



# EU ORGANISED CRIME THREAT ASSESSMENT

## OCTA 2011

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## Acknowledgements

The EU Organised Crime Threat Assessment is the product of systematic analysis of law enforcement information on criminal activities and groups affecting the EU, and is designed to assist strategic decision makers in the prioritisation of organised crime threats. It has been produced by strategic analysts in Europol's Analysis and Knowledge Unit (O2), drawing on extensive contributions from the organisation's analysis work files (AWFs), SCAN Team and external partners to produce an assessment of trends and potential future developments in organised crime. Europol would like to express its gratitude to Member States, third countries and Eurojust for their hard work and for the particularly high quality of submissions this year.

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## Foreword by the Director

*I am pleased to present the 2011 Organised Crime Threat Assessment (OCTA), one of Europol's flagship products and an important report in helping the law enforcement community to understand the evolving threat of organised crime to the EU.*

*This report's key finding is that organised crime is changing, having become more diverse in its activities and impact on society over the last two years. Notable features of this development include greater levels of collaboration between criminal groups, greater mobility in and around the EU, a diversification of illicit activity, and a growing dependence on a dynamic infrastructure, anchored in key locations and facilitated by widespread use of the Internet, in particular.*

*Building on the findings of the 2009 OCTA, this year's report includes findings from three perspectives: criminal commodities, criminal groups, and their geographical areas of operation. It confirms the prevalence of five criminal hubs in the EU, highlighting the particular impact of the South-East hub and the Western Balkans region. In the drugs trade, cocaine poses an increasing threat across the EU, with new supply routes emerging, while in other criminal sectors also, especially in regard to fraud, illegal immigration, and the rapidly growing emergence of the Internet as a key facilitator for criminal activity, the changing face of organised crime carries a big impact on society.*

*Already a key component of the European Criminal Intelligence Model (ECIM), the OCTA takes on added significance since the adoption of Council Conclusions on the creation and implementation of an EU policy cycle for organised and serious international crime. This policy cycle identifies the OCTA as the basis for the identification of EU crime priorities and, thereafter, a coherent EU response to address those priorities.*

*Targeted law enforcement action is needed to tackle the most dangerous criminal groups operating in Europe. I look forward to Europol's involvement in such action and to our continuing cooperation with law enforcement agencies throughout the EU.*

**Rob Wainwright**

**Director of Europol**

## Key Judgments

- Organised crime is changing and becoming **increasingly diverse** in its methods, groups structures, and impact on society. A new criminal landscape is emerging, marked increasingly by highly mobile and flexible groups operating in multiple jurisdictions and criminal sectors, and aided, in particular, by widespread, illicit use of the Internet.
- Criminal groups are increasingly **multi-commodity** and **poly-criminal** in their activities. The best resourced groups, including some Albanian-speaking and Lithuanian groups, have gathered diverse portfolios of criminal business interests, improving their resilience at a time of economic austerity and strengthening their capability to identify and exploit new illicit markets. Activities such as carbon credit fraud, payment card fraud and commodity counterfeiting attract the increasing interest of groups due to lower levels of perceived risk involved.
- More than ever before strong levels of cooperation exist between different organised crime groups, transcending national, ethnic, and business differences. Those trafficking commodities increasingly share loads, spreading risks and costs. An increasingly **collaborative atmosphere** has also intensified the practice of barter, in which illicit commodities are exchanged rather than purchased with cash. This, and a marked tendency for groups to engage in activities such as currency counterfeiting and property crime in order to fund others such as drug trafficking, has made organised crime activities less visible to authorities targeting criminal assets.
- Criminal groups have taken full advantage of developments in commercial and passenger **transport infrastructure**, effectively shortening supply chains by means of container shipments, air freight, light aircraft and the Internet. As a result, routes for illicit commodities destined for the EU are more diverse, prevalent, and dynamic than ever before. Organised crime remains highly responsive to law enforcement control measures, as seen by the relocation of substantial flows of illegal immigrants from Mediterranean maritime routes to Greece's border with Turkey.
- The **knowing cooperation of specialists** in the transport, financial, real estate, legal and pharmaceutical sectors is a notable facilitating factor for organised crime. In the current economic climate businesses, particularly in sectors capable of providing support for commodity trafficking or money laundering, have become more vulnerable to corruptive influence.
- Meanwhile, in more general terms, the ongoing effects of the **global economic crisis** have brought EU citizens into closer proximity with organised crime. Financial constraints have made communities more tolerant of illicit commodities, especially counterfeit goods, and individuals more likely to be recruited by criminal groups, for example for cannabis cultivation or as drug couriers or money 'mules'. Taking into consideration also reports of financial constraints on law enforcement, the crisis presents a clear threat in societal and policing terms.
- Within individual criminal sectors the **market for illicit drugs is particularly dynamic**, with fluctuating prices and purity levels for cocaine and heroin, along with shortages of synthetic precursors, prompting the emergence of 'legal highs' and other substitutes. In addition, drug markets in the EU and those of neighbouring regions are increasingly interconnected. Increased heroin consumption in the Western Balkans, cocaine consumption in the Former Soviet Union, and further expansion in synthetic drug production in the Middle East, for example, all affect market conditions for drug trafficking and production in the EU. Meanwhile diversification of the cocaine trade has seen a proliferation of new routes to the EU, including through parts of Africa where possible links between drug traffickers and terrorist groups have been identified.

- **Internet technology** has now emerged as a key facilitator for the vast majority of offline organised crime activity. In addition to the high-tech crimes of cybercrime, payment card fraud, the distribution of child abuse material, and audio visual piracy, extensive use of the Internet now underpins illicit drug synthesis, extraction and distribution, the recruitment and marketing of victims of trafficking in human beings (THB), the facilitation of illegal immigration, the supply of counterfeit commodities, trafficking in endangered species, and many other criminal activities. It is also widely used as a secure communication and money laundering tool by criminal groups.
- In geographical terms the most prominent organised crime activities in the EU are underpinned by a logistical architecture located around five key hubs (*see Annex for further details*). The **North West** hub retains its role as the principal coordination centre for drug distribution, due to its proximity to highly profitable destination markets, its well developed commercial and transport infrastructure, and its production capacity. The **North East** hub remains a focus for transit of illicit commodities to and from the Former Soviet Union and a base for violent poly-criminal groups with international reach. The leading role of the **South West** hub in cocaine and cannabis resin transit and distribution persists despite eastward shifts in some trafficking routes, and it currently serves also as a transit zone for victims of THB for sexual exploitation. The **Southern** hub continues to be prominent in criminal entrepreneurship, as a centre for counterfeit currency and commodities, a transit zone for victims of THB and illegal immigrants, and a base for some of the best resourced criminal groups in Europe.
- Of all the hubs the **South East** has seen the greatest expansion in recent years, as a result of increased trafficking via the Black Sea, proliferation of numerous Balkan routes for illicit commodities to and from the EU, and a significant increase in illegal immigration via Greece. These developments in the region have contributed to the formation of a **Balkan axis** for trafficking to the EU, consisting of the Western Balkans and South East Europe. New transit hubs are in the process of being formed in countries such as Hungary, where several Balkan and Black Sea routes converge. Albanian speaking, Turkish and Former Soviet Union criminal groups are seeking to expand their interests in the EU, and may exploit opportunities in the possible accession of Bulgaria and Romania to the Schengen Zone, and recent and prospective EU visa exemptions for Western Balkan states, the Ukraine and Moldova.

## Organised Crime in the EU

### Drugs

- **Diversification – increasing poly-drug distribution, and a plethora of new routes**
- **Container shipments a prominent transport method**
- **Expansion of the Western Balkans as a transit and logistical hub**
- **South East Europe at the convergence of Balkan and Black Sea routes**
- **North West hub remains a key EU distribution centre**
- **Possible links between cocaine trafficking and terrorist activity**
- **Emergence of 65 new synthetic drugs in the last two years**
- **Prominence of West African, Albanian speaking and Lithuanian groups, and Outlaw Motorcycle Gangs (OMCGs) in poly-drug trafficking and distribution**

Drug trafficking to and within the EU is increasingly controlled by groups dealing in more than one drug to maximise profits. This has been the case for Western Balkan and West African groups for some time. Evidence has emerged of others also now diversifying their activities, for example Vietnamese groups from cannabis to heroin and synthetics. Some groups enter into other criminal activities in order to finance their drug trafficking operations, for example by producing counterfeit euros, which are then used to pay for cocaine, and selling stolen vehicles in one part of the EU in order to pay for heroin in another. **Diversification** ensures greater resilience to fluctuations in supply and demand, as in the case of synthetic drug distributors who engage in property crime during a shortage in supply.

Economics also drive transnational movements. Cocaine is destined particularly for the countries of Northern Europe, where retail prices are at their highest; cannabis cultivated in some Member States is trafficked to others in which a larger profit can be made. In the field of synthetic drugs, a certain amount of amphetamine production has been outsourced from the Baltic States to the Russian Federation, thereby benefiting from both cheaper manufacturing costs and profit made at the point of distribution in the Nordic countries. By this token, a mechanism for monitoring street and wholesale prices for illicit drugs in real time would enable the proactive identification of changes in transnational trafficking routes.

Groups involved in drug trafficking to the EU cooperate with one another, sharing loads to spread both risk and costs, and with groups engaged in other activities in order to facilitate activity and to maximise profits. Cocaine is supplied to groups engaged in Trafficking in Human Beings (THB) for sexual exploitation to ensure victim compliance, while stolen vehicles are used to transport and distribute cannabis. **Enhanced cooperation levels** have also given rise to a **barter market**, in which consignments of drugs and their precursors are exchanged for stolen property, firearms and, indeed, other drugs, intensifying an informal economy which makes organised crime even less visible. The prominence of cash couriers as a means of remitting proceeds is likely also to reflect attempts at evading digital surveillance and financial transfer thresholds. Some drug trafficking networks handle their proceeds as an illicit commodity, stockpiling cash for gradual investment, concealing cash in vehicles, and using fast launches to conduct financial transfers, while others rent out their cash couriers to other criminal groups, thereby formalising this part of the criminal business process.



In addition, while well resourced groups continue to invest in legitimate business to facilitate their trafficking operations, such as import/export, freight and passenger transport, vehicle rental and telecoms companies, there are indications of a higher level of complicity of **external specialists** providing, for example, maritime, pharmaceutical, mechanical, legal and financial expertise, perhaps facilitated by economic vulnerability in wider society. These developments suggest that the pursuit of profit during a period of relative austerity and the development of increased opportunity for diversification have yielded greater levels of flexibility in drug trafficking groups and their methods of operating.

In terms of transport methods, **container shipments** are prominent in the trafficking of cocaine, heroin, cannabis and synthetic drug precursors destined for the EU. The planned expansion of container ports close to the EU, for example at Tangier (Morocco) and Port Said (Egypt), will provide further opportunities for sea freight trafficking.

The **misuse of technology** continues to facilitate the trafficking and concealment of illicit drugs in the EU. In addition to the use of Internet technologies for communication and distribution (for which see below), raw materials, equipment and expertise are increasingly sourced on the Web, while emerging applications include remote monitoring of production and storage sites. In addition, the availability of devices using location based technology has resulted in a new *modus operandi* for drug collection in destination markets, namely retrieval from caches using GPS and online maps.

While the most visible or prominent groups have an ethnic basis, there is a parallel trend for more **multi-national groups**. This is especially the case where extended routes require management of operations on different continents. Even groups traditionally regarded as the most ethnically cohesive are incorporating 'outsiders' in order to improve their effectiveness in EU markets. Increasingly EU citizens are being used by non-EU OC groups to courier heroin and cocaine, in an attempt to evade law enforcement measures based on nationality or ethnic appearance. Interception strategies will need to evolve in response. Across the EU, the use of members of Roma communities for low level drug distribution is on the rise.

## **Heroin**

While the majority of illicit heroin entering the EU continues to be sourced from Afghanistan via Turkey and the Balkans, the increasing proliferation of direct transport and commercial links between source and distribution countries has facilitated unprecedented diversification of routes and trafficking methods.

Recent years have seen the further development of the **Black Sea Route** via Iran, Azerbaijan, Georgia and Ukraine to Romania and the Baltic and Nordic countries. Other notable developments include an increasing prevalence of maritime shipments from Iranian and Pakistani ports to the Mediterranean, and the use of commercial and freight air links between Pakistan, Iran, India and EU airports, by means of direct flights or stopovers in West and East Africa. Nordic countries, in particular, are targeted by West African networks trafficking by air courier, often organised from Istanbul. Accordingly, West African and West Asian nationals are increasingly involved in heroin distribution within the EU. Iranian, Iraqi and Pakistani groups are likely to become more prominent in trafficking to the EU, on the basis of the recent identification of Iraq as a source country for heroin, trafficking to the South West criminal hub and destination markets by Pakistani groups, and the increasing prominence of Iranian groups as brokers between Afghan producers and Turkish organised crime groups.

**The Balkan routes** exhibit a high degree of diversity and flexibility: heroin consignments cross the Adriatic after transiting Greece, proceed via Bulgaria and Romania through central Europe or enter the Western Balkans, which have been a key trans-shipment area for many years. Albania, the former Yugoslav Republic of Macedonia and the Kosovo region, in particular, are important locations for storage and repackaging. The **Kosovo region** is also a base for Albanian speaking groups active in trafficking to the EU. Acetic anhydride, destined for production areas, also transits the region. Because of its location at the convergence of the Balkan and Black Sea routes, Hungary has emerged as a trans-shipment point for both heroin and its precursors.

**Turkish and Albanian-speaking criminal groups** remain the most prominent in trafficking heroin to and within the EU. Turkish groups have established heroin stockpiles in the Western



Balkans, from which local groups are in charge of further distribution. In addition, the growing prevalence of **West African groups** should not be underestimated, with evidence of close cooperation with groups established in source areas and EU criminal hubs.

### *EU Centres of Activity*

Within the EU the **North West criminal hub** retains its role as the principal distribution centre for heroin, thanks to its proximity to destination markets, its well developed commercial and transport infrastructure, and its long-established Turkish diaspora community. In addition to Turkish groups, criminals of Dutch and Moroccan origin are prominent in heroin distribution in the region. Of note, Turkish groups exchange heroin imports for synthetic drugs – particularly ecstasy - produced in the North West hub, for trafficking to Turkey. Recently, Belgium has emerged as a secondary distribution point.

Throughout the EU there is evidence of a dynamic relationship between criminal hubs and heroin routes. **Italy** remains a key location because of its sea borders, air and maritime transport infrastructure, user base and concentration of criminal groups. The proximity of the **North East hub** to Russian Federation heroin markets and cooperation between Lithuanian and Albanian speaking groups facilitates trafficking from Central Asia to Western Europe, while in **Spain** Pakistani traffickers exploit the transport and commercial links of diaspora communities, in effect shortening trafficking routes by bypassing the traditionally dominant Turkish groups. In this last instance heroin has transited Spain en route to the North West criminal hub, illustrating the impact of developments in legitimate logistics on routes for illicit commodities. Moreover, indications of Turkish organised crime activity in Morocco may point to a greater role for the **South West hub** in heroin trafficking in the future.

Transportation of heroin is often paid for with the commodity itself, creating local markets in countries on trafficking routes. Because heroin commands a higher price in destination markets and large redistribution centres, the smaller amounts distributed en route are often highly adulterated. In this context, emerging illicit markets for **heroin substitutes** such as Fentanyl, Subutex and 'black heroin', made from Subutex and methadone, may expand in those areas where heroin is of comparatively low purity.

### **Cocaine**

Cocaine reaches EU markets in a variety of ways. Trafficking groups adjust their operations in response to law enforcement measures and new opportunities afforded by developments in commercial logistics and transport infrastructure. While **Spain and Portugal** remain the principal EU entry points, cocaine is increasingly reaching destination markets directly by container shipment and air freight, and via the **Balkan Routes** into South East Europe.

Trafficking towards the Iberian Peninsula is dominated by the route from Colombia to Galicia, with Portugal another important, though less significant, entry point. However, reported reductions in maritime seizures in this region in the last two years are an indication of the extent to which trafficking patterns have changed. Transport to the South West criminal hub is conducted also by air freight, non-commercial light aircraft, passenger courier and the postal service. Spain remains an important storage and secondary distribution centre for the EU market, while Moroccan groups retain a key role in trafficking from **West Africa**, using the North African route established for cannabis resin. Colombian groups continue to play a key role in supplying EU groups including the 'Ndrangheta in Italy, while intelligence indicates that proceeds from cocaine trafficking to the EU finance the activities of the **Revolutionary Armed Forces of Colombia (FARC)**.

A notable development is the reported increase in cocaine trafficking from **Mexico** to the South West hub. This may indicate a new trend of potential significance for the EU, in light of the dominance of Mexican groups in the illicit drugs market in the Americas and the levels of violence attached to their activities. For the moment, however, the intelligence picture is not clear. In addition, the involvement of criminals from the Dominican Republic in trafficking to the EU is increasing. Like their Mexican counterparts they are responsible for high levels of inter-group violence. They are already established in mainland Spain and the Canaries. The Dominican Republic's current role as a transit point for cocaine and the increasing prominence

of its nationals amongst couriers at EU airports may be a result, partly, of law enforcement attention towards, for example, the former Dutch colonies.

### *Diversification of Routes*

A reduction in cocaine trafficked from West Africa to the South West criminal hub has been accompanied by an increase to other parts of the EU via North Africa and the Balkan Routes. Evidence of trafficking via Mali and Libya, and the involvement of West African groups in trafficking via Turkey, suggests that cocaine is being routed via parts of the Sahel region, possibly controlled by terrorist cells linked to **Al Qaeda in the Islamic Maghreb (AQIM)** or rebel groups. This, and the reported establishment of links between Latin American groups active in West Africa and AQIM, Hezbollah and national liberation forces in the region, raises the possibility that cocaine trafficking to the EU is a source of funding for some terrorist groups.

**Criminals of West African origin** have assumed a prominent role in the organisation of cocaine trafficking to the EU by air courier. The recruitment by West African groups of EU nationals to act as couriers from Latin America is a notable trend, especially in Eastern Europe: accordingly, fewer couriers of West African origin have been identified at EU airports. This *modus operandi* is most likely to have been established in an attempt to evade law enforcement, likewise the observed practice of recruiting females. At the same time, developments in air transport infrastructure continue to shorten routes, enabling cocaine to be brought directly to airports close to destination markets.

Meanwhile an expansion in trafficking to EU ports by **maritime container** has also been widely observed. Notable *modi operandi* include concealment in exotic fruit shipments and neutralisation in other materials or solutions, such as coffee, wine, polyester resin and textiles. As concealment techniques become more sophisticated, there is an increasing need for **conversion laboratories** in the EU: this and evidence of cocaine production from coca base are chemical and environmental hazards for EU citizens.

An increasing amount of cocaine from Latin America enters the EU via the **Western Balkans** and **South East Europe**: large shipments have arrived at ports on the Adriatic and Black Sea. The liberalisation of trade in the region and the presence of established transnational criminal networks have facilitated this expansion. Equally, criminals from the Western Balkans have established operational bases in Latin America, maximizing their profits by sourcing cocaine directly from producers. Within South East Europe, Bulgaria now serves as a transit point for maritime shipments from Latin America, trafficking from West Africa via Turkey and the Balkan Routes, and cocaine destined for Italian criminal groups. The control by street gangs of drugs markets in some parts of this region is a concern to authorities, in as much as their affiliation to Latin American gangs may afford them privileged access to cocaine.

Black Sea ports including Odessa, Constanta and Varna have also been identified as points of transit or entry for cocaine from Latin America, and Moldova is reported to be an important location for storage and further processing. Intelligence indicates that Russian speaking individuals resident in Latin America are facilitating and organising the trafficking of cocaine to the EU and the Russian Federation. EU citizens are also recruited as couriers by **Russian criminal groups**. Georgian groups are also involved in importing cocaine from South America to the Russian Federation and the Caucasus. Consignments destined for the EU market travel overland via Turkey to Greece, with criminal proceeds returned by the same route.

Criminals in the **North East hub** are active in cocaine trafficking, despite a lack of substantial local demand. In this region, in particular, the EU currently serves as a transit point for supply to the Russian Federation, with Lithuanian groups engaged in trafficking from Latin America via West Africa and the South West and North West hubs. While cheaper synthetic stimulants are currently more popular in the Baltic States, a greater availability of cocaine in the future may lead to a reduction in price and increased consumption.

### *A Dynamic Market*

Price and purity changes in the EU reflect altered routes and the evolution of markets. Reported shortages of high purity cocaine in Western Europe, attributed by some to law enforcement intervention in Latin America and West Africa, have resulted not only in **higher wholesale prices** but also in **higher levels of adulteration** with agents which may be harmful to users. In Eastern Europe, meanwhile, a drop in purity levels has driven consumers back towards synthetic

stimulants, in turn reducing the price of cocaine. Because the bulk of the drug passing through this area is intended for other markets, the smaller local supply is likely to be heavily adulterated to maximise profits. In light of burgeoning consumer markets in the Former Soviet Union, however, increased traffic may lead both to an improvement in quality and to an expansion in the cocaine market in transit countries.

The **North West hub** retains a principal role in the distribution of cocaine to EU markets. Cocaine is stockpiled here, and transits the hub en route to the UK, France, Germany, the Nordic countries, Italy, Spain, Hungary, Romania, and the Russian Federation. In itself this is evidence of the variety of routes used, and the dynamic relationship between organised crime networks and criminal hubs: while cocaine increasingly enters the EU via the Balkan axis, supply for Albanian speaking groups in Southern and South East Europe is also sourced from the Netherlands. This, in turn, suggests that drug trafficking behaviours are determined by a combination of network capability, criminal logistics and infrastructure.

### ***Synthetic Drugs***

The supply of synthetic drugs in the EU is highly responsive to consumer demand and the availability of other illicit drugs, particularly cocaine. In addition, the possibility of production close to consumer markets makes this activity highly cost efficient. Synthetic drug production is reliant on the cooperation of specialists, particularly in the fields of organic synthesis and retail pharmacy. Notably, there are indications that the services of some chemists may be shared between organised crime groups, on a transnational basis, thus creating a **specialist support industry** for organised crime.

**Ecstasy** (MDMA and related analogues) in the EU is sourced almost exclusively from The Netherlands and Belgium, and continues to be exchanged with heroin in the Western Balkans and Turkey and cocaine supplied by Latin American groups.

There has been a significant reduction in ecstasy production in the last two years. This is attributed to a shortage of the precursor PMK, perhaps as a result of recent control measures in China concerning its production, trade, and export. In turn this has prompted increased interest by organised crime groups in Safrole or Sassafras oil, which can be used to produce PMK (or MDMA directly), as demonstrated by a number of seizures in the North West and North East criminal hubs and West Africa. In addition MMDMG, a non-controlled precursor for PMK, has recently been found at production facilities, and is evidently being used by criminal groups to bypass international precursor legislation. While levels of ecstasy production and trafficking are expected to increase, they are unlikely to reach the levels seen in the middle of the last decade for a number of years.

There is a dynamic relationship between the reduction in ecstasy production and the emergence of so-called '**designer drugs**' and '**legal highs**'. In some parts of the EU, consumption of ecstasy has been substituted by that of mCPP, BZP, methylone, mephedrone, 4-fluoramphetamine and others, often retailed as ecstasy-style tablets. A total of 24 new synthetic psychoactive substances were reported to the European early warning system in 2009, and 41 in 2010<sup>1</sup>. The rate at which these enter the market, often by **Internet retail**, presents a considerable challenge to legislators. In those Member States in which prohibitive legislation has been introduced, supply from countries without controls, especially China and India, and Internet sales, feed illicit markets.

The identification in the EU of facilities for producing tablets of substances such as mephedrone points to the involvement of **organised crime groups** in their distribution, as do stockpiles in neighbouring countries. Intelligence also indicates that criminal groups are involved in the distribution of 'Spice', herbal mixtures often infused with synthetic cannabinoids. In light of the readiness of groups to exploit gaps in drug control legislation, and the speed with which markets develop for non-prohibited analogues for illicit drugs, criminal interest in new psychoactive substances is likely to grow.

The production of **amphetamine** in the EU appears to be increasing, possibly as a result of the limited availability of ecstasy. In countries with high cocaine prices amphetamine is increasingly in demand as a cheaper alternative. Large scale production has expanded beyond traditional locations in the North West hub, particularly in **Poland and the Baltic States**.

Demand in the Middle East has resulted in the **Balkan Routes** being used to traffic amphetamine produced in the North West hub, which is often exchanged for heroin. The involvement of criminals of Turkish origin in this is an emerging trend. In addition, the role of **Bulgarian criminal groups** in large-scale amphetamine production for the Middle East has increased. Production facilities have also been established in the Western Balkans, the Near East (including Turkey and Lebanon) and the Caucasus, with EU nationals recruited as managers in some cases. Should this capacity grow, the role of the North West hub in supplying these markets may diminish.

There are indications that cheaper manufacturing costs have driven some amphetamine production from the Baltic States to the Russian Federation. Until recently, the Russian Federation was the EU's most important source country for the precursor BMK. Despite the introduction of control measures and the closure of several large factories in the Russian Federation, BMK continues to reach EU production sites, either in a non-controlled powdered form or from other source countries including China.

There has been a notable increase in the production of **methamphetamine**. Prevalence is concentrated in the **Nordic and Baltic regions**, with consumption replacing that of amphetamine in places; production has been identified in countries including Lithuania, the Czech Republic and the Slovak Republic, and is reported to be in preparation in Poland. While the Lithuanian variant is synthesised from BMK, Czech methamphetamine has ephedrine and pseudoephedrine as precursors. Ephedrine in industrial quantities is diverted within the EU or obtained from regions such as the Former Soviet Union and the Western Balkans. Pseudoephedrine, meanwhile, is extracted from pharmaceutical products freely available without prescription in a number of Member States. In the absence of harmonised controls, synthetic drug producers from Member States in which sales of this medication are restricted travel to neighbouring countries in order to source supply. Meanwhile the misuse of medical preparations in methamphetamine synthesis has resulted in an increase in their sale and manufacture.

Perhaps because of the ease with which precursors can be obtained and synthesised, indigenous criminal groups have less defined structures than those involved in trafficking other illicit drugs: in contrast, Vietnamese criminal groups and those from the Former Yugoslavia involved in methamphetamine production are more hierarchical in nature. Should demand for methamphetamine continue to expand relative to other stimulants, a trend for larger, static production facilities and increased import of pure ephedrine is likely.

Of particular concern is the reported production in the Czech Republic of **crystal methamphetamine** by an organised crime group from the Western Balkans. While this may be an isolated instance of one group testing the market, the considerable social harms attached to the consumption of this illicit commodity, as recorded in large scale in the United States and elsewhere, and the established distribution channels for Czech methamphetamine in neighbouring countries, make this a worrying development, requiring proactive monitoring<sup>2</sup>.

With regard to **anaesthetics** there is evidence of continued transnational ketamine trafficking, but the EU market remains relatively small. Since its primary use is in veterinary medicine, its diversion is believed to be facilitated by the cooperation of legitimate business structures (LBS) in the veterinary and pharmaceutical sectors.

A number of Member States report an increase in the popularity of gamma-hydroxybutyric acid (GHB), synthesised from the non-prohibited substance GBL. As for other synthetic drugs, limited availability of ecstasy is cited as a possible reason for greater GHB consumption.

The **North West criminal hub** retains a considerable capacity for synthetic drug production. In addition to indigenous criminals, Chinese organised crime groups in the Netherlands facilitate the supply of synthetic drugs to other parts of the EU via Chinese communities in destination markets. Emerging trends include a greater prominence of suspects of Moroccan origin in production and distribution, and the sourcing of precursor chemicals in the South West hub, perhaps as a result of enforcement measures in The Netherlands and Belgium.

**Lithuanian groups** play an important role in the trafficking of synthetic drugs to the Russian Federation, Scandinavia and the Baltic States. **In the North East hub** and the Nordic countries, Lithuanian groups have strengthened their role in the supply of amphetamine, methamphetamine and ecstasy-type stimulants. In return for trafficking BMK to the North West hub, some Lithuanian groups receive half of the amphetamine produced. Methamphetamine production also has been established in the Baltic States.



## ***Cannabis***

Large scale domestic cultivation of **herbal cannabis** continues to increase in the EU. Indoor cultivation is mostly apparent in Northern and Eastern Europe, with the North West criminal hub continuing to play an important role in production, storage and packaging: from The Netherlands cannabis is distributed to destinations including the UK, France, the Nordic countries, the Baltic States and the Russian Federation. Cultivation by Dutch organised crime groups has spilled over into neighbouring countries such as Belgium and Germany. Possible reasons for this are lower running costs and increased activity by Dutch law enforcement authorities.

Specialist expertise from the **North West hub** is exported throughout Europe. Dutch grow shops are important facilitators, not only for seeds, equipment and technical knowledge but also for financing, often in return for a share of the crop. In some countries this has resulted in the establishment of groups of mixed Dutch and local nationalities. Seeds, equipment and information are also increasingly sourced on **the Internet**, providing law enforcement with an opportunity to track seed consignments to locations of potential cultivation.

Elsewhere, **Vietnamese groups** are prominent in the indoor cultivation of cannabis, particularly in the UK, Ireland, the Czech Republic, the Slovak Republic and Poland. Traditionally hierarchical in structure, these have expanded to incorporate specialist roles for electricians, plumbers and the management of cultivation facilities. Gardeners tending to the cannabis are often illegal migrants working to pay off their transportation fees.

Cannabis cultivated in one Member State is often trafficked to others where it commands a higher retail price. In countries in which locally cultivated cannabis retails at a lower price than Dutch Nederwiet, a buoyant market is likely to prompt further expansion of indoor cultivation. In general, continued market demand for cannabis with a high THC content and the prospect of high crop yield will ensure that indoor cultivation of herbal cannabis remains a feature of illicit drug activity in the EU.

In **South East Europe** and the **Western Balkans** both indoor and outdoor cultivation have been observed. Albanian-speaking criminal groups play a significant role in supplying South East Europe: cannabis grown in Albania and the Kosovo region is distributed in Greece, Italy, Slovenia, Hungary, and also trafficked to Turkey, where it is exchanged for heroin. Within the South East criminal hub there is an emerging trend for outdoor cultivation by elderly citizens, whose harvest is then purchased by criminal groups engaged in polydrug distribution. As in the case of illegal migrants and individuals compromised by the economic crisis, domestic cannabis cultivation brings vulnerable groups in society into greater proximity with organised crime.

Exploitation of the **real estate sector** is essential to cannabis cultivation: property rental agencies and holiday parks facilitate this activity, either knowingly or unknowingly, while false documents are used to conduct mortgage fraud in the purchase of premises. In addition to specialist electrical expertise, publicly available communications technology is increasingly used to monitor crops.

Herbal cannabis for the EU market is also sourced from West and South Africa, Asia and the Middle East (including Afghanistan, Pakistan, Thailand and Oman) and the Americas, for the most part transported by maritime container. Locations in the South West criminal hub are storage and redistribution points for traffic to the rest of the EU.

The majority of **cannabis resin** consumed in the EU still comes from **Morocco**, and the **South West criminal hub** retains an important role in its trafficking to destination markets: Spain and Portugal are the main entry points, and both Moroccan and EU criminals including Dutch and British groups coordinate its onward distribution to the North West hub, Germany, the UK, Italy and the Nordic countries. The **North West hub** also acts as a secondary distribution and storage centre, serving markets in the UK, Italy, France, Germany and the Nordic countries, where retail is often controlled by criminal groups of Moroccan origin.

Just as Spanish law enforcement activity has, to some extent, displaced Spanish landing points from Andalusia to locations on the Mediterranean and Atlantic coasts, so too the methods of trafficking have become more diverse. Increasingly Moroccan resin reaches destination countries by **maritime container**, bypassing the South West hub. In addition, increased use of light aircraft has been observed from Morocco to the Iberian Peninsula. Continued law

enforcement activity on the coast of Southern Spain is likely to result in further trafficking by means of both these alternatives. Resin may also be exported via other Northern African countries, particularly those with existing routes for illicit trafficking and organised crime groups active, for example, in the field of illegal migration.

Cannabis from Afghanistan, Pakistan and India is already entering the EU via the **Balkan Routes** and is becoming more prevalent. Should the downward trend in Moroccan cannabis cultivation persist, supply from these countries may become more important.

At the same time, it is possible that domestic cultivation of herbal cannabis will weaken market demand for non-EU resin. Criminal groups known to supply both forms, such as **Outlaw Motorcycle Gangs** (OMCGs) cultivating and distributing cannabis in Northern Europe, and some **Lithuanian groups**, will ultimately have the opportunity to influence this dynamic based on their own cost/benefit analysis.

### **Qat**

The presence of qat (the leaves and shoots of the plant *catha edulis*) in the EU reflects the establishment of Somali diaspora communities, particularly in North West Europe and the Nordic countries. Given the current distribution of Somali communities in the EU, the **North West criminal hub** plays an important role in storage and supply. Qat is transported mainly by air in passenger luggage. A current absence of controls in some Member States facilitates its supply to others.

Demand for qat has prompted the establishment of Somali organised crime groups in the EU, within clan-based structures. Intelligence connecting these groups to the **Al-Shabaab movement** raises the possibility that qat trafficking to the EU is a source of funding for terrorist activity, especially in cases where proceeds are remitted to Somalia. Somali organised crime groups currently cooperate with their EU counterparts in the movement of criminal proceeds.

The EU market for qat is likely to further develop in line with Somali migration patterns. Given that it shares an active ingredient, cathinone, with amphetamine, individuals outside diaspora communities may become consumers, particularly in those countries where it is not subject to controls. Whilst the high rate of decay of qat leaves may encourage cultivation for private use within the EU, the length of time required for a plant to provide a profitable yield is likely to hinder wholesale cultivation by organised crime groups.

### **The Balkan Axis**

The **Western** Balkan region is a hub for drug trafficking to and from the EU. Heroin from Turkey and cocaine from Latin America are stockpiled here before being transported to the EU, and cannabis for EU consumption is cultivated in the region. Acetic anhydride and synthetic drugs from the EU travel in the opposite direction by the same route.

The continued prominence of the Western Balkans in **heroin trafficking**, despite the existence of more direct routes through South East Europe and, indeed, the fact that traffic must leave the EU in order to enter these countries, points to the existence of substantial criminal logistics in the region. By way of example, **container shipments of cocaine** transit the South West, North West and Southern criminal hubs, are subsequently offloaded in Montenegrin ports, and are then routed back to distribution markets in the EU. Multinational criminal groups assembled on the basis of ethnicity are concentrated in the Kosovo region, the former Yugoslav Republic of Macedonia and Albania in particular. There has been a notable increase in the involvement in heroin and cocaine trafficking of citizens of the former Yugoslav Republic of Macedonia.

With the **South East criminal hub** the Western Balkans forms a larger **Balkan axis** across which a variety of illicit commodities are trafficked. The convergence of numerous routes from the Balkan and Black Sea regions has created a bottleneck to the North and West, and consequently **Hungary** is emerging as a repackaging and transit zone for both heroin and cocaine. Any further expansion of illicit drug trafficking via these routes is likely to result in a greater concentration of criminal logistics in Hungary.

### ***Prominent Poly-drug Groups***

**West African** organised crime groups, especially Nigerian but also those from French-speaking countries, are amongst the most successful in poly-drug trafficking, arranging the transport of cocaine, heroin, herbal cannabis and ecstasy to EU destination markets. The activities of West African groups have intensified both in the EU and in regions of production for cocaine and heroin. Observed links with Outlaw Motorcycle Gangs (OMCGs) and Russian organised crime point to their further acceptance amongst the established organised crime community as traffickers of some standing. West African groups are noted for their flexibility regarding routes and trafficking methods.

**Albanian speaking** organised crime is truly poly-drug and poly-criminal. Within the EU, Albanian speaking groups are active in the fields of cocaine, heroin, synthetic drug and cannabis trafficking. The financial resources of these groups have enabled them to interact with criminal organisations in source areas for illicit drugs, as well as to proactively identify new criminal opportunities. Some of their proceeds are reportedly destined for support organisations for the former Kosovo Liberation Army.

**Lithuanian** organised crime groups are brokers for numerous illicit commodities in Northern and Western Europe and the Former Soviet Union. While concentrated in the North East hub, their influence extends to other Baltic countries, Nordic countries, Spain, for the sourcing of cocaine, and the Russian Federation and Ukraine, for the sourcing of precursors for synthetic drug production. Of note, Lithuanian groups have recently become an essential part of the supply chain to the North West hub, sourcing Russian Federation BMK for amphetamine production. As in the case of Albanian speaking organised crime, the comparative wealth of Lithuanian criminal groups increases their recruitment, retention, infiltration and investment capacities.

Amongst indigenous groups **OMCGs** stand out for the extent of their transnational networks, and the presence of chapters in strategic locations for drug trafficking. Retaining a hierarchical structure and high levels of internal and external violence, they are active in the trafficking of cocaine from the South West criminal hub and the Balkans, and synthetic drugs from the North West hub. They also have links with Moroccan groups for supply of cannabis resin: reports that the Hells Angels Motorcycle Club (HAMC) is attempting to establish a chapter in Morocco would suggest that it is looking to expand its influence in source areas. Meanwhile, observations of increased consumption of cocaine by OMCGs and their supporters point to continued and even increased involvement in cocaine trafficking in the EU in the near future.

### ***Future Issues***

- Development of an Eastern Mediterranean Sea Route (Suez Canal-Black Sea-Odessa) is possible on the basis of identified traffic to the Mediterranean via Suez, a burgeoning Black Sea heroin route, and cocaine transport to the Black Sea ports. The projected introduction of a visa-free regime for Ukraine may facilitate trafficking via the Black Sea Route.
- Whilst trafficking via West Africa seems to have been somewhat curtailed by law enforcement activity in 2009, political instability in countries such as Côte d'Ivoire may prove fertile ground for further organised crime infiltration in the longer term, reinforcing the region's role as a hub for cocaine transit to the EU.
- Cocaine supply to and via the EU is likely to be affected by the continued growth of consumption in the Russian Federation and Asia. Wholesale prices in these markets in 2008 were more than double those recorded in Europe<sup>3</sup>. Should this marked contrast persist, diversion of cocaine to more lucrative markets may result in more sustained shortages in the EU. In turn this is likely to prompt a further surge in the consumption of synthetic stimulants.
- A further expansion of large scale indoor cannabis cultivation in the EU is anticipated.



## Facilitated Illegal Immigration

- Turkey is a key nexus point for transit to the EU
- Greece is the current focus for illegal entry to the EU, with ongoing unrest in North Africa prompting further flows towards Southern Europe
- Counterfeit, forged or fraudulently obtained travel and identity documentation a key facilitator
- Abuse of asylum procedures, visa regimes, and exploitation of legislative loopholes
- Exploitation of migrants typical of THB in transit and destination countries
- Chinese, Vietnamese, Pakistani and West African criminal groups capable of managing traffic from source to destination

In many cases, illegal immigrants reach the EU of their own accord or with the assistance of friends or family members already resident in destination countries. Nonetheless, increasing control of external borders, the introduction of higher quality travel documents and other protective measures implemented by destination countries are making illegal immigration more difficult for individual migrants, forcing them to seek the services of organised crime groups.

International agreements and coordinated law enforcement activities have a significant impact on the flows of illegal immigrants along established routes. In 2010, a sharp reduction in the use of sea routes was accompanied by a substantial increase in illegal overland entries, overwhelmingly concentrated on the **Turkish-Greek border**<sup>4</sup>.

Besides being the natural gateway for immigrants from the Middle East and Asia, Turkey is now the final step towards the EU for migrants with many other origins, including North and West Africans. Its geographical position, the presence of historical smuggling routes and the comparative ease with which entry visas may be obtained have transformed **Turkey** into the main nexus point for illegal immigrants on their way to Europe.

### *Modi Operandi*

Organised crime groups constantly adapt and upgrade their *modi operandi* in response to increasing difficulties in facilitating undetected access into the EU through blue and green borders. The most professional criminal groups now recruit would-be migrants by offering them an apparently legitimate means of entry. **Counterfeit, forged or fraudulently obtained personal and travel documents**, including passports, visas and residence permits, are procured with the assistance of skilled specialists. Some organised crime groups have set up bogus schools in order to obtain and abuse student visas, while others have turned to legitimate business structures (LBS) such as employment or shipping agencies to find ways of abusing legitimate migration procedures.

Travel agencies run, infiltrated or corrupted by criminal groups issue flight tickets to illegal immigrants who make asylum requests upon arrival, or attempt to pass through security checks with counterfeit or forged documents, or genuine documents issued to 'lookalikes'. In one case, an Iraqi criminal group based in Sweden was identified as the owner of an airline which facilitated its people smuggling activities. While at first sight this would appear to be an isolated and unusual example of entrepreneurial initiative, two known attempts by organised crime groups in January 2011 to transport Afghan illegal immigrants from Greece to Italy in chartered private airplanes suggests that this kind of organised air smuggling is an emerging trend.

Legislation aimed at safeguarding certain inalienable individual or social rights is manipulated by organised crime groups with specialist expertise. Political asylum requests, and family reunions following marriages of convenience with EU citizens, are among the most frequently abused procedures. In addition, a prevalent tactic is to exploit loopholes and the **lack of**

**harmonisation** in current legislation.

### ***Criminal Groups***

Organised crime groups involved in the facilitation of illegal immigrants tend to be structured in loose networks of smaller groups with ethnic or other cultural connections to customers. By the same token, illegal immigrants tend to be recruited by, or approach facilitators from, the same ethnic background. However, few criminal groups have the capacity to manage all stages from source to destination country. The further migrants get from their country of origin, the greater the chance that their facilitators will be of an ethnic origin different from their own. Along the route, small local criminal groups receive and house transiting illegal immigrants, facilitating their passage to the next stage. In the often extended time between stages, transiting migrants are frequently exploited in illicit labour, thus marking a point of **contact between illegal immigration and trafficking in human beings (THB)**.

Organised crime groups in destination countries play a fundamental role in the smuggling of migrants. Criminals, often legitimately resident in the EU, facilitate the last step of the migrants' journey, in some cases collecting final instalments of transportation fees, and are in an ideal position to profit from newly arrived migrants, sometimes employing forms of exploitation typical of THB.

The most widely reported organised crime groups involved in the facilitation of illegal immigration are of Chinese, Turkish, Albanian, Indian, Iraqi, and Russian origin. **Chinese, Vietnamese, Indian, Pakistani**, and some **West African groups** are among the most capable, managing all successive phases of illegal immigration from source to destination countries. Although these groups may sub-contract part of the transportation or the production of falsified documents, they maintain effective control over the illegal immigrants throughout.

The growing importance of Turkey as a nexus point for migrants is likely to be further exploited by **Turkish organised crime groups** already extremely skilled in managing routes for illicit commodities and will make the most of their resources and contacts in the EU to maximise profits from this lucrative criminal market.

**Brazilian organised crime groups** must be carefully monitored. Brazil is among the top four countries whose citizens are refused entry to the EU and also of migrants illegally residing in the EU. While they have managed to keep a relatively low profile until now, Brazilian criminals are increasingly detected as facilitators of illegal immigration in the EU.

### ***Criminal hubs***

Political and legislative initiatives impact on regional dynamics, resulting in frequent shifts between hubs and preferred nexus points outside the EU.

Migrant flows across the Mediterranean Sea and illicit entries at the Eastern land borders have both significantly decreased. **Greece** is now the focus for illegal entry to the EU, and while levels of illegal migration connected with seasonal work patterns between Albania and Greece have decreased in the last year, illicit entries of migrants from Turkey have increased by over 500 per cent between 2009 and 2010

The **South East** criminal hub is therefore under the heaviest pressure. As a result also of its proximity to the Western Balkans, the hub's centre of gravity for this criminal problem is currently Greece.

The **South West** criminal hub has seen a considerable reduction of illegal immigrants from North Africa, but is still affected by flows from Latin America, which harbour additional threats linked to South American and Mexican drug cartels, and Central American gangs.

A large number of illegal immigrants, particularly but not exclusively those from the Indian sub-continent, have the UK as their final destination. All Member States in and around the **North West** criminal hub are destination countries, but the overwhelming pull factors attracting migrants to the UK provide foreign and domestic criminal groups in nearby Member States with opportunities for making a profit by facilitating that final step.

Nordic countries are also particularly targeted as final destinations. Illegal immigrants for the most part claiming Afghan, Iraqi or Somali origin seek asylum in the region, having passed

through the Eastern or South Eastern EU border and the Schengen area. Of note, Norway reports a growing number of North Koreans seeking asylum. Belorussian, Chinese, Chechen, Georgian, Indian, Iranian, Nigerian, Pakistani, Palestinian, Russian, Sri Lankan, Syrian, Ukrainian and Vietnamese immigrants are routed through the **North East** criminal hub to the Baltic Sea region and elsewhere in the EU.

The **Southern** criminal hub is a landing zone for many immigrants who have entered the EU through Greece, and who either remain in Italy or proceed to other MS. Illegal immigrants are often exploited or employed by organised crime groups active in the hub.

### ***Emerging and Future Issues***

- The social and political unrest pervading North Africa since January 2011 is likely to have a significant impact on the internal security of Southern Europe. By exploiting the present political vacuum and the diminution of police capability to maintain public order and combat criminal activity, organised crime groups are facilitating several thousands of illegal immigrants, mainly of Tunisian origin, in their attempt to cross the Mediterranean and reach Europe. This carries an inherent risk to the internal security of the EU.
- The large and growing number of illegal immigrants from countries and regions in which Islamist terrorist groups are active – such as Chechnya, Afghanistan, Iraq, Pakistan and Somalia – raises the possibility that channels for illegal immigration will be used increasingly by those seeking to engage in terrorist activity in the EU.
- In the absence of any significant harmonisation of standards with regards to visa issue for a variety of purposes (including settlement for marriage and family reunions) a further increase in the abuse of legitimate migration procedures is likely.
- The possible accession of Romania and Bulgaria to the Schengen Zone will greatly widen the Eastern green and blue borders. This has the potential to release the pressure on the Turkish-Greek border, and lead to increased targeting of Bulgaria and the Black Sea coast by illegal immigrants and their facilitators.
- Turkish organised crime groups, currently in a dominant position at the biggest nexus point for migrants, will exploit further opportunities for delivering illegal immigrants to the EU by means of the Black Sea and the flourishing Turkish diaspora in Bulgaria.
- Extension of visa liberalisation to Bosnia and Herzegovina and Albania may lead to widespread abuse, as occurred when visa restrictions for entry to most EU Member States were lifted for nationals of Serbia, Montenegro and the former Yugoslav Republic of Macedonia. This may also be relevant in the case of several other countries, including Ukraine, Georgia, and the Russian Federation, hoping to be granted visa exemption in the near future. Undoubtedly this would present new opportunities for organised crime groups involved in illegal immigration and THB.
- Relative differences in legislative arrangements and social security benefits are strong pull factors in some Member States. Furthermore, processing asylum applications takes time and repatriations are costly. Organised crime groups are well aware of these constraints and will continue to identify and exploit administrative weaknesses in Member States.

### **Trafficking in Human Beings (THB)**

- **Air travel on counterfeit, forged or fraudulently obtained documents currently the preferred method of transportation**
- **Key role of the Internet in recruiting victims and advertising their services**
- **Prominence of Chinese, Nigerian and Bulgarian and Romanian (Roma) criminal groups**

- **Chinese and Nigerian criminal groups proficient in the production of counterfeit or falsified documents to facilitate trafficking**
- **Trafficking of children by Roma criminals groups for exploitation in petty crime, and adults for the commission of benefit fraud**
- **Trafficking with the EU of victims from South East Europe**
- **Exploitation in a range of sectors: agricultural, construction, textile, healthcare, domestic service and the sex industry**

Criminal groups involved in THB are extremely sensitive to emerging or changing demand, swiftly providing human resources to be exploited in a range of environments. The routes used by traffickers to bring victims into the EU are not as clearly defined, and arguably not as important, as those used by illegal immigrants.

Human traffickers aim to profit from the transport of migrants and also their criminal exploitation upon arrival in the EU. As a result, organised crime groups plan their victims' travel with great care, to ensure that it is conducted as quickly and as safely as possible. When victims are trafficked from outside the EU, **air travel on counterfeit, forged or fraudulently obtained documents** is currently the preferred option.

Traffickers recruit their victims mostly in deprived, disadvantaged or poorly integrated sectors of society, offering them employment abroad. Many victims are lured with bogus offers of legitimate employment. Others agree on the type of work they are expected to perform, but are deceived by the actual circumstances they find on arrival in the destination country. Meanwhile some victims do not even realise that they are being exploited. This is particularly the case for victims who have worked under more exploitative conditions in sectors such as agriculture or textile manufacture in their countries of origin.

**Chinese and Nigerian organised crime groups** are proficient in the production of **falsified and counterfeit travel documents** to facilitate THB, and also use genuine documents issued to 'look-alikes'. They frequently exploit the visa regime, as in the case of 'overstayers'. In many cases victims enter the EU by abusing the asylum system, assisted by criminal groups in destination countries. Some discard their documents on arrival at an EU airport, and subsequently allege citizenship of a war-torn country. Accompanied to a refugee centre pending evaluation of their asylum request, they abscond and meet a member of the organised crime group as arranged.

**Minors** are often trafficked at a very young age, below the age of criminal liability. Criminals from the Roma community engaged in child trafficking for exploitation in petty crime use their own passports, which record only the details of dependent children and no photographs, trafficking victims of a similar age and gender to those listed.

The use of **the Internet** is rapidly expanding, both for the recruitment of victims and for advertising their services. Meetings between victims and clients are organised through dedicated websites. Victims are rapidly rotated, remaining in the same city for no more than one or two days. The perceived anonymity and mass audience of online services increases both the discretion and profitability of these services, making it very hard to identify criminals using traditional police techniques.

### ***Criminal Groups***

The most threatening organised crime groups are those capable of controlling the entire trafficking process from recruitment to forced labour or prostitution, including transportation, the provision of documents, the execution of high level corruption and money laundering. These groups have the capacity to handle large numbers of victims and have established logistical bases and contacts in source, transit and destination countries. Highly flexible in nature, they conduct operations in cells active in several EU Member States, transferring victims easily from one country to another. In some cases, victims are used to control other victims, which indicates a complex distribution of roles within these criminal networks.

An increasing number of **women** are involved in THB, and their role is of growing importance in the recruitment, transfer, subjugation and surveillance of victims. Such a trend is observed across all ethnic groups, to varying degrees.

With a few exceptions (such as Romanian and Albanian speaking groups in Italy) traffickers have considerably reduced the amount of violence used against their victims. Many have sought to adapt their image to that of helpful service providers and indispensable intermediaries between clients and victims.

The most frequently reported criminal groups involved in THB in the EU are, in descending order, ethnic Roma, Nigerian, Romanian, Albanian speaking, Russian, Chinese, Hungarian, Bulgarian and Turkish organised crime groups. Bulgarian and Romanian (mostly of **Roma** ethnicity), **Nigerian** and **Chinese** groups are probably the most threatening to society as a whole.

**Roma** organised crime groups are extremely mobile, making the most of their historically itinerant nature. An attitude of detachment towards Roma communities by public authorities in some Member States has, in turn, left the most vulnerable members of these communities - children and young women - unprotected from exploitation by criminal groups. Given the size of the Roma communities in Bulgaria and Romania, the proposed accession of these countries to the Schengen Zone may prompt a further increase in THB by Roma organised crime groups.

**Chinese** organised crime groups operate throughout the EU in a less conspicuous manner. The number of Chinese nationals exploited is unknown. Successive phases of trafficking are often carried out by diverse and fluid structures, making it difficult to determine whether these consist of separate criminal groups or different branches of the same network. Traditional environments for labour exploitation include Asian restaurants, textile sweatshops and tanneries. More recently, widespread exploitation of Chinese victims in prostitution has emerged, both within and outside the Chinese community. A lack of awareness of exploitation on the part of the victims, and high levels of seclusion, typical of Chinese communities in some Member States, mean that THB often goes unreported.

**Nigerian** groups are mostly formed of cellular structures. The key to their effectiveness is their ability to operate independently while drawing on an extensive network of personal contacts. Women play a particularly important role within these groups, closely monitoring the trafficking process from recruitment to exploitation. Nigerian victims often do not perceive themselves as such, but rather as immigrants who must repay a debt to their facilitators. In this context, victims often become members of the criminal groups exploiting them, ultimately assuming the role of 'madam' in the exploitation of others. In turn, this cultural novelty reduces the likelihood that victims will cooperate with law enforcement.

### ***Criminal Hubs***

In the **South West** criminal hub victims are received and exploited by organised crime groups in the Iberian Peninsula and redistributed throughout the EU according to market demand. Chinese victims are mainly exploited in textile sweatshops, Eastern Europeans in agriculture, South Americans in the sex industry and Roma children in begging and theft. In addition to air travel, Nigerian women also make use of established overland routes to reach Spain. Underage Angolan domestic servants are exploited by wealthy compatriots in Portugal.

The **Southern** criminal hub is a transit and destination region for trafficked human beings. West and North Africans, Eastern Europeans, Balkan and Chinese victims are exploited in prostitution, in the agricultural, construction, textile, and healthcare sectors, and as domestic servants. The **North East** and **South East** hubs have historically provided victims for exploitation in wealthier Member States. They also facilitate the transit and distribution of victims from outside the EU. The **North West** criminal hub manages flows of trafficked human beings from other Member States and from outside the EU. Even in Member States where prostitution is legitimate, well regulated and controlled, such as The Netherlands, criminal groups are able to exploit underage or clandestine victims, providing them with falsified documents.

Movement **between the hubs** is a key feature of THB within the EU. Organised crime groups adapt their services to local requirements, providing seasonal workers and the necessary protection for clients of sexual services targeted by more stringent legislation. They also traffic victims within the EU in order to maximise profits. For example, Roma groups from Poland and the Slovak Republic traffic unemployed individuals to the UK, where they are used to commit



welfare benefit fraud. There are also reports of increasing trans-hub movements of exploited human beings from **South East Europe** (Bulgaria and Romania) to Germany and the Nordic countries by Roma organised crime groups, amongst others.

Nigerian groups engaged in THB for sexual exploitation use the **Southern** and **South West** hubs as springboards for the further distribution of victims, particularly to the Nordic countries. In many cases they use Italian or Spanish residence permits – either falsified or obtained through expedients such as bogus marriages – which allow them to travel within the Schengen zone. It is possible that ‘madams’ in the saturated markets of Spain and Italy are using the networks and protection of Nigerian organised crime to venture into new destination markets, targeting in particular those in which prostitution is entirely in the hands of such groups.

Beside traditional fields of exploitation (**prostitution, begging and theft, textile and agricultural sectors**), sectors such as **construction, tourism, catering, nursing and domestic service** are increasingly affected by THB. In addition to the prolonged harm suffered by victims of trafficking, the closure of businesses with lower profit margins as a result of the effects of the economic crisis will leave the market open to those with illegal or cheap labour at their disposal. Lack of concern amongst consumers for the harms attached to labour exploitation not only fosters further trafficking but ultimately erodes the social fabric.

### *Emerging and Future Issues*

- There are indications that use of the Internet increasingly facilitates the transnational marketing of sex workers, in cooperation with specialist web hosts and administrators. It is anticipated that this trend will increase, as will the number of women sexually exploited in less visible, online environments.
- Any further migrant flows from North African and Middle Eastern countries subject to political instability are likely to provide criminal groups with further opportunities for exploitation.
- The practice of trafficking for the commission of welfare benefit fraud is likely to expand because of its large profits (single trafficking groups can generate as much as 125,000 euros per month) and low levels of perceived risk of detection.
- As passenger air fares increase in line with rising oil prices, it is natural that traffickers will reflect this in the cost to victims in terms of transport fees and subsequent exploitation. It may also lead in some cases to a shift towards lower cost overland and sea travel.

## Fraud

- **Substantial economic and social impact of VAT fraud; funds other illicit activities including drug trafficking**
- **Increasing proximity between organised crime groups and legitimate business structures**
- **Criminal groups spot new opportunities such as Carbon Credit Fraud**
- **1.5 billion euros derived from payment card fraud in 2009**
- **Fraud migration – misuse of magnetic strip data in regions not yet compliant with the EMV chip standard for payment cards**
- **Facilitating role of Internet technology**

### *VAT fraud*

VAT fraud is a highly lucrative crime. Although up to date figures for its total cost to the EU are lacking, estimates of the annual losses suffered by individual Member States, in some cases up to 3 billion euros, imply this is a significant, multi-billion euro illegal business. The economic and social impact of VAT fraud, therefore, is substantial: it distorts the functioning of the single market, accounts for the loss of significant public revenue and affects the financing of the European Community budget. The costs involved in Member States' efforts in preventing and combating VAT are also significant.

Missing trader intra-community (MTIC) fraud is evolving from high value, portable goods (e.g. cell phones and computer chips) to intangible commodities such as carbon credits. Nevertheless, the range of goods involved in VAT fraud remains wide, and includes railway vehicle components, scrap metal, new and used cars, precious metals, footwear, Renewable Energy and Renewable Obligation Certificates, mobile phone credits and metal allocations. **Carbon credit fraud** is the purchase of CO<sub>2</sub> emissions quotas from countries not liable to VAT on these transactions and their subsequent resale in countries liable to VAT, with the aim of reclaiming the VAT amount payable to the state concerned. This activity accounts for an estimated **5 billion euros in damage to EU taxpayers** each year. North West Europe in particular has seen a decline in more 'traditional' types of VAT fraud using mobile phones and computer chips: while this is due in part to changes in taxation rules, since early 2009 this region has also been a hub for carbon credit fraud. An increase in VAT fraud relating to the trade of fuel has also been observed.

**VAT registered companies** are required throughout the fraud process. Fraud in intangible commodities has made use of large financial institutions which, knowingly or unknowingly, have provided the necessary liquidity. Organised crime groups active in VAT fraud also employ accounting and taxation specialists, specialist document forgers and money launderers, and other professionals such as company formation agents, freight forwarders and solicitors.

Due to the nature of VAT fraud, which allows numerous traders to exploit the system without affecting each other's profit levels, groups do not compete against one another: indeed, there is evidence that **they share knowledge and resources, often via web forums**. The speed with which criminals respond to law enforcement measures also indicates a degree of coordination and contact between groups. There is also intelligence to suggest that organised crime groups invest in one another's activities.

VAT fraudsters have created global networks to facilitate the commission of VAT fraud across the EU, largely independently from local crime groups. In the money laundering phase collaboration has been observed with criminal networks in countries with weaker regulatory systems. VAT fraud is also linked to other forms of criminality, with proceeds frequently used to fund drugs trafficking, and tobacco and alcohol smuggling. Money laundering, often via



**banks located in third countries such as the UAE and the Dutch Antilles**, is a feature in almost every reported case. Some indications point to the possibility of the proceeds from VAT fraud being used to finance **extremist or terrorist activity**.

### *Payment card fraud*

The EU is the world's largest market for payment card transactions. In 2009 **organised crime groups derived more than 1.5 billion euros from payment card fraud** in the EU. Taking fraudulent transactions in the EU against non-EU financial institutions also into consideration the total illicit income of criminal groups engaged in this activity is likely to be much higher.

Organised crime groups collect data from payment cards by means of attacks on online payment systems, data breaches and 'skimming' (magnetic strip copying and PIN capture). Legitimate card holders are also targeted via **the Internet**, by means of malicious software installation, or by using social engineering to encourage them to divulge data. Data is also obtained by direct phone contacts from criminals posing as bank representatives or payment processors.

Criminals from the **North East and South East hubs** and the Former Soviet Union commit offences in the EU and are extending their activity to the United States and South Africa. Meanwhile in Bulgaria authorities have reported increased participation in payment card fraud by individuals and groups better known for their activities in thefts, vehicle crime, drug trafficking, and the distribution of counterfeit currency, attracted largely by lower penalties and perceptions of lower levels of risk generally.

Organised crime groups based in China and South East Asia use cloned payment cards in the EU to purchase luxury and brand-name goods, which are then sent to Asia. **'Mules'** recruited in Asia travel by air to Western Europe on forged identity and travel documents, servicing local groups.

Payment card fraud is facilitated by easy access to skimming devices and technology for stealing data and cloning cards, the increased use of e-commerce and a lack of adequate protection of cards against counterfeiting. **Fraud migration** has been a notable trend in recent years. While the introduction of the EMV standard provides a very high level of protection for payment card transactions within the EU, lack of wholesale implementation in other regions has compelled EU card issuers to retain magnetic strips. Since such data cannot be misused in countries in which chips are required, organised crime groups have deployed cells to non-EMV compliant regions. As a result, half the fraudulent withdrawals made with cloned EU payment cards are currently made outside the EU.

**Around 80 per cent of non-EU fraud against EU payment cards is committed in the United States.** For authorities in the EU, therefore, including financial institutions bearing significant losses from this criminal activity, the prevention of illegal withdrawals in regions without the EMV standard is now a high priority. Some banks in the EU have already chosen to issue EMV-only cards (which are not accepted outside the EU) or to block transactions outside the EU for debit cards with magnetic strips. This may lead to further consequences. Due to chargeback rules, by which countries with lower levels of protection must cover losses incurred, non-EU countries may block use of their own cards in the EU. The activities of organised crime groups, therefore, have had a **significantly adverse impact on the global payment card system**, limiting the possibility of trans-regional transactions and raising important policy issues for the financial sector and public authorities in the EU.

### *Emerging and Future Issues*

- High speed Internet and other technological developments have increased opportunities for fraudsters. This trend is set to continue. At the same time, frauds such as VAT fraud and the evasion of taxes and custom duties by means of the cross border smuggling of commodities are facilitated by differences in legislation between Member States. This has a direct impact on the efficacy of law enforcement initiatives.
- Increasing proximity between organised crime groups and legitimate business structures (LBS) in the commission of fraud also complicates the task of law enforcement. Widespread indifference to, and even social tolerance for, 'victimless'

offences such as fiscal fraud, combined with a lack of knowledge of their impact on society and those responsible, has a detrimental effect on the prioritisation of resources to deal with the problem.

- In light of ever increasing international movements of goods, people, financial transfers and investments, the facilitating role of digital technology, and a potential for greater vulnerability to compromise in both the private and public sectors as a result of the global economic crisis, fraudulent activity is likely to pose an increasing threat to the EU. Close cooperation with the private sector will be required, particularly to combat payment card fraud.
- Those responsible for carbon credit fraud may now use their initiative to exploit the gas and electricity market for VAT fraud. In this event, fraud and related money laundering will not be limited to one particular region but repeated throughout the EU. Ultimately, both European and global trading markets for renewable energy are likely to be exposed to fraudulent activity.

## Cigarette Smuggling

- **Increasingly of interest to criminal groups as a low risk, high profit activity**
- **China, the Former Soviet Union, and some Baltic States as prominent source countries**
- **Container shipments via key trans-shipment points in the Middle East**
- **Western Balkans and North East criminal hub as important transit zones**
- **Lucrative destination markets in Member States with higher taxes on tobacco**

Organised crime groups based in the EU are increasingly active in cigarette smuggling, seen as an attractive alternative to drug trafficking because of its **lower penalties and large profits**. In Nordic countries groups are choosing to smuggle cigarettes over alcohol in the wake of reductions in taxation and the removal of import restrictions on alcohol.

Member States witness both large and small scale cigarette smuggling, including organised 'ant' smuggling, the frequent crossing of borders by small groups of individuals carrying small amounts of cigarettes in personal luggage. The size of individual consignments varies according to the means of transportation, from small amounts carried by passengers on buses, trains or ferries, to 40 ft. containers each capable of holding 10 million cigarettes.

In order to conceal consignments and their origin, organised crime groups make use of transshipment points before entry to the EU. Criminals attempt to move goods through the **free trade zones of Dubai and Jebel Ali (UAE) and Port Said (Egypt)**, or through regions in which the EU law enforcement community has weaker cooperation arrangements, including Indonesia, the Northern Philippines and areas of the Republic of Cyprus in which the government of Cyprus does not exercise effective control.

Preferred destinations within the EU are countries with comparatively high taxes on tobacco, such as the Scandinavian countries, Germany, Spain, the UK and Ireland. Destination countries may also serve as transit points to larger markets in other Member States, as in the case of Ireland, where the land border with Northern Ireland is susceptible to smuggling into the UK. The EU is affected by three types of cigarette smuggling: diversion and smuggling of genuine cigarettes, smuggling of 'cheap whites' and covert manufacture and trafficking of counterfeits originating mainly from China.

The majority of **genuine cigarettes** smuggled through the Baltic Sea region are produced in the Russian Federation, Belarus, Ukraine and Moldova. Smuggling cigarettes from these countries to the West is facilitated by the price differential between cigarettes in these markets and prices in the EU. Smuggled cigarettes from Kaliningrad production plants are transferred via St Petersburg to the Baltic States and onward to Germany, the UK and the Nordic market.

**'Cheap whites'** are the tobacco industry's term for cigarettes produced entirely independently of the traditional tobacco manufacturers. They are cheap cigarette brands, often of reasonable and consistent quality, and provide a good alternative to counterfeits, whose quality can vary significantly. The most popular 'cheap white' brand is currently Jin Ling, which is manufactured in Kaliningrad, Ukraine and Moldova. Cigarettes are smuggled from the Russian exclave of Kaliningrad, a known hotspot for cigarette smuggling, through Poland or Lithuania towards Germany, the UK and other Member States. The Jin Ling brand alone now accounts for more than 20 per cent of the German illicit market. The United Arab Emirates is another important source country for 'cheap whites'. Due to the rise in prominence of 'cheap whites', smuggled cigarettes are increasingly transported to the EU via the Balkan Route, sometimes after being stored in Greece. Genuine and counterfeit cigarettes also pass along the Balkan Route.

While China is the largest source of **counterfeits** of well known brands such as Marlboro, a substantial number are also smuggled from Former Soviet Union countries including the Russian Federation and Ukraine. Counterfeits from China are transported to the EU mainly by sea. Tracking of transportations has identified intermediate storage and reloading points in the United Arab Emirates. The quality of counterfeit cigarettes is improving, to the extent that it is now very difficult, in some case, to distinguish them from genuine products.

**Illegal factories in EU Member States**, especially in Poland and some Baltic States, are also significant sources of counterfeit cigarettes. While it requires a high level of sophistication the establishment of factories dispenses with the risk of border checks: it is, for instance, easier to import raw tobacco than a container of cigarettes with a typical x-ray image. In Poland, a highly specialised and organised crime group has been involved in the illegal production of cigarettes supplying the German black market. Cooperation between Ukrainian, Lithuanian and Polish criminals has been a key feature in this case: companies in Ukraine delivered the tobacco, other ingredients passed through the Lithuanian port of Klaipeda, while production took place in Poland.

An observable increase in counterfeit hand rolling tobacco probably reflects increased demand for a cheaper alternative to cigarettes as a result of the global economic crisis. While the most common method of smuggling cigarettes into the EU is by container shipment, hand rolling tobacco tends to reach the EU via post and air freight, particularly in the case of the UK.

The economic impact of cigarette smuggling is significant: it represents a substantial loss to national and EU budgets, estimated at around **10 billion euros per year**, and damages the interests of legitimate manufacturers and retailers. Cheaper and smuggled products also constitute a marked threat to EU efforts on tobacco control, and by extension the objective of reducing consumption.

### ***Emerging and Future Issues***

- Since it is more difficult to detect imports of raw tobacco and materials than of manufactured cigarettes, an increase in illicit manufacture within the EU is possible.

## Counterfeiting

- **Italian and Bulgarian criminal groups prominent in euro counterfeiting, Lithuanian criminals active in their distribution**
- **China the main source country for counterfeit goods; United Arab Emirates an important transit country; EU entry via major sea ports**
- **Wider range of counterfeit goods, including everyday and essential items, with implications for public health**
- **Distribution of counterfeit medicines in the EU a particular concern in the context of virus pandemics**
- **Internet retail a key means of distribution for counterfeit goods, especially medicines, lifestyle drugs and copyrighted material**

### *Euro counterfeiting*

The euro continues to be a target for organised crime groups active in the forgery of money, not only in Europe but also in other regions of the world such as South America and Eastern Asia, which plays an increasing role in the supply of raw material and equipment. While the most recent biannual figures for the number of counterfeit euros seized in 2010 show reductions of 13 per cent and 6 per cent respectively (compared to the previous six months), an overall **increase of 31% in the last two years** (compared to 2007-8) is a more reliable indicator of the long-term trend<sup>5</sup>.

According to the European Central Bank, more than 97 per cent of counterfeits removed from circulation in the second half of 2010 were found in euro zone countries, in which there is a greater possibility for their local distribution; just 1.5 per cent was seized in EU countries outside the euro zone, and another 1.5 per cent in other parts of the world<sup>6</sup>.

Organised crime groups involved in euro counterfeiting are characterised by their rigid organisation, with a strict distribution of tasks to cells operating independently in order to minimise risk. Organisers fund the activities but do not take part in the production process; printers have very high levels of technical skills (offset printing or digital printing); high level distributors purchase the counterfeits at low prices, while low level distributors are usually unskilled young people who operate in small but flexible temporary networks.

Italy, Bulgaria and Colombia are among the foremost countries for counterfeit currency production sites. Although the **Southern criminal hub** is one of the principal locations for counterfeit euro production, **Bulgarian organised crime groups** continue to be involved in this activity. Intelligence indicates that **Lithuanian groups** are less active in the production of counterfeit euros and now source them from Italy. The production of counterfeits is not restricted to illegal laboratories: perhaps as a consequence of the **global economic crisis**, owners and employees of legitimate printing firms have become increasingly involved in this illicit activity.

There is also a dynamic relationship between the Southern and South West criminal hubs. In Italy, the production and transnational distribution of counterfeit money is often tolerated, and in some cases orchestrated, by mafia-type organisations such as the Camorra in the Neapolitan region. Counterfeit euros produced in Italy are circulated by a wide range of nationalities including Polish, Lithuanian, Romanian, Bulgarian, Moroccan and West African (mainly Ghanaian, Nigerian and Senegalese) groups active all over Europe, but particularly in Italy, France and Spain. Itinerant communities have also been identified among the main distributors. The **South East criminal hub** also is prominent in the production of counterfeit euros. While Bulgarian notes are of a high quality, the distribution network is not particularly extensive. Bulgarian producers cooperate mainly with Bulgarian, Lithuanian, Turkish, Romanian and Albanian criminal groups to circulate banknotes.

Meanwhile distributors of counterfeit euros use the same channels for other illicit commodities, as in the case of Estonian and Lithuanian organised crime groups also engaged in the trafficking of drugs. These groups are also involved in outsourcing counterfeit euro **distribution to local street-level drug dealers**, which may emerge as an effective long-term *modus operandi* for other groups as well. Moroccan groups involved in trafficking cannabis resin towards Spain and France also cooperate with Italian suppliers of counterfeit euros.

### **Commodity counterfeiting**

The number of **counterfeit goods detained at the EU borders in 2009 decreased by a third** (118 million items, compared to 178 million in 2008). Reductions were seen especially in DVDs/CDs, possibly as a result of increased Internet distribution of copyrighted material. Cigarettes were the goods most seized in 2009, followed by other tobacco products, labels and tags for brand names, and medicines<sup>7</sup>.

China continues to be the main source country for counterfeit goods destined for the EU. **Chinese organised crime groups** are particularly active in the production, transport and distribution of counterfeit cigarettes, clothes, shoes, toys and pharmaceuticals. Counterfeit goods from Asia often transit free trade zones in the **United Arab Emirates** on their way to the EU. This facilitates the concealment of origin and the decoration of unbranded products with the appropriate logos. As a result, the UAE is one of the most prolific sources of counterfeit goods seized at the borders of the EU, and the main source country for counterfeit medicines: in this regard also it is probably acting as a transshipment point for goods from India and other parts of Asia<sup>8</sup>.

Counterfeit goods enter the EU via all **major seaports** before being disseminated throughout the EU. The largest volumes pass through Rotterdam, Hamburg and Bremen. Valencia is the primary entry point for counterfeit textiles. Certain areas of the **Western Balkans** have been used as a storage hub for counterfeit goods destined for the EU, particularly brand name products of Chinese and Turkish origin which entering the EU via Black Sea, Ionian and Adriatic ports.

While goods are sold throughout Europe the **Southern criminal hub** appears to be the key distribution point. Illegal entry of goods through the Italian ports is facilitated by close cooperation between Chinese and Italian organised crime groups. Both Camorra and 'Ndrangheta have established extensive contacts with Chinese groups importing counterfeits.

The majority of counterfeit products are distributed by means of unlicensed markets and street sales. Many of these markets are controlled by organised crime groups. **Illegal immigrants**, often from Africa or Asia, are known to have been coerced by their facilitators distributing counterfeits<sup>9</sup>.

Historically, counterfeit goods tended to be items such as cigarettes and brand name clothing. In recent years, the range of counterfeits has widened to include items such as **toys, medicines**, deodorants, toothpaste, condoms, washing products, **electrical items, food and beverages**. In Poland for instance, organised crime groups are engaged in beverage counterfeiting: legitimate businesses vulnerable to compromise due to the economic crisis are approached to produce counterfeit cola drinks. In such cases, customers are often unaware of the counterfeit character of everyday items offered at the same price as original products. Retail businesses also merge supplies of legitimate products with items produced in violation of industrial brand and patent rights. In addition to the economic threat, these items pose a **potential danger to health and safety** of EU citizens.

Organised crime groups distributing **counterfeit medicines**, benefit from cheap labour in emerging economies of India and elsewhere, and from the use of technology. As a result of Internet retail small consignments of pharmaceutical products, particularly lifestyle drugs such as Viagra, have been seized in increasingly large numbers<sup>10</sup>. Counterfeit pharmaceuticals are aggressively promoted via **the Internet**: spam emails direct the recipient immediately to dedicated retail websites. The Internet also allows for the distribution of counterfeit medicines via online pharmacies, which are both unregulated and difficult to trace.

A high level of demand for certain products, available only on prescription, provides new opportunities for organised crime groups. By way of illustration, the pandemic nature of the **H1N1 virus** prompted the emergence of a plethora of counterfeit 'flu medicines. Although mainly produced in India and other Asian countries, production of counterfeit medicines also



takes place in Eastern Europe. Russian organised crime groups, for instance, have developed expertise in their production. Previously thought largely to affect developing countries, counterfeit medicines are now known to impact upon more developed regions including the EU. In the UK, counterfeit medicines have been discovered in **legitimate supply chains**, while in Sweden organised crime groups have already infiltrated pharmacies by means of deception.

The movement of counterfeit commodities from the street to **online environments** is encouraged, at least in part, by perceptions of crime as less visible on the Internet. This is not simply a question of the comparative anonymity of users: the speed with which orders can be relayed and dispatched minimises the time in which risk can be incurred, whilst the ability to send commodities in smaller batches – in some cases straight to the customer – assists in evading detection by authorities traditionally alerted by larger consignments.

Some types of this criminal activity have, in effect, been subject to **displacement**, with reports of declining street sales of counterfeit CDs and DVDs in light of the now widespread practice of peer-to-peer filesharing (P2P) of audio-visual material. By the same token, growing attempts to legislate against filesharing may prompt a resurgence of street sales.

At one level this **illegal downloading** is a broader cultural issue in society, in as much as a substantial proportion of pirated audio-visual material and software such as games and operating systems is believed to be downloaded for personal use. In some cases, however, such as the provision of very high quality pre-release or 'zero day' copies of movies, corruptive practice and a substantial initial expenditure may be required to obtain files, in turn indicating a higher, more **organised level of criminality**. Research by Member States suggests that one particularly influential network of piracy groups, known as 'The Scene', has a hierarchical structure not often seen in the digital underground economy, with its own set of rules for releases and an evolved system in which access to files is granted on the basis of credits earned. Such distributors are active in many Member States, exploiting both the advanced Internet infrastructure of the EU and environments in which legislation may be considered to be more favourable to their activities.

Commodity counterfeiting is facilitated by commercial globalisation and the existence of cheap labour. At the same time, the **global economic crisis** has weakened the purchasing power of EU citizens. **Social tolerance** for counterfeits, already relatively high, has increased. Accordingly, organised crime groups involved in other criminal markets such as drug trafficking, have become drawn to the **substantial profits, lower penalties and perceived lower risk** offered by counterfeiting activities.

### ***Document counterfeiting***

Document counterfeiting is a **key facilitator for organised crime**. Counterfeit documents enable offences including illegal immigration, THB, drug trafficking, trafficking of stolen vehicles, smuggling consumer goods and various types of fraudulent activity.

Illegal immigrants obtain visas for Schengen countries and those bordering the Schengen area. **Nigerian organised crime groups**, in particular, are well known for their production and use of falsified and counterfeit travel documents in order to facilitate THB for sexual exploitation. Since Nigerian women face difficulties in obtaining EU residence permits and Schengen visas, a ready supply of illicit documentation is essential to the operations of groups involved in their exploitation. Organised crime groups in **Pakistan and Thailand** are also key producers and suppliers of counterfeit identity documents. With regard to the current high levels of illegal immigration via Greece, the identification of laboratories in Greece for the production of counterfeit documents is notable.

The threat posed by counterfeit documents is directly proportional to the crime it facilitates. When used to conceal the identity of **terrorists and dangerous criminals** they threaten the security of the EU. Documents used to facilitate the trafficking of prohibited drugs and their precursors, counterfeit medicines, THB and illegal immigration impact on the health and human rights of EU citizens and others. Finally, there is a general economic threat in terms of the substantial revenue lost through commodity smuggling.

### *Emerging and Future Issues*

- The prospective adoption of the euro in Bulgaria, Romania and Lithuania may result in increased production and dissemination of counterfeit euros in these countries
- Should legitimate supplies of emergency pharmaceutical products continue to be restricted, the distribution of counterfeits by online pharmacies is likely to intensify
- At a more general level, Internet retail will increasingly impact on levels of offline distribution of counterfeit goods and copyrighted material

## **Weapons Trafficking**

Member States continue to be affected by weapons trafficked from the **Western Balkans**. Large quantities of weapons and armaments from the conflicts of the 1990s remain beyond the authorities' control and continue to feed international criminal markets. Serbia and Bosnia and Herzegovina, in particular, are source countries for arms and ammunition for criminal groups in the EU. The Russian Federation and Eastern European countries are also notable countries of origin. The Western Balkans are expected to remain a key source of heavy firearms trafficked into the EU, due to the large illicit stockpiles in Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, the Kosovo region, Montenegro and Serbia.

Trafficked weapons are often concealed in legitimate loads, or transported in small quantities in private cars or various means of public transport. Trafficking is conducted by extensive international networks with links to THB and drug trafficking. Organised crime groups, comprising individuals from the former Yugoslavia, play a prominent role, with access to considerable quantities of individual weapons and military grade weapons including anti-tank rocket launchers and anti-aircraft equipment. **Italian organised crime groups**, such as 'Ndrangheta and **Albanian-speaking groups** have also traditionally been involved in the illicit arms trade, while **Outlaw Motorcycle Gangs (OMCGs)** have been identified in the trafficking of heavy firearms from **South East Europe**, recently to Scandinavia. Routes are largely similar to those established for drug trafficking. Legitimate business structures used in weapons trafficking include transport and haulage firms, accessed through a mixture of coercion and corruption at driver level.

There has been a marked increase in the number of incidents involving '**heavy firearms**' in the EU<sup>11</sup>. However, criminals at all levels in the EU still tend to prefer smaller firearms such as handguns. The use of 'heavy firearms' is part of the wider threat of access to firearms in general, whereby criminals are able to vary the type of firearm they use, including converted and lawfully held firearms.

## **Organised Property Crime**

Organised crime groups from the **Western Balkans, South East Europe and the Former Soviet Union** are increasingly engaging in acts of property crime in the EU, the scale and level of violence of which is significant. Offences committed range from organised vehicle theft and burglaries to armed robberies.

**Lithuanian organised crime groups** are active in many Member States, including the UK, Ireland, Germany, Sweden, Denmark, Finland, France, Belgium, the Netherlands and Spain. They are known to engage in high value vehicle thefts and armed jewellery robberies. Estonian groups are also involved in armed robberies in Member States.

The activities of **Georgian property criminals** are highly organised and conducted by subgroups of hierarchical structures. Georgian organised crime groups operate in Austria, Belgium, the Czech Republic, France, Germany, Spain and in countries outside the EU including the Russian Federation and the United States. In at least one case, commonality of the Russian language has facilitated the activity of a group whose members hail from several different states of the Former Soviet Union.



**Albanian speaking criminals** are notorious for their use of extreme violence, including against burglary victims. Many group members have a secret service, police or paramilitary background.

**Polish and Romanian organised crime groups** commit increasing numbers of 'hit and run' property offences in other Member States. The high level of mobility of these and other groups is a significant challenge for authorities.

The **continuing economic disparity** between Member States and between the EU and neighbouring regions, a general trend for increased mobility within the EU, and the high levels of violence displayed by criminal groups engaged in property offences, are all factors which contribute to a likely further expansion in this type of criminality.

## Environmental Crime

The principal elements of environmental crime are hazardous and radioactive waste dumping, pollution, trade in ozone-depleting substances, and illicit harvesting of natural resources, including endangered species.

Driven by perceptions of **low risk and high profit**, indications have emerged of this criminal activity attracting the greater interest of organised crime groups. Groups specialising in money laundering, financial crime, thefts and drug trafficking in Member States are now engaged in environmental crime as well. In general, however, **substantial intelligence gaps** preclude comprehensive assessment of organised crime activity in this area.

### *Illicit Waste Trafficking*

While mafia-type structures have sufficient resources to participate in large scale illegal waste management, there is evidence that lower level groups are engaged in the illicit harvesting of hazardous waste, such as used cell and car batteries. Illicit waste trafficking is often facilitated by cooperation with legitimate business, including those in the **financial services, import/export, and metal recycling sectors**, and with specialists engaged in document forgery for the acquisition of permits. Permits are also obtained by means of corruptive influence on issuing bodies. Lack of harmonisation concerning the distinction between waste and second hand goods has resulted in e-waste (second hand electrical and electronic equipment) and deregistered vehicles in particular being shipped to non-OECD and other states.

From the **Southern hub** toxic waste is trafficked to South East Europe and the Western Balkans (Romania, Hungary and Albania), also to other Member States. Italy has also become a transit point for e-waste en route to Africa and Asia. There is evidence of corruption in the public and private sectors, in relation to the issuing of certificates by laboratory technicians. Intermediate storage sites are often used to disguise the ultimate destinations of waste and to frustrate law enforcement efforts to identify source companies.

**The North West hub** plays an important role in the export of waste to third countries, especially in West Africa and Asia. Trafficking groups are usually small (between 5 and 10 people), with ethnic links to the destination countries. Toxic waste, e-waste and deregistered vehicles are transported to West Africa via the ports of North West Europe.

### *Trafficking in Endangered Species (TES)*

The revenues generated by TES are estimated at **18 to 26 billion euros per year**, with the EU the foremost destination market in the world. The trade is principally coordinated by well-organised, loose networks based in the EU and in the source regions.

While in the past the perpetrators travelled personally to collect animals, it is now more common for them to use couriers and air mail-orders. Animals from several destinations are concentrated in one place, from which it is possible to organise transit into the EU. In addition, **the Internet** is used with increasing sophistication to facilitate trade.

In terms of criminal groups dedicated to TES, a number of highly sophisticated **Colombian groups** manage the supply chains for a wide variety in species. **Chinese organised crime**

**groups**, based mainly in Hong Kong, have specialised in the supply of traditional Chinese medicine products containing derivatives of endangered species to several companies across the EU, particularly in North West Europe.

Within the EU, dedicated organised crime groups often exploit legitimate business structures to facilitate the importation and retail of specimens. Groups in **North West Europe**, for instance, cooperate with breeders in other Member States to launder 'wild caught' animals, using false documents to trade them as captive bred on the legitimate market. Difficulties in ascertaining the authenticity of foreign certificates frustrate enforcement efforts. Of note, there is evidence that TES is of increasing interest to **poly-criminal organised crime groups**. Groups involved in high-level drugs trafficking in Brazil, Colombia and Mexico have established a notable role in the illegal supply of endangered species to the EU and US markets. As a result, some of the concealment methods developed for drug trafficking are now used to traffic endangered species. Within the EU also, organised crime groups involved in drug trafficking, the facilitation of illegal immigration, fraud, THB and the distribution of counterfeit products are now active in trafficking endangered species such as birds of prey and products for traditional Chinese medicine along routes established for other types of illicit commodity.

## Horizontal Issues

### Money Laundering

Organised crime groups continue to use established methods of money laundering such as cash couriers and shell companies. But the availability of many new laundering possibilities offered by modern technology has provided transnational groups with new ways to further their criminal interests. In some Member States, investigations into suspected money laundering activities continue to be hampered by the requirement for a predicate offence.

The movement of large amounts of cash from illicit sources remains one of the most favoured methods for repatriating criminal proceeds. Couriers often carry sums smaller than those triggering reporting thresholds, thereby avoiding the obligation to declare. Equally there are instances of cash simply being transported unwittingly by delivery companies, and of cash being declared but presented as legitimate. There are also indications of **large, well organised groups using light aircraft** and helicopters to smuggle cash. Routes change according to a number of factors such as declaration requirements and powers of seizure in respective jurisdictions.

The euro is popular with criminal networks for the purpose of physically transporting money across borders because it is available in high denomination notes and because it effectively disguises both the origin of the cash and the location of the criminal activity. Due to overwhelming evidence that the **500 euro note** is almost exclusively the preserve of criminals, banknote wholesalers have stopped supplying the note in the UK: however, it remains legal tender. Fictitious contracts are used to legitimise cash movements. In addition, the last two years have seen a 20 per cent increase in transnational movements of precious metals.

Criminal groups use **Money Service Businesses** (MSBs) such as Bureaux de Change to convert small banknotes to high denomination notes. At the same time, money transmission services such as Western Union play an important role in the layering stage of money laundering: money is transferred electronically, often through third party payments, and these proceeds are transferred to the preferred destination. **Smurfing** – the breaking down of large sums into less detectable transactions – is a common technique by which money laundering controls are circumvented. Evidence of one organised crime group paying migrants a monthly fee for use of their passports in order to transfer money is indicative of concerted attempts to exploit difficulties in recognising unusual or suspicious behaviour amongst the clientele of MSBs. **Alternative remittance systems** such as hawala are often preferred to mainstream MSBs as they offer an even lower risk of detection.

**Cash intensive businesses** in particular (e.g. restaurants, casinos, and used car dealerships) enable the placement of criminal proceeds by mingling them with legitimate revenue, thereby frustrating detection. In many cases, these businesses, in turn, enable further illegal activity, as in the case of car dealerships and travel agencies providing transport for drug traffickers.

Meanwhile cash itself is the medium by which the organised crime community works and is often the preferred *modus operandi* for laundering illicit proceeds. In sectors engaged in labour exploitation of victims of THB, such as agriculture, construction, catering, and manufacturing, criminal proceeds are used to pay for raw materials, tools and the low salaries of workers. End users purchase final products or services with clean money, thus completing the laundering process. Moreover, observed use of criminal proceeds as capital for **high interest loans** has the potential, particularly in the current economic climate, for increasing levels of organised crime infiltration of legitimate businesses.

The **real estate** and construction sectors also remain attractive for money laundering both in terms of investment and as a justification for the movement of funds. In addition, criminals continue to abuse financial markets in order to layer and integrate criminal proceeds. Investment in artworks is also attractive due to the absence of fixed prices.

The use of **shell companies** occurs at all stages of the laundering process. Notably, companies in offshore jurisdictions with weak anti-money laundering policies are used at the placement stage to receive cash deposits that are later transferred to other jurisdictions, or are used at the integration stage to purchase real estate. An emerging trend in this regard is the incorporation of import/export companies involved in the virtual importation of goods on the basis of forged documents. **Offshore jurisdictions** regularly appear in investigations featuring

the use of shell companies. These hubs provide a number of benefits to criminals, most notably strict secrecy laws which facilitate the concealment of beneficial ownership of assets.

There has been an observable increase in the number of investigations involving the use of **money mules**. In light of the global economic crisis it is possible that individuals subject to financial constraints are turning to alternative forms of employment.

While criminals are able to recruit mules with ever greater ease via the **Internet**, a prevailing trend in some Member States indicates a level of complicity on the part of those recruited. Individuals from the Former Soviet Union, South East Europe and West Africa are prominent amongst recruitment agents. Meanwhile organised crime groups of different ethnic origin (e.g. Nigerians and Romanians) have collaborated to establish international criminal networks performing internet fraud activities and related money laundering schemes, using highly sophisticated means such as Fast Flux (a method for concealing command and control of botnets) to hide their identities.

Organised crime groups exhibit increasing levels of professionalism in laundering criminal proceeds, with some groups providing dedicated money laundering services to other criminal groups. Extensive cooperation with specialists in the legal and financial sectors underpins this activity, particularly in regard to **investment firms** and **money service businesses**. Here, too, employees experiencing the ongoing effects of the global economic crisis are vulnerable to compromise by organised crime groups.

While the geographical distribution of transfers and investments often reflects the remittance of criminal proceeds to source countries for illicit commodities, there is a clear preference for **offshore banking locations** and major financial centres in, for instance, the UK and the United Arab Emirates (UAE). In addition, the openness of the euro zone attracts criminal proceeds from outside the EU, while some organised crime groups prefer to target countries subject to geopolitical instability with attendant lower levels of financial regulation.

Other emerging money laundering methods include the front loading of credit and debit cards, loading of credit onto mobile phone top up cards, and the use of pre-paid ATM cards. With regard to the last of these, a facility for issuing multiple cards attached to the same account, enabling withdrawals in disparate locations, and marketing promising lower levels of scrutiny than that required for mainstream banking and credit services makes them an attractive option for criminals looking to transfer proceeds.

Organised crime groups make ready use of new technology to launder the proceeds of crime, in particular using digital currency providers at the layering stage. **Digital currency operators**, such as Webmoney and Liberty Reserve, have been used by criminals, attracted by a lower level of regulation and a capacity to blur money trails. In addition **online gambling** facilities are widely used to launder criminal proceeds, while the misuse of the currency of virtual worlds has also been observed.

The misuse of **mobile payment systems** is an emerging threat. In Africa, for example, the majority of people use mobile rather than traditional banking, to which they have little access. Well known MSBs have proposed collaborating with African mobile phone operators to offer cross border mobile money transfers. Mobile banking is often not regulated, however, and provides ample opportunity for money laundering. To this end, Europol has already received suspicious transaction reports relating to mobile money transfers.

## The Internet as a Facilitator for Organised Crime

*Please see Europol's iOCTA for a more comprehensive assessment of Internet Facilitated Organised Crime, especially cybercrime.*

As a **communication tool, information source, marketplace, recruiting ground and financial service** the Internet facilitates all types of offline organised criminality, including illicit drug extraction, synthesis and trafficking, trafficking in human beings (THB) for sexual exploitation, illegal immigration, Mass Marketing Fraud (MMF), MTIC (VAT) fraud, euro counterfeiting and the trade in prohibited firearms. In particular, the perceived anonymity afforded by communications technologies such as **email, instant messaging and Internet telephony** (VoIP) has led to them being used increasingly by organised crime groups as a

countermeasure to law enforcement detection and surveillance. Even groups regarded as more closely knit than technologically aware, such as Albanian speaking groups, have recognised the value of platforms such as Skype. Social sites like Facebook, meanwhile, are being used by OMCGs for networking and communication, and by synthetic drug distributors to contact customers.

**Online banking** provides organised crime groups with the opportunity to move criminal assets faster than ever before, unhampered by offline geographical barriers. Online gambling is used for the laundering of criminal proceeds, as are the in-game currencies of virtual worlds: in this context, the reported establishment of gambling websites by Italian organised crime groups may serve the dual purpose of profit generation and money laundering. **Virtual payment systems** have also been used by groups for laundering and monetisation.

The widespread adoption of Internet technology in the EU has also prompted an unprecedented expansion in the markets for **child abuse material** and **intellectual property theft**, especially for copyrighted audio-visual material and software. Child victims of sexual abuse are exposed to prolonged victimisation as a result of the global and continued circulation on the Internet of visual and other records of their abuse, with images increasingly produced to order. The use of proxy servers is a notable feature of child abuse material distribution. While an increasing amount of non-commercial material is produced and distributed, commercial production and distribution persists, particularly in the Former Soviet Union. A recent development of note is the use of malicious software to hijack web servers for the purpose of commercial distribution.

In addition, there is now a sophisticated and self-sufficient **digital underground economy**, in which data is the illicit commodity. Stolen personal and financial information – used, for example, to gain access to existing bank accounts and credit cards, or to fraudulently establish new lines of credit – has a monetary value. Credit card details and compromised accounts, as well as information such as addresses, phone numbers, social security numbers, full names and dates of birth, are all retailed in this market. This drives a range of new criminal activities, such as phishing, pharming, malware distribution and the hacking of corporate databases, with a fully fledged infrastructure of malicious code writers, specialist web hosts and individuals able to lease networks of many thousands of compromised computers (botnets) to carry out automated attacks. As this economy has grown in sophistication, mature technical service providers such as payment card verification number generators and illicit data brokers have emerged.

The high-tech nature of cybercriminal activity results in a demographic profile not traditionally associated with transnational organised crime – namely, **young, highly skilled individuals** who are often recruited from universities. These features find analogies in hacker culture more generally, where absence of hierarchy, celebration of technical proficiency and comparative youth are prevailing characteristics. Moreover, it is possible that the recent economic crisis has resulted in a surplus of young people with advanced technical skills who are vulnerable to involvement in criminal activity. Since the legitimate employment market is likely to be constrained for some years to come, and taking into consideration the example of the Former Soviet Union, it is entirely plausible that an increasing number of unemployed EU citizens will engage in cybercrime or facilitate organised crime on the Internet in the coming years.

## The Social Impact of Organised Crime

The direct and indirect harm caused by the criminal activities examined in this assessment undoubtedly represents a significant threat to the internal security of the EU and its citizens. The trafficking of opioids, for example, not only causes **direct harm** to problematic users, estimated at between 1.2 and 1.5 million in the EU, but also **indirect harm to a significantly greater number of people** affected by those who commit crimes in order to fund their consumption<sup>12</sup>. While the harms attached to the misuse of controlled drugs are not in themselves new, the current rate at which **new psychoactive substances** appear on the market can present a significant challenge to those charged with providing guidance on harm reduction and medical treatment for health problems resulting from consumption of drugs with unknown composition. At the same time, the involvement of organised crime groups in their production and distribution raises the possibility that their uptake will be more aggressive and widespread.



Meanwhile, the **loss of billions of euros from public revenues** through VAT and other frauds directly affects tax-payer interests and the ability of governments to fund essential public services. Furthermore the global economic crisis may have exacerbated the social impact of organised crime in the EU. In periods of financial constraint, levels of **social tolerance** towards criminal activity may increase, particularly towards criminal entrepreneurs who are able to offer alternative employment opportunities. In this way, communities may facilitate money laundering through criminally owned businesses, for example in the retail and service sectors, and also become more dependent on criminal groups for their livelihoods.

In those sectors employing irregular workforces, comprising illegal immigrants or victims of trafficking, reductions in business costs are likely to engender **unfair competition** and further market penetration by organised crime. Ultimately, the often exploitative working conditions, constant turnover, low skill levels and, in some cases, very young ages of irregular workforces may (in combination with poor quality raw materials) prompt a decline in the quality of services and manufactured goods, with potential health hazards for customers.

Tighter budgets demand cheaper commodities, enabling markets for counterfeits to flourish. Counterfeit goods impact upon legitimate business by reducing sales volumes, profits and investment, in turn making fewer resources available for research, development and innovation.

At the consumer level, counterfeits jeopardise the **health and safety of EU citizens**, particularly in those cases in which a lack of awareness of the origin of commodities prevents customers from making an informed choice. Perhaps of greatest concern is the potential impact of counterfeit medicine supply in the EU. As demand increases for lifestyle drugs, and restrictions remain on legitimate supplies of treatments for pandemic viruses, counterfeit medicine distributors will continue to find profitable markets in the EU. Awareness raising campaigns regarding the risk of purchases, particularly from online pharmacies, is now an urgent requirement.

## Conclusions and Future Strategic Considerations

The outstanding feature identified in this assessment is the increasing **diversification** of the organised crime threat to the EU. As criminal groups become ever more collaborative and polycriminal, the authorities are required to be proficient in combatting an ever wider range of offences. The systematic mapping and profiling of criminal networks on a regional basis would enable EU law enforcement to target and disrupt the activities of the largest and most threatening groups. Meanwhile, the concentration of criminal logistics in hubs in and on the border of the EU and a proliferation of trafficking routes suggest that an operational focus custom made for regions, supported by a common EU architecture and information systems, would be the most effective way of tackling transnational organised crime.

The emergence of new illicit commodities including previously unseen synthetic drugs and the introduction of counterfeit medicines into EU supplies, and the exploitation of newly established business sectors such as emissions trading for carbon credit fraud make the **proactive identification** of markets and sectors liable to criminal exploitation crucial to combatting the acceleration of organised crime. Accordingly, **strong and effective partnerships must now be established with the private sector** for the purposes of information gathering, crime prevention and awareness raising are now desirable. Priority areas include, but are not confined to, the transport, financial, real estate, legal, pharmaceutical and communications sectors.

More specifically, it is anticipated that criminals groups will capitalise on further developments in **commercial and passenger transport infrastructure**, in particular the identified trend for trafficking by means of container shipments. In this context substantial planned increases in the capacity of Mediterranean container ports such as Tangier (Morocco) and Port Said (Egypt), and the establishment of Free Trade Zones in known transit areas including Lekki (Nigeria) will likewise provide increased opportunities for trafficking illicit commodities to the EU via these regions.

The effects of the **global economic crisis** are likely to be felt in the EU for some time to come. With an identified reduction of 4.2 per cent in EU27 real GDP in 2009, and an increase of just 1.8 per cent in 2010, slow recovery is likely to make the fight against organised crime increasingly challenging, particularly in those Member States which experienced negative growth in 2010<sup>13</sup>. Rising unemployment, reductions in legitimate investment and further constraints on the resources of public authorities may combine to present greater opportunities for criminal groups, as individuals and organisations in the private and public sectors are rendered more vulnerable to compromise. Identified trends for social tolerance for counterfeit goods and labour exploitation have the potential to result in unfair competition, higher levels of organised crime infiltration and, ultimately, illicit activity accounting for a larger share of GDP. At the same time, trends for domestic THB and mobile organised property crime within the EU will intensify as a result of continued economic disparity between Member States.

In line with greater levels of apparent social tolerance and their own cost/benefit analysis, criminal groups will increasingly be drawn to **activities with high profits, low penalties, and lower levels of law enforcement attention**. An increase in the supply of counterfeit goods, VAT fraud and Mass Marketing Fraud is anticipated, as is a significant expansion in cybercrime, particularly Internet facilitated theft of personal and financial data. As a related issue, there is now an urgent need for data and **reliable indicators on the scale and impact of organised criminality**.

Misuse by criminal groups particularly of the Internet to commit a range of offences, and financial transfer systems to launder illicit proceeds, highlights the truly global nature of some **horizontal crime problems**, and the extent to which the distinction between the **internal and external security of the EU** has already been blurred. Cybercrime and money laundering are examples of criminal phenomena which cannot be combatted effectively by law enforcement alone, and require **high levels of central intelligence coordination and analysis** in order to gain accurate insight and provide targeted responses. Looking ahead, mobile Internet access introduces new levels of vulnerability, with potential victims online for longer periods of time; the introduction of broadband Internet technology to developing countries poses a potential threat to the EU; and the increasing trend for outsourcing data



management to third parties presents imminent risks to information security and data protection.

The **Balkan axis**, comprising the Western Balkans and South East Europe, will assume an even more prominent role in the trafficking of illicit commodities to EU markets. The development of an Eastern Mediterranean Sea Route (Suez Canal–Black Sea–Odessa) is possible, on the basis of identified traffic to the Mediterranean via Suez, a burgeoning Black Sea heroin route, and cocaine transportation to the Black Sea ports. The projected introduction of a visa-free regime for Ukraine may itself facilitate trafficking via the Black Sea Route. The role of the Western Balkans as a logistical hub will be sustained and may even grow further, while the proposed accession of Bulgaria and Romania to the Schengen zone may yield increased illicit traffic through these countries and the possible displacement of illegal immigration flows from the Turkish-Greek border. In this event, Member States in South East Europe may require additional operational support. In light of the continued prominence throughout the EU of Albanian speaking criminal groups, **strategic and operational partnerships with authorities in the Western Balkans** will be increasingly important.

**Ongoing political instability** in countries close to the borders of the EU and transit areas for illicit commodities has the potential to alter trafficking routes and create new illegal migration flows. In countries such as Tunisia and Egypt the process by which serving regimes are replaced may result in power and investment vacuums in both the public and private sectors. Some of these could be filled by those with sufficient resources to exploit the instability for criminal ends, including EU organised crime groups. In politically fragile environments organised crime can also prosper by providing essential services such as transport infrastructure, and food and fuel supply. The effects of illegal immigration as a result of instability in North Africa – already experienced by Italy – are likely to spread if levels of unrest persist or increase. Should living conditions deteriorate in the longer term, the EU is likely to see an increase also in victims of THB from this region. Meanwhile, Côte d'Ivoire's partial suspension from ECOWAS, suspension from the African Union and financial crisis may be of interest to organised crime groups. Non-payment of public sector salaries and failure of the banking system provide fertile ground for organised crime infiltration of government and commercial structures alike. In this context, the role of West Africa in drug trafficking and THB to the EU may be subject to further expansion. Developments in these and other areas are subject to continued monitoring by Europol: accordingly, a dedicated assessment of the criminal and terrorist threats arising from upheaval in the Middle East and North Africa is currently in production.

<sup>1</sup> EMCDDA (2010) The State of the Drugs Problem in Europe: Annual Report 2010

<sup>2</sup> EMCDDA (2010) Problem Amphetamine and Methamphetamine Use in Europe

<sup>3</sup> UNODC (2010) World Drug Report 2010

<sup>4</sup> Frontex, FRAN Quarterly, Issue 3, July-September 2010

<sup>5</sup> European Central bank, Biannual information on euro banknote counterfeiting, 19 July 2010 & 17 January 2011

<sup>6</sup> European Central bank, Biannual information on euro banknote counterfeiting, 17 January 2011. These figures do not include police seizures e.g. from the dismantling of printshops.

<sup>7</sup> European Commission, Report on EU Customs Enforcement of Intellectual Property Rights, Results at the EU Border – 2009, 22 July 2010

<sup>8</sup> UNODC, United Nations Office on Drugs and Crime, 2010. The globalisation of Crime. A transnational Organised Crime Threat Assessment; European Commission, Report on EU Customs Enforcement of Intellectual Property Rights, Results at the EU Border – 2009, 22 July 2010

<sup>9</sup> European Commission, Report on EU Customs Enforcement of Intellectual Property Rights, Results at the EU Border – 2009, 22 July 2010; UNODC, United Nations Office on Drugs and Crime, 2010. The globalisation of Crime. A Transnational Organised Crime Threat Assessment

<sup>10</sup> European Commission, Report on EU Customs Enforcement of Intellectual Property Rights, Results at the EU Border – 2009, 22 July 2010

<sup>11</sup> For the purpose of this assessment, the term 'heavy firearms' is taken as referring to assault rifles, rocket launchers, explosive devices and explosives, consistent with a request from the Justice and Home Affairs Council for a study on illegal trafficking of heavy firearms.

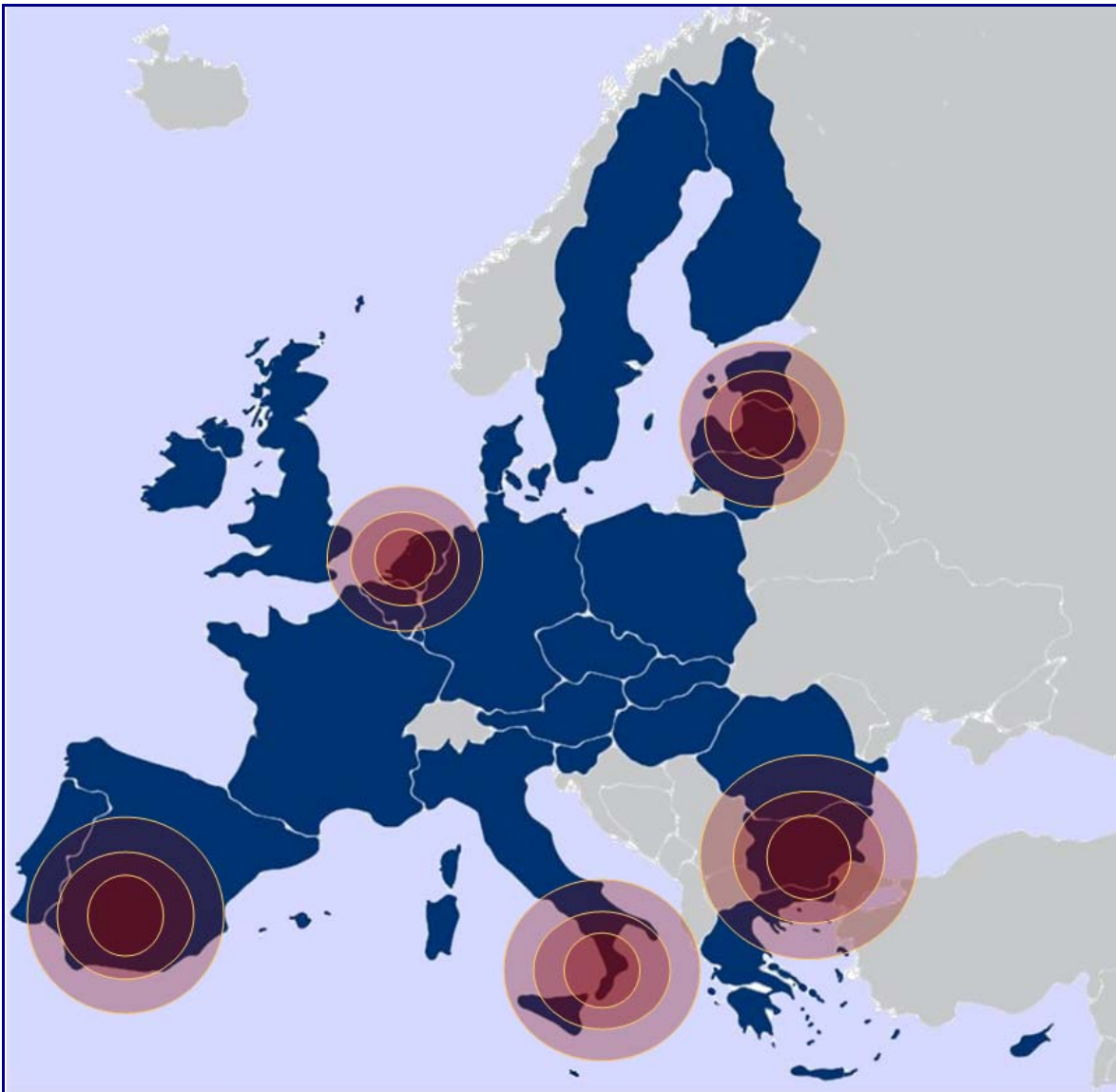
<sup>12</sup> EMCDDA (2010) The State of the Drugs Problem in Europe: Annual Report 2010

<sup>13</sup> Eurostat, accessed 17 March 2011

## Annex - EU Criminal Hubs<sup>1</sup>

Criminal hubs are concentrations of criminal logistics which receive illicit flows from numerous sources, and whose influence extends throughout the EU. Such concentrations facilitate not only the trafficking of illicit commodities but also the forging of new criminal markets, providing new opportunities for criminal groups. The following hubs have been identified, based on their proximity to major destination markets, commercial and transport infrastructure, prevalence of criminal groups and opportunities for criminal migration:

- **North West** – centre of gravity: The Netherlands and Belgium
- **North East** – centre of gravity: Lithuania, Estonia, Latvia and the Kaliningrad exclave (Russian Federation)
- **South East** – centre of gravity: Bulgaria, Romania and Greece
- **Southern** – centre of gravity: Southern Italy
- **South West** – centre of gravity: Spain and Portugal



<sup>1</sup> Please note, centres of gravity as identified by the radii on the map are approximate and do not designate cities or regions of prolific criminal activity.