

When criminals hijack a country

Kyrgyzstan, Aruba, Montenegro...



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Whilst leading developed countries are in a perpetual quest for stricter laws and regulations against financial crime, many jurisdictions are facing the risk of being controlled by criminal organisations. Over the past decade, we witnessed several cases where crooks took over financial institutions, but what if the organised crime takes over a whole country?

What if crime takes over an entire country?

The recent political unrest in Kyrgyzstan shows that a fragile democratic system bears the risk of being hijacked by criminal groups. The Kyrgyz Republic is a small central Asian country, situated between China and Kazakhstan. After being for almost a decade an operative base for the American army involved at that time in the Afghan war, the country entered the Eurasian Economic Union in 2015. Following parliamentary elections that took place in early October, the opposition contested the results. The turmoil that followed the vote unveiled some controversial figures behind the political scene of the Central Asian country. Thus, the winning party had some hidden ties with Raimbek Matraimov, which was allegedly involved in several major corruption scandals. The opposition proposed as new prime minister a certain Saydr Japarov, who spend the last seven years in prison or as a fugitive from the Kyrgyz justice. He was convicted to 11.5 years for hostage-taking in 2013 when he kept captive the governor of a province harbouring a major gold-mining project. During his wandering, he stayed for a while in Cyprus, benefiting probably of the Cypriot residence scheme. The protesters took over several prisons and freed amongst others the ex-president Almazbek Atambayev, jailed for corruption.

It is worth mentioning that Kyrgyzstan is a critical region in the global heroin traffic from Afghanistan towards Russian and Western countries, and the organised crime oversees the smuggling.

Amid the political unrest and the fear of a Belarusian scenario, the Kyrgyz underworld started to resurface and to expand. There was a lack of authority of law enforcement agencies that remained responseless due to political power vacuum. Our local intelligence reports show that bandits took over local businesses and imposed a protection tax in regions where the police found itself weakened by the political events. The current president resigned this week leaving the country in a hiatus with Japarov in power with fragile political support.

Kyrgyzstan was one of the pioneers of Bitcoin mining and is also considered tax heaven with meagre taxes, thereby being a fertile ground for all types of schemes of tax evasion, money laundering and terrorism financing.

The scenario of a country being hijacked by organised crime looks very realistic. It would not be the first time in history. Countries like Aruba or Montenegro had similar experiences in the recent past.

"Here we are, protected, free to make our profits without Kefauver, the goddamn Justice Department and the F.B.I. ninety miles away, in partnership with a friendly government. Ninety miles! It's nothing! Just one small step, looking for a man who wants to be President of the United States, and having the cash to make it possible. Michael, we're bigger than U.S. Steel."

Hyman Roth, fictional character from "The Godfather"

Focus: Aruba

Aruba is an island and a constituent country of the Kingdom of the Netherlands situated in the southern Caribbean Sea near Venezuela. At one time during the late 1980s and early 1990s, the small insular jurisdiction was practically owned by one of Sicily's most prominent crime family.

When Sicilian mobsters bought
a country

The Cuntrera and Caruana families are originally from the province of Agrigento and rose to power by controlling the global traffic of cocaine during the 1980s. They established operations in Venezuela, Brazil, Canada and the United Kingdom. The criminal organisation had chosen Aruba as their hub for laundering the proceeds of drug trafficking. Aruba is close to Venezuela, a leading supplier of cocaine at that time, and is subject to the Netherlands thereby facilitating the links with Europe. The families bought properties and businesses massively, thereby controlling at one time most of the economic activity on the island.

Focus: Montenegro

. Montenegro is a small country in the Southern Balkans. The country counts over half a million citizens and since its creation has adopted the Euro as currency.

After its independence in 2006, Montenegro became a safe harbour for criminals from the surrounding countries, but mostly for Russian speaking organised crime. Being chased from Russia by tougher laws, Russian bandits had chosen the small country near the Adriatic sea for its pleasant weather, but also its perspectives. Real estate was booming in the last 2000s and throughout the 2010s, and many crooks invested the monies illegally earned in ex-Soviet countries in modern hotels or casinos.

No man's land

The reshape of the geopolitical equilibrium after the fall of the Berlin Wall left many regions disputed by two or more countries. Those territories are in many cases exposed to military conflicts or military occupation. *De jure* such a region is part of a country, but *de facto* the authority of that country does not have any control over it. Thus, taxes cannot be collected and tax offices cannot control the

When a government loses
control over part of its
country...

economic activities in those regions.

Thus, taxes cannot be collected and tax offices cannot control the economic activities in those regions. Nevertheless, this type of territories are far away from being dried of economic and financial activities. But, the companies registered in those countries are *de facto* not subjected to any control or tax liability. From a tax perspective they are “No man’s lands” or “Terra nullius”. These regions are harbours praised by tax evaders and economic criminals, which use them to avoid governmental controls and the surveillance of law enforcement. Table 1 synthesizes a list of regions fitting the above description.

Territory	Observation
Novorossiia, Donetsk People republic	The Eastern part of Ukraine including the cities of Donetsk and Lugansk, is since 2014 not under the control of the Ukrainian government, It was Ukraine’s main industrial region
Transnistria (aka. Perednistrovia)	The Eastern part of the Republic of Moldova, is occupied by secessionist groups and the 14 th Russian army since 1991 and is not controlled by the Moldavia government. There are more companies registered in Transnistria than in Moldova.
Autonomous republic of Crimea	Crimea was occupied by Russia in 2014 and is now an Autonomous Republic in the Russian Federation. It benefits from massive investment from the Russian governments. It is also a tax-free region.
Srpska Republic	Srpska is a separatist region from Bosnia Herzegovina. It is a region with mainly Serbian ethnics.
South Tajikistan/ North Afghanistan	After the civil war that took place in Tajikistan after the fall of the Soviet Union, the region bordering Afghanistan is not really controlled by Dushanbe, despite not being a separatist region. The territory rich in precious stones and rare metals is controlled by crime lords, involved in drug trafficking and terrorism
Nagorno-Karabakh	Known also as Republic of Artsakh, is a region disputed by Azerbaijan and Armenia. Money laundering is supposed to take place through banks incorporated in Karabakh
Abkhazia	After the Abkhazian war from 1992, the resulting Autonomous republic is not anymore under Georgian Control, but under Russian protections
South Ossetia	After the 2008 unrest, Georgia lost the control over South Ossetia, which entered under Russian “protectorate”
Uzbek enclaves on south Kirgizstan	After the 2010 revolution, an ethnic war started in Southern Kirgizstan between Uzbeks and Kirgiz. The numerous enclaves are not controlled by any government.
Kosovo	The Southern part of Serbia proclaimed its independence after a violent war in 1999. Despite a strong international support Kosovo is controlled in many areas by organized criminal groups

Territory	Observation
Syria/Iraq	The rise of ISIS in 2012 and the Syrian civil war resulted into big regions in Syria and Iraq not controlled by any government and split between various military and terrorist factions.
Northern Cyprus	After the Turkish invasion of Northern Cyprus the region is not recognized internationally. Many fugitives of Turkish or Greek descent hide there from justice
Jammu and Kashmir	The only State in India, with a Muslim majority is disputed with Pakistan and China.
South Mali	Southern region of Mali is controlled by terrorist organisations since 2014
Libya	After the Arab spring, Libya is not controlled by its government , but by few local warlords.
Western Sahara	A country aiming independence from Morocco is not yet fully recognized at international level.
Golden Triangle	It is one of the largest opium-producing areas of the world controlled by a local guerrilla.
Triple Frontier (Argentina, Paraguay , Brazil)	Placed in a hardly accessible landscape, the region is de facto controlled by drug lords and organized crime
Amazonian Jungle	Placed in a hardly accessible Amazonian jungle, the region rich in gold is controlled by gangs extracting illegally precious metals and trafficking drugs

Table 1: List of territory categorized "No man's land" for a tax perspective.

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