



### Summary of the debate

The **ECO section president, Mr Palmieri**, welcomed the EESC members, the distinguished speakers and the participants following via webstream. He noted that organised crime leads to a distortion in the economy and constitutes a huge problem that can destroy the well-functioning of a society. The footprint of organised crime in the real economy has recently become bigger and bigger. Many different parts of the economy are undermined, in addition to the typical criminal economy that is based on real criminal activity. The huge amount of money that will be made available with the EU recovery fund will pose a particular challenge, as criminal organisation will try to absorb these funds through proxy companies that participate in the legal economic activities. **Mr Palmieri** then invited **Mr Cafiero del Raho** to deliver the keynote speech of the conference.

**Mr Cafiero del Raho**, National Anti-Mafia and Anti-Terrorism Prosecutor, Italian Republic, said that given the current state of the economy, there is a lot of risk how organised crime can infiltrate the legal economy. These organisations often take advantage of emergency situations, and of fragile economic actors. The mafia needs to invest the enormous amounts of money they get out of their illicit activities, drug trafficking being the main source of income. Of this criminal money, the biggest part flows back into the legal economy. The building and construction sector is particularly at risk, with organised crime infiltrating public tenders and big businesses. Also, waste management and processing is an important playground for organised crime. Whole criminal consortia are participating in bidding processes, and complicated capital structures are hiding the real beneficial owners. Bars and restaurants are also a significant field of activity. On the one hand they are a direct entry point into the real economy, and on the other hand these places help in building up social relationships and networks that can then be exploited for criminal means.

In the current crisis, the Mafia can offer money to ailing companies, for example in the restaurants, hotels and catering sector. If these businesses don't get public money to remedy their financing problems, then the Mafia will buy them and invade them from inside. To combat organised crime, we need policing, and in particular international cooperation. Europol and Eurojust are very important in this context, with their investigative taskforces. Judicial cooperation is more important than ever, because organised crime looks at the weakest link in the chain (country, territory) and acts there. Currently the official response is too slow.

Just as there are tax havens, there are also "administrative havens". Some countries have not fulfilled their obligations to flag suspicious actions. We need a broader regulatory framework that requires the same sort of action in the same way for the same sort of suspect activity. If we had better oversight, we could be able to combat illicit activities better. We have to preserve national autonomy, but cooperate more. Criminals are using many different communication tools, which makes it difficult for law enforcement to investigate who is actually behind these activities. Intercepting data is therefore very important.

Responding to questions from **Mr Ivascu, Mr Marchiori, Mr Gavrilovs and Mr Marin, Mr Cafiero de Raho** added that the stronger the criminal organisations are, the better they are in corrupting the system. Through corruption, they are able to win public tenders, and spread their influence through administration and government structures. Weak legislation opens the door to corruption, or makes it easier. An independent judiciary is therefore very important. In some countries, a lot remains to be done in this respect. As regards the link between bureaucracy and organised crime, he stated that the slower a process is, the easier it is for organised crime to infiltrate it. Corruption happens more easily when there are multiple layers of bureaucracy. On the relationship between poverty and organised crime he underlined that if people are poor, criminals can recruit more easily, especially their "foot-soldiers". On the other hand, infiltration of the legal economy has to take place in rich countries and regions, it is there that money is earned and money is laundered. Poverty is not a fertile ground for wealth generation. He concluded by referring to the challenges brought about by the extraordinary financial means available in a short time window through the EU recovery fund. It will be particularly important to monitor the financial flows and to flag up irregularities, and suspicious behaviour.

**Prof. Savona**, Director of the Transcrime research centre at the Catholic University of Milan, identified three main challenges. The first is to find a method for predicting problems, which requires a risk analysis that allows you to predict and anticipate problems and find the right remedies. The second is the mass use of artificial intelligence and big data for the collection of real data. Finally, monitoring the impact of organised crime, so-called crime proofing, is important, taking into account the consequences of legislation. We cannot build red tape without assessing the effect of the legislation we are producing, he said. Traditional organised crime groups are moving toward increased infiltration in the licit economy and decreased violence. There was in particular infiltration in financially distressed sectors (tourism and hospitality, transportation, arts) and in sectors where the crisis generated high demand (cleaning services, logistics and e-commerce, wholesale trade in pharmaceutical products). Policies against crime and specifically against organised crime need to be monitored in time and space to understand if wanted and unwanted consequences arise and, in order to avoid the duplication of instruments (laws and other policies), we need to measure how the outputs and their changes produce a measurable outcome.

Prof Savona's slideshow is available on the conference [website](#).

**Ms Korenblijck**, Deputy Chief of the Research Branch, United Nations Office on Drugs and Crime (UNODC), recalled that the COVID-19 impact on organized crime is both DIRECT (related to the restrictions imposed by governments) and INDIRECT (related to the financial crisis). The direct impact includes: Reduced flow of drugs across countries, shortage of drugs in some markets, disruption of drug air trafficking routes. Short-term disruption; Shortage of Covid-related medical products (e.g. PPE, disinfectant, test kits, masks and vaccine) has provided opportunities to organized crime; Short-term variation on violence by organized crime; Strengthened governance by organized crime groups. The

indirect effects include: infiltration of organized criminal groups (OCGs) in the licit economy; increased vulnerability of population groups (increase in trafficking of people living in countries with higher unemployment; higher fees for smuggling migrants; more persons vulnerable to join organised crime activities; increased trafficking of falsified medical products.

Ms Korenblijk's slideshow is available on the conference [website](#).

**Mr Berck**, Head of the Expertise and Stakeholder Management Unit of Europol's Economic and Financial Crime Centre (EFECC) Europol, compared economic and financial crime to a cancer. It is invisible while it grows, and when it is detected, it is often too late. There is no organised crime without economic and financial crime. He advocated fighting the causes of crime instead of the symptoms. Criminal gains are enormous, and on the other hand the confiscation rate is estimated to be only around 1.1%. Europol has created an economic and financial crime centre, with dedicated teams for economic crime, financial crime and counterfeiting. According to **Mr Berck**, organised crime has adapted relatively easily to the situation brought about by the Covid -19 pandemic, that brought both advantages and disadvantages for organised crime. During the second phase of the crisis, illicit money flows started to increase into legal businesses and real estate. As regards fraud with EU subsidies, this is happening through diverting of EU money, for example by participating in tender procedures, and by increasing influence in sectors and regions. The Next Generation EU money will undoubtedly stimulate criminal appetite, with a peak of 250 billion EUR distributed in 2021. Countries which receive the highest total amounts are prime targets for organised crime, but also countries such as Croatia or Bulgaria, that will, through the funds, increase their national income by about 20% in given years. In fighting organised crime, it is important to support an administrative approach, with cooperation between all agencies involved. Clear information about beneficial ownership is important, and therefore to have good registers for all entities, including trusts.

Replying to questions of **Mr Wauthier, Mr Pietkiewicz, Mr Bertolini and Mr Sipko, Mr Berck** stated that according to him there is not so much interconnection between organised crime and terrorism. Crypto currencies are indeed used for criminal activities, but their use is being increasingly monitored. Big data will help by strengthening analytical capabilities. Better cross border police cooperation is more important than a setting up a new EU police body. Also **Ms Korenblik** affirmed that it is not organised crime that is the main source of financing of terrorism. However, the Covid crisis helps in the online recruitment of terrorists. Concluding, **Prof. Savona** replied that there is no direct connection between organised crime and terrorism. Crypto currencies are certainly helping illegal activities. As regards an EU police force, he felt that it would just add to bureaucracy, and increasing the level of cooperation including data sharing is preferable.

The conference was interrupted for a 15 min break for the interpreters.

**Mr Mattioli**, Chairman, Mafianeindanke, NGO against the penetration of organised crime into our economy and society, started out by stating that Germany is the most important EU Member State for the activities of the Ndrangheta criminal clan outside of Italy. However, for a clear assessment we are lacking data, research and also money. Typically, organised crime is perceived in society as a matter for the security forces. However, this perception is wrong, organised crime concerns all of us. Without civil society, the fight cannot be won. The approach of society has to change. The fight against the Mafia can be inspired from what is done in Italy, but it has to be adapted to local circumstances. There are enormous

amounts of money that are available, and with this, ailing enterprises can get Mafia support, for example through credits. These businesses then become dependent on organised crime, and are taken over, which can often not be perceived from outside. **Mr Mattioli's** organisation is publishing such information, because only what is known can be tackled appropriately. He concluded by calling on the EU to sanction those Member States that were not properly transposing and applying the anti- money laundering rules.

The **section president** thanked **Mr Mattioli** for his intervention and for the awareness raising campaign his organisation is running against a certain Mafia belittlement, in which they want to put an end of the casual use of names like "Pizzeria Mafiosi", etc.

**Mr Giegold**, Member of the European Parliament, said that regrettably only around 1% of the proceeds of crime are actually confiscated, despite the ongoing efforts and the regulatory regime, meaning that the regime is not delivering. He recalled that when criminals cannot use the money that they earn from criminal sources, they will ultimately not engage in so many criminal activities. The Covid pandemic has offered some new opportunities for organised crime (for example in Germany, there was a high level corruption case in the context of the acquisition of medical masks). On the other side, some business areas of organised crime will have shrunk as an effect of the pandemic. He said that the economic downturn makes money laundering, tax fraud, etc even less acceptable than before, and that the damage done by financial crime is even bigger, because the economy as a whole has shrunk. In this sense, the Covid-19 crisis gives a chance to step up the fight. The idea of an Anti- Money Laundering supervisor, coming from DG FISMSA, is very much welcome. The same ambition as from DG FISMA should come from DG HOME. **Mr Giegold** spoke out in favour of the creation of an EU financial police force. And the newly created EU public prosecutor's office should also have the mandate to fight cross border financial crime. When fighting money laundering, it is not the goal to just create new structures. The problem is overall that Member States have not effectively implemented the existing Anti- Money Laundering rules, which should be tackled by opening infringement procedures. **Mr Giegold** also welcomed the initiatives to regulate crypto assets, on grounds that it was not acceptable for users of a payment systems to stay anonymous. A level playing field with traditional payment service providers had to be ensured (the same "know your customers" rules as for bank accounts). As regards the use of cash, payments above a reasonable threshold should not be executed in cash.

**Ms Sipala**, Head of Unit Organised Crime and Drugs Policy, DG Migration and Home Affairs (HOME), European Commission, announced that a strategic document to fight organised crime will soon be published by the Commission. It will focus on three essential aspects to tackling organised crime: Firstly, powerful mafia organisations are poli-criminal. We therefore have to tackle the criminal structures, and dismantle them, instead of taking on crime by crime individually. Secondly, we have to enhance the capacity of Member States to go after the dirty money of criminal organisations. Financial investigation has to become the norm, not the exception. Thirdly, it is important to confiscate the profits of organised crime. Furthermore, there has to be a single rulebook and a supervisor. The Anti- Money Laundering framework is not the only one that is relevant in this context; there is also, for example, the confiscation directive, where a proposal for a revision is coming up. An effective fight against transnational crime needs a strong Europol.

**Karel Lannoo**, Chief Executive Officer, Centre for European Policy Studies (CEPS), referred to the work of a recent CEPS ECMI taskforce and the publication of the findings in the report "Anti-Money Laundering in the EU - Time to get serious". It is difficult to measure the economic impact of organised

crime (how to quantify? all are approximations). It has certainly not been done so far in the context of the impact assessments for the most recent AML proposals, hopefully in the upcoming AML package this will be done by the Commission. A lot depends on the definition: what is money laundering? Is it also tax evasion? Tax avoidance? Do you include state sponsored bribery ("Golden Visas")? What about corporate bribery? As long as we do not have a proper definition, we will not be able to measure correctly. There are rankings of countries on how good / how bad they are doing in terms of money laundering / terrorism financing. The major financial centres are also the major places for money laundering. Economic cost of organised crime is made up, among other things, of: \*) the cost of applying AML legislation \*) Inefficiency of management systems (Economic costs for banks spent on AML measures is enormous). \*) Foregone (tax) revenues for states (certainly in the Covid context) \*) Cost of lack of social cohesion in societies. **Mr Lannoo** concluded by calling for consistent definitions, more data (but the GDPR may be a problem), improvements in the recovery rate and more international cooperation.

Mr Lannoo's speaking points, including a link to the CEPS publication are available on the conference [website](#).

**Javier Doz Orrit**, rapporteur for the EESC opinion "Combatting tax fraud, tax avoidance and money laundering", underlined the importance that the 4<sup>th</sup> and 5<sup>th</sup> Anti Money Laundering Directives be applied properly. He accused some countries of being accomplices to organised crime, instead of fighting it. Also, some tax havens are actually inside the EU and its dependent territories, and therefore cannot make it on the EU list of tax havens. Money laundering is a crime in almost all EU criminal codes, but it has to be noted that it is always associated with other crimes, committed by criminal organizations (illicit trafficking; scams; political and economic corruption; as well as tax fraud, and tax evasion as commonly practiced by some large companies, large fortunes or sports or music stars, among others). He argued against the perception of some that tax avoidance is not a crime but the clever use of financial engineering to pay less taxes. To him, the boundaries between tax fraud and tax evasion on the one hand and tax avoidance on the other are blurry. And the money often arrives at the same destination: tax havens. The effective fight against money laundering and underlying crimes requires: political, police and judicial coordination on basic standards within the framework of the UN, OECD, IMF, WTO, G20; a more powerful European legislation based on harmonized tax and criminal legislation; a European Agency responsible for the matter; direct powers of Europol and of a specialized European Public Prosecutor's Office.

Mr Doz Orrit's speaking note is available on the conference [website](#).

**ECO president, Mr Palmieri** thanked the speakers for their valuable contributions, and drew the following conclusions: organised crime has been able to answer to changed circumstances and to seize new opportunities. In order to combat such tendencies, we need the help of big data and artificial intelligence. We have to have a look at the whole supply chain, analyse financial flows, and be attentive to corruption. There is a high risk that organised crime gets its hands on the money from the EU Recovery and Resolution Fund. Much is at stake here; we need to develop clear methods to combat this risk of a diversion of the funds. There is a lot of focus on Italy and Spain, because of the total amounts allocated to these countries, but others, like Bulgaria or Croatia will get a lot in relation to their of GDP, which also poses a clear risk. Mafia involvement in Europe is like a web of Gordian knots, with

organised crime pulling the strings. **Mr Palmieri** concluded by recalling the importance of mobilising civil society in the fight against organised crime, and closed the conference.

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