

BUSINESS FUNDAMENTALS

**HOW ILLEGAL
DRUGS SUSTAIN
ORGANISED CRIME
IN THE EU**

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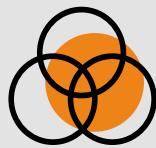
KEY JUDGMENTS



The market for illegal drugs is the largest criminal market in the European Union (EU). The drugs trade in the EU is conservatively estimated to generate around EUR 24 billion in revenue each year.



Around 35% of the Organised Crime Groups (OCGs) active in the EU on an international level are involved in the production, trafficking or distribution of illegal drugs.



75% of the OCGs involved in the drugs trade in the EU deal in more than just one illegal drug.



The market for cannabis remains by far the largest drugs market in the EU. There has been a further increase in the indoor and outdoor cultivation of herbal cannabis in and close to consumer markets.



More OCGs are involved in cocaine trafficking than any other criminal activity in the EU. The significant increase in production in Colombia has resulted in intensified trafficking activity to the EU.



The Balkan route remains the main entry route for the bulk of the heroin trafficked to the EU. However, there has been a partial shift in the trafficking of heroin from the Balkan route to the Caucasus route.



The market for synthetic drugs and NPS remains the most dynamic drugs market in the EU. Various synthetic drugs and continuously emerging New Psychoactive Substances (NPS) constitute a significant threat for public health in the EU.

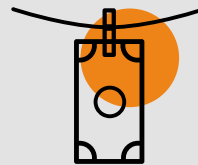


Drugs are now widely traded online on various platforms. The sale of drugs via Darknet marketplaces is a significant threat and continues to expand.



Drug overdose deaths in Europe rose 6% to 8,441 in 2015, rising for the third consecutive year, driven by increasing use of synthetic opioids like fentanyl. The European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) warned that drug-related deaths in Europe could be much higher due to “systematic under-reporting in some countries” and delays in reporting.¹

¹ EMCDDA 2017, European Drug Report 2017, accessible at http://www.emcdda.europa.eu/edr2017_en; Reuters 2017, Drug deaths on the rise in Europe for third year: report [06 June 2017], accessible at <http://af.reuters.com/article/worldNews/idAFKBN18X1W4>



The scale of money laundering activities in the EU is significant reflecting the immense profits generated by the OCGs involved in the drugs trade and other serious and organised crime. However, the global anti-money laundering framework implemented by law enforcement and other authorities in the EU has shown to have a poor success rate in identifying and seizing illegal funds generated by criminal organisations. Barely 1% of criminal proceeds are confiscated by relevant authorities at EU level.²

² Europol 2017, From Suspicion to Action - Converting financial intelligence into greater operational impact, accessible at https://www.europol.europa.eu/sites/default/files/documents/ql-01-17-932-en-c_pf_final.pdf



INTRODUCTION

The European Drug Markets

06

Drug markets remain the largest criminal markets in the EU. More than one third of the criminal groups active in the EU are involved in the production, trafficking or distribution of various types of drugs. The trade in illicit drugs generates multi-billion euro profits for the groups involved in this criminal activity. The EU retail drug market is estimated to be worth at least EUR 24 billion a year.³ The immense profits generated from the trade in drugs fund various other criminal activities allowing OCGs to thrive and develop their criminal enterprises at the expense of the health, prosperity and security of EU citizens.

OCGs involved in drug trafficking rely heavily on corruption to facilitate their trafficking activities. They also make use of fraudulent documents such as fake import or company registration certificates to import illicit drugs among legal goods, to procure (pre-)precursors and purchase equipment used as part of production processes.

CRIMINAL GROUPS

The OCGs involved in the drugs trade are highly poly-criminal. More than 75%

of the OCGs involved in the trafficking of one drug also traffic and distribute other types of drugs. Some 65% of OCGs involved in the drug trade are simultaneously involved in other criminal activities such as the trade in counterfeit goods, THB and migrant smuggling. Drugs are also used as a means of payment among criminal groups. In the period between 2013 and March 2016, more than 60 nationalities were involved in drugs trafficking crimes in the EU.

Drugs are also used as a means of payment among criminal groups. Herbal cannabis and cannabis resin are exchanged for other drugs such as cocaine trafficked to the EU from South America, heroin smuggled via Turkey and methamphetamine produced in the EU. In some cases, couriers arriving in the EU with cocaine travel back to the country of origin with cannabis resin.

In an increasingly competitive market featuring multiple producers and distributors, OCGs engage in rivalries to stake territories and distribution channels. In some cases, OCG competition involves the use of violence and raids on the cultivation sites of rival groups.

TECHNOLOGY

Technology has an impact on the production methods used to manufacture drugs in the EU. Technical innovation and the accessibility of sophisticated equipment have allowed OCGs to maximise the production output of individual sites. Large-scale cannabis cultivation sites are often maintained using professional growing equipment such as climate control systems, CO₂ and ozone generators. Similarly, laboratories manufacturing synthetic drugs feature advanced chemical equipment and production lines capable of producing synthetic drugs on an industrial scale.

OCGs involved in the drugs trade are highly adept at exploiting communication technologies to facilitate their business. Encryption and other technical means of obfuscating lines of communication make it increasingly difficult for law enforcement authorities to identify and disrupt these OCGs.

Drone technology is expected to advance allowing drones to travel greater distances and carry heavier loads as

³ EMCDDA & Europol 2016, EU Drug Markets Report 2016



well as making them more affordable. OCGs involved in drug trafficking will likely invest in drone technology for trafficking purposes in order to avoid checks at border crossing points, ports and airports.

HARM

The most immediate impact of the trade in illicit drugs is on the health of users. The consumption of all types of illicit drugs entails significant health risk with potentially lethal consequences. The consumption of cannabis may have serious health and social implications for some consumers, especially cannabis cultivated to feature a high THC content. Cannabis is the most frequently noted reason for first-time admission to drug treatment programmes in the EU. The use of heroin is associated with serious health harms including dependence, overdose and death; unsafe injection practices and multiple daily injections increase the risk for infectious diseases, such as HIV, hepatitis C virus (HCV) and other infections. The long-term effects of NPS are virtually unknown due to the frequent appearance of previously unknown NPS. Some NPS have proven extremely harmful to consumers. Synthetic drugs such as methamphetamine can be highly addictive and their consumption entails serious health risks including the risk of



lethal overdose.

Drug deaths on the rise in Europe for third year⁴

Drug overdose deaths in Europe rose 6% to 8,441 in 2015, rising for the third consecutive year, driven by increasing use of synthetic opioids like fentanyl, according to the EMCDDA.

The agency warned that drug-related deaths in Europe could be much higher due to “systematic under-reporting in some countries” and delays in reporting.

⁴ EMCDDA 2017, European Drug Report 2017, accessible at http://www.emcdda.europa.eu/edr2017_en; Reuters 2017, Drug deaths on the rise in Europe for third year: report [06 June 2017], accessible at <http://af.reuters.com/article/worldNews/idAFKBN18X1W4>

The environmental impact of the drugs trade is also considerable. The cultivation of cannabis increasingly entails the use of uncontrolled pesticides and insecticides, which may be harmful to the environment. Synthetic drug manufacturing produces significant amounts of hazardous waste. OCGs dump this waste away from their production sites in order to conceal their activities. Dump sites are often highly contaminated and require a lengthy and costly clean-up process.

Europol's support in the fight against the drug trade

Europol is the EU's law enforcement agency and assists the Member States in their fight against serious international crime and terrorism. Established as an EU agency in 2009⁵, Europol, the European Union Agency for Law Enforcement Cooperation, is at the heart of the European security architecture and offers a unique range of services. Europol is a support centre for law enforcement

⁵ Council Decision of 6 April 2009 establishing the European Police Office (Europol) (2009/371/JHA), accessible at <https://www.europol.europa.eu/publications-documents/council-decision-of-6-april-2009-establishing-european-police-office-europol>

operations, a hub for information on criminal activities as well as a centre for law enforcement expertise. Analysis is at the core of Europol's activities. To give its partners deeper insights into the crimes they are tackling, Europol produces regular assessments that offer comprehensive, forward-looking analyses of crime and terrorism in the EU.

Europol supports the Member States in the fight against illegal drugs with a team of experienced specialists and analysts based in the European Serious and Organised Crime Centre. They provide operational, coordination and analysis support to investigating officers in the Member States.

A large share of the information flowing to Europol from EU law enforcement authorities concerns drug-related investigations and operations. In 2016, information related to drugs and migrant smuggling were the most frequently exchanged type of information via Europol. The number of contributions related to drug-criminality received by Europol has steadily increased over the last years. In 2016, Europol received more than 9000 contributions related to the trade in illegal drugs. Currently, Europol supports more than 100 high-priority cases at an international level often involving multiple Member States and partner countries targeting sophisticated criminal organisations involved in the production, trafficking and distribution of illegal drugs. Europol continuously supports Member States in executing complex operations targeting high-value targets that often result in the seizure of very significant amounts of various types of drugs.

The EU Policy Cycle for Serious and Organised Crime

The Policy Cycle provides a robust framework that brings together the law enforcement authorities of the Member States, Europol and a wide range of multi-disciplinary partners in the fight against serious and organised crime. The Policy Cycle translates strategic objectives at the European level into concrete operational actions against serious and organised crime.

Based on the analytical findings of the European Union Serious and Organised Threat Assessment (EU SOCTA) 2017, the Justice and Home Affairs Council of the EU set the priorities for the fight against serious and organised crime for the second full policy cycle from 2018 to 2021 in May 2017. The Council Conclusions clearly identify the production, trafficking and distribution of illegal drugs as a key priority in the fight against serious and organised crime:

To (1) disrupt the activities of Organised Crime Groups (OCGs) involved in the wholesale trafficking of cannabis, cocaine and heroin to the EU, to (2) tackle the criminal networks involved in the trafficking and distribution of multiple types of drugs on EU markets and to (3) reduce the production of synthetic drugs and New Psychoactive Substances (NPS) in the EU and to dismantle OCGs involved in their production, trafficking and distribution.

This priority will largely determine the operational work carried out in the framework of the Policy Cycle for the next four years.

High-level conference at Europol to discuss enhancing the fight against illegal drugs

In addition to operational support, Europol also works with Member States and Third Partners to establish a joint strategic approach in fighting drug-related criminality. On 6 and 7 December 2017, the Heads of Drugs Units of all Member States, representatives of relevant Third Partners and EU agencies such as Eurojust and the European Monitoring Centre for Drugs and Drug Addiction will gather at Europol to identify and discuss the implementation of new ways to tackle one of the most threatening criminal phenomena in the EU – the trade in illegal drugs.

The conference complements the Evaluation of the implementation of the EU Drugs Strategy 2013-2020 and the EU Action Plan on Drugs 2013-2016 by the European Commission. According to this evaluation, available evidence shows that there has been at least some progress in all EU Action Plan actions aimed at drug supply reduction, however, a significant reduction of the supply of drugs was not recorded in recent years.

Building on the findings of the evaluation, the new Action Plan on Drugs 2017-2020 provides a strengthened response to the newly-emerging health and security challenges in the area of illicit drug use and trafficking. While maintaining and updating the core policy areas and cross-cutting themes of the overall EU Drugs Strategy, the new Action Plan identifies new priority areas for action, including the monitoring of new psychoactive substances as well as the use of new communication technologies in illicit drug production and trafficking and evidence gathering on the potential connection between drug trafficking and financing of terrorist groups, organised crime, migrant smuggling or trafficking in human beings.



EMERGING THREATS



The Darknet trade in illegal drugs

The Darknet has emerged as a key platform to offer all types of illicit goods and services. Difficult to police yet easy to access, the Darknet provides an ideal environment for the distribution of all types of illegal commodities including drugs, firearms, child abuse material, counterfeit goods, and fraudulent documents. The trade in illegal drugs is the mainstay of most major Darknet markets. The majority of activity on Darknet markets is drug related, with some studies estimating that 57% of Dark market listings offer drugs. It is estimated that the top 1% most successful vendors are responsible for 51.5% of all transactions on Darknet markets.⁶ While it is assessed that the majority of vendors

are lone offenders, dealing in small amounts, it is reported that many of the 'top sellers' are likely organised crime groups earning significant profits.

Darknet marketplaces are attractive platforms for clients and vendors alike. They provide an anonymous and secure environment to trade all types of illegal drugs and other illegal commodities. The use of cryptocurrencies allows vendors and clients to exchange payments with little trace and represent a significant hurdle in the attribution of transactions to specific users. The trust and reputation system used by Darknet marketplaces emulates those established by legal trading platforms on the surface web. The trade in illegal drugs on Darknet marketplaces has resulted in a significant increase in the use of post and parcel services to traffic drugs across the EU.

⁶ Carnegie Mellon University 2015, *Measuring the Longitudinal Evolution of the Online Anonymous Marketplace Ecosystem*, available at <https://www.usenix.org/system/files/conference/usenixsecurity15/sec15-paper-soska-updated.pdf>

New psychoactive substances (NPS) on European drug markets

Previously unknown NPS continue to appear on EU markets in large numbers. Since 2005, 620 new substances were detected in the EU for the first time.⁷ NPS are initially not covered by international drug controls and include various substances such as synthetic cannabinoids, stimulants, opioids and benzodiazepines. In many cases these NPS emulate the effect of traditional drugs such as cannabis or cocaine and are marketed as alternatives for these drugs.

The consumption of NPS entails significant risks to the health of users including lethal overdose. In 2015, the synthetic opioid acetylfentanyl was linked to 32 deaths in Europe.⁸ Many other NPS have been linked to health risks and deaths in the EU over recent years.

NPS continue to be produced in China and, to a lesser degree, India and trafficked to the EU in large quantities. NPS are sold on online marketplaces and distributed via postal and parcel services across Europe. NPS are shipped to the EU in bulk where these substances are often processed and packaged for distribution.

Fentanyl and its analogues – deadly synthetic opioids⁹

The fentanils are a family of highly potent opioid narcotic drugs. A small number are widely used as medicines in anaesthesia, for pain relief, and the immobilisation of large animals. Due to their psychoactive effects, such as causing euphoria, they are also used as replacements for heroin and other illicit opioids. Typically, use of very small amounts of fentanils can quickly poison an individual by causing central nervous system depression and respiratory depression. Left untreated, poisoning may cause death.

While some fentanils on the European

⁷ EMCDDA 2017, European Drugs Report 2017

⁸ EMCDDA & Europol 2016, EU Drug Markets Report 2016

⁹ Based on a contribution by the EMCDDA (November 2017)

Fentanyl deaths: Warning as drug kills 'at least 60'¹⁰

At least 60 people have died in the UK in the last eight months after taking the strong painkiller fentanyl.

Tests on heroin seized by police since November found traces of the synthetic drug, with more than 70 further deaths pending toxicology reports, the National Crime Agency (NCA) said.

Some contained carfentanyl, which is 10,000 times stronger than morphine and often used to tranquillize elephants. Health officials and police have warned heroin users to be "extra careful". They were predominantly men and a range of ages, with none younger than 18.

Recent NCA investigations found that fentanyl and its analogues are being both supplied in and exported from the UK.

¹⁰ BBC News 2017, Fentanyl deaths: Warning as drug kills 'at least 60' [1 August 2017], accessible at <http://www.bbc.com/news/uk-england-40793887>

drug markets are medicines diverted from legal supply, many are deliberately produced for the illicit drugs market. There has been large increase in the availability of fentanils on the European illicit drug market in the past few years mainly as a result of bulk production in China and their online sale. Reports of deaths have also substantially increased.

Since 2012, a total of 24 new fentanils have been identified on Europe's drug market — including 14 since January 2016. During this period there has also been a large increase in seizures by law enforcement at international borders and at street-level. Reports of fatal poisonings have also increased substantially.

Where known, the vast majority of shipments of new fentanils coming into Europe originate from chemical and pharmaceutical companies based in China. However, production in illicit laboratories, including in Europe, have also been reported. Typically, synthesis of fentanils is relatively straightforward.

As new fentanils are not controlled under the United Nations international drug control conventions they can be manufactured and traded relatively freely and openly in many countries — which has been exploited by entrepreneurs and organised crime using chemical and pharmaceutical companies based in China. The fentanils are typically shipped to Europe by express mail services and courier services. They are then sold as 'legal' replacements to illicit opioids on the surface web and anonymous marketplaces on the darknet. Unknown to users, they are also sold directly on the illicit drug market as heroin or mixed with heroin, as counterfeit medicines, and as other illicit drugs such as cocaine. This places users at serious risk of life-threatening poisoning.

Fentanyl and fentanyl analogues available on European drug markets are either licit pharmaceutical products diverted from legal supply or illicit drugs produced in clandestine laboratories. The potency of illegally produced fentanils is typically higher than those diverted from legal supply and their effect on the users is therefore less predictable.

Major international law enforcement operations shut down AlphaBay and Hansa

Two major law enforcement operations, led by the Federal Bureau of Investigation (FBI), the US Drug Enforcement Agency (DEA) and the Dutch National Police, with the support of Europol, have shut down the infrastructure of an underground criminal economy responsible for the trading of over 350 000 illicit commodities including drugs, firearms and cybercrime malware. The coordinated law enforcement action in Europe and the US ranks as one of the most sophisticated take-down operations ever seen in the fight against criminal activities online.

AlphaBay was the largest criminal marketplace on the Dark Web, utilising a hidden service on the Tor network to effectively mask user identities and server locations. Prior to its take-down, AlphaBay reached over 200 000 users and 40 000 vendors. There were over 250 000 listings for illegal drugs and toxic chemicals on AlphaBay, and over 100 000 listings for stolen and fraudulent identification documents and access devices, counterfeit goods, malware and other computer hacking tools, firearms, and fraudulent services. A conservative estimation of USD 1 billion was transacted in the market since its creation in 2014. Transactions were paid in Bitcoin and other cryptocurrencies. Hansa was the third largest criminal marketplace on the Dark Web, trading similarly high volumes in illicit drugs and other commodities. The two markets were created to facilitate the expansion of a major underground criminal economy, which affected the lives of thousands of people around the world and was expressly designed to frustrate the ability of law enforcement to bring offenders to justice.

THE INVESTIGATIONS

Europol has been supporting the investigation of criminal marketplaces on the Dark Web for a number of years. Europol and partner agencies supported the Dutch National Police to take over the Hansa marketplace on 20 June 2017 under Dutch judicial authorisation, facilitating the covert monitoring of criminal activities on the platform until it was shut down on 20 July 2017. The Dutch Police collected valuable information on high value targets and delivery

addresses for a large number of orders. Some 10 000 foreign addresses of Hansa market buyers were passed on to Europol.

In the meantime, an FBI and DEA-led operation, called Bayonet, was able to identify the creator and administrator of AlphaBay, a Canadian citizen living a luxurious life in Thailand. On 5 July 2017, the main suspect was arrested in Thailand and the site taken down. Millions of dollars' worth of cryptocurrencies were frozen and seized. Servers were also seized in Canada and the Netherlands.

LAW ENFORCEMENT STRATEGY

In shutting down two of the three largest criminal marketplaces on the Dark Web, a major element of the infrastructure of the underground criminal economy has been taken offline. It has severely disrupted criminal enterprises around the world, has led to the arrest of key figures involved in online criminal activity, and yielded huge amounts of intelligence that will lead to further investigations. But what made this operation really special was the strategy developed by the FBI, DEA, the Dutch Police and Europol to magnify the disruptive impact of the joint action to take out AlphaBay and Hansa. This involved taking covert control of Hansa under Dutch judicial authority, which allowed Dutch police to monitor the activity of users without their knowledge, and then shutting down AlphaBay during the same period. It meant the Dutch police could identify and disrupt the regular criminal activity on Hansa but then also sweep up all those new users displaced from AlphaBay who were looking for a new trading platform. In fact they flocked to Hansa in their droves, with an eight-fold increase in the number of new members of Hansa recorded immediately following the shutdown of AlphaBay. As a law enforcement strategy, leveraging the combined operational and technical strengths of multiple agencies in the US and Europe, it has been an extraordinary success and a stark illustration of the collective power the global law enforcement community can bring to disrupt major criminal activity.



AlphaBay was taken down on 4 July 2017



Two weeks later, the number of users in HANSA increased eightfold



The Dutch Police shut down Hansa marketplace on 20 July 2017

SITUATIONAL PICTURE

12



Cannabis

Cannabis remains, by far, the most widely consumed illegal drug in the EU. Cannabis is distributed on EU markets as cannabis resin and herbal cannabis. In recent years, herbal cannabis has been increasingly popular with consumers, which has led to an increase in the production and availability of herbal cannabis within the EU and in countries close to EU markets. Market stability indicates the success of the business model of the OCGs involved in this crime area as well as the key role played by organised crime in the trade in this illegal drug.

Cannabis is set to remain popular with consumers and, as a consequence, will continue to generate significant profits for the OCGs involved in its production, trafficking and distribution. The indoor cultivation of herbal cannabis has proven a successful business model for OCGs and various groups will likely continue to invest in cultivation sites across the EU.

PRODUCTION IN THE EU

The production of herbal cannabis within the EU for domestic consumption has increased significantly over recent years. The indoor and outdoor cultivation of herbal cannabis in the Member States or in countries close to EU consumer markets is now likely the main source of herbal cannabis distributed in the EU. Indoor cultivation of cannabis takes place in most, if not all, Member States on different scales.

Growing equipment, seeds and other raw materials used for cannabis cultivation in the EU are available online. Growing technologies have advanced allowing OCGs to automate the maintenance of cultivation sites and reduce the risk of detection. The indoor cultivation of herbal cannabis in the EU is expected to further expand over the coming years with new growing techniques and increasingly sophisticated growing technologies being used by OCGs in order to increase harvest yields and profits.

TRAFFICKING

Albania remains the main source of herbal cannabis trafficked to the EU. The main source of cannabis resin consumed in the EU is Morocco from where it is trafficked to the EU primarily by sea and road transport. Cannabis resin originating from Morocco is increasingly smuggled to the EU across the Mediterranean Sea departing from Libya.

Using front companies and middlemen, some OCGs operate their own cargo vessels or even small fleets of cargo vessels transporting multi-tonne shipments of cannabis. Cannabis resin is trafficked to the EU in containers concealed among legal goods.



Cocaine

The trafficking and distribution of cocaine is the most common criminal activity related to drugs among OCGs active in the EU and generates multi-billion profits for the criminal actors involved. The annual retail market for cocaine in Europe is conservatively estimated at EUR 5.7 billion. OCGs involved in cocaine trafficking collaborate extensively in the trafficking and distribution of cocaine to an extent that it is difficult to delineate between the different OCGs involved in the trafficking activity in South America, Africa and the EU.

PRODUCTION

Cocaine is primarily produced in Colombia, Peru and Bolivia and trafficked to the EU via other South American countries, the Caribbean Sea region and West Africa. Colombia remains the biggest producer of cocaine in the world.

TRAFFICKING

Cocaine is typically trafficked as part of large shipments in containers and marine vessels or in smaller quantities

by couriers. In some cases, OCGs use smaller leisure boats as well light aircraft to smuggle cocaine to and within the EU. Most cocaine trafficked in containers arrives in the EU at major sea ports, where OCGs often rely on corrupt port workers and other staff to extract the cocaine shipments from the containers. Cocaine trafficked by air arrives at major EU airports often following multiple changes as part of the couriers' journey in order to obscure their original point of departure. Smaller shipments of cocaine are frequently trafficked to the EU in couriers' luggage or by body-packers. Cruise ships departing from the Caribbean Sea region are increasingly being used to traffic cocaine to the EU.

Cocaine also continues to be smuggled incorporated into other items or as liquid odourless substances and is later extracted and converted into cocaine hydrochloride in dedicated secondary extraction and conversion laboratories.

The EU is increasingly used as a transshipment point for cocaine trafficked from South America to destinations in Asia and the Middle East.



Significant increase in cocaine trafficking activities and seizures in the EU

Over the last three years, the production of cocaine in Colombia has intensified significantly following a peace accord between the government of Colombia and Revolutionary Armed Forces of Colombia - People's Army (FARC) insurgents. The production output of cocaine increased by 60% from 2014 to 2015.¹¹ Between 2015 and 2016, Colombian coca cultivation areas expanded by 52% representing a further increase in production output of 34%

compared to the previous year.¹²

This unprecedented increase in cocaine production has resulted in intensified trafficking activity to the EU. While the established routes and modi operandi such as the trafficking of cocaine in containers and the use of couriers have largely remained the same, the number and quantities of cocaine seizures in the EU have notably increased.

¹¹ United States Department of State 2017, International Narcotics Control Strategy Report. Vol I, Drug and Chemical Control.

¹² UNODC 2017, UNODC Colombia Cultivation Survey, accessible at http://www.unodc.org/documents/colombia/2017/julio/CENSO_2017_WEB_baja.pdf



Heroin

OCGs active in the trafficking and distribution of heroin rely on an established and successful business model generating significant profits. Despite a reported moderate decline in heroin consumption levels in the EU, heroin continues to be trafficked to the EU in large quantities.

PRODUCTION

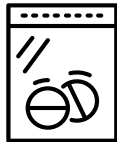
Afghanistan remains the leading producer of heroin trafficked to the EU. The production output of opium and heroin in Afghanistan is very high and is projected to remain so for the foreseeable future. The estimated Afghan production output of opium in 2016 is approximately 4800 tonnes, which could yield more between 290 and 510 tonnes of heroin in production.¹³ OCGs are thought to use established trafficking infrastructure to traffic acetic anhydride, the precursor used for heroin production, in large quantities.

TRAFFICKING

A large share of the heroin consumed in the Member States is trafficked via the Balkan route to the EU - overland, by sea or by air. Repeated large seizures indicate the growing importance of the Caucasus route. The Southern Caucasus region is an alternative transit hub for the trafficking of large quantities of heroin from Iran to the EU.

OCGs involved in heroin trafficking increasingly traffic heroin in large individual shipments in excess of 100 kilograms per shipment. Large shipments are also transported via the Southern route, with East Africa and South Africa as transshipment points, to key ports in Western Europe.

Couriers continue to be used to traffic heroin to the EU. Heroin is also available on online marketplaces and is occasionally distributed across the EU in small quantities via post and parcel services.



Synthetic drugs and NPS

The market for synthetic drugs continues to be most dynamic of the drugs markets in the EU. OCGs based in the EU remain among the most prolific producers of various types of synthetic drugs in the world.

PRODUCTION

The production of different types of synthetic drugs takes place in various Member States. The intended destination markets for synthetic drugs produced in the EU vary according to the substance and production location. A share of the large-scale production of 3,4-methylenedioxy-methamphetamine (MDMA), amphetamine and, to a lesser extent, methamphetamine in the EU is intended for trafficking to markets outside the EU, while the production of synthetic drugs in other parts of the EU predominantly supplies domestic and neighbouring EU markets.

PRECURSORS AND PRE-PRECURSORS

OCGs producing synthetic drugs in the EU continue to be highly flexible and will remain so in the future. They are quick to adopt alternative precursor and pre-precursor substances in reaction to any shortages in established precursor substances. Some OCGs have specialised in the procurement and production of pre-precursor and precursor substances supplying OCGs producing and distributing synthetic drugs in the EU.

TRAFFICKING

Synthetic drugs produced in the EU are trafficked within the EU and to destination markets outside the EU mainly by couriers and parcels. Larger shipments trafficked within the EU are typically concealed in private vehicles and on lorries. In some cases, large shipments of synthetic drugs are trafficked to destinations outside the EU in maritime shipping containers.



¹³ United Nations Office for Drugs and Crime (UNODC) 2016, Afghanistan Opium Survey 2016, p. 38, accessible at <https://www.unodc.org/documents/press/releases/AfghanistanOpiumSurvey2016.pdf>



LINKS TO THE TRADE IN ILLEGAL DRUGS

Terrorism

Terrorism and the groups carrying out terrorist offences have evolved significantly over the last decade. The EU has been the target of repeated terror attacks and plots in recent years. The trafficking and sale of illegal drugs in the EU is believed to primarily finance terrorist activities outside the EU.

The pursuit of criminal activities in support of terrorist activities is not a new phenomenon. Routes used to traffic cannabis and heroin traverse the same regions, such as the Western Balkans, that are also linked to terrorism-related activities including terrorism financing. The actors involved in terrorism with links to serious and organised crime use criminal infrastructures to facilitate their terrorism-related activities.

EU-based criminals specialising in the production of synthetic drugs are believed to be involved in the production of amphetamine used to manufacture “captagon” in the Middle East. “Captagon” is a popular drug in the Middle East and known to be used as a psychostimulant in combat situations. The trade in this substance is likely a source of finance for the activities of terrorist actors.

Money laundering

Money laundering allows OCGs to introduce the proceeds of crime into the legitimate economy. Almost all criminal groups need to launder profits generated from criminal activities. The trade in illegal drugs generates substantial profits for the OCGs involved. In some

cases, these OCGs launder these funds by themselves investing in businesses, real estate and other ventures across and outside the EU. However, the most successful drug trafficking networks also make use of money laundering syndicates, which have specialised in laundering the proceeds of other OCGs in exchange for a fee.

The scale of money laundering activities in the EU is significant reflecting the immense profits generated by the OCGs involved in the drugs trade and other serious and organised crime. However, the global anti-money laundering framework implemented by law enforcement and other authorities in the EU has shown to have a poor success rate in identifying and seizing illegal funds generated by criminal organisations. Between 0.7-1.28% of annual EU GDP is detected as being involved in suspect financial activity. In 2014, EU Financial Intelligence Units (FIUs) received almost 1 million reports. Although the overall number of suspicious transaction reports (STRs) continues to increase, only around 10% of these reports are further investigated – a figure that is largely unchanged since 2006. Even where further investigated, the likelihood of successful asset recovery is low, and barely 1% of criminal proceeds are confiscated by relevant authorities at EU level.¹⁴

Money laundering is also increasingly a technical challenge for law enforcement authorities. Criminal networks continuously seek to exploit the latest technological developments such as cryptocurrencies and anonymous payment methods. Rapid transaction processing and the proliferation of effective anonymisation tools are significant obstacles in the identification of the beneficial owners of criminal proceeds. A growing number of online platforms and applications offer new ways of transferring money and are not always regulated to the same degree as traditional financial service providers.

¹⁴ Europol 2017, *From Suspicion to Action - Converting financial intelligence into greater operational impact*, accessible at https://www.europol.europa.eu/sites/default/files/documents/ql-01-17-932-en-c_pf_final.pdf



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