

Dellasega, Maria; Vorrath, Judith

Research Report

A gangster's paradise? Transnational organised crime in the Covid-19 pandemic

SWP Comment, No. 66/2020

Provided in Cooperation with:

Stiftung Wissenschaft und Politik (SWP), German Institute for International and Security Affairs, Berlin

Suggested Citation: Dellasega, Maria; Vorrath, Judith (2020) : A gangster's paradise? Transnational organised crime in the Covid-19 pandemic, SWP Comment, No. 66/2020, Stiftung Wissenschaft und Politik (SWP), Berlin,
<https://doi.org/10.18449/2020C66>

This Version is available at:

<https://hdl.handle.net/10419/256661>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

SWP Comment

NO. 66 DECEMBER 2020

A Gangster's Paradise?

Transnational Organised Crime in the Covid-19 Pandemic

Maria Dellasega and Judith Vorrath

Since the outbreak of the Covid-19 pandemic, certain illegal business practices, such as the trade in counterfeit medical products, have been experiencing a boom. Other typical sources of income for organised crime (OC) temporarily dried up due to lockdowns, travel restrictions and border closures. With the changing infection dynamics and increasingly localised countermeasures, the situation has demanded constant adaptation from many businesses – and criminal organisations are no exception. The effects of the pandemic on OC are not only short-lived, however: the economic, social and political consequences can also impact OC in the medium term. In addition to shifts in illegal (drug) markets, the potential for criminal exploitation could increase as a result of the health crisis and the influence of criminal groups on the state and society could grow. Some of these developments are already visible. The associated risks require increased scrutiny by political decision-makers and law enforcement agencies and more targeted international cooperation.

After the first wave of coronavirus, it did not take long for the media to report an increase in illicit business practices. It was primarily the trade in counterfeit masks, disinfectants or test kits and the fraudulent sale of alleged treatments or vaccines for Covid-19 that made the headlines. But the impact of the pandemic went far beyond that.

Crime During the First Lockdown

It is hardly surprising that, as soon as the pandemic hit, criminal actors immediately tried to profit from the shortage of medical goods, the rapid and often unbureaucratic

disbursement of aid payments and the strong increase in digital transactions. A large proportion of the criminal offences directly linked to the pandemic fell into the category of fraud, including online credit card fraud and the forging of websites to divert donations away from real charities. There was also an increase in online drugs trafficking and distribution of child sexual abuse material.

However, the health crisis also presented OC with challenges: travel restrictions, border closures and lockdowns interrupted illegal supply chains and transport routes. In Mexico, the production of fentanyl and methamphetamine apparently declined because chemical precursors could not be



imported from China to the same extent as before. In addition, the smuggling of cocaine to Europe and the United States was hampered at various stages of the supply chain. It has also been more difficult for networks and gangs to deliver drugs to users, forcing them to make greater use of the postal service or couriers disguised as “essential workers” during lockdowns. In some places, the restrictions imposed on mobility were temporarily accompanied by a significant decline in offences such as pickpocketing and burglary carried out by organised criminal groups. Certain criminal sources of income, such as human smuggling, dried up almost entirely in places; subsequently stranding many migrants along the smuggling routes.

However, these developments primarily resulted from the restrictive measures taken at the beginning of the pandemic. How Covid-19 will affect organised crime in the medium term depends, among other things, on how the infection rates and related restrictions continue to develop. That said, far-reaching economic, social and political consequences are already becoming apparent. Even if OC phenomena differ significantly across regions and countries, related criminal activities are often not only transnational, but interconnected across different continents. Moreover, illegal and legal markets are often intertwined in many ways. Consequently, the ongoing pandemic will inevitably have an impact on cross-border OC that goes beyond the short-term shifts mentioned above. The four developments described below pose particular risks.

New Opportunities for Profit

Criminal networks usually respond quickly to new profit opportunities. The trade in falsified and substandard medicines and medical products has long been a profitable business (see SWP Comment 25/2019) and the nature of related criminal activities as well as the *modus operandi* were not necessarily any different after the outbreak of

Covid-19. However, the pandemic offered new opportunities for criminal actors, especially due to the sharp rise in demand for certain medical goods.

Yet, the consequences of Covid-19 for the legal economy affect illegal business and trade flows in other ways as well: Criminal actors can, for example, benefit from supply shortages in legal markets, which have occurred due to temporary restrictions on the production of certain goods during lockdown. These criminals are in a position to meet part of the demand, largely through counterfeit products. This applies not only to pharmaceutical products and medical supplies, but to all kinds of consumer goods and durables. This business could also flourish if consumers who have lost income as a consequence of the pandemic increasingly resort to cheaper counterfeits and smuggled products, such as cigarettes. This situation certainly creates risks for the end users, who are not necessarily aware of the origin of the goods due to the interconnectedness of legal and illegal markets.

A second field that promises more profits beyond the short term are criminal activities in the virtual space. On the one hand, it can be assumed that even when the pandemic subsides, the increase in legal and illegal services provided online will continue. On the other hand, advancing digitalisation is generally increasing the potential for cybercrime, such as online fraud, phishing or attacks with ransomware. For criminal networks, this development opens up various sources of profit. Because of the lower barriers to access the online market, this potential profit can also be tapped into by new players who do not necessarily fall into the organised crime category. The situation in the international drug trade is rather different. First and foremost, due to the fact that the substances being traded are prohibited — with a few local or national exceptions in the case of cannabis (products) — the drug trade takes place almost entirely in the illegal sphere.

Shifts in the International Drug Trade

The impact of the pandemic on the drug trade is particularly relevant for two reasons. First, the drug business remains the most lucrative source of income for OC worldwide. The retail value in the European Union (EU) alone is estimated at 30 billion euros annually. Second, due to shifts of power at different stages along the supply chain, there is a risk of longstanding arrangements between criminal actors unravelling – with possible negative consequences such as an increase in violence. International reports, from Europol for instance, regularly point out that OC groups – particularly those engaged in the international drug trade – are exploiting the increase in global trade flows and mobility. But what happens if these general conditions start to falter?

The markets for cocaine and heroin in particular are susceptible to disruptions in interregional transport routes. Although the transactions of the sale can be completed via the Internet, including the darknet, physical smuggling must first take place over long distances – in the case of cocaine, mainly from the Andean region, and in the case of heroin, mainly from Asia, especially Afghanistan and Myanmar, but also from Mexico and other Latin American countries. From there, the substances need to be trafficked to the main destination markets, primarily Europe and North America. Apparently, the pandemic has had little impact on the harvest in the areas where plants are traditionally grown to produce drugs; in fact, it is generally expected that the economic crisis will lead to an expansion of cultivation. Nevertheless, the United Nations Office on Drugs and Crime (UNODC) has observed rising prices in Europe and a decline in the quality of drugs such as cocaine. It seems that supply shortages have forced some users to switch to prescription drugs. With regard to heroin, Europol also concluded, based on rising prices and declining quality, that this drug was less available on the key market. In contrast,

the increased demand for cannabis products in Europe during the first lockdown was met more easily because of the much shorter supply chains.

Prices could “normalise” quickly if the pandemic were to be effectively contained in Europe and North America. However, interregional drug trafficking will remain hampered, at the very least, for the foreseeable future, partly because of reduced international air traffic and tighter controls at some key borders. According to the International Civil Aviation Organization, 186 airports worldwide were still completely or partially closed by the end of October 2020. The established criminal organisations are being very creative when it comes to responding to the restrictions on smuggling. For example, it has been reported that drones have increasingly been used to transport drugs across the closed U.S.-Mexican border. As well as using more elaborate technologies, criminal organisations sometimes had to take higher risks because of the pandemic conditions, for example by smuggling opiates overland in Central Asia. This is one of the reasons why heroin traffickers currently seem to be increasing the transport of drugs to Europe by sea along the southern route across the Indian Ocean. Changes can also be observed along the maritime routes of cocaine trafficking to Europe. Numerous drugs seizures in European ports during the summer suggest that these continue to be important entry points. However, the volumes confiscated could also indicate that larger quantities of cocaine are being transported in individual shipments. Most notably, the newly imposed or extended measures for fighting the pandemic are likely to impede the further distribution of cocaine over land.

Such developments could also affect the consumption in key markets such as Europe or the USA. With rising prices, consumers might increasingly use synthetic opiates, which can be produced closer to the market instead of heroin. Cocaine competes with new psychoactive substances and (meth)amphetamines, which are also produced in

Europe. With the reintroduction of curfews and closure of venues in Europe and elsewhere in autumn 2020 and with economies barely recovering, it will take some time before the demand for recreational drugs such as cocaine picks up again. After the 2008 financial crisis, for example, users increasingly switched to cheaper synthetic or mixed drugs. Accurately predicting future demand is difficult. However, UNODC reported a sudden drop in the price of opium in Myanmar in the summer, and falling cocaine prices, especially in Peru. This may be a sign of declining demand, but also disrupted supply chains.

The international trade in drugs will remain very profitable. However, restrictions related to Covid-19 and the economic consequences of the pandemic will require constant adjustments by the criminal actors involved. The uncertainties on the market already seem to have led to stronger, even predatory competition in some places. In Central America and Mexico, for example, an increase in violence between criminal groups has been observed, which is attributed to the struggle over a shrinking core market and access to trade routes. Despite the lockdown, the homicide rate in Mexico reached a new record high in March, and violence against civilians has also increased. Violent clashes may also be fuelled by the fact that some groups are experiencing declining returns from protection rackets in territories under their control. At the very least, some groups are trying to diversify their sources of income, such as gangs in Central America entering the cocaine and cannabis trade as a sideline. Shifts in the drug trade could also have serious effects in cultivation areas. During the lockdown in Colombia, violence against civilians has been concentrated in certain provinces, for example in Cauca, where various criminal organisations are fighting over the control of the growing areas. Market changes could even have consequences for the peace process in Afghanistan, as the Taliban's sources of financing include heroin produc-

tion as well as taxes on opium poppy cultivation and the trafficking of drugs.

However, the effects of the pandemic on the drug trade are not limited to cultivation and transit areas. A report on the impact of Covid-19 on European drug markets concludes that criminal transactions along the supply chain in Europe are taking place in an increasingly volatile environment and that this instability has already led to increased violence among mid-level suppliers and distributors. Even before Covid-19, there were indications of increasing competition in the international cocaine trade, triggered, among other things, by new groups entering the market alongside the dominant Colombian and Italian criminal organisations. If the pandemic lasts for a longer period, internationally well-connected organisations may have important advantages. This especially applies to those that control the entire supply chain from the cultivation areas to the destination markets, such as the Albanian organisation *Kompania Bello*, which was targeted by a European law enforcement operation in September. Other groups could engage in more violent crime when faced with reduced profits. Thus, pandemic-related shifts in the international drug trade could also affect European internal security.

Vulnerability to Criminal Exploitation Increases

Almost a year after the outbreak of Covid-19, it is already apparent that social resilience to OC is declining as a result of the health crisis. Certain groups of the population are becoming more vulnerable to exploitation by criminal organisations. The World Bank estimates that Covid-19 will increase the number of people living in poverty by about 115 million. People from middle-income countries, those living in cities and those with a higher level of education, in particular, will slide into poverty because of the pandemic. As a consequence, they are at a higher risk of being recruited by criminal groups and becoming victims of sexual or labour exploitation.

Previous experience shows that human trafficking increases after the outbreak of an epidemic. The UN Special Rapporteur on Human Trafficking stated in October that “more people are at risk [...] especially in the informal economy”. Traffickers could easily take advantage of the desperate situation many people find themselves in. Many people in informal employment have simply lost their income during the pandemic. In the absence of government aid, there is a real danger that they will turn to criminal organisations for support. Children are also at greater risk. For example, in Colombia, as many children already joined organised criminal groups in the first half of 2020 as in the whole of 2019. The long school closures in some places and the additional time children are spending online at home have also significantly increased the threat of child sexual abuse via the Internet. Europol expects a longer-term increase in such cases and a growing demand for online material of this type.

With the pandemic, the detection of human trafficking has also become more difficult as its impact on public life and mobility has pushed crime further underground. Moreover, the assistance usually provided to victims has been partly suspended or reduced.

Another negative impact is that many of the millions of migrant workers worldwide have been stranded since the start of the pandemic. In Lebanon, countless domestic workers from African countries have simply been thrown out on the street by their employers due to the economic crisis, which was further exacerbated by the pandemic. Often left without identity papers or money, many cannot return home and only very few receive support from social services or embassies. In the Gulf region, reported cases of labour exploitation have tripled since the beginning of the pandemic. Migrants are regularly deprived of wages, while their debts to pay recruitment fees and living expenses continue to rise. In such situations, workers are easy targets for (further) exploitation.

In general, people who are smuggled across borders are also at higher risk of becoming victims of human trafficking. Overall, Covid-19 has exacerbated the situation for migrants along the smuggling routes. The 85 percent drop in irregular migration at European borders from March to April 2020 was primarily due to the temporary interruption of transport routes. The majority of migrants who reach Europe from North Africa use the services of organised smuggling networks. Given the changing conditions, these networks are demanding more money from migrants and are more likely to exploit them or sell them on for exploitation.

In European countries, the recession is expected to increase the potential for labour exploitation in sectors such as the hospitality industry, for instance. In the field of prostitution, many established criminal groups have quickly found ways of adapting their business model during the lockdowns. But for those who are forced to work in these sectors, the more difficult business environment will often mean they earn less while the conditions will tend to become even more dangerous and humiliating. In Italy, thousands of women from Nigeria who were coerced into working in the sex business have been without income because of lockdowns and continue to be harassed by debt collectors. The growing potential for various forms of exploitation by criminal groups thus requires more robust responses and greater prevention efforts within the EU as well.

Widening Scope for Influence of Criminal Groups

The consequences of the pandemic could also strengthen the influence of criminal organisations in the public sphere. Firstly, OC will have more opportunities to infiltrate the legal economy. The economic ramifications of the lockdowns and restrictions open up additional opportunities for OC to support or completely take over weakened companies – for example in the

transport, catering or tourism industries. Particularly in contexts where government aid programmes are not effective, such as in the informal sector, OC groups can step in as convenient and unbureaucratic lenders. This not only facilitates money laundering, but creates dependencies and loyalties in different segments of the population.

Second, criminal organisations also try to access financial resources from official assistance programmes themselves. For example, the Calabrian mafia 'Ndrangheta has tried to obtain Italian aid through companies in the steel sector. Transparency International has warned that organised criminals are likely to take advantage of national and European aid, such as the EU Recovery Fund. The increased and accelerated disbursement of aid funds provides OC a wide range of opportunities for embezzlement, bribery or to take on public contracts, especially in the health sector that is currently so important. This not only allows criminal organisations to increase their profits, but also enables them to access public funds and sectors. Depending on the environment, this can lead to new links and dependencies between criminal and state actors.

Third, many places are likely to see an increase in corruption as a result of the pandemic. Therefore, criminal organisations may find it even easier to conduct their illegal operations. In the shadow of the Covid-19 crisis, arrangements between the political and criminal spheres — for example political decision-makers protecting certain criminal groups in exchange for financial support in election campaigns — could be strengthened in some countries. Given the serious economic consequences of the pandemic, this is especially likely in some of the world's fragile states.

How these three aspects interact and how much OC can actually expand its influence on state and society, will vary greatly depending on the context. A state that was already weak before the pandemic will presumably continue to lose legitimacy among its population if criminal groups efficiently assume state-like functions.

Criminal organisations that already have a territorial stronghold and provide some kind of governance will react differently to the crisis than loose networks with no local power base. For example, various OC groups provided their own form of support and security measures in the fight against the pandemic. Criminal organisations portrayed themselves as “benefactors” in the communities they controlled. A good illustration of this is the Sinaloa Cartel in Mexico, where one of the daughters of El Chapo, the former leader of the cartel, distributed aid packages in its name to people in need — printed with images of her father. Also in the favelas of Rio de Janeiro, criminal gangs depicted themselves as guarantors of public safety and health care. By sending text messages to the residents, they made it clear that the government forces had failed to combat the virus and that the members of the groups themselves would implement health protection measures, even using force. More recently, various mafia groups in Italy have been mobilising against the renewed lockdown and attempting to stir up distrust against the Italian state. However, it seems relatively unlikely that the pandemic will enable new groups to dominate and govern particular territories that they have not previously controlled.

Not a Gangster's Paradise, But Increased Risks

With the spread of Covid-19 and related countermeasures, the conditions for OC have changed, but they have not necessarily improved across the board. In the short term, new opportunities for profit are accompanied by logistical obstacles and increased risks at different points along the smuggling routes. The world will probably not become a “gangster's paradise”, but there are signs of developments that could have a negative impact on state and human security. These developments depend not only on the further course of the pandemic and the measures taken against it, but also on the economic, social and political con-

sequences of the crisis. As these vary regionally and nationally, different responses are also needed from Germany and the EU.

In some areas, the EU can take direct action internally, for example by addressing “enablers” of OC such as corruption or money-laundering. Western countries can also expect OC to increasingly infiltrate the legal economy and to divert funds from Corona emergency plans and financial assistance programmes. To prevent this, best practices of due diligence, transparent allocation processes and real-time audits will remain crucial, as has been emphasised by UNODC. The lockdowns have not strengthened criminal organisations on the whole. The Neapolitan Camorra, for example, has apparently become “hungrier” rather than stronger under the conditions of the pandemic. Such actors will increasingly exploit any weakness of the state, the judiciary and civil society to improve their own position.

In many cases, however, we need to look beyond Europe — if only because the consequences of Covid-19 are affecting practically all regions of the world and the EU is connected to them in many ways through illegal markets and OC activities. Seizures of large cocaine shipments, such as the one in October in the port of Antwerp, are an indicator that global flows have not been interrupted. To some extent, however, there seems to have been a change in the means of transport, routes and modus operandi.

This makes a continual analysis of relevant shifts along the supply chain even more important. Another question that deserves attention is the extent to which legal international trade will change after the pandemic due to a possible increase in “de-coupling” and what consequences this would have for illicit interregional trade. Something else that should be closely monitored in the context of the drug trade is the possible increase in violence and instability if changes in criminal groups’ arrangements and routes prove to be more long term. The effects of such upheavals could also manifest themselves in conflict areas that are cultivation or transit sites for drug

trafficking. From Colombia and Haiti to Afghanistan and Mali, shifts in illicit trade could become a factor in fragile peace and stabilisation processes in which Germany and the EU are involved in various ways.

International cooperation in combating OC is becoming more important than ever, even beyond these aspects. In the medium term, the financial situation of many states (including those in the West) will be strained. It is rather unlikely that law enforcement agencies will be able to “upgrade” enough to keep pace with the changes in OC, especially in terms of IT expertise and technical equipment. The reduction or temporary suspension of social services as well as restrictions affecting civil society initiatives — whether directly as a result of the pandemic measures or in the medium term as a result of declining budgets — will also have a negative impact.

It will therefore become even more crucial to not only cooperate across borders in the area of law enforcement, through the exchange of information and administrative assistance, but also to develop joint approaches for responding to OC at the political, civil society and private sector level, across countries and regions.

Global forums are not necessarily the best suited starting point for this. Although this year’s conference of the parties to the *UN Convention against Transnational Organized Crime* took place in a hybrid format, there was a lack of opportunities for informal consultation and the participation of non-governmental organisations. The UN Crime Congress, postponed to March 2021, can provide a framework for discussing the new challenges posed by Covid-19. But it is not to be expected that the Congress will provide strong momentum, if only because of the lack of consensus on politically sensitive issues.

Cooperation with third countries and neighbouring regions is therefore even more relevant for Europe. Germany and the EU are linked with other parts of the world through OC in many ways. First, a better understanding of the nature of these links and the interests of the affected states is

© Stiftung Wissenschaft
und Politik, 2020
All rights reserved

This Comment reflects
the authors' views.

The online version of
this publication contains
functioning links to other
SWP texts and other relevant
sources.

SWP Comments are subject
to internal peer review, fact-
checking and copy-editing.
For further information on
our quality control pro-
cedures, please visit the SWP
website: <https://www.swp-berlin.org/en/about-swp/quality-management-for-swp-publications/>

SWP

Stiftung Wissenschaft und
Politik
German Institute for
International and
Security Affairs

Ludwigkirchplatz 3 – 4
10719 Berlin
Telephone +49 30 880 07-0
Fax +49 30 880 07-100
www.swp-berlin.org
swp@swp-berlin.org

ISSN 1861-1761
doi: 10.18449/2020C66

(English version
of SWP-Aktuell 93/2020)

needed. Second, security, foreign and devel-
opment policy priorities must be coordinated
with action for combating and preventing
OC internally. For example, the increased
potential for criminal exploitation as a
result of the pandemic, requires special
attention of politicians, law enforcement,
the judiciary and social services across
Europe. At the same time, the authorities
along the trafficking routes to Europe need
to clearly identify cases of human traffick-
ing, despite its overlap with the smuggling
of migrants. As early as 2018, Interpol com-
mented in a report on OC in West Africa
that “exploitation is often overlooked in
favour of issues of illegal migration, some-
times leading to the re-victimization of
those who have been smuggled across bor-
ders”. This problem is likely be exacerbated
by the pandemic. Here the EU should set
clear priorities in its cooperation with third
countries to combat human trafficking
and exploitation in a more targeted man-
ner. Interregional programmes such as
the Organized Crime for West Africa Region
(OCWAR) projects recently launched by the
EU with separate components on traffick-
ing, cybercrime and money laundering, are
a useful approach. A continuous exchange
of concepts, instruments and best practices
in dealing with OC across the silo structures
of internal and external departments and
policies would also be a step forward. Such
an exchange will be all the more relevant
when it comes to accurately identifying the
dangerous effects of the pandemic on trans-
national OC and effectively countering them
under more difficult circumstances.

*Maria Dellasega was an intern in the International Security Research Division from June to September 2020.
Dr. Judith Vorrath is a Senior Associate in the International Security Research Division.*