



Uachtaránacht na hÉireann ar  
Chomhairle an Aontais Eorpaigh  
Irish Presidency of the Council  
of the European Union  
[eu2013.ie](http://eu2013.ie)



OIFIG AN AIRE DLÍ AGUS CIRT AGUS COMHIONANNAIS  
OFFICE OF THE MINISTER FOR JUSTICE AND EQUALITY

## **Informal Justice and Home Affairs Ministers' Meeting**

**Dublin 17 - 18 January 2013**

**Discussion Paper – Session III (Home Affairs)**

### ***Links between internal security and economic growth***

#### **Introduction**

There are clear links between a robust, thriving economy and confidence in the internal security arrangements of the EU and its Member States. Where criminal or terrorist groups are seen, or perceived, to operate without an effective law enforcement response, economic recovery or growth are likely to be adversely affected. The result is a spiral in which the lack of confidence in the institutions of the Union impacts negatively on the economy which in turn may lead to more involvement by criminal groups.

Criminal groups will seek to exploit any opportunity to enrich themselves at the expense of the state and its citizens. In periods of economic downturn such groups enter the market to offer an alternative to the legitimate economy based, amongst other things, on the sale of counterfeit or stolen goods or by evading the payment of taxes and customs duties. Unemployment drives people towards the black economy as their purchasing power is reduced.

Furthermore, as criminal groups increase their wealth through illegal activities, others, including terrorist groups, may recognise the opportunity to increase their own funding. They may do this through levying 'contributions' for not interfering in the former's revenue generating activities. Thus, the illegal economy mirrors the legitimate economy while actively undermining it.

In some circumstances those involved in this black economy can use their economic strength to access the legal economy by creating markets and networks that are either partly or fully legal. The impact of this is to undermine democracy, rule of law and the economy.

Countering the efforts of these groups to penetrate the legitimate economy is essential to stimulate and protect economic growth. There must be resolute targeting of criminal activities in all their forms to build and maintain confidence in the ability of the state to offer a safe and secure environment for legitimate economic activity. Seizing and confiscating counterfeit goods, targeting and seizing criminal assets are key elements in preventing the legitimate economy from being undermined by criminal groups.

The current economic crisis has increased perceived vulnerabilities of sections of society and the economy to penetration by organised criminal groups. It can also expose the political system to corrupt practices at significant cost to the Union, its Member States and citizens.

Crime is driven by enormous profits. For example, the United Nations Office on Drugs and Crime (UNODC) estimates that all criminal proceeds are likely to have amounted to some 3.6% of global GDP or around US\$2.1 trillion in 2009. In turn the money earned by crime penetrates the legal economy and distorts it. The widespread circulation of counterfeit goods damages consumer confidence and distorts competition viz-a-viz legitimate manufacturers and sellers. Various frauds and smuggling activities lead to significant revenue losses to the governments of the EU Member States at a time when the need for a stable revenue and tax base is paramount.

The challenge for the EU is to break out of the cycle whereby the economic downturn presents opportunities for organised crime groups which in turn hampers economic recovery. We should consider ways in which internal security, through its policies, instruments and operations will not only fight the negative effects of the economic crisis, but also actively support and contribute towards economic recovery and growth.

### **How internal security can contribute towards economic recovery and growth**

Internal security and related policies can facilitate economic recovery and growth in various ways.

Firstly, internal security policies can support recovery by reducing the opportunities for the legitimate economy to be subverted by the black economy. Serious and organised crime deprives Member States and the EU budget of vital tax revenue while at the same time exposing the financial system to penetration by the proceeds of crime. A 2011 report from UNODC concludes that criminals may have laundered around \$1,600 billion in 2009 (2.7% of global GDP (gross domestic product)) one fifth of which came from the illicit drugs trade while all criminal activities, excluding tax evasion, would have amounted to some \$2,100 billion (3.6% of global GDP). Law enforcement can contribute to healthy and stable growth in Europe by protecting the legitimate economy from penetration by criminal groups and their illegal assets.

Some examples of the EU response to this effect are the proposals for a Directive on the freezing and confiscation of the proceeds of crime in the European Union, the proposed anti money laundering Directive, and the Directive on the protection of the financial interests of the EU, as well as the Anti-corruption package including the EU anti-corruption monitoring mechanism.

Secondly, one of the main goals of internal security policies is creating a stable and safe environment in which legitimate business can operate. Serious and organised crime has a negative overall impact on the economy and society at large. Cyberspace is a case in point. The cost of cybercrime (e.g. malicious viruses) is said to reach billions of euro. It also reduces confidence and trust in new internet-based banking systems and services thus keeping costs high and stifling further development in this crucial area of commerce. Tackling this menace will help economic recovery by creating a safe environment for business to flourish and for consumers to accept and adopt new practices.

Thirdly, criminal profits can infiltrate the legitimate economy and seriously destabilise it. At present only approximately one per cent of global illicit financial flows are seized and frozen. Positive action is needed to trace and seize such assets.

Some examples of EU level initiatives aimed at supporting and implementing this goal include the administrative approach providing opportunities for early detection of efforts to infiltrate the legitimate economy, the proposal for a Directive on the freezing and confiscation of proceeds of crime in the EU and the Communication on the European Information Exchange Model (EIXM). A more efficient use of existing tools, such as the Prüm Decision or the so-called Swedish initiative<sup>1</sup>, would further enhance data exchange between the competent authorities of the Member States supporting the tracing of criminal assets.

Finally, serious and organised crime is becoming more sophisticated and specialised and it adapts more readily to changing environments. This is an increasing challenge for law enforcement. Common efforts to fight crime through improved cooperation are essential to avoid unnecessary and

---

<sup>1</sup> Council Framework Decision 2006/960/JHA

expensive duplication by Member States' authorities acting alone. Thus, the proposed reforms of Europol and CEPOL (aiming to achieve further operational effectiveness together with the European Training Scheme), the creation of the EU Cybercrime Centre, the recent reform of Frontex, and the creation of EU standards for threat and risk analysis will improve cooperation mechanisms.

Europol, Frontex, CEPOL and Eurojust possess the knowledge and experience to more effectively facilitate cooperation and to support operational activities in the Member States. The Policy Cycle on Serious and Organised Crime leads to a more coordinated and efficient fight against the priority threats at the EU level.

All the activities, policies and tools listed above as the EU response also contribute towards the different objectives of the Internal Security Strategy (ISS).

### **Discussion points**

Ministers are requested to consider the following issues:

- What are the greatest threats (direct or indirect) posed for internal security by the current economic downturn?
- What immediate, medium term and long term actions should the EU take to address these threats?
- In what ways, other than those already identified above, can actions related to improving internal security contribute to fostering economic recovery and growth?