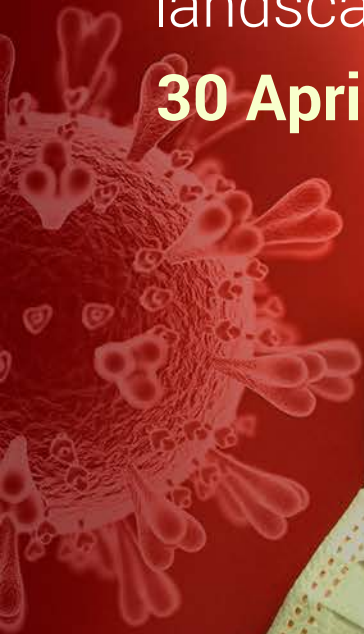


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Beyond the pandemic

how COVID-19 will shape the
serious and organised crime
landscape in the EU

30 April 2020



FOREWORD

Serious and organised crime is exploiting the changing circumstances during the pandemic. From the onset of this crisis, Europol monitored these developments to help Member States understand and tackle these emerging phenomena. The full impact of the pandemic – not only on crime but also more widely on society and the economy – is not yet apparent. However, law enforcement should be prepared to be able to respond to the warning signals as the world deals with the fallout of the COVID-19 pandemic. Now more than ever, international policing needs to work with the increased connectivity both in the physical and virtual worlds. This crisis again proves that exchanging criminal information is essential to fighting crime within the law enforcement community. Europol, as the criminal information hub for all law enforcement organisations, will continue to play its part.

CATHERINE DE BOLLE
Executive Director, Europol



INTRODUCTION

Europol has been monitoring the impact of the COVID-19 pandemic on serious and organised crime and terrorism in the EU from the outset of the pandemic in Europe. Understanding ongoing developments and their impact on the internal security of the EU in times of crisis and communicating these insights to our partner law enforcement authorities is of vital importance in formulating effective responses at EU and national level. Europol's monitoring efforts primarily rely on contributions received from law enforcement authorities in the Member States and our law enforcement partners across the world. Where necessary and appropriate, this information may be complemented with verified information from open sources.

This report focuses on the impact of the COVID-19 pandemic on serious and organised crime. A separate report detailing the impact of the pandemic on terrorism and violent extremism as distinct phenomena is currently being developed.

Any forecasting or foresight exercises are speculative to a degree, but relying on expertise and caution it is possible and necessary to draw up potential developments to formulate responses and reinforce resilience to upcoming security threats, including those from serious and organised crime. The impact of this crisis has become apparent and manifested much more quickly than in the case of previous crises, such as global financial crises. Using foresight, we can combat security threats proactively and engage in prevention.

Europol can rely on several weeks of intensive monitoring to assess the impact of the crisis on the EU's internal security landscape. Based on information provided to Europol from investigations in the Member States, it is clear that the COVID-19 pandemic has had an impact on serious and organised crime in the EU.

Europol expects that the impact of the current crisis will unfold in three phases:

- › the current and immediate short-term outlook;
- › a mid-term phase which will become apparent over the upcoming weeks and months;

- › a long-term perspective.

Criminals have been quick to seize opportunities during the COVID-19 pandemic to generate significant amounts of profit. Certain types of criminal activity intensified during the pandemic, while others almost ceased to occur. Even during times of crisis, criminal business continues.

Much of the criminal activity related to the COVID-19 pandemic relates to cybercrime, the distribution of counterfeit and substandard goods, various frauds and scams as well as organised property crime among others. All of the criminal activities are typically carried out both by individual criminals as well as organised criminal groups (OCGs).

These developments in serious and organised crime are not wholly unexpected and mirror the adaptability and flexibility of organised crime displayed in other crises. While intensive monitoring has provided us with a good picture of criminality during the immediate crisis today, some of the more far-reaching and longer-term impacts of the pandemic on serious and organised crime will not become apparent until later.

ASSESSING THE CRISIS

The scale of some of the criminal operations carried during the pandemic as well as intelligence from criminal investigations point to the involvement of organised crime structures in these activities. The OCGs active during the COVID-19 pandemic are largely the same as before the crisis; although some may have adapted their business models and switched to new criminal activities to take advantage of new opportunities.

The impact of the COVID-19 pandemic on serious and organised crime and terrorism is expected to unfold in several phases. In this chapter, we provide an outlook on anticipated developments across the spectrum of threats to the EU's internal security. Far from trying to provide predictions, Europol tries to anticipate developments that may have an impact on the operational work of the agency and our partner law enforcement authorities in the EU.

Europol expects the impact of the current crisis on serious and organised crime and terrorism to unfold in three phases, equivalent to the short-term/immediate outlook, a mid-term and long-term perspective.

PHASE 1

THE CURRENT SITUATION



Europol's monitoring efforts to understand and highlight the developing impact on serious and organised crime in the EU have so far primarily focused on immediate developments in the aftermath of the COVID-19 outbreak across Europe and the introduction of varying lockdown and quarantine measures in the EU. COVID-19-related criminality and its impact have closely followed the spread of the pandemic throughout Europe.

The developments observed here have been well-publicised and explored. The most notable immediate impact has been in the areas

of cybercrime, the trade in counterfeit and substandard goods as well as different types of frauds and schemes linked to organised property crime. There has been limited impact of the pandemic on the level of terrorist threats to the EU. However, the pandemic is widely used as a propaganda tool.

Cybercriminals have been very quick in devising modi operandi and tools to exploit the current crisis. New and adapted attacks appeared almost immediately from the onset of the crisis and have been among the most visible types of criminality

during the COVID-19 pandemic. In part, this is due to our reliance on digital and online solutions during the lockdown to work remotely and maintain contacts with colleagues, friends and family. During the first weeks of the COVID-19 pandemic, law enforcement authorities across the EU noted a sharp increase in cybercrime offences related to the COVID-19 pandemic.

The nature of the cybercrime threat has also evolved throughout the crisis. Initial simple phishing and malware attacks have become more sophisticated and complex since the pandemic arrived in Europe. It has been observed that cybercriminals were actively recruiting collaborators in the early weeks of the crisis to orchestrate large-scale phishing campaigns and maximise the impact of their attacks.

The modi operandi associated with certain types of cyber-attacks also changed. For instance, the cybercriminals shortened the period between the initial infection with ransomware and the activation of the ransomware attack not waiting for an ideal moment to launch the attack but trying as soon as possible to maximise profits.

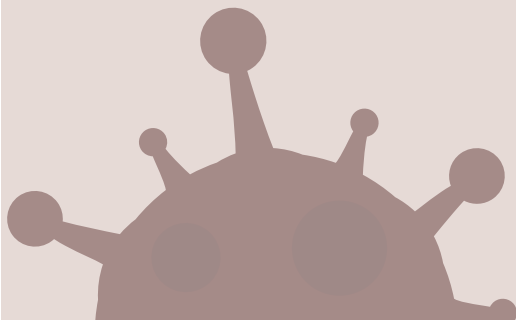
Another worrying development has been the increase in activities related to the distribution of child abuse material online and the conversations of potential offenders around the increased accessibility and vulnerability of children online due to isolation, less supervision and greater online exposure.

While it is important to understand and highlight changes in criminality, especially in the area of cybercrime, it should also be noted that the individual offenders successfully launching cyber-attacks are believed to be largely those who were active in pre-pandemic times. They have been joined by opportunists with limited technical knowledge that are responsible for a large number of unsuccessful attacks launched in recent weeks. An initial surge in cybercrime activity during March and the first week of April has been followed by a relative decrease towards the end of April.

Another highly visible phenomenon has been the proliferation of scams promoting fake COVID-19 test kits and treatments. New variations of these COVID-19 related scams appear every day. However, it is expected that once the current pandemic subsides, the number of these types of scams will diminish over time.

PHASE 2

MID-TERM OUTLOOK



An easing of lockdown measures and restrictions will likely see criminal activity return to previous levels featuring the same type of activities as before the pandemic. However, the pandemic is likely to have created new opportunities for criminal activities that will be exploited beyond the end of the current crisis.

CYBERCRIME

Cybercrime threats are likely to continue to be the dominant threats from serious and organised crime during the pandemic as continued lockdown and social distancing measures will only enhance the reliance on digital services to continue to work and interact. However, the current focus on the distribution of malware and ransomware on targeting particularly affected sectors such as healthcare and education may shift back to attempts to exploit regular businesses as they reopen either physically or continue expanding their business online.

Child sexual exploitation online will remain a significant threat as long as children spend a majority of their time online during the lockdown, either during their spare time or while receiving education via long-distance learning arrangements. This threat requires continued close monitoring and prevention measures should be implemented to protect children online.

COUNTERFEIT AND SUBSTANDARD GOODS

Criminals trading in counterfeit pharmaceutical and healthcare products have been quick to exploit the COVID-19 pandemic and to adapt their product portfolios to exploit shortages of genuine products, the fear and anxieties of regular citizens. These OCGs have once again proven highly adaptable in terms of shifting product focus and offer new types of medical equipment (especially face masks, fake Corona test kits, disposable latex gloves etc.), sanitisers and disinfectants (alcohol-based gels, soaps, disinfectant cleaning wipes etc.) and pharmaceuticals (antivirals, medication for arthritis and malaria, herbal remedies etc.).

The trade of counterfeit and substandard goods especially those related to healthcare such as pharmaceuticals and equipment has boomed during the pandemic. As demand for these products remains very high, counterfeiters will continue to provide counterfeit and substandard versions of these goods

across the EU. The introduction of the mandatory wearing of masks may even increase the supply of such counterfeit items.

Efforts to develop a vaccine against COVID-19 are ongoing around the world. Scammers are already offering versions of such a vaccine online. However, once the development of a genuine vaccine has been announced, it is expected that counterfeiters and fraudsters will invest heavily in offering ineffective counterfeits of this vaccine especially online via different platforms and on social media.

The COVID-19 pandemic has led to a notable increase in the output of medical and sanitary waste across the EU. The trafficking and inadequate disposal of medical and sanitary waste is a notable crime risk, both in terms of generating proceeds for the criminals involved in this activity and the potential associated harm to public health.

THE ECONOMY AND FINANCIAL CRIME

The current pandemic and its economic fallout are likely to exert significant pressure on the financial system and the banking sector. Anti-money laundering (AML) regulators and professionals in the sector must be vigilant and should expect attempts by OCGs to exploit a volatile economic situation to launder money using the on-shore financial system.

Following the economic crisis of 2007 and 2008, the EU and its Member States introduced far-reaching measures to limit cash transactions and prevent money laundering schemes. However, the current crisis and its impact on the economy may provide a real test to the effectiveness and resilience of these measures. The most threatening and most

profitable OCGs remain highly flexible and will take advantage of opportunities to launder profits wherever possible. This may also include EU-based OCGs shifting their money-laundering operations to non-EU countries with weaker AML frameworks and lower resistance to attempts to introduce large amounts of capital from dubious sources during times of precarious economic stability, where they have not already done so.

Economic strain and the emergence of a recession in the EU may lead to a reduction in prices of certain objects that are particularly favoured by criminal investors. This potential development may be particularly noticeable in the real estate sector, which lends itself to the investment of criminal profits. Economic hardship also lowers the barrier of some people to accept off-the-book transactions and other illegal conduct when criminal investors are the only accessible providers of capital.

Cash-intensive businesses such as restaurants, casinos, nail bars and others have long been popular types of companies to launder illicit profits by mingling illegal gains with legitimate revenue. With the diminishing relevance of cash as a payment medium during the crisis and the closure of these types of businesses, it is unclear what other forms of money laundering will be employed in the future.

Overall, economic developments as the result of the pandemic will be a key factor in determining the changing picture of the serious and organised crime landscape in the EU and whether organised crime stands to make long-term gains from the pandemic. It is expected that the economic impact of the pandemic and the activities of those seeking to exploit them will only start to become apparent in the mid-term outlook and will likely not fully manifest until the longer term.

DRUGS

Focusing on specific areas of criminal activity, we expect little mid- to long-term impact on the trade of illegal drugs. Drug markets are resilient and adaptable. The lockdown and subsequent cancellation of many outdoor festivals and similar events that typically feature the consumption of MDMA and similar substances may result in a notable drop in demand for these types of drugs in the mid-term. However, this drop is unlikely to persist and will stabilise again over the long term.

The trafficking of cannabis, cocaine, and heroin has continued throughout the pandemic, albeit at lower levels than before. After the withdrawal of lockdown and quarantine measures across the EU, it is expected that regular supply will resume at pre-pandemic levels with little or no mid- or long-term impact.

While there have been price fluctuations for various types of drugs available on EU drug markets throughout the pandemic due to perceived or actual supply shortages, it is expected that prices will stabilise at pre-pandemic levels once mid-level distributors and consumers have been assured of the stable and reliable supply of drugs.

MIGRANT SMUGGLING

Migratory flows were reduced during the COVID-19 lockdown. A loosening of travel and movement restrictions is likely to result in an increase in the movements of irregular migrants, both facilitated and un-facilitated, as they have been largely unable to make further movements during the lockdown.

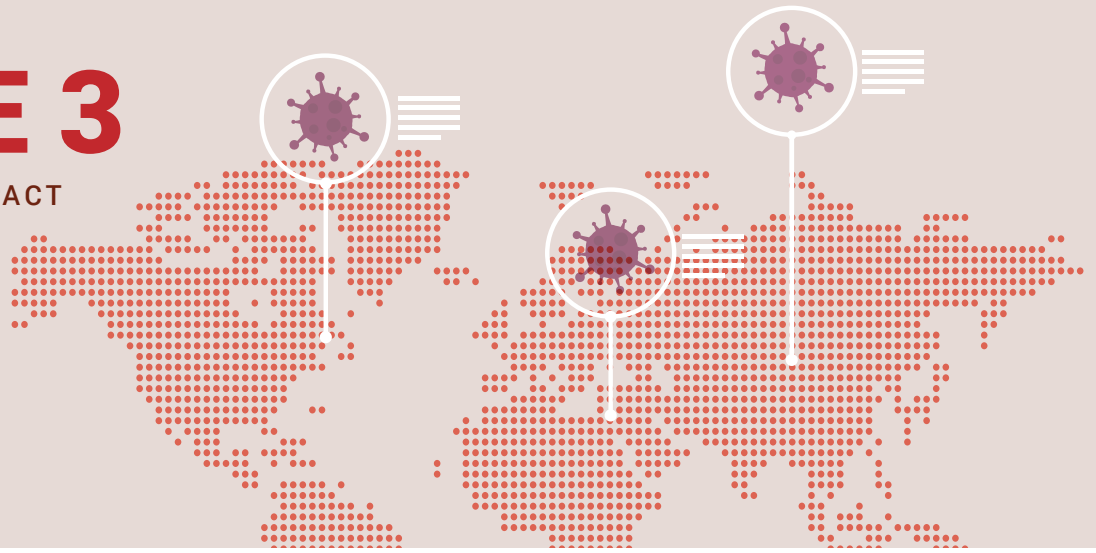
There may be further changes in the most common modi operandi to smuggle migrants similar to the current switch from crossing green borders between border crossing points (BCPs) to increasingly using concealments in vehicles to cross the EU's external border at BCPs. Migrant smugglers may resort to measures to limit the number of irregular migrants smuggled during individual trips or use more safe houses to limit exposure of irregular migrants to potential contagions. This may drive up prices for facilitation services.

While the economic impact of the COVID-19 crisis in Europe is not yet clear, it is expected to be significant and the impact on economies in the developing world is likely to be even more profound. Prolonged economic instability and the sustained lack of opportunities in some African economies such as Libya may trigger another wave of irregular migration towards the EU in the mid-term. This development needs to be carefully monitored.

A weakening economy in the EU may also increase demand for cheap labour accessible through labour exploitation in the context of debt bondage owed by irregular migrants to their smugglers.

PHASE 3

THE LONG-TERM IMPACT



Anticipating the long-term impact of the pandemic on serious and organised crime and terrorism in the EU is difficult. However, we can look to previous moments of crisis, such as the economic crisis of 2007 and 2008, and how these unfolded in terms of security threats to anticipate general developments.

While the previous economic crisis confirmed cash as the preferred medium for criminal transactions, this may be different in the wake of the pandemic as cashless payment options are becoming increasingly prevalent and online payment options including cryptocurrencies are increasingly accessible to all users. While cash may remain prevalent in some sectors, an overall shift to non-cash payment options is expected and this will have an impact on criminal businesses.

Organised crime is highly adaptable and has demonstrated the ability to extract long-term gains from crises, such as the end of the cold war or the global economic crisis. Criminal enterprises are highly profit-oriented and continue to operate during crises.

Communities, especially vulnerable groups, tend to become more accessible to organised crime during times of crisis. Economic hardship makes communities more receptive to certain offers, such as cheaper counterfeit goods or recruitment to engage in criminal activity, for example, working in cannabis cultivation or acting as couriers for drugs and money.

Some of the most threatening OCGs, such as mafia-type OCGs, are likely to take advantage of a crisis and persistent economic hardship for the foreseeable future by recruiting vulnerable young people, engaging in loan-sharking, extortion and racketeering, among other criminal activities.

Other types of organised criminals have also been adept at exploiting crises. Outlaw motorcycle gangs were able to exploit the global financial crisis with real estate investments, which allowed them to launder illicit profits and acquire assets with assured long-term value.

Similar to developments during or in the aftermath of previous crises, there may be a perceived or real increase in levels of corruption in different Member States and outside the EU. Economic crises often result in increased susceptibility to corruption by individuals occupying key positions in the public sector, especially in countries where large salary cuts take place. Reduced incomes and fewer employment opportunities in combination with low interest rates may also make spurious investment opportunities more attractive. This has the potential to enlarge the pool of potential victims for investment, advance fee, and other types of fraud.

Organised crime does not occur in isolation and the state of the wider economy plays a key role in directing the activities of OCGs. Crises often result in changes in consumer demand for types of goods and services. This will lead to shifts in criminal

markets. Criminal groups are flexible and adaptable and identify and exploit new opportunities during crises. Criminal business generally continues.

CYBERCRIME

Cybercrime is highly dynamic and it is difficult to project what forms cybercriminal activity will take in the long-term. However, cybercrime activity is unlikely to diminish and new cyber threats that have emerged during the COVID-19 pandemic will continue to target victims even after the end of the current crisis.

The lockdown and quarantine measures introduced during the pandemic have significantly enlarged the attack surface and the attack vectors open to cybercriminals, as both private citizens and businesses are using digital and online solutions more than ever to arrange all aspects of their lives and activities.

Changes in lifestyle that have emerged during the pandemic, such as extended teleworking, widespread online shopping and other behaviours are unlikely to disappear after the end of the lockdown.

Cybercriminals will continue to seek opportunities to exploit these habits by adapting existing or devising new attacks.

The end of the current crisis and the lifting of lockdown measures may result in an increase in the number of reports of child abuse as abuse occurring during the COVID-19 pandemic is discovered and law enforcement authorities are notified.

MIGRANT SMUGGLING

A global recession as a result of the COVID-19 pandemic is likely to have a significant long-term impact on migration. Economic factors play a large role in determining migratory flows and the preferences of irregular migrants travelling to their desired destination countries. A global economic crisis and sustained economic hardship will have a significant impact on the EU economy and is equally likely to serve as a push factor for irregular migrants originating from source countries that are economically less resilient, such as in Africa. Migrant smuggling networks are likely to increase their activities and facilitate an increasing number of irregular migrants both on their journey to and during secondary movements within the EU.

The factors determining the direction and intensity of migration flows will remain the same and include the costs of smuggling services for irregular migrants, the perceived economic benefits of being in the EU as well as the overall socio-economic conditions in the destination countries. During migratory movements, irregular migrants rely on the accessibility of facilitation services and the likelihood of crossing the border without being returned. Migrant smuggling will continue to be a generator of significant profit for the OCGs engaging in this activity.

TRAFFICKING IN HUMAN BEINGS

If the pandemic is followed by a recession, there may be an increased demand for labour and sexual exploitation and a potential increase in intra-EU trafficking of victims. Besides traditional fields of exploitation (prostitution, begging and theft, textile and agricultural sectors), sectors such as construction, tourism, catering, nursing and domestic services are increasingly affected by human trafficking. In addition to the prolonged harm suffered by victims of trafficking, the closure of businesses with lower profit margins due to an economic crisis will leave the market open to those with illegal or cheap labour at their disposal.

COUNTERFEIT AND SUBSTANDARD GOODS

Counterfeiters have already been among the biggest profiteers of the COVID-19 pandemic. A recession may further stimulate demand for cheaper daily consumer goods, which may be met by OCGs offering counterfeit or substandard alternatives. Reduced consumer spending power may inspire counterfeiters to expand into further product lines.

ORGANISED PROPERTY CRIME

The lifting of lockdown measures may result in a short-term increase in the number of reported incidents of organised property crime, as burglaries are discovered and more domestic burglaries take place. Mobile OCGs currently unable to travel will target the EU again. New forms of the 'nephew trick' tailored to the pandemic may remain in use as *modi operandi* for some time.

Demand for personal protective equipment (PPE) and medical supplies will remain high, which means pharmacies, hospitals and suppliers of such goods will continue to be targeted. OCGs could increasingly try to target or infiltrate healthcare institutions to procure or divert medical supplies in high demand¹.

A global recession may exacerbate economic disparity between Member States and between the EU and neighbouring regions, which could contribute to an increase in organised property crime.

ECONOMIC AND FINANCIAL CRIME

The long-term impact of the COVID-19 pandemic may be particularly significant in the area of economic and financial crime. Previous economic crises have resulted in an increase in the number of incidents related to bank and loan fraud, money laundering and corruption.

Cash has long been the preferred payment medium to launder the proceeds of illegal activity. Criminals

¹ Global Initiative against Transnational Organized Crime 2020, Policy brief – Crime and Contagion: The impact of a pandemic on organized crime, accessible at <https://globalinitiative.net/crime-contagion-impact-covid-crime/>

may attempt to exploit the situation by acquiring cash-intensive businesses to launder funds. However, as the importance of cash as a payment medium and the availability of cash-intensive businesses diminishes, money launderers may also look to other options to launder money.

The real estate and construction sectors will become even more attractive for money laundering both in terms of investment and as a justification for the movement of funds. In addition, criminals will continue to abuse financial markets to layer and integrate criminal proceeds. Investment in artworks may also be attractive due to the absence of fixed prices.

Criminals will likely intensify their use of shell companies and companies based in off-shore jurisdictions with weak anti-money laundering policies at the placement stage to receive cash deposits that are later transferred to other jurisdictions or are used at the later integration stage to purchase real estate. Companies involved in the importation and exportation of goods may be increasingly used for the virtual importation of goods using fraudulent documents. Extensive cooperation with specialists in the legal and financial sectors underpins money laundering activity, often involving investment firms and money service businesses.

DISTRIBUTION OF DISINFORMATION

This continues to be an area of concern, although now there is a greater awareness of it, it is clear that authorities and organisations are trying to tackle it. It should remain a priority, as it is expected this will continue to be a key issue.

KEY FACTORS

WITH AN IMPACT ON CRIME DURING
AND AFTER THE PANDEMIC

Several factors have had a significant impact on serious and organised crime during the COVID-19 pandemic. These factors shape criminal behaviour, create vulnerabilities and potentially also build resilience against criminal threats. Based on experience gained during prior crises, it is essential to monitor these factors to anticipate developments and pick up on warning signals.

The factors may include:



ONLINE ACTIVITIES

More people are spending more time online throughout the day for work and leisure during the pandemic, which has greatly increased the attack vectors and surface to launch various types of cyber-attacks, fraud schemes and other activities targeting regular users. A lot of these goods are offered on online trade platforms, which have made it easier and cheaper for counterfeiters and other criminals to access a broad customer base. Creating virtual and obscuring real identities is easier online than in offline interactions, which greatly aids criminals using aliases and creating front companies online.



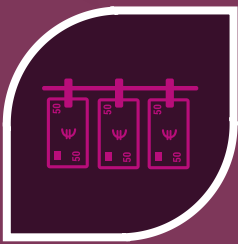
DEMAND FOR AND SCARCITY OF CERTAIN GOODS

Demand for and the scarcity of certain goods, especially healthcare products and equipment, is driving a significant portion of criminals' activities in counterfeit and substandard goods, organised property crime and fraud. A potential economic recession may also stimulate social tolerance for these types of goods and their distribution.



PAYMENT METHODS

The pandemic is likely to have an impact on payment preferences beyond the duration of the pandemic. With a shift of economic activity – including shopping for everyday goods – to online platforms, cashless transactions are increasing in number, volume and frequency. Even offline transactions are shifting to cashless payment options, as cash is seen as a potential transfer medium for COVID-19. Cashless payment options are likely to continue to gain in popularity and plurality covering credit card payments, payment platforms, virtual currencies and other mediums.



CRIMINAL USE OF LEGAL BUSINESS STRUCTURES AND MONEY LAUNDERING

The ease of establishing legal business structures has been of great benefit to the economy. However, this has also been effectively exploited by organised crime. During the COVID-19 pandemic, criminals have quickly exploited established legal business structures to orchestrate supply and fraud schemes, the distribution of counterfeit goods and money laundering.



ECONOMIC DOWNTURN

A potential economic downturn will fundamentally shape the serious and organised crime landscape. Economic disparity across Europe is making organised crime more socially acceptable as OCGs will increasingly infiltrate economically weakened communities to portray themselves as providers of work and services.

Rising unemployment, reductions in legitimate investment and further constraints on the resources of public authorities may combine to present greater opportunities for criminal groups, as individuals and organisations in the private and public sectors are rendered more vulnerable to compromise. Increased social tolerance for counterfeit goods and labour exploitation has the potential to result in unfair competition, higher levels of organised crime infiltration and, ultimately, illicit activity accounting for a larger share of GDP. At the same time, trends for domestic human trafficking and organised property crime within the EU may intensify as a result of economic disparity between Member States.

CONCLUSIONS

Europol is assessing the impact of the COVID-19 pandemic on serious and organised crime and terrorism across three phases (current, mid- and long-term outlook) to anticipate developments across the threat landscape that will have an operational impact on law enforcement authorities across Europe and Europol itself.

Despite lockdowns and restrictions, serious and organised crime and, to a lesser degree, terrorism are still active and developing phenomena seeking to adapt to and exploit the changing circumstances during the pandemic. Europol monitoring has followed these developments and will continue to carry out analysis to understand emerging phenomena. The full impact of the pandemic – not only on crime and terrorism but also more widely on society and the economy – is not yet apparent. However, law enforcement should seek to develop robust indicators for change to be able to respond to early warning signals as the world deals with the fallout of the COVID-19 pandemic.

WHAT ABOUT LAW ENFORCEMENT?

In addition to closely monitoring the impact of the crisis on crime, Europol has also observed how law enforcement authorities have responded to the conditions during pandemic policing.

Many functions related to modern policing have had to quickly adapt to the changing circumstances with an unprecedented number of law enforcement officers working remotely.

The sudden shift to digital working environments for many, as well as a further increase in the use of digital technology to connect and communicate, has created a larger attack surface for those seeking to exploit the situation. However, it also represents opportunities for law enforcement to engage in more effective policing.

The proliferation and ubiquity of the internet promise to hold the key to a quantum leap in policing but also challenges law enforcement to develop the technical solutions, recruit the expertise and make available the financial resources necessary to fully exploit these opportunities. The rise of big data and the emergence of the Internet of Everything will provide invaluable opportunities for law enforcement in developing investigations, identifying and targeting suspects. With an anticipated shift in organised crime activity to the virtual realm in the coming decades, law enforcement must develop inter-disciplinary synergies with partners globally and across sectors.

Enhanced international policing needs to complement increased connectivity both in the physical and virtual worlds. It is essential to continue to invest in information exchange.



**BEYOND THE PANDEMIC - HOW COVID-19 WILL SHAPE THE SERIOUS AND ORGANISED
CRIME LANDSCAPE IN THE EU**

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