

CROSS-BORDER CRIMINALITY

Illicit Financial Flows and North-South Mafia In Germany

“...the impact of organised crime on development is extensive and diverse. Organised crime cannot be viewed as a separate development challenge to be addressed in isolation. Rather, an effective response calls for the recognition that organised crime is an intrinsic element to a large number development challenge, and must be interwoven throughout broader development response frameworks. The failure to account for and address fundamental aspects of organised crime will directly impede and perhaps threaten existing gains in social and economic development.”

The Global Initiative Against
Transnational Organized Crime

Abstract

This paper outlines the presence of mafia groups from the Global South (including the Black Axe from Nigeria) and Italian mafia groups and their relationship with illicit financial flows in Germany. The aim is not to compare the two mafia groups, which have different historical and organizational characteristics, nor to focus on the logic of the territorial expansion of the mafia groups. Rather, the aim is to draw attention to the role played by both new and ‘less new’ criminal organisations in Germany and how financial mechanisms are used to hide illegally obtained wealth.*

*It should be noted that this topic in academic research is in an early phase. For this reason, several non-academic sources have also been used, in particular to identify where further research is needed.

**Layering often involves a process of electronically transferring illicit funds from one country to another and/or investing the funds in overseas financial markets. The ultimate aim layering is to separate the funds from its illicit source.

Introduction

The networks enabling the flow of illicit funds continue to expand, with criminals and tax evaders benefitting from the transnational nature of today’s financial world (OECD, 2014). Criminal groups, including powerful mafia groups around the world, launder illicitly acquired funds and have discovered the advantages of layering funds** in order to avoid being detected by law enforcement officials (Reuter & Truman, 2004:3).

Thus, while the major focus is often on tax evaders, tax havens and secrecy jurisdictions, little attention has been paid to the past and ongoing use of these channels to hide illicitly acquired funds by transnational organised crime. These illicit funds are acquired from a number of sources, including tax schemes, embezzled national funds, bribery, illegal mining/natural resource exploitation, as well as from the sale of drugs and weapons, prostitution and human trafficking, and the trade in protected wildlife, amongst others (World Bank, 2017).

WHAT

The potential risk in Germany represented by illicit financial flows generated from the illegal activities of organised criminal groups, specifically Italian and Nigerian mafia groups

WHY

To support a call to action for decision-makers to act against illicit financial flows in Germany

In this paper, we will consider funds generated from illegal activities, such as the trade of prohibited products (for example drugs and weapons), contraband, and human trafficking perpetrated by mafia groups. We will especially reflect on the potential alliance between the Italian and Nigerian mafias and the dangers these criminal groups may pose for Germany in the near future.

How mafia groups work and what they do

The Nigerian Mafia

The Nigerian mafia is currently one of the most efficient and dangerous African criminal systems operating at a transnational level, despite its fluid structure. The Nigerian criminal universe is not monolithic and is composed of cells linked to top-level figures back in Nigeria (Cabras, 2017). In Italy, it is established that there are at least three mafia groups operating in many large cities. These are: the Aye Confraternity, the Eiye and the Black Axe (The Guardian, 2016; Cabras, 2017). In Germany, there are unconfirmed reports about Black Axe operations, however it seems little attention is being paid to whether they are making inroads here.

Today, due to its strategic geographical position and weak governmental controls, Nigeria is used as a transit hub for **drug trafficking** and for the production of new synthetic drugs, sold in Europe. In particular, the Nigerian Mafia play, in Italy and Germany, a leading role in the trafficking of drugs compared to other African organizations. The second most profitable activity is **human trafficking and exploitation through prostitution rings** (Cabras 2017). What is interesting to note is the specialisation of illicit activities by gender: women play a key role in trafficking Nigerian women, for example through the *madame network*, are often themselves former victims of trafficking (Monzini, 2005).

*A major expert debate on the causes of expansion is ongoing; the factors are multiple.

It therefore presents a fluid and transversal organisational form, without a unitary decision-making system. Nowadays, there are usually at least a dozen groups competing for primacy in Africa and abroad. In terms of origin, most Nigerian mafia groups come from associations formed in the 1950s within universities, made up of students. Key components are group identity (affiliation rituals) and the extensive use of violence.

The Italian Mafia

Organized crime in Italy has affected the social and economic life of the country at least since the end of the 19th century. The heavily active mafia-like organisations today, mainly based on family clans, are: the **Cosa Nostra**, originally from Sicily, the **Calabrian mafia** - the **'ndrangheta** - considered to be the biggest cocaine smuggler in Europe, and the **Camorra**, very active in Naples and Caserta, which is less hierarchical and with younger leaders. The most recent group, based in Apulia, is **Sacra Corona Unita**. The first three groups have all expanded beyond their home territories, where they focus on infiltrating the economy and dealing on illegal markets (Sciarrone, Storti, 2014).*

With regards to Germany, the Italian mafia groups have been active in the country at least since the 1970s. The 'ndrangheta, Cosa Nostra and Camorra exploited the flow of Italians who emigrated to the north of Europe in the 50s and 60s. This increased following the removal of border controls in 1985 under the Schengen Agreement, with mafia groups expanding their networks in Germany and to other neighbouring countries, and into the East of Germany after reunification. The result today is that Baden Württemberg, North Rhine-Westphalia, Hessen and Bavaria are the regions most affected by the presence of Italian mafia groups, mainly linked to 'ndrangheta, which has been considered by experts to be the largest criminal group in Germany since the 1980s.

It is suggested that if the first expansionary phase was random in nature, the second phase was instead carried out through a real strategy, characterised by keeping a low profile and focussing on small or medium-sized, but strategically located, cities (Forgione, 2013).

The main activities of the Italian mafia abroad are **drug trafficking**: Germany is both a destination and transit zone in this business. The route from the Netherlands to Italy, using the strategic role of seaports, is particularly important for these groups. Above all though, Germany represents an **extensive money laundering hub**: affiliates invest money from the traditional gastronomy sector from within its food chain to, for example, the alternative energy sector (Forgione, 2013).

In general, this has involved less killing, with the exception of the so called 'Duisburg massacre', when for the first time the mafia became a concern in German public opinion. In this case, six Italian men linked to the crime were shot dead in Duisburg, near an Italian restaurant. The same trend has been observed in the north of Italy.

Mafia alliances and the risks they entail

Mafia alliances are **no longer unusual** (Williams, 1994) and appear to be growing stronger due to the development of liberal economics, free trade and the emergence of global trading and financial systems. Mafia alliances aim to identify markets where two or more organisations can jointly operate clandestinely, with each group usually specializing in a specific task.

There is evidence to suggest that Italian and Nigerian mafia groups indeed work together in Italy (Ladeluca, 2012). In particular, research has identified episodic connections in the drug business between the Nigerian mafia and the Camorra (particularly in the province of Caserta) and the Cosa Nostra, with the different groups also operating independently in specific sectors.

Furthermore, there is an established clandestine network which exploits the relatively large numbers of undocumented persons present in many Italian cities. These clandestine networks take advantage of the precarious circumstances these persons find themselves in by presenting themselves as the only viable alternative and solution for finding a way out. In these circumstances, undocumented persons are lured into a life of crime as the Nigerian mafia 'foot soldiers' with little exposure risks for the leaders of the clandestine networks (IOM, 2006).

It has also been reported that mafia alliances also co-opt non-criminal persons by recruiting 'couriers' who do not arouse customs or law enforcement officials to traffic drugs and money, mostly vulnerable persons, such as women in precarious situations or students travelling abroad to commence their studies (Okojie, et. al., 2003).

The theme of foreign mafia groups in Italy, and the potential hierarchical relationship among them, has indeed been the subject of only recent investigation and further research is needed. What has emerged though is that non-Italian groups seem to be gaining space, in what can be considered a shift of axis of the main Italian organizations, or rather by their large-scale entry into the "legal" economy through extensive money laundering operations (Williams, 2001).

As far as Germany is concerned, there is no data on potential alliances. What is certain though is that for the Nigerian groups, Italy is a country of destination, the main hub of exploitation of Nigerian women, as well as a transit point to other European countries, (IOM, 2006; Okojie, et. al., 2003) including potentially Germany.

Is Germany at risk?

If we consider the situation of the Italian mafia, for several decades the 'Ndrangheta have been building a dense network abroad, with affiliates who have now also settled permanently.

In Germany, this aspect of the Italian mafia has been confirmed through a series of court cases, from *Crimine infinito* in 2010 to *Rheinbrücke* 2015, for example. (Bedetti, Dalponte, 2017).

In January 2018, the German and Italian Police conducted a landmark joint mafia raid: 169 people were arrested, 13 of which were in Germany. Assets worth €50 million were seized in the operation, which targeted the 'ndrangheta organised crime group. In Germany, arrests were made in the Hessen and Baden-Württemberg regions (BBC, 2018). Interestingly, some of the persons arrested in Germany, and also within the larger circle of investigation, were German nationals; this means that over the years, they have created valuable social and economic assets and are able to move around easily (Bedetti, Dalponte, 2017).

In Germany, organised crime does not yet seem to exercise full control over areas of the country, with interests predominantly economic in nature (Bedetti, Dalponte, 2017). However, the nature of long-term investments in the legal economy puts Germany at great risk. The low profile they have kept, which has aimed at having undisturbed economic progress, does not exclude that there may be influence in the public administration in the future. The lack of high profile reporting on the Nigerian mafia also does not exclude their presence in Germany.

Moreover, despite the lack of confirmed evidence of collaboration between these two groups in Germany, cooperation between increasingly specialised criminal groups is a factor to be considered. In past years recent efforts in collaboration with the Italian police have been made, but in general organised crime and its 'dirty investments' have fallen off the radar, despite the costs to the country. As far as Germany is concerned, we can speak of an official underestimation of the Mafia phenomenon, both from the Global North and Global South.

What are the risk factors for Germany?

- ❖ Germany is a **financial secrecy jurisdiction** and mafia groups can exploit this to their advantage. According to the Financial Secrecy Index 2018, Germany is the 7th most secret jurisdiction, meaning that secrecy rules may help facilitate penetration by organised criminals;
- ❖ **Beneficial ownership register** - due to the weaknesses in beneficial ownership transparency, mafia groups may be able to use layers of legal entities to hide their ownership of properties acquired using laundered funds
- ❖ **Jurisdictional shopping**: the tendency of organised criminals to take advantage of countries where standards and monitoring is less strict
- ❖ **Strength of the economy and its geographical position**
- ❖ **Local 'services'**: existing social networks and connections in Germany

Conclusions

Illicit financial flows are among the most serious of contemporary global threats; the prevention of illicit financial flows is an essential part of UN Sustainable Development Goal 16, together with combatting all forms of organized crime.

Fighting illicit financial flows is central in order to achieve this and related targets, including those aimed at reducing corruption and bribery, and developing accountable and transparent institutions at all levels. In particular, curbing illicit financial flows from organised crime in developing countries, such as Nigeria and from the Global North should be a priority for Germany.

Germany recently announced its Marshall Plan for Africa, with the aim of, according to the Federal Ministry for Economic Cooperation and Development, strengthening Africa's development capacity with the understanding that sustainable development can only be achieved if it originates and is driven from within.

This means that Germany should ensure that all loopholes that allow organised criminal groups to thrive and develop cross-border capabilities are removed.

Any attempt at simply executing the Marshall Plan for Africa without also considering the potential, growing threat of transnational organized crime in the same vein and addressing the weaknesses in Germany's responses to these groups, will fall short of achieving any tangible result both in Germany and across the world.

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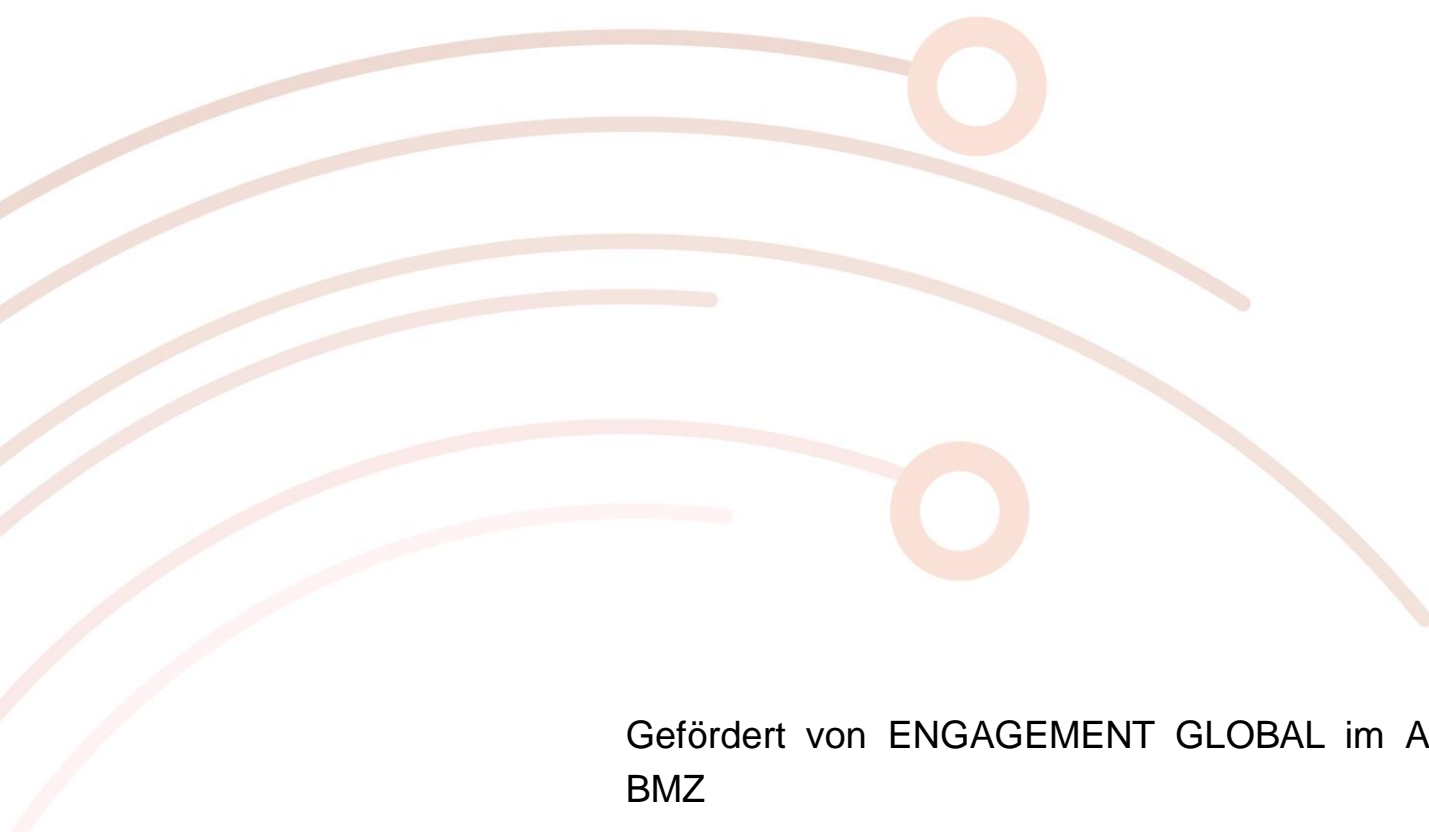
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