

# Italian Mafias in the Global Economy

Practitioner's insight

## Italian Mafias in the Global Economy

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**Abstract:** The international system today exhibits a greater impact and magnitude of transnational processes than ever before. Since the end of the Cold War, patterns in crime have diversified, “gone global”, and reached unprecedented macroeconomic levels. Traditional mafia groups are now global actors and have invested in both licit and illicit economies. Their activities have been greased by corruption in politics and in the private sector. This piece examines the role of Italian mafias in the global economy.

**Keywords:** Italian Mafias; Transnational Organised Crime; Nexus Between Legitimate and Criminal Economies; Corruption; International Cooperation \*Franco Roberti is Italy's National Anti-Mafia Prosecutor and head of the Italian Anti-Mafia Directorate, Rome

Over the past twenty years, Italian Mafia-type associations have evolved into formations that are rapidly spreading across regional and national borders, often in alliance with foreign groups. These criminal synergies have facilitated the global expansion of illegal activities that presuppose the existence of organised structures: drugs and weapons trafficking; human trafficking; smuggling of counterfeit goods; the collection, transportation, storage and disposal of illegal waste of all kinds (often highly toxic and harmful) causing damage to health and the environment; cybercrime and internet fraud; control of the agri-food sector; control of public contracts; property investment, gaming and betting activities; money laundering and re-use of illicit proceeds.

At the same time, these groups maintain full and systematic control and authority over areas which they use as a space for illicit accumulation, for economic activities and those aimed at conditioning institutions (corruption, vote exchange) and for the management of public funds. They often become entangled with other criminal organisations, or groups operating illegally, which are defined not only by ethnic or national origin but also by the ability to operate in a dynamic and flexible manner on a transnational basis with multiple partners in various crime sectors or countries. These organisations are composed of political and institutional representatives, officials, businessmen, holders of professional qualifications and business agents. One cannot maintain that this occurs at random and not, indeed, as a result of a deliberate strategy. To cite a very pertinent example, the illegal cycle of waste sees the main actors of economic crime (i.e., the economic actors that aim to make a profit at any cost) and those who control the territory, who readily become criminal organisations, that together damage the state's administration. They supply their own money or use that of the international community, at least on paper, for noble purposes. Instead, they are lining the already full pockets of Mafia gangs, as well as those of corrupt public

officials who represent the inner workings of a perverse system.

A Europol report published in March 2013 (SOCTA) estimated that 3,600 international criminal organisations are now operating in the European Union (EU) and that 70 percent of these have branches, and operate, in different geographical areas, and more than 30 percent are poly-crime groups. Italian mafias are still considered among the most dangerous and pervasive of all. It has been calculated that, by default, criminal organisations in Italy, through the drug market alone, generate a turnover of 25 billion Euros each year tax-free. Therefore, in comparison with the data of the legal economy, the turnover produced by the drug market is almost equal to that of the largest economic sector in Italy, namely the manufacturing and textile sector (EUR 45 billion gross). In fact, modern organised crime—Mafia, non-mafia and terrorist/subversive groups—is exploiting two available opportunities:

1. The vulnerability of the international economic and financial system;
2. The technological development and globalisation of the legal and illegal market.

With regard to the first point, it is sufficient to consider that money laundering is the essence of organised crime. The value of money laundering worldwide is estimated by the Bank of Italy as equal to approximately 5 percent of GDP, while the estimates for Italy are even more worrisome as they indicate an average sum of more than 10 percent of GDP (approximately EUR 118 billion per year), which has increased with the opening up of international markets and the economic crisis.

The infiltration of economic organised crime in legal business activities is mainly interested in the procurement of public works contracts and commercial sectors through a network of patronage based on exchanges and reciprocal favours. Even in court judgments that are now final, reference has been made to a stable relationship of functional reciprocity between mafia organisations and the aforementioned illegal organisations. Illegal profits obtained in this way are reinvested in other seemingly legitimate activities, acting as a buffer between the company and the criminal origin of the funds and, in turn, between this origin and the agent of this accumulation, namely, the actual owner.

The European Parliament's (EP) resolution of 23 October 2013 on organised crime, corruption and money laundering notes that, on the basis of the investigative and judicial findings, organised crime has become a global economic player. It demonstrates a strong entrepreneurial spirit and specialises in the simultaneous provision of different types of illegal—but also legal—goods and services. Organised crime has a considerable impact on the European and global economies and a substantial impact on the tax revenue of the Member States and of the EU as a whole with an annual cost to companies estimated at over EUR 670 billion.

For organised crime groups, bribing public officials and private economic actors is an indispensable tool that allows them, among other things, to access confidential information, obtain fake documents, direct the course of public procedure, launder their own income and evade law

enforcement actions enforced by judicial authorities and the police.

However, from the EP's perspective, corruption—which costs EUR 120 billion per year, equivalent to 1 percent of the EU's GDP—is not only a method favoured by organised crime, but also a serious attack on the European economy. As it interferes with free competition, impacting negatively on the quality of services, it deducts substantial sums from taxation, discourages investment, and therefore hampers development and employment. It is true that one of the problems with the euro currency is the difference in productivity among the Member States. However, it also creates a disparity in terms of competitiveness that cannot be resolved with a monetary devaluation. There is no doubt that systemic corruption in the public sector represents one of the main barriers to economic efficiency, to attracting foreign investment, and to innovation. Therefore it prevents the proper functioning of the monetary union itself.

Corruption is one of the most serious crimes against the economy. The primary objective of law enforcement agencies and the judiciary must therefore be to identify and strike criminal assets, illegal forms and routes of accumulating profits and capital, both in Italy and abroad, precisely because mafia groups weigh heavily on the legal economy in the form of corruption, money laundering and the control of seemingly legitimate businesses, which, in reality, are mafia-owned. The reduction of bank loans due to the current economic crisis has undoubtedly driven struggling businessmen to use abnormal or illegal forms of financing. Traditionally, but still today, mafia groups prefer to communicate with businessmen who are very unlikely to report extortion or loansharking. Often, more than out of a real fear of retaliation, this is down to the practical need to avoid attracting the State's attention to the illegal nature of their own activities (tax evasion, purchase of illegal goods, undeclared workers, etc.). In this respect, it is important to note that, in the last two years, extortion allegations in Italy, which only represent the "visible" fraction of the criminal activities, have increased by 155 percent compared to the previous two years. Therefore, apparently legal businesses find themselves in the hands of criminals.

However, not all illegal financing is charged at extortionate rates. A common method of money laundering, which often goes undetected, is the crime of illegal financial activity, in art. 132, paragraph 1, of Legislative Decree 1.9.1993 no. 385 (Consolidated Banking Act). This constitutes the "assumed" crime for a subsequent incident of money laundering, which is implemented by means of the businessmen funded in this way, who receive a competitive rate compared to legal credit.

With regard to technological development and globalisation of markets, an unprecedented operating opportunity for criminal organisations, which was unveiled by recent investigations in Italy, several criminal associations have emerged in the virtual space. With the help of the "deep web," one of these criminal groups has ripped off revenues from disseminating child pornography. The "deep web" is a part of the web that cannot be reached through common search engines and where, through anonymous sites, users can exchange information and execute transactions. For reasons of anonymity and for technical difficulties in gaining investigative access to certain parts of

the web, combined with the high (and therefore still limited) specialisation needed for cybercrime investigations, the “deep web” offers unprecedented opportunities not only to paedophile rings but also to a wide variety of criminal activities carried out online by organised crime groups. They deal in drug and weapons, sell counterfeit goods and launder illicit profits. Cybercrime represents a new challenge to law enforcement agencies. The prospects for organised crime linked to the latest technological developments are yet to be fully established and understood. International cooperation against cybercrime should also become one of the security priorities for national governments.

Although, as I have said, the maximum possible efforts are being made on an investigative and judicial level, much more can and must be done in terms of general crime prevention. At this point, the issue also includes the business sector. The results of a survey conducted in 1999 by the Italian National Anti-Mafia Directorate and the Bocconi University, Milan focusing on Economics and Crime in Basilicata showed that, even then, economic and financial growth not within a context characterised by market transparency and competitiveness and efficient legal controls, included a substantial risk of environmental vulnerability to criminal infiltration. Widespread fragility in the industrial and commercial sectors has heightened this risk. The traditional terms of the relationship between development and legality seem to have been overturned in the same way, which is why increased legality would equate to further development.

As a result, among other things, the inefficiency of the Italian judiciary in guaranteeing protection rights is not only due to the denial of justice, but it is also a hindrance to development and contributes to the loss of competitiveness of the entire country. Security and justice—the essential conditions for sustainable socio-economic development—must be a priority for the EU, starting with the effectiveness of the principle of equality, now also required by the Lisbon Treaty, which obliges the EU to “eliminate inequalities” (Article 8 TFEU).

Italian Mafia groups have exploited the social inequalities between “strong” and “weak” citizens doing business with those among the former who feel they are above the law, and recruiting the latter as labourers. The latter delude themselves that only through lawlessness and mafia militancy can they achieve the economic and social progress they think would otherwise be unattainable. Mafia groups also take advantage of the regulatory and organisational difference between virtuous and negligent States, by addressing, for example, illicit capital flows to low-tax jurisdictions with weak or complacent anti-money laundering regulations or where investigative pressures are lower.

The domestic and international fight against tax evasion and, therefore, tax havens entails the elimination of bank secrecy and the automatic exchange of information between Member States. However, the 2009 OECD Convention on tax havens guarantees the persistence of banking secrecy in Contracting States. In fact, the exchange of information on tax matters is based on bilateral agreements and substantiated requests for certain cases. The exchange of information is therefore not automatic but depends on the largely discretionary decision of the relevant body.

Translated into English by Steven Wonnacott (BA, MA, ITI).