UK-H11). A pattern that emerged from a tentative and very preliminary analysis of the urban location of the incidents shows that two-thirds of the incidents occurred in major cities. The targeted companies were located along major routes and intersections or in the city centre. Lastly, Northern Ireland appears to be a key target of criminals, often linked to paramilitary groups, who conduct a mixture of territory-control oriented and profit-driven extortion. This element brings to the foreground the nexus between organised crime and terrorism activities, as that extortion within UK-based Kurdish communities and Northern Irish communities is sometimes used to fund the activities of, respectively, the PKK and the IRA.

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APPENDIX 1. LIST OF CASE STUDIES FOR THE UNITED KINGDOM COUNTRY STUDY

Case ID	Case name	Source
UK-H1	Extortion Haslingden	Media sources
UK-H2	Extortion Glasgow	Media sources and LexisNexis
UK-H3	Extortion Belfast 1	Court case
UK-H4	Extortion Birmingham	Media sources
UK-H5	Extortion Shinfield	Media sources
UK-H6	Extortion Manchester	Media sources
UK-H7	Extortion London 1	Media sources
UK-H8	Extortion Belfast 2	Media sources and court case
UK-H9	Extortion Belfast 3	Media sources
UK-H10	Extortion Edinburgh	Media sources
UK-H11	Extortion Whitley Bay	Media sources
UK-H12	Extortion Rotherham	Media sources
UK-H13	Extortion Lytham St Annes	Media sources
UK-H14	Extortion London 2	Media sources and court case
UK-H15	Extortion London 3	Media sources

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