

# Summary

Risk analysis of organised crime

Creation of a toolbox and its application in the area of ICT developments

## 1. Introduction

Developments in society may bring about changes in organised crime, which in turn may have undesired effects. The sooner the police and other authorities implement measures or prepare themselves to combat these changes, the more effective they will prove. Insight into these changes, the probability and undesired effects of them are preconditions for this early form of crime control. The risk analysis toolbox is suitable for this task, but requires further elaboration.

This thesis comprises two components. The first is a toolbox for risk analysis. This toolbox is primarily intended to furnish insight to enable the timely control of organised crime. The second component is an analysis of the risks of changes occurring in organised crime as a consequence of information & communications technology (ICT) developments (see Figure S.1). The underlying objective is to gain experience of the application of the toolbox. The definition of the problem is as follows:

1. How might one analyse the risks of changes occurring in organised crime as a consequence of developments within society?
2. What are the risks of changes in organised crime ensuing from ICT developments?

Component	Part	Element	
1 Risk analysis toolbox	1.1	Risk analysis for the timely control of organised crime	
	1.2	Conceptual model of organised crime	
	1.3 Framework for analysis of organised crime	1.3.1	Typology of changes
		1.3.2	Risk factors for probability assessment
1.3.3		Basic principles for the assessment of undesired effects and description of some effects	
2 Risk analysis of changes in organised crime as a result of ICT developments	2.1	Analysis of ICT developments	
	2.2	Identified threats and their assessment	

Figure S.1 Structure of the thesis

## **2. Risk analysis toolbox**

The toolbox developed consists of three parts. The *first* part concerns the elaboration of risk analysis for timely crime control. Risk analysis is a specialised form of policy and crime analysis. Three components of a risk are identified, namely threat, probability and undesired effects.

The *second* part conceptualises the term ‘organised crime’. The definition is as follows:

*Organised crime is the execution of illicit wholesale activities in one or more criminal markets by an illicit wholesale enterprise.*

Illicit wholesale enterprises exist to earn money from the trade in illicit products. A wholesaler does not manufacture products itself, nor does it sell to end users. In addition to buying and selling, the wholesale enterprise may focus on the sorting, storage, transportation and financing of the products. Other functions may be the taking of risks for the suppliers and customers and accumulating market data. These are its core business. The core business requires support activities, such as forging identity documents and protection activities. The core and support activities are collectively called ‘illicit wholesaling operations’. These result in the involvement of suppliers, customers and supporters. Although this involvement is instrumental, it does not constitute part of the illicit wholesale activities. The trade in illicit products occurs in criminal markets, where a wide range of parties operates.

The third part is an analysis framework for converting developments in society into changes in organised crime and assessing the probability and undesired effects of the changes. One underlying assumption is that the opportunity theory will prove suitable for this purpose. A development in society may, after all, influence one or more opportunity factors and thus bring about a change in organised crime. The degree of influence exerted determines the probability thereof. Opportunity factors for organised crime are: illicit wholesale merchandise, illicit wholesale enterprise, social control and location. Three relevant sorts of changes have been identified, namely in illicit wholesale merchandise, wholesale enterprises and business operations. This typology enables us to closely examine a development and identify threats. Risk factors have also been specified with a view to assessing probability. These were derived from the opportunity factors. Basic analytical principles have been specified for the assessment of the undesired effects. A few of the undesired effects have been described on the basis of the policy documents and literature studied.

## **3. Risks of changes occurring in organised crime as a consequence of ICT developments**

During the past few years, ICT has developed rapidly. This has invariably involved an interaction between ICT innovation and all sorts of societal changes, collectively referred to as ‘ICT developments’. These have four, partially overlapping characteristics. The first is that ICT is a major consumer & capital good. A secondary, contributory, characteristic is that information is a major consumer good and an important production factor. A third characteristic is the existence of virtual space as a result of the global interfacing of networks. And finally, the fourth characteristic is the emergence of the ICT sector and ICT experts. For the legal business community, ICT developments have led to innovation, increased flexibility and reduced transaction costs. Furthermore, they have an influence on mutual competition

while reducing the disadvantages of network organisations. This can bring about increased productivity and strengthen the competitiveness of individual businesses, but it may also lead to a reduction in the overall profitability of the business sector. These changes for the legal business community are subject to compliance with a number of preconditions, which is not always the case as yet. Moreover, besides offering countless opportunities, ICT, information and virtual space also have their limitations and also raise quite a number of issues for social control.

The application of the framework for analysis in combination with the aforementioned characteristics results in seven threats (see Figure S.2).

- 
1. Illicit ICT as wholesale merchandise
  2. Utilisation of ICT in illicit business operations
  3. Illicit information as wholesale merchandise
  4. Increasing use of information in illicit business operations
  5. Virtual illicit wholesale enterprises
  6. Conversion from conventional to virtual illicit business operations
  7. Abuse of the ICT sector & experts for illicit business operations
- 

Figure S.2 List of identified threats

In contrast to the legitimate business community, innovation, increased flexibility and reduced transaction costs are unlikely to occur in criminal markets and enterprises. Nor are they inclined to experience increased productivity and competitiveness. The main reasons for this lie in the characteristics of criminal markets, the bottlenecks encountered in operating illicitly, the lack of incentives to make (innovative) changes, failure to meet the preconditions for innovation and the profiles of criminal entrepreneurs. The threat of ‘illicit ICT as wholesale merchandise’ was the only one to be considered a real possibility, while the others were regarded unlikely. Apart from those listed above, the main reasons for this conclusion are that the forms of illicit information and copied software are not a suitable wholesale commodity and that the disadvantages of illicit business operations far outweigh the benefits to be gained. The virtual space is at the same time not a suitable market place for illicit products. A few exceptions to the rule were nevertheless identified, which entail a higher degree of probability at a lower level of abstraction. This applies to: a) the utilisation of ICT for communications, administration and protection, b) stolen and counterfeited physical audio and video as wholesale merchandise, c) the use of the virtual space as source of information, d) the conversion to virtual illicit business operations for the purpose of communication and e) the unconscious involvement by the ICT sector & experts. A few aspects were also listed, which require further attention, in the form of a risk analysis for instance.

The general impression is that ICT developments hardly, if at all, lead to changes in illicit wholesale merchandise, wholesale enterprises and their business operations. Were the changes to become manifest, however, the undesired effects would be relatively innocuous. After all, at the heart of the matter, the differences between illicit ICT and information and conventional merchandise are not so significant that they would cause other undesired effects. Nor, on the other hand, are the undesired effects of a virtual illicit wholesale enterprise significantly different to those of a conventional one. Neither do innovations in business operations lead to significant operational changes nor in fact to different undesired effects.

#### **4. Experience gained in the application of the toolbox**

The concept of organised crime as a system of illicit wholesale enterprises and the framework for analysis, which are two crucial parts of the toolbox developed, can be used to perform a risk analysis. The framework for analysis forces one to pose the question what sorts of changes are likely to ensue from each characteristic of a development. This greatly benefits the precision and completeness of the study, while also providing a guideline for the definition of the level of abstraction. The established risk factors call for explicit arguments, as does the framework for the assessment of the undesired effects. The framework for analysis is also more broadly applicable to other developments taking place in society and, for instance, for the assessment of new government policy in terms of the consequences for crime control. The experience gained in applying the toolbox to the ICT developments has therefore proved beneficial.

The toolbox does have its limitations, however. Additional research and further elaboration is therefore required to alleviate these limitations. A few suggestions for improvements have been formulated. Several subjects have also been identified as suitable for further scientific research and discussion.