Organized Crime Portfolio Project
Key Findings

Transcrime – Joint Research Centre on Transnational Crime

Università Cattolica del Sacro Cuore | Università degli studi di Trento

www.transcrime.it – www.ocportfolio.eu

OCP in context

OCP represents a tile of a wider research agenda in the field of economic and financial crime:

- Project «Gli investimenti delle mafie» (www.investimentioc.it) (2011-2013)

- **Project OCP - Organised Crime Portfolio (www.ocportfolio.eu) (2012-2014)**

- Project ARIEL (www.arielproject.eu) (2014-2015)

- Project BOWNET (www.bownet.eu) (2010-2012)

- Project EBOCS - European Beneficial Ownership and Control Structures (www.ebocs.eu) (2014-2015)

- Project IARM – Identifying and Assessing the Risk of Money Laundering (2014-2016)

Aim of project OCP

To analyse the *portfolio* of organised crime groups (OCGs) in Europe, and in particular to answer three research questions:

- **Where does the criminal money come from? From which illicit markets?**

- **Where does the criminal money go? Where (in which regions, assets, sectors) is it invested?**

- **What of these assets are confiscated?**

Focus on **7 EU MS** (Finland, France, Ireland, Italy, the Netherlands, Spain, United Kingdom) but also other EU MS covered

3

The scale of illicit markets in Europe

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OCP covered 10 illicit markets

- Illicit drugs
  - Heroin
  - Cocaine
  - Cannabis
  - Amphetamines and Ecstasy
- Trafficking in human beings (THB)
- Illicit trafficking in firearms (ITF)
- Illicit trade in tobacco products (ITTP)
- Counterfeiting
- Illegal gambling and match fixing
- Extortion racketeering
- Usury
- Frauds
- Organised theft

What has been done

For each illicit market:

- Literature review (of previous studies, police and institutional reports)
- Identification of main criminal actors involved
- Collection of available estimates
- Development of **new estimates** at 28 EU MS level:
    - Heroin
    - Cocaine
    - Illicit trafficking of firearms
    - Illicit trade of tobacco products
    - Counterfeiting
    - MTIC frauds
- Most of them are demand-driven estimates adjusted with control variables (e.g. seizures)

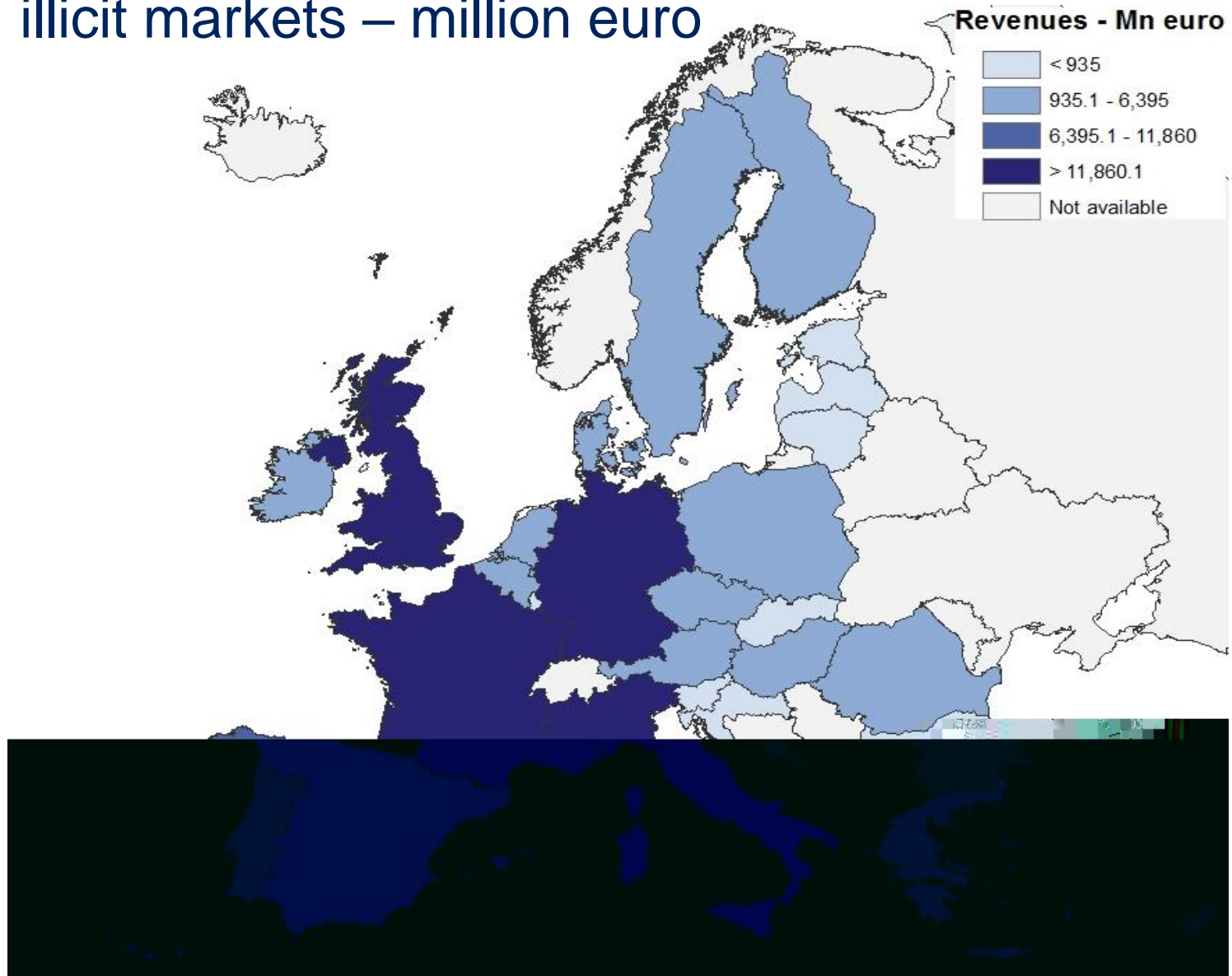# Estimates of illicit markets in Europe

Illicit revenues per year – billion euro

	7 OCP countries	Whole EU
Heroin	5.7	7.9
Cocaine	5.3	6.8
Cannabis	*5.4*	*6.7*
Amphetamines	*1.6*	*2.8*
Ecstasy	*2.2*	*3.5*
Counterfeiting	21.6	42.7
ITTP	5.2	9.4
ITF	-	0.4
MTIC frauds	16.9	29.3
Cargo theft	*0.3*	*0.4*
TOTAL	**64.2**	**109.9**

Source: Transcrime-OCP estimates. In *italics* estimates by other authors.

Estimates of illicit markets in Europe
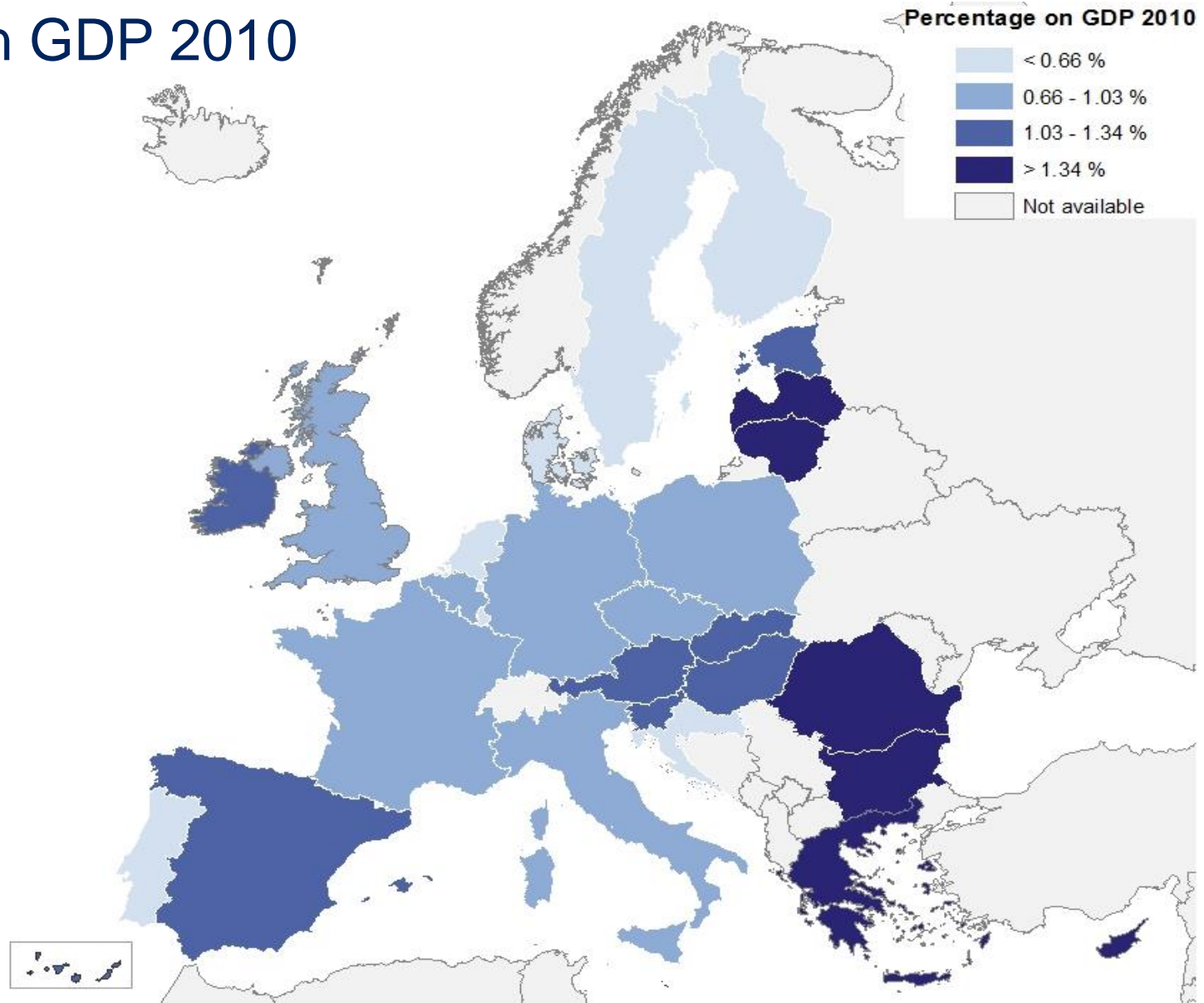## All illicit markets – million euro

Source: Transcrime – Project OCP
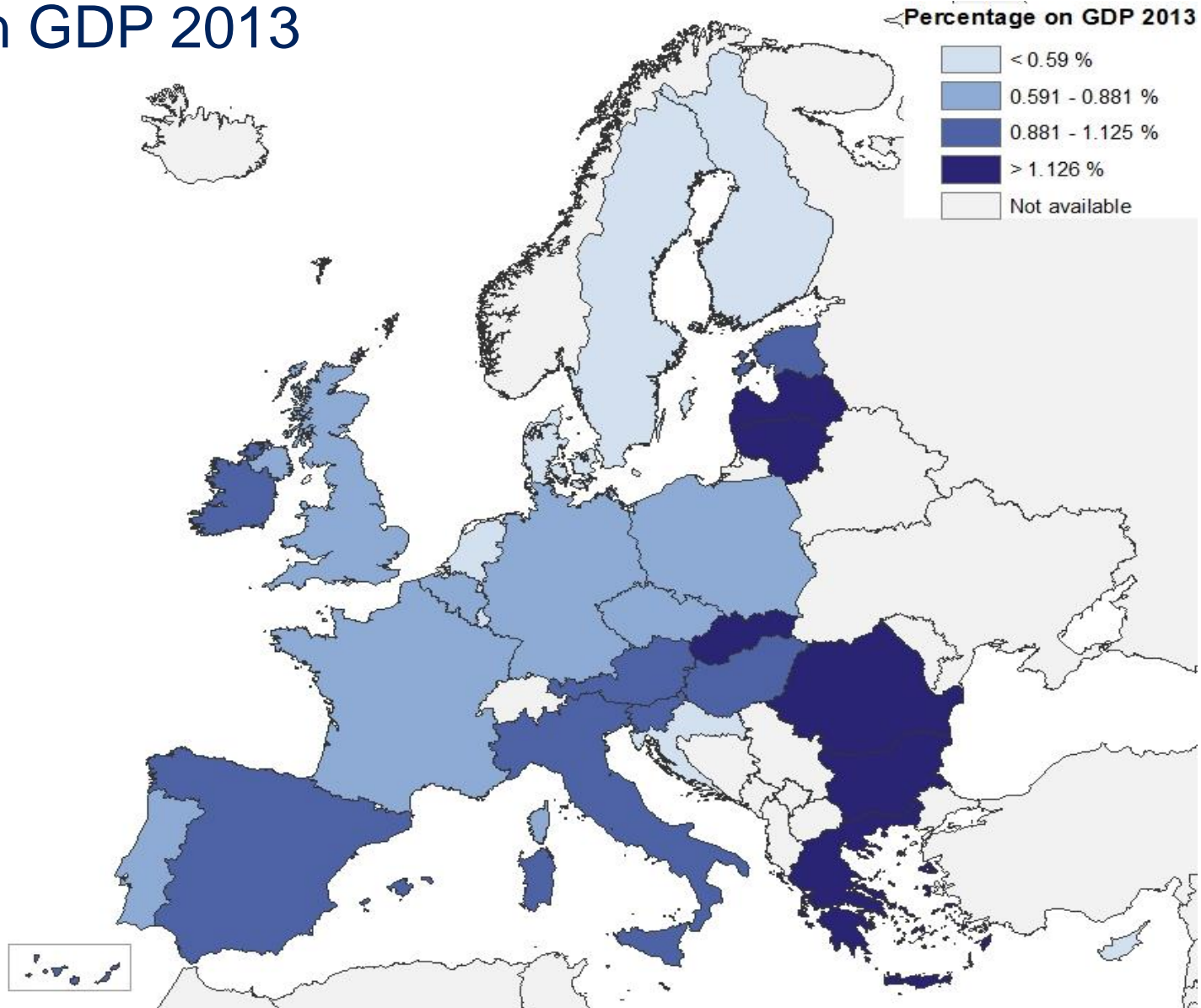
Estimates of illicit markets in Europe
% on GDP 2010

Percentage on GDP 2010
- < 0.66 %
- 0.66 - 1.03 %
- 1.03 - 1.34 %
- > 1.34 %
- Not available

Source: Transcrime – Project OCP

Estimates of illicit markets in Europe
% on GDP 2013

Percentage on GDP 2013
- < 0.59 %
- 0.591 - 0.881 %
- 0.881 - 1.125 %
- > 1.126 %
- Not available

Source: Transcrime – Project OCP

Key figures

- More than **100 billion euro revenues** produced yearly by illicit markets in the European Union

- About 60% produced in the 7 OCP countries

- Representing nearly **1% of EU GDP,** with higher weight in **south and eastern Europe**

- **Illicit drugs** still most profitable 'traditional' market

- **Frauds** (especially organised VAT frauds) produce high revenues too

- **Counterfeiting** is potentially very profitable, but still unclear if the supply is able to satisfy the potential demand

- **Illicit trade of tobacco products** produces revenues comparable to some illicit drugs (e.g. cocaine)

Limitations

Figures above are good proxy of the scale of criminal wealth but:

- Overall figure can be **underestimated**, as measures of some important illicit activities are missing (e.g. THB)

- Not all the revenues can be invested/laundered in the legitimate economy, as OC must cover:

  - **Operational** costs (e.g. purchase of drugs, transportation etc)

  - **Management** costs (e.g. salaries to criminal members or subsidies to their families)

  - **Money laundering** costs (e.g. professionals' fees)

- Revenues are shared among **different actors**, since organised crime does not have the monopoly of all illicit markets. Who are these actors?

Actors of illicit markets in Europe

- **Plurality of criminal actors** involved:

  - Large and structured organisations (e.g. Italian mafias or motorcycle gangs)

  - Loose criminal networks

  - Free-lance criminals and brokers

- Increasingly **multi-ethnic** and with **international connections**

- Increasingly **mobile** on the European territory

- Increasingly **poly-crime**

- Able to use **same routes for different illicit goods**

- But some **specialising** in certain activities (e.g. Eastern European in organised property crimes)

Emerging trends

- Shift of OCGs **from traditional** (e.g. drugs) to new, less risky, underrated but very profitable illicit activities:

  - Frauds

  - Organised theft (e.g. of medicines, metal, fuel)

- Increasing involvement of **legitimate businesses** for committing illicit activities, e.g.:

  - In **fraud schemes** (e.g. VAT carousels, excise frauds, etc)

  - As fronts of **illicit trades** (e.g. shipping companies to hide transportation of drugs)

  - To **'launder' stolen products** (e.g. to repack and sell back stolen medicines to hospitals and pharmacies)

- Emerging of new products on the **twilight between licit and illicit** (e.g. *illicit whites* or firearm replicas)

Project OCP – Organised Crime Portfolio
Final Conference, Brussels 27th November 2014

Organised crime investments across Europe

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Research questions

- In what countries and regions does organised crime invest?

- In what types of assets?

- In what business sectors?

- What are the differences among the actors involved?

- What are the drivers behind organised crime investments?

What has been done

- Large scale collection of evidence and cases of OC investments

- OC investments defined as *any possession and/or acquisition of assets in the legal economy by or on behalf of a criminal group.*

- Focus on 7 OCP MS. Time coverage: 2005-2013

- Wide plurality of sources used:

  - Judiciary files

  - LEA/FIU/ARO reports

  - Information on seized/confiscated assets

  - Open sources (development of *iNotitium* search engine)

- Nature and variety of sources make it difficult to compare across countries and analyse from quantitative perspective

→ **Results of the analysis must be taken with caution**

Database on organised crime investments

- The resulting database includes about XXX references (and XXX cases) of OC investments

1. Countries and regions of investment

Geography of OC investments
Level of evidence of OC investments across European countries
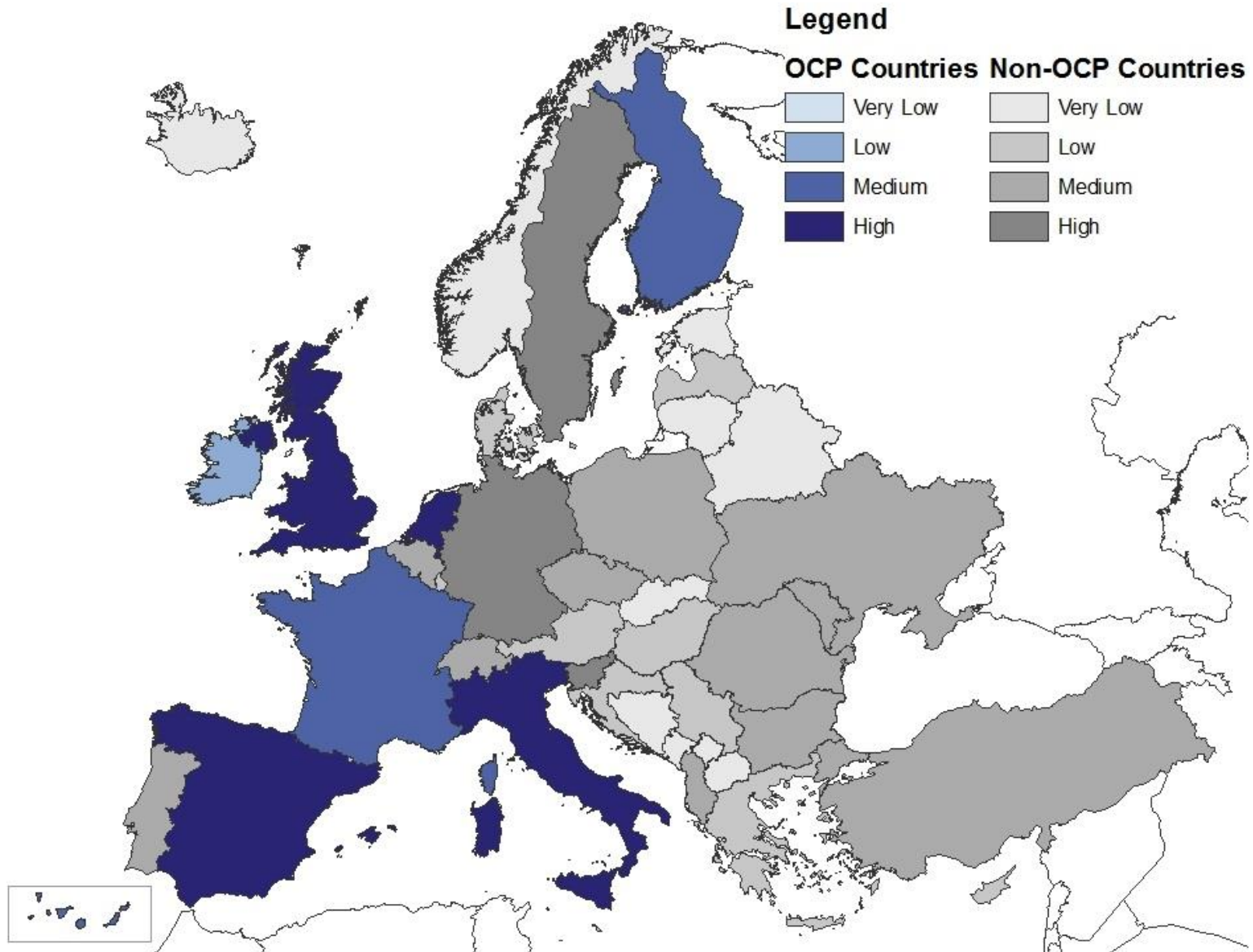
Source: Transcrime elaboration on DOCI

Geography of OC investments - Regions

Evidence of OC investments in NUTS 2; % on country total
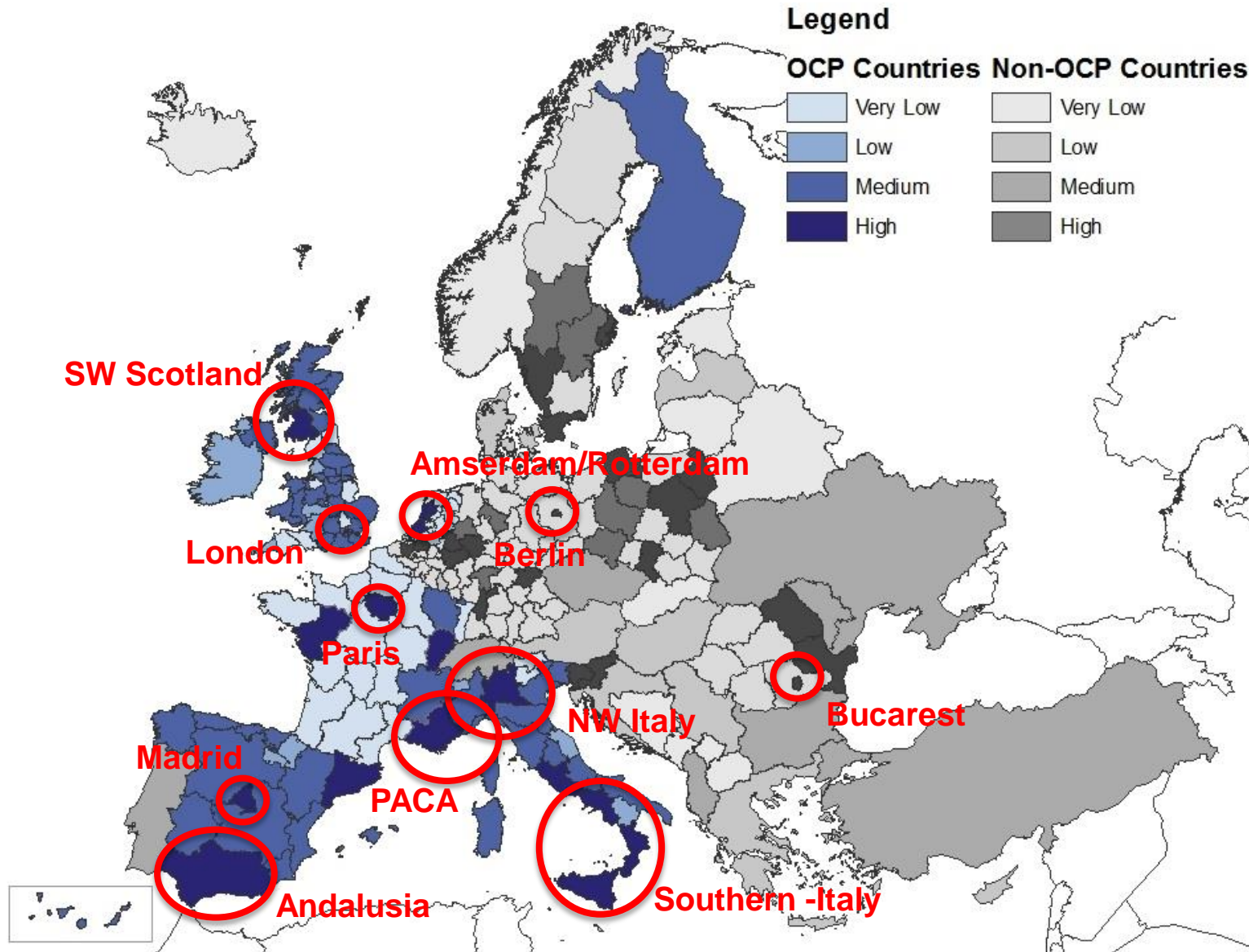
Source: Transcrime elaboration on DOCI

Areas with evidence of criminal investments

- Most EU (and neighbouring) countries are interested

- EU Regions with higher evidence of investments:

  - Southern Italy

  - North west Italy;

  - PACA (Provence-Alpes-Côte d'Azur), in France;

  - Southern Spain, especially Andalusia;

  - London and South Western Scotland, in UK;

  - Large urban areas (e.g. Madrid, Paris, London, Berlin)

  - Other areas (e.g. Cologne-Dusseldorf, border between Romania and Moldavia, etc)

Characteristics of these areas

- Areas with traditional and strong presence of criminal groups (e.g. southern Italy)

- Strategic areas for illicit trafficking (e.g. Andalusia)

- Border regions (e.g. south-eastern France)

- Areas with important ports and airports (e.g. Rotterdam/Amsterdam)

- Areas providing business opportunities, e.g.

  - Large urban areas

  - Tourist or coastal areas

  - Strong real estate markets (e.g. Cote d'Azur)

2. Types of assets

Types of assets

Evidence that all types of assets are represented in the organised crime portfolio:

- Cash

- Other movable goods (e.g. bank accounts, jewels)

- Registered assets
  - Cars and vans (e.g. useful to transport illicit goods)
  - Motorbikes (e.g. crucial for OMCGs)
  - Boats (e.g. to transport drugs or for THB)
  - Airplanes (status symbol and also for transporting drugs and illicit goods)

- Real estate properties
  - Luxury houses (status symbol and investment)
  - Flats (rent and control)

- Companies

2. Business sectors

Business sectors with evidence of criminal investments in Europe

HIGHER evidence	• Bars and restaurants • Construction • Wholesale and retail trade (in particular of food products and of clothing) • Transportation and logistics
MEDIUM evidence	• Real estate activities • Hotels
EMERGING sectors	• Renewable energy • Waste and scrap management • Petrol and gas supply • Money transfer businesses • Casinos, VLT, slot machines

Source: OCP Project

Characteristics of these sectors

- Cash-intensive

- Territorial-specific

- Unskilled and labour-intensive

- Protected sectors

- With key role of public administration or public subsidies

- Characterised by small firms

- With weak or developing regulation.

- Functional to illicit activities, e.g.:

    - Trafficking of illicit goods

    - Frauds

    - Money laundering

Differences across countries

- However, differences exist across countries

- For example, higher importance of construction in Italy than in other countries.

- Differences may be due to:

  - The business structure and entrepreneurial culture of the country

  - Country-specific investment opportunities

  - Vulnerabilities in the national administrative, political and regulatory systems

  - The nature of illicit activities in the country

  - The investment strategies preferred by the OCGs active in the country

- The identification of these factors must be improved

3. Actors

A plurality of criminal actors

- Larger and more structured criminal organisations:
  - Italian mafias ('Ndrangheta, Camorra, Cosa Nostra)
  - Chinese OCGs
  - Russian/Georgian OCGs
- Outlaw Motorcycle Gangs
- Former terrorist and paramilitary groups
- Smaller and 'local' groups, e.g.:
  - Gangs from *quartiers sensibles* in France
  - Multi ethnic British or Dutch criminal groups
- Increasing role of *free-lance* entrepreneurs and brokers
- Emerging joint-ventures among different groups to manage legitimate businesses

Different groups invest in different countries

- Investments of different groups have different geographical patterns
- Collected evidence suggest that:
  - Some groups (e.g. North African, Turkish, Colombian) tend to invest back in their home country, using:
    - Banking system
    - Money transfer businesses
    - Hawala banking
    - Cash couriers
  - Some other concentrate only in certain regions
  - Some other (e.g. Russian, Camorra, 'Ndrangheta, Chinese) invest in a wide number of EU MS
  - Some countries (e.g. Spain) attract investments from a wide range of OCGs

Cosa Nostra OCGs investments in Europe

Countries with evidence of Cosa Nostra investments

Source: OCP project

Camorra OCGs investments in Europe

Countries with evidence of Camorra investments
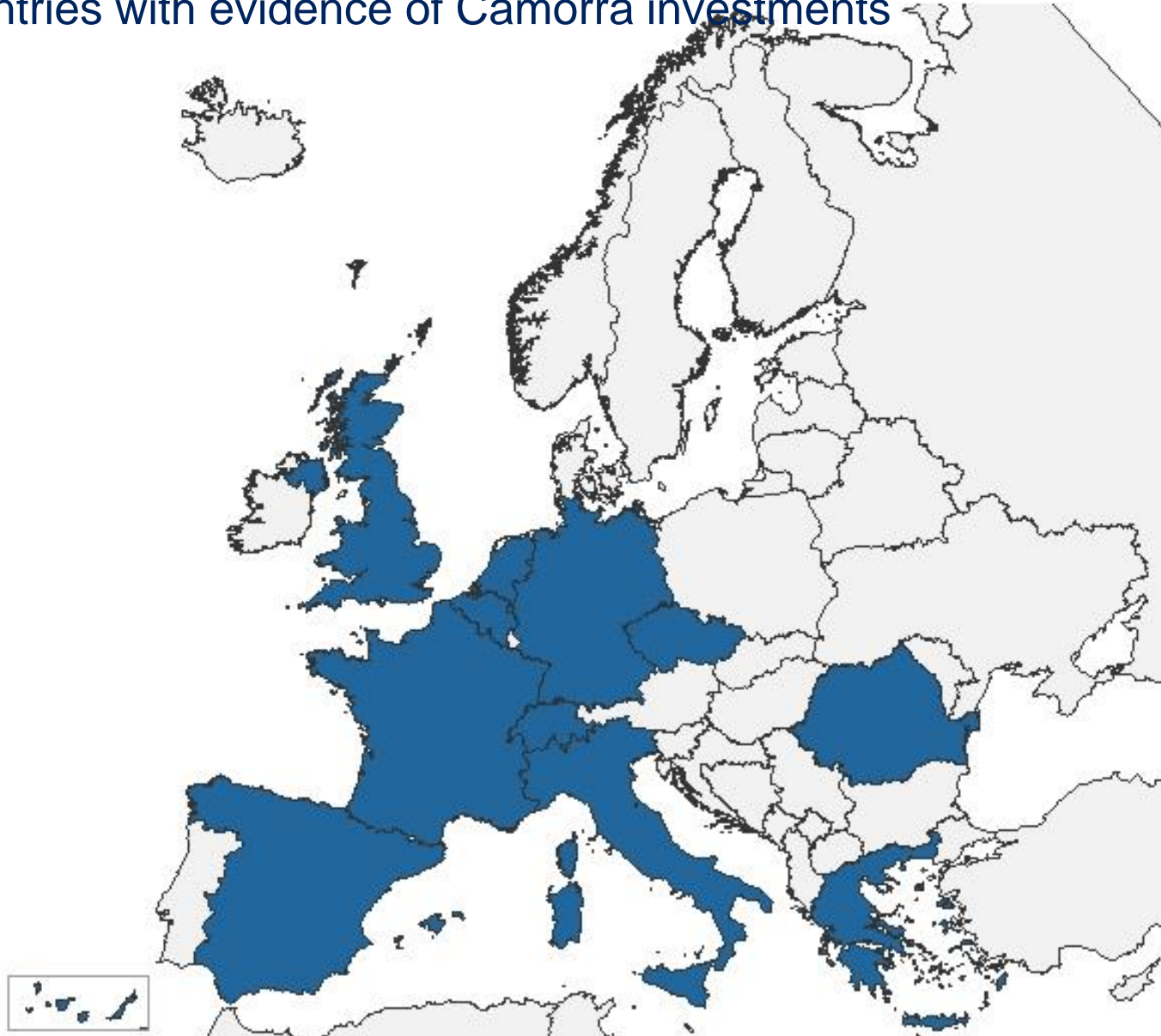
Source: OCP project

'Ndrangheta OCGs investments in Europe

Countries with evidence of 'Ndrangheta investments

Source: OCP project

Russian/Georgian investments in Europe

Countries with evidence of Russian/Georgian OCGs' investments
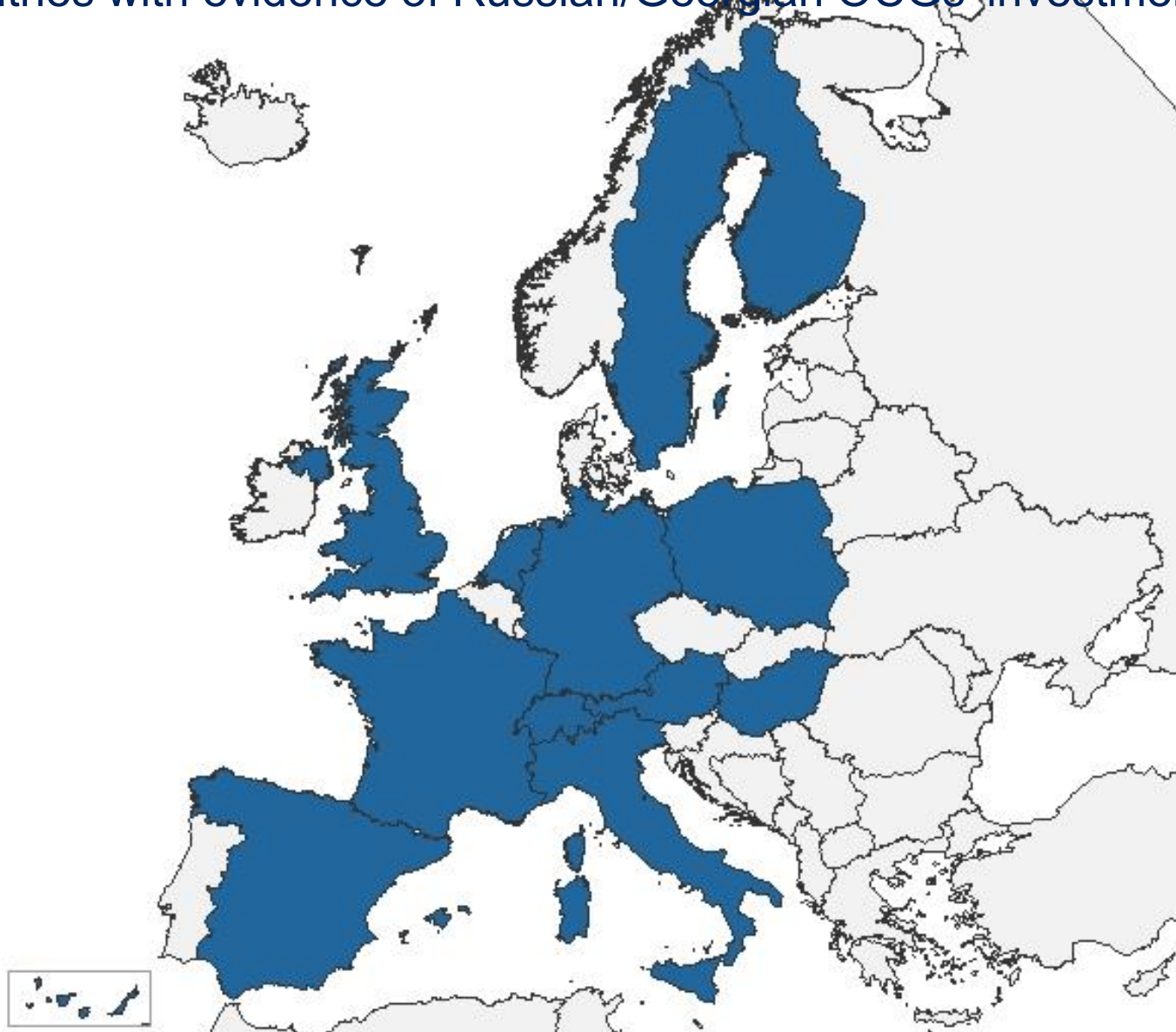
Source: OCP project

Chinese OCGs investments in Europe

Countries with evidence of Chinese OCGs' investments

Source: OCP project

Motorcycle gangs investments in Europe

Countries with evidence of Outlaw Motorcycle Gangs investments

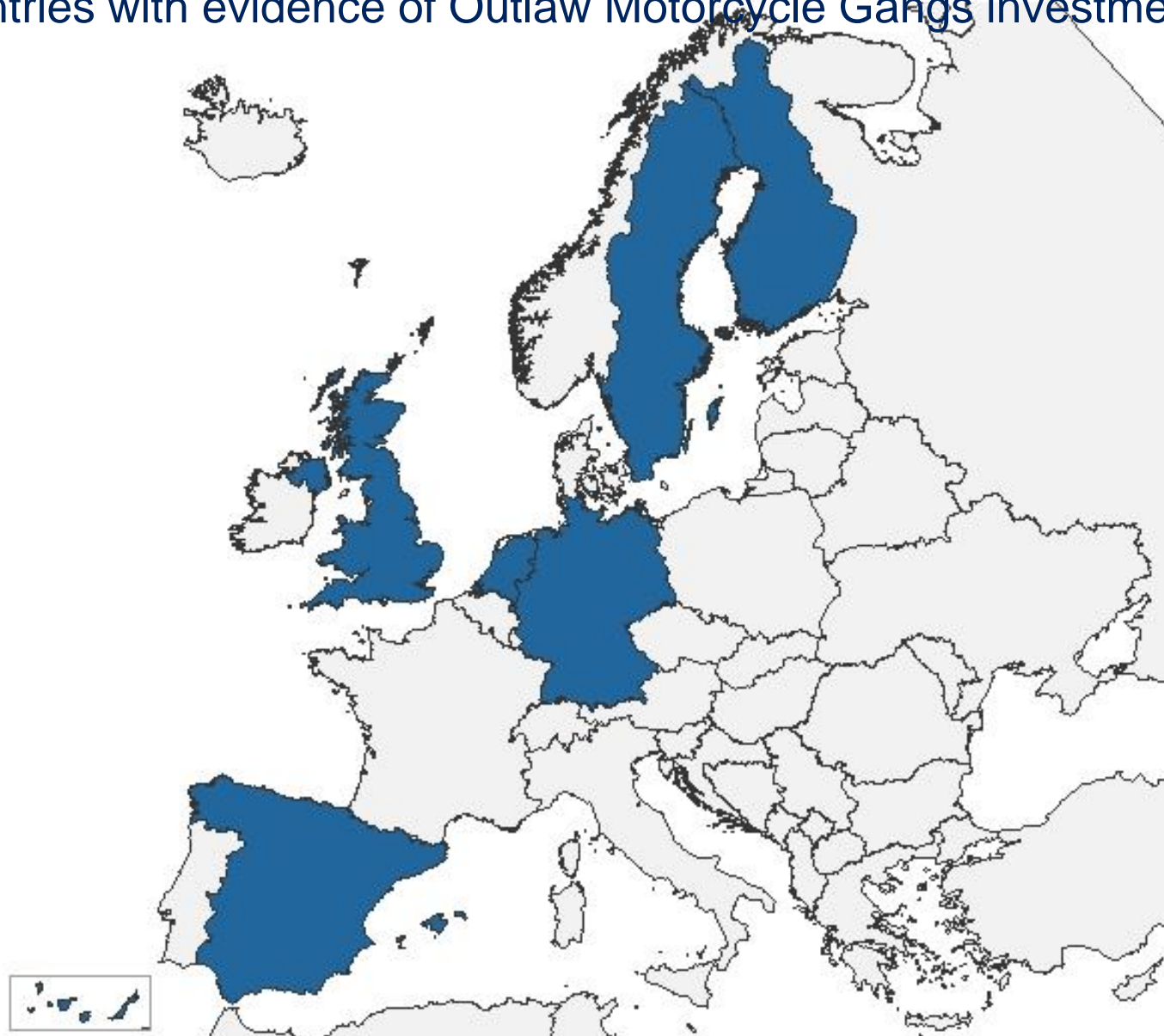

Source: OCP project

Other OCGs investments in Europe

Countries with evidence of other OCGs investments

Source: OCP project

Business sectors and criminal groups

Italian mafias	• Real estate • Construction, mining and quarrying • Wholesale and retail of food • Bars and restaurants • Renewable energy (e.g. windpower)
Chinese OCGs	• Wholesale and retail trade (clothing and textiles) • Bars and restaurants • Transportation and logistics • Real estate • Sex, tattoo and other personal activities
Russian/Georgian OCGs	• Wholesale trade • Bars, restaurants and hotels • Transportation and logistics • Real estate • Casinos, VLT, slot machines
Motorcycle gangs	• Private security • Maintenance, renovation and cleaning services • Tattoo shops and sexy shops
Other OCGs (e.g. Eastern European)	• Import/export • Transportation and logistics • Casinos, VLT, slot machines

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4. The main drivers

Drivers behind criminal investments

Organised crime investments respond to different drivers:

- Laundering of criminal proceeds

- Profit

- Physical control of the territory

- Infiltration into the political/administrative sphere

- Social consensus (e.g. jobs offers)

- Cultural reasons

- Commission or facilitation of illicit activities:

    - Transport of drugs and other illicit products

    - Frauds

    - Transfer of illicit funds

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Research and policy implications: looking at tomorrow

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Conclusions

Despite its limitations, OCP has represented a pioneer study of the economics of organised crime in Europe:

- It has provided a **first estimate at EU level** of the revenues from illicit markets

- It has provided a first **mapping of the regions** where criminal investments concentrate

- It has identified the **types of assets** and **business sectors** most exposed

- It has provided a first assessment of **what criminal assets are being recovered** by European authorities

- It has highlighted some **gaps** where it is necessary to intervene in terms of data availability

What to do next?

Building on the OCP findings, it is necessary to improve in terms of **data, analysis and policy measures**.

In particular, it is possible to intervene on each of the three dimensions of the economics of organised crime (illicit markets, investments and asset recovery) by:

- Reshaping the prevention and control of illicit markets

- Improving the identification and assessment of the risks of criminal infiltration

- Improving the confiscation and the management of criminal assets

1. Reshaping the prevention and control of illicit markets

In order to stop the economics of organised crime at its source, it is crucial to improve the action on illicit markets, by:

- Widening our knowledge of **emerging illicit markets** (e.g. organised theft, frauds, etc) and of new products

- Identifying vulnerable stages and actors in the **legal supply chain** (e.g. in the delivery & logistics)

- Assessing the **risk of areas** which could be exploited for illicit trade purposes (e.g. Free Trade Zones)

- Improving the **data collection** from LEAs and the industry

- Strengthening **public-private partnerships** and the sharing of information between LEAs and industry

2. Improving the identification and assessment of the risks of criminal infiltration

To improve the tracing of criminal investments it is crucial to pass from a *contrast* to a *risk-assessment* approach, by:

- Setting up a permanent **European Observatory** which could collect and analyse better data on the economics of organised crime

- Creating a network of competent national authorities to **monitor the risks** of criminal infiltration

- **Reshaping Law Enforcement** action to investigate and manage these risks

- Passing from *cold* maps of past cases to *heat* **maps of risk** (see next slides)

Heat Maps of Risk of criminal infiltration

- The risk of criminal infiltration can be represented as a function of 3 variables:

  - **PROBABILITY:** the level of threat (e.g. level of OC or size of illicit markets)

  - **IMPACT:** the consequences of OC infiltration on a region or on a business sector

  - **CONTROL:** the level of law enforcement monitoring or the effectiveness of the regulation

- The higher the probability, the higher the impact and the lower the control → the **higher the risk**

- Mapping the risk of criminal infiltration means measuring these three dimensions

Heat Maps of Risk of criminal infiltration / 2

- Probability, impact and control vary depending on the **geographical region** and on the **business sector**

Region	Probability	Impact	Control	RISK LEVEL
Region 1	HIGH	MEDIUM	LOW	**HIGH**
Region 2	LOW	HIGH	HIGH	**LOW**

Business sector	Probability	Impact	Control	RISK LEVEL
Sector 1	MEDIUM	LOW	LOW	**MEDIUM**
Sector 2	LOW	HIGH	HIGH	**LOW**

- **Region Risk** and **Sector Risk** can be combined together to produce maps of risk
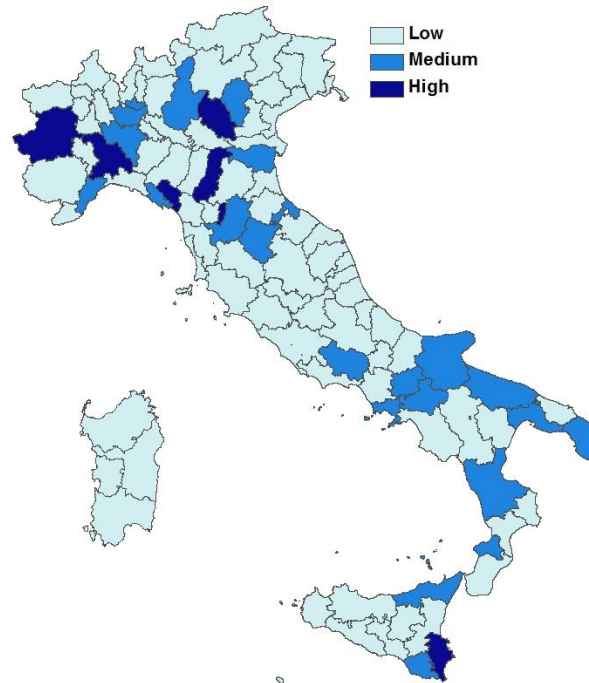
Heat Maps of Risk: an example

- These are preliminary maps of risk of OC infiltration into three sectors across Italian provinces

- With a wider and more continuous collection of data, these maps can be reproduced also for other EU MS
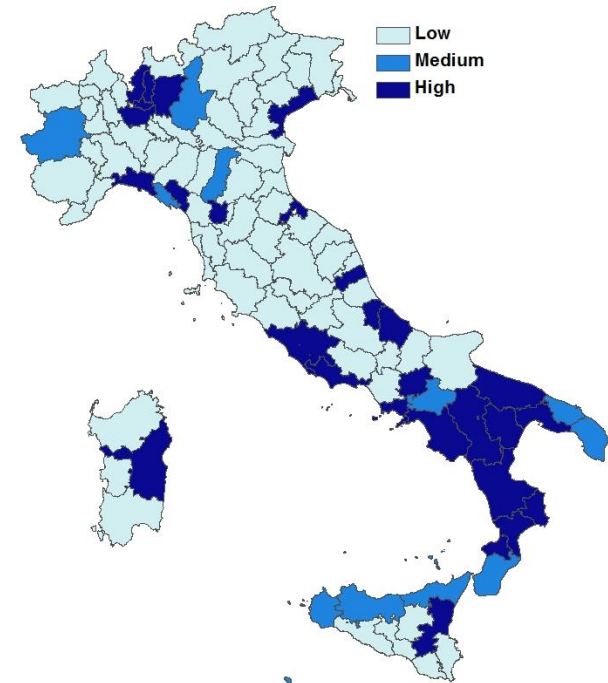
Construction
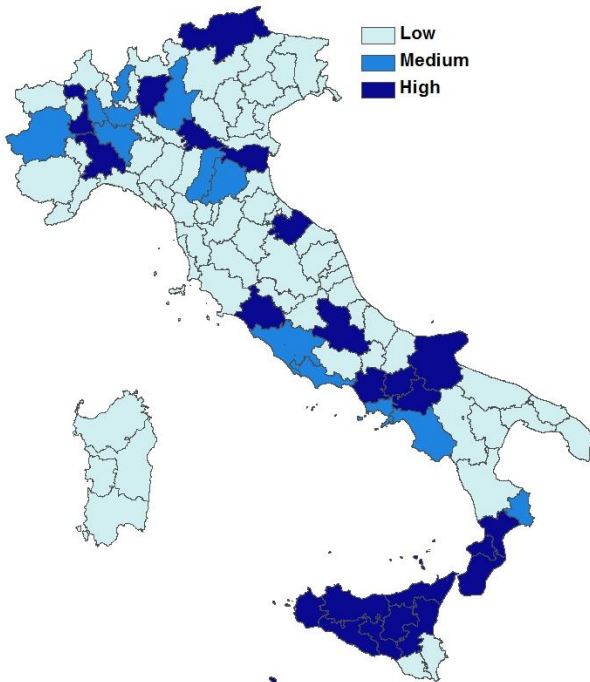
Wholesale and retail trade

Bars, restaurants, hotels

3. Improving the confiscation and management of criminal assets

Confiscation is a main tool against criminal investments. But for making it more effective it is necessary to:

- **Extend confiscation powers** to European authorities

- Improve **confiscation of companies**, as successfully learned from the Italian experience

- Increase **harmonisation of regulation** on confiscation: asimmetries across countries produce opportunities for criminal investments

- Improve the **management of confiscated assets**, in particular companies, so as to avoid asset recovery to produce social and economic losses