

## Organised crime in the European Union

### SUMMARY

It is impossible to measure accurately the socio-economic cost of crime. However, the estimates available invariably quote very high figures, which lead to reflection in times of financial crisis and austerity.

Numerous organised crime groups are active in the EU, often with cross-border reach and multi-ethnic composition. There is a clear tendency of rigid and hierarchical structures being replaced by loose networks of small and volatile groups. These may be better adapted to the modern world with its rapid changes.

Some groups, having established a strong position in their countries of origin, go on to engage in illicit markets throughout the EU. They make use of their reputations and sophistication in certain types of crime to form profitable alliances with other groups. Italian, Russian and Albanian-speaking organisations are but a few of the 'leaders' in transnational crime in the EU.

It is difficult to think of a criminal activity that would not be considered by organised crime, with the profit and risk involved being the major criteria for their possible involvement. Apart from 'traditional' crime, including drug trafficking, such groups increasingly engage in legal business activities, which enables them to launder illegal gains, while benefiting from attractive licit markets. In any case, collusion of corrupt officials and dishonest businessmen is crucial to the success of such criminal enterprises.

*This briefing is an update of an [earlier](#) one of 6 September 2013.*



### In this briefing:

- Background
- Characteristics of organised crime
- Major actors in organised crime
- Most serious criminal activities
- Further reading

## Background

There is no widely accepted definition of organised crime, and deciphering its nature requires constant searching for up-to-date information.<sup>1</sup> This is because criminals continuously adapt to the changing circumstances set by socio-economic development and law enforcement policies.

We know even less about the impact of organised crime on economies and societies.<sup>2</sup> According to the UN Office on Drugs and Crime ([UNODC](#)), transnational organised crime generated a US\$870 billion profit in 2009, corresponding to 1.5% of global GDP. About half of this was linked to drug trafficking. The IMF estimates the amounts of money laundered globally each year at 2%–5% of GDP. There is ample research linking money laundering with reductions in overall annual economic growth rates: according to one study each US\$1 billion laundered reduced overall economic growth by 0.04-0.06 percentage points in the OECD countries concerned.<sup>3</sup>

While these estimates give some idea of the order of magnitude of figures, they give little insight into the complex, and often indirect, consequences of crime for economies and societies. Analysis is further complicated as criminals get involved in the legal economy and the border lines between what is legal and illegal become blurred.

As the EU continues to struggle with the financial crisis, it may be argued that organised crime and related phenomena, such as corruption or money laundering, merit more attention now than ever.

## Characteristics of organised crime

Europol's organised crime threat assessments provide some insight into the evolution of the structure and *modus operandi* of organised crime groups (OCGs). According to its recent [SOCTA](#) report, around 3 600 such groups are active in the EU.

It appears from Europol's assessment that the common perception of crime syndicates as hierarchical organisations with ethnicity-based membership less and less reflects the reality. On the contrary, criminal groups tend to be loose and flexible networks, often with a group leadership. Moreover, criminal groups increasingly cooperate with or have as members a wider variety of nationalities: 70% of them include individuals of numerous nationalities.

EU Member States are not equally exposed to organised criminal activities. However, with the development of the internal market, criminals, just like law-abiding citizens, have acquired new possibilities to extend their sphere of action and liaise with counterparts throughout the EU. Nevertheless, in describing transnational organised crime and how it operates in the EU, researchers tend to negate the vision of powerful mafias invading new territories like military powers. They suggest that, on the contrary, most mafia-type groups do not replicate their structures outside their home country. Nor do they attempt to achieve the same level of control over a new territory as they may enjoy in their areas of origin.<sup>4</sup>

While many crime groups compete for attractive illicit markets, there are numerous accounts of international alliances formed by syndicates from various EU and non-EU countries. Many experts, however, question the stability and organised nature of such enterprises. They point to the high diversity and volatility of the groups involved, whose actions may in fact be quite 'disorganised'. Transnational criminal activities are,

therefore, a product of often ephemeral local opportunities, rather than strategic, long-term planning by Italian or Russian 'mafia'.<sup>5</sup>

### Major actors in organised crime

That said, ethnicity and linguistic ties remain important, and determine the composition of the core groups running increasingly diversified criminal networks. According to Europol, the groups presented below and traditionally (though perhaps less accurately now) named after their members' nationality are among the most powerful syndicates in transnational crime in the EU.

#### Italian mafia

Italian OCGs exercise a level of control over their regions of origin which is unparalleled in the EU. They are thus considered 'mafia-type' organisations, i.e. protection rackets aiming to be the sole supplier of protection for all transactions in a given territory.<sup>6</sup> This position and the ensuing worldwide recognition give them substantial leverage when dealing with other criminal groups outside Italy. Europol considers Italian OCGs as particularly dangerous, due to their ability to infiltrate the political world, public administration and the legal economy.

Outside Italy these groups tend to focus on:

- drug trafficking,
- penetrating the legal economy (e.g. recently investing in alternative and green energy markets in the EU), and
- trafficking in toxic waste and other environmental crimes.

Corruption is often used by these groups to enable criminal activities, the proceeds of which are laundered, for example through investment in real estate.

The four main Italian mafia-type organisations are:

- the Sicilian Mafia, including *Cosa Nostra*, whose emissaries are important intermediaries in transnational drug trafficking. Outside Italy the group refrains from violent crime, focusing on money laundering and crime related to public tenders. The representation of the American *Cosa Nostra* in popular culture led to the worldwide, but incorrect, use of 'mafia' as a synonym for organised crime.
- the Calabrian '*Ndrangheta*, which has a dominant position on the European cocaine market (established at a time when *Cosa Nostra* thrived on dealing in heroin). In contrast to most groups, '*Ndrangheta* does replicate its home hierarchical structures when moving abroad. The group is present in Spain, France, Belgium, the Netherlands and Germany (as evidenced by the 2007 '[Duisburg massacre](#)').
- the Campanian *Camorra* – depicted in Roberto Saviano's book *Gomorrah* – which is a cluster of clans and families, often in conflict and lacking a clear hierarchical structure. Outside Campania the *Camorra* is mainly involved in drug trafficking, euro counterfeiting, cigarette smuggling, illicit waste dumping and the sale of counterfeit products, manufactured by the clans or by Chinese OCGs. It is present in Spain, France, the Netherlands, Germany and eastern Europe.
- Apulian OCGs, including the *Sacra Corona Unita (SCU)* and the *Società Foggiana*, which started with cigarette smuggling and evolved to trafficking in human beings, drugs and weapons. Apulian OCGs are present mainly in the Netherlands, Germany, Spain and Albania. They cooperate with other Italian groups and have historical links with the eastern European underworld.<sup>7</sup>

**Non-EU groups***Russian-speaking OC*

Russian OCGs – described in depth in an earlier [Briefing](#) – stand out for the variety of crimes committed, the degree of collusion with public authorities in Russia, and increasingly in some Member States, and their sophistication in certain 'modern' areas of crime, such as financial or cyber-crime. They are part of a larger phenomenon of Russian-speaking OCGs. Latvian-Russian is among the most frequent combinations among groups with EU and non-EU nationals.

*The Balkan axis*

The 'Balkan axis' – the Western Balkans and south-east Europe – sees Balkan and Black Sea trafficking routes meeting, and the OCGs involved. Among local groups, Albanian-speaking ones have come to prominence and may be among the fastest growing OCGs in Europe. Little is known about these violent clans, families and cliques, whose structure and *modus operandi* has been compared to that of Apulian groups.

*From heroin on: Turkish groups*

The country's geographical position explains the primary role of Turkish groups in smuggling and trafficking of people and commodities, and drugs in particular. These OCGs largely control the wholesale supply of Afghan heroin to Europe.

Facing competition from Italian, Balkan and Russian-speaking syndicates, Turkish OCGs have evolved to become 'polydrug' traders. Nowadays they often exchange heroin for South-American cocaine, as well as ecstasy and methamphetamine produced in the EU. They also engage in money laundering, including in Northern Cyprus and Germany, home to the EU's biggest Turkish diaspora.

Organised crime activities have traditionally been undertaken by clans and extended families. But recently such activities have increasingly followed the general trend of taking the shape of looser, flexible networks composed of small groups open to alliances across clan, ethnic or national divides.<sup>8</sup>

*Other non-European OCGs*

There are a variety of other groups among which the most prominent are Nigerian and Asian groups (including Chinese, Vietnamese, Afghans and Pakistanis). Colombian and Mexican drug cartels are also known to operate in Europe, mainly in Spain and Portugal.

**Most serious criminal activities**

The profits from specific illegal markets pull on OCGs like a magnet, attracting them to new activities while making them hold on to the most lucrative 'traditional' ones.

**Drug trafficking** and **trafficking in human beings** have long been the domain of OCGs and will most likely remain such. Around one third of EU OCGs are involved in the production and distribution of illegal drugs, including synthetic drugs produced in the EU (e.g. in the Netherlands and eastern Europe). People-trafficking for sexual exploitation in Europe generates annual profits of US\$3 billion, and creates 70 000 new victims every year. Moreover, the economic crisis has deepened the persistent lack of employment opportunities outside the EU, while increasing demand for cheap workers within. This combination makes the EU fertile ground for labour exploitation. Some Member States have also reported an increase in people-trafficking linked to benefit fraud.<sup>9</sup>

**Counterfeiting** is a high yield and low risk form of crime, increasingly carried out by OCGs involved in various trafficking crimes. While in 2011 the domestic retail value of

counterfeit articles seized at EU borders was over €1.2 billion, more and more are being produced within the EU.<sup>10</sup> The range of articles has broadened to include a variety of products covered by health and safety standards (e.g. foods, medicines and toys). Counterfeiting represents substantial costs for European societies in terms of taxes and duties unpaid and licit jobs lost. However, given European citizens' reduced spending power in times of economic crisis, there is growing demand for and wide social acceptance of counterfeits.

**Cigarette smuggling** is on the rise too, most likely due to high profits and low penalties – compared to drug trafficking, for example. It involves both counterfeit and contraband cigarettes (with 65% of seized cigarettes being counterfeit). Smuggled cigarettes are produced both outside (mainly former Soviet Union countries and China) and within the EU (including Poland and some Baltic States). As a result, Member States lose an estimated €10 billion revenue per year, of which about 10% is a loss to the EU budget.<sup>11</sup>

**Environmental crime** can be split into two categories: trafficking in natural resources and trafficking in hazardous substances, including dumping of waste. Such activities prove that, in order to be serious, crime does not necessarily have to be violent: in this case its 'seriousness' is due to long-lasting environmental and health impact (although many violent crimes are also committed in the course of environmental crime).

Environmental crime involves a wide variety of actors, from small ad hoc groups to major crime syndicates (e.g. Italian OCGs). It often requires cooperation with legitimate business and corruption of public officials.<sup>12</sup>

As companies have been cutting their waste management costs, waste trafficking has risen in the EU. Not only is waste being shipped to Africa and Asia, but it is also dumped illegally in the EU.

### **Infiltrating the legal economy**

The most problematic aspect of organised crime is that it will go to great lengths to keep up appearances of legality. This explains the scale of [money laundering](#) aimed at concealing the origin of the proceeds of crime. The array of techniques used ranges from setting up shell companies to complex international schemes involving series of international bank transfers. Money laundering is not only closely linked to other forms of crime, but it is also a lucrative business on its own – so some OCGs offer it as a stand-alone service to other groups. While the sum of money laundered globally every year probably exceeds €1 trillion, it is estimated that less than 1% of the proceeds are seized.

One way to merge legal profits and illegal gains is through using otherwise legitimate businesses. These range from small firms operating mainly with cash (e.g. motels or car washes) to large import/export companies.

Some such businesses are only 'front' (or 'shell') companies whose actual purpose is money laundering. OCGs do not refrain however from taking over successful businesses whose market position is further consolidated through the use of unfair competition, intimidation and corruption, e.g. in public procurement. Criminals may either run such businesses directly or do so through intermediaries or straw men.

Through owning legal businesses, OCGs enhance their capacity to commit financial crime, including **fraud**. [MTIC fraud](#) (for missing trader intra-Community fraud), a type of VAT fraud, is of particular importance for the EU as the VAT-based resource makes up around 16% of the EU budget. According to [Europol](#), the EU loses an estimated €100 billion per year as a consequence of MTIC fraud. And at one point, 90% of trading

in carbon credits was reportedly driven by fraud. Moreover, there are known cases of misuse of structural funds by Italian OCGs, and agricultural funds by Bulgarian groups.<sup>13</sup>

*It takes two...*

Criminal groups may take over a company without the latter knowing about it or through the use of intimidation. However, in many cases the interests of criminal and legal business actors may actually converge. Criminological research suggests that through collusion and tacit agreement, perfectly legal, local companies are the most important facilitators of crime.<sup>14</sup>

## Further reading

[The EU Serious and Organised Crime Threat Assessment \(SOCTA\)](#), Europol, March 2013.

[International organised crime in the European Union](#), J Sheptycki, H Ben Jaffel and D Bigo, Policy Department C, European Parliament.

Organised crime in Europe: concepts, patterns and control policies in the European Union and beyond, C Fijnaut and L Paoli, 2004.

## Endnotes

- <sup>1</sup> The issue was discussed in depth in the Briefing of September 2013 on ['The EU response to organised crime'](#).
- <sup>2</sup> For estimated costs of selected criminal activities in the EU, see the study commissioned by the former Parliament's Special committee on Organised crime, corruption and money laundering: [The Economic, Financial & Social Impacts of Organised Crime in the EU](#), M. Levi et al. European Parliament, Policy Department C, 2013.
- <sup>3</sup> The study covered 17 OECD countries. See [Estimating illicit financial flows resulting from drug trafficking and other transnational organised crimes](#), UNODC, 2011, p. 130.
- <sup>4</sup> [International organised crime in the European Union](#), J Sheptycki et al., Policy Department C, European Parliament, 2011, pp 14–15. See also [Mafias on the move how organized crime conquers new territories](#), F Varese, 2011.
- <sup>5</sup> Organised crime in Europe: concepts, patterns and control policies in the European Union and beyond, C Fijnaut and L Paoli, 2004, pp 607–610 and J Sheptycki, H Ben Jaffel and D Bigo, [op. cit.](#) pp 11–12 and 15–16.
- <sup>6</sup> [Organised crime : critical concepts in criminology](#), F Varese (ed.), vol. 1, p. 17.
- <sup>7</sup> [Italian Organised Crime Threat Assessment](#), Europol, June 2013.
- <sup>8</sup> [Traditional organised crime in the modern world responses to socioeconomic change](#), M Galeotti in D Siegel and H G van de Bunt (ed.), 2012. pp 49–63.
- <sup>9</sup> [SOCTA](#), Europol, 2013, p. 24.
- <sup>10</sup> [Ibid.](#) p. 22.
- <sup>11</sup> [How does organised crime misuse EU funds?](#), PwC EU Services EEIG, Policy Department D, European Parliament, 2011, p. 31.
- <sup>12</sup> [Conceptualising and combating transnational environmental crime](#), G Wright, Trends in Organized Crime, 2011, pp 333–334.
- <sup>13</sup> PwC EU Services EEIG, [op. cit.](#) pp 42–44.
- <sup>14</sup> J Sheptycki, H Ben Jaffel and D Bigo, [op. cit.](#) p. 6.

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