

2018 OSCE Annual Police Experts Meeting

Addressing Trends and Changes in a Globalised World

Session I: Crime Trends: New and Emerging Threats

“Recent Developments and New Trends Related to Serious and Organised Crime” – contribution by Europol, presented by Zoltan NAGY, Head of EU Drugs and Organised Crime Unit, Europol

Countering the drugs trade – a key priority in the fight against organised crime

The threat

Organised crime operating in the EU has grown in complexity and sophistication over recent years and today it's a serious threat facing the EU. Organised crime groups (OCGs) are involved in virtually all types of criminal activity and while it is difficult to assess the true scale, it is clear that the most threatening groups have wide access to technical expertise and significant financial resources, this amplifying their ability to operate complex criminal ventures. Europol's Serious and Organised Crime Threat Assessment (SOCTA) 2017 identifies more than 5000 OCGs operating in the EU on an international level. They operate in a highly dynamic and fast evolving criminal landscape. The sheer number of OCGs operating internationally highlights the substantial scope and potential impact of serious and organised crime on the EU.

The most threatening OCGs have shown their ability to exploit high-level corruption, infiltrate private and public sector organisations and carry out complex money laundering

schemes. These groups are targeted within some of the most high-profile criminal investigations in recent years. There is however significant concern that their activities are not systematically uncovered and targeted in a coordinated manner. Tackling this type of top-level criminality should be a key concern for the EU law enforcement community.

Organised crime has a corrosive effect on societies and state institutions, undermining trust, stifling innovation and diminishing economic growth. Inherently international and inter-connected in nature, organised crime is a common European challenge that can only be countered in a joined-up collaborative manner between law enforcement and other relevant agencies

Illicit production, trafficking and distribution of drugs have long been and continue to be the mainstay of organised crime in Europe. This is the largest criminal market in the European Union – even by conservative estimates indicate a 30+ Billion EUR market value (see latest reports by the European Monitoring Centre for Drugs and Drug Addiction - EMCDDA). The multiple billion euro profits from the trade in drugs allow some of the most threatening OCGs to flourish and further expand their criminal enterprise. The SOCTA 2017 determined that more than 35% of the OCGs are involved in the drugs trade – a larger share than any other criminal activity.

OCGs are increasingly poly-criminal in nature and seek to optimise profit margins and exploit existing infrastructure for new criminal ventures. Drug criminality is not an isolated phenomenon - 75% of the OCGs involved in the drugs trade also engage in other forms of serious and organised crime including trafficking in human beings, firearms trafficking and excise fraud. They increasingly rely on technologies to facilitate their operations. This includes coercion of experts to penetrate security systems at ports, for example, as well as expanding into alternative distribution platforms such as Darknet

marketplaces. Infiltration into the legal economy through corruption is a significant threat directly linked to drugs criminality. OCGs involved in the drugs trade rely on sophisticated and complex money laundering schemes to launder their profits. The use of violence within and between OCGs is another threatening feature closely associated with the trade in drugs. But even more worrying are more and more signs of a developing shadow economy of organised crime and drugs – that also brings along a parallel shadow society.

The drugs trade is a multi-faceted threat and production and trafficking is expanding in scale and complexity. OCGs also exploit legislative loopholes to streamline their operations and this has significant implications for society and the economy. The social and health costs associated with the availability and use of illegal drugs are substantial; in 2016, over 7000 drug-induced deaths in the EU were reported to the EMCDDA, and last year's figure is even higher.

There are strong indications that the production, trafficking and distribution of drugs in the EU have been increased substantially over the last years. Illicit production of heroin in Afghanistan and cocaine in Colombia has increased manifold over the last years – evidenced by the latest reports of the UNODC. This is reflected in an increase in seizures in the EU both in terms of the number and size of shipments intercepted by law enforcement authorities. Cannabis remains the most widely consumed drug in the EU and is both produced in and trafficked to the EU in significant quantities. Primarily originating from China, New Psychoactive Substances (NPS) continuously appear on European drugs markets and represent a significant threat. The increased presence of fentanyl and fentanyl-analogues on European drug markets has resulted in hundreds of drug-induced deaths in the EU over the last three years.

The EU is also a global centre of production for many types of synthetic drugs. MDMA, amphetamine and methamphetamine are produced in the EU on a large, at times industrial, scale and trafficked to destinations worldwide including the United States, Australia and Japan among others.

The drugs trade is an inherently international phenomenon and all types of OCGs active in the EU are involved. Well-established groups such as Italian mafia, South American cartels and OCGs originating from the Western Balkans operate across the EU and on a global level, orchestrating the trafficking on multi-tonne consignments of drugs into the EU. OCGs originating from outside of Europe are increasingly collaborating with EU-based OCGs to traffic drugs, engage in migrant smuggling, various fraud schemes and money laundering. Russian-speaking OCGs and Outlaw Motorcycle Gangs are highly poly-criminal and exploit their links across Europe to distribute drugs on a large scale.

With the production output of cocaine and heroin on the rise, trafficking activity and associated crimes are set to further intensify. The production of synthetic drugs in the EU may further expand to meet increasing demand for these substances in markets outside the EU. OCGs will continue to invest in new trafficking *modi operandi* in order to streamline the transportation of an increasing quantity of drugs trafficked to, from and via the EU. OCGs will also continue to exploit and refine novel ways of distributing drugs in the EU, such as the use of alternative online platforms. The threat from the drugs trade is dynamic, evolving and appears to be increasing on a global level.

Challenges

Global and European anti-money laundering (AML) regimes are failing in the effective identification and recovery of criminal proceeds. Recovering criminal assets is a key element in the

fight against organised crime and further efforts must be undertaken to ensure AML legislation is implemented and used effectively in the EU to achieve a more tangible and meaningful impact. Still, the fight against money laundering in the EU and beyond is national, hindered by complex cross-border mutual legal assistance treaties, a failure or unwillingness to cooperate or a lack of information sharing. The bureaucratic nature of implementing legislation is extremely time-consuming, often taking several years for directives to come into force. If the EU continues to fight transnational organised crime with a nationally-based response, there will be no changes to the current situation when less than 2% of criminal proceeds are seized by law enforcement authorities.

As drugs are increasingly available via online platforms such as Darknet marketplaces, though marginal in size compared to traditional forms of distribution (some estimates put it is less than 1% compared to traditional means of illicit drugs trade), these platforms have the potential to grow into more widely-used distribution channels. This posing significant technical challenges to law enforcement authorities targeting these markets. The rise of the Darknet as a retail hub for drugs raises a new set of challenges for law enforcement and shows the shift from real-world crime to cyber-criminal activity. Criminal groups are now using digital natives to further enhance their presence online and police must inevitably keep up with these technological developments. Investigations and law enforcement operations targeting Darknet criminality have proven most effective when they focus on disrupting or taking down marketplaces rather than individual vendors. The challenges facing investigators include the widespread use of encryption and cryptocurrencies, which can impede investigations.

In many cases, the legislative instruments available to tackle these technical challenges are limited. Progress is being made

at EU level to provide the legal framework to secure electronic and digital evidence more quickly and reliably¹. However, these recent legislative initiatives still need to be implemented. Access to telecommunications and transaction data is essential for most investigations, but can be difficult to achieve.

Responses

We have to remind ourselves about the security consequences from organised crime and reconsider the resource allocation in order to address organised crime in more horizontal way. Capacities to law enforcement authorities to tackle these threats are increasingly limited, as the migration crisis, threats from terrorism, cybercrime and other competing priorities have led to a significant decrease in the resources for combating the drugs trade and other forms of organised crime. To employ resources most effectively, law enforcement authorities need to be able to prioritise and target the most threatening criminal phenomena and OCGs.

Production, trafficking and distribution of drugs remain a key threat that sustains organised crime in the EU - a threat that warrants a decisive and effective response from law enforcement. This includes an enhanced level of international cooperation, availability and use of modern technologies and investigative tools as well as specialist knowledge and expertise.

Europol provides a unique platform that delivers support and expertise for investigations as well as the tools to securely and efficiently share intelligence between its many law enforcement partners. Europol's High Value Target mechanism can assist Member State law enforcement authorities in prioritising and targeted the most threatening criminal actors. Europol

¹ Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on European Production and Preservation Orders for electronic evidence in criminal matters - COM (2018)225 final and Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL laying down harmonised rules on the appointment of legal representatives for the purpose of gathering evidence in criminal proceedings, COM (2018)226 final.

encourages and also provides support in expanding the scope of drug investigations to take into account financial investigation, money laundering and asset tracing aspects.

The proposal of the European Commission of April 2018 on an improved access for law enforcement authorities to financial information² which aims at providing law enforcement authorities with direct access to centralised bank registries and at enhancing the exchange of financial information between law enforcement authorities and Financial Intelligence Units (FIUs) as well as with Europol, should be seen as additional tool enhancing investigations against individuals that constitute the highest risk of serious and organised crime in the EU region.

Europol is an example that clearly highlights the benefits law enforcement authorities gain from a 'coordination of effort'. Secure information exchange and cooperation in the framework of joint investigations and other multi-lateral investigative efforts often results in the generation of new and vital investigative leads. Such mechanisms are essential to modern intelligence-led policing and should be further strengthened. While great progress has been made in the area of law enforcement cooperation over the last two decades, this cooperation must be broadened and deepened if we are to truly tackle global organised crime networks effectively. One of Europol's key contributions is a strong intelligence base that allows investigators to uncover links between the drugs trade and other crimes and, potentially, terrorism that would otherwise remain obscured. Europol also facilitates and encourages the improved networking between relevant law enforcement agencies focused on tackling organised crime and drugs, like our annual conference of Senior Drug Investigators in December.

² Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMWENT AND OF THE COUNCIL laying down rules facilitating the use of financial and other information for the prevention, detection, investigation or prosecution of certain criminal offences and repealing Council Decision 200/642/JHA – COM(2018) 213 final.

The 2017 – 2021 EU Policy Cycle against Serious International and Organised Crime clearly recognises the growth of various forms organised crime and the production, trafficking and distribution of drugs in particular, as an EU crime priority. Policy-makers in Member States and at EU-level are encouraged to recognise the substantial and increasing threat from the drugs trade and respond by allocating additional resources to further develop capabilities urgently required to effectively fight this phenomenon. Europol recently hosted the annual conference of the European Chiefs of Police (and Customs), endorsing the need to focus more on this area.

Thank you for your attention.