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Transnational crime and the interface between legal and illegal actors : the case of the illicit art and antiquities trade

Tijhuis, A.J.G.

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CHAPTER 3

INDIVIDUALS AND LEGITIMATE ORGANIZATIONS AS INTERFACE

In the previous chapter a new the typology of interfaces was developed based on the analyses of the interface typology of Passas with which chapter two started. Many concrete examples of a number of different interfaces between legal and illegal were given. On both sides of the line between legal and illegal, the actors involved are usually 'organizations' in one way or another. To be sure, organizations are not meant in a traditional sense here. They also include loose networks of criminals. These criminal organizations or networks usually consist of groups of people who are engaged in some transnational crime together, that does not consist of only a one-off collaboration.

In addition to the fact that actors are usually seen as organizations, the interfaces are thought to be *between* legal and illegal actors. They are thus interpreted as a relationship, for example, the interface between arms producers and rebel groups in some far away country. Or the interface that exists between an international bank and a drug dealing criminal organization. In these cases, the interface is something which links the two actors. One could also see it as something *in between*, something which does not constitute a part of either the legal or illegal actor.

Against this idea of an interface *between* actors, another idea was suggested in the previous chapter. This idea consists of actors *as* interface, in addition to interfaces *between* actors. An actor as interface can be imagined on at least three levels: individuals as interface, legal organizations as interface and jurisdictions as interface. In this chapter the focus will be on individuals and legal organizations as interface. However, it should be stressed that the different levels can hardly be separated. Individuals, organizations, and jurisdictions are mutually facilitating deals that would otherwise be impossible. The first part of this chapter will focus on individuals and the second part on legal organizations.

3.1 Individuals as interface

When can individuals be understood as interfaces? Usually, individuals will be part of either the legal or the illegal part of an interfacing relationship. However, they can also be part of both worlds in certain specific configurations. They combine regular connections with legal and illegal actors. As far as their dealings with legal actors are concerned, they act as legal actors themselves. This can either be under the cloak of a legal enterprise or when they act as private persons without known criminal background. As far as the dealings with criminal actors

are concerned, they act as criminal actors themselves. This can be for example as buyer of 'blood' diamonds or smuggled cigarettes.

The fact that individuals can take another form in another setting is nothing new of course. Historian Mark Haller (1990) pointed at the different roles played by a range of individuals that were linked with each other in both legal as well as illegal enterprises. These individuals combined legal businesses in one sector with an illegal business in another sector. However, the roles of individuals that are analyzed in this chapter are different in at least one respect. In each case, the individual plays the different roles in the same type of business. For example, he buys stolen or outlawed goods in one country and sells them legally in another country. As a result of the somewhat schizophrenic character of the discussed individuals, the interface between legal and illegal cannot be solely positioned between this individual and his legal or illegal counterpart. The interface actually coincides with the individual. It is through the individual that goods are laundered from the black market to the legal trade, or fluently migrated from a legal market to a black market.

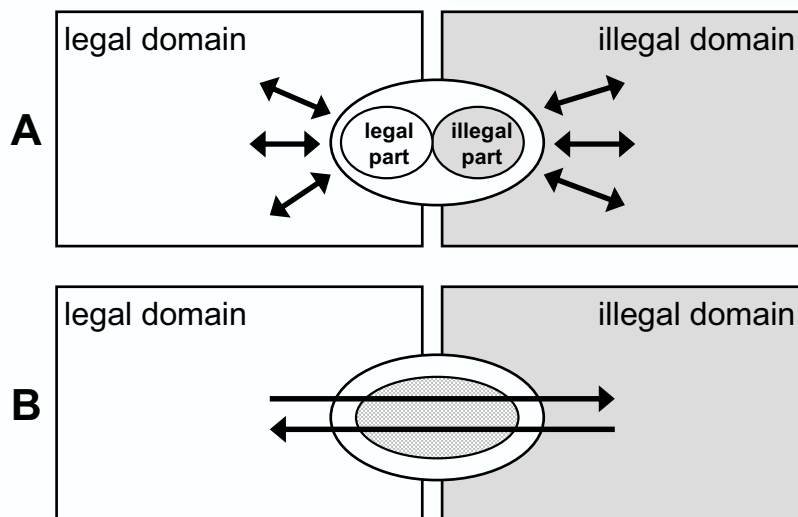


figure 4: different views of the same individual acting as interface between legal and illegal

A) individual relationships between criminal acting as a businessman (legal part) or on the black market (illegal part)

B) the same criminal as physical connection between the legal and illegal domains

It has to be stressed that the idea of individuals as an interface is not an alternative for the types of interfaces described in the previous chapter. An individual can be seen as an interface under very specific circumstances, in addition to being involved in a number of interfacing relationships. Usually, one can discern two levels of interfaces. First of all, a number of concrete relationships between the

individual and legal and illegal actors around him. These relationships can be described with the typology of the previous chapter. Secondly, the individual as interface through which an illegal input is laundered into legal goods or services. The different abstraction levels are represented in the figure above.

In situation A and B the individual is represented by the circle. The first circle contains the 'legal' and 'illegal' part of the individual and the relationships between these parts and other actors in the legal and illegal domain. All relationships can be designated by one of the interfaces from the interface typology. At the same time, these relationships together show how the individuals act as interface by themselves. An example from the (conflict) diamond trade can illustrate both situation A and B.

A diamond merchant has a legitimate business in Belgium where he sells diamonds in his store. He buys a part of his merchandise legally at diamonds auctions in Israel and India. Another part of his merchandise is bought directly in Africa in a source or transit country, or from a particular source, that is boycotted by the United Nations. This part of the trade consists of what is usually described as conflict diamonds. As private person he regularly travels to this country to buy diamonds there in contravention of this international boycott. Thereafter, he will take the diamonds back to Belgium or use an African smuggler to do this for him. Sometimes, they will have to bribe officials at the airport before they can board their flight back to Belgium without any further red tape. At other times they obtain so-called Kimberley Process certificates, also with sufficient bribes. In many cases they may just take the diamonds with them, hidden in cloth or in a double bottom suitcase. In Belgium he mixes his new merchandise with the merchandise from legitimate channels like the diamond auctions. Thereafter, the diamonds are sold to regular customers or to other dealers who may or may not know the illegitimate source of the diamonds.

In terms of the interface typology, a number of concrete interfaces can be distinguished here. The arrows in situation A visualize these interfaces. The dealer and the African supplier of diamonds share a symbiotic relationship. Depending on the exact division of labor between them, this relationship can be designated as either reciprocity, collaboration or outsourcing. The dealer, or the smuggler that he hires, also share a symbiotic relationship with the official at the airport. Depending on the even or uneven power between them, this can either be co-optation (with the official as the most powerful) or reciprocity (in case of more or less even power). The same goes for the relationship between the dealer and the provider of the Kimberley Process certificates. As soon as the diamonds are in Belgium, they are sold to individual customers or other dealers. The relationship between the dealer and an individual customer, or between the dealer and another dealer, can be designated as reciprocity. Finally, synergy exists between the dealer, together with all other dealers involved in the import and sale of conflict diamonds, and the overall market. This market benefits and

ultimately depends upon the input of conflict diamonds, as well as diamonds from legitimate sources.

A critical reader can argue that several of the above interfaces are in fact no legal–illegal interfaces at all. The relationship between the dealer and his suppliers in Africa is an interface between two illegal actors. At the same time, the relationship between the dealer and his customers and the diamond market in general is the relationship between a legitimate businessman and other legal actors or entities. As soon as one understands the inconsistencies in the above described example, one can start to come to grips with the analytical conception of an individual *as interface* instead of an individual as one end of a *relationship called interface*. When the relationships in the illegal domain and the relationships in the legal domain are connected and run through the same individual, this individual can be seen as the interface. Besides being the interface between the legal and illegal domain on an abstract level, all kinds of concrete interfaces can be designated. Some of them are between legal and illegal actors, but not all of them are.

In situation B there is no further specification of the individual as interface between the legal and illegal domain. To be sure, situation A and B are really the same. The difference is one of perspective, not an empirical fact. In situation A, all the different relationships are visualized by the arrows on both sides of the individual and the individual is portrayed as a combination of an illegal and legal part. In situation B, the individual is portrayed as one actor on the imaginary line between legal and illegal. Through this individual, transnational criminal activities are laundered.

In practice, most diamonds will thus make it to the official market in numerous devious ways. As soon as they are sold on one of the large diamond auctions or by dealers in Antwerp or elsewhere, they have been effectively laundered. This may be done with the knowledge or even active involvement of these actors, but it may also be done before.²³ In the next sections, a number of examples of ‘interfacing’ individuals will be discussed. Thereafter, two models of these individuals will be developed.

3.1.1 Case studies of individuals as interface

A number of concrete examples can elucidate the notion of individuals as interface between legal and illegal actors engaged in transnational crime. The examples will first be described and secondly discussed in terms of interfaces. The first person to discuss is Monzer Al Kassab. Since the 1970s this Syrian has been a major arms dealer, and connected to a number of terrorist groups as well as the illegal drug trade (Brunwasser, 2002; Morstein, 1989; Naylor, 2001; Wood &

²³ A range of reports by *Global Witness* provides in-depth coverage of all areas where conflict diamonds are mined and the illicit trade connected with these areas (Global Witness, 1998; 2003; 2004a; 2004b).

Peleman, 1999). Secondly, Victor Bout, a Russian businessmen and former KGB agent, will be looked at. Since the end of the Cold War he has played a significant role in the illegal arms trade in Africa and Asia (Kochan, 2005; Verlöy, 2002; Wood & Peleman, 1999). The third individual is Fouad Abbas, a major wholesaler in drugs for the Benelux and other regions, as well as a diamond dealer in Belgium (De Stoop, 1998).

Monzer Al Kassar

The first person here is the Syrian national Monzer Al Kassar, described by the US Drug Enforcement Administration as one of the most important figures in the international drug trade (Wood & Peleman, 1999). The US Senate investigation on BCCI Affairs referred to Al Kassar as a 'Syrian drug trafficker, terrorist and arms trafficker' (Wood & Peleman, 1999). This sums up most of his activities from the 1970s onward into the 1990s, although in the US he is mainly known for his role in Iran Contra affair. However, his range of activities in many fields in a number of countries during more than two decades is covered by numerous academic and non-academic authors (Brunwasser, 2002; Morstein, 1989; Naylor, 2001; Roth, 2000). It is almost impossible to sum up his major actions with a brief summary. However, a few should be mentioned both because they are relevant by themselves, as well as because they point out crucial characteristics of many individuals like the ones discussed here. Al Kassar should not be seen as a unique person but merely as an example. Other arms dealers can be mentioned that have a lot in common with Al Kassar, like for example the Armenian/Lebanese Sarkis Soghanalian and the Saudi Adnan Khasnoggi.

Al Kassar started his career with stealing cars and using them to smuggle drugs. He was convicted for drug dealing in Paris in 1979 and ran into trouble for more of the same crime several times (Morstein, 1989:60). However, he was involved with drug traffickers in several other ways both before and after that date. He was sought by Interpol for swapping weapons supplied by the Italian mafia for drugs in 1977 (Morstein, 1989; Wood & Peleman, 1999). The deal involved terrorist groups who supplied drugs to an Italian mafia organization. They marketed the drugs in Italy and connected Al Kassar with Italian arms producers who were willing to send weapons to terrorists. Al Kassar organized the whole scheme and got a part of the money involved although he sympathized with the terrorists. Besides his connection with Middle Eastern drug producers, he allegedly was the investor behind at least one major Dutch wholesaler in drugs, according to the detailed account of events by Morstein (1989:172-174). When this wholesaler was arrested in June 1986 in Morocco he allegedly sent a message to Al Kassar that he should get him out of prison or else end up there himself (Morstein, 1989:189). However, a personal attempt by Al Kassar to set

him free failed.²⁴ In the same month Al Kassir's connection with terrorist organizations in the Middle East was legally proven when he was convicted in his absence by a Paris court. Because of his active involvement in a Palestinian terrorist organization he was sentenced to eight years in prison. Despite this sentence, Al Kassir later brokered a deal with the French government when a number of French hostages had to be freed in Lebanon. Al Kassir arranged the release of the hostages in exchange for French arms for Iran (Morstein, 1989:244). Besides the French, the CIA allegedly contacted Al Kassir for the same purpose. If Al Kassir would assist in freeing the hostages in Lebanon, the Americans would allow Al Kassir to continue his drug transports from the Middle East to the United States via Frankfurt in West-Germany (American Radio Works, 2005; Lee & Solomon, 1990).²⁵

Despite his sympathies for the mentioned organizations and his involvement in the drug trade, his core business was arms. Al Kassir was under investigation in Switzerland for violating the arms embargo on Croatia and Bosnia-Herzegovina. He brokered a deal in which officially arms from the Polish state arms producer Cenrex were exported to the defense ministry of Yemen (Brunwasser, 2002; Naylor, 2001:346). In 1992 the arms, 27 containers, were shipped by a Honduras registered ship and docked at Ceuta (a Spanish territory in Morocco) for supplies. From Ceuta the ship headed not for Yemen, but instead for Reijka, Croatia, where it unloaded. In the same year, Al Kassir undermined the UN arms embargo against Somalia. From the same sources in Poland he planned a shipment to this war-torn country. This time, the end-user certificate was signed by Latvian authorities who were given a share of the arms shipment before it departed for Somalia (UN, 2003:19-20).

Furthermore, Al Kassir was involved in the Iran Contra affair and in the sale of weapons to Libya in 1983. To be sure, he did not only sell arms to organizations or states he sympathized with or did not care about. An example of this is the fact that he sold arms to both Iraq and Iran during the 1980s. He purchased his arms in several European countries like Spain, Portugal, Austria and Poland (Morstein, 1989).

To be effective in his work, Al Kassir managed to create a legal cover for many of his activities. In Austria he grounded a legitimate trading company

²⁴ Eighteen months later he was paroled at the birthday of the Moroccan king. Several years ago, he was sentenced to another year in prison in the Netherlands because of his smuggle of about thousand kilos of hashish from Spain to the Netherlands (Eerenbeemt, 2003). At the time of writing (2005) he is awaiting his sentence in the US for his role in wholesale trafficking of XTC. See: Eerenbeemt, M. van den & K. van Keken (2005) 'Charmante leugenaar is justitie niet altijd te slim af' *De Volkskrant*, October 11th.

²⁵ These events again were allegedly connected with the bombing of Pan Am flight 103 above Lockerbie in Scotland. Aboard this flight was a regular courier for Al-Kassar's drug running operation, as well as several CIA officials who were on their way to the US to tell their superiors about Al-Kassar's role (American RadioWorks, 2005; Lee & Solomon, 1990).

together with his brother. Furthermore, he allegedly obtained a significant share in a commercial bank in Spain during the 1980s. Furthermore, he grounded his own airline, Jet Air. Besides using the airline himself, a number of Austrian politicians were regular customers. Through Udo Proksch, who will be discussed in chapter 4, he was introduced to many Austrian politicians in the so-called Club 45 in Vienna. This elite network will be discussed in the chapter on states because of its relevance for the subject of the legal-illegal interfaces. Besides the legitimate businesses, Al Kassir organized some sort of legal immunity for himself. At different times he had at his disposal a diplomatic passport of Yemen and Argentina, a fake passport of Morocco and a special Syrian pass (Morstein, 1989; Naylor, 2001). In addition to this, he enjoyed active protection of the Syrian government and local authorities in Spain. Furthermore, he was rather well-connected in Argentina for some time during the time of the presidency of Menem, which left him with an Argentine passport (Romero, 2002:298). When Al Kassir tried to obtain the Austrian nationality, one of the major Austrian arms producers send a letter of recommendation to the authorities although the attempt finally failed. Finally, Al Kassir was said to be well connected behind the Iron Curtain, in particular in the German Democratic Republic and with its deputy minister of foreign trade, Schalck-Golodkowski²⁶ and in Poland (Morstein, 1989). During the Swiss investigation into the alleged sanctions-busting in Yugoslavia, Al Kassir explained in 1993 that he was a diplomatic representative from Yemen in Poland which seemed to confirm his Polish connection (Brunwasser, 2002).

From a perspective of interfaces, the case of Monzer Al Kassir is too diverse to describe in full. Al Kassir had different types of relationships with a range of intelligence agencies, arms producers, terrorist groups, heroin producers, military officials, and politicians. Although he allegedly smuggled heroin during the 1970s and 1980s, his core business was the arms trade. In this trade, his role as interface was clear in a number of cases. Each time he organized schemes in which arms from legitimate companies, or from the stocks of East Bloc states, were shipped to outlawed destinations or organizations. The arms were thus in fact funneled from the legitimate source onto the black market and further to the outlawed destination or organization. Because of Al Kassir's role, the different parties

²⁶ Not much is known about this relationship. The only account of events is provided by Morstein who wrote his book before 1989. This organization of this enterprising East-German minister was also engaged in smuggling a range of commodities like toxic waste, oil and stolen and confiscated art (Von Bülow, 2003). During the 1970s and 1980s, the Stasi-controlled Kommerzielle Koordinierung (KoKo), or Commercial Coordination, led by Schalck-Golodkowski, raided the homes of an undetermined number of wealthy GDR citizens, taking jewelry, works of art, stamp collections, and other valuables. Schalck-Golodkowski was to funnel more than DM50 million into the beleaguered East-German economy each year. Almost all of the property, the value of which historians have been unable to determine, was first 'sold' to KoKo's holding firm Art-and-Antiquities-GmbH before flowing into West-Germany (Bischof, 2003; Blutke, 1990). This will be further discussed in chapter 8.

involved did not have to deal with each other directly. Furthermore, with end-user certificates from countries that were in fact not end-users of the arms, Al Kassar provided legitimate destinations for the legitimate sources of the arms involved. This case study thus shows the opposite mechanism as the one mentioned above, involving the trade in conflict diamonds. Whereas the conflict diamonds were laundered and funneled in the legal market, the arms were taken from the legal market or source to the black market.

Victor Bout

The second person to discuss is Victor Bout. He is native of Tajikistan, who uses several aliases and graduated in 1991 from Moscow's Military Institute of Foreign Languages which left him reportedly fluent in six languages (Kochan, 2005; Niekerk & Verlöy, 2002; Verlöy, 2002). Although Bout is discussed in this chapter, he is the middle of a range of legitimate companies, and employees. His empire is a maze of individuals and companies, which employs some 300 people and owns and operates some 40 to 60 aircraft, including the largest fleet of Antonov cargo planes in the world, according to an investigation by the International Consortium of Investigative Journalists (ICIJ) (Niekerk & Verloy, 2002). However, he is discussed here because it is only Bout himself who is the constant factor in all activities, and who is the sole architect of all schemes. Nevertheless, one could also choose to discuss him within the context of the legitimate organizations that are the topic of the next chapter. Like Al Kassar, he should not be seen as a unique person in this business although he is presently probably one of the most active and successful.

Bout made use of the large stock of arms in the former Soviet Union. After the demise of Communism, these stocks, as well as those in East European countries like Bulgaria became available for arms dealers like Bout (Naylor, 1998; Wood & Pelemans, 1999).²⁷ Such dealers funneled these arms to the black market where they were sold to guerilla movements, boycotted governments and other outlawed destinations.

Not all of Bout's activities were illegal. On the one hand, he was allegedly involved in the (legal) trade in all kinds of commodities as well as transport services. On the other hand he was engaged in arms deals that might have been very risky but nonetheless legal. In 1993, for example, Bout funded the Transavia Export Cargo Company, which flew Belgian peacekeepers to Somalia as part of operation Restore Hope, the US-led famine relief effort. In 1999, he flew platoons of Pakistani UN peacekeepers to East Timor. Around the beginning of the 1990s, he regularly organized arms shipments from Eastern Europe to Afghanistan. Bout had struck up a friendship with Ahmed Shah Massoud, the

²⁷ For a discussion of the important role of Bulgaria in providing arms for conflict areas in Africa see: Howe (2004).

renowned commander of what later became the Northern Alliance (the resistance movement against the Taliban) and who was assassinated by Al Qaeda on September 9, 2001. Supplying the Taliban or any of the other groups was not actually illegal under international law during the 1990s. The UN only put an embargo on arming the Taliban on December 19, 2000 (Kochan, 2005:40).²⁸

Bout became a major player in the illicit arms trade in 1995 when he started working from Ostende, Belgium, where he stayed until 1997 (Wood & Peleman, 1999). In March 1995, Bout and a business partner founded the Trans Aviation Network Group (TAN). TAN was based in Ostende as well as in Sharjah in the United Arab Emirates. Since 1995 Bout has been involved in a long list of arms trafficking operations to numerous embargoed African countries like Angola, Sierra Leone, and Liberia. As soon as he came to the attention of law enforcement agencies, he did not let the arms be flown directly from Eastern Europe to Africa. They would first fly from Eastern Europe to Sharjah. There the arms would be combined with legitimate merchandise and directed to major African airports. As soon as the planes arrived at these airports, the arms disappeared. They had been dropped off secretly along the way in rebel controlled territories. In 1996, Bout registered an airline, Air Cess, in Charles Taylor's Liberia. A year later, he had to leave Belgium after pressure from human rights groups. Thereafter, the United Arab Emirates became the primary base of operation. According to the United Nations, almost all of Bout's companies operate out of the United Arab Emirates. Companies registered in Swaziland, the Central African Republic, Liberia, and Equatorial Guinea used Sharjah airport as an 'airport of convenience'. In May 1997, Bout extracted President Mobutu from Zaire when rebels seized control of the country. In August of the same year Bout rearranged the documentation of part of his fleet, creating Air Cess Swaziland (Pty), registered in Swaziland. Some of the planes that had been registered in Liberia were registered on the Swaziland aviation register, with the tails repainted accordingly. In reality Air Cess Swaziland operated from Pietersburg, South Africa, until Bout was pressured out of the country by both the authorities as well as local motorcycle gangs (Kochan, 2005:40-46). South Africa was not the only country that Bout had to leave. In Central Africa, a corrupt director of civil aviation had registered dozens of planes from Centrafrican, an airline that had only a license to operate three small aircraft. The airline was owned by three companies from Gibraltar and these companies were owned by Bout and a business partner. In January 2000, the president of the Central African Republic discovered this fraud and closed down Centrafrican and de-registered its planes. Bout was sentenced to two years in absentia although a special court nullified this sentence three months later (Kochan, 2005:49-50).

²⁸ Bout has also been accused of arming the Taliban regime in Afghanistan. These allegations, however, have never been proven.

One of the primary destinations of arms shipments brokered by Bout during 1997 and 1998, were the UNITA rebels in Angola. Bout,

“supplied UNITA with \$14 million worth of arms through a company he established in Gibraltar, called KAS Engineering. The arms included 100 anti-aircraft missiles, over 6,000 anti-tank rockets, 20,000 mortar bombs, as well as cannons, assault rifles, and a mind-boggling amount of ammunition, enough to keep a huge army going for several years, which is exactly what it did. Al this weaponry came from Bulgaria” (Kochan, 2005:45).

Bout used end-user certificates from Togo that later turned out to be forgeries. They were, however, based on a genuine end-user certificate given to UNITA by the Togolese authorities in 1997.

Bout not only catered for outlawed rebels but also worked for several governments. Among them was the Rwandan government. Bout’s aircraft were used to transport coltan and cassiterite, two locally-mined minerals illegally plundered in the Democratic Republic of Congo by the Rwandan authorities (Kochan, 2005:48).²⁹

In early 2001, Bout relocated from Sharjah to neighboring Ajman, where he set up office in the Chamber of Commerce and Industry Building (Niekerk & Verloy, 2002).

From the information available on Bout’s activities, some interesting parallels can be drawn with Al Kassir. Niekerk and Verlöy, in their article on Bout, write that:

“Although intelligence documents reveal that Bout is ‘under investigation in a number of western countries’ and that ‘Interpol has opened a file on him’, Bout continuous to operate freely, shuttling between the United Arab Emirates, Russia, Central Asia and Africa’s war zones” (2002:3).

Al Kassir’s biography written by Morstein, showed exactly the same situation for Al Kassir during the 1980s. In that last case, it could be largely explained why nobody interfered with Al Kassir’s entrepreneurial activities. A mixture of political friendships, blackmail and corruption ensured his continuous freedom, although he was officially sentenced to prison terms several times. It still has to be explained whether Bout’s successes until about 2004 has been primarily a

²⁹ Coltan is a key element in cell phones, computer chips, nuclear reactors, and PlayStations. The market for the mineral has greatly increased in recent years, exacerbating conflict in Congo. It illustrates that diamonds and oil are not the only commodities fuelling civil wars. Cassiterite is a tin oxide mineral that is also used as a gemstone and collector specimens when quality crystals can be found. See also: H. Vesperini (2001) ‘Congo coltan’s rush’ BBC News, August 1st, <http://news.bbc.co.uk/2/hi/africa/1468772.stm> (Visited October 24th 2005).

symptom of a bankrupt system of controls on the transnational trade in arms, or the result of political protection like in Al Kassar's case.

Since the war in Iraq started, reports have been surfacing connecting Bout with the war efforts. According to several sources, the US and UK have been using his extensive mercenary services in Iraq (Godoy, 2004; Remy, 2004).³⁰ Furthermore, according to journalist Jean-Philippe Remy:

“By virtue of his participation in the Liberian drama and his violation of the embargo that prohibited arms exports there, Viktor Bout was up till now subject to two types of United Nations sanctions, prohibiting him from foreign travel and planning a freeze of his foreign assets. Now Viktor Bout's situation is about to change. Although the United States, involved in the Liberian dossier, had committed to make sure those responsible for the atrocities committed during the country's civil war were punished and promised a reward for whoever should deliver Charles Taylor to international justice, it 'is working to erase the name of the arms merchant from the list of people subject to sanctions,' a diplomatic source asserts.” (Remy, 2004).

When two US Cabinet members, the Deputy Secretary of Defense and the Deputy Secretary of State, were questioned by the Senate Foreign Relations Committee on these and other allegations they indicated to be unaware of Bout's role in Iraq and would further look into the matter.³¹ Nevertheless, since May 2004 reports about Bout's involvement in Iraq keep appearing in the US and other media (Daly, 2004; Isikoff, 2004).³² According to a report in the *Los Angeles Times*: “Planes operated by Irbis and Air Bas flew at least 142 times into Baghdad International Airport after the Iraq invasion, Air Force fuel records show. The planes shuttled in supplies and personnel for the U.S. military, Federal Express and the American contractor KBR”.³³ Finally, in April 2005, the US imposed financial sanctions on companies aligned to Victor Bout.³⁴ It remains to be seen whether this means that none of Bout's companies will operate in Iraq or Afghanistan anymore.

From a perspective of interfaces Bout's activities are even harder to describe than those of Al Kassar. In a relatively short period of about twelve years, Bout

³⁰ The sources are allegedly French and other unspecified diplomats.

³¹ Hearing of the Senate Foreign Relations Committee, May 18, 2004; Subject: Iraq: The way ahead. Chaired by Senator Richard Lugar. See: <http://feingold.senate.gov/statements/04/05/2004622A35.html> (visited July 27th 2005).

³² Braun, S., J. Pasternak & T.C. Miller (2004) 'Blacklisted Russian tied to Iraq deals – the alleged arms broker is behind four cargo firms used by US contractors, officials say' *Los Angeles Times*, December 14th.

³³ Ibid..

³⁴ Braun, S. 'The US freezes the assets of 30 firms and four people linked to Russian Victor Bout' *The Los Angeles Times*, April 27th.

operated in dozens of countries. He was involved in practically all armed conflicts in Africa during the 1990s and thereafter. To some extent he was a typical post-Cold War figure. His business was supplied by the superfluous Soviet stocks of arms, and benefited from the freedom of operation during this period. During the Cold War, many arms deals were in some way controlled or sanctioned by the two superpowers, but thereafter it seemed to some extent a free for all, that is, for characters like Bout (Brogan & Zarca, 1983; Naylor, 1998; Wood & Pelemans, 1999).

All kinds of interfacing relationships with heads of state, rebel groups, arms providers and others enabled Bout to build up his global enterprise. Most of the time, political actors outsourced their arms purchases to Bout. Sometimes Bout's transport companies shipped arms and returned diamonds or other commodities from conflict zones. This resulted in still other interfaces, such as reciprocity between Bout and the purchases of these conflict diamonds and synergy between the activities of Bout and the overall legitimate diamond market. Furthermore, a co-optation interface can be found between Bout and local authorities in many countries. The unlawful registration of dozens of planes in the Central African Republic was just one example.

Besides the individual interfaces, Bout served as an interface by himself. Through Bout and his different partners, arms were funneled onto the black market while conflict diamonds were ultimately added to the legitimate market. Although many other examples can be discussed besides Bout, he is at least exceptional for the scale and efficiency with which he operated.

Fouad Abbas

The last person to discuss here had strong links with both Belgium and the Netherlands. The Pakistani drugs and diamond dealer Fouad Abbas had his base of operation in Antwerp, Belgium, from the late 1980s to the mid-1990s (Brouwer, 1996; Roox, 2001; Stoop, 1998). Abbas moved to Belgium when his enterprises in Dubai went into serious trouble after the war between Iraq and Iran broke out. In Antwerp he grounded TTS Diamonds and rapidly established a network of businesses. At the height of his power, he had diamond companies in Antwerp, Geneva, London, Tel Aviv, and Bombay. Furthermore, he exploited a diamond mine in Guinea and had other enterprises and real estate in the UK, Canada, the US, Singapore and Pakistan (Roox, 2001).

Besides his diamond business, he became a major player in the drug trafficking business in Europe. He made use of his connections to a number of large Pakistan producers of hashish, under whom Ayub Alfridi. Abbas was said to have closed a deal with two major importers of hashish in the Netherlands. Between 1987 and 1994 Abbas brokered deals amounting to 400 tons of hashish. The profits from this trade formed part of the explanation of Abbas' successes in the diamond business, which was at the same time used to launder the money.

Through a bank in Antwerp, Abbas was able to transfer huge amounts of money all over the world. According to Schaap (1999:70), Abbas was able to funnel more than 48 million Dutch guilders into his accounts at this bank during the period from March 1989 to February 1992. The cashier at the bank became an instant millionaire, until the bank went bankrupt and he went into prison for months, together with the bank's president.

Abbas' activities in Belgium went fine as long as he could rely on his contact with high placed officials, among which the head of the Antwerp drug squad. However, at some point Abbas these officials ran into trouble themselves and Abbas soon afterwards. To save himself from Belgium law enforcement, he closed a deal with the Dutch authorities to testify against Johan V., in addition to a payment of 2 million guilders to the Dutch tax authorities. However, this only saved him for some time. After having moved to England, he was extradited by the UK to Belgium on money laundering charges.

From a perspective of interfaces, Abbas differs in one important respect from Al Kassir and Bout. Abbas did combine the purely illegal drug trade, with the in principle legal diamond trade. However, because these trades were strongly connected in Abbas' case, his dealings are discussed as a case study here. He did not 'launder' his drug business or 'blacken' his diamond business, but used the legal trade to launder the proceeds from his illegal trade. To operate with relative impunity he exploited his high-level political and criminal contacts.

3.1.2 Common characteristics

The individuals described here seem to be unique in a number of ways. However, there are some general characteristics that many of them share. These characteristics can explain why they are able to connect legal and illegal in such a successful way.

The first characteristic that all the discussed individuals have in common is their base of operations in at least two different countries. Al Kassir, for example, operated from Austria, Spain and Syria. Besides simply staying in these countries, they have a well-developed network of relations which helps them to do business from these countries. Furthermore, most of the individuals discussed or mentioned here possess at least one foreign passport besides the passport of their state of origin. Bout is known to possess a range of passports and the same is true for Al Kassir, which seriously impeded any effort to arrest the latter (if any country was willing to do so). Of course, possession of several passports can hardly be said to be unique among transnational criminals. However, these passports are often false and therefore of limited use. The passports that were mentioned here are real and (at least in the case of Al Kassir) diplomatic passes, which cannot be compared to regular passes.

A second characteristic which some of the individuals share is the ability to arrange all kinds of political protection, or compel a passive stance by means of direct or indirect blackmail. Part of this is simply corruption, but it in the case of Al Kassir, Bout and, to a lesser degree, Abbas; it developed way beyond ordinary bribes or kickbacks. Being unassailable for law enforcement is clearly something different from mere corruption as far as European countries are concerned. The primary example here is Al Kassir who, for example, closed a deal with the French government. While being sentenced to eight years in Paris, he negotiated without any problem with the French authorities and several opportunities to arrest Al Kassir were ignored. In general, Al Kassir was rather well-connected in Austrian politics and through his business interests in Spain. In the Middle East, Al Kassir was directly connected to the Syrian government, and his relation with the Yemen authorities was good enough to be provided with a diplomatic passport

A third characteristic is the knowledge and use of the financial system and the mobilization of numerous legitimate companies. As with the other characteristics, this is not claimed to be unique for transnational criminals. However, the scale and sophistication of this factor differs for most criminals. Whereas criminals often have to rely on the knowledge of others to use the opportunities of banks, foreign registered companies, and tax havens, the persons discussed here were to some degree experts on these matters themselves. However, the relative risk involved in financial operations is illustrated by the fact that both Abbas and Al Kassir ran into legal trouble not because of their core business (arms and drugs) but because of their trail in the financial system. It indicates the strategic importance of adequate knowledge and use of the financial system, to operate effectively as a criminal or to be able to track them down as law enforcement agency.

The last important characteristic is related to the types of crime. In most cases, the type of crime or one of the types involved consists of crimes where goods are laundered in some way or another. This can be facilitated by inconsistencies between legislation in the countries involved in transnational crime. The best examples here are the arms trade and the trade in conflict diamonds.

3.1.3 Brokers in transnational crime

One can distinguish two types of brokers in transnational crime. First of all, brokers that close deals between actors in different countries that cannot deal with each other directly. It may be that national law, international law, UN resolutions or other provisions stand in the way of a scheme. In that case a way has to be found to proceed with the deal without any of the actors getting into legal or political difficulties. By nature, a broker does not personally buy illegal goods or services, but functions as an intermediary for buyer and seller. As with other types of brokers in the legal economy, he gets a cut from the deal as

commission. This might be a substantial part of the total sum of money or goods involved.

Whereas the first type of brokers starts from the assumption that the broker is really on his own, the second type incorporates the realities of cases that do involve a range of people or organizations. Often, brokers employ many people at specific stages of their activities. Furthermore, part of the business of such a broker may be legitimate. As was mentioned before, Victor Bout can be understood to be such a broker. His empire is a maze of individuals and companies, which employs some 300 people and owns and operates some 40 to 60 aircraft. On first sight, entities like this one look more like a huge criminal organization than a small brokering firm. However, there is a number of reasons for setting this type of criminal entity apart from well-known models like the transnational criminal networks, or criminal organizations. First of all, despite the potentially large number of people involved, their ties with the broker and his activities are very loose. For every new project, the broker decides which people to hire, and what kind of routes, means of transportation etc. to use. This implies an important difference with for example criminal networks. Although they are also known for their relative flexibility, they usually aim at a rather specific transnational smuggle, along one or more specific routes (see e.g. Auchlin & Gaberly, 1990; Bernasco & Bruinsma, 2004; Chin, 1999). Secondly, whereas criminal networks and organizations often have a transnational base because of the different people in different countries involved, the broker is really footloose himself. His base in several countries is at the same time part of the explanation of his capabilities to close complicated deals and connect legal and illegal entities in a smooth way. Thirdly, the broker can to some degree be compared to the strong leader of a criminal organization. Both have considerable power and lay down the course of action of the organization. However, whereas the leader of a criminal organization can often be replaced without the disintegration of the organization, this does not hold for the broker. He is a necessity for two reasons. First of all, there are usually hardly any people who are around him all the time who could try to step in his place. Secondly, and most importantly, the broker commands the ability to close difficult deals in which he has to operate both as a criminal and as a business man and has to have a huge network of relevant people with governments, large companies, as well as with other criminals.

3.1.4 *Transnational (criminal) dealers*

Besides the two types of brokers, one can distinguish so-called transnational (criminal) dealers. They share some characteristics with the brokers, like for example their base of operation in more than one country. Furthermore, through their activities they connect illegal with legal markets and launder their merchandise in the process. As opposed to most brokers, they have steady patterns of activities. They restrict themselves to the trade between two or three

particular countries, and usually do not divert to other fields of crime. From this perspective, some parallels can be drawn with transnational criminal networks. However, besides differences in structure, an important characteristic of the dealers is the fact that they are able to launder their merchandise, whereas criminal networks usually operate in purely illegal markets, like drug trafficking.

Examples of this type of dealer can be found in the trade in conflict diamonds, toxic waste or the illicit art and antiquities trade, where major inconsistencies in legislation between source and market countries create an arena where these dealers can operate in both the legal and illegal domain. The trade in conflict diamonds is particularly interesting because it is also indirectly or directly linked with other types of crime, like the illicit arms trade, money laundering and tax evasion. A number of publications shed some light on this relatively unknown field of crime (Fijnaut, 2002; Kochan, 2004; NIZA, 2001; Peleman, 2002; Tailby, 2002).

The dealers operate alone or primarily alone. The dealers are transforming the legal status of their merchandise while they smuggle it from source to destination country, or organize this smuggling operation. This means that they act as interfaces by themselves, despite numerous individual relationships with other legal or illegal actors.

3.1.5 Conclusion section 3.1: Individuals as interfaces

In the above sections, the role of a specific category of individuals in transnational crime was discussed. These individuals are able, in different ways, to function as interfaces themselves, instead of being solely engaged in interfacing relationships with other actors. To be sure, one can discern all kinds of interfacing relationships between these individuals and others, if one looks at the level of the typology developed in chapter 2. However, as was argued here, on a more abstract level, the interface is located ‘within’ the individual. As soon as one comes to grips with this concept, the legal–illegal interface in transnational crimes like arms trafficking, and the illicit trade in art and antiquities, can be more fully understood. These are crimes where the illegal character is not primarily dependent on the goods involved but on the status of the actors involved and the jurisdictions in which one deals. Out of all the examples –discussed and otherwise – one can develop two types: the transnational broker and dealer. The first type can be divided again in two sub-types.

3.2 Legitimate organizations as interface

In the following sections the focus will be on a particular kind of legal organization. These organizations can be a part of the private sector or the administrative machinery of states. They play a role which can be compared to some extent to the role of the individuals discussed in the sections above. To

explain this role, the next section will start with a discussion of a number of case studies. The choice of cases is partly based on the availability of sufficient and reliable sources to back up the crucial elements which are relevant for the topic at hand.³⁵ However, many other cases could have been chosen. The aim of the case studies is to analyze the same mechanism that was analyzed above. This mechanism transforms legal activities into illegal activities and the other way around. Finally, the conclusion will try to clarify the interconnectedness of individuals, organizations as well as jurisdictions as interfaces.

3.2.1 Case studies of legitimate organizations as interfaces

In this section, a number of organizations will be discussed that can be understood with the analytical model in which legitimate organizations are the embodiment of the legal-illegal interface. Half of the cases consist of financial institutions, reflecting the importance of financial infrastructure for transnational crime as well as the transnational crimes committed by financial institutions themselves. The cases are derived from rather different periods and places. They can illustrate a point which has been discussed before. The suggestion that transnational crime is for a large part a recent phenomenon – connected to the fall of Communism and the recent trend of globalization – is hard to maintain against the background of historical data. The same goes for the legal-illegal interface and the specific case studies discussed here. As Alan Block puts it “...much of the social scientific literature dealing with organized crime suffers from a particular kind of ahistoricism that critically weakens arguments about the nature of organized crime” (Block, 1994: ix).

International Overseas Service

In the late 1950s, Bernie Cornfeld established *Investor Overseas Services* (IOS). His idea was to help people in countries with non-convertible currencies to move their money offshore. To enable this goal he set up a number of mutual funds and banks. These funds and banks were structured to take full advantage of lax security laws, tax breaks for offshore corporations, and a mix of jurisdictions to stymie potential litigants and investigators (Blum, 1999). To potential customers, IOS offered a mix of two products. First of all, it offered investments in mutual funds that invested in the US stock market, an opportunity that was beyond the reach of potential customers in most parts of the world. Secondly, it offered the chance to move funds into a Swiss bank, which could be practical for several

³⁵ This does not mean that there are absolute guarantees for the accuracy of the mentioned cases. The reader is provided with references to all the sources and has to judge for him/herself. Especially in this sub-field of criminology one cannot restrict oneself to sources which can always be verified personally if one would wish to do so. At least, this is the opinion of the author as was discussed in the introductory chapter.

reasons like evading taxes, preventing confiscation and protecting against inflation. In practice, things were often combined. IOS would smuggle the funds of a customer out of the country and move them into a Swiss bank account. Thereafter, an investment in one of the IOS mutual funds would be made with the money from the Swiss bank account (Raw et al., 1971). The mutual funds were established in unregulated tax havens, mostly Panama and the Bahamas, and managed in Switzerland. Because the transfer of funds out of the customer's country was usually illegal, IOS knew that most of its customers would in general not take action against the company in their home countries.

From the moment IOS started an ever-growing army of mutual funds salesmen literally went all over the globe. Cornfeld went looking for crooked money on the assumption that the dirtier the funds invested in his stocks, the less likely they were to be withdrawn in a hurry (Naylor, 2001:101). The most important markets were in South America and Europe. Ever more customers were tempted to trust their savings to the IOS salesmen. Meanwhile IOS invested the pool of hundreds of millions of dollars in a rather different way than it told its customers. A huge part of the money went to the salesman and all his superiors. This pyramid of people was growing all the time, as salesmen were allowed to attract salesmen themselves. Another part went into investments in companies which were partly owned by IOS members. Often these investments ended up total failures. To some extent, the whole organization was operating a huge Ponzi scheme which could only continue as long as ever more new customers filled the gaps left by bad investments and the huge overhead. During the late 1960s, country after country in South America kicked the IOS salesmen out of the country or arrested them (Raw, 1971).³⁶ These countries saw their economies threatened by massive capital flight helped by the army of salesmen from Cornfeld's organization. This turned out to be the beginning of the end. Thereafter, IOS started to run into trouble in other markets also. Finally, IOS was sold to the company to Robert Vesco, a New Jersey businessman. Vesco was able to drain a substantial part of all the funds that were still left in IOS, according to the most popular estimates about \$260-300 million, by turning the mutual funds into closed-end funds and subsequently plundering them through a series of shell companies and accounts scattered around the world (Blum, 1999; Herzog, 1987; Hutchison, 1974).³⁷

The relationships which IOS developed with a number of actors can be understood from a perspective of legal-illegal interfaces. Between IOS and the customers for which it either laundered or 'criminalized' funds, an *outsourcing* or

³⁶ Brazil was one of those countries. In 1966, Brazilians sent more money abroad than all the new foreign investment and foreign aid brought in (Henry, 2003). In that year the police, assisted by others, raided the offices of IOS in seven cities, arresting thirteen salesmen and seizing files on ten thousand clients (Hutchinson, 1974:70).

³⁷ For a discussion on the actual amount that was stolen by Vesco, Herzog's book on Vesco provides the best overview.

reciprocity interface can be pointed at. Outsourcing occurs when a division of labor between legal and illegal actors exists in which one actor offers specialized services to the other. Reciprocity aims at the interface where mutual benefits exist for legal and illegal actors. In the case of IOS, one could say that the reciprocity interface does exist because mutual benefits are exchanged. However, it is the legitimate organization that primarily offers the services instead of some 'regular' criminal. Depending on concrete individual cases, one can label the relationship between IOS and its customers and partners as either outsourcing or reciprocity.

Through time, this relationship of reciprocity or outsourcing evolved into one which was merely *predatory*. In this case, it seems that the members of IOS's leadership fraudulently bankrupted their own company. However, the predatory interface aims at someone from outside the company who manages to bankrupt it, whereas in this case the company bankrupts itself and, thereby, its customers. A major part of the invested funds from customers was either grabbed by IOS or stolen by Robert Vesco, who bought the residual of the once successful corporation (Hutchinson, 1974; Herzog, 1987).³⁸ At the same time, *synergy* existed between several actors. In this case, the large-scale smugglers of funds and the banks and banking system in Switzerland and some other jurisdictions benefited each other, as well as the US stock market which was injected with extra funds that would otherwise stay in the home countries of IOS customers.

The above conclusions about the interfaces around IOS point at an important characteristic which is shown by this study in many empirical examples. When two actors are connected within the framework of transnational criminal activities, there will be a certain type of interface most appropriate to describe the relationship. Often this relationship will be called, for example, outsourcing or reciprocity. However, at least two other types of interface may often accompany the 'basic' interface type connecting the two actors. First of all, relationships may have a different meaning when looked at over time. The relationship that started out as a kind of outsourcing may in the end turn out to be more of a predatory or parasitical interface. That is, whereas the relationship was supposedly symbiotic, it turns out to have been (or have become), antithetical. Secondly, the 'basic' interface between two actors will often imply other interfaces with third parties or entities. These third parties or entities will be connected with the two actors through a relationship that can be labeled as synergy or antagonistic.

IOS can serve as an introduction to the other case studies as it shows most of the elements that will resurface with every new case. Hereafter, a number of banks will be discussed that served as an embodiment of the legal-illegal interface. It should be stressed that these banks are only examples that have been chosen here for practical reasons. Many other cases could be mentioned, several

³⁸ The various authors that have written about IOS differ (substantially) in their estimate of the health of IOS at the time Vesco moved in and bought the IOS.

of which have become public only recently (Block & Weaver, 2004; Kochan, 2005).

Banco Ambrosiano

On August 6, 1982, the Italian Treasury Minister Beniamino Andreatta announced the compulsory administrative liquidation of the Banco Ambrosiano. The largest bank collapse since World War II was a fact. A month earlier, on June 18, the lifeless body of Roberto Calvi, the former president of the Banco Ambrosiano, had been found dangling beneath Blackfriars Bridge in London (Paoli, 1995).³⁹

The Banco Ambrosiano was originally founded in 1896 as a Catholic bank to provide an alternative to the large (non-Catholic) Italian banks. During the 1960s and 1970s, Roberto Calvi tried to transform the sober Italian commercial bank into a top-level international merchant bank. He purchased a network of corporations and banks in Luxemburg, Switzerland, Nicaragua, and the Bahamas. With this, the bank had a stable base in Europe and Latin America. In Nicaragua it opened a branch in Managua to facilitate exchange control evasion, political pay-offs and arms trafficking in Italy and abroad. It for example helped Nicaraguan president Somoza to buy weapons and his supporters to create offshore retirement accounts. Furthermore, Banco Ambrosiano closely collaborated with the Istituto per le Opere di Religione (IOR), or the Vatican bank. As there were no customs checks between Italy and the Vatican, Italian money could easily circumvent the tight Italian exchange controls by going through the IOR. As far as there were any barriers, Calvi was able to neutralize these through corrupt political contacts. With this network that combined fiscal advantages, bank secrecy rules and freedom from regulation, the Banco Ambrosiano had a magnificent instrument for illegal capital movements (Naylor, 1987:81-82; 2001:200; Trepp, 1996). As a result, Banco Ambrosiano developed into a meeting point for Cosa Nostra members, Colombian drug traffickers, white-collar criminals, secret Masonic lodges, and the IOR.

Clear proof of the fact that Banco Ambrosiano was not merely corrupted from the outside but rather itself a centre of corrupt relationships, was provided in the initiatives of its president towards the Italian establishment. As president of the Ambrosiano, Roberto Calvi consistently financed political parties: PSI, PSDI

³⁹ The Calvi's death has been subject to many speculations. In October 2002, a forensic report confirmed that he was murdered and in March 2004, four suspects were on trial for the murder. 'Mafia squad probe Calvi bag theft' *BBC News*, <http://newsvote.bbc.co.uk> (June 29, 2004); Hooper, J. & P. Willan (2004) 'Four go on trial for murder of God's banker' *The Guardian*, March 17, www.guardian.co.uk/italy/story (Visited August 8th, 2004); Hours before Calvi was found, his secretary, Graziella Corrocher, fell – or was pushed – out of the window of the Ambrosiano building's fourth floor.

(and even the PCI)⁴⁰; party newspapers and individual politicians; private and state enterprises; Latin American dictators, as well as revolutionary guerrillas; bank accountants, managers, auditors and whoever else he thought could be helpful in fostering or hiding the bank's illegal activities (Procura della Repubblica di Milano, 1988 cited in Paoli, 1995:354).

From a perspective of legal-illegal interfaces, Ambrosiano provided a number of examples on different levels. Between the bank and its numerous customers, all kinds of relationships can be distinguished. Some of them consisted of large scale money laundering operations which can be understood as a situation of *outsourcing* or *reciprocity* between the criminal with his unaccounted-for income and the bank. Not only did the Ambrosiano 'wash' the profits of Sicilian Mafia families, but it was also involved in money laundering operations world-wide: in 1984 the Operation 'Greenback' task force revealed that since September 1981 about US \$34 millions had been clandestinely exported from the United States, placed in foreign financial centers and then reunited in a Banco Ambrosiano Overseas Limited of Nassau account on behalf of the Columbian drug trafficker Gabriel Abuchaibe. The sums then traveled back to the US, allegedly as investments of Panamanian companies (Paoli, 1995). Operation Greenback gave a clear idea of how serious the involvement of the Banco Ambrosiano was in international money-laundering; the amounts involved were in fact huge. Besides the outsourcing interface, one can point at a *funding* interface between Banco Ambrosiano and the ultra-secret, ultra-rightist Masonic lodge Propaganda-Due, or P2 as it is usually called. Banco Ambrosiano financed part of the activities of P2. This Masonic lodge interfaced with European right-wing political and paramilitary organizations in such 'Masonic' activities as international arms trafficking (Naylor, 1987:84). Before 1974, the lodge tried to undermine the liberal democratic institutions in Italy and parts of South America and to replace them with corporatist political systems inspired by Mussolini and Juan Peron. To attain these goals, the members of P2 encouraged capital flight to put downward pressure on the lira; during the resultant financial chaos, the funds illegally moved out of Italy would be brought back again to buy strategic parts of the Italian economy. Furthermore, terrorist outrages from both extreme 'right' and extreme 'left' were fomented (Naylor, 1987:85). After 1974, P2 infiltrated all facets of Italian public life: the state, the judiciary, the secret services, and the military. However, it did not completely abandon terrorist tactics. Research by Charles Raw and later Gian Trepp has shed new light on the links between Ambrosiano, the P2, and its leader Licio Gelli (Raw, 1992; Trepp, 1996). According to Raw, Calvi had to pay a heavy price for the services of Gelli and others. The total sum of payments from Ambrosiano to Gelli between 1976 and 1981 are estimated at 250 million dollars. To organize these funds, Gelli and Calvi robbed the Italian

⁴⁰ Italian Socialist Party (PSI), Italian Democratic Socialist Party (PSDI) and Italian Communist Party (PCI)

state with the help of corrupt politicians and leading civil servants. The primary victims were the state oil company ENI and the Banca Nazionale del Lavoro or BNL bank.

In terms of interfaces, several other relationships can be discerned here. Through P2, Banco Ambrosiano was also *funding* terrorist organizations. Terrorist acts subsequently stimulated a further growth of capital flight. Therefore, a relationship of *synergy* existed between the terrorist activities and the capital flight services of the Banco Ambrosiano and with the banking systems of Switzerland, Luxemburg, and other convenient destinations of Italian funds. At the same time, the influx of mafia funds into the Banco Ambrosiano indirectly helped to foster the goals of the P2. Between ordinary customers of the Banco Ambrosiano, who wanted to hide their financial resources from the Italian tax authorities and save them from the weak lira, a relationship of *reciprocity* existed. However, with the benefit of hindsight, the same relationship could be understood as either *parasitical* or *predatory*. Banco Ambrosiano was in practice looting not only the state oil company's funds, but also the funds from ordinary customers. As was mentioned with IOS, what differs about this parasitical interface is the fact that a legitimate organization again plays the role of criminal instead of the role of victim. As was the case with IOS, and with Nugan Hand and BCCI (as will be discussed later) the operations of Banco Ambrosiano also had some things in common with the Ponzi scheme mentioned before. Due to this similarity, one can also define the situation around Ambrosiano as predatory or parasitical. In the long run, the relationships between Ambrosiano and some of its customers and shareholders led to huge losses for the latter thanks to the fraudulent schemes of Ambrosiano. Finally, one could easily add other interfaces to the list, depending on the combination of actors involved.

Besides these individual interfaces, which are pointed out above, one can argue that a more abstract legal-illegal interface can be found in the Banco Ambrosiano itself. It functioned as an intermediary between organized crime figures, terrorists, banks, businesses and ordinary citizens. The bank was a cross-road of legal and illegal actors involved in both legal and illegal activities. Criminal funds were laundered through the bank and funds from legitimate sources illegally fled Italy's territory. Therefore, in the same way as the individuals discussed in the previous chapter, the bank functioned as an interface itself on a more abstract level.

Nugan Hand Bank

Some years before Banco Ambrosiano collapsed, another bank imploded after a similar bloody incident; this time in Australia. In January of 1980, two patrolling policemen found Frank Nugan, co-founder and president of the Nugan Hand Bank, sitting in his car along the road. On closer inspection, he was covered in

blood and killed by a rifle which was still in his hands, suggesting he had killed himself (Kwitny, 1987:19-20).

Despite the distance between the Banco Ambrosiano and Nugan Hand Bank, a number of parallels can be drawn between the two cases. First of all, they had similar structures partly founded in several bank secrecy jurisdictions. Secondly, both utilized high-level connections in political and intelligence circles; and finally, both organizations acted as interfaces in themselves.

Starting in the late 1960s, the Australian Frank Nugan and the American Michael Hand started to do business through what was to become a range of companies (some of them banks) in Australia, South-East Asia, and elsewhere. At the beginning of the 1970s, they founded the Nugan Hand Bank. The background of the different managers of Nugan Hand banks revealed close links with the CIA and the American army. The offices in Washington, Taiwan, Hawaii, Manila, and Saudi Arabia were run by high-profile former CIA or US Army members (Chambliss, 1988). Other offices were set up in Bangkok, Chiang Mai, Singapore, Hong Kong, and the Cayman Islands (Kwitny, 1987).

The bank offered a number of services to its clients. First, it moved or laundered the profits of a range of drug traffickers. Jonathan Kwitny provided a list of drug clients in his book on Nugan Hand. In one of the best-known cases, Nugan Hand allegedly financed one shipment of drugs as well (Kwitny, 1987:229-230). Besides drug clients, Nugan Hand helped ordinary customers move their savings out of the reach of the Australian tax authorities. At the same time it moved criminal illicit funds earned in Asia to Australia. In both directions, Nugan Hand was able to circumvent the tight exchange controls in place at the time. Finally, it helped expatriates working in Saudi Arabia to illegally move their income out of the country on a massive scale. The bank was able to collect all the funds in the first place because of the high-profile former CIA and US Army characters leading the Nugan Hand branches.

Besides banking services, Michael Hand was allegedly involved in arms sales to South Africa in 1975, or attempts to sell arms (Kwitny, 1987). During that period, the CIA tried to prop up the UNITA forces in Angola after the Portuguese lost control and the civil war escalated (Davis, 1978; Wright, 1997). At the same time, the white Rhodesian government was trying to suppress the two 'terrorist' movements trying to topple the minority rule in their country (Flower, 1987; Stockwell, 1978; Wright, 1997). Finally, as the Nugan Hand staff might suggest, the bank allegedly had strong links with the CIA and moved funds of the agency to several troubled regions. The CIA connection was especially sensitive in Australia where they had funded a campaign that slandered the left wing prime-minister who left office some time later (Chambliss, 1989; Kwitny, 1987).

The relationships between the Nugan Hand Bank and its customers can be divided into several interfaces. Most relationships can be caught under the heading of either *outsourcing* or *reciprocity*, like the relationship between the bank

and the customers trying to evade tax authorities, exchange controls, and the peering eye of the justice department. *Collaboration* between the CIA and Nugan Hand seemed to be present all the time although it was hard to prove this through official Australian investigations and the work of specialized research journalists in the field of organized crime, like Jonathan Kwitny. A situation of *synergy* existed between the illegal activities of Nugan Hand's customers and the offshore banking system. On the other hand, an *antagonistic* interface existed, by definition, between the activities of Nugan Hand (and similar organizations) and the legal economies of the countries from which it facilitated massive capital flight operations. Finally, in a way there was also a *parasitical* or *predatory* interface between the bank and the customers that lost their savings with the collapse of Nugan Hand. As was pointed out with respect to the IOS, these interfaces will often appear over time. As the whole Ponzi-like scheme collapses it turns out that the assumed symbiotic relationship between customer and bank has been or has turned into an antithetical interface – that is, something resembling a predatory interface.

Part of the reason for the huge losses of the bank was the fact that Nugan Hand did not do much banking in the way that most banks do. It did not seriously invest or loan the deposits of its customers and therefore made heavy losses on the payment of interest to customers.

Similar to the Banco Ambrosiano, the Nugan Hand Bank can be seen as an interface in itself. It enabled cross-border tax evasion, money laundering, and capital flight for a range of customers. Through the Nugan Hand Bank, illicit funds were laundered and licit funds were illegally moved across the border. In that way, aside from all mentioned interfaces between particular actors, Nugan Hand functioned as interface by itself.

Bank of Credit and Commerce International

The collection of cases in this chapter started with Bernie Cornfeld and his International Overseas Services (IOS). At the time when Charles Raw, Bruce Page, and Godfrey Hodgson published their book on Cornfeld and IOS, another financial institution was founded that would lead to a crash twenty years later (Raw, Page & Hodgson, 1971). In 1972, Agha Hasan Abedi founded the Bank of Credit and Commerce International (BCCI) with nominal headquarters in Luxembourg. Capital came from the Bank of America and several rich Arabs, and especially from the emirate of Abu Dhabi. Abedi dreamed of creating a genuinely international bank to serve business in the developing world that the big American, European and Japanese institutions neglected (Naylor, 2001). To attain these goals, a rather complicated corporate structure was developed, making use of the many advantages that bank secrecy laws and tax havens had to offer. After 1972, BCCI expanded rapidly, initially helped by the oil boom that was just starting. The bank spread around the world and at its peak operated in

73 countries and employed over 14,000 people of 83 nationalities, although top managers were chiefly of Pakistani origin (Passas, 1993a, 1995).

Besides the purely legal activities of BCCI, it engaged in many activities that were either illegal in themselves or facilitated the illegal operations of others. An impressive list of such activities is given by Naylor (2001:69-71). Among other things, BCCI

“aided capital flight, engaged in bribery. Laundered drug money, assisted quota busting, abetted maritime fraud, facilitated techno-banditry and financed arms trafficking. It helped military dictators and commodity traders loot Nigeria’s oil wealth. It bribed Peruvian central bank officials to get them to deposit the country’s foreign exchange reserves in BCCI. It handled narco-payoffs in Panama. It ran tax evasion schemes for Asians in Britain and exchange control scams for people in India and Pakistan” (Naylor, 2001:71).

Many things about BCCI are still unknown but even the things that are known cannot be briefly summarized in terms of individual interfaces. However, the types of interfaces mentioned in the figure below will not need much explanation. *Synergy*, *co-optation*, *reciprocity*, and *predatory* or *parasitical* behavior can be found within many activities of BCCI. However, some important conclusions should be drawn from this case and the ones before. It is tempting to look at these cases as unique and dramatic incidents which were largely solved by the disappearance of these organizations. As the phrasing above suggests, the examples cannot be seen as mere incidents. As Passas argued about BCCI, they can to some extent be seen as a *Mirror of Global Evils* instead of the ‘source of global evil’ (Passas, 1993a). These global evils show a remarkable durability and return as central themes in accounts of all these scandals as well as attempts to come to grips with the interrelatedness of transnational crime, economic and physical warfare, corporate crime and state crime (Auchlin. & Gaberly, 1990; Block, 1991; Bovenkerk & Yesilgöz, 1998; Bülow, 2003; Henry, 2003; Kwitny, 1987; McCoy, 1972; Naylor, 1987, 1996, 2001; Passas, 1993b, 1995; Pretterebner, 1989; Roth, 2000; Trepp, 1996). If anyone would be tempted to ascribe the interrelatedness to the inconsistencies caused by the Cold War or the pre-neoliberal era, it suffices to point at the startling number of incidents and scandals that continue into the present. Recently, an informative account of this was written by former banker James Henry in *The Blood Bankers: Tales from the Global Underground Economy* (2003).⁴¹ Furthermore, Kochan (2005) as well as

⁴¹ Since then a new scandal broke in Lebanon where the Al-Madina Bank collapsed. This bank was allegedly involved in the laundering of billions of dollars for the Russian mafia, Saudi associations as well as the former Saddam Hussein’s regime and Syria intelligence agency (Gambell & Abdelnour, 2004). Despite numerous newspaper reports on Al-Madina, there is not yet enough credible information available to discuss this bank here as a case study. See also: ‘Lebanese bank chief sues Syria official’ *News Arab World*, Aljazeera

Block and Weaver (2004) have studied some recent scandals at large established US banks during the 1990s.⁴² Besides the criminal nature of the activities of these banks, they were also related to typical transnational ‘organized criminals’ from Russia, Mexico, and elsewhere.

One of the mentioned evils is the network of secrecy jurisdictions and tax havens around the world. This will be discussed in more detail in the next chapter. Here it suffices to point out the importance for the subject at hand. In almost every case study discussed, these havens and secrecy laws were crucial in facilitating the transnational criminal activities. Another evil is political unrest or outright (civil) war causing all kinds of evils by itself. Unrest leads to capital flight and war stimulates both the arms trade as well as illegal markets with which to finance it. The installment of sanctions often makes this situation even worse and more profitable for the actors involved. An account of this is provided by Naylor in his *Economic Warfare: sanctions, embargo busting and their human cost* (2001). The fact that the decisions of public officials in both developing and developed countries are more than incidentally for sale to the highest bidder plays a major role in both banking scandals and arms deals. Finally, the tremendous pool of hot money from drug trafficking, capital flight and other sources that seeks both discretion and profitability is another evil.

The Dutch ‘Coffee shop’

Most of the organizations discussed here have developed relationships with drug traffickers in some way or another. This might be by providing money laundering services, as in the case of Nugan Hand Bank and Banco Ambrosiano, or through direct involvement in drug trafficking operations. However, a specific Dutch phenomenon can be added here; the so-called ‘coffee shop’. This is not just one specific organization, like the ones discussed above, but a type of organization that has thousands of examples in the Netherlands. To understand the relevance of the coffee shop here, the Dutch context needs to be clarified. For years, the Netherlands have maintained a rather unique legal regime for so-called ‘soft-drugs’. Soft-drugs are drugs like cannabis and hashish, as opposed to hard-drugs like cocaine and heroin. Soft-drugs are not only different from hard-drugs because of their less serious impact on users, they are also different legally. MacCoun and Reuter clarify the situation in their comparative study of drug policies and practice (MacCoun & Reuter, 2001:238–264). Dutch law, in compliance with international treaty obligations, states unequivocally that cannabis is illegal. However, since 1976 the Dutch have maintained a formal written policy of non-enforcement for violations of possession or sale of up to 30 grams of cannabis. In 1995, this threshold was lowered to 5 grams in response to

Net, May 19th 2005, <http://english.aljazeera.net/NR/exeres/6F3DA399-F395-4F23-B1DE-6F526BFCE05F.htm> (Visited November 3rd 2005)

⁴² These scandals were also investigated by the US Senate in 1999 and 2001.

domestic and international pressures. Retailers are allowed to maintain a trade stock of 500 grams. However, enforcement against wholesalers and traffickers who surpass the limit is still in place.⁴³

Retailing soft-drugs is for a major part done through the so-called *coffee shops*. However, as a result of the policy described above, the wholesalers who are supplying the coffee shops are left what they are everywhere: criminals who, if caught, will be prosecuted. At the borders, shipments of drugs are regularly intercepted by customs, while local production of drugs (in excess of allowed amounts for personal use) is actively countered. Therefore, in practice these coffee shops function as the interface between the legal and illegal flow of this type of drugs.

The retailers (coffee shops) can be connected with the traffickers in several ways. Depending on the nature of the relationship between the two, the interface can take the form of collaboration, reciprocity or outsourcing. When the coffee shop can be seen primarily as one of the customers of the wholesalers, one could either call this *outsourcing* or *reciprocity*. When the wholesaler and coffee shop are strongly connected, *collaboration* seems to be a more appropriate label. In its most extreme form, wholesaler and retailer are in fact parts of the same organization. In that case, the coffee shop is just the legal part of a criminal organization that covers the whole trajectory from import to retail sale. At least one example of such a combination can be named. In the 1980s, Steve Brown, a Dutch (American born) former student of law headed the so-called *Happy Family* in Amsterdam. The *Happy Family* consisted of a foundation subsidized with public funds and running a chain of relief centers for teenage drop-outs. The relief centers in practice functioned as coffee shops where the use and sale of cannabis was presented as part of the treatment of the problematic youngsters (Van Hout, 1995).⁴⁴ For years, a large organization could grow that combined both the wholesale and the retail level in the cannabis trade. With that, it combined both its legal and illegal side. At the beginning of the 1990s, Brown's empire crumbled and disappeared due to his destructive passion for cocaine, gambling, and women. In 1993, he acted as crown witness in the trial against Martin Hoogland, the convicted murderer of Klaas Bruinsma, usually seen as the most important drug dealer ever in the Netherlands.

⁴³ For an extensive explanation of the Dutch policy see: 'Drugs policy around the world – The Netherlands' *Drug Policy Alliance* <http://www.drugpolicy.org/global/drugpolicyby/westerneurop/thenetherlan> (Visited November 3rd 2005).

⁴⁴ In addition to Van Hout's book, Brown wrote a book about his life himself: Steve Brown (2001) *Steve Brown, Drugsbaron in spijkerbroek* (Elmar, Rijswijk). The Parliamentary Inquiry Committee on Organized Crime in the Netherlands also contains some brief remarks on the *Happy Family* (Fijnaut & Bovenkerk, 1996). In December 1999 an attempt to kill Brown failed. According to the Dutch authorities, another murder attempt was planned in the Summer of 2005 but did not happen. Since then he lives abroad. See: Middelburg, B. & P. Vugts (2005) *Hasjbaas doelwit Angels' Het Parool*, October 29th

The relationship between the coffee shop and its individual customers can be labeled as *reciprocity*. A situation of *synergy* exists between the transnational trafficking of cannabis and several legal actors. By legalizing the retail part of the cannabis trade, the Dutch government has created a source of revenue out of this transnational illegal trade. The coffee shops are accountable for taxes, as are all legal enterprises. Finally, one could even argue that the tourist sector is benefiting from foreigners from neighboring countries that are attracted by the free availability of cannabis. This is especially so in cities located in border regions with Germany and Belgium, like for example Maastricht, Arnhem, and Enschede.

Besides the relationships with a range of potential actors, the coffee shops themselves function as interface between the illicit drug trade and the legal retail of so-called soft-drugs. At the end of this chapter, the coffee shop will be further discussed and used as an example for a particular type of organization that functions as interface.

Noraid

The coffee shop as interface partly finds its inverse form in a totally different organization. Through the coffee shop, a limited number of transnational drug traffickers provide drugs for large numbers of individual customers who can legally buy their drugs. In the case described hereafter, numerous individuals support a legal organization that supports several terrorist organizations.

In 1970, Irish Northern Aid (NORAIID) was established in the United States. It was initially set up to support IRA prisoners. From its foundation until the Good Friday Accords in 1998, Noraid has supported both the IRA and the Provisional IRA with funds (Hachey et al., 1996; Tupman, 1998a, 1998b).⁴⁵ It is often alleged that Noraid also directly supported the (P)IRA with arms, but proof of this allegation, and discussion of this topic, is hard to find in criminological studies. In public, Noraid claims to support only humanitarian causes and it collects funds from ordinary US citizens. However, according to Hachey:

“Throughout the 1970s and early 1980s, courts in the United States and Canada tried a number of Noraid officials for arms offences. Some received suspended sentences others were jailed (...) Noraid was also condemned by the U.S. Bureau of Alcohol, Tobacco and Firearms, which, together with other federal agencies, helped to secure the indictments of people who were transporting guns into Northern Ireland” (Hachey et al., 1996:252).

⁴⁵ It is not fully clear what the role of Noraid has been since 1998 and the discussion here is therefore restricted to the period before 1998.

Considering the history of arms offences, the above mentioned citizens actually supported the terrorist organizations through Noraid, a legal organization.⁴⁶ Since 1986, Noraid has allegedly moved in the direction of a more moderate approach. According to Stack and Hebron “Traditionalists within the Noraid, and Sinn Fein movement in Ireland, did not approve of these developments which led to a split that prompted Michael Flannery, the founder of the Noraid, to resign from that organization” (Stack & Hebron, 1999:64). In 1989, a new organization was founded, the Friends of Irish Freedom, “composed of Noraid dissidents who supported a military approach to Northern Ireland. The Friends stuck to fund-raising and, it appears, some gun running to Northern Ireland” (Stack & Hebron, 1999:64–65). Despite the rift within Noraid, the allegations against this organization keep appearing, whether they are founded or not. According to Anne Applebaum “As recently as 1999, long after the IRA had declared its cease-fire, members of an IRA group connected to an American organization, the Irish Northern Aid Committee (Noraid), were arrested for gun-running in Florida”.⁴⁷

Noraid and similar organizations can thus be understood an interface between individual citizens in the US, or elsewhere, and the terrorist (P)IRA in Northern Ireland. The relationships between the citizens and NORAID and the (P)IRA can be labeled as *funding*. The relationship between Noraid and the (P)IRA can also be described as *outsourcing* to some extent.

Both the (P)IRA and Noraid are part of a broader Republican Movement, together with for example Sinn Fein, the women’s movement, social clubs, Gaelic Sports associations, the Catholic ex-Servicemen’s Association, prisoner’s support organizations and various businesses (Tupman, 1998b). Furthermore, within Ireland and probably abroad, organized crime and parts of the Republican Movement are often intertwined. The purpose of discussing Noraid lies in its role as interface between the general public of supporters and the terrorist elements in the Republican Movement, notably the IRA and PIRA.

The Noraid case of not only particularly interesting from a perspective of interfaces, but also in relation with public policies to fight terrorism. Since 2001, the US government has put pressure on other governments to devise strict policies against terrorism, and the funding thereof. However, some authors have pointed at the lack of US interest in organizations like Noraid, especially before 9/11. According to Lutz “Unlike some other groups supporting dissidents or terrorists in other regions or countries, the US has failed to crack down on organizations with links to the IRA” although this is possible under US law (Lutz, 2004:179). Applebaum pointed at numerous ways in which the IRA and its cause received all kinds of (moral or material) support from Irish groups,

⁴⁶ The official activities of NORAID are described on its website, <http://www.inac.org/ina/contact.html> (Visited August 7th 2005).

⁴⁷ Applebaum, A. (2005) ‘The Discreet Charm of the Terrorist Cause’ *The Washington Post*, August 3rd.

individuals and even Members of Congress in the US.⁴⁸ In his discussion of the US clampdown on terrorist financing, Kochan cites the head of the UK Office of fraud and money laundering who made a likewise argument:

“It (the US prior to 9/11) did little or nothing about the Northern Irish Aid Committee (NORAIID), long suspected by the UK security services and police of providing funding for weapons and bombs to the PIRA – a claim that NORAIID has denied. When the UK unsuccessfully tried to extradite PIRA prison escapees and suspected bombers from the USA they were deemed to be ‘freedom fighters’ and not terrorists...” (cited in Kochan, 2005:242).

The CIA and other intelligence agencies

While discussing the coffee shop phenomenon, the *Happy Family* was briefly mentioned. They were able to develop an organization that controlled both a wholesale and a retail trade in drugs in the Netherlands. Part of the development costs were unintendedly provided by the local government in the form of subventions for youth centers. This meant that public funds were actually used to finance transnational crime for the benefit of a small group of crooks.

The opposite version is told by the often-quoted study of Alfred McCoy, *The Politics of Heroin in Southeast Asia* (1971). In this study, he outlined the role of the CIA in the opium trade in South-East Asia. According to McCoy, the CIA developed close links with the opium growers and their marketers. The CIA provided the opium-growing feudal lords in the mountains of Vietnam, Laos, Cambodia, and Thailand with transportation for their opium via Air America, the CIA airline in Vietnam (Chambliss, 1989). Air America regularly transported bundles of opium from airstrips in Laos, Cambodia, and Burma to Saigon and Hong Kong (Chambliss, 1977:56). The proceeds of these criminal activities were used to fund several covert operations.

In the 1980s, the proceeds of illicit arms sales to Iran were used to finance support for the Contras in Nicaragua which ultimately led to the Iran-Contra scandal (Block, 2000; Williams, 1994). The involvement of the US in Nicaragua was so serious that this country later successfully sued the US for launching attacks and causing substantial damage. Tens of thousands of people died as a direct or indirect result of the US support for the Contras. In November 1986, the International Court in the Hague found the US liable for several clear violations of international law – notably for launching an unprovoked war not justified by any ‘right of self-defense’. The Court suggested that the resulting property damage was on the order of \$17 billion. But the Reagan administration

⁴⁸ Ibid.

declined to appear in court and refused to recognize the judgment (Henry, 2003:196).⁴⁹

At the same time, the Contras and the CIA caused another scandal. It turned out that not only were Contra members heavily involved in the drug trafficking, but the CIA played a crucial facilitating role here. From the very start of the US involvement in the war in Nicaragua, the CIA knew that the Contras were planning to traffic in cocaine in the US (Henry, 2003).⁵⁰ It did nothing to stop the trafficking and, when other government agencies began to probe, the CIA impeded their investigations. When Contra money-raisers were arrested, the agency came to their aid and retrieved their drug money from the police (Cockburn & St. Clair, 1998).

In the first two cases, criminal activities were used to raise funds for state-policies which could not be endorsed overtly and legally. In many cases, the same outlawed goals will be directly funded with public money. This happened in numerous operations all over the world. It would require a study in itself to describe all the cases, but one was already mentioned above. In Angola, the CIA worked side by side with the South African secret service and army to back up UNITA with arms and funds (De Kock, 1998; Wright, 1997). The support was outlawed soon after the civil war started in 1975 but lasted almost continuously until after the South Africans left and the Cold War ended (Matloff, 1997; Tvedten, 1992; Wright, 1997). The support for UNITA consisted of activities which would be called transnational crime or terrorism if they were committed by private persons. It consisted of illicit arms deals, money laundering and, depending on the political point of view of the observer, funding of terrorism or freedom fighters. Even after the end of the Cold War, the US kept funding UNITA. In the fiscal year 1992, \$30 million in covert funding was funneled to UNITA through the CIA (Wright, 1997). From the perspective of the US administration this funding was completely logical as it in fact countered what they perceived as a terrorist threat. In a speech on South Africa by President Reagan, he recalled that:

⁴⁹ With respect to the US intervention in Nicaragua and other places, Noam Chomsky argued that the US policies can be described as terrorism by a definition used by the US Department of Defense: "calculated use of unlawful violence to inculcate fear; intended to coerce or intimidate governments or societies in pursuit of goals that are generally political, religious, or ideological." According to Jenkins, in his study of images of terrorism, the reference to 'international terrorism' by the US is merely a kind of leftwing urban legend (Jenkins, 2003:21). Nevertheless, whether the covert and overt interventions of the US in places like Nicaragua, Angola, or Iraq, should be defined as pre-emptive strikes against terrorist or other evil actors, or as terrorist acts themselves, they have resulted in far more casualties than the terrorism directed against the US in the last two decades (see e.g. Henry, 2003; Naylor, 2001; Wright, 1997).

⁵⁰ As the CIA's inspector general later admitted in 1998, the agency made sure to get a statement from the US Department of Justice in 1982, waiving the CIA's duty to report drug trafficking by any Contra contractors (Henry, 2003:196).

“...there is the calculated terror by elements of the African National Congress: the mining of roads, the bombings of public places, designed to bring about further repression, the imposition of martial law, eventually creating the conditions for racial war (...) the South African government is under no obligation to negotiate the future of the country with any organization that proclaims a goal of creating a Communist State, and uses terrorist tactics to achieve it” (quoted in Crocker, 1992:323).

In the case of Nicaragua, the CIA made itself complicit in the drug trafficking activities of the Contras. Although it did not directly launder the drug trade or its revenues, it did actively oppose law enforcement efforts against this trade. For this reason, this example of CIA involvement in transnational crime cannot be used as an example of the CIA as an ‘interface organization’. Nevertheless, it is relevant to note the co-optation interface that existed during a considerable period between the drug traffickers and the CIA.

Besides these large-scale cases, one will often read about individual cases against drug traffickers or money launderers in South America or the Caribbean which are blocked by the CIA. Often, one of the persons involved turns out to be a CIA agent or the agency fears that a trial will harm its interests in another way. Judging from most of the American and Dutch literature on transnational crime, it seems that the CIA is, or was until recently, the only example of an intelligence agency that often finds itself involved in transnational criminal activities. However, other examples from agencies in Europe and elsewhere can be added to the list. In fact, the only exceptional characteristic of the CIA seems to be that it ends up in the main stream literature at all. Auchlin and Gaberly analyze some cases of large-scale cigarette smuggling in Europe during the 1970s and 1980s. Some of the main characters were allegedly agents of the *Bundesnachrichtendienst*, the German intelligence agency (Auchlin & Gaberly, 1990).⁵¹ Bovenkerk looked at the role of Tito’s secret service in Yugoslavia. He described how this agency facilitated the development of a Serbo-Croatian speaking underworld in Western Europe in the 1970s and 1980s (Bovenkerk, 2003). Numerous examples can be drawn from the history of East Bloc secret services engaged in both smuggling activities and so-called techno-banditry or the illicit gathering of Western technology (Bülow, 2003; Naylor, 2001; Pretterebner, 1989). Besides these specific examples, many can be found in the

⁵¹ Besides the involvement of the intelligence agency, this case is interesting because it sheds light on the long history of large-scale cigarette smuggling in Europe. Most accounts of this type of crime solely focus on the recent history of cigarette smuggling by some large cigarette producers and their criminal allies in the US, Canada, and elsewhere. Rather remarkable is the discussion about many traffickers moving to Switzerland, avoiding the heat in the US. The study by Auchlin and Gaberly shows that Switzerland has been a centre of this trade for at least thirty-five years.

range of publications by Tom Naylor and others (Morstein, 1989; Naylor, 1987, 1993, 2001; Roth, 2000).

In the next section, an analytical model will be developed in which organizations act as interface between legal and illegal actors. It is inspired on the examples discussed in this chapter.

3.2.2 Legitimate organizations as interfaces

The previous sections focused on legitimate organizations as interfaces. These organizations can, under specific circumstances, have a comparable role as individuals. Some examples were discussed in the previous sections. These examples can be drawn from a wide range of legal and illegal economic branches. The legitimate organization as interface role is not connected with specific crimes or branches but with the way the organization is able to take an intermediary position with respect to one or more transnational crimes. The organization is able to have normal relationships with both legal and illegal actors and engage in both legal and illegal activities. What is meant by 'normal' is that these relationships are in a way on the same level. Therefore, when such a legitimate organization is collaborating with drug traffickers it does not mean that the drug traffickers are corrupting the legitimate organization. That is, the relationship should not be seen as primarily one-way. The drug traffickers and the organization do business as they would do if there were no difference in 'legality' between the two.⁵² Often, illegal goods will be laundered, or instead become illegal, through the organization.

In both the legal and illegal domain, the organization is dealing with third parties on the same level. The relationships with these third parties can be described with the interface types from the general typology. Most of the discussed organizations had a diverse range of interfaces in both the legal and illegal domains. On a more abstract level, they are an interface themselves.

The legitimate organization as interface has two variations. First of all, the legitimate organization that can be seen as an extension of a criminal organization or network of organizations or individuals. It is called the 'coffee shop model', inspired by one of the case studies discussed above. The legal organization can be seen here as the beginning or end of a transnational criminal network. The second model concerns the legitimate organization that is fully independent but has multiple links with both legal and illegal actors. It is called the 'Ambrosiano model', inspired by the other example discussed in the previous sections. Both models will be analyzed in the next sections. It has to be stressed that they are

⁵² This does not mean that the illegal character of some transactions or products is not relevant in causing the relationship. Consider the difference between a bank that is offered a certain amount of money from a legitimate source and one from an illegitimate source. Often, the bank will be able to earn an interesting provision for moving and/or laundering the funds with an illegitimate source whereas the legitimate funds will be far less lucrative.

meant as analytical models and not exact illustrations of everyday life. Furthermore, they are only inspired by the case studies, not exact copies.

3.2.3 *The coffee shop model*

The first model consists of legal organizations that can be seen as the end or beginning of a transnational criminal network through which something gets laundered or becomes illegal. Three of the examples discussed in the first section can be understood with this model. A coffee shop can be seen as the end of the trajectory through which cannabis moves from a producer in a source country to the end user in the Netherlands.⁵³ The products are bought from one or a couple of wholesalers and sold to a coffee shop that sells it again to numerous individual consumers. The figure below can be used as a model for the situation described. It shows the basic mechanism, although other variations are possible. The legal organization may be funded from one source (for example a national government) and aim its illicit activities at numerous actors.

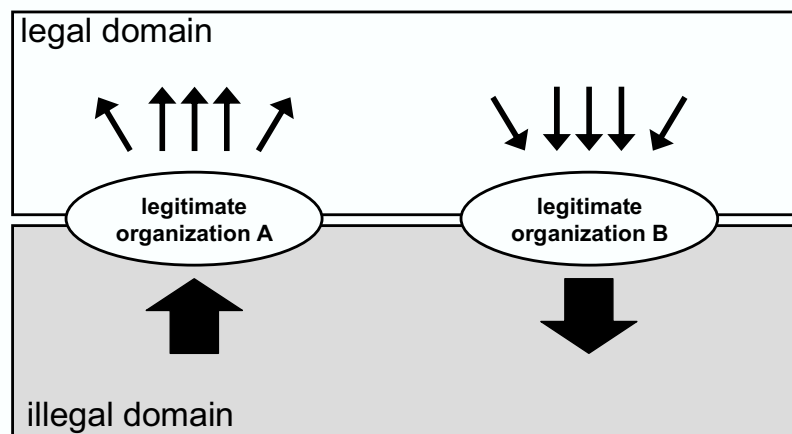


figure 5: legitimate organizations as interfaces: the coffee shop model

The opposite situation was illustrated by the Noraid example. In this case, numerous legitimate sources are aimed at one organization that funnels the money (or part of it) to the terrorist organizations abroad. The increased focus on terrorism since 9/11 has stressed the importance of charities like Noraid that fund, or allegedly fund, all kinds of terrorist organizations.

⁵³ This does not hold for cannabis grown in the Netherlands itself, although the process of laundering is the same. For the Dutch production and trade, see e.g. Bovenkerk (2001).

3.2.4 The Ambrosiano model

This model involves organizations that do not depend on a specific type of transnational crime or a specific branch. The legal organization was set up at some stage to engage in regular (legal) activities and can extract enough revenues from these activities to stay in business or attract enough legitimate goals to be maintained as part of the administrative machinery.

The organization has multiple relationships with all kinds of actors, many of whom may not be involved in transnational crimes. In the figure below, all the different relationships are shown.

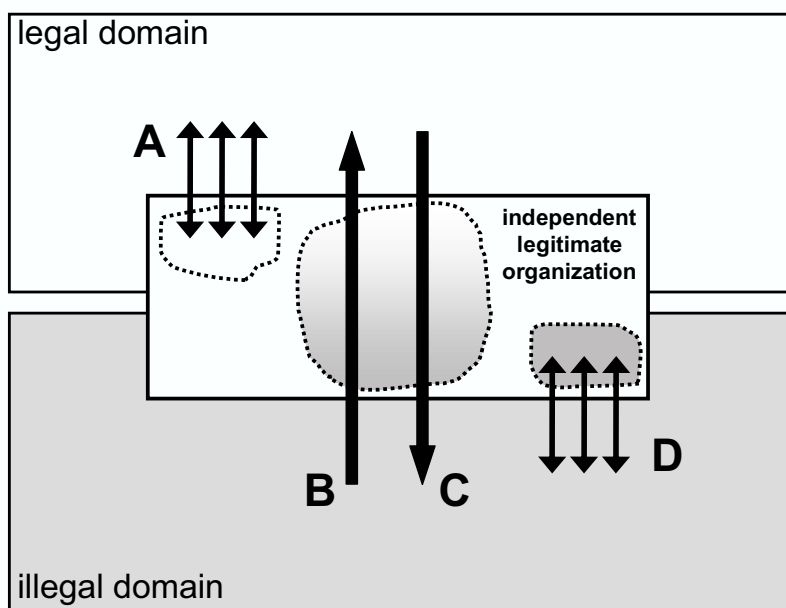


figure 6: legitimate organization as interface: the Ambrosiano model

The arrows next to the A connect legitimate customers with the organization. Together they are engaged in legitimate transactions without any connection to illegal activities. The opposite situation is illustrated by the arrows besides D. Illegal actors are engaged in transactions with the organization without any connection to legal activities or laundering. A legal-illegal interface can be distinguished, but the organization itself does not function as an interface between legal and illegal.

Situations B and C are the ones that are relevant from the perspective of organizations as interfaces. Actors in the legal and illegal domain are connected with each other through the legitimate organization that launders the goods or services involved, or on the contrary 'makes them illegal'. Diamonds may be laundered through one of the twenty-one official auctions worldwide (or

‘cleaned up’ by wholesalers ahead of this auction). The difference with the type of individual dealers that may fall in the other category discussed before is the fact that these auctions do not depend on the trade in conflict diamonds. On the contrary, most of the diamonds will be from legitimate sources and the auction can lack any active knowledge of the inflow of conflict diamonds. Many other examples of laundering can be found with any of the banks that were discussed above. Furthermore, as opposed to laundering activities, funds actually become illegal in many instances. Governments that pay for illegal covert operations through these banks or terrorists who receive funds from legitimate sources use criminalized funds. As a result of the actual laundering or blackening that occurs through the legitimate organization, these organizations can be seen as the embodiment of the legal–illegal interface.

3.2.5 Conclusion section 3.2: legal organizations as interface

In the previous sections, a number of case studies were used to analyze the role of legitimate organizations as interfaces. While discussing these case studies, an important conclusion about the use of the interface typology emerged. The relationship between two actors can be, or be defined, completely different, depending on the point in time or the level of abstraction. Through time, relationships which are initially interpreted as, for example, outsourcing can be interpreted as predatory or parasitical in a later stage. This means that symbiotic interfaces may later (or at the same time depending on one’s perspective) be defined as antithetical. Sometimes this means that the true nature of an interface can only be established at a later point in time and often this means that symbiotic interfaces over time turn into antithetical.

Furthermore, besides the interface between the two actors, a separate interface can be distinguished with numerous third parties or entities. Usually this will involve either synergy or antagonistic interfaces.

The role of legitimate organizations as interface has several variations. The two main types were called the *coffee shop model* and the *Ambrosiano model*. The coffee shop model aims to understand organizations that are part of a network or organization through which transnational criminal activities take place. The legitimate organization is either the beginning or the end of this network or organization. Without the illicit activities, the organization would not or could not exist. This is clearly different from the Ambrosiano model. This model aims at organizations that were established for regular business or government purposes. Somewhere in their existence, these organizations developed into organizations involved in many illegal activities. However, they maintain both their legal status as well as multiple relationships with legal actors engaged in legal activities.

Finally, the overall picture should not be forgotten. Both the legal organizations as well as the individuals discussed in this chapter often rely on the

opportunities offered by the global network of tax havens and the blessings of bank secrecy laws. In the next chapter, these phenomena will be discussed in detail. It will be argued that the legal-illegal interface will often be comprised of an intricate web in which individuals, organizations, and jurisdictions or territories are working together.

