

CRIME AND BUSINESS IN EUROPE



PHOTO: UNSPLASH/ALEX MACCARTHY

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CRIME IN EUROPE

AND THE IMPACTS ON

SWEDISH COMPANIES

CRIME IN EUROPE

Europe includes some of the safest countries in the world. During the last decade, countries within the European Union have seen a decline in a number of categories of crime. Robberies, theft, burglaries, and homicides have all decreased. However, even the safest countries are not free from crime and associated risks. The risk of crime across Europe does have notable impacts on both people and businesses.

Europe is a great business landscape, however it does still suffer from the economic and social costs caused by crime. In Sweden, it was estimated that crime costs private businesses up to SEK100 billion per year, out of which SEK48 billion is in direct costs.

3 993	583 000	299 000	46 000
Homicide 3 993 intentional homicides in the EU in 2018.	Assault Around 583 000 recorded offences in the EU in 2018.	Robberies Around 299 000 recorded by Police in the EU in 2018	Knife crime on the rise The United Kingdom recorded 46000 offences involving a knife or sharp objects in 2019/2020

In the 2017-2018 Global Competitiveness Report, business leaders were asked to what extent the incidence of crime and violence imposed costs on their business. The United Kingdom and Italy are traditionally assessed as safer countries than both

Cambodia and Liberia, but respondents in the United Kingdom scored their country at the same level as respondents from Cambodia, and in the same survey, Italy scored lower than Liberia. So what are the threats to companies operating in Europe?



PHOTO: UNSPLASH/RYAN TANG

ORGANIZED CRIME, A THREAT TO BOTH PEOPLE AND BUSINESSES

Organized crime is a growing concern in Europe due to its serious impact on people and businesses. A recent Europol report noted that about 5,000 organized crime groups were under investigation in 28 EU member states. More concerning is that organized crime in Europe is becoming more violent, and more costly to both people and businesses. Five years ago, organized crime was valued at nearly \$5 trillion globally, and it is expected to have increased further since then. In the UK, organized crime has long been a concern with over 7,500 criminal groups assessed to be operating within the country, with a cost to society of over £37 billion each year, or over £100 million per day. Organized crime affects businesses both directly and indirectly through lost market shares, increased security costs, impacts on foreign investments, disruptions in the supply chains, and crimes aimed directly towards businesses.

A 2018 World Economic Forum survey asked respondents to what extent organized crime imposes costs on the respondents' business. Italy

ranked lowest in Europe with organized crime stated to have around the same impact on business as in Mali and South Africa. Germany was on a downward trend, ranking similarly to the United States, a country that has a very publicized history of organized crime as well as contemporary problem with over 33,000 different gangs. Sweden, a country that historically has only minor problems with organized crime, has seen a worrying trend regarding organized crime and its effect on business. In the 2010/2011 Global Competitiveness Report, Sweden ranked as the ninth best country regarding the impact of organized crime on business. In 2017/2018, Sweden ranked 41.

The revenue sources of organized crime are varied with some posing a larger threat to businesses than others. Within Europe, rising counterfeiting and the infiltration of organized crime into legitimate businesses are two trends that have a negative material impact on the private sector and a major concern for Swedish employers.

For criminal actors, companies and even government authorities have become an increasingly important criminal tool to gain access to markets, supply chains, and legitimacy-through-association.

In order to counteract serious crime, employers and government actors must prevent criminal infiltration into their ranks. Organizations are increasingly using sub-contractors to handle sensitive information and whilst this contributes to significant efficiencies, it often means a high degree of trust in a third party and their employees, which criminals will seek to exploit. Trusted employees and sub-contractors with access to business-critical assets, systems and information worthy of protection can pose unique security challenges for line managers, human resources, risk and security managers. As organizations implement increasingly sophisticated physical and technical security measures to protect their assets from external threats, the recruitment of insiders and social manipulation becomes increasingly attractive options for those seeking access to classified and protected information as well as the organization's IT and information protection systems.

Investing in risk-based security mitigation and risk work where employees are put in focus is one critical requirement to mitigate the risks posed by insider threats. Whilst the financial consequences of internally-originating crime can be difficult to quantify, our experience indicates, that the higher up in the company's hierarchy the problems arise, the greater the consequences and costs. System weaknesses can also emerge with key personnel with ready access to the company's IT system, high certification rights or access to business-critical information and intellectual property.

Counterfeiting and **crimes involving intellectual property** is a major revenue source for organized crime and a growing concern for many businesses in Europe. The increased use of counterfeiting and infringements on intellectual property also affects businesses in a much more direct way than other types of crime. A recent study showed that counterfeit and pirated goods from outside of Europe amount to approximately seven percent of

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all imports into the EU. This equates to around €121 billion of lost revenue each year to businesses in Europe. Despite determined efforts by Europol and EU members states including Sweden, conviction

rates for counterfeiting or piracy within Europe remain at about 50 percent. During the last decade we have seen a stagnation of legitimate trade whilst trade in counterfeit goods has increased and we predict that the production, and trade of counterfeit

goods will continue to increase in the near future. If trade in counterfeit goods were to increase at the same rate as it did from 2011 to 2016, counterfeit wares would currently equate to nearly nine percent of all imports to the EU and a significant loss for European businesses.

Criminal infiltration into legitimate businesses

most often leads to crimes such as corruption, tax crimes, accounting manipulation, false invoicing, and document forgery. A study conducted by several crime prevention agencies in Europe found that there is evidence of criminal infiltration across the EU and over a wide range of industries. Most sectors, from construction, finance, and healthcare, are at risk. Often criminal organizations target cash-



PHOTO: UNSPLASH/ALEX KNIGHT

intensive businesses, such as restaurants and retail stores, primarily for money laundering purposes. Since Sweden is one of the least cash-intensive markets in Europe, the cash-intensive actors that do exist within Sweden may have a higher risk of these crimes. A second factor that impacts a company's risk exposure is the complexity and opaqueness of the industry. Real estate activities and water transports are identified as sectors attractive for infiltration because of their complexities. Besides the societal consequences of having a market heavily infiltrated by organized crime groups, a company that has been infiltrated may suffer severe reputational and financial damage once criminal activities are uncovered. Although Scandinavia, France and the United Kingdom have moved towards cashless societies, much of Europe is still cash-intensive. Around 55 percent of daily transactions are made in cash. Furthermore, many countries still have a high prevalence of complex and opaque business ownership structure including Sweden, Netherlands and Malta.

The easiest way for businesses to avoid criminal infiltration is to make sure individuals with criminal involvement are not recruited. Background checks and screening process for partners, suppliers,

employees, and consultants are essential and affordable. Due diligence across all aspects of your business and business relationships is a must.

Around Europe, many countries have a long history of local organized crime and their networks are increasingly transnational. To name a few, Italy has had their mafias, the UK their firms, and France their mob within the Milieu. What characterizes the last two decades in Europe is the increase in transnational organized crime, with elements spreading and operating across country borders. Criminals following new business opportunities is not unique, but what does stand out is the rate at which transnational organized crime has been increasing, and it shows no sign of stopping. We assess that transnational organized crime will continue to grow and make its way into countries that traditionally have had a lower presence of organized crime. Sweden is an example of the reach and growth of organized crime. In the 1990s, Sweden experienced an emergence of motorcycle gangs who became the focal point of the organized crime environment. However, with time, street gangs have come to dominate the organized crime scene in Sweden with a high prevalence in the major cities of Stockholm, Malmö and Gothenburg. This type of



organization is less structured and much more complex to combat. Additionally, as crime infests suburban areas and becomes a part of the landscape of these areas, children become a part of

the criminal organizations and the likelihood of employing people involved with crime similarly increases.

COVID VACCINE PASSPORTS FOR SALE

Even though the idea of a Covid vaccine passport to enable international travel is still only an idea, there is already a fear about the possibility of the yet-to-be-confirmed passports encouraging black market and counterfeit production of the Covid passports. It is hoped that if implemented, these Covid vaccine passports could be used to encourage travel again for people that have been vaccinated. A robust authentication system will be required to ensure validity and authenticity of the Covid passports. Companies have a significant incentive to have their workforce mobile again, from due diligence, to supply chain verification, face-to-face sales meetings, and negotiations, employees need to start traveling again on mass. Companies will need to monitor developments around Covid passports, as well as eligibility, and certification.

THE IMPACT OF COVID ON CRIME

The effects of the Covid pandemic on crime trends is more accurately a question of the effects of societal change, in response to the pandemic, on crime. Criminal elements adapt to their circumstances like everybody else and as such, local crime trends are heavily dependent on how society and individuals responded to the pandemic.

Studies from the early days of the pandemic in Sweden showed that assaults, pickpocketing and burglary dropped significantly, while robberies and crimes involving narcotics continued unchanged. As public life has declined, online-presence has increased both in private life and in work life. In response, so too has cybercrime. Criminal elements have taken advantage of the expansion of online income revenues. Interpol reported a 569 percent growth in malicious registrations, such as malware and phishing as well as a 788 percent growth in high-risk registrations, such as scams and domains with malicious links. McAfee estimate that the global cost of cybercrime was estimated to around \$1 trillion in 2020.

During the pandemic, criminal elements have been exploiting the elevated fears and anxieties found in many homes and workplaces. Criminal groups have not missed the opportunity to produce and sell fake PPE-equipment and pharmaceuticals. One European company purchased €6.6 million in face masks and hand sanitizer but nothing was ever delivered. Scams like this and other recorded crimes, can be avoided through robust due diligence, even in the face of emergency procurement requirements.

Looking ahead we expect vaccination scams to increase. During 2020, testing scams were frequent. There has been numerous reports of people selling phony testing kits and criminals getting access to individual's home by claiming to offer Covid-19 testing. The rollout of Covid vaccine programs have created even more opportunities for criminals to find new income generation streams. Companies should avoid purchasing vaccines outside of the local vaccination program and only conduct business with trusted actors that have been thoroughly vetted by a trusted security and risk company.



**CRIME IN EUROPE
AND THE IMPACTS ON
SWEDISH COMPANIES**

CRIME TRENDS IN LONDON

Data from the last few years indicates a dramatic rise in criminal activity against high-value assets in London. Not only is the impact of these crimes a direct pain on a company's bottom line profits, they also risk their stolen assets being used in further criminal activities.

The rate of violent crime in London continues to cause concern for private and government security and risk actors. During 2020, there were 220,352 recorded violent crimes in London alone. This was an increase of 70 percent compared to 2012, the year that violent crime rates started rising in London. Covid had only minor downward pressure on violent crime, showing a decrease of less than one percent between 2019 and 2020. Most of the crime is related to gang, drug, and organized crime, however the victims are often innocent people in the area. The Lord Mayor of London, Sadiq Khan has repeatedly expressed his concern about violent crime spiking even higher once current Covid movement restrictions are lifted. Part of the recent increase in violent crime has been related to the closure of many bars in London due to Covid restrictions, and drug dealers being forced to find new areas to deal, and thus clash with other drug dealers. Many illegal street parties – often in ethnically diverse areas - have been organized by crime groups in an attempt to create demand for their “party” drugs, and when police have attended these parties to enforce Covid restrictions, tensions between black communities and police have resurfaced, further fueling another social tension in the UK. The anti-police and anti-government movements in the UK have further emboldened some crime gangs to operate more openly as police become more cautious about intervention. Crime groups were also able to illegally obtain fake or stolen identification documents enabling them to maintain mobility even during the lockdowns on the UK.

The economic pain of 2020 has increased youth dissatisfaction and created a prime recruiting ground for criminal organisations. Unable to pay for basic necessities, or drugs, many unemployed, socially marginalized, and vulnerable groups have resorted to

theft, burglary, and other people and property crimes to finance their wants. Businesses and travellers should be concerned about crime as lockdowns ease and travel increases faster than economic conditions improve for marginal groups in society. Long-term unemployment, social dissatisfaction, civil unrest, street crimes, organized criminal activities against businesses, and counter terrorism requirements will put pressure on police services beyond what they are able to meet, meaning companies with interests in the UK must maintain heightened resilience to crime and the risks to travelling employees.

The overall trend of violence against other people have been on the rise within London since 2014. London trends in violence have been follow a regular patten of spikes during the months of March, April and June. As Covid-19 has shown to have little mitigating effects on the levels of violence, we should not expect the situation to better in 2021. As the UK eases restrictions, bars open up and people start interacting in public again, we expect a rise in violent crime. By the end of the year

220352

violent crimes
in London
during 2020.



PHOTO: UNSPLASH/DAVID MAROU

between seven and half and ten percent of the adult population is expected to be unemployed.

The correlation between unemployment, especially long-term unemployment, and increased crime is well documented. Even if the market bounces back quickly in the post-pandemic era and unemployment decreases steadily, the increased unemployment of 2020 and 2021 will most certainly not have had positive effects on crime. Increased crime rates, be they violent crime or petty theft, is likely to have negative effects on businesses operating in London and employees travelling to London for work.

IMPACTS OF CRIME ON BUSINESS IN LONDON

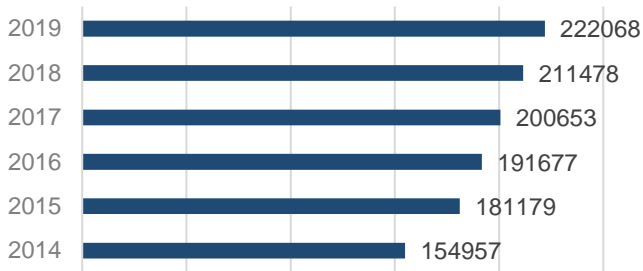
Crime has long been known to have spatial and temporal clusters, which is readily identifiable when combined with accurate data collection. With robust analysis, the design and allocation of crime prevention activities can be positively impactful. Crime clusters can however become unstable and move between locations, and regular police activities may only offer minimal disruption to crime. The need for dynamic police deployments means that static

businesses cannot rely on regular and close police presence to mitigate the risk of crime. 2Secure recommends conducting risk-terrain modelling for companies considering establishing fixed operations in new areas. By considering the impacts and locations of local train stations, motorways, parks, housing, bars, repeat-offence locations, and other criminogenic factors, we are able to provide detailed analysis on potential risk factors, vulnerabilities, and risk treatment solutions. If you already have operations within the United Kingdom, seek assistance mapping the prevalence and characteristics of crime in the geographic area you conduct business in order to identify and mitigate your most significant risks. Threats to businesses differ depending on where in the United Kingdom, or even London, your company has operations and what type of operations you conduct. Understand your particular risk landscape means you can take appropriate risk mitigation measures that correspond to the actual threats of your geographical location.

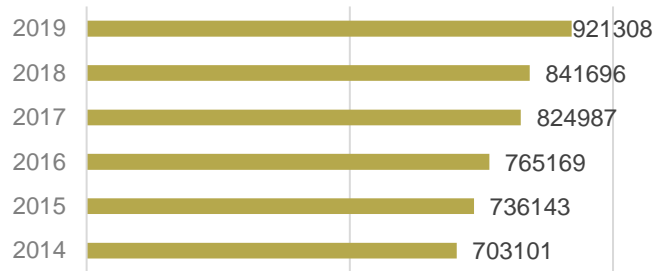
TECHNOLOGY, CRIME, AND ENTREPRENEURIALISM

In February, an Albanian man that had been deported from the UK on three occasions was eventually jailed in February for seven years for running a “Deliveroo style” cocaine delivery service. The 35 year old was supplying cocaine to wealthy communities since his release from prison in 2014 for drug dealing. With a network of couriers, false identities, accommodation, vehicles, and hidden phone numbers, he was able to deliver drugs in the same way as other businesses deliver pizzas. Because of the technology he employed, he was able to avoid detection even when the drug couriers were arrested and their phones confiscated by police.)

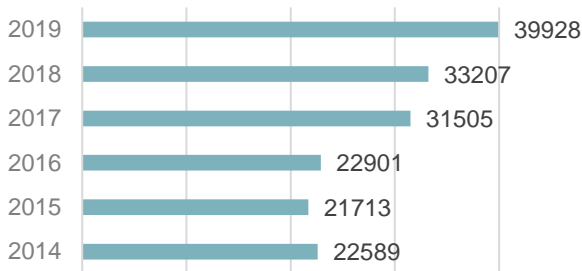
VIOLENCE AGAINST THE PERSON



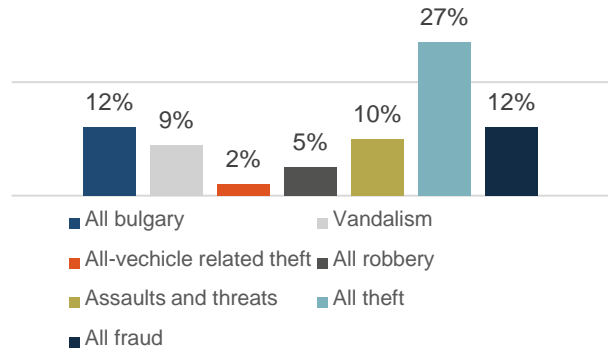
ALL OFFENCES



ROBBERIES



PROPORTION OF PREMISES EXPERIENCING CRIME



LIKELY IMPACTS ON SWEDISH COMPANIES WITH INTERESTS IN LONDON

The cost of crime to businesses can be high in London, especially for certain industries. Dependent on the crime, the location, and other priorities, police response may differ significantly. In 2019, the direct costs of crime to retail businesses within the United Kingdom increase by 28 percent, amounting to an estimated £900 million. Eighty percent of respondents rated the police’s response to retail crime as poor or very poor. This dynamic also explains the soaring expenses of crime prevention within the retail industry in the UK. For retailers conducting business in London, preventive measures are still key. With police response being less than satisfactory, the mitigation for losses as a result of customer theft, robberies and burglary is ensuring your business is less attractive a target than the others. We recommend retailers to establish and regularly review a loss prevention strategy that includes a focus on the crime most prevalent in your area. Theft prevention should include both discouraging and useful technical solutions such as CCTV but also training of employees to detect theft. However, internal theft often times accounts for almost as much shrinkage as external theft. Effective measures for reducing internal theft include CCTV, easy reporting routines and robust recruiting routines.

The high prevalence of violent crime in London cuts across businesses and Swedish companies with employees that travel to London. Visitors to London are more susceptible to crime as they unwittingly exposing themselves to threats in this big city. Furthermore, the impact of violent crime and the perceived risks by employees contributes to concerns and fears, even within areas with historically low crime rates. As the perceived safety and security decline, the requirement for visible and proactive activities by employers increases. Measures such as pre-departure security briefs and travel tracking for all employees travelling to London reassures employees that you take their security seriously, and ensures you are meeting your duty of care obligations. Real-time travel tracking has showed an indispensable tool in several incidents that 2Secure has managed in London and other highly-developed cities around the world. During the 2019 knife attack on London Bridge, 2Secure clients were swiftly identified, located, contacted and guided out of the area by our senior security consultants. The implementation of robust travel-risk mitigation measures ensure that proper responses are prepared even for more mundane hazards 24/7, including traffic accidents and illness.

THE FUTURE TRENDS

The dramatic increase in violent crimes across the London has led the UK police to look into emerging technologies to help anticipate and prevent violent crime. Data collection and AI are unsurprisingly leading the development, which the police hope will lead to identifying potential victims and potential offenders before the violent crime has been committed. Data analytics have long been used by police to more effectively predict the likely location of crimes, with police departments around the world using crime data including people's ages, incomes, and social security payments to predict where specific crimes are more likely to occur. Looking at data sets including the amount of crimes a person had previously committed, along with how many crimes people in their circle of contacts had committed, are some of the hundreds of indicators being considered by police and scientists. Clearly moving into an area of social sciences ahead of police jurisdiction, interventions would possibly be led by social workers and community outreach teams to provide support and preventative counselling to at risk individuals. The UK is not alone with the USA working on similar projects to harvest huge amounts of data with the purpose of preventing crime. The

USE SURVEILLANCE DRONES BY POLICE IN THE UK WIDESPREAD

Recently released freedom of information requests detail that police across the UK have been systematically using drone for monitoring of protests including Black Lives Matter movement, animal rights protests, and right-wing activities. The UK Government is expected to liberalise airspace regulations to enable government agencies and private companies to operate drones more freely across UK airspace. Whilst some groups are concerned about the perceived threat to their privacy and potential right to protest, some businesses and government agencies are hopeful about the potential opportunities a more open air-space and increased use of drones brings.)

ethical implications of intervening preemptively in a response to an algorithms assessment of a possible crime are significant, but as government financial deficits increase, and policing budgets shrink, there will be even great pressure on police services to increase preventative work, especially in high crime areas of London such as Westminster which is an area where inhabitants tend to be well off but crime is soaring due to tourism. Companies in some respects are ahead of the pack, already using big-data to predict customer purchasing habits, high traffic areas in shops, and facial recognition for high value purchases. It is common place for many companies in the UK to use facial recognition as part of the purchase process in order to avoid fraudulent transactions.

The rise in violent crime is not the only upwards trend observed in the UK. Across Europe, we have observed increased political and civil tension as well as disillusion towards democracy. As a sign of the problem, dissatisfaction with democracy spiked within the UK during 2019. The global response to the Covid pandemic has further fuelled anti-government protests, demonstrations and rioting in many previously peaceful European and UK cities. However tied to the pandemic these expressions of anger and distrust may be, they are motivated by the same underlying dynamics as much of protests and dissatisfaction was in the pre-pandemic days. Regardless of the evolution of Covid-related protests and civil unrest, other catalysts for societal disillusion including climate action, animal rights, nationalism remain key issues to monitor in the UK. Outlets of civil disaffection are increasingly targeting businesses, business leaders, and population centers such as London. We expect continued civil unrest over the UK and Europe over the medium term. Companies should review their operational risk mitigations and business continuity plans for resilience against negative effects on trade, supply chains, and access in London.



PHOTO: UNSPLASH/LUKE STACKPOOLE



PHOTO: UNSPLASH/LUKE STACKPOOLE

2SECURE

RECOMMENDS





1.

Conducting independent background checks of employees, consultants and service providers, especially those who hold high-risk positions and are not based within Sweden at HQ. 2Secure also recommends periodic follow up screening of employees and sub-contractors in positions with critical access to business sensitive information.

2.

Educating employees at all levels about security and risk management. This should be part of a greater effort of establishing and cultivating a rigid security and risk culture within the business. For this to be effective, employees must not only understand what to do, but also why it is important and how it improves their safety and security.

3.


Conducting a comprehensive review of the risk landscape for companies considering establishing operations in new areas. This should include a review of historical data on threats in the area as well as conducting risk-terrain modelling and risk forecasting.

4.

All staff receive pre-travel destination and security briefs as well as real-time travel tracking when employees embark on business related travel. Experience tells us that a prepared and well-informed traveller are less exposed to risks and feels more favourable towards their employer. The use of real-time travel tracking has proven to be an invaluable tool when an incident occurs, be it a traffic incident or a terror attack.

5.

Establish system or partnership for identification and monitoring of societal tensions, escalation triggers, and the potential effects on your business.



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