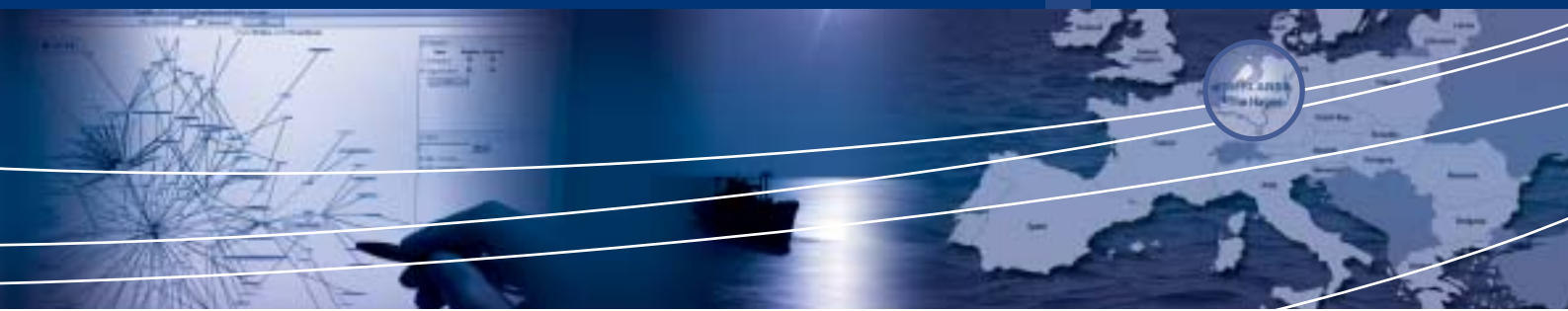


# OCTA

2009

## EU ORGANISED CRIME THREAT ASSESSMENT

EUROPOL





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## FOREWORD BY THE DIRECTOR



I am delighted to present the fourth European Union Organised Crime Threat Assessment (2009 OCTA). The OCTA is a core product of the intelligence-led law enforcement concept and its drafting is one of Europol's top priorities.

The OCTA is an assessment of current and expected new trends in organised crime (OC) impacting on the EU and its citizens. It is drawn up in order to enable decision-makers to take the appropriate action to counter the anticipated threat.

We continue to develop the methodology involved in the OCTA process. Since 2005, when the first steps along the path outlined by 'The Hague Programme' were taken, Europol and the

Member States (MS) have worked together to improve the approach in analysing the OC phenomenon.

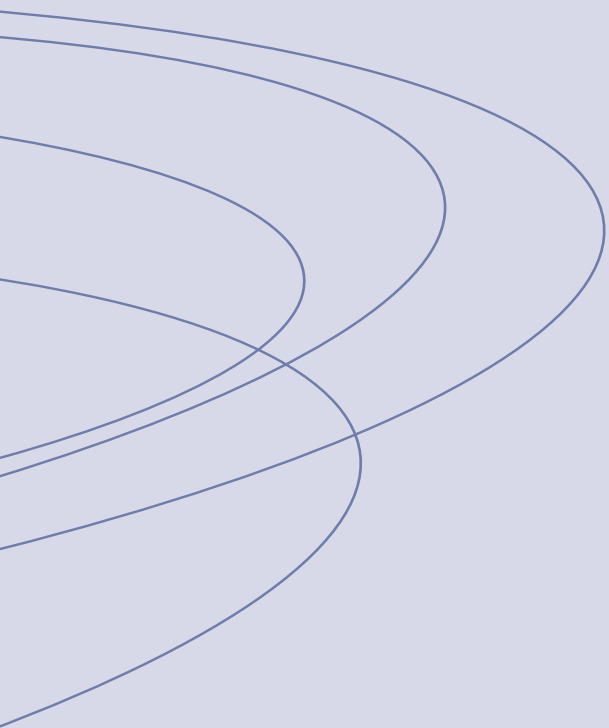
The 2009 OCTA assesses the threat of OC in the EU through the analysis of the organised crime groups (OCGs), of the criminal markets, and of their interaction within and without territorial entities denominated as criminal hubs.

Through this 3-D perspective we assess that the most significant criminal sectors are drug trafficking, trafficking in human beings (THB), illegal immigration, fraud, counterfeiting and money laundering.

This report explores developments in each of those areas and considers the impact of other factors as well, such as criminal activities originating in the following external locations: Western Africa, analysed in a dedicated chapter, but also Belarus, the Middle East, Moldova, Russia, Ukraine, Turkey and Western Balkans.

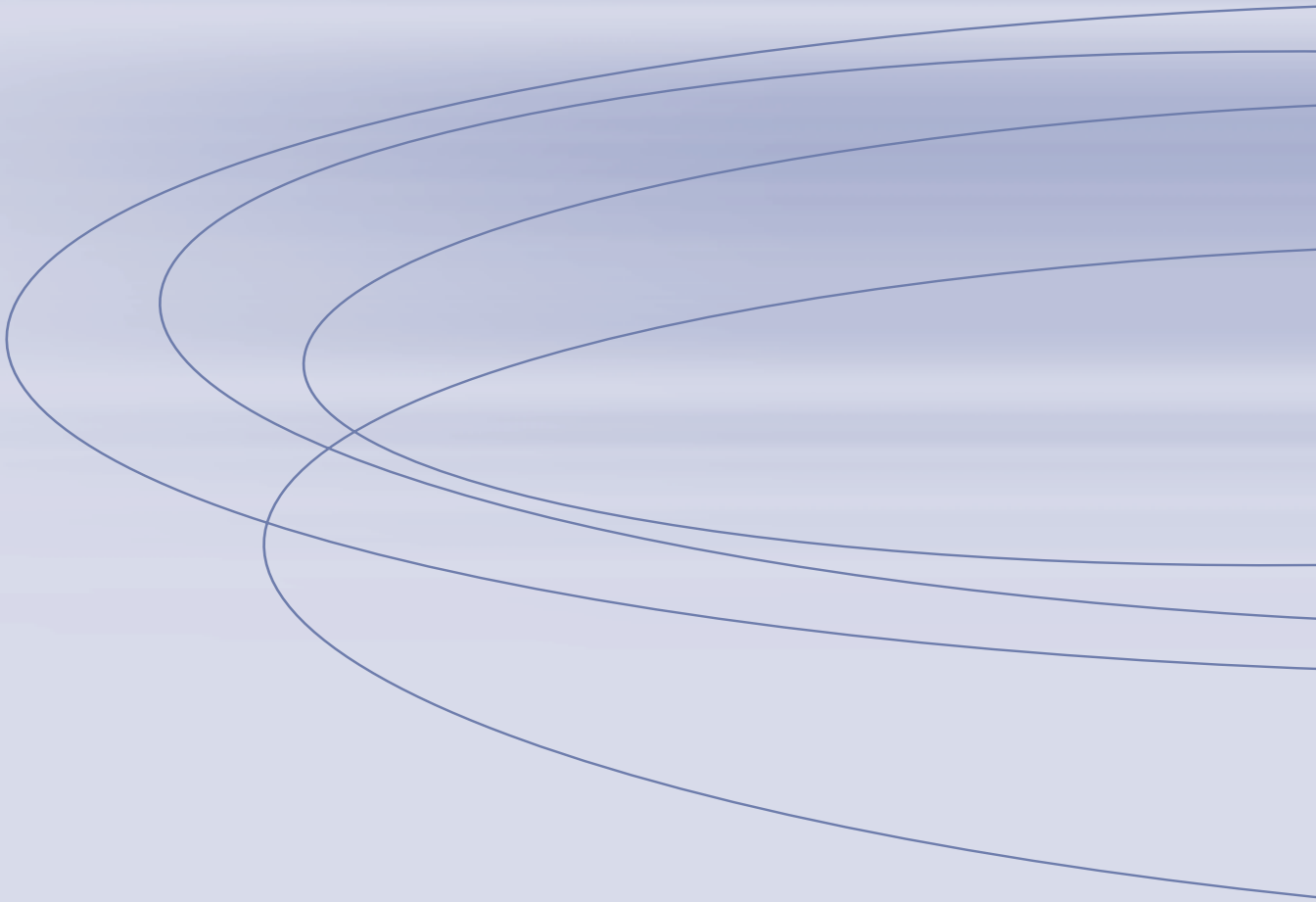
Many experts in EU Member States and other EU agencies have helped Europol produce this report. I am grateful for their contribution. I also wish to thank our partners in Bosnia and Herzegovina, Colombia, Croatia, the FYROM, Israel, Liechtenstein, Monaco, Norway, Russia, Switzerland, Turkey, the US and ICPO/Interpol, for their co-operation. The novel approach taken in producing this work has also seen consultation with a number of partners from the private sector and academia. Their co-operation has added significant value to the OCTA.

**Rob Wainwright**  
Director of Europol





# 1. INTRODUCTION





# 1. INTRODUCTION

In response to 'The Hague Programme', three OCTA (2006, 2007 and 2008 OCTA) have been produced and, combined with the ensuing Council Conclusions, have already had a significant impact on law enforcement throughout Europe. This fourth OCTA represents another important step forward in consolidating this proactive and EU-wide approach in combatting OC.

The 2009 OCTA aims to be a significant milestone in the assessment of the OC threat, bringing into the same context the structural and functional features of the OC groups and the dynamics of which they are part or that can be exploited by them.

Such assessment is carried out with the aim of identifying criminal 'combinations' that are shaping the OC dynamics in the whole EU or significant parts of it, so that the ensuing conclusions are relevant beyond the borders of individual Member States (MS) and complement priorities based on national threat assessments.

This approach is reflected in the structure of the OCTA.

First of all, criminal markets are briefly explored, refraining from reiterating known situations in full, and focusing instead on emerging issues and new trends, with the aim of better outlining the environment in which OC groups operate and the opportunities that are or may be exploited by them.

Then, the EU criminal hubs are described through the assessment of their characteristics and possible evolution, and through the analysis of the interaction between OC groups and

criminal activities occurring within and among the hubs.

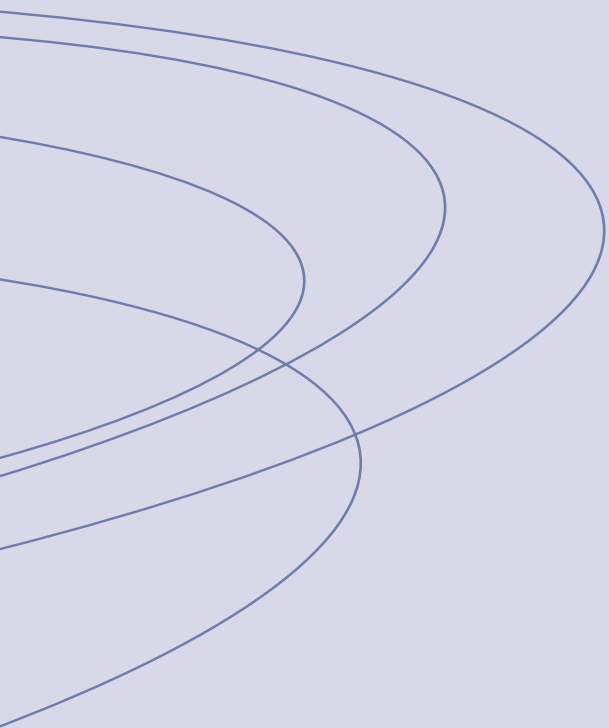
Finally, the capabilities and intentions of OC groups active in the EU are analysed. This analysis derives from an evolved typology of OC groups based on their features, strategies and fields of action as reported by MS. This analysis also contributes to the improvement of the typology itself, thus initiating and perpetuating a cycle, which is typical of intelligence activities.

Money laundering (ML) and important side issues such as the criminal situation in West Africa and the present economic crisis are treated in dedicated sections of the document, as they request a special and asymmetric interest.

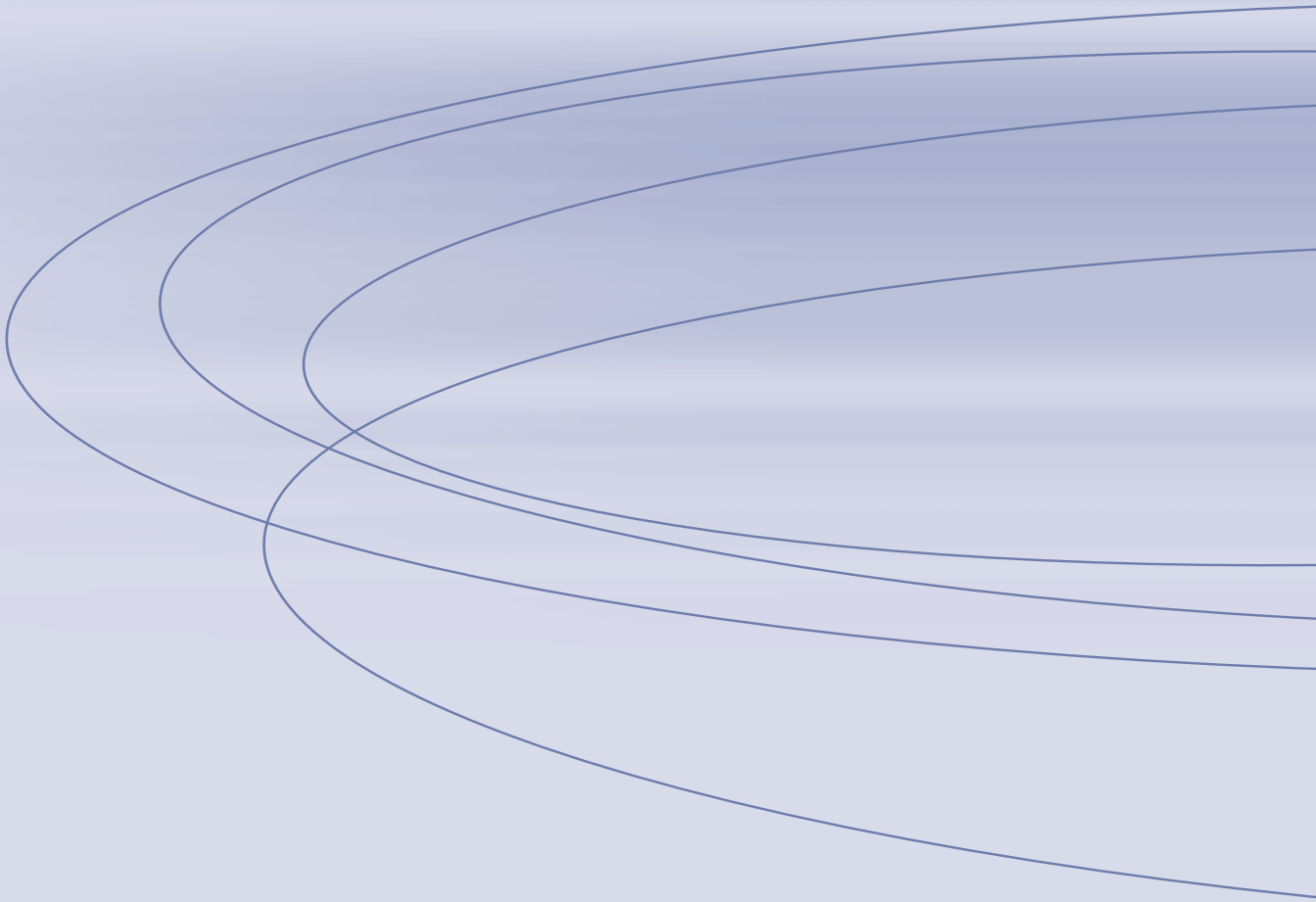
The OCTA is based on a multi-source approach, including law enforcement and non-law enforcement contributions. It helps to close the gap between strategic findings and operational activities but, in suggesting strategic priorities, it is not intended to be so detailed as to pinpoint specific criminal investigations.

The OCTA is always being enhanced. Methodological questions and other issues are continuously being addressed in close co-operation with the Member States. The methodology and procedures for its completion have been amended, and this has had a positive result in terms of quality of the contributions submitted to the report and the way in which the contributions are analysed. Overall, the changes which have been introduced have all contributed to enhancing the quality of the OCTA.

The OCTA does not cover terrorism or terrorist networks.



## 2. EXECUTIVE SUMMARY





## 2. EXECUTIVE SUMMARY

The OCTA is a core element of the European Criminal Intelligence Model (ECIM), which is based upon the intelligence-led law enforcement concept. This means that the OCTA focus is primarily placed on the OC groups.

Criminal activities are mainly analysed through the criminal hubs concept. In this way, the focus remains on complex situations that have widespread effects reaching beyond national borders and shaping criminal markets in large parts of the EU. Such complex situations are based on considerations which appreciate criminal activities in terms of geographical flows and facilitating factors, and OCGs in terms of intentions and capabilities (assessed through the typology).

### Criminal hubs

The analysis of available information confirms the existence of **five criminal hubs** with a wide influence on criminal market dynamics in the EU.

The **North West criminal hub's** geographical centre is in the Netherlands and Belgium. Its role as a distribution centre for heroin, cocaine, synthetic drugs and cannabis products will persist. Its influence extends to the UK, Ireland, France, Spain, Germany and the Baltic and Scandinavian countries. Several OCGs active in the North West hub in order to obtain supplies of illicit goods but based in another MS will maintain their activities.

The North West criminal hub appears also to be influenced by a feeder possibly located in the Middle East, more specifically formed around

Dubai. The latter is a key financial and business centre but also a logistical hub where OCGs make contacts and deals, launder illicit proceeds and regulate shipments to transit or destination markets. Indications of the growing role of Pakistan in the international trade in opiates (including processing in heroin) raise the possibility that this country will intensify its role as feeder, not only for the British Isles but also for the European market as a whole.

The **South West criminal hub** is traditionally formed around the Iberian Peninsula and its role as a South-West gateway to the EU. The impact of this hub is felt especially in the criminal markets of cocaine, cannabis, trafficking in human beings and illegal immigration.

West and North West Africa as well as other parts of this continent have emerged as significant feeders for either the South West criminal hub or, increasingly, directly to important markets and distribution centres in the Netherlands, France and elsewhere. Intelligence leads to the hypothesis that the abuse of West and Central Africa in the international drugs business will both increase, expand (comprise new countries) and deepen (not only storage and transit but also processing, trading and/or production).

The **North East hub** is and will continue being strongly influenced by feeders and transit zones located just outside the eastern EU borders (the Russian Federation/Kaliningrad, the Ukraine and Belarus). Illicit flows may be traced from the East towards the West (women for sex-

ual exploitation, illegal immigrants, cigarettes, counterfeit goods, synthetic drugs precursors and heroin) but also vice versa (cocaine and cannabis products).

St Petersburg is an important logistical nexus, feeding the North East hub. It ammasses various commodities, which are then re-directed to the Russian, Nordic, Baltic and Western European markets. Kaliningrad appears to have a similar but more limited role, especially in relation to cigarette smuggling and importation of heroin into the EU.

The **Southern criminal hub** is shaped by the central role of certain OCGs based in Italy that are capable of developing important synergies with OCGs based outside the EU. The latter keep a subordinate position in this co-operative dynamic, while remitting their criminal proceeds to third countries where they are based, and where other - more impacting - strategies can be adopted.

The influence of the Southern hub is mostly felt in the criminal markets of trafficking of cocaine and cannabis products, illegal immigration, smuggling of counterfeit goods and genuine and counterfeit cigarettes, and the production and distribution of counterfeit Euros.

The **South East criminal hub** is based upon its geographical location between Asia and Europe, and hinges on its role as an important gateway to the EU. Logistically, the importance of the Black Sea and the related waterways define the hub and will create opportunities for both legal trade and organised crime.

Romania can be seen as a significant gateway for the facilitation of illegal immigration into the EU, while the role of Bulgaria in certain criminal markets such as synthetic drugs, counterfeit Euros and payment card fraud is also central.

The South East criminal hub is very active in both producing various commodities and acting as a busy transit, warehousing and re-packaging zone. There are at least three main feeders and relevant routes directly influencing the

South East criminal hub: North (the Ukraine and Moldova), Centre (Western Balkans) and South (Turkey).

The significance of the port of Constanta in the cocaine traffic is growing, and cocaine seems to be increasingly arriving in the EU through Turkey and/or the Balkans. This may be due to the increased involvement of Turkish and ethnic Albanian groups in the cocaine distribution chain, but may also be the effect of the already well-established role of West Africa as a transit zone.

## OC groups: typology

A key outcome of the 2009 OCTA is the OCG typology.

In concrete terms, OCGs in this OCTA typology are classified on the basis of the geographical location of their strategic centre of interest and their capability and intention:

- To use systematic violence or intimidation against local societies to ensure non-occasional compliance or avoid interferences (named **VI-SO** strategy).

A significant threat is represented by OCGs adopting a strategy based on Violence – Territory – Brand. Indications of the adoption of that strategy are reported by several MS. The threat from these OCGs is made worse by the fact that they can serve to channel in the wrong direction people who feel alienated from mainstream society.

Easy supply of illicit goods may be one of the reasons for the important role played in certain countries by OCGs that engage in systematic violence or intimidation against local societies. This can be because the hubs increase the importance of controlling the destination markets. OCGs no longer need to engage in laboriously building up complex supply networks from other continents because illicit goods are within easy reach in nearby hubs. This violent behaviour is an efficient means of obtaining control of a destination market, so these OCGs have a



significant potential for growth, enhanced by the fact that a brand-name can be franchised to other criminals, generating a win-win situation for the franchiser OCGs and the OCG accepting affiliation.

- To interfere with law enforcement and judicial processes by means of corruptive influence (named **IN-LE** strategy) or violence/intimidation (named **VI-LE** strategy).

OCGs can also adopt strategies that consist of interfering significantly with law enforcement or judicial processes. A peculiar aggressive behaviour is mentioned, namely false accusations against law enforcement personnel.

- To influence societies and economies (named **IN-SO** strategy);

Indications suggesting the presence of OCGs with the capability of having a significant impact on local societies and economies through corruptive influence, infiltration or relevant re-investments of criminal proceeds are reported in many MS, so they can be considered an EU-wide threat. There is also some suggestion that certain OCGs based outside the EU adopt strategies based on significant influence on their local societies or economies.

Direct impact may be confined to specific communities that are not integrated with the surrounding society. These persons are more vulnerable to OC, and this is something on which OC capitalises. Labour exploitation can be a factor contributing to this strategy. The need in the EU for new work forces in various work areas which require hard manual labour, and indications of trafficking for forced labour, must be assessed with due consideration for the potential they give to the growth of this type of OCG.

When an OCG does not rely on any of the above mentioned behaviours and focuses on eluding law enforcement attention, it is considered as having an **EL-LE** profile.

## OC groups: assessment

The mechanisms of the Western criminal hubs appear to be characterised by non-EU based OCGs interacting with OCGs focused on eluding law enforcement attention and based in the geographical core of the hubs and, either directly or through them, with OCGs based in other MS. The latter are active also in the geographical core of the hub where they come for the purpose of obtaining supplies.

This implies that the key OCGs in this scenario will keep a low profile and focus on their lucrative criminal businesses rather than engaging in a struggle for control of territory. Visibility is for them a matter of extreme concern. As a corollary, sophisticated money laundering activities are vitally important.

These OCGs pose a double-sided threat. In the event that they succeed in re-investing their criminal proceeds in the MS or third countries where they are based, they can silently establish their influence on local societies and economies, further strengthening their resistance to attempts to dismantle them. In the EU destination markets, meanwhile, they can facilitate the growth of other types of OCGs, such as those that engage in systematic violence or intimidation against local societies.

The Southern criminal hub revolves around the central role of certain mafia-type OCGs based in Italy and clearly pursuing strategies based on both systematic violence/ intimidation and influence on local societies and economies.

With specific reference to the North East hub, it can be noted that basically all OCGs active in the Baltic countries are based there. The limited potential of these destination markets combined with the structural and functional features of these OCGs are likely reasons for this. This may also be an effect of the Western criminal hubs: supplying OCGs can deliver to these hubs, while other OCGs based in the relevant destination markets, or in this case in the North East hub, will activate to take care of the next steps in the distribution chain.

OCGs based in Latvia and pursuing strategies based on eluding law enforcement attention, or on interfering with law enforcement or judicial

processes through corruptive influence, appear to play a crucial intermediary role between the Russian and the EU OC environment. In Estonia a rising significance of OCGs focused on eluding law enforcement attention can be inferred, at least with reference to OCGs targeting other MS.

The types of OCGs based in Lithuania and playing an important role in the dynamics of the North East criminal hub are quite different. There is a dominance of multi-crime oriented clusters, where suggestions concerning combinations of systematic violence, influence on local societies and interference in the law enforcement and judicial processes regularly emerge. Their participation in the hubs' dynamics appears to draw more on their capability of being criminally present in Western EU and on their structural and functional profiles. Links with the Russian OC markets are crucial and can be facilitated by Latvian OC or go via the Kaliningrad region.

This puts the North East hub in an intermediate position between the Western hubs – that can be defined as 'activity-based' – and the Southern hub – that can be defined as 'OCG-based'. This is at the basis of their coexistence and interrelation.

The emergence and strengthening of the Near and Middle East drug markets, especially in relation to cocaine, synthetic drugs and precursors for heroin, is also having a strong impact on the dynamics of the South East criminal hub. The key strategic role of Turkish OC groups who exchange, for different markets, heroin for cocaine, cannabis products, certain precursors and synthetic drugs will grow. Partly through the Turkish connection, the South East criminal hub may expand its influence towards the Middle East and certain parts of Asia (for example Syria, Lebanon, Saudi Arabia, Iran, Georgia and Armenia).

Eastern Europe criminal scenarios suggest a noticeable presence of OCGs pursuing strategies based on influence on local societies and economies, or interference in the law enforcement and judicial processes through corruptive influence. Such strategies are not confined to OCGs composed of indigenous criminals. In comparison with other Eastern European countries, the use of violence or intimidation seems to be more frequent in Poland – where there are indications suggesting that interference in the

law enforcement and judicial processes through violence might emerge more often – and Hungary – where there are indications suggesting the possible use of systematic violence or intimidation against local societies by several OCGs.

## OC and West Africa

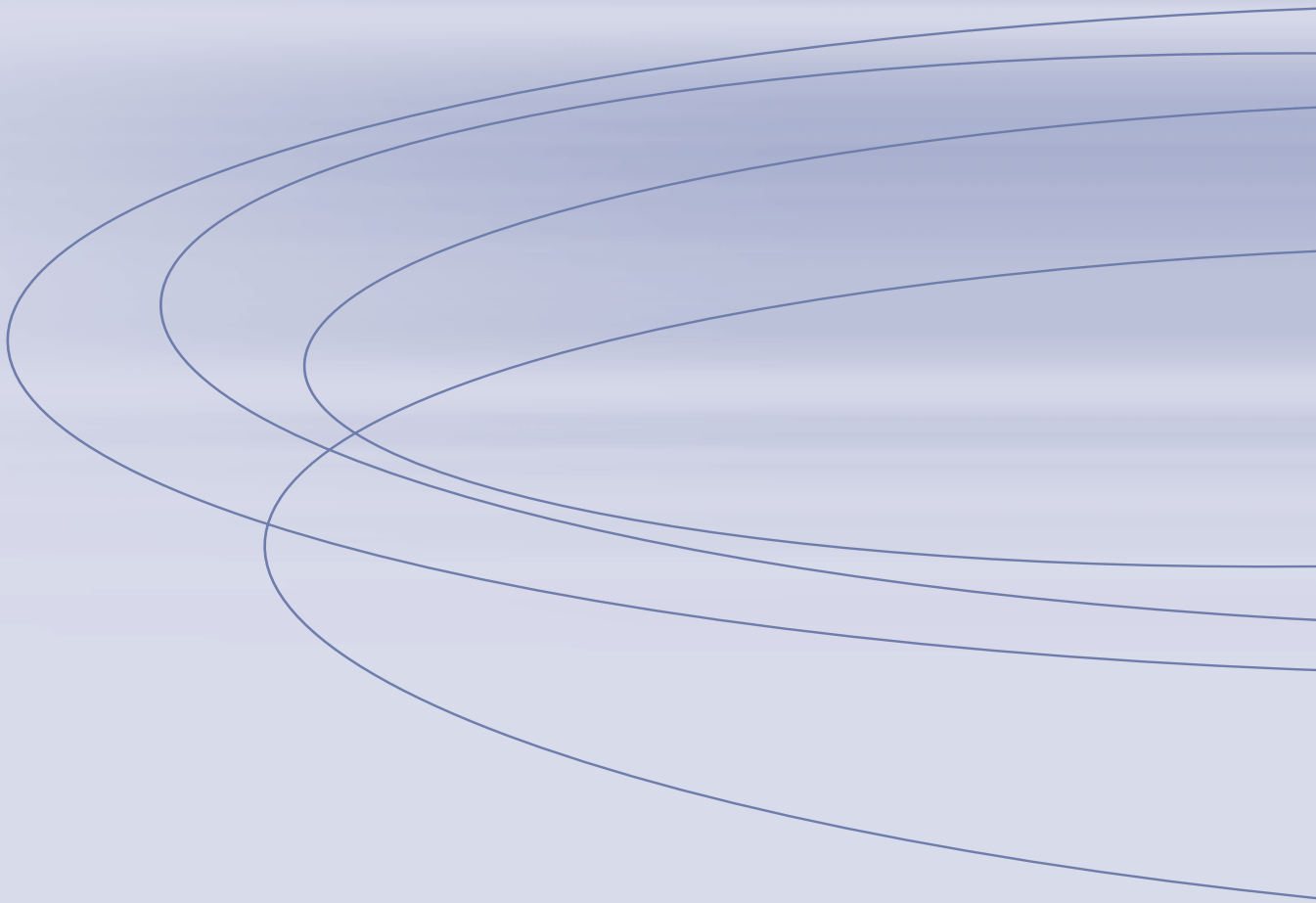
**West Africa** is considered to be highly influential in relation to the OC situation in the EU.

**Morocco** maintains its influential role as a major source country for cannabis. For cocaine trafficking, it principally acts as a transit zone between Sub-Saharan Africa and Europe. As a transit zone in the trafficking of all kinds of illegal commodities to the Iberian Peninsula, this region has also been highlighted in relation to the trade in precursors and counterfeit tobacco. Morocco is also targeted as a distribution market for counterfeit Euro banknotes supplied by EU OCGs active in the Southern criminal hub. THB from Morocco is primarily organised for the purpose of labour exploitation in the EU South West region. It is expected that OCGs originating from this area will not significantly progress beyond the roles they currently occupy as market coordinators for cannabis, and facilitators in illegal immigration and cocaine trafficking towards the EU Southern regions.

The **Gulf of Guinea** currently enjoys a highly influential role as a logistics centre for cocaine from South America destined for the European market. It also serves as a major source in supplying the EU regions with victims of THB for the purpose of sexual exploitation. Indigenous OCGs from this region, in particular of Nigerian origin, maintain a position of influence within the wider criminal landscape by interlinking OC activities in West Africa and Europe. Without a significant reduction in the vulnerability of legitimate systems in the West African countries, the long term threat of WA OCGs is expected to stem from the varied OC activities they are engaged in and the systems they maintain for interlinking activities at home and within the EU.

The activities of OCGs in the area approximating the Gulf of Guinea, combined with existing facilitating factors, permit to envisage the actual existence or future formation of a West African criminal hub.

## 3. EU CRIMINAL MARKETS





## 3. EU CRIMINAL MARKETS

### 3.1 Drug Trafficking

**Heroin** trafficking continues to be fed by large scale opium cultivation in Afghanistan. Opiates reach Europe through the Balkan routes and the Northern Black Sea route across Central Asia and Russia. Alternative routes, established trading infrastructures, and geographical proximity to source or destination countries are among the main influencing factors of heroin trafficking. The relevant role of Turkish, Kurdish, Pakistani and Iranian OC groups is due to their geographical and historical proximity to the main source country.

**Cocaine** is produced in the Andean region in South America. The importance of West Africa with regard to cocaine transit, storage and redistribution is increasing. Its geographical position between Andean cocaine suppliers and EU buyers, combined with economic vulnerabilities, established criminal networks and widespread corruption are decisive facilitating factors for international drug traffickers. South American OC groups dominate wholesale international

trafficking. West African and domestic OC groups manage secondary distribution within EU. Cocaine enters the European market also through Turkey. Middle East consumers and domestic demand can explain this detour.

Morocco is still the main EU supplier of **cannabis** resin. Cooperation of Moroccan OC groups with domestic criminals assures knowledge of legislation gaps and provides local contacts. The increasing trend of indoor cannabis plantations in MS can be due to geographical proximity to the destination or distribution markets. Victims of THB or illegal immigrants repaying the costs of their journey are often exploited in cannabis plantations. Vietnamese growers are widely reported. In countries with large numbers of cannabis users domestic production is increasing to meet the demand and optimise the profits. In the UK 80 per cent of cannabis is thought to be produced domestically.

Inexpensive production, high profits and low levels of specialisation characterise **synthetic drugs** trafficking. Production and consumption



Photos: Bo Pallavicini, Europol



*Europol photo by Zoran Lesic*

areas seem to coincide or be adjacent, contributing to abating costs and transportation risks. Production in Eastern European countries is increasing, although Dutch and Belgian OC groups are still dominant. The production and diversion of precursor chemicals is vital for the trade. Chinese OC groups, dominant in the trade, have ceased to use traditional routes: there has, however, been no decline in the amount of chemicals seized, suggesting that these OCGs have found new routes as yet unidentified by the authorities. Amphetamine production is significantly increasing in Bulgaria and Turkey, also destined towards the Middle East market. Methamphetamine production is increasing, as



*Photo: Bo Pallavicini, Europol*

well as that of designer drugs produced by Dutch and Belgian OC groups expanding their markets. The growing industrial productivity and penetration into the global market by China and India, combined with licit access to precursor chemicals, is reflected in a noticeable increase in the production of synthetic drugs in these countries.

**Technology** is a key facilitating factor in drug trafficking. Special equipment for production, anonymous internet communication, electronic money transfers, online trade challenge both international and national anti-drug policies and control mechanisms. Industrial development allows for the production of new, as yet uncontrolled substances or for the camouflage of more traditional substances. The **prison system** provides an opportunity to meet associates, to exchange information, to delegate tasks or to set up new criminal connections. **Social tolerance** and alluring media coverage contribute to mitigate inhibitions and increase consumption.

### 3.2 Crimes against Persons

Defining **crimes against persons**, it is important to distinguish trafficking in human beings (THB) from facilitated illegal immigration (people smuggling). While people smuggling refers to the facilitation of the illegal entry into the EU

of willing migrants, trafficking in human beings is defined by their ensuing exploitation and forced labour.

The most active OC groups involved in **trafficking human beings** in the EU are Bulgarian, Nigerian and Romanian. Groups from other Balkan countries, China, Moldova, Russia, Turkey, Ukraine and Vietnam are also frequently reported. Albanian OC groups tend to exploit victims trafficked by other groups. Trafficking of women for sexual exploitation is stabilising, while trafficking for forced labour is increasing, mainly in the sectors of construction, drug production and begging. Intelligence indicates increasing trafficking in children destined for illegal labour – including domestic slavery – or sexual exploitation. Romanian OC groups of Roma ethnicity dominate trafficking in children. Where child victims have been identified it has been observed that their willingness to cooperate with the authorities is almost non-existent. Reports of child victims exhibiting non-cooperative behaviour and taking every opportunity to escape from 'protective custody' indicates the level of control exercised by their traffickers. It is also suspected that the use of children has been determined as a strategy by the traffickers to disrupt the law enforcement response. Possible future sources of trafficked human beings include Black Sea, Caucasus and Central Asian countries (e.g. Georgia and Kyrgyzstan), whose present threat is not clear.

Africa, Asia (China, Indian sub-continent and Vietnam), Eastern Europe (including FSU countries), Latin America, the Middle East and the Western Balkans are sources of **illegal immigrants** toward the EU. Profiling smugglers, many countries suggest that their nationality often approximates to that of those smuggled, although criminal partnership involving a wider range of OC groups can not be excluded. Certain transit countries are evolving into final destinations. Inconsistent immigration laws and national anomalies in the Schengen visa policy facilitate this criminal activity.

In relation to THB and people smuggling, the abuse of legal migration systems is likely to increase in the future, especially in the area of visa and residence permits. Also, intra-EU freedom of movement can be abused by OC groups, as in the case of Eastern European EU citizens

exploited as prostitutes in Western Europe. Criminals can legally move, and other migrants flowing in significant numbers to MS can be exploited or enlisted by OC groups.

Document counterfeiting and the abuse of the transport sector, mainly low cost airlines, are major facilitating factors in crimes against persons. Traffickers are often involved in other transnational crimes, such as drug trafficking, payment card fraud, identity fraud, counterfeiting and money laundering.

In recent years a considerable transnational action has been directed against the production and distribution of **child abuse** material on the Internet. However the circulation of such material is not decreasing. OCGs are engaged in the production of new illegal images and movies, or they utilise the same material on different websites where they sell it through sophisticated electronic payment systems. Growing demand implies an increasing number of children being sexually abused to fulfill it.

Child abuse content is also distributed through networks of child sex offenders that are not motivated by financial gain. Rather, they exchange this material because of their common sexual interest in children. Among the latter it has been noted that a large amount of illegal material is being produced and distributed by travelling sex offenders.

### 3.3 Fraud

**Fraud** is a worldwide problem and is a method increasingly used to generate money in order to fund other types of crime such as drug trafficking, THB, identity fraud, alcohol smuggling, counterfeiting and terrorism.

Value-added tax fraud (VAT fraud) is among the most frequent types of **trade fraud**. Double invoicing, illegal trade of goods without enlistment of consumer tax and VAT, fictitious trade with goods with consequent request of VAT return, false invoicing and carousel fraud are frequent scenarios. Disguising merging of legal and illegal business activities plays a key role. Catering services, transport, real estate agencies, trade in mobile phones, computer parts, fuel or cars are the most targeted businesses.

Geographic proximity to trading countries, close relations with former colonies, trade conditions, national and international legislative anomalies and the involvement of foreigners with legal status in the EU facilitate this crime. Besides domestic criminals, also African, Arab, Asian and Russian OC groups are active in VAT fraud. Long term residence in host countries, good knowledge of the legal and tax systems, a background in financial crime and active orientation towards running business enterprises are typical features of suspects. The activities of Russian OC groups, for example, have been observed in the Baltic region, while Chinese OC groups play an important role in the South-East region, in cooperation with domestic criminals. Importing goods into the EU through that traditional gateway, criminals invoice imported commodities to missing traders and then divert them elsewhere. The use of false commercial documentation suggesting legitimate trade and masking details of the trading process is a known facilitating factor.

**Public procurement fraud** is usually linked with elements of corruptive action against public administration and the private business sector. OC groups can exploit this process from its initial stages, tampering with the activities that precede the publications of tenders, and thus designing them to their advantage. Public and community funds received illegally can be laundered and re-integrated into the cycle of lawful activities or be re-invested to support other criminal activities.

Payment card fraud depends on the theft of personal financial data through a wide range of techniques, including wire tapping, hacking into electronic databases, phishing, pharming and skimming. It is not always necessary to copy card data to a counterfeit card or white plastic as illegal use of payment cards includes card-not-present purchases. While carding is controlled predominantly by Russian OC groups, Romanian and Bulgarian OC groups prefer traditional skimming activities. The Modus Operandi has changed slightly in 2008, as criminals are moving from automated-teller machines (ATM) to points of sale (POS) in supermarkets and shops to obtain payment card data: in addition, while in the past skimming and money withdrawals took place within the EU, criminals are increasingly making withdrawals outside of the

EU. New GSM technology offers the opportunity to send data to other countries and dump credit card data onto servers which are directly accessible via the internet.

Fraud is not the only criminal field heavily impacted upon by the rapid development of modern technology. One of the emerging threats is the growing number of virtual OC groups. Criminals from different continents can meet on the Internet and collaborate in crime without personally knowing each other. Common criminal intent and technical proficiency are the driving factors of these virtual OC groups, which get together on Virtual Private Networks covering vast geographical areas. In such private networks, always protected by sophisticated security features, criminals or scattered cells spread all over the world can meet and organise to commit crimes on the internet; specialists can offer their skills and be purposely hired and paid by OC groups to commit crimes on the internet (or in real life); individual criminals can meet and group to exchange illicit material, for example child abuse pictures or movies. OC groups operating on the Internet are very difficult to trace. This is because there are legal and procedural deficiencies in a number of key areas, such as a common reporting system; a reporting system for the victims; the managing of and access to data retained by Internet Service Providers (ISP) and telecommunication companies; and a common strategy at international level.

### 3.4 Counterfeiting

The manufacturing and distribution of **counterfeit commodities** constitute a serious problem beyond the financial loss of owners of intellectual property rights and legal enterprises in general. The industrial sectors mostly affected by counterfeiting are music, software, tobacco products, automotive parts, pharmaceutical and chemical products, and clothing.

Pharmaceutical products, mainly those from China, Hong Kong, India, Thailand and Turkey represent the most alarming dimensions of this phenomenon. To maximise profits, OC groups produce medicines without regard to ingredients – including the active principle – composition and production methods. Other counterfeit





Europol photo

products such as software, music, movies and luxury goods lead to significant financial losses to right holders and legitimate business. **Modi operandi** vary in accordance with the selected distribution channel. While some counterfeits enter the legitimate supply chains and displace the sale of genuine articles, causing a reduction in revenue, some others are sold to end users through illicit supply chains. Counterfeit products with labels and logos of renowned trademarks are also commercialised through door-to-door sale. Some restaurants and other catering services are involved in the import and distribution of counterfeit food and spirits. The growing consumerism of society, combined with social tolerance and a general lack of community awareness are major facilitating factors. The sale of counterfeits is directly **linked to other criminal markets**, such as drug trafficking, cigarette smuggling, tax fraud and money laundering or funds other criminal activities, such as illegal migration, stolen vehicle trafficking or terrorism.

**Counterfeited documents** are a horizontal facilitator touching upon all criminal markets. Identity documents, passports, birth certificates, and residence permits are among the most commonly targeted documents ensuring smooth perpetration of cross border organised crime. Counterfeit customs declarations and quality certificates are presented to custom offices while declaring contents of shipments.

Counterfeit breeding documents are submitted to MS consulates to obtain visas. **Technology** development allows manufacturing counterfeit products of higher quality, which makes their detection and seizure more difficult and leads to a larger profit for OC groups. The **Internet**, with its virtual stores selling all kinds of goods, is one of the main distribution channels for counterfeits.

In 2008 for the first time the amount of **counterfeit Euro** banknotes detected in circulation amounted to more than 600,000 items (664,000). This increase in fact intensified in the second half of the year.

National authorities, often supported by Europol, seized approximately 500,000 counterfeit euro banknotes, arresting nearly 400 suspects. A criminal profit of EUR 34 million was prevented with the seizures.

An increase of Euro counterfeits, mainly of high nominal value, is reported from the Balkans together with Italian counterfeits of lower nominal value. The criminals most frequently involved in Euro counterfeiting come from Bulgaria, some of Turkish origin, Colombia, Italy and Lithuania. Counterfeit Euros produced in Italy are also distributed in the EU by Ghanaian OCGs and in Morocco, conceivably by Moroccan OCGs. The black market contributes to the flow



*Europol photo*

of counterfeits. The skilled use of sophisticated equipment, computers and reproduction **technology** contribute to this increase. Low awareness of and insufficient attention to security features applied on banknotes facilitates the process.

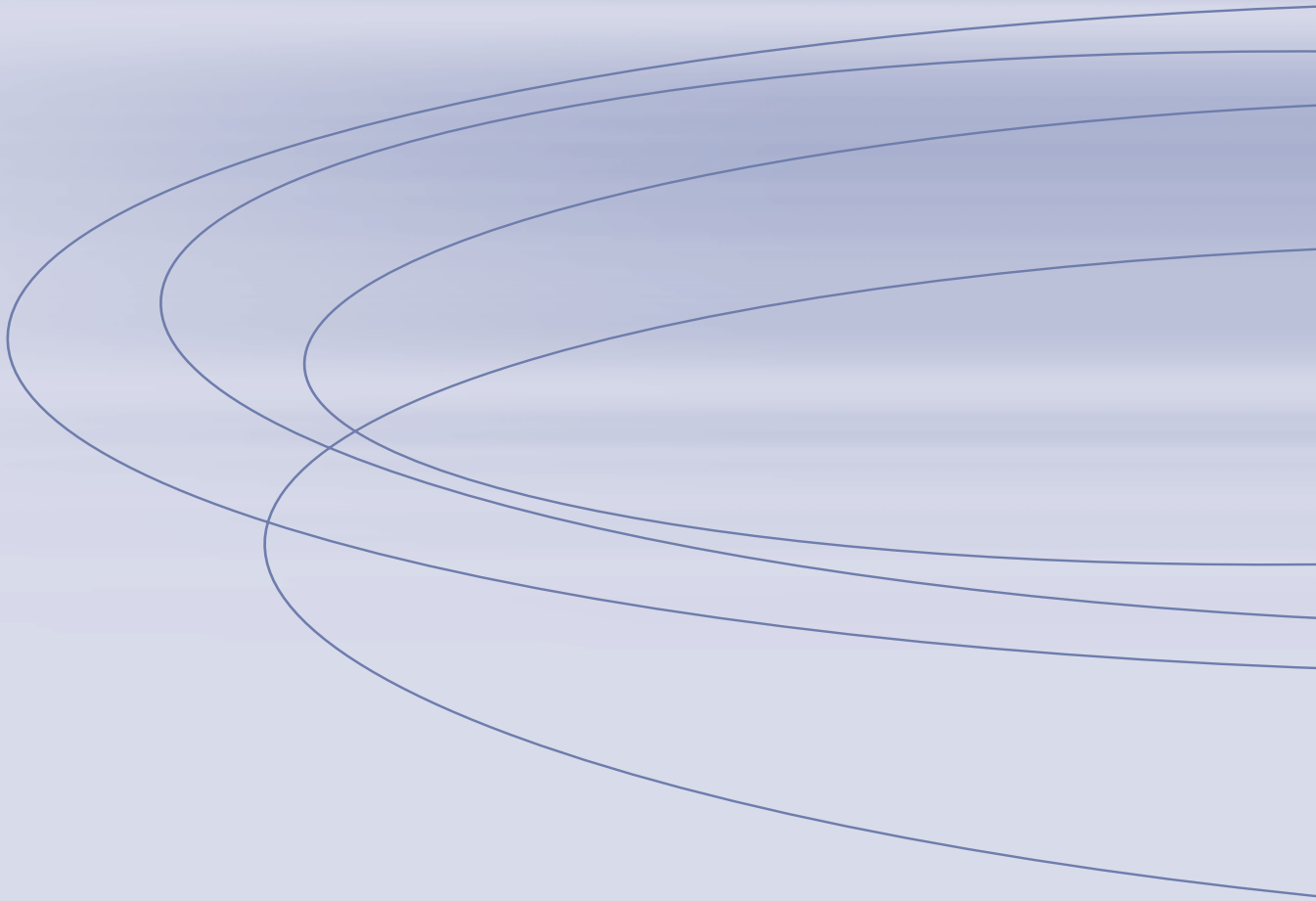
The decrease in the number of counterfeit classes being produced and the increase in the number of variants indicate a trend of further professionalism and the growing involvement of OC groups. Thus a limited number of criminal groups – mainly from the above mentioned areas – are dominating this criminal market. Another trend can be noticed in the counterfeited denominations. Historically, the EUR 50 has

been the most counterfeited banknote, but current trends favor the EUR 20. The three mid-range denominations (EUR 20, EUR 50 and EUR 100) together account for about 94 per cent of all counterfeits.

An increasing number of counterfeit Euro coins enter the market through slot-machines. The improving quality of counterfeit coins indicates the involvement of professionals from the casting industry in the production of raw materials placed both in and outside the EU.

Euro counterfeiting is often associated with other crime areas such as drug trafficking, money laundering and economic crimes.

## 4. ANALYSIS OF CRIMINAL HUBS





## 4. ANALYSIS OF CRIMINAL HUBS

### 4.1 Criminal hubs

A 'criminal hub' is a conceptual entity that is generated by a combination of factors such as proximity to major destination markets, geographic location, infrastructure, types of OC groups and migration processes concerning key criminals or OC groups in general. A criminal hub receives flows from a number of sources and spreads their effects in the EU thereby forging criminal markets and creating opportunities for the growth of OC groups that are able to profit from these dynamics.

The criminal hubs do not exist by or for themselves. They are supplied by so-called feeders which are often locations just inside or outside the EU borders providing goods to the important European hubs, namely the North-West, North-East, South-West, South-East and Southern criminal hubs. The feeders can have different roles: in some cases they are relatively passive transit zones to the EU, in other occasions they are active centres in which business deals on commodities are negotiated, logistics defined, goods stored and re-packaged, and strategies for the delivery of the goods defined and agreed. In any case the role of the feeders is crucial: they procure and move goods from the origin closer to the EU and in some cases even alter or finalise the commodities in preparation for their various stages of final distribution in the EU and Europe.

The relationship between the various levels of hubs and feeders can be illustrated by the example of cocaine trafficking into the EU. Cocaine is produced not only in Colombia but in Peru and Bolivia and possibly other Latin American countries. This diversion is mainly due

to law enforcement action in Colombia and international political pressures against the country's significant role in coca production. The cultivation is in any case organised and controlled mainly by Colombian groups.

From its origin cocaine is moved either to Venezuela and Brazil, whose role in cocaine transit is increasing, or to the Caribbean or Central America (Mexico, Costa Rica and Panama) in order to circumvent law enforcement action based on specific risk origin countries in the EU airports and sea ports. West Africa and recently also certain other African regions are used for transferring cocaine to the EU and elsewhere. The Balkans, the Black Sea region including Turkey and especially the port of Constanta are also receiving flows of cocaine which are then fed towards Western Europe.

In Europe the cocaine directed through the feeders in many cases arrives in the South West criminal hub to be forwarded, to a certain extent, to other hubs such as the North West. In this framework, the latter can be considered a secondary distribution hub. From there the cocaine is re-directed to its final destination markets all over the EU. Alternatively criminal groups can procure cocaine directly from the origin or indirectly from the feeders. This is done in order to cut costs or to fulfil a certain distribution role in a specific market. Certain Latvian and Lithuanian OC groups are strengthening their position in the cocaine market by directing cocaine couriers from the origin via the Baltic States for the growing Russian market. In addition to this, cocaine is exchanged for other drugs and commodities: in Turkey and Iran for heroin, in Spain for cannabis products and in the Russian Federation for arms.

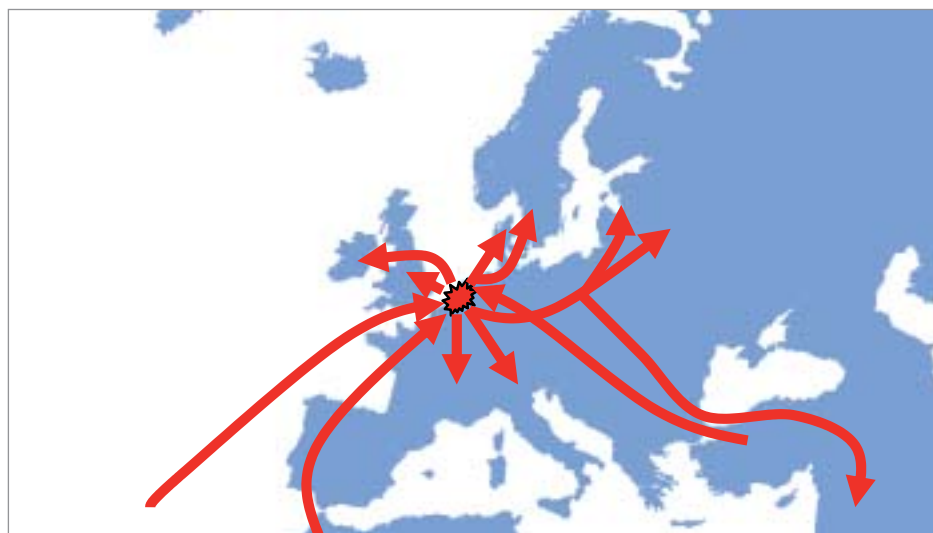
On the whole the gateways to the EU remain relatively stable but the transit areas and commodities vary, as may also the direction of the routes. These variations are the visible indications of the changes taking place in the criminal hubs which are the dynamic centres of criminal activities and in turn respond to changes in demand. An indication of this is the increasing association between ethnic Albanian groups and the Balkans and Turkey – which previously have mainly been associated with heroin trafficking – in the cocaine trade. For various reasons the demand for cocaine in some parts of the EU as well as the Russian Federation seems to be growing while heroin use remains stable. This can change the supply patterns relatively quickly, especially with those OC groups that can logistically and organisationally respond to the changing demands.

**The North West criminal hub** has a central role in the network of the main EU criminal hubs. As is the case with the trade in many legal goods the geographical centre is the Netherlands and, to a lesser but however significant degree, Belgium. Criminals and OC groups from the UK, Ireland, Belgium and the Netherlands have traditionally defined the markets and supplied the commodities in this criminal hub. They are nowadays increasingly challenged and complemented on different logistical levels by West and North African, East European, Turkish, Pakistani, Vietnamese, Chinese and Colombian groups which in many cases can also be comprised of second generation members residing in the EU MS.

The indigenous criminal groups (such as the UK and Irish groups) have traditionally procured goods from the North West and the South West hubs. They also establish contacts with groups in the supplying countries in order to directly source the goods and reduce the amount of go-betweens and thus increase the profit margins in the relatively competitive and efficient criminal markets of the North West Europe. For example, Irish criminals are cutting out the established drugs wholesalers in the Netherlands and Spain and establishing business contacts in the origin with the aim of procuring drugs from the supplying groups in Colombia.

Turkish criminal groups seem to continue controlling the trafficking of heroin to the EU. Suspects of Turkish ethnicity or having contacts with Turkish trafficking groups dominate the wholesale of the heroin through the Netherlands. Moroccan criminal groups move cannabis products from Morocco through Spain to the North West criminal hub for redistribution in the EU. The same routes are also becoming popular for the importation of cocaine into the EU. Indoor cultivation of cannabis seems to be on the increase and can affect the market in cannabis products. It is also linked to facilitation of illegal immigration or trafficking in human beings: illegal Vietnamese and Chinese immigrants or Bulgarian victims of trafficking trying to pay for their transportation and upkeep are used for tending the cannabis plantations.

Despite certain attempts to procure drugs directly from the origin, the role of the North



West criminal hub as the distribution centre for heroin, cocaine, synthetic drugs and cannabis products remains. The hub is influenced and fed in particular by the South West criminal hub (including Morocco) directing cocaine and cannabis products, and by the flow of heroin reaching the Netherlands through Turkey and the Balkans. Its influence extends to the UK, Ireland, France, Spain, Germany and the Baltic and Scandinavian countries. Synthetic drugs produced in the Netherlands and Belgium are trafficked to North America, Israel and Australia as well as to the Middle East and Asian markets, sometimes in exchange for heroin. Precursors for the production of synthetic drugs in the North West criminal hub are procured from both China and the Russian Federation.

In the North West criminal hub the UK specifically acts as a considerable pull factor for legal and illegal forms of immigration. Certain locations in South East Asia, the Balkans and Turkey, the FSU and North Africa act as feeders where migrants arriving through various routes congregate and where deals on their facilitation are struck. From there they are directed by air, sea or land to Greece, Belgium, Italy and France and in many cases, especially via the Channel ports, further to the UK.

The North West criminal hub seems to be influenced by a feeder possibly located in the Middle East, more specifically formed around Dubai. In addition to being an important transit and storage area for illegal commodities (for example counterfeit cigarettes and other counterfeit

products mainly from the Far East), its role in the international opiate trade appears central. Dubai is a key financial and business centre but also a logistic hub where criminal groups make contacts and deals, launder the proceeds of criminal activities and regulate shipments to the distribution hubs or destination markets.

Current intelligence indicates a growing role for Pakistan in the international trade in opiates. Since a significant amount of heroin for the Irish and UK markets is already directly sourced from Pakistan, this development may intensify the country's role as a feeder not only for the British Isles but possibly also for the overall European market.

**The North East criminal hub** in and around the Baltic countries is confirmed by the data contributed to the 2009 OCTA. The North West hub acting as a central distribution centre in the EU influences this particular hub especially in relation to cannabis products originating from Morocco and transiting through Spain as well as to a certain extent in synthetic drugs and heroin. The role and international operations of Lithuanian and other Baltic groups in the hub means that commodities from afar touch on the region and can be re-directed for the local markets even though their main destination may be elsewhere, such as Western Europe or the Russian Federation.

The Lithuanian OC groups have a central role in the North East criminal hub even though their main influence extends to markets and criminal



hubs further away. They act as dealers and brokers for various types of commodities in the EU and beyond: they procure and traffic in cannabis products, cocaine, synthetic drugs and their precursors, heroin, counterfeit goods and Euro counterfeits, stolen vehicles and other stolen property, cigarettes, arms, illegal immigrants and women for sexual exploitation and forward these to the relevant markets. Lithuanian groups re-direct and traffic commodities from the east towards the west (women for sexual exploitation, illegal immigrants, cigarettes, counterfeit goods, synthetic drugs precursors and heroin) but also vice versa (cocaine and cannabis products). Furthermore, they traffic synthetic drugs from the North West hub to the Nordic markets where also amphetamine and especially methamphetamine produced in Lithuania prevail. They are also introducing methamphetamine originating from Lithuania to the Irish market.

Lithuanian groups co-operate or deal with Russian and Belarusian as well as certain Estonian, Latvian and Polish OC groups. The latter act as "bridging groups" who procure commodities from or through the Lithuanian OC groups and collaborate in turn with local criminal groups, including those with outlaw motorcycle gangs (OMCG) members, for ultimate distribution in the appropriate criminal markets.

Furthermore, groups originating from Vietnam, the Balkans and West Africa are active in the ultimate distribution of drugs in the Nordic markets, either in co-operation with other groups or seemingly independently. The local distribution set-up varies between the Nordic countries: Finland is influenced mainly by co-operation patterns between Russian and Estonian groups and OCGs with OMCG members, while the impact of groups originating from the Balkans is more relevant although not exclusive to Denmark, Norway and Sweden. The impact of a criminal phenomenon familiar to Central Europe, namely the involvement of Vietnamese groups in domestic cannabis cultivation and distribution, is most relevant to Norway and Denmark.

St. Petersburg is an important logistical nexus in the North East criminal hub. It gathers various commodities that are then re-directed to the Russian, Nordic, Baltic and Western European

markets. Cocaine arrives directly from South America or is re-routed via South Africa and sometimes the Baltic States to St Petersburg, from where it is forwarded to the markets of the North East. Smuggled cigarettes from Kaliningrad are passed on via St Petersburg to the Baltic countries and further to the EU destination markets. Illegal immigrants from the Far and Middle East, the FSU, Colombia and Pakistan gather at this final transit point to be facilitated into the EU. Counterfeit goods are shipped from St Petersburg to Lithuania and sometimes further to Latvia, Poland and Germany. Kaliningrad seems to have a similar but more limited role especially in relation to cigarette smuggling and the importation of heroin into the EU.

The borders between the Russian Federation/the FSU and the EU are an important factor creating certain dynamics essential for the functioning of the North East criminal hub. Russian OC groups are interested in using banks located in the Nordic and Baltic countries for laundering criminal money derived from crime perpetrated in the Russian Federation/the FSU and probably for a less suspicious and low-profile entry into the financial systems in the EU. The high volumes of trade crossing the region create opportunities that both white-collar and organised crime can exploit (smuggling activities, money laundering, VAT fraud, double-invoicing, etc).

Possible changes in taxation may change certain dynamics of the North East criminal hub. Mainly due to significant alcohol tax cuts in Finland the market in smuggled alcohol is currently mostly relevant to Sweden and Norway. However, some countries of the region are planning or already introducing increases in relevant taxes. This might lead to the re-activation of an important black market and increased opportunities for criminal groups already involved in the smuggling of cigarettes and/or alcohol such as certain Polish, Baltic and Russian OC groups.

**The South East criminal hub** is based on its geographical location between Asia and Europe and hinges on its role as an important gateway into the EU. Logistically the importance of the Black Sea and the related waterways define the hub and create opportunities for both legal trade and organised crime.





The significance of the port of Constanta in the growing cocaine traffic is strengthening, and cocaine seems to be increasingly arriving in the EU through Turkey and/or the Balkans. This may be due to the increased involvement of Turkish and ethnic Albanian groups in the cocaine distribution chain but can also be the effect of the already well-established role of West Africa as a transit zone: this will lead to more law enforcement attention to the relevant routes entering the EU from West Africa and will conversely increase the importance of alternative routes and entry points into the EU.

Romania can be seen as a significant gateway for the facilitation of illegal immigration into the EU while the role of Bulgaria in certain criminal markets such as synthetic drugs, counterfeit Euros and payment card fraud is also central. Illegal immigrants arriving from the east (the FSU, the Indian sub-continent, Iraq, Iran, Afghanistan and China) through various routes are smuggled into the EU via Romania, often facilitated by Romanian OC groups. The role of Romania as an entry point to the EU has grown since its membership in the EU. International transportation companies based in Romania appear also to facilitate this highly lucrative activity by establishing contacts with falsifiers and recruiters from countries such as Moldova, the Ukraine or different Asian countries (Pakistan, India and Bangladesh).

The South East is a very active criminal hub both producing various commodities and acting as a busy transit, warehousing and re-packaging

zone. There are at least three main feeders and relevant routes directly influencing the South East criminal hub:

- North: the Ukraine and Moldova

Origin and transit point for illegal immigrants/victims of trafficking and cigarettes. The Ukraine is also a transit point for heroin through the Northern route into the EU. According to some sources the overall importance of the Northern route in the import of heroin into the EU is growing.

- Centre (the Balkans): Albania, Kosovo/Serbia, Montenegro and FYROM

Origin and/or transit point for cannabis products, illegal immigrants/victims of trafficking, heroin, cocaine, cigarettes, synthetic drugs and precursors, counterfeit Euros and arms into the EU.

- South: Turkey

Trafficking of heroin and transit point for illegal immigrants into the EU; heroin exchanged for synthetic drugs, precursors and cocaine to be trafficked towards the Middle East markets.

Trafficking in heroin is a main criminal market affecting the South East criminal hub. Heroin is trafficked from or through Turkey by Turkish groups, often in co-operation with Bulgarian OC groups, via the Balkan route into the EU. This

heroin is further directed to the North West criminal hub for secondary distribution controlled mainly from the Netherlands. Regional distribution in South East Europe seems however still to be in the hands of ethnic Albanian groups, with Albania serving as a pre-gathering and transport centre for the distribution of heroin into the EU.

The emergence and strengthening of the Near and Middle East drug markets especially in relation to cocaine, synthetic drugs and precursors for heroin are strongly impacting the dynamics of the criminal hub. In this sense the key strategic role of Turkish OC groups who exchange, for different markets, heroin for cocaine, cannabis products, certain precursors and synthetic drugs will grow. The same applies to Bulgarian and Serbian OC groups who have a key role in trafficking synthetic drugs produced in these countries towards the East. Partly through the Turkish connection the South East criminal hub may expand its influence towards the Middle East and certain parts of Asia (for example Syria, Lebanon, Saudi Arabia, Iran, Georgia and Armenia).

The South East criminal hub is a key entry point to the EU for both counterfeit and genuine smuggled cigarettes. These cigarettes originate from illegal production in the Ukraine and Moldova, the Balkans (Serbia, Bosnia and Herzegovina, FYROM and Montenegro), and the Far East. Legally produced cigarettes originating from the region are re-diverted to the black markets.

**The Southern criminal hub** is established around the geographical position of Italy as one of the gateways into the EU and the central role of Italian OC groups with contacts in many countries and regions all over the world. All main Italian OC groups are again active in drug trafficking while they are in some cases challenged by, but in general co-operating with, ethnic Albanian, Colombian, Turkish and African criminals. An important feature contributing to the central role of Italian OC groups is their ability to establish contacts with the source of drugs or other commodities to procure them directly from there. It seems that this is still an ability and readiness that most groups wishing to participate in the various drug markets cannot match and will

therefore remain dependent on these procuring groups.

The influence of the Southern hub is mostly felt in the criminal markets of trafficking of cocaine and cannabis products, illegal immigration, smuggling of counterfeit goods and genuine and counterfeit cigarettes, and the production and distribution of counterfeit Euros.

The connection with the South West criminal hub appears still to be valid for Italian OC in the cocaine trade. While the majority of cocaine arrives in Italy by sea and air directly from the source, it is also to a significant degree forwarded through Portugal, to a certain degree through France, and especially through Germany where Italian OC has a solid foothold. 'Ndrangheta, the main Italian OC group involved in the cocaine trade with direct contacts with Colombian cocaine cartels, has one of its key logistical bases in Spain. Furthermore, French OC groups have established contact with Italian OC groups to import cocaine into Europe, and Italian members feature in the criminal organisations involved in cocaine trafficking in Portugal. Cannabis products are directed from North Africa through Spain and/or France to Italy. Due to law enforcement activities targeting the main trafficking route there are indications of cannabis products arriving directly from Morocco to Italy

The South East criminal hub also impacts strongly upon the Southern hub. The links between Albania, the Kosovo region and Italy remain strong in trafficking in human beings, heroin, cannabis products and increasingly also cocaine while Romania is an important gateway for illegal immigration from the FSU and China either destined for or transiting Italy. Furthermore Nigerian criminals residing in Bulgaria have contacts with Nigerian OC groups in Italy providing them with cocaine for the Italian market.

The role of the Southern criminal hub is even more central in relation to cigarette smuggling, the smuggling and distribution of counterfeit products and the production of counterfeit Euros. Euros in this case are produced in Italy, distributed there and further transferred to other euro zone countries such as Belgium, Spain, Germany and Slovenia but also to countries that



are still outside the zone such as Hungary and Morocco. Camorra often controls their production, or at any rate permits the counterfeiting activities of other criminal players. Concerning the distribution of counterfeit Euros, there are indications that Lithuanian distribution networks have been flexible enough to find new suppliers for counterfeit banknotes after the dismantling of the main printshops in Lithuania.

Both Camorra and Apulian OC groups have established extensive contact with Chinese OC in order to produce, transport and distribute counterfeit products. Counterfeits are in the majority of cases produced in China and other parts of the Far East, but the Mediterranean countries are also a noteworthy origin. Components from the Far East enter the EU at the weakest border crossing points and are often only assembled and provided with counterfeit trademarks there. This is done most probably to decrease the risk of penalties in case the goods are intercepted on their way: at this point in transit they are still ordinary goods and do not abuse any intellectual property rights. Trade flows from China have steadily increased in the port of Naples which is also a hub for flows of Chinese counterfeit goods. They are subsequently distributed to the other EU countries to be sold door-to-door or by various vendors and even wholesalers.

Italian OC co-operates with foreign criminal groups to smuggle both genuine and counterfeit cigarettes to the EU and Italy, and the latter's overall position as one of the gateways of smug-

gled cigarettes into the EU seems to be strengthening. Currently around half of all cigarettes seized in Italy are counterfeits and there are indications that Chinese counterfeit goods, and especially counterfeit cigarettes, are currently being introduced relatively aggressively into the EU markets.

The routing of cigarettes is often a complex process which abuses the free movement of goods in the EU and changes constantly. In any case, Greece, Dubai, China and Poland/East Europe play important roles in supplying cigarettes either for the Italian market or through Italy to the other EU countries. These countries do not necessarily produce the cigarettes but are rather used as transit points towards the north of Europe. Community customs procedures can be extensively abused for criminal ends: cigarettes may be imported into the EU and placed in Community transit (VAT to be paid only in the destination country); after this the transit procedure may be changed into export procedure so that the cover load (often consisting of low-value goods such as counterfeit products) is exported but the counterfeit cigarettes stay in the EU; alternatively the cigarettes may be legally exported and then smuggled back into the EU and re-directed to the relevant black markets.

**The South West criminal hub** is traditionally formed around the Iberian Peninsula and its role as a south-west gateway into the EU. West and North West Africa as well as other parts of the continent have emerged as significant feeders



either for the South West criminal hub or, increasingly, directly to the important markets and distribution centres in the Netherlands, France and elsewhere. The impact of the hub is felt especially in the criminal markets of cocaine, cannabis products, trafficking in human beings and illegal immigration. Accordingly, Spain remains an important primary distribution centre for certain parts of the EU in these criminal markets.

West Africa has a strategically significant position in the logistical chain between South America, the source of cocaine and the EU, one of the major destination markets. This is in turn consolidated by an increasing flow of legal goods between West Africa and the EU, the establishment of important drug trafficking groups in West Africa as well as transactions between the Colombian OC groups, the main suppliers of cocaine, and West African OC groups who are also involved in final distribution in the EU. In addition to this West Africa has a role to play as a transit area for trafficking of heroin into the EU.

There are increasing indications that Colombian cartels are using West and Central Africa not only for trans-shipment of cocaine but also for its processing and trading. Furthermore, certain synthetic drug precursors (ephedrine and pseudoephedrine) originating from Asia are increasingly re-routed through central African countries to Mexico, where Mexican drug syndicates produce methamphetamine especially for the US market. The reported wide-spread corruption and inability of local law enforcement to tackle

the drug trade, let alone identify and prevent precursors for the processing of cocaine and synthetic drugs from passing through or to the region, suggest that the abuse of West and Central Africa in the international drug business will both increase, expand (comprise new countries) and deepen (not only storage and transit but also processing, trading and/or production). The decreasing margin for coca cultivation in Colombia and South America also points towards this development.

The possible criminal infiltration within Chinese communities in central parts of Africa can further facilitate the links between Africa and the trade in methamphetamine: China is a main source of precursors for the production of synthetic drugs in Europe but there are also indications of Chinese ethnic minority suspects being involved in ecstasy and amphetamine production in the Netherlands, as well as reported large-scale production of synthetic drugs in China. It can be suggested that Chinese criminals can increasingly exploit Africa in the criminal market of synthetic drugs, but also in relation to counterfeit goods.

The traditional route for importing cannabis products from Morocco, part of the North African feeder, to the EU and especially to the primary distribution centre in Spain is now alternatively, or together with cannabis, used for the trafficking of cocaine from West Africa to the EU.

Furthermore, the Southern and South West criminal hubs are both influenced by the re-acti-

vation of a smuggling route passing through Libya and Algeria to Spain, Malta and Italy. Libya and Tripoli in particular acts as a feeder for the above-mentioned EU criminal hubs. Criminal organisations based in the country are involved in the facilitation of illegal immigration and trafficking of human beings across the Mediterranean, and recently the use of the route has diversified to include the smuggling of cocaine and even heroin into the EU.

## 4.2 The interchange between the criminal hubs

The factors affecting the development of the criminal hubs in the EU are mainly the changing patterns of supply and demand in the EU as well as in the neighbouring regions. The North East criminal hub for example is supplied by the Russian Federation, Belarus and the Ukraine, from or through which almost any commodity can be sourced. The most competitive OC groups such as the Lithuanian ones have their finger on the pulse of the criminal markets and can quickly adapt to new products that are in demand and, on the other hand, discard criminal markets which are declining.

A good example is the market for cocaine, which is contracting in the US but growing in the EU and the Russian Federation/the FSU. This may mean that the processing of cocaine will in the future be moved closer to these markets which in turn can suggest the growing importance of Africa not only as a transit zone but increasingly also as the trading and processing centre for this drug of choice.

The role occupied by the Lithuanian OC groups in the North East criminal hub is in certain senses similar to the role of the Turkish OC groups further south and especially in the South East criminal hub. Turkey's role as a major feeder for the EU is further supporting the key role of these groups. An additional factor is the market for synthetic drugs in the Near and Middle East for which the Turkish groups are an important supplier. Synthetic drugs may be produced in the region or due to its proximity facilitated by Bulgarian experts, or the drugs may be smuggled from Western Europe and possibly

exchanged by Turkish groups for heroin. The Turkish groups are using Romania and Bulgaria as entry points for heroin into the EU, and are co-operating with ethnic Albanian and Serbian groups who often handle at least certain parts of the final distribution starting from Albania and the Kosovo region and proceeding via Austria into Western Europe.

The co-operation patterns between Colombian, West African and Turkish OC groups would further support the strategic position of the last of these as a connector between the various (drug) markets and the relevant criminal players.

Certain Italian groups often maintain a low profile but in reality influence many criminal markets in the Southern criminal hub, the EU and beyond, either independently or through co-operation with other OC groups. Their direct contacts with Colombian criminal syndicates as well as the Spanish, French and Portuguese OC groups ensure them a powerful role in the cocaine trade. The role of the Italian OC groups in this market enables them to source the commodity directly and to use and collaborate with other groups for further distribution in the EU.

West African and Nigerian OC groups in particular are expanding their activities in the EU. They have established themselves in the logistical chain of cocaine trafficked from South America through West Africa to the EU. They have also obtained important final distribution roles in relation to cocaine and cannabis products across all EU regions (for example in Finland, Ireland, Portugal, Luxembourg, Bulgaria and Germany). Moreover, they are in many cases exclusively responsible for the trafficking of Nigerian victims for sexual exploitation.

Moroccan OC groups are sustaining their position due to their ability to divert from and combine trafficking in cannabis products with trafficking in cocaine. The existing routes for the smuggling of cannabis products from North Africa mostly via Spain to the EU are also nowadays used for cocaine. Moroccan OC groups are also involved in trafficking in human beings for sexual exploitation, especially in the North West criminal hub, and play an important role in facilitating heroin from the secondary distribution centre in the Netherlands to destination markets in the EU.

The key role of Dutch OC groups is among others due to the links of its members to both Turkish and Moroccan OC groups (same ethnic background or other contacts). These links ensure access to the source of certain drugs (heroin, cannabis and also cocaine) and in turn strengthen the role of the Netherlands as a secondary distribution centre. Dutch, Moroccan and Turkish groups are together involved in the production and further distribution in the EU of synthetic drugs made in the Netherlands.

At the moment Chinese counterfeit cigarettes are penetrating the EU markets, but to a different extent and at a separate pace. The North West and Southern criminal hubs are central to this development: in the Netherlands over 90 per cent of seized cigarettes are counterfeits of which the majority are of Chinese origin, and in Italy approximately half of confiscated cigarettes are counterfeits. The "edges" of the markets are only starting to feel the effect: in the Nordic countries black market cigarettes have traditionally been genuine but recently Chinese counterfeit cigarettes have also been introduced in these markets.

While the dynamics of criminal markets may change relatively quickly, it is safe to suggest that the market in certain synthetic drugs in the Near and Middle East as well as in certain parts of Africa is thriving. This will affect the functioning of the relevant EU criminal hubs: they are not only directing commodities to the EU but are also forwarding goods to opposite directions. OC groups from countries producing synthetic drugs (for example Turkey, Bulgaria and Serbia) as well as groups involved in trafficking drugs produced elsewhere (for instance in the Netherlands, Belgium, Poland and Lithuania) will grow in importance. This development will underline the impact of groups such as the Turkish OC groups who can source certain drugs and commodities and, if necessary, exchange them for others.

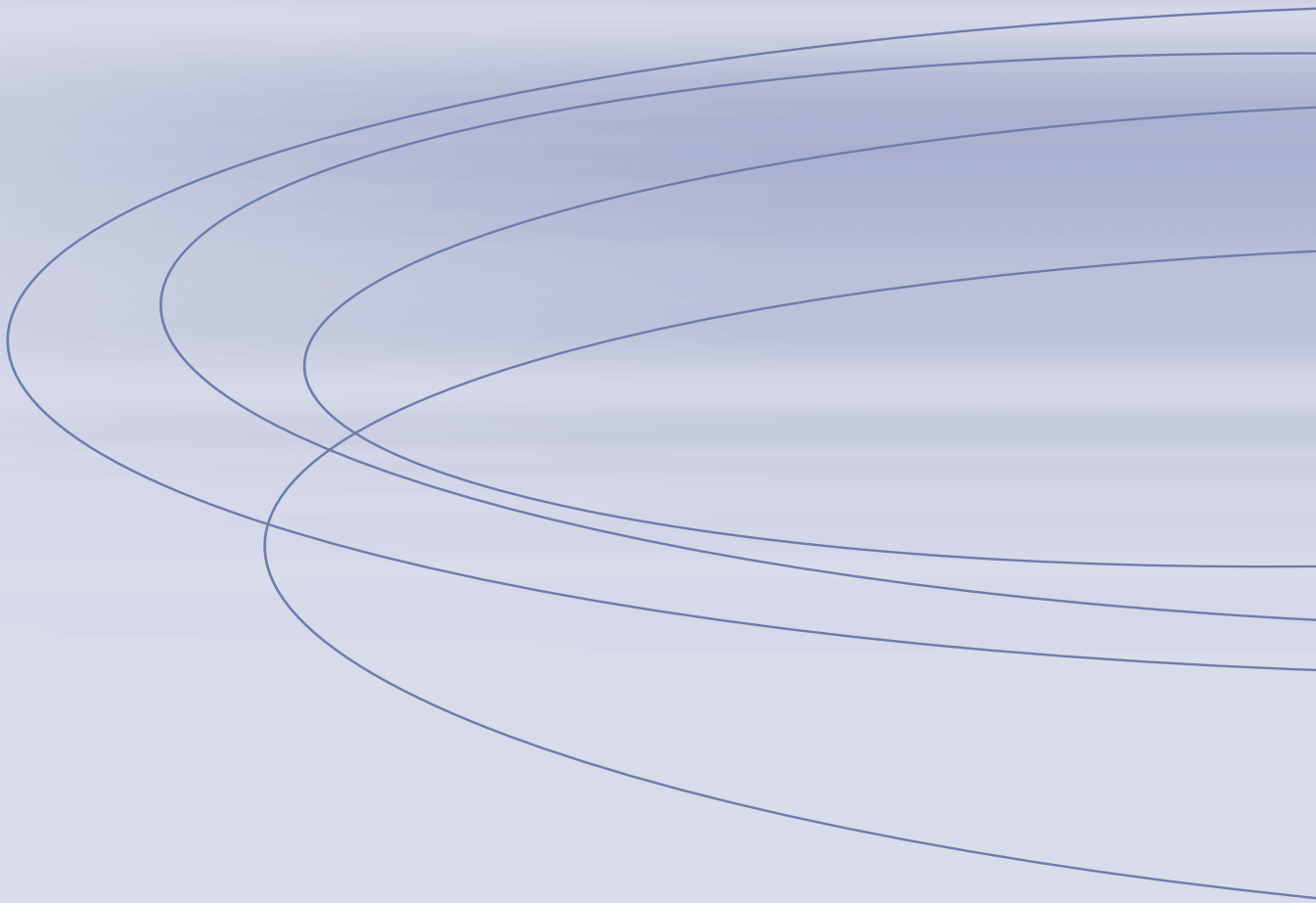
Another issue impacting across the hubs is the increased domestic cultivation of skunk, a high potency form of cannabis, in various EU MS and beyond. Cannabis factories or nurseries have been known to employ Vietnamese or Chinese "gardeners" who may be illegal immigrants paying off their debts to their facilitators, or victims of trafficking in human beings for forced labour.

Vietnamese and Chinese criminal groups are involved in the cannabis cultivation, but based on indications of plant cutters from Eastern Europe being exploited at cannabis factories it is probable that criminal groups from these countries are also active in the cultivation business. Domestic cultivation moves the production of the merchandise much closer to the final markets and removes arguably the riskiest part of drug trafficking, namely the crossing of national borders. It can also influence prices in the market of cannabis products and change consumption patterns away from the mainly Moroccan-produced hashish towards more readily available domestically cultivated skunk.

OC can efficiently exploit societal changes. Due to demographic and other social changes the ageing EU societies will be in dire need for new work forces in various areas which require hard manual labour and are not attractive to their own population. This can affect the patterns of trafficking in human beings: while the trafficking of women for sexual exploitation remains stable there are alarming indications of trafficking for forced labour, ranging from construction and asphalt work to begging and labour in illegal sectors such as drug production. This enables OC groups to supplement certain lagging criminal sectors by creating new ones to satisfy the changing requirements of modern EU societies.

A future challenge for the assessment of the threat posed by OC is the study of the feeders. These areas, whether active forwarders of various commodities or just transit zones passively used and abused for the flow of illegal goods into the EU, play a key part in the overall patterns and dynamics of the EU criminal hubs. Without the influence of these feeders the EU hubs would not exist where they currently are, nor would they function the way they presently do. While the role of Central America/the Caribbean as a transit zone or feeder seems to be slightly decreasing, the importance of West and North Africa as well as Africa in general is in this respect subject to further growth. Turkey, the Balkans, North and central parts of Africa, certain parts of the Russian Federation (especially the port of St. Petersburg and Kaliningrad), Ukraine, Belarus, Dubai and possibly also Moldova have an impact on the EU without which the understanding of the EU criminal hubs is not complete.

# 5. OC GROUPS: TYPOLOGY AND GENERAL ASSESSMENT







## 5. OC GROUPS: TYPOLOGY AND GENERAL ASSESSMENT

### 5.1 OC Group typology

In this OCTA typology OCGs are classified on the basis of the geographic location of their strategic centre of interest and their capability and intention:

- To use systematic violence or intimidation against local societies to ensure non-occasional compliance or avoid interferences (named VI-SO strategy);
- To interfere with law enforcement and judicial processes by means of corruptive influence (named IN-LE strategy) or violence/intimidation (named VI-LE strategy);
- To influence societies and economies (named IN-SO strategy).

When an OCG does not rely on any of the above mentioned behaviours and focuses on eluding law enforcement attention, it is considered as having an EL-LE profile.

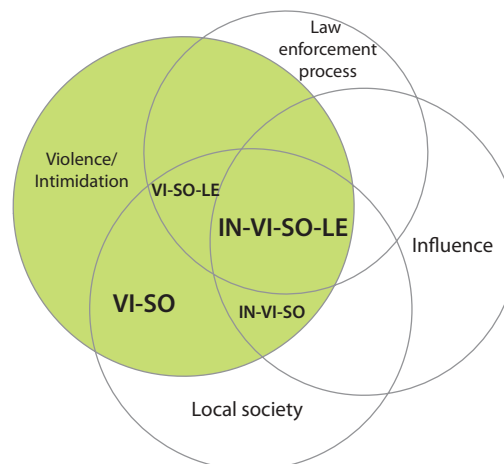
The assessment of the threat will be based not only on the strategies adopted by OCGs (EL-LE, VI-SO, IN-LE, VI-LE or IN-SO) but also on the context in which they are applied (for example, in terms of opportunities that are exploited) with the aim of identifying situations impacting on all the EU or significant parts of it (the concept of criminal hub). Consequently, it is possible that within certain criminal hubs EL-LE OCGs emerge as crucial, while in other EU hubs VI-SO, IN-LE, VI-LE, IN-VI-LE, IN-SO or IN-VI-SO OCGs play the key role.

### 5.2 VI-SO strategy: Violence - Territory - Brand

OCGs struggle for profit, for power or for both. In this context, power means a capability to influence the behaviour of other persons and societal groups, be those potential or actual competitors or people not pertaining to the criminal environment. Power is vital for durability.

Systematic violence to ensure non-occasional compliance and avoid interferences can be a crucial variable in this equation. It can arouse law enforcement attention, but certain OCGs are prepared to face this.

Some of these OCGs are even able to turn this visibility into a positive factor for their durability because visibility can also facilitate intimidation against local populations. This intimidation expands the body of potential victims and creates clear hindrances for law enforcement and for the judicial process.



As a side-effect, high visibility prompts law enforcement action. This risk of over-exposure is lowered by means of the OCG brand-name. Thanks to the latter, visibility and intimidation are referable to an abstract entity – the OCG as a whole – and not to individual criminals. For these OCGs, their brand-name becomes both the engine of their criminal activities and an effective shield against prosecution.

Enforced authority over territory is essential for the identity and survival of these OCGs. Such a situation can generate clashes with other OCGs for maintaining or expanding territorial control.

In some cases, such developments might bring about another perverse effect: to a certain extent, a local population might feel that this criminal presence has some advantages, because several other criminal phenomena do not occur in the territory controlled by the OCG.

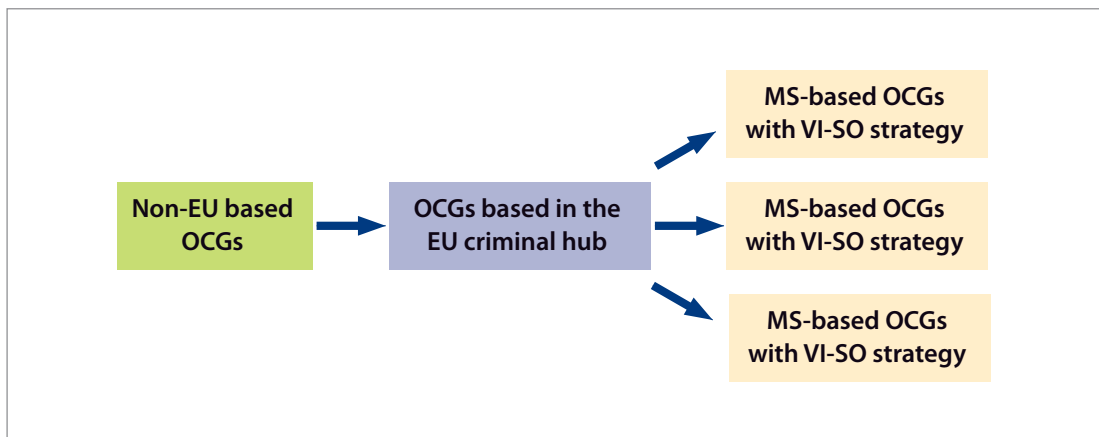
The threat from this phenomenon is made worse by the fact that it can serve to channel in the wrong direction people who feel alienated from mainstream society.

tated in establishing contacts for certain criminal activities, such as drugs trafficking. It should be noted that this phenomenon is strictly inter-linked with the more general one – discussed later – of OCGs trying to impose themselves as points of reference for specific, more vulnerable, communities.

Even if the global picture is not clear, OCGs adopting this VI-SO strategy seem to have a tendency to couple it with another strategy, be it the VI-LE, IN-LE or IN-SO one.

Concerning future developments, these OCGs have a significant potential for growth. The role played by the EU criminal hubs facilitates this. The hubs increase the importance of controlling the destination markets. OCGs no longer need to engage in laboriously building up complex supply networks from other continents, because illicit goods are already concentrated within the hubs. This is an example of how the EU criminal hubs may shape the OC environment not only from the perspective of criminal activities but also from that of OCG types.

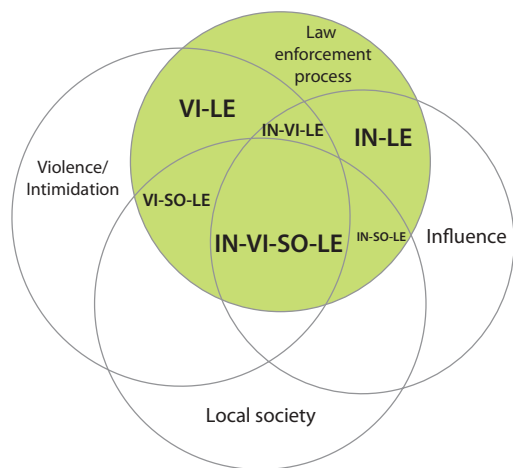
The above mentioned growth potential is also



Within this context, an even worse alternative is that concepts such as ethnicity or origin can be distorted and exploited by dangerous criminals in the process of building the above mentioned OCGs' identities and brand-names, at least in the initial phases of such a process. When these OCGs are mainly based on a certain ethnicity or origin, they can also be facili-

due to the fact that a brand-name can be franchised to other criminals, so increasing the power of the overall network and extending its territory. At the same time, the OCG accepting affiliation to the matrix criminal organisation increases its criminal potential. It is a win-win situation that may steer future OC developments in the EU.

### 5.3 IN-LE and VI-LE strategies: manipulating the law enforcement process



These strategies consist in interfering significantly with law enforcement or the judicial process. It can be accomplished through violence (VI-LE) or corruptive influence (IN-LE).

VI-LE behaviour takes place when violence is used against witnesses or victims not pertaining to the criminal environment after they have reported crimes to law enforcement agencies. This behaviour shows a higher level of confidence than cases where the OCG tries to prevent victims or witness from contacting police authorities. OCGs adopting the VI-SO strategy previously illustrated are exceptions to this remark; the reluctance of witnesses or victims to report crimes is not solely the outcome of specific acts of violence or threats (as it is in the VI-LE case), but is linked to a general reputation for intimidation held by an OCG in a local population.

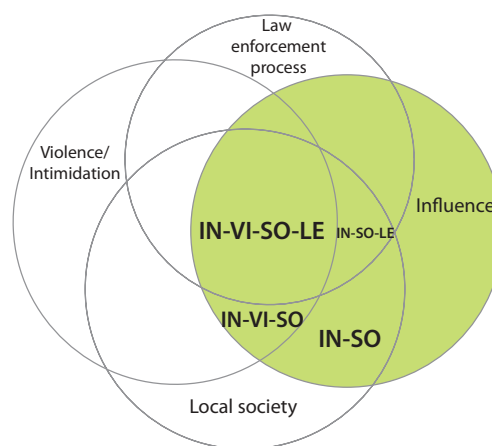
VI-LE strategy also consists in aggressive behaviour against law enforcement or judiciary personnel. There are indications suggesting that such behaviour tends to combine with a VI-SO strategy or the above mentioned actions against witnesses or jurors.

IN-LE behaviour consists in focussing on the use of middle level corruptive influence against law enforcement to avoid detection or any low or middle level corruptive influence to hinder an ongoing law enforcement or judicial process. In

some cases there are indications suggesting a combination of IN-LE and VI-LE strategies (IN-VI-LE strategies).

There are more indications of a tendency to combine IN-LE and IN-SO behaviours.

### 5.4 IN-SO strategy: local influence



Influence is the defining factor of the IN-SO profile. It refers to the impact that the OCG can have on the lives of a significant number of people not pertaining to the criminal environment.

OCGs with an IN-SO profile generate widespread effects on local populations by using corruptive influence on high level representatives of national or local Public Institutions, or by infiltrating public expenditure mechanisms or other public decision making processes of general interest.

In several cases, there are indications suggesting that IN-SO behaviours may have been combined with IN-LE or both IN-LE and VI-LE behaviours. In some instances, it has been observed that LBS used by the OCGs were having some influence on the general market.

There are OCGs that are capable of adopting both IN-SO and VI-SO strategies. Some OCGs at the root of the Southern criminal hub are examples of such significant threat. In these cases, the portfolio of LBS controlled by the OCGs also has an impact on local societies and economies.

Indications suggesting the presence of OCGs with an IN-SO profile are reported in many MS, so they can be considered an EU-wide threat.

Gathering intelligence concerning the use of corruption or infiltration in local societies and economies in third countries is more difficult for EU law enforcement agencies. The available information usually does not allow for a clear identification of the strategies adopted outside the EU by OCGs. Sometimes, only events that might be interpreted as indicators of the use of corruptive influence by OCGs, such as difficulties in international co-operation, deficiencies in law enforcement, poor administration, etc., can be observed. In other cases, the use of corruption in the EU is interpreted as an indicator of even higher levels of corruption outside the EU. In general, lack of information and possible misinterpretation are serious obstacles to a clear appreciation of this issue.

Bearing in mind the above mentioned hindrances to accurate assessments of this issue, there is some suggestion of the adoption of IN-SO strategies by OC based outside the EU.

## 5.5 IN-SO strategy: playing the intermediary role

Influence that is implied by the existence of IN-SO strategy may be confined to specific communities that are not integrated with the surrounding society. These persons are more vulnerable to OC, and this is something on which OC capitalises.

Criminals may try to ascend to the role of points of reference for these non-integrated communities, exerting pressure or providing them with what they desperately need. Such activities can easily bring about exploitative situations or, in any case, a dangerous proximity to organised crime.

Indications of this kind of IN-SO strategy are reported, for example, with reference to immigrants from China. In Italy, Chinese organised crime tends to create small areas in urban districts in which fellow-nationals can be controlled both socially and economically. In the UK, criminals victimise fellow-nationals and also profit from offering criminal services, such as the

transfer of migrants' remittances to China. In France, where there is a significant Chinese community, Chinese criminals also focus on exploiting their fellow-nationals.

Repatriation of money is one of the above mentioned areas where a dangerous proximity can occur. In Italy, there are cases where Nigerian OCGs were running Internet points/phone centres that were also engaged in money transfer activities. These represent both a meeting-point for fellow-nationals and a way to supervise and control remittances to Nigeria.

In general, intelligence suggesting possible criminal pressure on the Vietnamese or other national communities is less clear than that concerning Chinese migrants.

Labour exploitation can be a factor contributing to this IN-SO strategy.

For example, in Greece, Pakistani criminals exert influence on the Pakistani immigrant community through control of the labour black market. In Greece, Kurdish criminals exert pressure over the Kurdish immigrant community, a phenomenon also observed in Germany.

Pakistani and Moroccan criminals are widely reported also by Spain in relation to labour exploitation of their fellow-nationals. Criminals engaged in facilitating and then illegally employing Pakistani migrants are mentioned also by the UK. There is no reference to any influence on the local immigrant communities, but it is possible that dynamics similar to those apparent in Greece are or will be present also in Spain or the UK.

Other indications refer, for example, to Ukrainian workers in the Czech Republic or Romanian migrants in Italy or Spain. For the latter it could be that the situation will evolve in a positive direction because they are EU citizens, and this should make them less vulnerable.

In general, the significant pool of illegal or non-integrated immigrants in the EU is fertile ground for the above mentioned dynamics. In this context, there is potential for the establishment of vicious cycles where non-integration and exploitation by organised crime feed each other.

It is difficult to distinguish the above mentioned phenomena from cases where marginalisation is already feeding into pre-existing or new OCGs adopting VI-SO strategies.

However, non-integration, the spread of VI-SO criminal behaviours and these confined IN-SO strategies appear to be interlinked phenomena with significant impact on future OC scenarios in the EU. The mounting world economic crisis might favour these possible dynamics. It may prove an additional hindrance to social integration leading to an increase in the number of persons who feel alienated from mainstream society.

## 5.6 OCG types and destination markets in Northern Europe

Scandinavian countries represent an important destination market placed between the North-West and the North-East criminal hubs.

Easy supply of illicit goods may be one of the reasons for the important role played by VI-SO OCGs in these countries. It is possible that when the ability to ensure difficult supplies is no longer crucial, success factors become increasingly linked to the control of territory. This can be achieved through a VI-SO strategy, which would also explain the aforementioned threatening phenomenon of the emergence of new VI-SO OCGs in some MS.

The situation seems to be more complex with reference to another big destination market in proximity with a crucial criminal hub: the UK and Ireland.

There are indications suggesting the presence of OCGs with VI-SO or, at least, IN-LE or VI-LE strategies, based in the UK or Ireland. At the same time, there are also indications concerning a significant direct impact and established presence of other types of OCGs.

Criminals based in the UK and Ireland appear to be significantly active in the Western criminal hubs and beyond, leading to a situation where several OCGs can be considered as based both in another MS or third country and in the UK or Ireland. Logistical problems linked to supplies

from the continent together with the economic potential of this market are possibly among the reasons for such a situation.

In particular, British and Irish criminals engaged in drug trafficking are active in and, at least partially, based in Spain or the Netherlands.

The heroin market in the UK is ultimately heavily impacted by OCGs based in Afghanistan and Pakistan. Only 25 per cent of heroin is directly sourced from Pakistan, however, reaching the UK in smaller quantities by courier or fast parcel post. Key suppliers are instead OCGs that are reported to split their strategic centre of interest between the UK and Turkey. Also the territories of the Republic of Cyprus over which the Government of the Republic of Cyprus does not exercise effective control are an important base for these OCGs.

There are cases where OCGs based in Latin America establish networks in the Western part of the EU, including the UK, in order to facilitate onward cocaine sales. These cases appear somewhat similar to the situation reported above concerning OCGs with multiple bases supplying the heroin market, even though, in general, the strategic centre of interest of OCGs supplying cocaine seems to remain in Latin America or West Africa.

In this context - where the role of suppliers that are based, at least partially, outside the EU or in EU hubs is significant - the activity of OCGs specialised in money laundering emerges. They are based not only in the EU but also in third countries and provide specialist services that are crucial to the repatriation of criminal proceeds to where the supplying OCGs keep their strategic interests. Similar indications emerge also with reference to the Western criminal hubs.

## 5.7 OCGs types in the Eastern European criminal scenarios

For a significant proportion of the OCGs based in Romania, there are indications suggesting an IN-SO strategy. A similar hypothesis can be made concerning the adoption of IN-LE behaviours.

IN-LE strategies seem to be crucial also with reference to the OC environment in the Slovak Republic. This use of corruptive influence does not appear to be limited to indigenous criminals, but appears also to involve criminals of other nationalities, such as Ukrainians for cigarette smuggling and others in relation to illegal immigration.

There are indications suggesting the possibility that IN-SO strategies have been adopted by OCGs run by criminals with Albanian ethnicity or originating from the Caucasus region. With regard to the latter, racketeering is mentioned as one of the criminal activities.

In the Czech Republic, many OCGs seem to choose an EL-LE strategy, but for an equally significant part there are indications of possible IN-LE behaviours. The latter may be adopted also by criminals with non-EU origins, such as Vietnam or Ukraine in relation to migrants' illegal stay and labour exploitation, or the Kosovo region for heroin trafficking by ethnic Albanian criminals. Concerning the IN-SO profile there are indications referring to OCGs composed of indigenous criminals. This appears to combine with IN-LE behaviours.

Signs of threatening pressures applied by criminals to local immigrant communities are also reported, in some cases in combination with the above mentioned IN-LE behaviours.

In Hungary also, many OCGs appear to choose an EL-LE strategy. For the majority of the remainder, there are indications suggesting possible IN-SO behaviours, also combined with IN-LE or VI-SO indications.

Of note, there are indications suggesting possible VI-SO strategy used by several OCGs reported by Hungary.

In Poland also, many OCGs seem to adopt an EL-LE strategy. In comparison with the above mentioned MS, indications of a possible VI-LE strategy (based on violence and not on corruptive influence) seem to emerge more often.

For a noticeable proportion of the OCGs there are indications suggesting IN-SO strategy, most of the time in combination with IN-LE or IN-VI-LE (IN-LE and VI-LE) behaviours.

All OCGs reported by Bulgaria appear to adopt an EL-LE strategy. This outlines a peculiar situation where no IN-LE, VI-LE, VI-SO or IN-SO OCGs are reported.

## 5.8 OCG types in the criminal hubs

### Western criminal hubs

The dynamics of the South-West criminal hub revolve around a complex combination of non-EU based OCGs, and EL-LE or IN-SO OCGs based in the Iberian Peninsula. Some of these EL-LE OCGs can act as links with other criminal hubs. The latter can even be cells of different types of OCG based in other MS, such as IN-VI-SO OCGs based in Italy.

Concerning drug trafficking, OCGs based in South America or Africa are reported by Portugal as importing cocaine or hashish. Criminals from Latin America or Morocco tend to associate with Spanish criminals, while OCGs made up of West African criminals seem to be less open in this sense.

EL-LE OCGs based in Portugal also organise transportation from source countries through courier methods. Portugal is also used as transit country by OCGs based, at least partially, in Spain or other European countries, such as Italy and the UK.

With reference to Spain, cocaine is supplied by OCGs based in South America, some of them also taking care of further distribution in Spain.

A significant role in this cocaine market is also played by EL-LE or IN-SO OCGs based in Spain and dominated by Spanish criminals with some South American members facilitating contact or by EL-LE OCGs based in Spain but mainly composed of South American criminals.

The above mentioned IN-SO OCGs are reported to be in contact with OCGs based in other MS, such as The Netherlands, France and Italy, for further distribution. In addition, OCGs based in Italy, the UK and, in some cases, Greece are active in Spain for the purpose of obtaining supplies.

It is interesting to note that, in analogy with the UK, for Spain also there are indications concerning the activity of OCGs based outside the EU, specialising in money laundering. There are also cases of specialised OCGs based, at least partially, in other MS.

The situation concerning hashish trafficking – the other key engine of the South-West criminal hub – is similar. In this case, the prevailing non-Spanish nationality is Moroccan and the source country is Morocco.

In general, it must be stressed that it is difficult to set the exact boundaries between a situation where, for example, criminals based in South America or Africa are loosely co-operating with criminals based in the Iberian Peninsula but are part of the same OCG, and a situation where criminals based in South America or Africa are closely co-operating with another OCG based in the Iberian Peninsula.

With reference to the North West criminal hub, in The Netherlands OCGs are often present in multiple illegal markets simultaneously. This is probably due to their role as crucial liaison points between the various criminal markets and as links in a series of transport routes, cash flows and people. Consistently a number of OCGs are active both in The Netherlands and in a neighbouring country. At the same time, OCGs which are active at the geographical cores of other EU hubs, such as Spain and Italy, are also active in The Netherlands.

With regard to money laundering, there are a relatively large number of OCGs operating in The Netherlands with suspects from outside the EU. Nevertheless, apart from a few exceptions, there were hardly any OCGs involved in money laundering who were based exclusively abroad while operating in The Netherlands. At the same time, money laundering was the sole primary activity for only 2 OCGs but was one of the primary activities for at least 10 per cent of all OCGs reported by The Netherlands.

As already mentioned, there are several OCGs based in another MS and active in the South-West criminal hub in order to obtain supplies of illicit goods. Available information seems to point in the same direction with reference to the North-West hub, so this may be identified as a

peculiarity of both Western criminal hubs. In the Eastern and Southern criminal hubs the opposite mechanism applies: OCGs based in the hubs bring illicit provisions to OCGs based in the destination markets.

Ultimately, the Western criminal hubs mechanisms appear to be characterised by non-EU based OCGs interacting with EL-LE OCGs based in the geographical centre of the hub and, directly or through them, with OCGs based in other MS but active also in the geographical centre of the hub for the purpose of obtaining supplies.

This implies that the main OCGs in this scenario will keep a low profile and focus on their lucrative criminal businesses rather than engaging in a struggle for control of territory. Visibility is for them a matter of extreme concern.

As a corollary to this reasoning, sophisticated money laundering activities are vitally important. The more stringent anti-money laundering controls are, the more these services are needed to avoid visibility when re-investing their criminal profits. The above mentioned existence of OCGs specialising in this activity or having it among their primary activities supports this assessment.

These OCGs pose a double-sided threat. Firstly, they facilitate the growth of other OCGs - for example OCGs with or evolving towards VI-SO profiles - in the destination markets. Secondly, in the MS or third countries where they are based, they can silently evolve from an EL-LE to an IN-SO profile in cases where they are successful in re-investing their criminal proceeds.

### Eastern criminal hubs

The North-East criminal hub is a two-way hub. Opportunism and dynamism are its key characteristics.

Basically all OCGs active in Lithuania, Latvia or Estonia are based there. The limited potential of these destination markets combined with the structural and functional features of these OCGs are the likely reasons for this.

Furthermore, this is another example of how the Western criminal hubs can shape the illegal

markets. There is no need for OCGs based outside the EU to build long logistical bridges to reach all potential markets. They can deliver in the Western hubs; then other OCGs based in the relevant destination markets or, as in this case, in other hubs will activate to take care of the next steps in the distribution chain.

OCGs based in Latvia or Estonia seem to play a role that is different but complementary to that played by OCGs based in Lithuania. These differences will also be reflected in the prevalent OCG types.

Many OCGs reported by Latvia seem to adopt an EL-LE strategy. Nevertheless, for a significant number of OCGs, there are indications suggesting IN-LE behaviours. These EL-LE or IN-LE OCGs seem to play a crucial intermediary role between the Russian and the EU OC environments, lessening the need for direct contact between the two. Geographical position and the significant presence of Russian criminals in these OCGs may explain this role.

When indications pointing to IN-SO strategies emerge, OCGs based in Latvia seem to have a more limited range of direct action towards western criminal markets, while criminals originating outside the EU tend to play important roles.

Russian speaking criminals represent a significant part of Estonian OC. At least with reference to OCGs targeting other MS, a rising significance of EL-LE OCGs can also be inferred from an increasing shift from group-based to project-based activities and the loose nature of their structures.

OC environment in Lithuania appears quite different. It is dominated by a number of multi-crime oriented clusters, where suggestions con-

cerning combinations of IN-SO, IN-LE, VI-LE, and VI-SO strategies regularly emerge.

Their role in the North-East hub dynamics seems to be crucial and based more on their capacity for criminal presence in the Western EU. This capability also draws on their structural and functional profiles. Links with the Russian OC markets are crucial and can be facilitated by Latvian OC or go via the Kaliningrad region.

The above mentioned hypotheses put the North-East criminal hub in an intermediate position between the Western hubs – that can be defined as ‘activity-based’ – and the Southern hub – that can be defined as more ‘OCG-based’.

An understanding concerning the main types of OCGs in Romania or Bulgaria is crucial in interpreting the development of a possible South East hub.

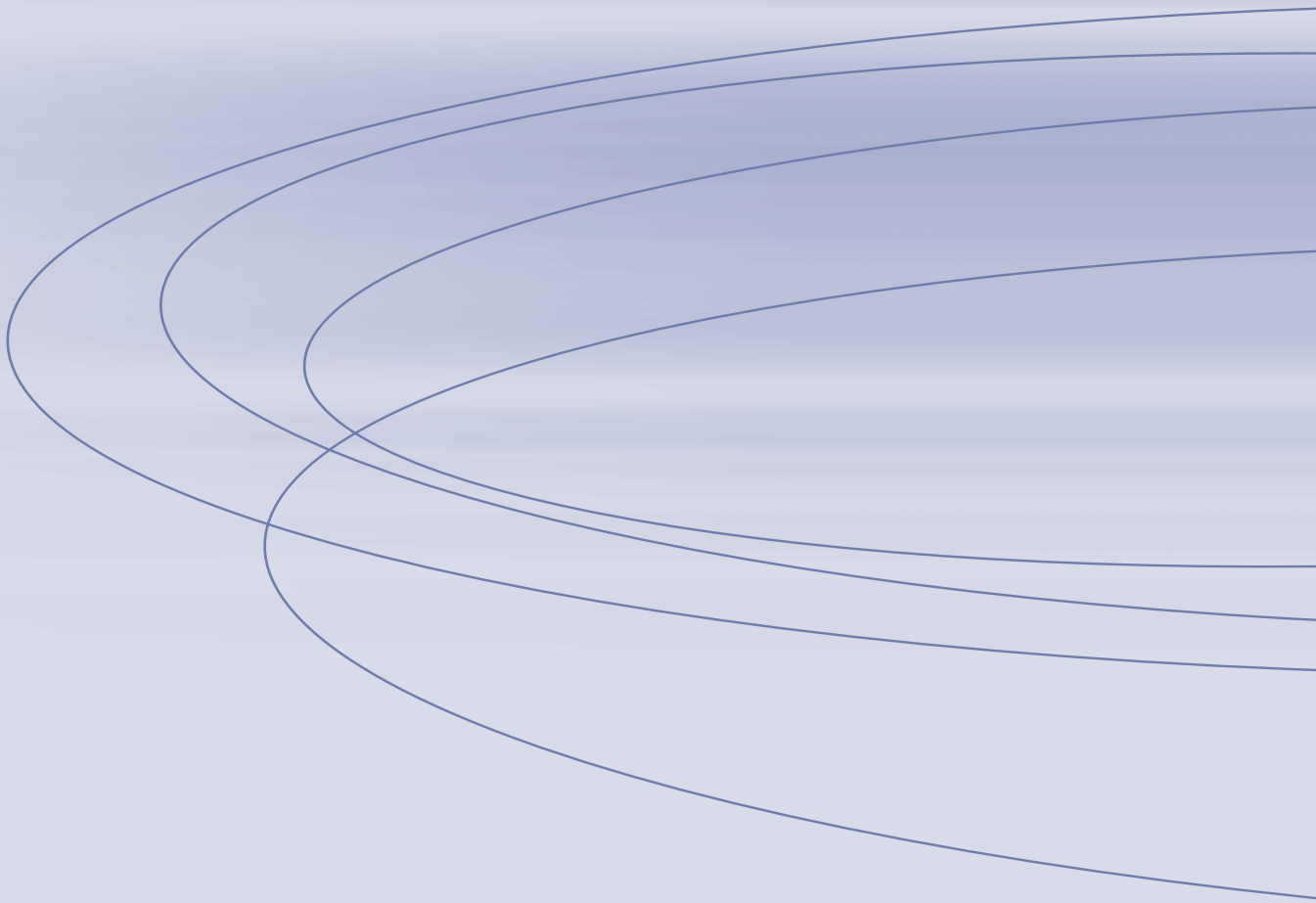
As mentioned, a significant part of OCGs based in Romania may have enough potential to lead such development. The peculiar situation concerning Bulgaria, which reports only EL-LE OCGs, has been outlined above.

Nevertheless, this development may be hindered by the current setup of the criminal markets. For example, the heroin market is dominated by established OCGs that, in general, are not based in Romania or Bulgaria, and that rely on these countries merely as transit points where local OC may sometimes be involved, but only in marginal tasks; there are no significant signs of change in this respect.

In addition, Ukraine and destination markets surrounding the South-East hub probably do not have the same potential as Russia and the Scandinavian or North-West European markets.



## 6. HORIZONTAL ORGANISED CRIME: MONEY LAUNDERING





## 6. HORIZONTAL ORGANISED CRIME: MONEY LAUNDERING

Money laundering (ML) is the common denominator of all organised criminal activities. It is the necessary interface between licit and illicit markets, through which profits generated by criminal activities are funnelled into the legitimate economic sector for business investments or for sustaining the lifestyle of OC groups' members.

As efficient ML techniques maximise the disposable share of illicit profits, OC groups tend to invest a great deal of energy and resources in developing varied ML methods, from the simple and primitive purchase of gold and luxury items to multi-layered transnational schemes of extreme complexity and very difficult detection. Organised criminals know no limits in devising new techniques and in exploiting existing weaknesses, including the lack of scruples of some advisors, specialists and other professionals.

Of the three phases of ML (placement, layering and integration), placement is undoubtedly the most risky, as it marks the passage of crime profits from illicit to licit economy and requires all controls and security features of the latter to be overcome. Criminal proceeds inserted into the legitimate financial market in the placement phase are overwhelmingly in cash.

Cash is the main product from criminal activity. Cash is anonymous and, where anti money laundering regulations do not preclude it, cash is widely accepted, easily portable, convertible, concealable and preservable. It is the principal and ultimate bearer instrument. Payment in cash involves neither the identification nor accountability of the buyer. In a world where plastic (debit or credit card) trade transactions are increasingly and satisfactorily used, in order to better cover and make untraceable their illic-

it activities organised (and non-organised) criminals still resort to *non olens* cash. But there is a limit to the use that criminals can put to cash. They cannot make use of it in longer term strategies or extend the quality of their criminal lifestyle; nor can they improve their status in society or legitimise themselves with cash derived from criminal proceeds.

Anti-money laundering regulations have forced criminals to smuggle cash across several jurisdictions in order to place it securely in accessible facilities. OC groups use their international dimension to move cash to countries where they can more readily and easily manage it. They attempt to influence on the banking sector or exploiting legal loopholes, insufficient or unapplied legislation or crime-friendly financial institutions. Alternatively, OC groups invest in cash-rich legitimate business (such as supermarkets, bars, restaurants, fashion outlets, IT and telephone outlets, travel agencies, amusement parks, fast foods, video rentals, car parks, and gambling clubs), subsequently camouflaging crime profits with and within the vast and constant flow of cash generated by these legitimate activities, and falsifying their accounting accordingly.

Real estate and related activities, ranging from construction and restoration to property investment companies, real estate agencies and the purchase of immovables, are an economic domain habitually used for laundering money. For example, OC groups employ controlled construction companies to restore acquired property – often no more than mere ruins – with crime-generated money. As soon as buildings or estates are reconstructed to perfect conditions they sell them, laundering the invested

money and making a profit on it. That *modus operandi* reflects an extremely profitable, double-layered ML technique. In fact, a significant amount of criminal proceeds can be used in the reconstruction phase, purchasing building material also on the black market and hiring irregular workers. Such behaviour shifts on others the burden of cash placement while splitting considerable amounts of illicit profits into small fragments that are far more difficult to detect. Then, the fully refurbished and often prestigious end product is sold on the real estate market for an allegedly legitimate and well-deserved profit.

In this framework, due consideration must be given to OC groups adopting an IN-SO strategy confined to non-integrated communities, which are brought to make use of both their criminal and non-criminal services. Among the former are – for example – underpaid, illicit labour; black market; illegal family reunification (with relatives to be mercilessly exploited once arrived); gambling; prostitution; drugs pushing and money remittances. Non-criminal services range from ethnic shops, bars and discos to phone centres. Phone centres are frequently used to run alternative remittance systems. That way, OC groups can get information on the financial conditions of members of their community, making it difficult to escape their control.

In all illicit services criminal cash is – by definition – the normal currency, running in a closed circuit totally separated from the legitimate market of the hosting MS. The isolation of that system is such that, theoretically, national currencies of the involved ethnicities, even shells, necklaces or baseball cards could be used to fuel that underground economy. However, the high profits generated by it require that OC groups develop refined placement skills to facilitate further laundering, should they wish to expand their activities beyond their community of reference. Increasing ML capability can there-

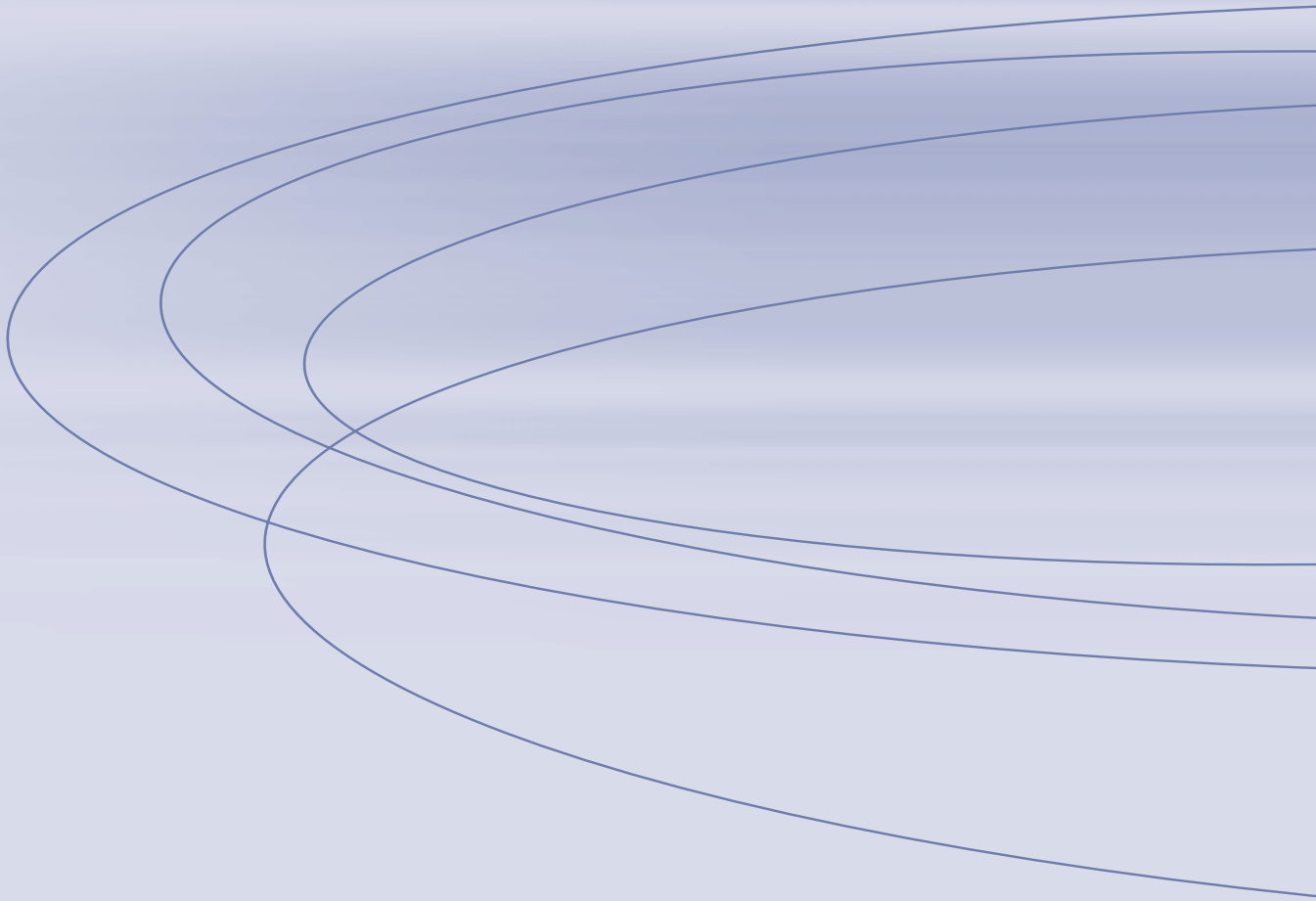
fore be a sign of a planned extension of interests, both criminal and geographical.

Domestic OC groups exerting an IN-SO or an IN-VI-SO strategy are facilitated in their ML activities by their penetration into the local political, economic and social fabric. Direct or indirect influence on commercial or financial activities eases the placement phase, which can even be skipped when illegal gains are drawn from certain types of fraud or from rigged tenders. High proficiency in ML schemes further increases the influence of IN-SO or IN-VI-SO OC groups, allowing them to inextricably intertwine their licit and illicit activities, making the dismantlement of the OC group a source of potential economic and social crisis at a local level.

Among the OC groups most proficient in ML are those based within criminal hubs and pursuing an EL-LE strategy. There is good reason for this, namely that one of the characteristics of a criminal hub is that of receiving and distributing illicit goods. All foreign OC groups willing to draw commodities from these redistributors need to cut agreements with those domestic OC groups which control the hub. That ideal position allows domestic OC groups to keep a very low profile, as they can afford to be content with their “gate-keeper” role and live with the revenues that such a position brings. However, in order to keep their low profile and maintain their position, they need to be extremely skilful in reinvesting their profits, leaving the limelight and LEA’s attention to more aggressive or pervasive OC groups. Some OC groups reach such a high level of proficiency in ML that they make it their only criminal endeavour, serving other OC groups for a fee. Leaders or activities of these OC groups are located not only in the EU but also in third countries such as Iran, Pakistan and the United Arab Emirates.

OC groups owing their high-level ML capability to their influence on the financial sector have the potential to escalate to an IN-SO strategy.

## 7. RELEVANT SIDE ISSUES: TWO INSTANCES





## 7. RELEVANT SIDE ISSUES: TWO INSTANCES

### 7.1 OC and West Africa: Threat Assessment

#### Introduction

West Africa is considered to be highly influential in relation to the OC situation in the EU. Morocco is a major source of **cannabis** for the EU consumer markets. While **cocaine** enters Europe by a number of routes, trafficking via countries in West Africa has dramatically increased and West Africa now acts as a key transit zone, due to its strategic location between the cocaine producing countries and Europe the world's second largest cocaine market. **Illegal immigration** is regarded as a significant and increasing problem, as countries in West Africa are not only points of origin, but also points of transit, for illegal immigrants from many regions outside West Africa destined for the EU. As regards **THB** for the purpose of sexual exploitation, Nigerian OCGs are instrumentally involved in the supply and coordination of markets across the EU.

In this assessment, the concept of West Africa includes: Morocco, Western Sahara, Mauritania, Cape Verde, Senegal, Gambia, Guinea Bissau, Guinea Conakry, Sierra Leone, Liberia, Ivory Coast, Ghana, Benin, Togo, Nigeria and Cameroon. In analysing the OC threat in relation to this vast geographical expanse, two areas are identifiable as being distinct from one another in terms of the sets of OC activities affecting them.

First, the area approximating **Morocco**, which maintains its influential role as a major source country for **cannabis**. For **cocaine** trafficking, it principally acts as a transit zone between Sub-Saharan Africa and Europe. As a transit zone in

the trafficking of all kinds of illegal commodities to the Iberian Peninsula, this region has also been highlighted in relation to the trade in **precursors** and **counterfeit tobacco**. Morocco is also targeted as a distribution market for **counterfeit Euro** banknotes supplied by EU OCGs indigenous to the Southern criminal hub. **THB** from Morocco is primarily organised for the purpose of labour exploitation in the EU South West region.

Second, the area approximating the **Gulf of Guinea**, which currently enjoys a highly influential role as a logistics centre for **cocaine** from South America destined for the European market. It also serves as a major source in supplying the EU regions with victims of **THB** for the purpose of sexual exploitation. **Indigenous OCGs** from this region, in particular of Nigerian origin, maintain a position of influence within the wider criminal landscape by interlinking OC activities in West Africa and Europe.

Accordingly, this analysis explores these geographical areas as two separate entities; i.e., the area approximating **Morocco** as a **North West African (NWA)**, and the area approximating the **Gulf of Guinea** as a **West African (WA)**, nucleus of OC activity. This distinction is maintained in the analysis of **NWA OCGs** and **WA OCGs**; whereby the former category includes OCGs that originate from Morocco and Western Sahara and the latter includes OCGs that originate from the variety of countries along the coastline between Senegal and Cameroon. In analysing the involvement of other OCGs in relation to the West African OC situation, the concept of **EU OCGs** includes groups based in the MS that are dominated by members of Moroccan origin.

## Threat of Organised Crime Groups in relation to West Africa

### *West African Organised Crime Groups (WA OCGs)*

**WA OCGs**, often boasting Nigerian identities, are notably involved in trafficking and distributing **cocaine** in many MS and, in isolated instances, **cannabis** or **heroin**. Concerning **heroin**, although these OCGs also manage imports into Europe, they are predominantly used for intra-EU trafficking. Similarly, Ghanaian OCGs and criminals of Cameroonian, Nigerian and Senegalese origin are used in the distribution of **counterfeit Euro** banknotes supplied by indigenous OCGs from the EU Southern criminal hub. OCGs of predominantly Nigerian and, to a lesser extent, Ghanaian and Cameroonian origin are also notably involved in the smuggling of **illegal immigrants** and **THB** for sexual exploitation. In the area of **fraud**, particularly mass-marketing mail fraud, WA OCGs are operating on an international level, with huge profits and in the knowledge that penalties for fraud are far less severe than for most other forms of OC such as drug trafficking. In order to sustain and expand on their activities in the EU, WA OCGs have invested in legitimate business structures such as import/export companies, phone shops, internet cafés, carwashes, restaurants and hotels.

In assessing the **future threat** that may be associated with **WA OCGs** based on the available information and continuation of current policing practices, it is expected that the growth of these OCGs' influence on the OC situation in the EU will continue in the medium term. The increasing investment of foreign OCGs in infrastructures for cocaine trafficking across the entire African continent and direct shipments from South America to the EU may result in a long term decline in the role of WA OCGs in that particular criminal market. However, in the medium term, as gatekeepers for exploiting vulnerabilities in the WA region, local OCGs are expected to sustain their role in international cocaine trafficking. Without a significant reduction in the vulnerability of legitimate systems in the West African countries, the long term threat of WA OCGs is expected to stem from the other OC activities they are engaged in and the systems they maintain for interlinking activities at home and within the EU.

To this effect, the four fundamental characteristics distinguishing WA OCGs are their:

- role as gatekeepers to legitimate systems in West Africa as a result of their local knowledge and by way of their capacity to exploit vulnerabilities, also exerting a corruptive influence;
- access to an informal remittance system that is being managed by Nigerian OCGs;
- use of an efficient transcontinental communication and info-exchange system; and,
- capacity to produce and gain access to a comprehensive selection of high-quality forged or fraudulently obtained genuine documents in West Africa and in the EU.

WA OCGs are crucial market coordinators in THB for sexual exploitation, due to their EU-wide networks for moving victims from one MS to another and for bringing in new victims from West Africa, depending on changes in demand. Due to the nature of information sharing between WA OCGs and the quality of their false documents, they can continuously adapt to new policing practices, and exploit any weaknesses in the EU immigration systems for the facilitation of illegal immigration and THB. The most significant law enforcement challenge associated with WA OCGs relates to their propensity to create 'legends' of multiple identities, whereby the ability to fraudulently obtain genuine documents in West Africa hinders the effort to prove the legitimacy of an avowed identity. This capacity is exploited by WA OCGs in continuing to expand their criminal portfolios into all kinds of OC activities.

### *North West African Organised Crime Groups (NWA OCGs)*

**NWA OCGs** of mainly Moroccan origin control the production and wholesale supply of **cannabis** in Morocco. In markets across the EU, NWA OCGs are also engaged in the trafficking and distribution of cannabis as shipment and market coordinators. They share these roles with EU OCGs who tend to invite persons of Moroccan origin into their ranks to gain access to wholesale suppliers in Morocco. **Counterfeit**



**Euro** banknotes produced by Italian OCGs from the EU Southern criminal hub are frequently seized in Morocco, and the role of Moroccan OCGs in their distribution is not proven but probable. In addition, NWA OCGs are involved in facilitating **illegal immigration, THB** and, in some instances, **cocaine** and **heroin** trafficking through the NWA region to the EU Western regions. In the EU South West region, they are also participating in **labour exploitation**. In the NWA region, the indigenous OCGs are supporting foreign OC groups to smuggle all kinds of illegal commodities into Europe; for instance, **counterfeit tobacco** and **precursors**.

In assessing the **future threat** that may be ascribed to **NWA OCGs**, it is expected that these OCGs will not significantly progress beyond the roles they currently occupy as market coordinators for cannabis, and facilitators in illegal immigration and cocaine trafficking towards the EU Southern regions. In feeding the EU Western regions with cannabis, Moroccan OCGs demonstrate a high degree of organisation and know-how in maximising their profits by controlling many of the parameters that influence this process. However, in the majority of activities in which they are involved, they tend to be devoted to a single OC activity. For instance in THB for labour exploitation in the EU South West region, where NWA OCGs rely on local OCGs to carry out the actual exploitation of workers. In the NWA region, they are not able to act as gatekeepers to legitimate systems, due to the fact that EU OCGs with members of NWA origin also exert corruptive influence directly in this region. In addition, there are no indications that indigenous OCGs are planning to widen their portfolio of OC activities using those infrastructures set up to sustain their present criminal markets within the NWA region.

#### **European Union Organised Crime Groups (EU OCGs)**

**EU OCGs** are increasingly active in purchasing cocaine in West Africa for importation into the EU. OCGs mainly originating from the EU Western regions are also notably involved in the trafficking of **cannabis** and, in some cases, **heroin** from West Africa to the EU markets. Throughout Europe, cooperation between EU OCGs and WA OCGs in **THB** for sexual exploita-

tion is widespread. In the EU South West region, the indigenous EU OCGs cooperate with NWA OCGs in THB for the purpose of labour exploitation.

In assessing the **future threat** that may be ascribed to **EU OCGs** in actively shaping the West African OC situation, it is expected that these OCGs will play a considerable role in influencing the future of cocaine trafficking via West Africa. In considering the increasing presence and investment in logistic bases across many countries in the WA region, it is apparent that EU OCGs have committed to using this region as a transit zone for cocaine trafficking in the medium term. With the gradual expansion into other countries across the entire African Continent and the limited investments in criminal infrastructures in the NWA region for the purpose of cocaine trafficking, EU OCGs are not expected to contribute to an increased role for the NWA region. And, while EU OCGs are directly exerting a corruptive influence in the area approximating Morocco, they primarily do so for the purpose of cannabis trafficking via the Iberian Peninsula; an activity in which they rely on local NWA OCGs to acquire and to store wholesale quantities of cannabis. In line with the development of the Balkan Route for trafficking cocaine from the WA region into the EU, the increasing involvement of EU OCGs from the South East criminal hub in this activity is also to be expected.

#### **Other Organised Crime Groups (not of EU, North West African or West African origin)**

In assessing the **future threat** that may be ascribed to **Latin American OCGs** in actively shaping the OC situation as regards West Africa, it is expected that these OCGs will maintain their dominant role in using West Africa as a transit zone for the trafficking of cocaine in the medium term. They control multi-ton shipments of cocaine from South America to the WA region that are destined for markets across Europe. In addition to their investment in logistic bases to control cocaine trafficking and in legitimate business structures to conceal their OC activities in the WA region, Latin American OCGs are building relationships with indigenous OCGs that would enable them to recreate a similar situation in the NWA region. However, with the

variety of options available to Latin American OCGs due to their global cocaine trafficking networks, it is expected that the recent increase in policing efforts devoted to the Iberian Peninsula will contribute to sustaining the current role of the NWA region. To this effect, it is worth monitoring the development of clandestine cocaine processing facilities in the EU and the transportation of chemicals and equipment to countries in West Africa for the purpose of converting coca into cocaine.

In addition, **Russian OCGs** are noted for their involvement in trafficking **cocaine** from the WA region to the EU and, in relation to transshipment via the NWA region, the involvement of **Chinese OCGs** in **precursors** trafficking, and of **Turkish OCGs** in **counterfeit tobacco** or **heroin** trafficking, have also been noted. However, more information is required on these OCGs, before it is possible to provide an assessment of their current role or the future threat they may pose.

### Conclusions: the threat of transit zones and criminal hubs in West Africa

In terms of the **emerging threats** associated with **cocaine** trafficking via West Africa, a noteworthy development is the use of the Balkan Route through the Black Sea to Romania and the Mediterranean Sea to ports in Slovenia, Croatia and Montenegro. Trade liberalisation in the Balkan region, its geographical position in relation to Europe, and the presence of pre-established transnational OCG networks are strong facilitators in this development. Smuggling via the Balkans has long since proven to be a low-risk route into the EU, Constanta harbour being a major gateway to the EU, also via the Rhine-Main-Danube corridor. Today, WA OCGs historically involved in trafficking heroin are using this route to feed EU markets with cocaine. Lithuanian, Bulgarian, Ukrainian and Russian OCGs have become engaged in the trafficking of cocaine from South America into the EU, and captains of large vessels from the Black Sea region are being recruited to traffic cocaine directly from South America. However, alliances between indigenous OCGs from the Balkans and Nigerian OCGs have also been formed for the purpose of trafficking cocaine from West Africa. In targeting the Balkan Route, OCGs can exploit

existing networks in countries such as South Africa, Mozambique and Kenya for maritime shipments from the WA region through the Suez Canal, before heading towards the Black Sea. With countries in Central Africa also linked to cocaine smuggling, OCGs can use aircraft departing from the WA region via transit zones across the African continent en route to the EU Southern regions.



*Photo: Gabriel Craciun, Romania*

In terms of developments in modus operandi that warrant monitoring, the use of light aircraft for trafficking **cocaine** and observed increase in sophistication towards larger airframes and jet aircraft enables OCGs to target destinations across Europe via a series of refuelling points in Africa. The use of light aircraft for intra-EU cocaine shipments and of airstrips throughout West Africa for refuelling and stockpiling en route to the EU has already been detected. Light aircraft such as helicopters are also used in combination with 'go-fast' road convoys to smuggle **cannabis** into the EU Western regions from the NWA region. This activity is dominated by EU OCGs with members of Moroccan origin who serve as a bridge to wholesale suppliers and couriers.



Photo: European Commission

Another noteworthy development relates to the use of drug couriers. The global interconnectivity of passenger airlines affords OCGs a wide variety of routing options to directly target local markets throughout the EU. In exploiting this means, OCGs are using the method of Transit-Point-Stacking (TPS), in which they implement a flight plan consisting of multiple sequential flights in an effort to hide the initial origin of couriers. The problems associated with TPS are compounded by the fact that intestinal transport methods are increasing in sophistication; with packages that remain durable for 10-12 days and support quantities in excess of 1.5kg. OCGs are also moving considerable quantities of drugs in the so-called 'shotgun method', in which the attempt is made to overwhelm customs controls by having multiple couriers on a single flight; in one instance, 28 couriers were detected on the same flight. The OCGs involved in this activity are frequently using EU citizens as drug couriers, whilst the NWA region also represents an intermediary target for TPS between countries in the WA region and the EU. WA OCGs, particularly of Nigerian origin, are not only misusing the legitimate aviation industry to smuggle cocaine, but also victims of THB through commercial airports across the EU regions.

#### *A West African (WA) criminal hub*

Today, the area approximating the Gulf of Guinea plays an important role as a transit zone for **cocaine**, a major source of victims of **THB** for sexual exploitation, and the origin of OCGs that have carved out a significant role for themselves within the EU's criminal landscape. For shipments to Europe via the WA region, countries along the entire coastline between Senegal and Cameroon act as consolidation points or centres for command and control. Although bulk shipments from the WA region mostly enter through the EU South West criminal hub, cocaine is also arriving at destinations across the EU regions by sea and air. To a lesser extent, Togo, Benin and Nigeria are used as transit points in the trafficking of **heroin**, and Ghana is a minor source of **cannabis** for the EU markets. Nigeria, Cameroon and Ghana are the main origins of **illegal immigrants** destined for Europe through the EU Southern regions and direct flights to airports across the EU. Nigeria is a key source country in **THB** for sexual exploitation throughout the EU regions and a coordination point for activities related to all kinds of **fraud**, such as mass-marketing mail fraud, for which countries in the EU Western regions are both target markets and rerouting centres for targets located outside Europe.

In assessing the **future threat** that may be ascribed to the **WA region**, it is expected that the activities of OCGs in the area approximating the Gulf of Guinea will result in the further formation of a **WA criminal hub**. In the medium term the key drivers are the recent developments in international **cocaine** trafficking, which have seen Central and West Africa steadily matching Spain and Portugal as transit areas for cocaine from South America. As a result of the significant investment in relationships and the required infrastructure to sustain cocaine trafficking via this region, its role is expected to continuously gain in importance. In the long term it will remain difficult to identify one specific centre of gravity for cocaine trafficking, due to the diversification of routes across the entire African Continent. It is expected that the WA region will be linked to activities throughout Africa as Nigerian OCGs, for instance, are also active in South Africa, which is seen as a major nucleus of West African criminal activity. Overall, cocaine trafficking alone will not sustain the area approximating the Gulf of Guinea as a criminal hub. What will determine the future of a WA criminal hub are the activities and capacity of indigenous WA OCGs of mainly Nigerian origin that have carved out a significant role for themselves in the criminal landscape of the EU and WA region. To this effect, criminal clusters in the area approximating the Gulf of Guinea feature information bazaars for facilitating all kinds of OC activities in relation to the EU.

#### *The North West African (NWA) transit region*

At present, the area approximating Morocco mainly serves as a source for **cannabis** and victims of **THB** for labour exploitation, and a transit zone for trafficking **cocaine** and facilitating **illegal immigration**, to the EU Western regions. Morocco in particular plays an impor-

tant role as a major cannabis supplier to European consumer markets and a transit area, due to its geographical proximity to the Iberian Peninsula. The majority of cannabis is still shipped to the EU South West criminal hub, before being distributed further to markets throughout the EU. The Northern African Route via the Maghreb coast and the Canary Islands from Mauritania, Senegal or Western Sahara remain the main embarkation points in the facilitation of **illegal immigration** by boat to the EU Southern regions. In feeding the EU South West region, Morocco is also a key source country in **THB** for labour exploitation. Those routes originally established for illegal immigration and cannabis towards Southern Europe are also used to traffic **cocaine** via Morocco, Cape Verde or Mauritania. In rerouting the supply of **precursors** to the EU, the role of African countries as a springboard for shipments from China has also been detected. The NWA region is also used as a transit zone to feed the EU South West regions with **counterfeit tobacco** from China and, more recently, from Africa. Morocco is also targeted in the distribution of **counterfeit Euro** banknotes that are supplied by the EU Southern criminal hub.

In assessing the **future threat** that may be ascribed to the **NWA region** based on the available information and continuation of current policing practices, it is not expected that the area approximating Morocco will achieve the status of a mature criminal hub. However, in its role as a major source country for cannabis and a viable option for the illegal trafficking of all kinds of commodities in the North African transit zone, the NWA region is expected to remain a significant threat to states throughout the EU regions in the medium term. As a major source country in THB for labour exploitation, Morocco is also expected to remain a threat to states in the EU South West region.

## 7.2 Reflecting on the economic crisis

The current crisis in the global economy has relevance for scenarios in which OC operates.

Current lack of knowledge concerning **the real magnitude and duration of this crisis** and concerning the **dynamics governing its impact on criminal and non-criminal players** prevents accurate and reliable assessments of its effects on the OC threat to the EU.

Although intelligence concerning these effects is not yet available for analytical assessment, this issue is, however, worthy of initial consideration. Therefore, the following thoughts are proposed as **a non-exhaustive list of factors** that may provide opportunities for criminality.

A first assumption may be made with reference to possible consequences for **black markets**. Markets for counterfeit or smuggled products may broaden, in a possible attempt by operators to maintain levels of consumption or profit in a situation where less purchasing power is available.

It should be taken into consideration that the potential for this increase is also influenced by the **correlation between wealth available to individual 'customers' and their demand for certain goods**. In cases where this correlation is high, people might even reduce their consumption altogether, with the result that also the demand for OC supplied goods would at best remain static and at worst would even decrease.

The employment of **irregular or undeclared labour** may also have a role to play. Increasing pressure to cut costs may in turn engender increasing pressure on entrepreneurs to employ irregular or undeclared labour. OC can benefit from this by providing irregular workers to otherwise legal enterprises or by exploiting such workers more directly in the production of cheaper goods.

Concerning the **flow of illegal migrants or trafficked human beings to the EU**, it is possible that the slowing pace of the EU economy will not be matched by a proportional decrease in movement. The effects of the crisis outside

the EU, for instance, may contribute to keep this flow high. At the same time, the potential for the crisis to have varied degrees of impact within the EU may result in an increase in internal movement that could also feed irregular labour and exploitative situations.

If black markets and irregular or undeclared labour are subject to growth, this will also represent **an additional obstacle for law-abiding entrepreneurs and citizens trying to recover from the crisis**, since unfair competition will further deprive them of business.

With regard to illicit goods or services in general, if one assumes that in some cases the above mentioned correlation between wealth and demand is relatively low - for example, in the drugs sector as a result of addiction - this **rigidity might give criminals an opportunity** to keep profits high during the crisis. By the same token, insufficient rigidity may cause losses, but it must also be taken into consideration that the same or other OCGs may benefit from possible related increases in the demand for **cheaper surrogates**, for example in the sphere of recreational drug supply.

In addition, there are **criminal activities**, such as fraud or crimes against property in general, **where the supply/demand paradigm is not so easily applicable**. The assumption may therefore be made that the impact of the economic crisis on these criminal fields will be less direct.

In general, it should also be taken into consideration that some **entrepreneurs struggling for survival on the market might become victims of OC**, for example in the field of usury, the ultimate aim of which is often to gain control of legitimate businesses, thereby infiltrating the legitimate economy. In addition, the possibility that some entrepreneurs in serious trouble might become **more open to some sort of cooperation with OC** cannot be discarded.

Another assumption is that the economic downturn may **increase the number of persons who feel alienated** from mainstream society and make the continued integration of immigrants, and marginal groups in general, **more difficult**.

This may afford **growth potential to OCGs adopting VI-SO strategies** or to those

attempting to establish themselves as points of reference for non-integrated communities (**'confined' IN-SO strategy**). Labour exploitation can be a factor of the latter behaviour. Non-integration, and the spread of VI-SO criminal behaviours and confined IN-SO strategies would seem to be interlinked phenomena with significant potential impact on future OC scenarios in the EU, and the mounting global economic crisis may favour these possible dynamics.

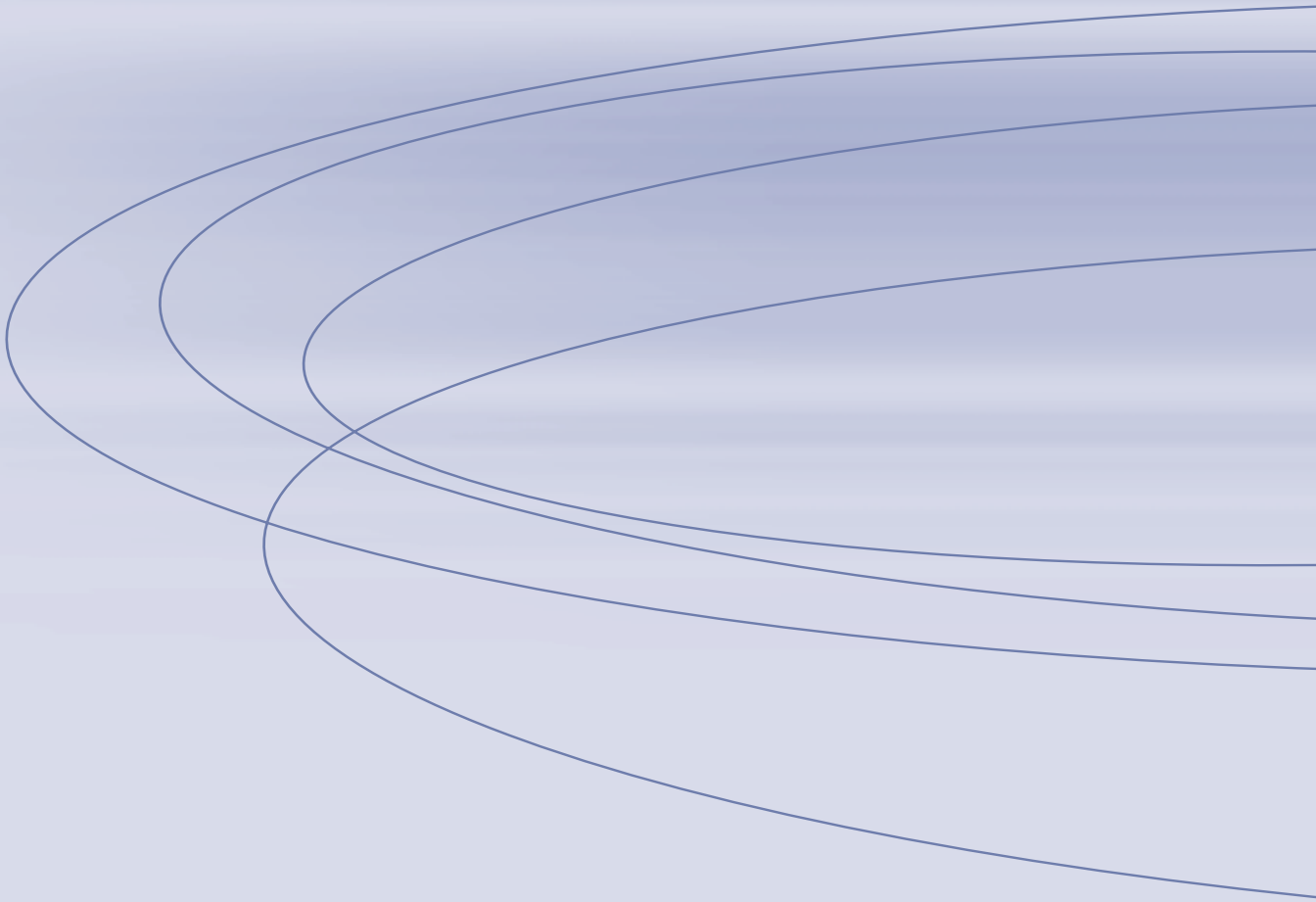
**OCGs at the core of the EU criminal hubs** tend, by definition, to be characterised by significant levels of adaptability and initiative, so it can be expected that they will be able to face the coming challenges. The existence of the criminal hubs may even prove to be a factor that will enable other less flexible OCGs across the EU to absorb negative impacts and to profit from new opportunities.

In the hypothesis that OC may be able to continue to make high profits as legitimate operators experience increasing difficulties, the possibility that OC may make use of this availability of

resources to try to further **penetrate the legitimate economy cannot be ruled out**. On the other hand, it must be taken into consideration that many OCGs may also now be **suffering similar losses and difficulties**, according to the extent to which their assets are already integrated into the legitimate economy.

The notion of further penetration by OC as a result of the economic crisis is very complex and linked to so many variables that, at this stage, any attempt to predict the final outcome would be superficial and of limited value. Nevertheless, it is necessary to prevent such an eventuality by ensuring that **authorities and economic operators keep a high and ever-increasing guard against money laundering and reinvestment of illicit profit**, and by targeting investigations on **identifying and confiscating the assets** that are accumulated by OCGs. In this context, **homogeneity in approaches** among different jurisdictions in the EU and all over the world **is crucial**. In the absence of such homogeneity certain jurisdictions might naturally become the preferred targets of OC.

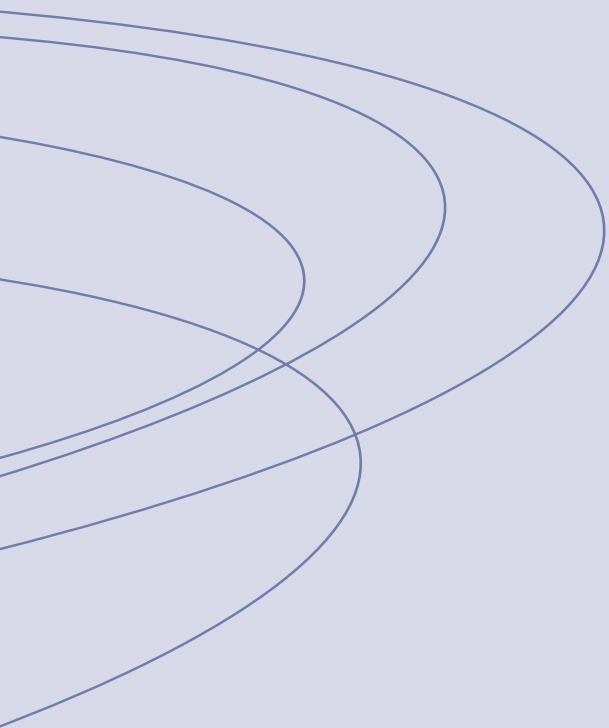
# NOTES













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