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EU Organised Crime Threat Assessment 2007

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# EUROPEAN OCTA

## FOREWORD BY THE DIRECTOR

# OCTA



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

The OCTA should, as its name suggests, develop a threat assessment of current and expected new trends in organised crime across the EU. The assessment is based upon existing knowledge and expertise and it is drawn up in order to enable decision-makers to take the appropriate action to counter the anticipated threat.

The OCTA marks a new approach to the way in which Europol and the Member States will think and operate in the future and it is a first step to change of paradigm in policing. The OCTA fits in firmly with the aim of "The Hague Programme" to provide a forward looking approach to fight organised crime in a more pro-active than reactive manner. It is complemented by the development and implementation of the European

Criminal Intelligence Model (ECIM). The OCTA allows the EU to develop complementary measures to countering organised crime, linking those at the ministerial and political levels with those of practitioners and law enforcement agencies who operate at the front line.

The OCTA as a tool, and the ensuing Council Conclusions based on the 2006 OCTA, have already had a significant impact on the law enforcement community throughout Europe in terms of practices and priorities. This is the case, for instance, through the European Police Chief Task Force (EPCTF/COSPOL) framework at the common EU level, the Baltic Sea Task Force, the Operational Inter-organisational Action Plan to Fight Human Trafficking in Greece (ILAEIRA), the Maritime analysis and operations centre – narcotics (MAOC-N) in Lisbon, and within the individual Member States.

A great number of people and various organisations have contributed to the production of the 2007 OCTA. This deserves to be recognised. All Member States have provided their respective contributions. Valuable contributions have also been received from other institutions at the EU-level such as ECB, EMCDDA, Eurojust, Frontex and OLAF. Additionally, a number of third parties provided valuable assistance in building up the picture of organised crime as it impacts upon the EU. We are grateful to our law enforcement partners in Bulgaria, Canada, Colombia, Norway, Romania, Russia, Switzerland and the US as well as to ICPO/Interpol and SECI 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 and their co-operation has

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added significant value to the OCTA. Finally, and perhaps most importantly, the staff of Europol deserve recognition for their efforts to produce this document. I appreciate and thank them for their on-going efforts in the production and development of this significant and pioneering work.

The OCTA 2007 will be another important step to raise the level of co-operation between various competent authorities in the EU Member States as well as with the EU institutions and agencies as such. This will contribute to further develop the common space of freedom, security and justice in the European Union.



**Max-Peter Ratzel**  
Director of Europol



# 1. INTRODUCTION

# OCTA

In response to The Hague Programme, as concluded by the European Council in November 2004, in particular its emphasis on the need for a future oriented assessment of organised crime (OC) to support law enforcement efforts in the European Union (EU), it was decided to replace the Organised Crime Report (OCR) with the Organised Crime Threat Assessment (OCTA). The first OCTA was endorsed by the Council during their meeting on 1-2 June 2006.

The OCTA covers the EU. However, it can not be neglected that Europe, due to its geography and its cultural, social and historical differences, is not a homogeneous structure and so may also require a regional priority setting. Therefore, although the European dimension is the prime focus, the OCTA also accounts for regional divergences. In order to enhance the understanding of events within the EU, consideration of the international arena is at times necessary.

To allow comparisons in this area, creating a ranking of OC groups and phenomena is a major challenge, not only for methodological reasons. Nevertheless, the OCTA uses indicators in different areas which, if evaluated together, will identify the threat level from a European perspective. The OCTA does not reflect on all existing OC groups or crime types, but the application of specific criteria allows for a pre-selection of the most relevant criminal phenomena.

To support decision-makers in the best possible way, the OCTA provides a well-targeted qualita-

tive assessment of the threat from OC. The OCTA is based on a multi-source approach, including law enforcement and non-law enforcement contributions. These include various European agencies as well as the private sector. A specific emphasis is put on elaborating the benefits of an intensified public-private partnership. The OCTA helps to close the gap between strategic findings and operational activities. The OCTA helps to identify the highest priorities, which will then be effectively tackled with the appropriate law enforcement instruments. The OCTA suggests strategic priorities, but it needs to be realised that the OCTA itself is not detailed enough to pinpoint specific criminal investigations.

The OCTA is always being enhanced. Methodological and other issues are continuously being addressed in close co-operation with the Member States to allow for the further enhancement of the OCTA. 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 processed and 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. These issues are touched upon when they are relevant for the study of OC, however due to the particularities involved in the field of terrorism, the area is being covered as a separate issue.

## 2. OC GROUPS

In addressing OC groups, seven key areas of interest are considered:

1. The international dimension;
2. Group structures;
3. Use of legitimate business structures;
4. Specialisation;
5. Influence;
6. Use of violence;
7. Counter-measures.

Each of these will be described in terms of their most significant aspects.

### 2.1. The International Dimension

A situation where a non-indigenous<sup>1</sup> criminal group performs international operations which exploit its presence in origin, transit and destination countries, whilst aiming to manage the distribution phase within the EU markets is defined as the highest threat.

Yet due to the assimilation or second generation development of OC in the EU, further discussed in the typology section below, the international dimension of the traditionally non-indigenous groups is changing. These groups have thus far often perpetrated crime in host EU countries whilst maintaining leadership and returning the

proceeds of crime to their own country of origin outside the EU. Now, OC groups increasingly consist of people of a non-indigenous ethnicity living permanently in, or having the nationality of, the EU country of activity, where, additionally, the middle or even top levels of the criminal organisation may also reside. These OC groups, that are gradually adopting an “assimilated” position similar to indigenous OC, will break out of the traditional non-indigenous OC mould. These deviations can manifest themselves for example in group structures, in the type and levels of corruption, influence or violence used, and in patterns of co-operation with other groups.

The most threatening feature of this type of a group, however, is its relatively novel ability and willingness to exploit companies in its country of activity to launder money or support its criminal activities. This could indicate a growing criminal influence on legitimate business structures (LBS) inside the EU.

The international dimension of non-indigenous OC groups, their evolving structures together with the intensification of the use of LBS on all levels are indications of the increasing impact of the integration processes of these groups. It is also a threatening development, since enhanced assimilation, combined with the group’s reliance on ethnicity in terms of language, community exploitation but also support, allows it to reduce the risks of law enforcement detection. This will enable OC to better adapt their modus operandi and general approach to the local criminal market whilst subsequently increasing the threat.

<sup>1</sup> That is, a criminal group originating from outside the EU.

## 2.2. OC Group Structures

The potential of a criminal group active in the EU is heavily influenced by its connections with the external environment, be it criminal or not.

Single criminal groups with common objectives no longer operate in isolation and this creates a powerful convergence of criminal intentions and resources. Strategic direction for their activities can be determined by policies decided by the leaders of the most dominant criminal group or by regular meetings of the most influential representatives of the individual groups. The presence of such “**oriented clusters**”<sup>2</sup> that are led or, at least, coordinated by a common centre of influence is assessed as a major threat. These clusters may combine the strengths of both hierarchies and networks so that very high levels of effectiveness, diversification and specialisation can be achieved.

A completely different strategy can be seen in the case of non-EU **cell-like criminal groups** carrying out a major part of their money-making criminal activities in the EU whilst maintaining their leadership and strategic interests outside the EU. These cells prefer to avoid law enforcement attention within the EU. This brings minimum contact with the local environment, for example limiting corruptive influence on the MS public authorities or extra-group violence (with obvious exceptions linked to the types of criminal activity). Thanks to the profits that are sent to

the country of origin outside the EU, the leadership may try to influence or infiltrate its own country’s society and economy which helps the cells avoid conviction in the EU. Furthermore, these “non-EU cell-like criminal groups”, even if not interested in infiltrating the hosting EU countries, may enhance the potential of EU criminal organisations, for example by supplying them with illicit goods.

The direct threat to the MS from these two OC group structures differs: partial loss of control over internal economic and social dynamics in the “oriented clusters” case and overwhelming difficulties in targeting and dismantling a fluid and out-of-reach criminal structure, in the case of “non-EU cell-like criminal groups”.

An “**intermediary**” situation can emerge when one or more criminal groups, mainly ethnically-based, try to exert influence over a non-integrated ethnic community residing in the EU. In this case they cannot be considered as simple cells strictly guided by an external leadership. These criminal groups are more likely to have their own identity and autonomy. In addition to functioning via a core-group of members, they may rely on the willing or unwilling support of some members of such communities. This might manifest itself in terms of disguising background, for recruitment, to perpetrate extortion or exploitation and to provide a market for illegal goods. On a smaller scale, this can produce effects similar to those highlighted for the

<sup>2</sup> The survey “Results of a pilot survey of forty selected organised criminal groups in sixteen countries” (September 2002), conducted by the United Nations Centre for International Crime Prevention (CICP), led to a typology of organised criminal groups where the issue of the structure of groups is critical. Among others, CICP identifies two interesting types named “clustered hierarchy” and “regional hierarchy”. Europol prefers to use the concept of “oriented cluster” as it is illustrated in the body of the OCTA.

oriented clusters. In the absence of effective integration processes, this phenomenon is expected to grow and such criminal groups may expand into other criminal areas, for example economic crime.

In the long run, a shift from the “non-EU cell-like criminal groups” to a more stable and rooted presence in the EU can be expected due to globalisation and the EU enlargement process. This development may transit through an “intermediary situation” and possibly reach the “oriented clusters” extreme.

**Loose networks** of criminals are a different threat when compared to oriented clusters or the above mentioned intermediary situation. Loose networks may not have the overall strength and influence of oriented clusters but they may be difficult to target and dismantle due to the absence of clearly vital components or members whose arrest can hasten the end of the criminal group. Their resilience can be based on the ability to replace compromised or unreliable criminal members and the low profile of their multi-centred overall structure. They may be a significant threat because of the criminal activities they may be involved in, such as economic crime. They should be fought by focussing the efforts towards the facilitating factors that make the criminal activity so attractive in terms of low-risk and high-profit.

### 2.3. Use of Legitimate Business Structures (LBS)

OC groups make use of LBS by pursuing three main objectives:

- facilitating criminal activities;
- laundering money;
- reinvesting laundered money.

OC groups can:

- take advantage of established and reputable companies oblivious of their criminal intentions;
- corrupt or coerce managers or employees of respectable companies;
- run their own LBS.

OC groups running their own LBS represent the main threat.

Having established or acquired a legitimate business, OC groups can run it directly or through a front person or company. Sometimes they assume control of a LBS through extortion, or as the ultimate – and sought for – product of usury.

With regard to LBS run by OC groups to facilitate their criminal activities, the business sectors most frequently reported are transport and import-export. This is not surprising, given the transnational nature of modern OC and the major advantages brought by running such companies. Nevertheless, other than making the perpetration of crimes easier, those LBS do not represent a tangible threat in any other aspect, as they are usually small companies with few employees and negligible influence on specific markets. A notable exception lies in LBS established to carry out VAT carousels, also known as “missing trader intra-community fraud” (MTIC). These companies are not a major threat for their size or impact on the market, but for the enormously profitable type of fraud they facilitate.

In terms of LBS run by OC groups for laundering money, fast cash business, such as restaurants, bars, gaming halls, supermarkets and shops, together with construction companies and real estate are widely misused. Real estate is also reported as the preferred means for reinvesting laundered money. OC groups, besides owning an increasing portfolio of immovable property, are also involved in construction and in property development.

## 2.4. Specialisation

OC groups need the service of specialists for two main reasons: facilitating, expanding and protecting their criminal activities, and laundering money.

In the first case, specialists are either members of the OC group or skilled experts providing their

professional help to a variety of clients within the criminal underworld. Body-shop workers, graphic and printing experts, IT experts, hackers, skimmers and providers of false documents are the most reported. OC groups also resort to specialists to exert violence, from debt collection to contract killing, and to learn and implement countermeasures against police action and detection.

With regard to specialists, a clear dividing mark needs to be traced between what is the normal activity of a professional and what goes beyond.

To launder money OC groups contact – or recruit – professionals, for instance lawyers, financial advisors, real estate agents, property developers, accountants and tax consultants providing their service to OC groups. In many instances besides laundering money they facilitate fraud as well.

To maximize their profits, OC groups tend to build in-house money laundering capabilities, reaching in some cases such high-level proficiency that money laundering becomes their principal, or only, criminal activity. The success of such activities increases through the international movement of money rather than confining activities within the boundaries of the EU.

## 2.5. Influence and Corruption

The OCTA 2006 concluded that corruption and influence directed at high-level targets within the public sector in the EU; exerted by professional and well-established OC groups and, finally, exerted against the construction sector (public tenders) were the most threatening manifestations.

In general, indigenous OC groups have easier access to those legal structures that enable influence over local and national politics, public tenders, land procurement processes and business deals. Conversely, most non-indigenous OC groups have hitherto lacked the interest or ability to influence legal structures in the MS. These groups have instead chosen to shield themselves by keeping their top levels and assets outside the country of activity and the EU and possibly used various ways to impact on law enforcement, administration, politics and business in their own countries of origin and transit.

The ability and readiness of a non-indigenous OC group to use corruption in its country of activity depends to a large extent on how well integrated the group has become. As assimilation increases, its ability and opportunities to influence the immediate environment grow accordingly making the group more threatening to the society in question. The increased capability of these second generation OC groups to corrupt their environment in the EU is identified as a threat.

If, on the other hand, a non-indigenous OC is not embedded in the society but merely exploits it by providing goods or services for illegal markets the group might only resort to corruption to receive very specific favours necessary for a specific criminal activity to succeed.

Various factors such as group structure, international dimension and the crime type the group is involved in affect the need and feasibility for the use of corruption and influence. For example, if the OC group is indigenous, well-integrated into the society and needs to actively influence exist-

ing administrative processes for its own ends, its interests to influence legal structures become paramount.

It seems that many - especially non-indigenous - OC groups favour relatively low-level administrative or law enforcement contacts, as well as initiating corruption within the business community. This could be an indication of groups not familiar with legal structures being cautious or not having access to higher levels. Instead they concentrate their attempts on influencing those low level authorities they come into contact with in pursuit of their criminal activities and make decisions that directly affect them. Alternatively, OC groups may have actively identified these as the weakest links. Thus an increased targeting of individuals in these roles is considered a major threat.

## 2.6. Violence

The use of violence within the same criminal group, violence against other criminal groups and violence against the non-criminal community can have different objectives. The way violence is used, or more particularly not used, can effect changes depending on various factors such as the criminal activities, the group culture, the presence of rival groups and the environment in which the criminal group is operating. Second generation non-indigenous criminal groups tend to assimilate the behaviour of indigenous groups.

Some OC groups tend to use violence in a more considered fashion. Traffickers in human beings – who see the victims as their possessions – may

try to avoid the use of physical violence if more subtle methods of subjugation are available. However, violence is often used. Violence may be levelled against one specific individual within any trafficked group to both keep discipline and to act as an example to the others. It is also common to rape victims destined for prostitution, especially as part of the grooming process and to break any resistance.

While some groups try to avoid physical violence, others rely exclusively on using and showing force. Violence can be an inherent character of the group and a part of the life style of its members. In addition, violence can even be a quality required for the selection of new members and seen as a specialisation to carry out certain criminal activities, such as contract violence. Together with the sophistication of OC groups, the use of violence as a specialisation of specific group members or outsourcing violence by using external intimidation agents, might increase in the future.

The use of violence to avoid capture, to avoid or hinder investigation or to avoid conviction is also prominent. In this framework, violence towards law enforcement agencies and the judiciary is seen as a method of avoiding prosecution and conviction.

In some cases, violence can be used as a means to gain influence. For example, certain indigenous OC groups use violence to attempt to influence local management, economic and public administration.

## 2.7. Counter-measures

Criminal groups try to shield their communications so that law enforcement agencies are hindered in detecting criminal activities or identifying members. Combinations of frequent changes of pre-paid cards and mobile phones, the use of coded language, the exploitation of the Internet and face-to-face meetings are commonly adopted ploys. False identities, spoofing and encryption are other examples of counter-measures.

Indigenous criminal groups are usually more aware of local law enforcement methods and techniques thus making those groups more conscious in adapting their modus operandi. Non-indigenous criminal groups naturally benefit from the use of foreign languages or dialect and find it easier to use false identities. Additionally, cultural differences and behaviours can hinder law enforcement understanding.

Oriented clusters are reported to make use of violence, infiltration or corruption within the EU. All of these features can be interrelated and underpinned by the development of an intimidating reputation. Organised crime can achieve influence without the direct use of violence, limiting itself to intimidation based on explicit or implicit threat of harm. Similarly, there can be attempts against law enforcement and judicial officers, with the aim of avoiding or hindering an investigation, prosecution or conviction. In addition, law cannot be effectively upheld without support of the surrounding community. Fear and

mistrust generated by the “intimidating reputation factor” may undermine this support.

The criminal activities of non-EU cell-like structures usually do not require major contacts or presence within the local MS environment, which makes it difficult to target these cells. Additionally, significant degrees of influence may be achieved back in their home countries where leaders and assets may be based. In this situation, dismantling the criminal group becomes extremely difficult. It is not necessary for these groups to exert significant influence or extra-group violence within the EU as their strategic interests are based elsewhere.

Criminal groups which exploit non-integrated communities residing in the EU find themselves in an intermediary situation. For example, they can achieve significant influence over such communities, especially when they are not integrated with the rest of society and are concentrated in restricted geographic areas. This can protect the criminal group against intelligence gathering and infiltration by law enforcement agencies. In the long run this “local” influence can spread to the rest of society and economy. On the other hand, because of the more stable and structured presence in the MS, the “intermediary situation” criminal group can become a clearer target, losing some of the fluidity and evanescence that is typical of cell-like structures based abroad.

## 2.8. OC Groups Typology

Based on the indicators, OC groups can roughly be divided into three main categories. These are:

- Traditionally indigenous OC groups or EU-based groups;
- Traditionally non-indigenous or non EU-based groups; and finally
- The intermediary situations including both second generation OC groups and traditionally indigenous groups that integrally exploit an international dimension for isolation and shielding of leaders or assets.

**EU-based groups** can in most cases efficiently exploit most indicator areas. These OC groups have usually leaders and assets inside the EU, are in general defined by use of LBS, actively employ specialists in their criminal activities and, in most cases, use low levels of corruption inside the EU and against law enforcement or the judiciary. In this category, however, the type and level of corruption applied varies somewhat. Although the majority of groups generally use low levels of corruption and influence, some groups try to use it on a higher level and also against public administration and politics. Due to the characteristics of these groups and the tools already available to them, in most cases they do not need to resort to open violence. However, intimidating reputation based on explicit or implicit threat of harm is used by some groups.

On an organisational level these groups are often efficiently structured and support task diversification and specialisation. These structures are resilient in relation to the outside world. On the other hand, EU-based OC groups are not always able to use the international dimension as an



effective shield, which can make them relatively vulnerable to law enforcement action.

**Non-EU based groups** are criminal organisations that have a strong international dimension so that both leaders and assets of the group are placed outside the EU.

These groups can be regarded as “visitors”; in most cases only a cell of the group is present and visible in the EU. Although these cells are in most cases led from outside the EU, the level of organisation of these groups inside the EU is still relatively low. Contacts with the countries of activity are kept to a minimum and the international dimension is used to its fullest extent as a shield and to support the criminal activities.

These criminal activities are often linked to the use of LBS as well as attempts to use high-level corruption against law enforcement or the judiciary, public administration and politics outside the EU. Use of violence is also a strong general characteristic of this type of group whilst use of specialists is on a much more basic level.

The **intermediary situations** include two main types of groups:

- second generation groups;
- EU-based groups with a strong international dimension.

The first sub-type, the second generation groups, is in many functional ways in between the non-EU-based and EU-based OC groups but progressing towards the latter. The defining

factor in this development is the assimilation process through which the groups become more ingrained in the societies of their countries of activity. The groups also become more prepared to use corruption or influence, in some cases also violence, and all in all gain an enhanced access to legitimate structures in the EU.

The second generation groups are not a totally homogenous amalgamation; some of these groups are still in active contact with their country of origin and in some cases procure goods or services from it. In a more progressed stage the group gradually cuts its ties with its origin and rather hinges on the exploitation of an ethnic community present in the EU for support, markets and recruitment. In the most advanced intermediary situation the group relies partly on the exploitation of the ethnic community but is already able to use some of the characteristics of an indigenous group, namely LBS and corruption or influence inside the EU. The group enhances its presence in the EU but simultaneously shields some of its functions behind its international dimension.

The second sub-type, the EU-based groups with a strong international dimension, is comprised of some traditionally indigenous groups that for various reasons act with only “one foot” in the EU. These groups can shield their activities and members by choosing to place either their assets or leaders outside the EU.

The typology underlines some major developments in OC groups by identifying specific characteristics. The major threat posed by EU-based groups is based on their high impact in the EU as they are able to use influence and penetrate

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legitimate structures. Non-EU based groups do their criminal business inside the EU but do not as such present the same level of threat due to the relatively small knock-on effect on the region. However, should they decide to intensify their presence in the EU by relying on non-integrated communities or by investing proceeds of crime in the area, their threat potential will grow.

The intermediary situations are perhaps the most interesting developments. They will strengthen the presence of the groups in the EU through an increased ability to use influence and exploit legitimate structures. This development, which advances towards EU-based groups, makes the groups potentially more threatening.

### 3. CRIMINAL MARKETS

The threat from OC, with regard to criminal markets should be considered in the light of the following horizontal indicators:

1. Document forgery and identity fraud;
2. Technology as a facilitating factor
3. The misuse of the transport sector;
4. The exploitation of the financial sector;
5. Globalisation and borders.

These five horizontal facilitating factors present opportunities to OC. Changes in them could change opportunities into threats, as may law enforcement efforts to tackle these issues.

#### 3.1. Document Forgery and Identity Fraud

In a world characterised by increasing anonymity and bureaucracy, documents are gaining more importance than the persons carrying them. Without a complete set of documents a living person does not officially exist, and at the same time a non-living, virtual person can cash money and social benefits by means of apparently genuine documents. Through them certain rights, entitlements and services are attributed to the bearer. Such a situation is and will be thoroughly exploited by OC.

Counterfeit, forged or fraudulently obtained documents are useful for all criminal activities, as they help to hide the actual identity of the perpetrators, but they are also indispensable facili-

tators for crimes like stolen vehicles trafficking and identity fraud. Vehicle registration cards are not difficult to forge, thus facilitating the export of stolen cars abroad, where forged or counterfeit documents have less probability to be detected and where vehicles are registered again, with a set of perfectly legitimate documents. Identity fraudsters can steal the personal and financial data of an existing victim or fabricate a totally fictitious person with the aim of using debit and credit cards – sometimes after having opened a bank account – and spending money they do not have. Illegal immigrants and trafficked human beings are often provided with forged or counterfeit documents to illegally enter and reside in Member States. The importance of forged and counterfeit documents within the criminal underworld is such, that there are OC groups which specialise in that specific field. However, forgery or falsification is often a secondary activity for involved OC groups, supporting their primary criminal activity.

National authorities and private companies are reacting to the threat with the most logical (and predictable) of all countermeasures: they are improving and increasing the security features of those documents that are most frequently counterfeited. However such a solution only affects counterfeit documents (those that are manufactured illegally), but not forged documents (genuine documents that have been altered) nor fraudulently obtained documents (genuine documents obtained through deception or corruption). Neither will increased security solve all problems for debit and credit cards. In fact, even if EU fully migrates to chip, PIN and secure code, the card data could be used elsewhere, in a simpler manner, in the rest of the world.

Furthermore, the main threat for “plastic” payments is no longer represented by counterfeit cards, but by card-not-present (CNP) payments, where credit card transactions are carried out on the phone or on the Internet.

For crimes connected with illegal immigration, improved security features in travel and ID documents can determine an increasing involvement of OC groups. In fact, it will be more and more difficult for lone migrants to get hold of credible counterfeits, and they will be forced to resort to OC groups. The growing expenses faced by specialists in bypassing more effective safety features will reflect on fees that migrants have to pay to OC, thus heavily indebting themselves and creating the conditions for their future prolonged exploitation.

### 3.2. Technology

The development of wireless communication has not only removed trans-national borders but is increasingly facilitating cross-border crime committed via the Internet. Technology is a facilitator in various traditional crime types ranging from

fraud to theft and trafficking in human beings, but its abuse has also created altogether new forms of crime. For example, spoofing<sup>3</sup>, phishing<sup>4</sup> and hacking<sup>5</sup> are relatively independent crime types the origin of which is traced back to the widespread use of information technology and the Internet.

OC involvement in technology-facilitated crime, or the use of technology as a facilitating factor, is largely dependent on the development of electronic forms of business, society and banking. As societies become more and more dependent on technology, OC will find new lucrative crime opportunities and exploit human weaknesses by attacking systems with insufficient security features. The question of security features vs. user-friendliness is clearly market-driven and is often solved by emphasising the latter to the detriment of the former. Nonetheless the service- or device-user and the actual user behaviour still have to be considered the weakest link in the chain.

Two main areas where OC can facilitate its criminal activities by the use of technology are financial transactions, specifically in transferring criminal proceeds as discreetly as possible, and

<sup>3</sup> In the context of network security, spoofing refers to a situation in which a person or programme successfully masquerades as another by falsifying data and thereby gains an illegitimate advantage.

<sup>4</sup> Phishing is an attack perpetrated through the mass e-mailing of a message designed to appear as if it originates from a legitimate source. The message contains some suitable pretext for fraud, such as a bank requesting that the recipient update his online banking account information. The message may contain a link to a counterfeit copy of the legitimate Web page of the targeted bank. As part of this web page, the phisher spoofs a form that asks the e-mail recipient to provide his proprietary data (i.e. bank account number, personal identification number (PIN), valid credit card number and expiration date).

<sup>5</sup> Hacking refers to electronically breaking into databases where financial or other personal data is copied. This data is subsequently fraudulently used.

communication. For example, some Internet payment instruments offer both payer anonymity, as with cash, and the opportunity to conduct global transfers and payments. The Internet facilitates private conversations and exchange of instant messages but also provides the means for criminal communities to convene collectively online.

Use of technology as a facilitating factor provides OC with a priceless advantage, namely that of relative anonymity. To a certain extent the Internet and its various messaging systems, use of SMS, VoIP<sup>6</sup>, prepaid mobile connections and so on distance the criminals from the criminal activities in question and provide a cover under which they can act relatively risk-free.

The incorporation of various functionalities into devices, the increasing performance and computing power, and the offered or accessible services combined with shortcomings on technical, procedural and legal levels, provides various opportunities to facilitate criminal activities but also the quest for anonymity of OC. This development is more than likely to continue or even accelerate due to ever shorter evolution cycles.

### 3.3. The Misuse of the Transport Sector

The liberalisation of the EU market and the opening of borders have led to less control activities on the transport of people and goods and to more opportunities for illegal traffic. Licit and illicit commodities can be distributed via land, air

and sea by passengers, crew, luggage and cargo. OC groups use their own transport modes or take advantage of legitimate transport companies. The European common market and the ever increasing volumes of goods shipped worldwide make interception of contraband increasingly difficult.

A number of factors influence the logistical choices OC groups make, including the type of product, the flexibility or costs of the transport mode and the perception of risk.

In the overall transport sector, the complexity of business often means that various tasks are subcontracted to other companies or groups. As a result of subcontracting and the use of differing vetting procedures, control can be lost over the transport chain. This further opens the door for members of OC to infiltrate companies within the transport industry.

Compared to other transit modes, the airline sector has the highest level of security. A passenger finds it increasingly difficult to smuggle goods without detection. To circumvent security, particularly at major airports, OC groups need to infiltrate the sector by influence or corruption or by placing their members as employees. A considerable number of airport staff has access to restricted zones.

Air transport ranks last with regard to tonnage and amount of cargo since goods transported by air are comparatively small in volume and weight. As such, freight items tend to be of low

<sup>6</sup> Voice Over Internet Protocol (VoIP).

volume but of high value which makes this transport vulnerable for VAT fraud, particularly using commodities like mobile phones and computer chips.

The growth in low cost airlines and the increase in direct flights between the EU and Asia create opportunities for an increase of illegal immigration by air traffic.

When all MS have implemented the Schengen agreement, border controls for the transport of persons and goods to and from the so called old member states will disappear. As a result, the movement of illegal goods will become considerably easier.

The use of maritime transport by OC groups will increase and can be seen as the biggest threat. Security problems at seaports are much more serious compared to airports. The complicated infrastructure, the absence of walls or fences, etc. make adequate control very difficult. Additionally, great volumes of goods are trafficked via maritime transport. Yearly, nearly 2 billion tons of freight is loaded and unloaded at EU seaports. Although the value of the transported goods is comparatively low, the criminal proceeds can be high due to large volumes and the low costs related to maritime transport.

### 3.4. The Exploitation of the Financial Sector

A significant number of the criminal groups that have been reported by the MS use LBS in the process of laundering money.

One explanation for this might be due to the level of compliance with the suspicious activity report regime by the more traditional credit institutions. If this level of compliance increases, criminal groups will be forced to make their transactions more plausible for the receiving credit institutions.

The alternative option for criminals is to channel their ill-gotten gains through official or underground money remitters or use couriers. In this way, money is moved far from the predicate offence to other jurisdictions where the criminal groups feel more confident about making use of their financial resources.

Such high frequency of cases in which LBS are misused might be seen as an indicator of a significant weakness in the anti-money laundering system. When criminal groups interpose a corporate veil between themselves and the credit institution, the detection of suspicious transactions may be more difficult.

Furthermore, through LBS, criminals can hide and multiply their “operational identities” thus increasing their “smurfing”<sup>7</sup> possibilities. The scenario is made even more complex due to the possibility of identity fraud or using straw men when establishing, purchasing or operating LBS or when making use of money remitters.

VAT fraud is mainly based on the misuse of a large number of companies established in different countries. The magnitude that this phenomenon has reached in the EU is another indicator of the ease with which companies can be established or purchased and then misused by criminals.

In conclusion, this scenario might diminish the effectiveness of the suspicious activity report regime with reference to major players on the financial market.

It could be considered that current controls over LBS might be insufficient to prevent their misuse in money laundering or fraud schemes.

Another factor influencing this context is the level of importance assigned by law enforcement

agencies to the detection of financial assets and money laundering processes.

When addressed by effective policies within the EU, criminal groups might choose to shift the placement phase<sup>8</sup> outside the EU to invest their money and increase their influence in third countries but also as an intermediary stage for a return into the EU.

### 3.5. Globalisation and Borders

Modern OC has a definite transnational nature, and many criminal typologies are evolved forms of the traditional crime of smuggling. The goods favoured by smugglers are those that are not available on the legal market; those that are consumed or transformed beyond recognition (to avoid tracing back to the smuggling ring) and those that have high import taxes and duty rates. Drugs, cigarettes and spirits, which have two of those three features, are the historical contraband commodities. Also stolen vehicles, counterfeit products, chemical precursors and human beings are increasingly smuggled by OC with great profits.

<sup>7</sup> Smurfing consists in the splitting of large financial transactions into multiple smaller transactions so that there is a higher possibility banks do not find them suspicious and do not report them to the authorities. In legal terms, it is often referred to as “structured deposit”.

<sup>8</sup> Placement is the initial stage of money laundering, when the launderer introduces the illegal profits into the financial system. This might be done by breaking up large amounts of cash into less conspicuous sums that are then deposited directly into a bank account. After the funds have entered the financial system, the layering stage takes place. In this phase the launderer engages in a series of conversions or movements of the funds to distance them from their criminal source. The launderer might simply wire the funds through a series of accounts at various banks across the globe. In some instances, the launderer might disguise the transfers as payments for goods or services, thus giving them a legitimate appearance. With the integration phase, the launderer makes the funds re-enter the legitimate economy. The launderer might choose to invest into real estate, luxury assets, or business ventures. Source: Financial Action Task Force – Money laundering FAQ – FATF Website.

Growing trade volumes, increasing movement of people and advancing technology will put extra burdens on existing borders, and provide OC groups with many opportunities for carrying out their illicit commerce. Only a tiny percentage of the millions of vehicles and containers moving worldwide can be controlled at borders. Immigrants are smuggled into Member States through green borders or remote beaches along the thousands of kilometres of EU coasts. The use of the Internet, electronic banking, and sophisticated communication methods allow criminals to operate freely and without physical presence. Moreover, once illegal immigrants or illegal goods enter the EU, it is possible to move them around, in a kind of “jurisdiction shopping” that allows OC groups to freely choose and reach the Member State in which their merchandise is more profitable.

There are present and future threats concerning both external and internal EU borders.

External borders are gradually relinquishing their traditional filter function due to the sheer

size of transnational trade. Total control is out of the question. The slightest increase in controls would cause a bottleneck with cascading effects on traffic, backlog, access points, waiting times, delays in deliveries, decaying goods and so on, with little real benefit. On the top of this, OC groups use legitimate import-export and transport companies with carefully fabricated papers documenting the perfect legitimacy of their cargo. In short, the imperative demand to increase controls cannot be satisfied at borders.

The threat deriving from the abolition of internal borders is mainly administrative. As long as differences in taxes and duty rates among Member States remain, OC will exploit them, along with any opportunity presented by difficulties in controls or in international co-ordination, like in the case of VAT carousels. Whilst internal administrative borders do exist for law enforcement and judicial authorities, the lack of such for trade, financial transactions and in particular OC groups, allows the latter to remain one step ahead.

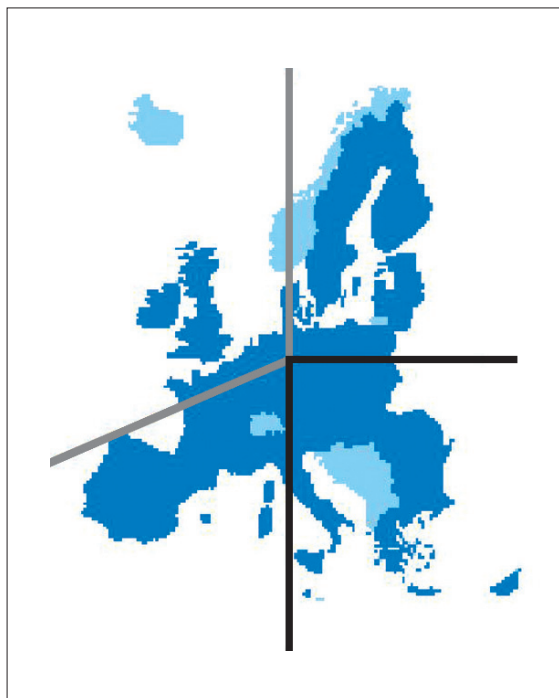


## 4. REGIONS AND HUBS

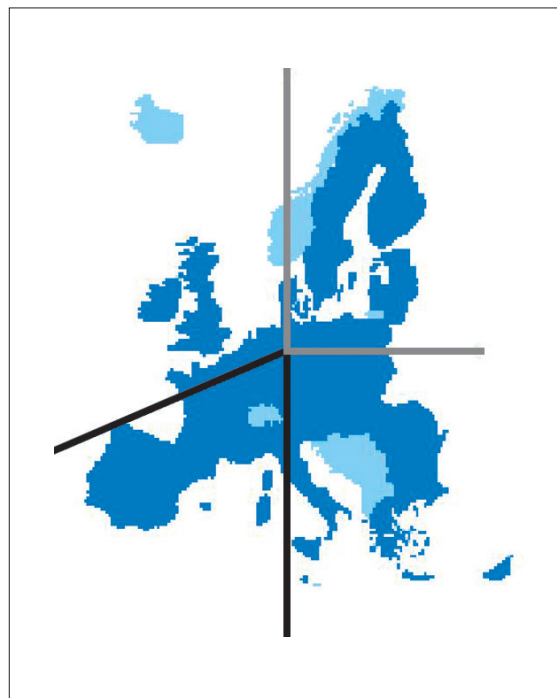
### 4.1. Regions

Europe, due to its geography and its cultural, social and historical differences, is not a homogeneous structure and so may also require a regional priority setting. Therefore, although the European dimension is the prime focus for the OCTA, it also accounts for regional divergences.

Overall, the criminal dynamics in the region will change in the future with the closer integration of countries there with the EU. However, the turbulent situation in many countries in the region will continue to provide criminal opportunities for OC. This will also continue to have an important impact on the EU with the region remaining one of the important transit routes of criminal goods and services into the EU, including, for instance, drug trafficking and illegal immigration involving nationals from the region and beyond.



With regard to the **south-east region** of Europe, a number of countries have been or are still going through political changes and there is also the issue of unresolved statehood problems to be taken into consideration. The status of Kosovo is an obstacle to the stability in the Western Balkans, not least for political and economic reasons.

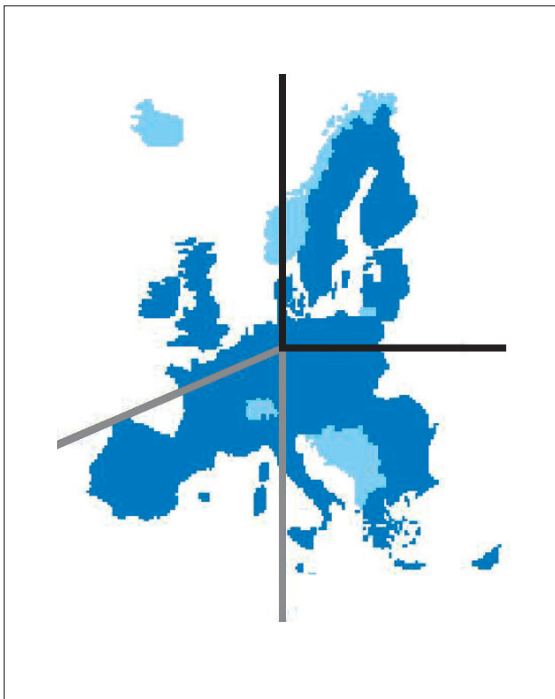


In the **south-west region**, historical and geographical reasons have led to the establishment of transfers of cocaine from Latin America, cannabis products from North Africa and illegal immigrants from Africa and South America. The growth in international commerce and transport has made Africa an ideal transit zone.

# EUROPOCTA

The Iberian criminal scene is shaped mainly by the activities and co-operation patterns of certain indigenous, South American and North-West African OC groups. In addition, the role adopted by certain Eastern European OC groups seems to be significant in the field of crimes against property, while Chinese OC groups are key players in the counterfeit goods market.

The existence of a final destination market in geographical proximity with important supplying and transit countries – combined with differences in legislation and taxation – are some of the defining characteristics of the **north-east region**.



It is to a certain extent a transit and destination point for various drugs such as heroin from Afghanistan, cannabis/hashish from Morocco and cocaine from South America. Additionally,

synthetic drugs are produced in the region. It also often features as a gateway for counterfeit goods either heading here or on their way to the Russian or continental EU markets. The OC groups active in the area range from mainly indigenous gangs, which have an important role in the region, to Russian-speaking as well as Balkan OC.

Drugs and smuggling of highly-taxed goods remain the most important criminal markets in many of the region's countries. However, OC groups in the region will adapt and expand to other criminal markets or regions, which will increase their international span and affect their structure and patterns of criminal co-operation. Conversely, this development will also influence the region by tying it more closely to the other European regions and criminal markets.

The **north-western or Atlantic region** revolves around the pivotal trans-national role of certain OC groups active in the area, including indigenous ones. The large seaports and airports in the Atlantic region act as important focal points used for the movement of various commodities to and from the EU, particularly concerning drug trafficking and illegal immigration.

Although the exact geographic boundaries are difficult to mark, it is clear that the criminal dimension of the Atlantic region mainly pertains to drugs trafficking and, to a somewhat lesser extent, illegal immigration, and associated criminal activities such as money laundering, document forgery, bribery and corruption. In recent years, economic crime and VAT carousel (MTIC) fraud have clearly gained importance in this EU region.



#### 4.2. The dynamic relationship between the regions

A simplified conceptual model might assist understanding of the complex scenario of OC in the EU and the major forces driving its dynamics.

The concept of “criminal hub” is introduced. It is an entity that is generated by a combination of factors such as proximity to major destination markets, geographic location, infrastructures, criminal group types 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 so forging criminal markets and creating opportunities for the growth of criminal groups that are able to profit from these dynamics.

These hubs can be seen as “routers” attracting and re-directing external flows, such as cocaine from South America, coming to the EU directly or through West Africa, heroin from South-West Asia, cannabis from West Africa, counterfeit goods from China, cigarettes or synthetic drugs precursors smuggled from some CIS countries, people smuggled or trafficked from Eastern Europe, Asia and Africa. Clearly, this ability to connect diverse international hotbeds of criminality with EU illegal markets must be considered as a major threat.

“North-West”, “North-East”, “South-West”, and “Southern” hubs can be identified plus a more diffused “seclusion” hub.

The “**North-West criminal hub**” revolves around criminals and criminal groups active in the area approximating to the Netherlands and Belgium. This region contains major transport infrastructures, generating huge volumes of commercial traffic with connections to world-wide markets. In addition, this region is a major bridge for Atlantic flows and benefits from being in a central position with reference to the EU mainland.

This North-West hub attracts cocaine, heroin and cannabis and works as an onward distribution point to other European countries. Synthetic drugs also are produced and trafficked. This environment is favourable for the development of multi-drugs trafficking and synergies between OC groups. This can create new opportunities for the growth of criminal groups that are already present in distribution markets that the hub feeds, especially when they are facilitated by common ethnicity or country of origin in co-operating with criminals that are active in the hub.

The “**South-West criminal hub**” is based on the Iberian Peninsula. Here factors such as cultural and economic links with South America, transport infrastructures and the proximity with North-West Africa - an increasingly important source for cannabis, cocaine, illegal migrants and a destination for stolen vehicles - forge this hub’s identity. Many criminal groups in the MS have local contacts there to facilitate supplies of drugs.

The “North-West” and “South-West” hubs show some similarities and might be seen as inter-linked, revolving mainly around the roles played by certain indigenous, Turkish, Moroccan criminal groups and the external influence of certain South and Central American criminal groups.

The North-West and the South-West criminal hubs within the borderless EU contribute to the shift of the focus of major criminal markets from supply to demand. This increases the importance of controlling the destination markets within the EU. Criminal groups no longer need to concern themselves with building up complex supply networks from other continents because illicit goods are already concentrated within the hubs. They can easily be reached and transported throughout a European Union taking advantage of open borders. Proximity to the geographical hubs assists this development. This focus on demand might facilitate the growth of criminal groups that are able to exploit significant non-EU and non-integrated communities in the MS. In this respect there can be a link with the seclusion hubs outlined later in this chapter. Depending on their willingness and capabilities to gain influence over these communities and, in general, over the hosting society and economy, these

criminal groups might more easily move towards and beyond the “intermediary situation” analysed previously in the chapter on “OC group structures”.

The “**North-East criminal hub**” is located in the Baltic countries. Criminal dynamics of Baltic countries are mostly influenced by their interposition between countries supplying cigarettes and synthetic drugs precursors and significant destination countries for cigarettes, synthetic drugs, cocaine and hashish. This criminal hub presents attractive opportunities to organised crime from the Baltic region but also from neighbouring Eastern countries, such as Russia, Belarus and Ukraine.

The “**Southern criminal hub**” is centred on the role played by certain Italian criminal clusters. These highly organised criminal groups tend to take advantage of their pervasive presence to try to control certain social and economic dynamics in some geographic areas. Opportunities are provided by ready criminal markets of the Balkans, Middle-East and Africa.

The phenomenon of non-integration, which is a threat in particular for non-EU ethnic communities, can generate “virtual” regions, the “**seclusion criminal hubs**”, where organised crime may establish its strong influence and exploit new opportunities. This situation generates new crime opportunities such as exploitation of human beings, extortion, economic crime linked to smuggling and black economy, etc. profiting from social areas and sometimes geographic areas that are very difficult for law enforcement to approach. These dynamics are dangerous because of the perpetuation and deepening of

seclusion and victimisation of increasing parts of the population living in the EU. In addition, they provide the growth potential for these criminal organisations in terms of infiltration, diversification, sophistication and expansion of their illicit activities.

The eastward expansion of the EU has two obvious geographical consequences: Greece has a land corridor to the rest of the EU and the EU borders the Black Sea. Constanta, the largest port on the Black Sea and one of Europe's largest shipping ports, will become an important transshipping and distribution centre for goods and travellers. This situation could alter the current equilibrium and could potentially establish a new criminal hub in that region.

The conditions previously described for the "North-West" criminal hub - the presence of well developed transport infrastructures, the proximity of major consumer crime markets, the geographical location in relation to major international routes for both goods and people and the presence of well established criminal groups - will all be in place in this region in the near future.

However, the occasion of the EU enlargement will not herald fast and dramatic changes, but gradual developments can be expected to take place for this criminal scenario, because criminal groups from this region are already operating in the EU and a new equilibrium with the already existing hubs must be reached.

## 5. FINAL REMARKS

The model adopted in this threat assessment points to the types of OC groups that must be regarded as the most dangerous. They are the ones characterised by dynamic combinations of the most threatening features highlighted above. Many of them are present across the EU and beyond. However, sometimes regional patterns are discernible. OC groups displace their criminal activities across regions and countries. With respect to their national OC situation some MS are experiencing the proximity of neighbouring countries which are also heavily affected by OC.

Such regional patterns in OC require regional initiatives, devised and executed at the local, national and international levels in a co-ordinated manner. These efforts would greatly benefit

from an approach based on the functional and structural features of OC, as an adequate response to the “business-like” behaviour and organisation of adapted OC groups. It would complement, support and even strengthen the traditional way of policing OC. Such a focus would enable a targeted approach against OC, which is necessary to complement other measures aimed at it, be they preventive or repressive.

In the end, the fight against OC is very tangible, represented by concrete OC groups. In this struggle, success should be measured in terms of dismantlement and destruction of the most threatening OC groups accompanied by adequate arrests, seizures, asset confiscations and penalties.



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